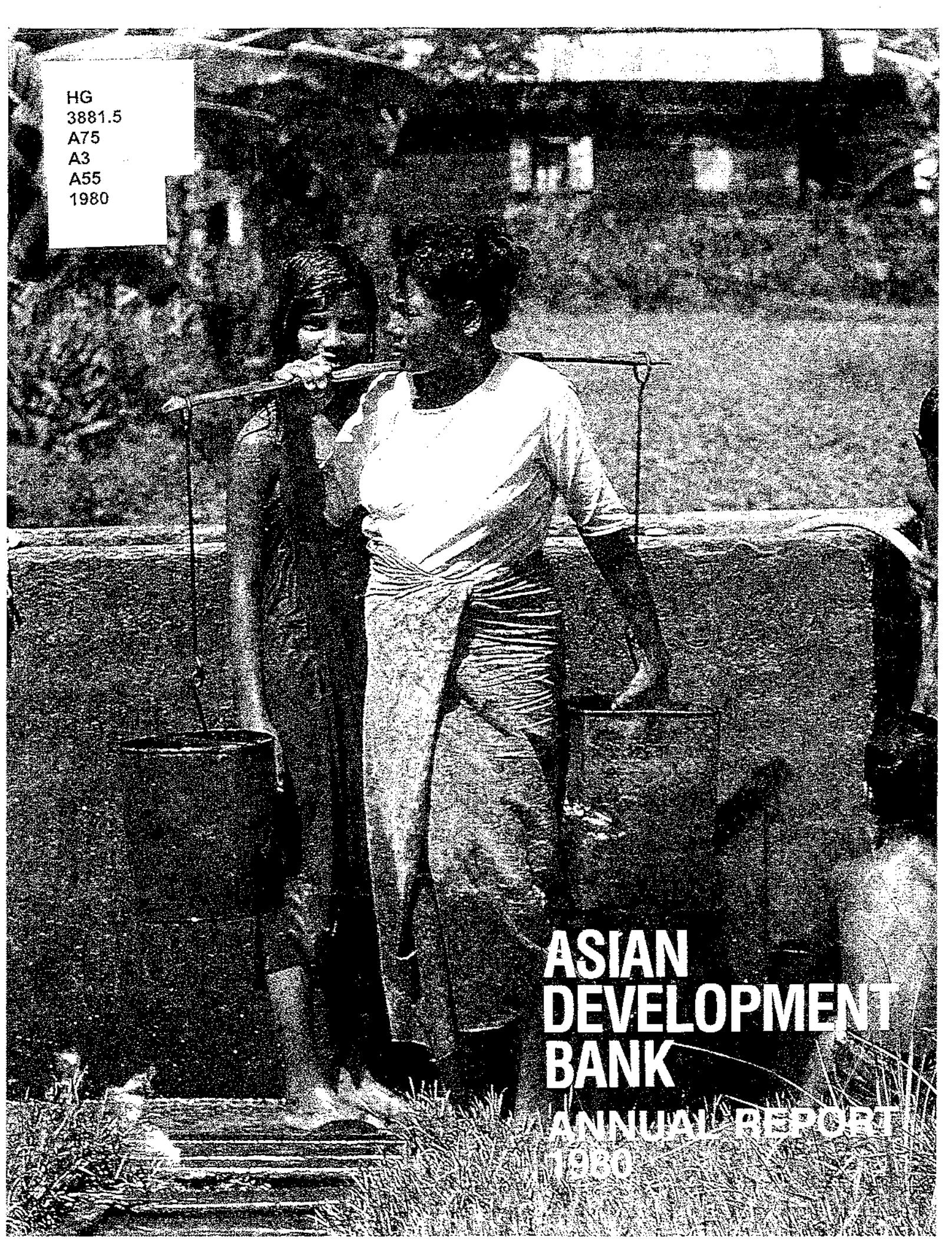
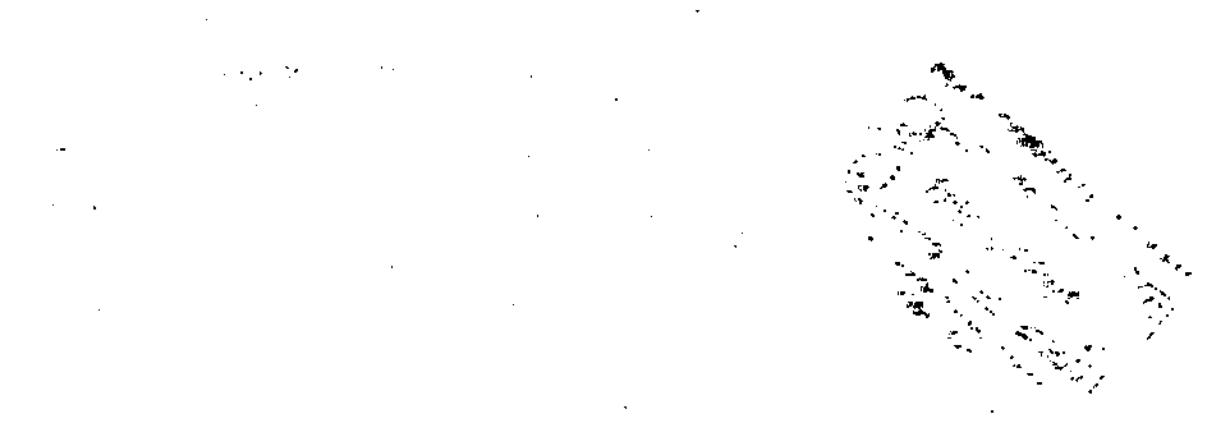


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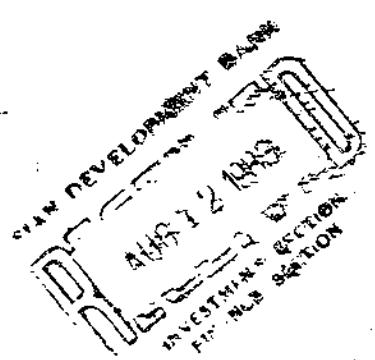


**ASIAN
DEVELOPMENT
BANK**
ANNUAL REPORT
1980



ASIAN DEVELOPMENT BANK
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WATER — A VERY BASIC HUMAN NEED: Millions of people face difficulties obtaining fresh water for domestic purposes like drinking, cooking and washing, as illustrated by a typical village well scene in Burma (Front Cover). The Bank has supported water supply development in Burma with loans for the Rangoon Water Supply Project and technical assistance grants to the Rangoon and Mandalay Water Supply Projects. The supply of water to the Agriculture sector through improved irrigation is also an important feature of Bank lending. Under the Agricultural Credit Project in Bangladesh, for example, about 14,000 poor farm families will benefit from improved farm-level irrigation facilities through the provision of shallow tubewells and pumps (Back Cover).



ASIAN DEVELOPMENT BANK ANNUAL REPORT 1980

Board of Directors

President and Chairman of the Board of Directors

Taroichi Yoshida

| Directors | Alternate Directors |
|---------------------|----------------------------|
| A. J. Barry | Dag Larsson |
| Rosario Bonavoglia | Max Gertsch |
| N. W. Davey | Peter H. Hodge |
| Lester E. Edmond | Jon M. Gaaserud |
| Rainer Goerdeler | David L. Stanton |
| R. A. Kartadjoemena | Cliff F. Sproule |
| Bong H. Kay | John Natera |
| Le Duc Van | F.M. Tarin |
| A. Melchor, Jr. | N.M. Qureshi |
| Genji Nozaki | Takashi Taniguchi |
| Y. T. Shah | K. Mahmood |
| Yeo Teng Yang | Khalil Hassan |

ASIAN DEVELOPMENT BANK
Manila

Office of the President

19 March 1981

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 1980, which has been prepared under the direction of the Board of Directors. The Annual Report also includes a separate report on the activities of the Special Funds of the Bank and the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



TAROICHI YOSHIDA
President and
Chairman of the Board
of Directors

Chairman
Board of Governors
Asian Development Bank



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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 the 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 Appendix I-VIII, Notes to Financial Statements of Ordinary Capital Resources.

THE RECORD

(i)

(amounts in \$ million)

| | 1967-1971 | 1972-1976 | 1976 | 1977 | 1978 | 1979 | 1980 | 1967-1980 ^a |
|---|-----------|-----------|------------------|---------|--------------------|--------------------|----------------------|------------------------|
| OPERATIONAL ACTIVITIES | | | | | | | | |
| Loan Approvals | | | | | | | | |
| Number of Projects ^b | 83 | 168 | 34 | 41 | 51 | 54 | 58 | 455 |
| Amount of Loans ^c | 639.4 | 2,721.5 | 775.9 | 886.4 | 1,158.7 | 1,251.6 | 1,435.7 | 8,093.3 |
| Ordinary Loans | | | | | | | | |
| Number of Loans | 59 | 115 | 21 | 24 | 31 | 29 | 29 | 287 |
| Amount of Loans ^c | 532.2 | 1,934.0 | 540.0 | 614.6 | 778.2 | 835.2 | 958.5 | 5,652.7 |
| Disbursements | 68 | 879 | 263 | 273 | 295 | 361 | 428.7 | 2,304.7 |
| Special Funds Loans | | | | | | | | |
| Number of Loans | 28 | 89 | 16 | 21 | 22 | 29 | 30 | 219 |
| Amount of Loans | 107.2 | 787.5 | 235.9 | 271.8 | 380.5 | 416.3 | 477.2 | 2,440.6 |
| Disbursements | 7 | 204 | 63 | 84 | 167 | 125 | 150.3 | 737.7 |
| Technical Assistance (Grants) ^d | | | | | | | | |
| Number of Projects | 55 | 119 | 24 | 42 | 47 | 57 ^e | 56 | 376 |
| Amount of Grants | 8.0 | 20.3 | 4.6 | 7.2 | 11.1 | 13.9 ^e | 14.2 | 75.2 ^f |
| Regional Activities (Grants) ^d | | | | | | | | |
| Number of Projects | 11 | 25 | 6 | 7 | 11 | 6 | 15 | 75 |
| Amount of Grants | 4.1 | 2.4 | 0.9 ^g | 0.9 | 0.9 | 1.0 | 1.6 | 10.8 |
| RESOURCES AND FINANCES | | | | | | | | |
| Authorized Capital (at end of period) | | | | | | | | |
| In terms of current US dollar | 1,327 | 3,707 | 3,707 | 8,711 | 9,407 ^h | 9,512 ^h | 9,209 ^h | — |
| (In terms of 1966 US dollar) | (1,100) | (3,073) | (3,073) | (7,221) | (7,221) | (7,221) | (7,221) | — |
| Subscribed Capital (at end of period) | | | | | | | | |
| In terms of current US dollar | 1,213 | 3,688 | 3,688 | 6,961 | 8,741 ^h | 8,861 ^h | 8,828 ^h | — |
| (In terms of 1966 US dollar) | (1,005) | (3,057) | (3,057) | (5,770) | (6,709) | (6,727) | (6,922) | — |
| Borrowings (gross) ⁱ | | | | | | | | |
| | 160 | 983 | 529 | 117 | 390 | 348 | 458 | 2,455 |
| Outstanding Debt (at end of period) | | | | | | | | |
| | 159 | 1,084 | 1,084 | 1,205 | 1,610 | 1,777 | 1,872 | — |
| Ordinary Reserve (at end of period) | | | | | | | | |
| | 20.0 | 101.6 | 101.6 | 142.2 | 196.8 | 298.8 | 391.2 | — |
| Special Reserve (at end of period) | | | | | | | | |
| | 1.0 | 18.7 | 18.7 | 28.8 | 42.5 | 59.3 | 78.6 | — |
| Gross Income | | | | | | | | |
| | 71.3 | 346.7 | 128.3 | 168.6 | 213.2 | 260.8 | 309.6 | — |
| Net Income after Appropriation of Commission to Special Reserve | | | | | | | | |
| | 37.0 | 118.4 | 40.6 | 72.4 | 106.4 | 83.0 | 131.8 | — |
| Special Funds Resources (at end of period) ^j | | | | | | | | |
| | 192.5 | 931.9 | 931.9 | 1,285.2 | 1,846.7 | 2,065.4 | 2,916.1 ^k | — |
| Member Countries (at end of period) | | | | | | | | |
| | 36 | 42 | 42 | 42 | 43 | 43 | 43 | — |
| Professional Staff (at end of period) | | | | | | | | |
| | 191 | 288 | 288 | 304 | 334 | 360 | 416 | — |

a Cumulative amounts in last column may not tally due to rounding.

b Projects financed from both Ordinary Capital Resources and Special Funds are counted only once; excludes on-going projects for which supplementary loans to meet cost overruns were approved during the year.

c Includes refinanced amounts of technical assistance loans.

d Includes projects financed from sources outside the Bank, mainly UNDP, EEC and Switzerland; Technical Assistance financed on loan basis are included under loans.

e Original total approvals was \$14.1 million for 59 projects; figures are adjusted to exclude two projects, namely, Smallholders Dairy Development, Malaysia (\$150,000) and Forestry Development, Fiji (\$99,000) which were withdrawn in 1980.

f Cumulative total adjusted to include subsequent additional financing of projects, namely, Jute Seed Project (\$154,943), Agriculture Credit (\$60,500), both in Bangladesh; Forestry Development Project (\$181,497), Lao People's Democratic Republic; Mughat Hydropower Project (\$270,000), Nepal, all financed by UNDP; and Lungga Hydropower Project (\$2,624) Solomon Islands; Bank financing.

g Original total was \$985,000, of which \$91,000 for updating the Asian Agricultural Survey (Phase II) was reallocated in 1977.

h For purposes of the financial statements, capital stock amounts for 1978-1980 have been valued in terms of the SDR, at the value in current United States dollars as computed by IMF. As of 31 December 1980, the SDR was valued at \$1.27541.

i Gross contracted borrowings converted in US dollars at exchange rates prevailing at the end of the year of each borrowing. Of the 1980 borrowings, one borrowing in the amount of \$57 million equivalent was signed in February 1981.

j Comprises contributions available for loan commitments, resources set aside from capital, net income (expense) and other credit of the Agricultural Special Fund (prior to 1973), the Multi-Purpose Special Fund (prior to 1980) and the Asian Development Fund (after 1973), but excludes resources of the Technical Assistance Special Fund.

k Commitments from these resources, after allowing for exchange rate adjustments, cancellations and repayments, totalled \$2,476 million as of 31 December 1980.

THE BANK IN 1980

DURING 1980, the Bank once again expanded its lending and technical assistance activities and further strengthened its developmental role in the Asian and Pacific region.

The Bank continued to accord high priority to agriculture and energy development. It also paid special attention to meeting the basic human needs of the poor in its developing member countries (DMCs). Co-financing and technical assistance were also maintained at a high level.

Bank lending during the year reached \$1,436 million compared with \$1,252 million in 1979 and \$660 million in 1975. Total disbursements amounted to \$579 million during the year compared with \$486 million in 1979 and \$362 million in 1975. The average size of loans rose from \$21.6 million in 1979 to \$24.3 million in 1980.

Reflecting the Bank's concern for the basic needs of the poor, 33 loans totalling \$696 million were made to improve farm output, education, health, sanitation and water supply. During the year, the Bank approved its first two sector loans. This type of lending is designed to facilitate quicker transfer of resources, increase the absorptive capacity of DMCs and strengthen institution-building. The Bank also undertook a Regional Energy Survey which will help it determine country priorities and plan its lending and technical assistance for energy development. Moreover, co-financing of \$16.3 million was arranged with commercial banks for two power projects in Republic of Korea and Thailand.

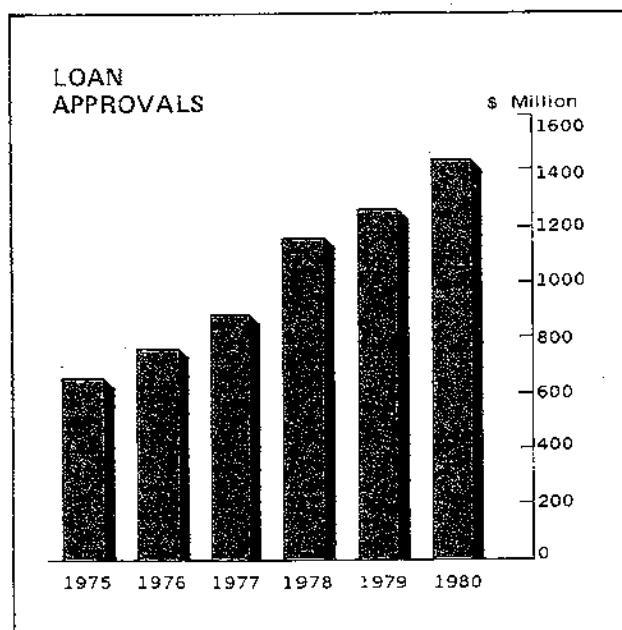
During the year, the Bank started a review of its future resource requirements with a view to determining the appropriate quantum of increase in its capital stock through a Third General Capital Increase and of the Third Replenishment of the Asian Development Fund (ADF) — the Bank's soft loan window — covering the period beyond 1982. The Bank also undertook seven borrowings, amounting to the equivalent of \$457.8 million, in the world's major capital markets.

LENDING ACTIVITIES: During the year, the Bank approved 59 loans for 58 projects in 17 DMCs, compared with 58 loans for 54¹ projects in 18 DMCs in 1979. Loans from or-

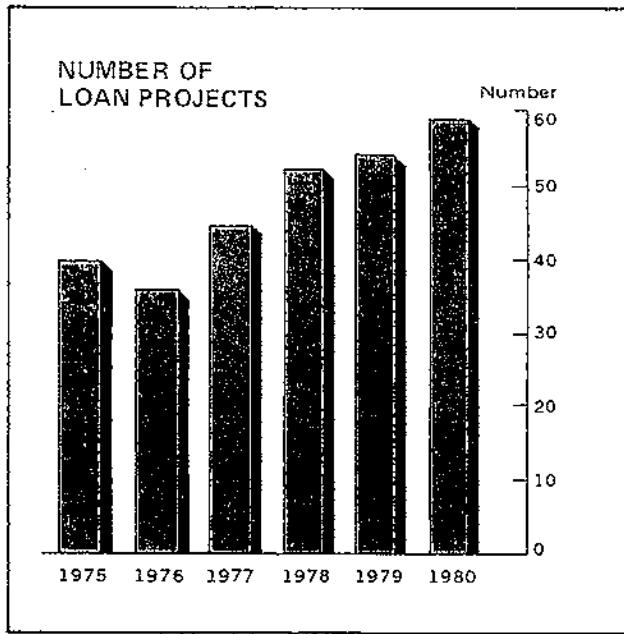
dinary capital resources (OCR) in 1980 amounted to about \$958 million, an increase of 14.8 per cent over the corresponding figure of \$835 million in 1979, while loans from Special Funds (SF), amounting to \$477 million, showed almost the same percentage increase over the 1979 concessional lending figure of \$416 million.

In 1980, 88 per cent of SF loans were to DMCs which had a per capita GNP of less than \$300 in 1979, and 33 loans — representing 64 per cent of all concessional lending and 41 per cent of OCR lending during the year — were specifically oriented towards benefitting the poor, particularly in the provision of basic human needs.

The total cost of projects approved for Bank financing in 1980, excluding six development finance institution (DFI) projects, two sector loans and two program loans, was estimated at \$3,561 million, of which about 33.4 per cent was met by direct Bank financing. On the basis of the Bank's past experience, it is estimated that the total cost of

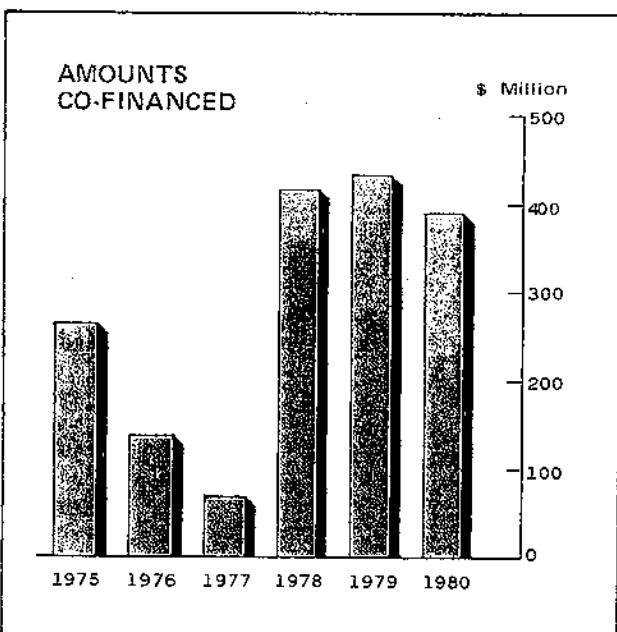


¹ Excludes three on-going projects for which supplementary loans to meet cost overruns were approved.



the subloan projects to be financed by the six DFI loans will be about \$530 million. The projects and programs to be financed by the sector and program loans will involve an estimated total investment cost of \$192 million.

During the year, 22 Bank-financed projects involved co-financing, with funds contributed by co-financiers amounting to \$391 million and those by the Bank to \$600 million. This compares with 24 projects co-financed in 1979 for which co-financiers contributed \$431 million and the Bank \$723 million. As in the past, the bulk of the Bank's co-financing in 1980 was with official sources, both bilateral and multilateral, which together contributed \$343 million or 88 per cent of the total. In addition, four projects amounting to \$62 million were processed by the Bank during the year for exclusive financing by other sources.



LENDING BY SECTOR: In view of the importance of agriculture and rural development in regional socio-economic growth, particularly in the low-income DMCs, the Agriculture and Agro-Industry sector once again received high priority in Bank lending activities in 1980. The second major sectoral focus was on the development of the Energy sector, particularly on the increased utilization of indigenous energy resources. Bank lending to these two sectors has steadily risen in recent years, both in terms of amounts and as shares of total lending (see Graph on page 34). Another important area of activity was the development of social infrastructure such as potable water, urban development, health care and education.

Bank lending during the year generally followed this broad sectoral strategy, with 32.6 per cent of total lending for the year going to the Agriculture and Agro-Industry sector, compared with 32.9 per cent in 1979. The Energy sector received 26.6 per cent of total lending during 1980, compared with 26 per cent in 1979. Bank lending for energy was mainly channelled into the development of indigenous energy resources such as hydropower, natural gas and lignite, the improvement of load despatch capacity and rural electrification.

Social infrastructure projects accounted for 15.9 per cent of the year's lending, compared with 19.3 per cent in 1979, for the development of such facilities as public health, rural water supply, sewerage, vocational education and training, and urban housing; 15.6 per cent went to the Transport and Communications sector (9.2 per cent in 1979) and the remaining 9.3 per cent to Industry and Non-Fuel Minerals and Development Banks, compared with 12.6 per cent in the previous year.

Agriculture and Agro-Industry: The Bank continued to increase the volume of its lending to this sector (which covers irrigation and rural development, fisheries, livestock, agricultural credit and support services, forestry, fertilizer and agro-processing) in 1980. In doing so, the Bank aimed at alleviating the widespread underemployment and unemployment and poverty among rural populations, the unsatisfactory performance of agricultural production and distribution systems, inadequate implementation capacities at both government and grassroots levels, and continuing neglect of certain vital eco-systems in many of its DMCs.

The Bank adopted a new policy framework for Bank Operations in the Agriculture Sector in the South Pacific, and formulated guidelines on Logical Framework Planning and Project Benefit Monitoring and Evaluation. It also continued to encourage diversified cropping and paid special attention to strengthening rural institutions and to ensuring increased participation of small-scale farmers and landless workers in Bank-assisted projects. In addition to its own lending and technical assistance activities, the Bank also processed several loans for exclusive financing by other aid agencies.

During the year, Bank lending to this sector amounted to \$468 million for 22 projects, compared with \$412 million for 21 projects in 1979. Technical assistance amounted to \$9.8 million for 30 projects, compared with \$7.7 million for 30 projects in 1979. Cumulative lending to this sector at the end of 1980 amounted to \$2,264 million for 152 projects, while technical assistance amounted to \$41.6 million for 188 projects.

Energy: Recent steep increases in petroleum prices and the continuing uncertainty of its worldwide supply have adversely affected the economies of many DMCs, the majority of which are dependent on oil-derived energy for 75 per cent of their commercial needs.

The Bank and its DMCs have long recognized the key role that energy plays in social and economic development. For this reason, the Bank has given special support to the construction of hydroelectric power plants, gas field development, gas pipelines, geothermal power units, rural electrification systems and other projects directed at increasing the DMCs' indigenous energy supply and assisting them to formulate policies and programs which are conducive to efficient use and conservation of energy.

The Bank also undertook a Regional Energy Survey in 1980 which focused on such issues as the availability of and demand for specific energy resources, the implications of increasing energy costs for economic growth, investment needs, and institutional and policy matters.

Bank loans to the Energy sector in 1980 amounted to \$382 million for nine projects — five for energy utilization and four for energy-resource development — compared with \$325 million for 10 projects in 1979. Cumulative Energy sector lending at the end of the year amounted to \$1,963 million, comprising 83 projects.

Industry and Non-Fuel Minerals: Industrialization can play a major role in accelerating economic development in the Bank's DMCs by helping improve balance of payments through import substitution and/or export diversification, and generating greater employment opportunities. The Bank's strategy is to help DMCs develop their basic industries by direct lending for large-scale projects and by indirect lending through development banks which are involved in the promotion of small and medium-scale industries.

Higher imported fuel costs have encouraged many DMCs to intensify the search for untapped mineral resources which could save and earn foreign exchange, and the Bank helps its DMCs carry out geological surveys to seek out and prove these resources with a view to facilitating their systematic exploitation. In 1980, the Bank approved a concessional loan of \$6.2 million for a Geological Survey in Bangladesh, and extended six technical assistance grants amounting to \$939,000 for non-fuel mineral development: one each in Burma, Indonesia, Philippines and Thailand, and two in Sri Lanka.

Development Banks: Bank loans to DFIs enable the dispersal of medium and long-term funds to smaller projects and enterprises beyond the reach of direct Bank assistance. Such credits also serve to strengthen the financial and institutional capabilities of the DFIs themselves, thus making them more effective instruments for the mobilization of domestic and foreign resources.

During the year, the Bank made six loans to DFIs, amounting to \$127 million. These credits ranged from two \$40 million loans to DFIs in Pakistan and Republic of Korea to a \$2 million credit to the Development Bank of Solomon Islands. At the end of 1980, the Bank had approved 58 credit lines amounting to \$1,106 million to 25 development banks in 17 DMCs.

Transport and Communications: In this sector, the Bank continued to support projects which help integrate the rural sector into the total economy and raise the pro-

ductive capacity and income of the rural population above subsistence levels. In 1980, the Bank approved a sector loan to assist the Government of Thailand implement its Highway Sector Development Plan. The objectives of the plan are to upgrade rural roads, improve the country's road infrastructure, and strengthen relevant institutions.

During the year, nine loans amounting to \$223 million were approved in the Transport and Communications sector, four loans for ports projects accounting for 40 per cent, and another five for road projects. At the end of 1980, the Bank had made 88 loans amounting to \$1,281 million for 79 projects in this sector. Within the sector, roads and ports projects received the major share of funding with 56 per cent and 32 per cent, respectively, followed by airports (7 per cent), railways (4 per cent) and telecommunications (1 per cent).

Water Supply and Sewerage: A large majority of people, particularly in the Bank's poorest DMCs, are without reasonable access to a safe and adequate water supply, and an even greater number lack proper sanitation. The least developed countries are the most affected, and their poor are the worst sufferers. The Bank plans to become increasingly involved in the Water Supply and Sewerage sector, and attaches considerable importance to the provision of water supply to impoverished rural areas.

In 1980, the Bank approved its first sector loan for water supply, amounting to \$32 million, for a project in Indonesia which will provide potable water to 33 small towns and help strengthen the institutional capabilities of the country's water supply sector.

Five loans totalling \$107 million were approved for water supply and sewerage in 1980. Total lending to this sector by the end of 1980 had reached \$706 million, comprising 36 projects in 13 DMCs.

Urban Development: Operations in the urban sector have been designed to assist DMCs develop strategies for future urban growth (with the Bank acting as a catalyst in implementing such strategies by financing projects and providing technical assistance) and to improve the capacity of local institutions for efficient urban management.

Two loans approved during the year will help construct, among other things, about 6,500 low-cost rental apartments, a fire station, an ambulance depot and two primary and secondary schools in Hong Kong, and will provide low-cost accommodation for about 30,000 people in Thailand in one of the four new towns included in the Greater Bangkok Master Plan. At the end of 1980, the Bank had approved seven loans amounting to \$140 million to the Urban Development sector.

Education: Bank assistance for education has increased markedly in recent years, chiefly with a view to accelerating improvements to the quality of selected educational programs which help augment manpower resources and upgrade occupational skills in DMCs. To date, the Bank's lending and technical assistance have tended to concentrate on technical and vocational education, reflecting its support of educational development in coordination with overall development needs.

During the year, the Bank approved three loans amounting to \$65 million for education. These covered the building and equipping of additional secondary vocational schools in Malaysia, the provision of additional (and the upgrading

of existing) senior technical schools and teacher training facilities in Indonesia, and the provision of new (and the upgrading of existing) facilities for the training of skilled workers at vocational institutes and the training of teachers of vocational and trade skills in Singapore. Educational fellowships to upgrade the skills of teachers featured in all three projects, and in two of them provision was made for the revision and upgrading of curricula and the introduction of the teaching of new technologies through the use of educational consultants.

At the end of 1980, the Bank had approved 16 loans amounting to \$214 million for education. It had also extended \$2.4 million in technical assistance for 15 projects in this sector.

Health: Helping DMCs improve medical facilities and overall health care has become an increasingly important part of the Bank's development strategy in recent years. Quite apart from the social justification of extending such facilities to the millions of poor in the Bank's region, improved health has a definite — if not fully quantifiable — impact on the quality of the labor force.

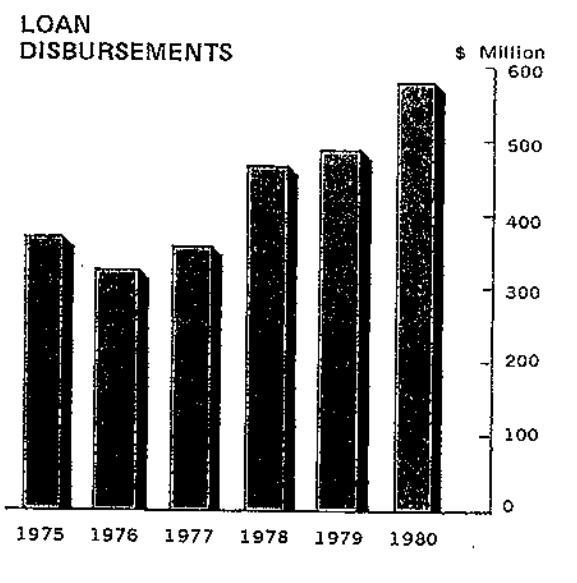
During the year, the Bank approved its first Public Health Program loan, \$15.6 million from ADF for a program which aims to increase the supply of essential drugs and strengthen malaria control operations in Bangladesh. The Bank also extended technical assistance to four DMCs — Bangladesh, Burma, Indonesia, and Papua New Guinea — for studies covering the entire range of health services, planning and delivery, including upgrading of hospitals and rural health centers, drug production and distribution, provision of medical equipment and supplies and manpower training. Technical assistance for Bangladesh will also help review Government plans to expand population control programs as well as its preventive and curative health care services. Cumulative lending to the Health sector at the end of 1980 had reached \$54 million for three projects.

LENDING RATE: The Bank's lending rate on ordinary loans was set at 8.10 per cent per annum effective 1 January 1980. The rate was revised upward in July to 9.00 per cent and remained unchanged for the rest of the year.

DISBURSEMENTS AND LOAN ADMINISTRATION: Loan disbursements from ordinary capital resources and Special Funds totalled \$579 million during 1980, against \$486 million in the preceding year. Disbursements from ordinary capital resources amounted to \$428.7 million (\$361 million in 1979) and, from Special Funds, \$150.3 million (\$125 million in 1979). As of the end of 1980, total disbursements were \$2,304.7 million from ordinary capital resources and \$737.7 million from Special Funds.

A total of 325 loans were under implementation in 1980 with 52 becoming effective during the year. A total of 15 projects were completed in 1980.

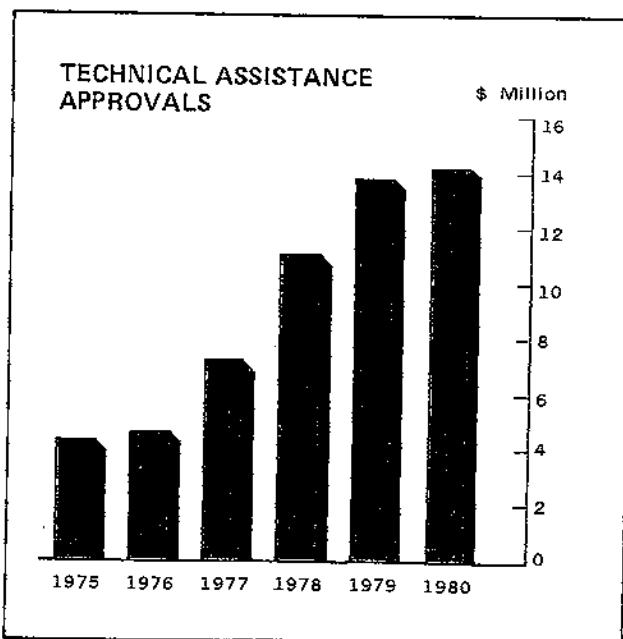
The thrust of the Bank's loan administration activities in 1980 was directed towards strengthening project monitoring and supervision. Improvements have been introduced in the Bank's internal reporting system and review procedures to ensure that existing or impending problems or difficulties are discovered at an early stage and remedial measures taken promptly. Critical Path Method (CPM) networks have been prepared for selected projects and are now being used by staff for monitoring the progress of im-



plementation. The Bank intends to computerize CPM control in the future.

During the year, the Bank conducted studies on general implementation problems encountered in some DMCs. Discussions on strengthening central project implementation agencies were held with concerned officials in two borrowing DMCs and the possibility of the Bank extending technical assistance for this purpose is being examined.

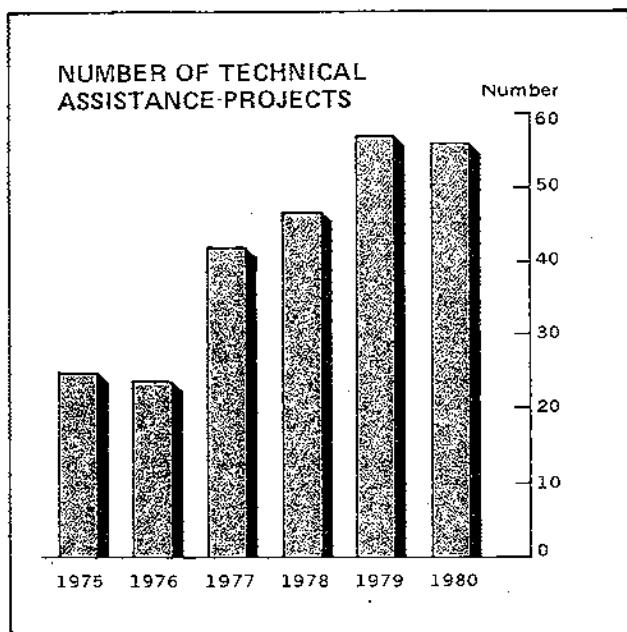
TECHNICAL ASSISTANCE: During the year, the Bank provided technical assistance, other than regional technical assistance, for 56 projects, compared to 57 projects in 1979, while the total amount increased to \$14.2 million from \$13.9 million in the previous year (see Table on



page 46). Project preparatory technical assistance amounted to \$8 million for 43 projects while advisory and operational assistance amounted to \$6.2 million for 13 projects. These amounts include technical assistance grants incorporated in nine Bank loans, totalling \$6.1 million, of which \$1.3 million was for project preparation and \$4.8 million for advice and implementation.

On a sectoral basis, 69.2 per cent of the total amount of technical assistance approved in 1980 was for Agriculture and Agro-Industry, compared with 55.4 per cent in 1979 (see Table on page 51). About 7.2 per cent was provided to the Energy sector, covering natural gas distribution and rural mini-hydropower, 7.1 per cent to the Industry and Non-Fuel Minerals sector including Development Banks, 3.1 per cent to the Transport and Communications sector and the rest to Water Supply, Education and Health.

A total of 37 technical assistance projects was completed in 1980, 26 for project preparation and 11 for advisory and operational purposes, bringing the total number



of technical assistance projects completed to 251. The total amount of technical assistance grants provided to DMCs as of the end of 1980 stood at \$75 million.

REGIONAL ACTIVITIES: During the year, the Bank was involved in an increasing number of regional activities. These included a Regional Energy Survey; Regional Seminars on Procurement and Project Implementation Management; a Regional Seminar on Road Maintenance; a Fifth Regional Program on Development Banking; and a Training Course on Project Management. The Bank also held a Regional Seminar on Planning, Management and Evaluation of Technical/Vocational Education; a Regional Program on Project Implementation and Supervision; and a Regional Program on Industrial Project Appraisal — Marketing and Economic Aspects. During the year, the Bank's South Pacific Agricultural Survey was published and a preliminary study initiated to assess agricultural research facilities and needs in the South Pacific.

POST-EVALUATION: During 1980, the role of post-evaluation was further strengthened as an integral part of the Bank's operations. The Post-Evaluation Office continued to focus on the preparation of Project Performance Audit Reports (PPARs) which evaluate, verify and audit the findings of Project Completion Reports prepared by the respective Project Departments. The purpose of the PPARs is to assess completed projects independently in terms of their design, implementation and achievement of stated objectives. The findings and recommendations of PPARs are examined by the Bank with a view to improving its future operations. During 1980, 13 Post-Evaluation Reports were completed. These reports covered 17 Bank loan and technical assistance projects.

POLICY REVIEWS: In an effort to respond more effectively to the changing needs of the region, the Bank carried out several reviews of its lending policies during the year. These covered the Bank's lending and relending policies, sector lending, streamlining the loan and technical assistance processing work of the Bank, arrangements for ADF lending and the OCR lending program for 1980-82.

The Bank also undertook a broad review of its role in assisting the economic development of its DMCs in the 1980s and commenced a review of its resource requirements during the period 1983-87. In 1980, the Bank also reviewed papers on Environmental Considerations in Bank Operations and on a Framework for Public Utility Tariff Provisions.

ORDINARY CAPITAL RESOURCES: The authorized capital stock of the Bank as of 31 December 1980 stood at \$9,209.2 million (SDR 7,220.6 million), of which the subscribed portion amounted to \$8,828.1 million (SDR 6,921.7 million).

As to the progress of the Second General Capital Increase, 40 member countries had made subscriptions, amounting to \$4,913.8 million (SDR 3,852.7 million), as of 31 December 1980. During 1980, Italy and Kiribati took up their full capital subscription entitlements, amounting to \$86.1 million (SDR 67.5 million) and \$0.3 million (SDR 0.2 million), respectively. The United States also made a further partial subscription of \$162.6 million (SDR 127.4 million) in 1980.¹

During the year, the Bank undertook seven borrowings² amounting to the equivalent of \$457.8 million. Although the adverse conditions in most major capital markets made selection and timing of borrowings particularly difficult, the Bank was able to arrange the borrowings on comparatively favorable terms. Furthermore, the Bank was able to continue its efforts to secure longer maturities, and for the second year in succession arranged a long-term syndicated loan in Japan. This was the Bank's largest borrowing ever in the private capital markets in Japan. The average maturity of the year's borrowings, weighted by amount, was 10.01 years, compared with 10.25 years in 1979.

ASIAN DEVELOPMENT FUND: At the end of 1980, 14 donor countries had deposited Instruments of Contribution to the second Asian Development Fund replenishment (ADF III). In July, the first instalment of the United States

¹ In February 1981, the United States made a further subscription of \$262.4 million (SDR 205.8 million).

² One of these was signed in February 1981.

contribution and the second instalments of the other contributions to ADF III became available for loan commitments, thereby providing the Bank with adequate resources for its 1980 concessional lending program.

In accordance with Governors' Resolution No. 134, adopted at the Thirteenth Annual Meeting in 1980, the Bank started a review of future ADF resource requirements with a view to reaching agreement with donor countries in the course of 1981 as to the appropriate scale of the next ADF replenishment (ADF IV), which will cover the period beyond 1982.

Total ADF resources at the end of 1980 amounted to \$2,916 million. Loan commitments from these resources amounted to \$2,476 million, leaving a balance of \$440 million, of which about \$301 million remained available for loan commitments after allowance for exchange rate fluctuations.

OUTLOOK: Developments in the world economy during the past year, such as the recession in the industrialized countries, inflation, rising oil prices, and the higher costs of commercial borrowing on which several developing countries have to depend, have all adversely affected the Bank's DMCs, particularly the low-income countries. Because of the current and prospective impact on DMC economies of these developments, the external resource requirements of the Bank's borrowing countries will be greater than in previous years if they are to deal in an acceptable manner with the widespread problems of poverty, rapid population growth, unemployment, hunger and malnutrition.

While the uncertainties in the current international economic situation do not permit precise projections of resource requirements for the future, some of the main issues involved for national developmental priorities in the 1980s and for necessary supportive Bank lending priorities are clearly evident.

In the early 1980s, the Bank must continue to give strong support to food production and rural development, particularly since the key to reducing poverty and increasing employment is to spur growth in these sectors. The Bank will accord higher priority to energy development, given the anticipated continued increases in energy costs and the prospect of possible supply constraints. Such Bank support must cover the exploration and development of indigenous energy sources, research and development of renewable energy, energy conservation and low-cost

energy development. The Bank's Regional Energy Survey, which will be completed in 1981, will help to determine future investment and lending priorities in this sector.

In addition, the Bank will continue to assign particular importance to meeting basic human needs and enhancing human resources in its DMCs through increased lending for social infrastructure — health, education and the like.

The Bank will also examine other techniques, such as equity investments and guarantee operations as well as expanding its co-financing arrangements. Similarly, the Bank will enlarge the scope of its sector and program lending and local-cost financing operations, and, as a measure to improve loan administration and resource transfers, consideration will be given to the need for the establishment of one or more resident offices in DMCs on an experimental basis.

As regards future resource needs of DMCs, preliminary Bank estimates indicate that their aggregate external resource requirements will increase in current prices from about \$27 billion in 1980 to \$50 billion in 1987 and to \$63 billion in 1990. Low-income DMCs are projected to account for about 23 per cent of the total resource needs of DMCs in 1990, lower-middle income countries for 39 per cent, and upper-middle/high-income countries for about 38 per cent.

These projections are conservative given the uncertainties of price and other economic conditions in the 1980s. Poor harvests could raise the volume of food imports; export prices and volumes may be depressed due to international recession while import prices could be higher; and debt burdens could become more heavy than presently anticipated. It should be noted that these projections are based on the assumption that the average annual increase of oil prices in nominal terms will be about 10 per cent. For most DMCs, oil imports have a relatively high weight in the total import bill, and petroleum payments alone are projected to increase from \$32.1 billion in 1980 to \$83 billion in 1990.

The Bank's own resource requirements are currently under study, as directed by the Board of Governors. In this connection, the Bank must seek an increase in its resources sufficient to support lending levels during the period 1983-87 commensurate with the projected requirements of the DMCs. Proposals for a third increase in the capital stock and a further replenishment of ADF resources will accordingly be presented to member countries during 1981.

HIGHLIGHTS OF THE BANK'S OPERATIONS, 1967-1980

Developmental Role

- ★ 152 loan projects and 251 technical assistance projects had been completed by the end of 1980.
- ★ Every dollar lent by the Bank is matched with an investment of about \$1.5 by the borrowing countries and, in certain cases, by outside co-financiers. The Bank's total lending of \$8.1 billion is expected to lead to an overall investment of over \$20 billion.
- ★ 88 loan projects involved co-financing of \$1,919 million. This comprised \$905 million from bilateral sources, \$859 million from multilateral sources and \$155 million from export credits and commercial sources.
- ★ 164 out of 455 loan projects resulted from the Bank's technical assistance to DMCs. An outlay of \$37 million in technical assistance led to Bank lending of \$2.8 billion for these projects.
- ★ In an effort to promote regional economic growth and development, the Bank conducted six major regional surveys — Asian Agricultural Survey, Southeast Asian Regional Transport Survey, Study of Southeast Asia's Economy in the 1970's, Second Asian Agricultural Survey, South Pacific Agricultural Survey and Regional Energy Survey.

Resources

- ★ Raised resources totalling nearly \$2.5 billion from international capital markets for ordinary lending. Of these borrowings, \$1.9 billion is outstanding.
- ★ Mobilized almost \$3 billion in contributions from developed member countries for concessional lending to the Bank's poorer and less developed member countries; and about \$48 million from both developed and developing member countries for financing the Bank's technical assistance activities.

Economic and Social Impact

- ★ 63 irrigation and area development projects covering about 1.9 million hectares, which support about 1.3 million farm families. Total population expected to benefit — about 8.1 million.
- ★ 26 fisheries development projects which will create additional employment opportunities for about 98,000 fishermen, raise fish catches by about 809,000 metric tons (m.t.) per year and benefit about 40 million consumers.
- ★ Seven livestock projects which will benefit 759,000 farmers; create 10,000 jobs; provide yearly increases in production of 70,200 m.t. of milk, 40,500 m.t. of meat, 2,000 m.t. of hides and 730 m.t. of wool; provide modern livestock training for 5,000 people; increase animal feed production by 360,000 m.t. and improve animal health services.
- ★ Seven fertilizer projects which will help increase the region's fertilizer supplies by 1.6 million tons of nitrogen nutrients and 76,000 tons of phosphate nutrients per annum.
- ★ 5,532 subloans to small and medium-scale enterprises through credit lines to DFIs.
- ★ 83 projects for creation of 4,85 million kilowatts of generation capacity and for about 44,600 kilometers of transmission-distribution circuits; of the generation capacity to be developed, over three-quarters will be based on indigenous resources such as water, natural gas and lignite.
- ★ 36 water supply and sewerage projects, which help increase water supply and sewerage capacity by 9.5 million cubic meters per day to 17.1 million cubic meters per day, benefitting over 44 million people in metropolitan areas, smaller towns, and provincial districts.
- ★ Construction or upgrading and improvement of 7,279 kilometers of roads in 36 projects, serving an estimated population of 66 million.
- ★ Construction, rehabilitation, modernization and expansion of ports in 15 countries to increase cargo-handling capacity by about 37 million tons per year.
- ★ Two projects for expanding and upgrading geological survey institutes to improve their capability to undertake systematic geological surveys of mineral resources on a nationwide basis.
- ★ Upgrading and expansion of vocational, technical and professional education in 94 institutes which have an annual output of approximately 11,150 skilled workers, 4,700 technicians and 6,840 engineers.
- ★ Housing schemes which will provide about 7,750 low-cost houses and 20,460 low-cost flats, as well as some serviced houseplots along with other physical and social infrastructure which will help improve living conditions for about one million people by providing housing, sanitation and other facilities.
- ★ Hospitals/polyclinics and clinical training services projects under construction, providing a total of 2,150 beds to serve about 1.5 million people and supply of essential drugs and provision of better malaria protection for about 20 million people. Additionally, under area/rural development projects, assistance for about 120 health centers, clinics, including family planning centers; and small hospitals to serve about 1.8 million people.



ECONOMIC DEVELOPMENTS

THE GENERAL economic performance of most developing member countries (DMCs) in 1980 compared unfavorably with that in 1979. The economic growth rate in many countries was below that of the previous year, and well below the average recorded during the 1970s. Compared with 1979, most DMCs experienced a higher inflation rate and a deterioration in their balance of payments situation. Nevertheless, the recovery of agricultural production in the major foodgrain producing DMCs was impressive and helped improve combined Gross Domestic Product (GDP) growth to a rate higher than in 1979 and favorably influenced the food situation in several DMCs.

International Setting

Several adverse developments in the world economy in 1980 affected the economies of DMCs and gave cause for great concern. There was a significant slowdown in the growth of production, particularly in the industrialized countries, leading to a reduction in the growth of world trade. Inflation in most countries accelerated over the already high levels of 1979, and very large imbalances emerged in the current accounts of major groups of countries, presenting particular difficulties for non-oil developing countries in their efforts to sustain the financing of their growing current account deficits. Recurrent heavy increases in oil prices over the past two years contributed largely to the unfavorable condition of the world economy in 1980.

Economic growth in the industrialized countries which are members of the Organization for Economic Cooperation and Development (OECD) fell sharply to an average GDP growth rate of only about 1 per cent during the year compared with 3.5 per cent in 1979, reflecting accelerated inflation rates and the restrictive policies introduced to combat them. Consumer prices increased by an average of 9.1 per cent in 1979 and 11.7 per cent in 1980, despite tight fiscal and monetary policies. The large increases in oil prices were directly reflected in the growing aggregate current account deficits of OECD countries: from a surplus of \$7.5 billion in 1978, this changed into a deficit of \$33.7 billion in 1979 and swept to a \$63.7 billion deficit in 1980.

High oil import bills and slower GDP growth combined to restrict import demand and international trade, both of which registered the slowest growth rates since 1975.

Due to increases in oil prices during 1979 and 1980, the current account surplus of members of the Organization of Petroleum Exporting Countries (OPEC) increased rapidly, at about the same rate as in 1974. From only \$4.5 billion in 1978, their aggregate current account surplus soared to \$68 billion in 1979 and is estimated at about \$116 billion in 1980. Further anticipated increases in oil prices and the relatively successful policies of many OPEC countries to curb excess demand and avoid supply bottlenecks are expected to prevent future surpluses from declining as rapidly as they did between 1974 and 1978. Overall GDP growth of OPEC countries in 1980 was likely to have been lower than that in 1979, due to the disruption to oil production and other economic activities in Iran and Iraq, resulting from armed hostilities between these two OPEC members.

These international economic developments severely affected the non-oil developing countries, particularly the poorer nations. While higher prices of oil and other imports inflated the value of their imports, sluggish world demand reduced the rate of growth of their exports. As a result, the overall current account deficit of non-oil developing countries is estimated to have increased from \$36 billion in 1978 to \$56 billion in 1979 and to about \$72 billion in 1980. There are indications that this very large deficit is likely to increase further in 1981. Furthermore, the debt service obligations of many of these countries are already heavy; their capacities to service much higher debt obligations and the willingness of private financial institutions to provide large additional credits now appear uncertain. This underscores the need for developing more effective means for recycling funds from surplus OPEC countries to non-oil developing countries on a systematic and sustained basis.

High import costs have aggravated the already high rates of inflation prevailing in the non-oil developing countries: the consumer price indices of these countries were estimated to have increased on average by 25 per cent in 1978, 29 per cent in 1979 and 38 per cent in 1980. High inflation and sluggish demand for manufactured exports led to a decline in the overall growth in output in the non-oil developing countries during 1980. For these countries, average GDP growth in 1980 is estimated to have been

somewhat below the average of 4.2 per cent achieved in 1979.

In addition, another major concern emerged during the year in the form of possible shortfalls in the supply of foodgrains to meet the needs of the growing population in the developing countries. Food and Agriculture Organization (FAO) world cereal production estimates for 1980 — 1,437 million tons — are only 5 million tons higher than the depressed production level of 1979 and substantially below that of 1978. Poor harvests in many developed and developing countries pushed cereal imports in 1980 to a record level of about 205 million tons, nearly half of which was accounted for by developing countries. The highest rate of increase in imports (17 per cent) was for the low-income group of developing countries.

Prices of all cereals rose to their highest levels since 1975-76, the increases ranging from about 7 per cent for wheat and 25 per cent for rice between December 1979 and December 1980. Cereals stocks are expected to decline to about 210 million tons by the end of crop year 1980-81, a drop of about 40 million tons in one year. These stocks, which represent only 14 per cent of total consumption, would constitute an inadequate buffer against possible major shortfalls during 1981.

Economic Developments in DMCs

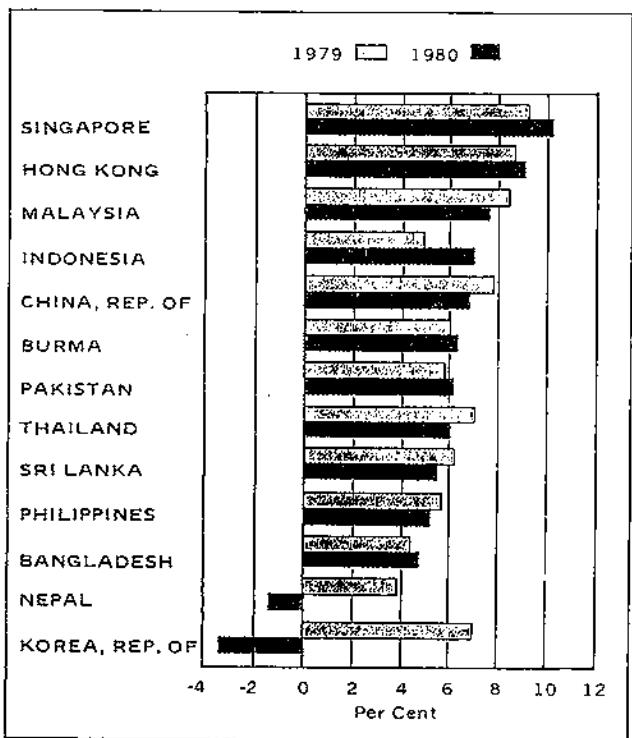
The downturn in the world economy was reflected in the key economic indicators of the Bank's DMCs such as GDP growth, manufacturing output, inflation rates and trade deficit. A majority of DMCs had lower GDP growth rates in 1980, and in two of them GDP actually declined. A few DMCs achieved GDP growth rate slightly higher than in the previous year, while two DMCs (India and Indonesia) experienced significant increases. Inflation rates increased markedly in virtually all DMCs. The increased cost of oil and other imports led to sharply higher trade and current account deficits in most non-oil DMCs, as their import payments accelerated at a faster pace than the growth in their export earnings. Many DMCs experienced a significant worsening of their terms of trade and the financing of their current account deficits became increasingly onerous.

Growth in GDP

The overall economic performances of DMCs measured by changes in their GDP varied considerably during 1980, as in the past (Table 1).¹ Indonesia and Malaysia, which are net exporters of oil, registered high growth rates. In Indonesia, GDP growth increased from 4.9 per cent in 1979 to 6.9 per cent in 1980, while in Malaysia the growth rate in 1980 was 7.6 per cent as against 8.5 per cent in 1979. Apart from greatly increased income from oil, good performances both in agriculture and manufacturing contributed to the impressive economic growth in these DMCs. Burma, a marginal net exporter of oil among DMCs, maintained its GDP growth rate at about the 6 per cent achieved in 1979, largely due to high production of rice — the principal agricultural product — which reached a record level of 13 million tons (of paddy) in 1980. Expansion of acreage under high-yielding varieties and good weather contributed to the record rice output.

Among the South Asian countries, India and Pakistan achieved higher GDP growth rates during 1980 than in the

ESTIMATED RATE OF REAL GROWTH
OF SELECTED DMCs, 1979-1980



previous year. The single most important contributing factor to the improvement in these countries was the impressive growth in agricultural production, which also promoted the demand for and the growth of manufacturing and trading activities. Although official figures are not yet available, an estimated 20 per cent increase in food production in India from the drought-depressed level of 1979 suggests that GDP growth in that country during fiscal year 1980-81 may well be about 6.7 per cent compared with a 4.5 per cent decline in fiscal year 1979-80. In Pakistan, GDP growth rate increased from 5.9 per cent in 1979 to 6.2 per cent in 1980. GDP growth rate of Bangladesh remained at about the 4.4 per cent achieved in fiscal year 1978-79, mainly because of the continued impact of drought on the growth rate of the agricultural sector during the 1979-80 crop year. In Sri Lanka, GDP growth rate declined to 5.6 per cent in 1980 from 6.3 per cent in 1979 largely due to lower output of tree crops caused by the drought during early 1980. In Nepal, GDP declined by 1.4 per cent in 1980 from the level of the previous year due to a severe drought which affected the 1979-80 crop.

Among the newly industrialized DMCs, GDP growth of Hong Kong and Singapore improved from 8.6 per cent and 9.3 per cent, respectively, in 1979 to 9 per cent and 10.2 per cent, respectively, in 1980. Domestic construction booms and efforts towards diversification of manufacturing production and exports helped both of these countries maintain the momentum of their GDP growth. On the other hand, GDP growth in Republic of China fell below the level of the previous year, while GDP of Republic of Korea declined in absolute terms. The Republic of Korea, which until 1978 had achieved the highest GDP growth rate in the region, experienced the greatest fall. Its growth rate declined from

¹ The tables referred to in this chapter appear on pp. 91-101.

11.3 per cent in 1978 to 7.1 per cent in 1979 and, for the first time in two decades, GDP in 1980 fell by 3.4 per cent below that of the previous year. GDP growth in the Republic of China fell from 7.8 per cent in 1979 to 6.8 per cent in 1980. For these countries, the main contributory factor was a slowdown in the growth of the manufacturing sector. A reduction in agricultural production during 1980 (by 2.5 per cent in Republic of China and 22 per cent in Republic of Korea) also affected the GDP growth.

Among the other countries of Southeast Asia, both Philippines and Thailand had lower GDP growth rates in 1980 for the second successive year. In the Philippines, the reduction was comparatively small, declining from 5.8 per cent in 1978 to 5.7 per cent in 1979 and 5.2 per cent in 1980. In Thailand, the reduction during the same period was much greater: from 10.1 per cent in 1978 to 7 per cent in 1979 and 6 per cent in 1980. In both countries, slower growth in the manufacturing sector due to slack domestic and export demand was an important contributory factor. In the Philippines, typhoons also adversely affected agricultural production and GDP growth.

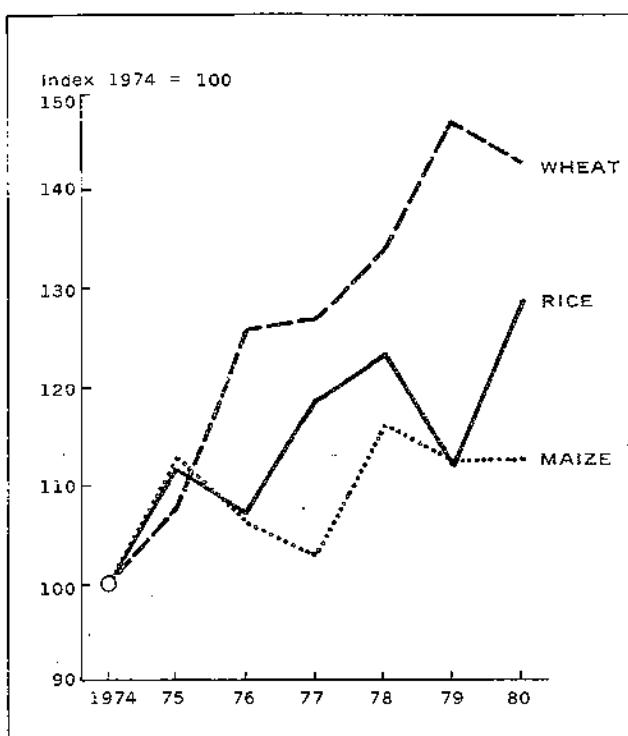
For the remaining DMCs, no complete estimates of aggregate domestic output are as yet available. However, based on available information about production, exports and commodity prices, it is possible to infer the general trend in some of the DMCs concerned. In the Socialist Republic of Viet Nam, agricultural output is reported to have suffered extensive damage from several typhoons in 1980. As a result, overall GDP growth in 1980 is expected to have been lower than in the previous year. Among South Pacific DMCs, GDP growth rates in Fiji and Papua New Guinea are likely to have been lower than in 1979 due to widespread damage caused to the sugar crop by cyclones in the former, and low world demand for copper, the principal export of the latter. In Kiribati, GDP is estimated to have declined sharply due to the discontinuation of the mining and export of phosphate.

While economic performance in terms of GDP growth varied considerably among DMCs during 1980, in overall terms the average GDP growth rate of DMCs is expected to have been higher in 1980 than in 1979 and also higher than the average growth rate for other developing as well as developed countries during the year. This is due to the large weight of countries which did better in 1980 mainly due to a marked recovery in agricultural production. Looking ahead, it would appear difficult for DMCs to increase substantially agricultural production over the normal or above normal levels achieved in 1980. At the same time, domestic and export demand for manufactures is likely to remain low, while prices of oil and other imports are expected to continue to rise. The economic growth prospects for DMCs in the near future, therefore, appear less than promising.

Sectoral Output

Performance in the agriculture sector was generally satisfactory in DMCs during 1980. The improvement is largely explained by the recovery from below normal production levels in 1979, particularly in Bangladesh, India, Pakistan and Thailand, as a result of favorable weather. However, better availability of inputs and greater emphasis on expanding and improving irrigation facilities were also contributory factors. The major exceptions were Republic of China, Republic of Korea and Nepal where agricultural production declined due to unfavorable weather.

GRAINS OUTPUT OF DMCs, 1974-1980



The overall improved performance of the agriculture sector in 1980 was due to the substantially higher output of foodgrains, mainly rice. Aggregate production of the three principal foodgrains (rice, wheat and maize) increased by 10.7 per cent, reaching a total of 271.5 million tons in 1980 compared with 245.2 million tons in 1979. The regional increase in cereal production contrasts with the decline in the rest of the world and was well above the average population growth rate in DMCs of about 2.2 per cent during 1980. The increase in foodgrain production in DMCs was almost entirely accounted for by rice, the production of which, measured in terms of paddy, increased from 177.6 million tons in 1979 to 206.2 million tons in 1980, representing an increase of about 16.1 per cent (Table 2).¹ With the exceptions of Republic of China, Republic of Korea and Malaysia, all major rice producing DMCs shared in this increase. Virtually the entire increase in world production of rice during 1980 was accounted for by DMCs, which produce about 50 per cent of world rice output. Larger increases in output of rice were recorded by Bangladesh, Burma, India, Indonesia, Nepal, Pakistan, Sri Lanka and Thailand. However, India alone accounted for 69 per cent of the total increase in DMCs.

Wheat output in 1980 (46.5 million tons) was 5.5 per cent below the level of 1979 (49.2 million tons). The decline in wheat production in India by 3.9 million tons due to drought in the 1979-80 crop year was only partially offset by higher production in Bangladesh and Pakistan (Table 3).¹ In Bangladesh, wheat production increased steeply from

1. It should be noted that the output estimates of rice, wheat and maize refer to the calendar year in which the bulk of the crop was produced. This results in some apparent discrepancies with the descriptions of GDP growth rates in the case of DMCs whose GDP estimates are for fiscal years (See Table 1).

494,000 tons in 1979 to 823,000 tons in 1980 and is becoming an important factor in reducing the food deficit in the country. The production of maize in DMCs increased marginally from 18.4 million tons to 18.7 million tons.

The below normal output of foodgrains in DMCs during 1979 led to lower per capita availability of foodgrains in several DMCs during 1979 and early 1980. Increased food aid, larger imports and drawdown of stocks were needed to overcome the shortage. However, as the good 1980 harvests progressed in many DMCs, the situation eased considerably by the end of the year. India substantially replenished its depleted stocks which were drawn down from about 20 million tons to about 10 million tons to meet its own large 1979 shortfall in production and also to export modest amounts to some DMCs facing shortages in food supply. Several other DMCs were able to increase their stock levels over those of the previous year. Indonesia and Sri Lanka requested cancellation or slow delivery of foodgrains ordered earlier because they faced storage problems. Bangladesh improved its stocks and repaid in kind part of the foodgrains received from India in 1979. The improved stock positions of DMCs are expected to help provide a buffer against possible shortages in and beyond 1981.

The growth of manufacturing sector output in DMCs remained generally depressed during 1980. Among the 11 DMCs for which relevant data are available, only Malaysia and Pakistan registered significant improvements in the growth of manufacturing production in 1980 compared with 1979. Fiji maintained its very high growth of manufacturing output achieved in 1979. The growth rate of manufacturing production in Singapore continued to be high, despite a slight decline in 1980. In Republic of China, Indonesia and

Philippines, the growth rates of manufacturing sector output were about the same as the below normal rates of 1979. During 1980, the growth of manufacturing production sharply declined in Bangladesh, Republic of Korea and Thailand, and in India the index of manufacturing production declined in absolute terms. The relatively less satisfactory performance of the manufacturing sector in many DMCs during the year was due to a combination of factors. These included reduced domestic demand, sluggish demand for DMCs' export products in industrial countries and the structural adjustment problems being faced by some industries in DMCs due to escalation in the prices of oil and other industrial inputs.

In recent years, the production and management of energy resources have become issues of major concern to all oil-importing DMCs. This concern was heightened by the increase in oil prices by about 150 per cent during the period 1979-80. The cost of oil imports for DMCs increased from \$13.5 billion in 1978 to \$18.2 billion in 1979 and \$32.1 billion in 1980 (Table 4). The DMCs, therefore, placed much greater emphasis on the development of domestic sources of energy. The results of current efforts will take some years to be fully realized. Achievements during 1980 were rather mixed. Total production of electricity — the single most important source of commercial energy — increased by 7.5 per cent from 256.1 billion kW in 1979 to 275.3 billion kW in 1980. Excluding India, the overall growth rate was 11.1 per cent. While most DMCs shared in this increase, Hong Kong, Indonesia, Lao People's Democratic Republic, Philippines and Singapore registered the larger increases.

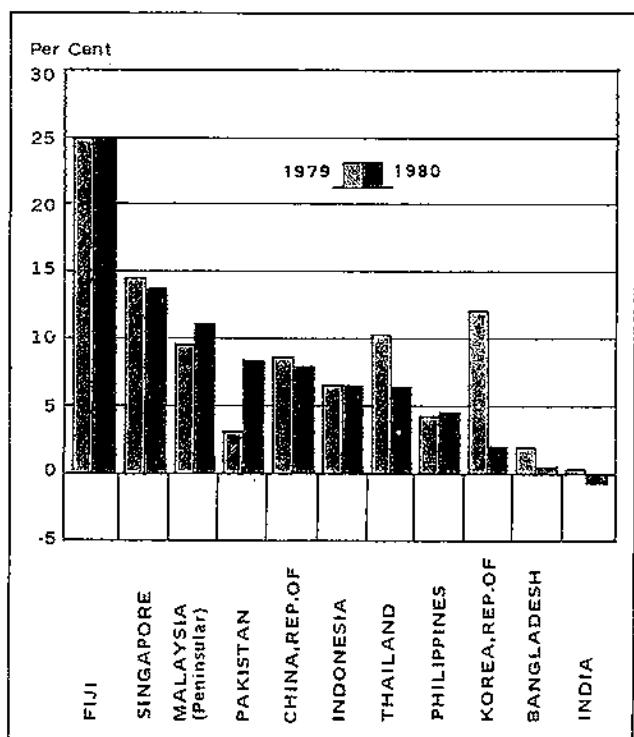
The known reserves of oil and/or gas increased significantly during the year and India, Malaysia and Thailand had the largest expansion in capacity. Actual petroleum production in DMCs was, however, estimated to have decreased by 4.2 per cent from 109.4 million tons in 1979 to 104.8 million tons in 1980. In Indonesia and Philippines, output from existing wells declined. Oil and gas production in India was affected by the interruption in production in the northeastern part of the country, and Malaysia deliberately held down the output of crude oil in accordance with its policy of delaying the depletion of oil resources. DMCs endowed with natural gas resources emphasized the utilization of such energy to save on their oil imports and to provide an additional source of export earnings. Gas production among DMCs increased by 8.4 per cent in 1980. The largest increases in gas production were achieved by Indonesia, Pakistan and Bangladesh while the measures adopted by Thailand during the year will lead to substantial gas output in the future.

Price Trends

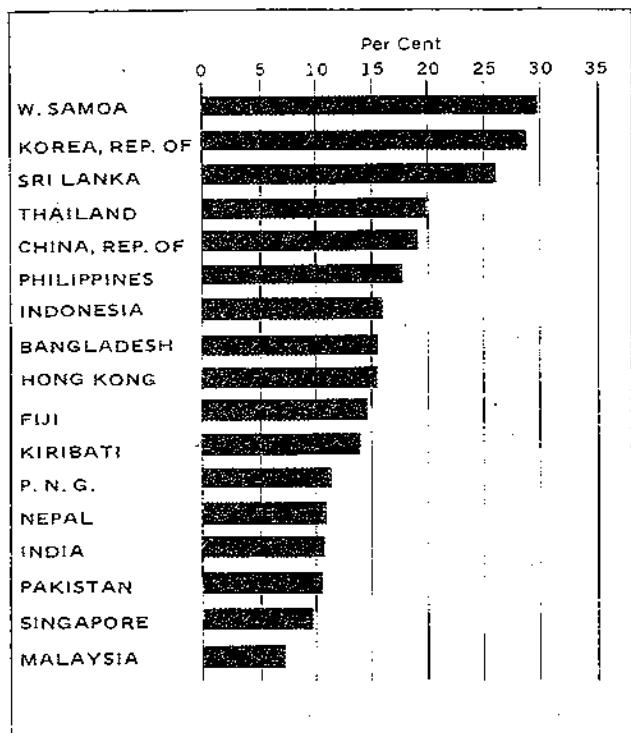
Inflation rates in DMCs, which were already rising in 1979, further accelerated in 1980 (Table 5). Compared with an average annual increase of 6.7 per cent in 1978, consumer price increases in DMCs averaged 11.6 per cent in 1979 and 15.6 per cent in 1980. The major contributory factors were the tight food situation during 1979 and early 1980 in some DMCs, worldwide inflationary pressures triggered by oil price hikes during 1979-80 and the expansionary monetary policies pursued by some DMCs during 1979. However, the average rate of inflation in DMCs in 1980, as in recent years, was considerably below that for other developing countries.

Burma and Indonesia were able to reduce inflation dur-

CHANGES IN MANUFACTURING PRODUCTION OF SELECTED DMCs, 1979-1980



CHANGES IN CONSUMER PRICES OF SELECTED DMCs, 1980



ing the year. In Burma, the already moderate inflation rate of 5.7 per cent in 1979 was reduced to 0.6 per cent in 1980, while Indonesia reduced its inflation rate from 22 per cent in 1979 (the highest rate among DMCs in that year) to 16 per cent in 1980. Of the remaining DMCs for which consumer price data are available, Malaysia and Singapore had single digit inflation rates. India and Pakistan, which had been able to contain inflation at low rates of 6.3 per cent and 8.4 per cent, respectively, in 1979 experienced higher inflation rates of 10.7 per cent and 10.4 per cent, respectively, in 1980. The inflation rates were 15 per cent or more in Bangladesh, Republic of China, Hong Kong, Republic of Korea, Philippines, Sri Lanka, Thailand, Tonga and Western Samoa; while in Nepal and the South Pacific DMCs, other than those mentioned above, inflation was between 10 per cent and 15 per cent.

External Sector Developments

The DMCs had a record trade deficit of \$17 billion in 1980, as compared with the deficit of \$11.1 billion incurred in the preceding year (Table 6). Indonesia and Malaysia — which are major exporters of oil among DMCs — had large trade surpluses in 1980 of \$9.2 billion and \$2.8 billion, respectively. Their combined surplus of \$12 billion reduced the aggregate deficit of DMCs by nearly 41.3 per cent. Excluding these countries, the deficit for the remaining DMCs increased from \$18.6 billion in 1979 to \$29 billion in 1980. Increased oil import costs accounted for 124.6 per cent of the total increase in deficits for this group. The larger trade deficit increases were recorded by Burma, India and Sri Lanka. India's deficit rose from \$1.9 billion in 1979 to \$6.8 billion in 1980; while the deficit of Sri Lanka increased from \$467 million in 1979 to \$945 million in 1980. Burma, a marginal

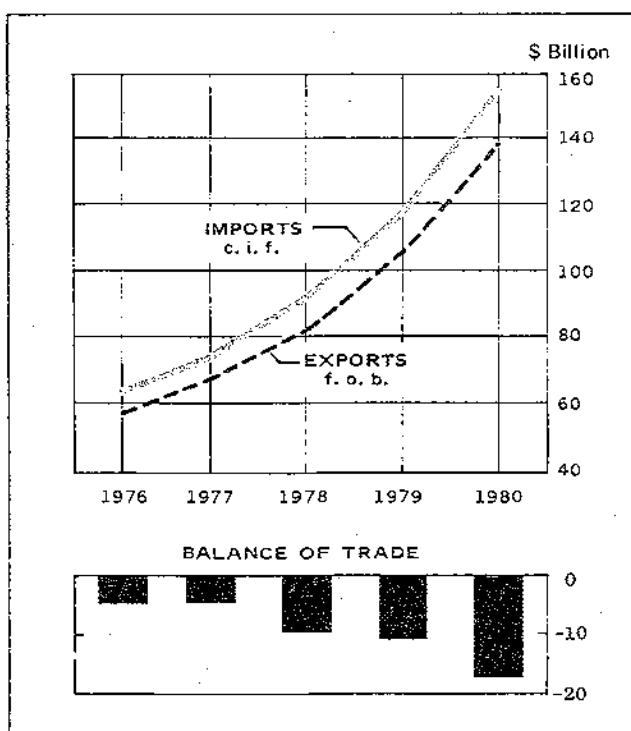
net exporter of oil, experienced a large increase in trade deficit from \$129 million in 1979 to \$295 million in 1980. The Republic of China's traditional large surplus was all but wiped out for the first time in several years. Other DMCs having very large increases in trade deficits in 1980 were Bangladesh, Hong Kong, Nepal, Pakistan, Philippines, Singapore and Thailand.

The aggregate exports of DMCs increased by 28.3 per cent from \$107 billion in 1979 to \$137.3 billion in 1980. This was below the 30.3 per cent growth recorded in 1979. Hong Kong, India, Indonesia, Republic of Korea and Singapore are the major DMCs which maintained or improved upon their export performance of the previous year. Republic of China, Pakistan, Philippines and Thailand maintained fairly high growth rates in exports, although these rates were below the level attained in 1979. Among the remaining major DMCs, Bangladesh, Burma and Malaysia experienced a sharp fall in the growth of exports, whereas Nepal and Sri Lanka registered absolute reductions in the value of exports during 1980.

The total imports of DMCs increased by 30.7 per cent from \$118.1 billion in 1979 to \$154.4 billion in 1980, which was higher than the increase of 28.5 per cent in 1979. The major DMCs which had higher growth in imports in 1980 compared with that in the previous year were Bangladesh, Burma, Hong Kong, India, Indonesia, Nepal, Pakistan and Singapore. In many DMCs, the lower growth rates of imports in 1980 — despite high oil imports — were due to the lower level of food imports and/or the impact of lower GDP growth on import demand.

During 1980, the total cost of oil imports is estimated at \$32.1 billion, or about 20.8 per cent of total imports. However, this overall percentage greatly understates the

FOREIGN TRADE OF DMCs, 1976-1980



critical nature of the rising burden of oil imports for many DMCs. The greatest impact has been on countries which had stagnant export earnings but depended heavily on imported oil for their domestic energy needs. A more accurate measure of this burden on DMCs is reflected in the ratio of oil imports to total commodity exports of DMCs. In 1980, this ratio averaged 23.4 per cent for all DMCs, but was as high as 56 per cent for India, 32 per cent for Republic of Korea, 41 per cent for Nepal, 60 per cent for Pakistan, 34 per cent for Philippines, 46 per cent for Sri Lanka and 44 per cent for Thailand. The increasing burden on DMCs of financing oil imports may be illustrated by the corresponding ratios in 1979: 17 per cent for all DMCs, 30 per cent for India, 21 per cent for Republic of Korea, 24 per cent for Nepal, 33 per cent for Pakistan, 30 per cent for Philippines, 21 per cent for Sri Lanka and 30 per cent for Thailand. In the case of Nepal and Sri Lanka, the decline in their exports in 1980 contributed to the rise in the ratio of oil imports to export earnings.

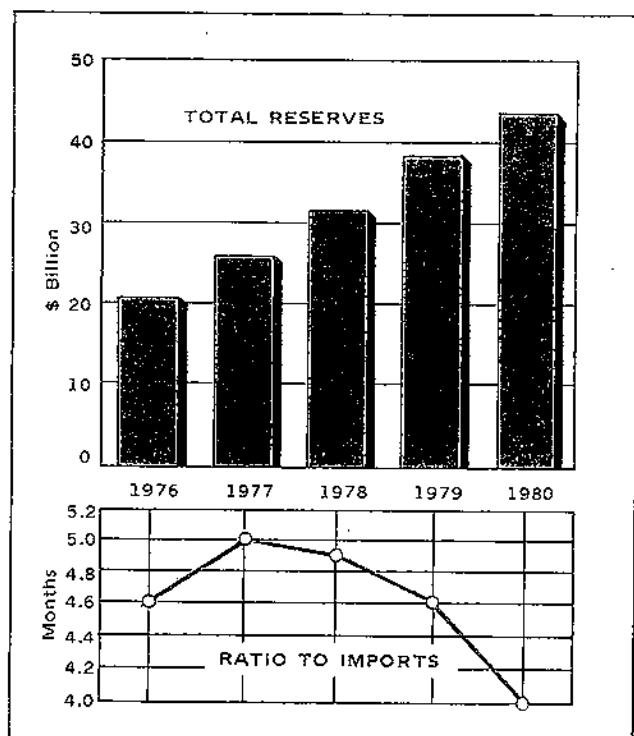
During 1980, for most DMCs the export unit value index increased only marginally, but the corresponding import unit value index increased by a much greater extent, leading to a decline in their terms of trade index. The major exceptions were Indonesia, Malaysia and Pakistan. Their export unit value indices increased during 1980 to a degree which more than offset the increase in import value indices during the year.

The aggregate international reserves of DMCs increased from \$38.1 billion in 1979 to \$43.8 billion in 1980 (Table 7). The ratio of the reserves to the value of average monthly imports of DMCs, however, declined from 4.6 in 1979 to 4 in 1980. A substantial portion of the gains in reserves was accounted for by Indonesia whose reserves increased by \$2.3

billion during the year. Other DMCs reporting significant increases in reserves included Burma, Republic of Korea, Malaysia, Nepal, Pakistan, Philippines and Singapore. Bangladesh, India, Thailand and several other DMCs utilized varying amounts from their reserves to finance part of their respective large current account deficits and, therefore, their reserves declined. The international reserves of Bangladesh, Republic of China and Western Samoa were low in relation to the value of their imports in 1979 and the ratio further declined during 1980.

The data on aggregate debts of DMCs are not generally published. Fairly adequate information on public debt is, however, available for the period up to 1979. Reflecting the continued inflow of external resources, the external public debt outstanding of DMCs is estimated to have increased from \$67.6 billion in 1978 to \$74.1 billion in 1979, or by 9.5 per cent (Table 8). The corresponding debt service payments increased from \$7.5 billion in 1978 to \$9.1 billion in 1979. The overall debt service ratio, however, decreased from 7.7 per cent in 1978 to 7 per cent in 1979. There were wide differences in the debt service ratios of individual DMCs, ranging from nearly 0 (zero) in the case of Hong Kong to about 22 per cent for Burma. These ratios relate to official debt and, therefore, underestimate the debt service burden of those DMCs, such as Republic of Korea and Philippines, which were able to raise substantial amounts in debts not guaranteed by governments. Nevertheless, the ratios reflect the relative debt burden of a majority of DMCs which rely mostly on official loans. For many of these DMCs, the debt service ratio remains low due to a high grant element in the total inflow of their external resources. For Burma, Pakistan and Western Samoa debt service ratios were very high in 1979. For several DMCs, the increase in debt service ratio was moderated or reversed due to the exemptions or rescheduling of debt repayments allowed in recent years by some donors.

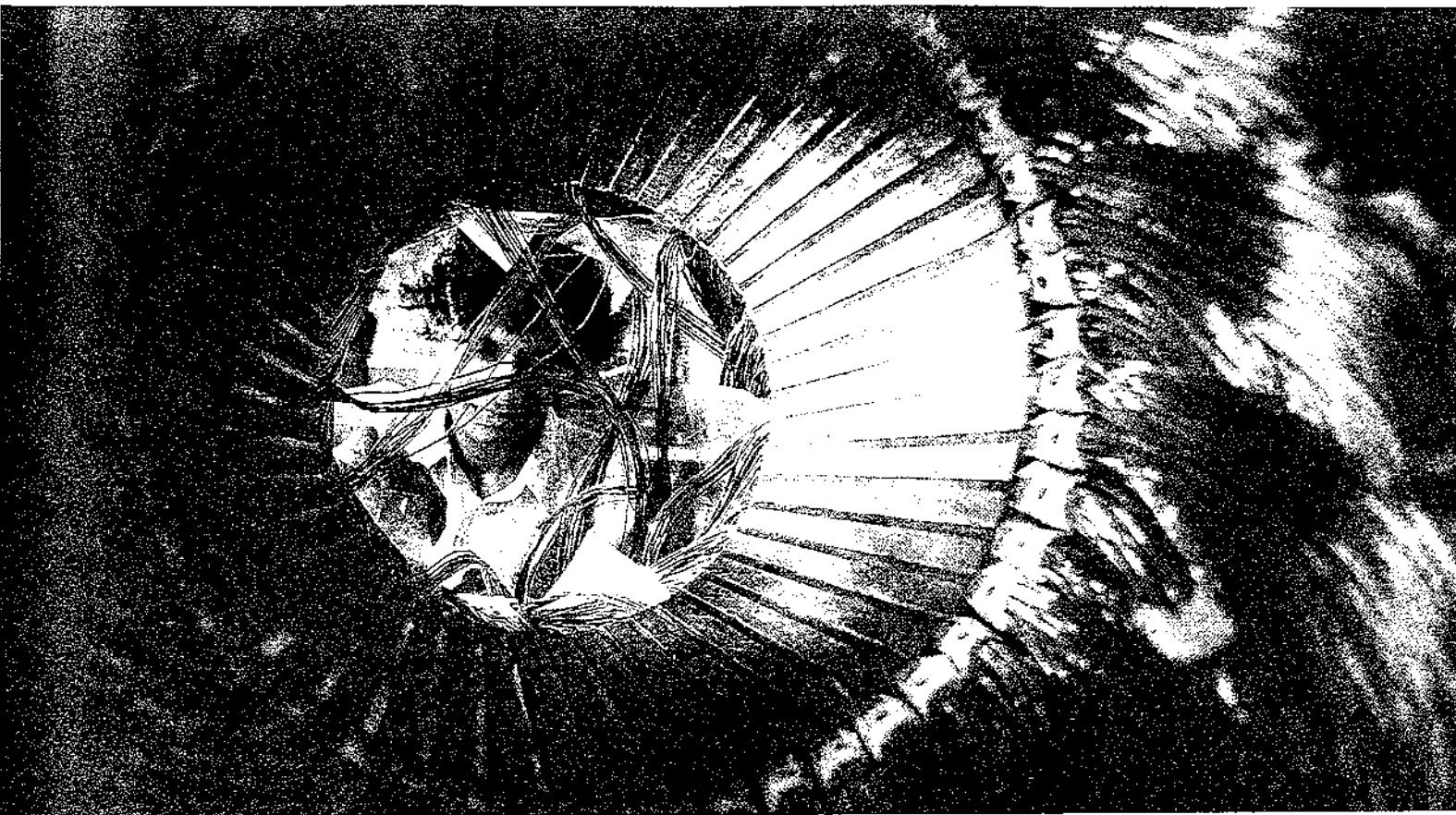
INTERNATIONAL RESERVES OF DMCs, 1976-1980



Domestic Efforts and Policies of DMCs

Domestic and international economic difficulties during the year posed great challenges for the economies of DMCs, calling for major policy initiatives and adjustments. Faced by recession or stagnation in several major developed countries which are important export markets for DMCs, and continued quota restrictions and other non-tariff barriers on their traditional exports of manufactured goods, DMCs such as Republic of China, Hong Kong, Republic of Korea and Singapore made increasing efforts to diversify the markets for their traditional products and the product composition of their overall exports. The ability of most of these DMCs to sustain or even improve export growth performance during 1980 attests to the success of their efforts in this respect.

Oil price increases during 1979-80 led to a sharp acceleration in oil payments by most DMCs. In some cases, these payments reached very high proportions of total export earnings of DMCs (see above), despite conservation measures adopted by them. The DMCs endeavored, often successfully, to reduce further their energy consumption growth based on imported oil during the year. The short-term energy conservation measures adopted by them comprised mainly of adjusting upward the domestic prices of petroleum and petroleum products, banning or restricting the use of petroleum products for certain activities, and restrictions on the use of automobiles.



ELECTRICAL engineer rewinding a motor at the Urea Fertilizer Project in Sri Lanka. This Bank-assisted Project is helping the country's economy through foreign exchange savings from reduced imports of fertilizer and food and the promotion of traditional export crops.

In most DMCs the energy sector received higher priority in the allocation of investment funds. The long-term energy diversification plans adopted by some DMCs involved conversion of oil-based industries to coal and natural gas (Republic of Korea and Philippines), accelerated establishment of large-scale and mini-hydropower plants and introduction of biogas plants (Burma, Sri Lanka and Thailand). Some countries also decided to establish or expand nuclear-based power plants (Republic of Korea and Philippines). Some countries (Bangladesh, Nepal, Sri Lanka and Western Samoa) were concerned about the depletion of fuel resources from firewood and adopted remedial action programs. The three DMCs which are net exporters of oil (Burma, Indonesia and Malaysia) stepped up their energy conservation efforts and diversification of sources of energy supply. They also intensified their search for new deposits of energy resources. However, many DMCs were unable to adjust quickly and fully their domestic prices of petroleum-based products to rising world crude oil prices, due to their impact on overall prices and the socio-political sensitivity of such measures. The upward adjustment of domestic prices of petroleum products particularly lagged behind others in those DMCs which had substantial domestic energy resources.

The changing relative prices of important internationally traded goods, particularly oil, has altered the viability of several industries in DMCs and necessitated major structural adjustments both to sustain domestic growth and narrow balance of payments deficits. Several countries initiated steps in that direction. In 1980 the Republic of Korea adopted measures towards enhancing productivity and securing economies of scale in some major industries. It

also reduced interest rates on loans to encourage domestic investments, carried out a large devaluation of its currency to improve the competitiveness of exports and import substitutes, and started joint ventures in resource-rich countries in the region in the context of furthering industrial cooperation.

The Philippines instituted wide-ranging tariff reforms and liberalization of imports aimed at structural adjustments of its industries in line with the country's comparative advantage. This effort was supported by the World Bank through its structural adjustment loan of \$200 million which commenced in 1980. The IMF assisted Bangladesh and Pakistan through medium-term structural adjustment loans to support the policies of those countries towards improving their balance of payments positions.

Thailand's efforts were aimed at reducing its dependence on imported energy by mounting a very large program of developing coal and gas resources and setting up hydro- and thermal power plants. It also introduced considerable policy reforms during the year to open up favorable investment opportunities to foreign capital and enterprise and carried out plans for the establishment of several new industrial zones outside Bangkok to attract foreign investors and reduce congestion and pollution in and around Bangkok.

To meet the increasing costs of energy imports and generally rising costs of other essential imports, DMCs tried to boost their exports to developing countries, particularly to oil-exporting Middle East countries. The general emphasis on export promotion and encouraging inflow of foreign investment continued during 1980. Various steps initiated in late 1979 and during 1980 to encourage such in-

vestment included tax incentives to exporters and export industries (Bangladesh, India, Malaysia, Pakistan, Philippines, Sri Lanka and Thailand), tax incentives for investment in export processing zones or free trade zones (Republic of China, Pakistan and Sri Lanka), tax incentives for trading companies (Singapore and Thailand) and subsidies on production of exportable commodities (Malaysia). A number of DMCs also further liberalized their imports. In addition to entering into bilateral trade agreements with some of their trading partners, Philippines and Thailand reduced tariffs on a number of manufactured products to help improve the efficiency of domestic production. Singapore reduced tariffs on a number of import items to make domestic industries more competitive with exports of other countries. Import liberalization in Bangladesh, Indonesia and Pakistan was selective and specific to raw materials, intermediate goods and capital machinery.

However, recession in the industrialized countries, restrictions on trade in manufactures, the low international prices of certain major export commodities (copra, copper, bananas, timber, tea and jute) and the mounting cost of imports in relation to exports frustrated DMCs' efforts to balance their external trade accounts. The trade deficits of most non-oil DMCs, as noted earlier, became much larger and entailed greater financing problems. Although the net inflow of development assistance from official sources is likely to have been somewhat higher than in 1979, it covered only part of the deficits of DMCs. Consequently, DMCs had to continue their reliance on private capital markets. The international banking community showed its confidence in the growth potential of this region by further lending to traditional borrowers and also by lending for the first time to some new borrowers. The major borrowers among DMCs, as in the past, were Indonesia, Republic of Korea, Malaysia, Philippines and Thailand. During the year, India negotiated the largest single commercial credit among DMCs at favorable terms and it also changed its policy with respect to equity participation by foreign interests in local industries mainly to attract petro-dollars. For the first time, it allowed a domestic private company to raise funds in the international capital market without government guarantee. However, the aggregate volume of commercial loans raised by DMCs during 1980 was considerably below that contracted by them during 1979.

Many countries made efforts to slow the rates of inflation by maintaining the money supply growth rates in 1980 below the rate of growth in nominal income. This is expected to have a favorable impact on the price situation of DMCs in 1981, barring further major destabilizing influences emanating either from domestic agricultural production or international developments. Several DMCs also adjusted the nominal interest rates on deposits upward to encourage private savings. However, the acceleration in inflation rates generally frustrated such incentives by reducing the real rates of return on savings deposits to low or even negative levels.

Several DMCs made determined efforts to mobilize more public savings for development by further raising government revenues and cutting down on subsidies and low priority expenditures. These included Bangladesh, Nepal, Pakistan and Sri Lanka. Data on aggregate savings and investments available up to 1979 for 12 DMCs (Table 9) show that during 1979 the share of domestic savings in GDP declined in six DMCs while in others the share rose from

that of the previous year. However, in a majority of reporting DMCs the rate of investment in 1979 was higher than that in the preceding year. As a result, the dependence of most of these DMCs on external assistance for financing investments increased during 1979.

Social goals — such as improving literacy, public health, housing and employment-generating activities for low-income groups — were emphasized by DMCs in the allocation of development funds. However, changes in social and demographic parameters are closely linked with overall economic growth and advances in these areas take time and become appreciable only after prolonged efforts. Some of the specific programs instituted by DMCs to provide income and employment opportunities to the poor were food-for-work programs involving excavation of canals (Bangladesh and India), promotion of village industries (India) and accelerated transmigration and human settlement projects (Indonesia). To cushion the impact of inflation, several DMCs, including Philippines, Papua New Guinea and Thailand, increased minimum wages of workers in both urban and rural areas. A number of DMCs made efforts to improve the living conditions of low-income groups through the expansion of social services in health, education and housing, particularly in rural areas.

Measures to reduce population growth rates were actively pursued by a number of DMCs, including those which have already achieved considerable success. DMCs which actively promoted family planning during the year included Bangladesh, Hong Kong, India, Indonesia, Republic of Korea, Pakistan, Papua New Guinea, Philippines, Sri Lanka and Thailand. Bangladesh, in pursuit of its goal of reducing fertility to the replacement level by 1985, adopted measures aimed at strengthening those components of its national population program which are crucial to generating a favorable attitude to family planning and the small family norm. Through a group of projects funded by the United Nations Fund for Population Activities and other international donors, Bangladesh significantly expanded facilities for education and communication in family planning. In India, orientation camps for influential village leaders were organized for the purpose of discussing freely the various aspects of family welfare as a strategy for revitalizing the country's population planning program. In Indonesia and Sri Lanka, coordination of family planning with rural development efforts, such as combining instructions in family planning with training in productive skills, led to an increase in the number of contraceptive acceptors.

Regional Cooperation

Efforts to promote regional cooperation among DMCs made some progress during 1980. Economic Ministers of the Association of Southeast Asian Nations (ASEAN) decided at their two meetings held in 1980 to intensify efforts for promoting intra-ASEAN trade by doubling the number of items covered under preferential trading arrangements to over 5,800 and instituting deeper tariff cuts on those items. Progress on the first ASEAN industrial project in Indonesia was stalled because of higher than expected costs and difficulties in the finalization of financing arrangements. However, in December, with Japan agreeing to increase its concessional assistance, the award of the construction contract was finalized and plant completion is scheduled for early 1984. Limited progress was made in

respect of the ASEAN projects in Malaysia and Thailand while the project in the Philippines was expected to be substituted by a copper fabrication complex due to uncertainty about the availability of domestic raw materials for the earlier project.

Difficulties over the ASEAN industrial projects led to a number of new policy decisions at the meeting in Bali of ASEAN Industrial Ministers, where it was decided that ASEAN projects need not necessarily involve all five member countries in equity investment and that alternative financing for ASEAN industrial projects should be sought.

TECHNICIANS checking equipment at a machinery manufacturing plant in the Republic of Korea which was supported by the Bank through a credit on-lent by Korea Development Bank.



It was also proposed that feasibility studies and tenders be carried out on the basis of international competitive practices. At their meeting in Bangkok, Economic Ministers approved the allocation of a second package of industries to be covered by the private sector automotive complementation scheme. Five member countries formed the ASEAN Finance Corporation which would provide capital and credit facilities to pioneering regional industrial ventures. It is envisaged that this Finance Corporation, with an initial capital of about \$50 million, will begin operations in 1981.

At the Eleventh South Pacific Forum Meeting in July, several DMCs, including Cook Islands, Kiribati, Solomon Islands, Tonga and Western Samoa, signed the South Pacific Regional Trade and Economic Cooperation Agreement which provides South Pacific countries with improved access to New Zealand and Australian markets. Papua New Guinea was unable to sign but affirmed its support for the agreement. Fiji decided not to sign because of its concern about citrus juice and timber exports.

The issue of establishing a Pacific Regional Advisory Service was discussed at the Commonwealth Heads of Government Regional Meeting (CHOGRM) in New Delhi in September and it was decided at the South Pacific Conference that the South Pacific Commission should associate itself with the initiative. This proposal had been recommended at a Conference on Pacific Island Development held in Hawaii earlier in the year.

The New Delhi session of the CHOGRM closed with a communique stating that the mounting payments deficits of developing countries are among the most urgent and critical problems facing the world community. The leaders called for recycling surplus funds, low-interest loans for energy development in non-oil developing countries and liberal trade policies by developed countries to encourage exports from developing countries. They agreed to form a consultative group to examine restrictions on trade and its future liberalization.

Among significant bilateral cooperation agreements signed by DMCs in 1980, the following may be noted: Malaysia and Thailand set up an electricity-sharing arrangement under which the completion of a cable connection between a power station in Perlis State, Malaysia and Sadao, Thailand will supply power to Southern Thailand for its peak hour requirements and will provide Malaysia with off-peak supply for industrial and emergency uses. In connection with joint agricultural development projects in the Golok River Basin, both countries agreed to appoint a third country to undertake appropriate feasibility studies. The Republic of Korea concluded bilateral fishing agreements with several South Pacific DMCs.

International Cooperation

The net inflow of external resources to DMCs rose from \$10.3 billion in 1978 to \$11.5 billion in 1979, the latest year for which complete data are available.¹ Bilateral and multilateral official flows, including OPEC assistance, increased from \$7.7 billion in 1978 to \$8.6 billion in 1979 while net private flows rose from \$2.6 billion to \$2.8 billion (Table 10). Data for 1980 are not yet available. However, the growth in international reserves, despite the larger current account

¹ Excluding financial flows from member states of the Council for Mutual Economic Assistance.

deficit incurred during the year, suggests that total net flows to DMCs increased during 1980.

In March 1980, a new Food Aid Convention was concluded in London by a Conference of the Food Aid Committee of the United Nations. In view of the growing food deficits of many developing countries — particularly in Africa and Asia — and their large requirements for food assistance, the Convention provided for an annual minimum volume of food aid amounting to 7.6 million tons, an increase of 3.4 million tons over the previous level.

In view of the larger resource needs of developing countries, several measures were undertaken both to increase the financial capacity of existing institutions and programs and to introduce new facilities which would respond to specific needs such as structural adjustment loans and energy-related capital investments. Despite these initiatives, the record of accomplishments was mixed.

The quota increase under the Seventh General Review of the IMF became effective in December when members representing 75 per cent of total quotas accepted the proposed increase. This enhanced the capital resources of the IMF by 50 per cent to about \$78 billion. The Executive Board of the IMF also reached a decision to allow its members to avail themselves of resources in larger amounts and for longer periods. According to a new guideline, cumulative use of facilities (excluding compensatory and buffer stock facilities) by a member would be allowed to reach 600 per cent of its quota as against the previous limit of 480 per cent. This new ceiling on net use of IMF facilities is to be reached during a period of more than three years. However, it is expected that this guideline will be applied flexibly depending on a country's particular circumstances. Moreover a decision was reached to explore the possibility of the IMF borrowing funds from governments or from the private capital markets in order to enhance resources available to the IMF. This approach emerged as an alternative to the IMF borrowing from oil exporting members.

While members of the World Bank are proceeding to make effective the \$40 billion capital increase agreed to in 1979, a further review of resources was commissioned in view of several more recent developments including the higher-than-projected rate of inflation, the admission to membership of the People's Republic of China in May, the structural adjustment lending program of the World Bank begun in 1980 and energy sector lending requirements set at \$25 billion for 1981-85.

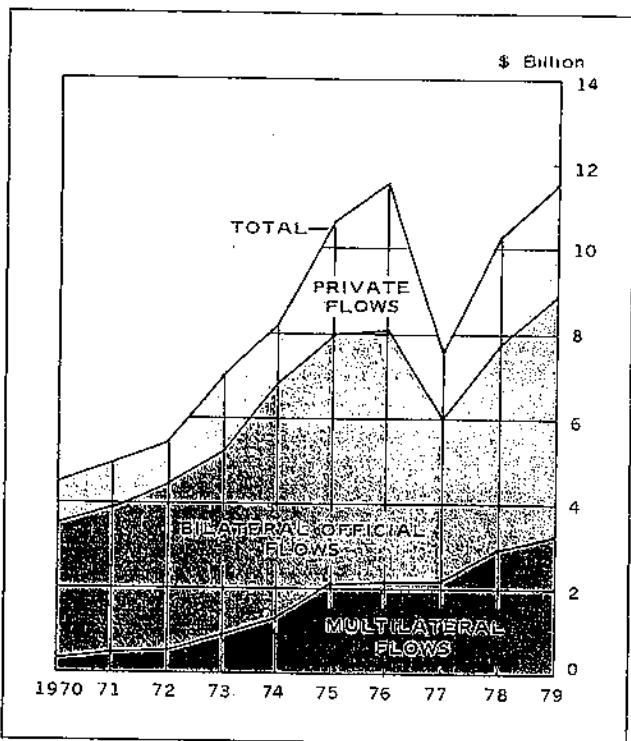
In May 1980, the OPEC Finance Ministers agreed to transform the OPEC Special Fund into a permanent development agency with capital resources of \$4 billion, viz. the OPEC Fund for International Development. Further progress in this regard was stalled due to recent events in the Middle East involving two OPEC members.

After four years of negotiations, UNCTAD members reached agreement on the establishment of the Common Fund to be financed by contributions which are partly compulsory and partly voluntary. The Common Fund would provide assistance for various commodities through its two windows; the first for buffer stocking and the second for other measures such as research and development. The agreement will become operational after it has been signed by 90 countries accounting for a minimum of two-thirds of the required contribution. A second condition for ratification which involved a minimum of \$140 million in contributions to the second window has already been met. The

subscribed capital of \$750 million will be supplemented by individual commodity agreements which may choose to join the Fund by depositing one-third of their maximum stocking requirements with the Fund. The Common Fund is open to all UN members.

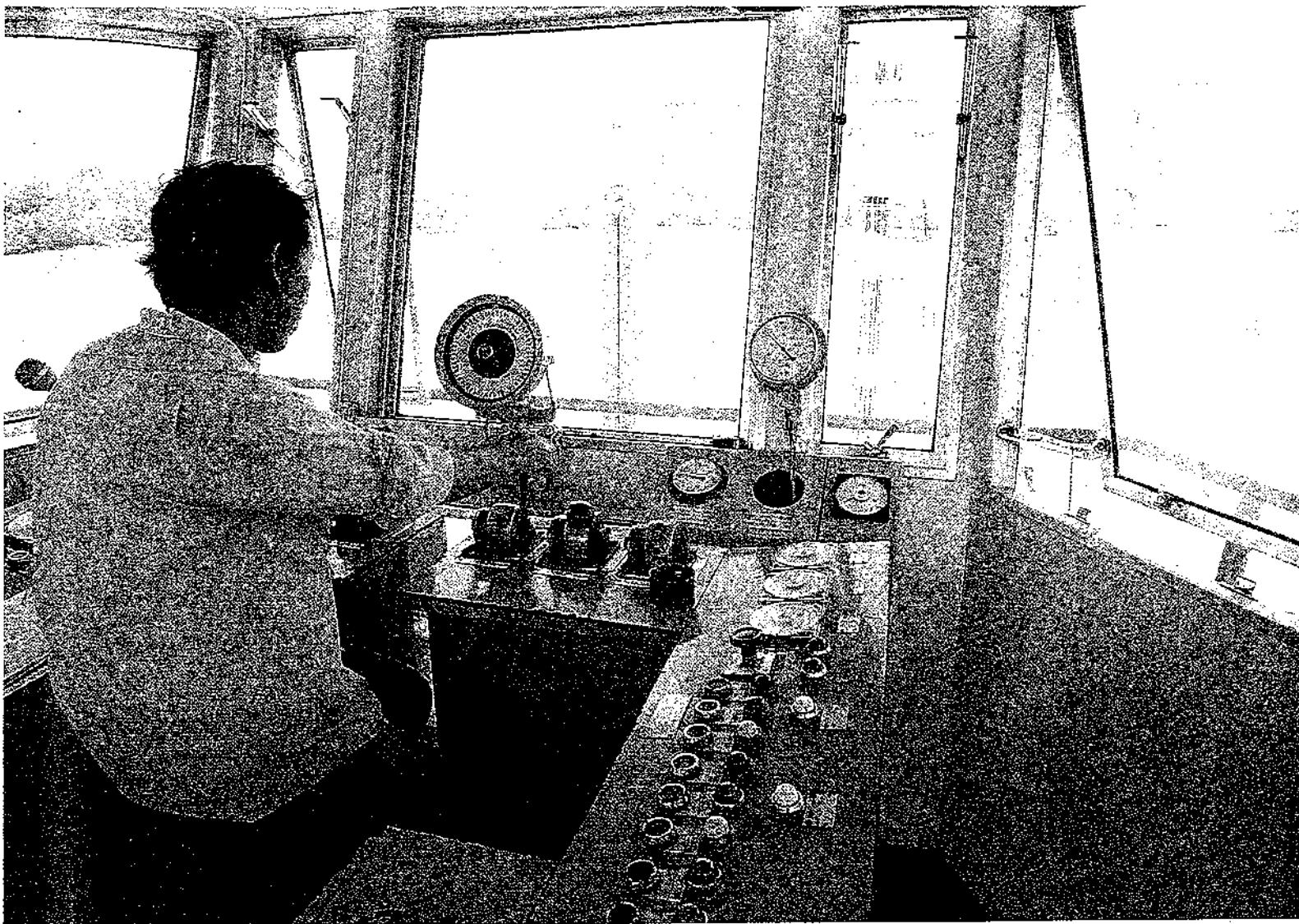
A review of the first 10 years of the generalized non-reciprocal and non-discriminatory system of preferences (GSP) was conducted during the year by UNCTAD's Special

FINANCIAL FLOWS FROM ALL SOURCES TO DMCs, 1970-1979



Committee on Preferences. In addition to reiterating the importance of the GSP, the Committee concluded that the system should be extended beyond the initial period of 10 years and that a comprehensive review of the system be undertaken in 1990. Industrialized countries agreed to improve their various individual schemes by increasing the number of products covered and by improvements in preferential rates. So far the European Economic Community (EEC) has agreed to extend its program for a 10-year period.

In 1980, a start was made on implementing the Tokyo Round Agreements. As existing tariff rates are generally low, further tariff reductions are not by themselves expected to have a significant impact on trade. Instead, non-tariff barriers are regarded as the major current deterrents to trade expansion. These include labelling and packaging requirements, quality standards and health and sanitary regulations which developing countries often find difficult to meet because of lack of information regarding the requirements or technical limitations on production. In this regard, developing countries will benefit from the agreement under the Tokyo Round to make available such infor-



DREDGING Belawan port in northeastern Sumatra. The Bank is assisting the expansion of facilities at Indonesia's third major port in order to help meet rapidly growing cargo traffic.

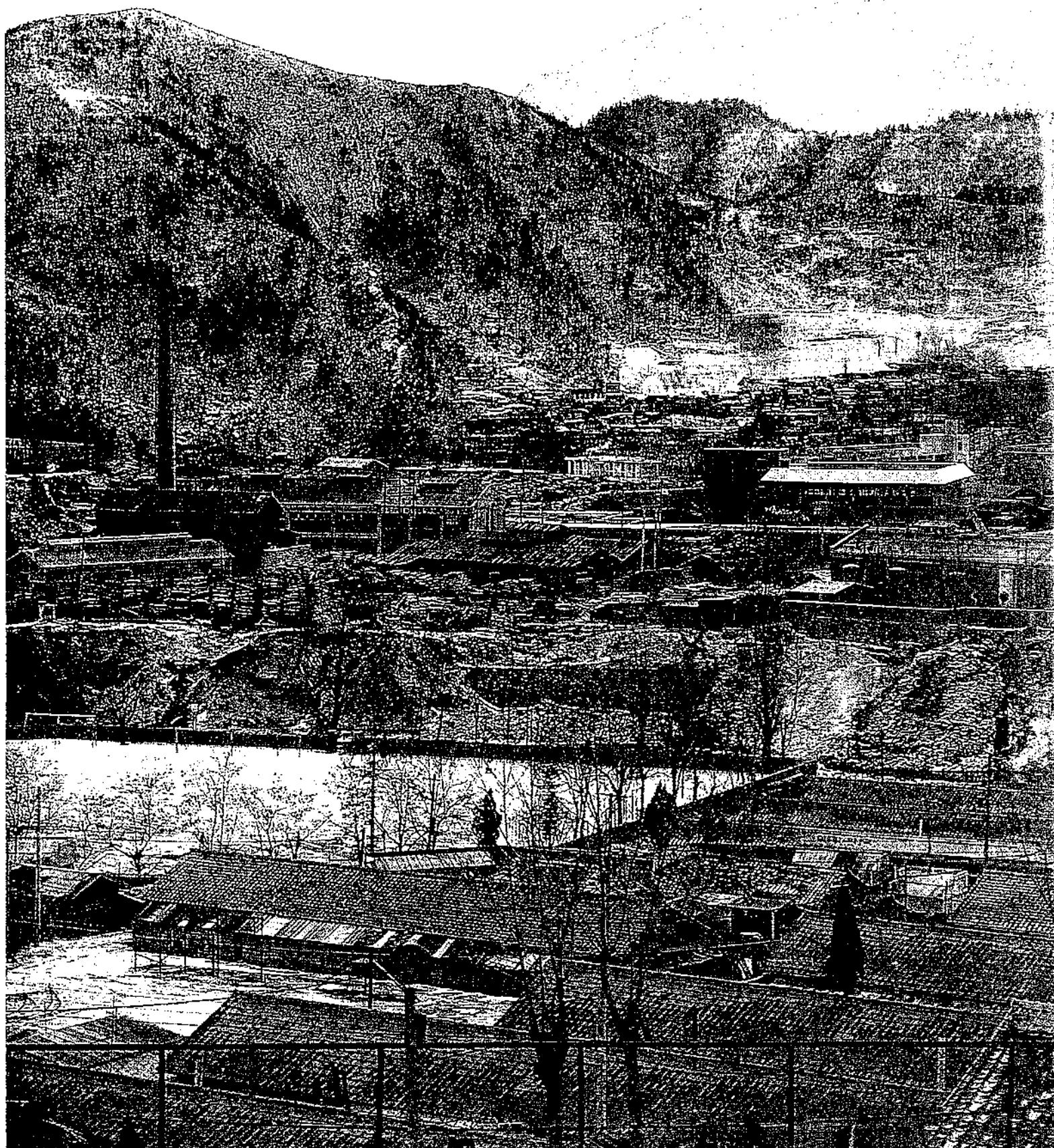
mation and technical assistance to meet those requirements.

The report of the Independent Commission on International Development Issues (Brandt Commission), prepared over a two-year period, was submitted to the UN Secretary-General in February. Covering the broad spectrum of North-South development issues, the report made several recommendations concerning reform of existing development institutions and proposals for new initiatives including the creation of a World Development Fund to supplement existing institutions, a system of automatic resource transfers, and the holding of a summit meeting of developing and industrialized countries. Although the Brandt Commission recommendations were widely disseminated and discussed over the past year, there was little progress on agreements regarding its specific proposals. In a meeting of Foreign Ministers from selected industrialized and developing countries held in Vienna, agreement was reached to discuss the main proposals in a high level North-South Summit to be held in Mexico during 1981.

The UNIDO III Conference in New Delhi ended without substantial agreement on any of the principal agenda

items, frustrating the efforts to advance the North-South dialogue. Further discussion was deferred to the Special Session of the UN which was to consider strategy for the Third United Nations Development Decade. At the Special Session held in August-September 1980, a consensus was reached on the international development strategy for the Third Development Decade to be submitted for approval at the 35th regular session of the UN General Assembly. However, the launching of global negotiations — a task assigned to the Special Session by a 1979 General Assembly resolution — was not achieved, with the result that another Special Session has been scheduled for 1981.

The DMCs commenced the decade of the 1980s in a very difficult international economic setting. As in the past, they demonstrated considerable resilience in facing the economic challenges that confronted them. In response to the changing objectives and priorities of its DMCs, the Bank also continued to adjust its operational policies and expand its activities. A brief account of the policy initiatives and activities of the Bank during 1980 is provided in the following chapters.



OPERATIONS AND POLICIES

Lending Operations

DURING 1980, overall Bank lending increased by 15 per cent compared with a rise of 8 per cent in 1979. Total loan approvals during the year amounted to \$1,436 million compared with \$1,252 million in the previous year. The share of concessional loans to the poorer and less developed member countries was about 33 per cent of total lending during the year, higher than the average of 30 per cent over the period 1967-80. Once again, co-financing and cooperation with other aid agencies and financial institutions substantially added to the Bank's own assistance to its developing member countries (DMCs). Technical assistance activities increased by 5.6 per cent over 1979.

During the year, a total of 59 loans — including two program loans, two sector loans and one multiproject loan — for 58 projects in 17 DMCs were approved, compared with 58 loans for 54 projects¹ in 18 DMCs in 1979.

Loans from ordinary capital resources (OCR) in 1980 amounted to \$958.5 million, an increase of 14.8 per cent over the corresponding figure of \$835 million in 1979, while loans from Special Funds (SF), amounting to \$477 million, showed almost the same percentage increase over the 1979 concessional lending figure of \$416 million. In 1980, 88 per cent of SF loans went to DMCs which had a per capita GNP of less than \$300 in 1979.

The average size of loans rose from \$21.6 million in 1979 to \$24.3 million in 1980. The average size of OCR loans increased from \$28.6 million in 1979 to \$33 million in 1980, while the average size of SF loans increased from \$14.4 million to \$15.9 million over the same period. While this trend is partly attributable to higher project costs arising from worldwide inflation, there was also a conscious effort on the part of the Bank to increase the average size of loans, where necessary, in order to curb administrative overheads and accelerate the transfer of resources to DMCs.

During the year, five DMCs received loans exclusively from OCR: Hong Kong (\$20 million), Indonesia (\$284.6 million), Republic of Korea (\$174.5 million), Malaysia (\$83.7 million) and Singapore (\$19 million).

¹ Excludes three on-going projects for which supplementary loans to meet cost overruns were approved.

COAL, the only major domestic energy resource in the Republic of Korea, plays an important role in the country's economic development. Bank assistance to the Coal Development Project has provided mining and safety equipment at Dai Han Coal Corporation's eight mines.

Four DMCs received loans from both OCR and SF: Pakistan, \$178.3 million (\$56.3 million from OCR and \$122 million from SF); Papua New Guinea, \$20 million (\$12 million from OCR and \$8 million from SF); Philippines, \$178.3 million (\$158.3 million from OCR and \$20 million from SF); and Thailand, \$170 million (\$150 million from OCR and \$20 million from SF).

Eight DMCs received loans exclusively from SF: Bangladesh (\$150.9 million), Burma (\$50.5 million), Cook Islands (\$1 million), Lao People's Democratic Republic (\$10.1 million), Nepal (\$38.5 million), Solomon Islands (\$3.6 million), Sri Lanka (\$47.8 million) and Western Samoa (\$4.7 million).

Despite variations in sectoral emphasis applicable to individual DMCs, there was a general consensus on the importance of agriculture and rural development. This sector was given increased attention, especially in the low-income DMCs and in the less developed areas of the middle-income DMCs, in an effort to help raise income and employment levels in the rural areas. The second major sectoral focus was on development of the Energy sector, particularly on the increased utilization of indigenous energy resources. The third sector that claimed substantial Bank assistance was the development of social infrastructure such as potable water, housing and urban development, health care and population and education.

Bank activities in 1980 generally followed this broad sectoral strategy, with 32.6 per cent of total lending for the year going to the Agriculture and Agro-Industry sector. Lending in this sector covered such activities as tubewell and irrigation development, agricultural credit, palm oil processing, integrated agricultural and rural development, rubber development and forestry, fisheries and livestock development. The Energy sector received 26.6 per cent of total lending during 1980, mainly for the development of indigenous energy resources such as hydropower, natural gas and lignite, the improvement of load despatch capacity and rural electrification. Lending for social infrastructure constituted 15.9 per cent of total lending for the year for the development of social facilities such as public health, small towns water supply, sewerage, vocational education and training, and urban housing; 15.6 per cent went to the Transport and Communications sector; and the remaining

LOAN APPROVALS IN 1980 AND TOTAL PROJECT COSTS
 (amounts in \$ million)

| Country/Project | Ordinary Capital Resources | Special Funds | Total Project Costs |
|---|----------------------------|---------------|---------------------|
| BANGLADESH | | | |
| Geological Survey | — | 6.20 | 11.30 |
| Tubewell | — | 50.00 | 67.00 |
| Natural Gas Development | — | 31.00 | 45.90 |
| Second Agricultural Credit | — | 28.10 | 45.10 |
| Public Health Program | — | 15.60 | — |
| Rubber Rehabilitation and Expansion | — | 20.00 | 36.60 |
| BURMA | | | |
| Outports | — | 15.50 | 45.00 |
| Myanma Economic Bank | — | 10.00 | — |
| Inland Fisheries Development | — | 20.00 | 43.90 |
| Petroleum Refining Industry Program | — | 5.00 | — |
| COOK ISLANDS | | | |
| Multiproject Loan | — | 1.00 | 1.15 |
| HONG KONG | | | |
| Second Sha Tin Urban Development | 20.00 | — | 111.70 |
| INDONESIA | | | |
| Palm Oil Processing and Smallholder Development | 28.00 | — | 39.00 |
| Second Java EHV Transmission | 60.70 | — | 271.00 |
| Fifth Road | 28.00 | — | 53.00 |
| Second Senior Technical Schools | 26.00 | — | 51.50 |
| Lower Citarum Irrigation | 55.20 | — | 107.60 |
| Northern Sumatra Irrigation Study | 5.70 | — | 8.90 |
| Small Towns Water Supply Sector | 32.00 | — | — |
| Sumatra Fisheries Development | 14.00 | — | 25.80 |
| Oballung Irrigation | 35.00 | — | 69.90 |
| KOREA, REPUBLIC OF | | | |
| Samrangjin Pumped Storage Power | 52.63 | — | 321.63 |
| Second Incheon Port Development | 54.00 | — | 103.00 |
| Sixth Small and Medium Industry Bank | 40.00 | — | — |
| Sewage Treatment | 27.90 | — | 126.34 |
| LAO PEOPLE'S DEMOCRATIC REPUBLIC | | | |
| Agricultural Support Facilities | — | 5.85 | 8.21 |
| Vientiane Plain Rural Electrification | — | 4.30 | 6.08 |
| MALAYSIA | | | |
| East-West Highway (Phase II) | 0.94 | — | 3.40 |
| Vocational Education | 20.00 | — | 80.00 |
| Negeri Sembilan Timur Integrated Agricultural Development | 20.00 | — | 56.60 |
| Kemasin Rural Development | 40.00 | — | 96.00 |
| Rural Water Supply Master Plan | 2.81 | — | 6.10 |

| Country/Project | Ordinary Capital Resources | Special Funds | Total Project Costs |
|---|-----------------------------------|----------------------|----------------------------|
| NEPAL | | | |
| Fourth Agricultural Credit | — | 15.00 | 20.10 |
| Hill Irrigation (Western Region) | — | 11.70 | 16.70 |
| Aquaculture Development | — | 11.80 | 16.30 |
| PAKISTAN | | | |
| Second Marine Fisheries Development | — | 30.00 | 52.50 |
| Load Despatch and Transmission | — | 67.00 | 500.00 |
| Third Pakistan Industrial Credit and Investment Corporation | 40.00 | — | — |
| Indus Right Bank Pipeline Gas Compression | 16.30 | — | 34.10 |
| On-Farm Water Management | — | 25.00 | 33.30 |
| PAPUA NEW GUINEA | | | |
| Lae Port | 12.00 | 8.00 | 30.10 |
| PHILIPPINES | | | |
| Negros and Mindanao Power Transmission | 60.50 | — | 118.70 |
| Manila Sewerage | 42.80 | — | 177.40 |
| Second Road Improvement | 30.00 | — | 46.00 |
| Second Laguna de Bay Irrigation | — | 20.00 | 50.80 |
| Second Philippine Investment Systems Organization | 25.00 | — | — |
| SINGAPORE | | | |
| Vocational and Industrial Training | 19.00 | — | 33.70 |
| SOLOMON ISLANDS | | | |
| Honiara Water Supply | — | 1.65 | 2.03 |
| Second Development Bank of Solomon Islands | — | 2.00 | — |
| SRI LANKA | | | |
| Second Development Finance Corporation of Ceylon | — | 10.00 | — |
| Third Tea Development | — | 12.80 | 36.70 |
| Mahaweli Area Roads Development | — | 10.00 | 20.50 |
| Anuradhapura Dry Zone Agriculture | — | 15.00 | 39.60 |
| THAILAND | | | |
| Highway Sector | 65.00 | — | — |
| Bang Plee New Town | — | 20.00 | 52.10 |
| Power System Expansion | 85.00 | — | 423.58 |
| WESTERN SAMOA | | | |
| Forestry Development | — | 1.74 | 4.78 |
| Agricultural Development | — | 3.00 | 10.80 |
| GRAND TOTAL | 958.48 | 477.24 | 3,561.50 |

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1979, 1980, 1967-1980
(amounts in \$ million)

| Country | 1979 | | | 1980 | | | 1967-1980 | | | % |
|------------------------|---------------|---------------|-----------------|---------------|---------------|-----------------|-----------------------------|-----------------|-----------------|---------------|
| | OCR | SF | Total | OCR | SF | Total | OCR | SF | Total | |
| Afghanistan | — | 20.10 | 20.10 | — | — | — | — | 95.10 | 95.10 | 1.18 |
| Bangladesh | — | 115.10 | 115.10 | — | 150.90 | 150.90 | 11.40 | 619.93 | 631.33 | 7.80 |
| Burma | — | 36.80 | 36.80 | — | 50.50 | 50.50 | 6.60 | 283.96 | 290.56 | 3.59 |
| Cambodia | — | — | — | — | — | — | — | 1.67 | 1.67 | 0.02 |
| China, Rep. of | — | — | — | — | — | — | 100.39 | — | 100.39 | 1.24 |
| Cook Islands | — | — | — | — | 1.00 | 1.00 | — | 1.00 | 1.00 | 0.01 |
| Fiji | 7.00 | — | 7.00 | — | — | — | 29.90 | — | 29.90 | 0.37 |
| Hong Kong | — | — | — | 20.00 | — | 20.00 | 101.50 | — | 101.50 | 1.25 |
| Indonesia | 210.40 | 25.00 | 235.40 | 284.60 | — | 284.60 | 1,068.98 | 162.28 | 1,231.26 | 15.21 |
| Kiribati | — | — | — | — | — | — | — | 1.75 | 1.75 | 0.02 |
| Korea, Rep. of | 160.10 | — | 160.10 | 174.53 | — | 174.53 | 1,168.33 | 3.70 | 1,172.03 | 14.48 |
| Lao People's Dem. Rep. | — | 7.00 | 7.00 | — | 10.15 | 10.15 | — | 36.84 | 36.84 | 0.46 |
| Malaysia | 79.20 | — | 79.20 | 83.75 | — | 83.75 | 589.95 | 3.30 | 593.25 | 7.33 |
| Nepal | — | 30.88 | 30.88 | — | 38.50 | 38.50 | 2.00 | 217.72 | 219.72 | 2.71 |
| Pakistan | — | 113.60 | 113.60 | 56.30 | 122.00 | 178.30 | 479.37 | 525.95 | 1,005.32 | 12.42 |
| Papua New Guinea | 6.25 | 6.00 | 12.25 | 12.00 | 8.00 | 20.00 | 35.95 | 61.94 | 97.89 | 1.21 |
| Philippines | 207.40 | 15.00 | 222.40 | 158.30 | 20.00 | 178.30 | 1,067.05 | 64.30 | 1,131.35 | 14.00 |
| Singapore | 15.10 | — | 15.10 | 19.00 | — | 19.00 | 178.08 | 3.00 | 181.08 | 2.24 |
| Solomon Islands | — | 2.00 | 2.00 | — | 3.65 | 3.65 | — | 14.85 | 14.85 | 0.18 |
| Sri Lanka | — | 25.20 | 25.20 | — | 47.80 | 47.80 | 14.13 | 210.11 | 224.24 | 2.77 |
| Thailand | 149.80 | 15.00 | 164.80 | 150.00 | 20.00 | 170.00 | 795.18 | 57.10 | 852.28 | 10.53 |
| Tonga | — | 1.20 | 1.20 | — | — | — | — | 4.37 | 4.37 | 0.05 |
| Viet Nam, Soc. Rep. of | — | — | — | — | — | — | 3.93 | 40.67 | 44.60 | 0.55 |
| Western Samoa | — | 3.45 | 3.45 | — | 4.74 | 4.74 | — | 31.03 | 31.03 | 0.38 |
| TOTAL | 835.25 | 416.33 | 1,251.58 | 958.48 | 477.24 | 1,435.72 | 5,652.74^a | 2,440.57 | 8,093.31 | 100.00 |

a Cumulative total includes refinanced technical assistance loans.

9.3 per cent to Industry and Non-Fuel Minerals and Development Banks.

The total cost of projects approved in 1980, excluding six development finance institution (DFI) projects, two sector loans and two program loans, is estimated at \$3,561 million. Direct Bank financing of the total project costs amounted to about 33.4 per cent. On the basis of the Bank's past experience, it is estimated that the total cost of the subloan projects to be financed by the six DFI loans will be about \$530 million. The projects and programs to be financed by the sector and program loans will involve an estimated total investment cost of \$192 million.

At the end of 1980, the Bank's cumulative lending had reached \$8,093 million for 455 projects in 24 DMCs. Of this total, loans amounting to \$5,653 million were from OCR and \$2,440 million were from SF.

Although financing the foreign exchange costs of goods and services required for these projects will continue to be the main form of Bank assistance to DMCs, it has been recognized that other modes of assistance are required to make the Bank's developmental role in these countries more effective and broader based.

For instance, program lending, which was introduced in 1978, is designed primarily to help DMCs increase production where there is underutilization of existing capacity, and to provide a relatively flexible means through which DMCs can achieve optimum capacity utilization. In 1980, the Bank approved two program loans: \$15.6 million for a Public Health Program in Bangladesh and \$5 million for a Petroleum Refining Industry Program in Burma. To date, six program loans have been approved by the Bank, amounting to \$60.5 million.

Sector lending was introduced in 1980. This form of lending has several potential advantages, both from the Bank's point of view as well as that of the DMCs themselves. These include larger loan size, greater institution-building impact and quicker disbursements. This form of lending is expected to be particularly useful in sectors where a number of individually small investment activities can be combined under one loan. In 1980, the Bank approved two sector loans: \$32 million for the Water Supply sector in Indonesia and \$65 million for the Highway sector in Thailand.

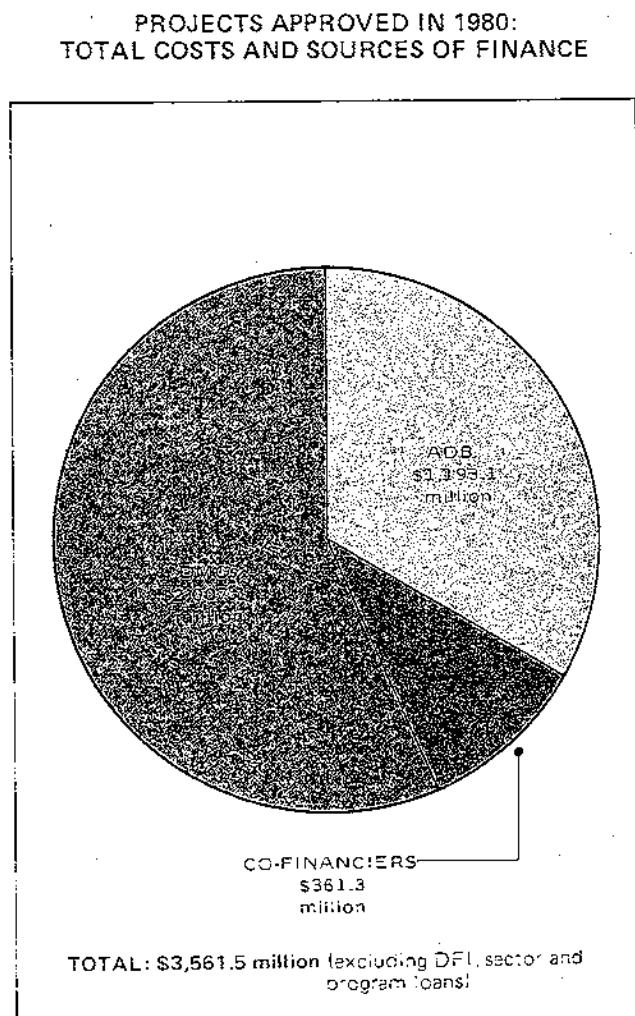
In recent years, the Bank has gained considerable experience in providing foreign exchange for local cost financing (LCF) to DMCs eligible for this type of financing on the basis of such factors as their overall balance of payments position and ability to mobilize domestic resources, as well as the necessity of projects in sectors where the local cost component of projects is high, such as agriculture and social infrastructure. Such financing increased from \$5.9 million in 1974, the first year in which LCF was introduced by the Bank, to \$81.5 million in 1979. In 1980, the amount of LCF was \$105 million spread over 15 loans to eight DMCs. Of this, \$33 million was from OCR and \$72 million from SF, accounting for 3 per cent and 15 per cent, respectively, of OCR and SF loans approved during the year. At the end of

1980, the Bank had financed a total of \$305 million in LCF.

The Bank has also financed interest and other charges during construction under special circumstances such as the need to relieve the financial strain on executing agencies during the construction period of projects, and also to ease the debt service burden on DMCs before projects start yielding benefits. In 1980, the Bank financed interest and other charges during construction amounting to \$19.7 million from OCR for four projects.

The Bank's operations in the small island developing countries, mainly in the South Pacific, received special attention. The relatively small size of individual projects has been one of the problems faced by the Bank in its activities in these countries. To overcome this, the Bank decided to introduce a new category of multiproject loans for these countries and the first such loan was made to Tonga in 1979. In 1980, another multiproject loan, for \$1 million, was made to Cook Islands. This loan is expected to cover the financing of six subprojects with individual estimated total costs ranging from \$81,000 to \$299,000.

In view of the range and diversity of economic development and performance of its DMCs, the Bank has recognized some broad country categories, based on an assessment of each country's per capita GNP level, balance of payments and debt repayment capacity (see pages 56 and 57). These categories are used as a broad guide to determine access to concessional assistance and broadly reflect the relative levels of economic development among the Bank's low, middle and high-income DMCs. At present, the Bank's lending policy gives the low-income countries full access to SF; the middle-income DMCs borrow mainly from OCR, but have access to SF for modest amounts subject to the availability of resources, while the higher-income countries have access only to OCR. The Bank also conducts a periodic review of each DMC's economic situation, focusing on overall and sectoral performance as well as assessing what impact current development may have on future growth prospects. These reviews, together with regular on-going dialogues with DMCs, allow the Bank to formulate on a country-by-country basis a program of assistance designed to help the DMCs overcome their specific development constraints.



Co-Financing

In addition to its own lending operations, the Bank has been active in encouraging co-financing with other sources for Bank-assisted projects. The main objective of co-financing is to help mobilize a larger inflow of external resources to meet the development needs of the DMCs. Co-financing enables the Bank to diversify its operations among borrowing DMCs and among priority projects, and facilitates financing of large-scale projects, the financing requirements of which may not be fully met by the Bank itself. Through co-financing, the Bank is able to play a more effective catalytic role in promoting investment and development in the region.

During the year, 22 Bank-financed projects involved co-financing, with funds contributed by co-financiers amounting to \$391 million and those by the Bank to \$600 million.¹ This compared with 24 projects co-financed in 1979 for

¹ Bank financing for two projects will be reduced by \$3.61 million as a result of co-financing.

CO-FINANCING ARRANGEMENTS, 1980

(amounts in \$ million)

| Project | Country | Bank Loan | | Amount of Co-Financing | Sources of Co-Financing |
|--|-------------------|--------------------|--------------------|--------------------------------|--|
| | | OCR | SF | | |
| Public Health Program | Bangladesh | — | 15.60 | 0.15 | WHO |
| Outports | Burma | — | 15.50 | 6.32 | OPEC Fund |
| Lower Citarum Irrigation | Indonesia | 55.2 | — | 4.90 | EEC |
| Second Java EHV Transmission | Indonesia | 60.7 | — | 90.50 | IBRD |
| Samrangjin Pumped Storage Power | Korea, Rep. of | 52.63 | — | 11.00 | Commercial Banks |
| Agricultural Support Facilities | Lao PDR | — | 5.85 | 0.63 | UNDP |
| Trengganu Hydropower | Malaysia | 45.40 ^a | — | 24.95 | Japan |
| Livestock Development | Nepal | — | 12.28 ^b | 3.08 | EEC |
| Aquaculture Development | Nepal | — | 11.80 | 1.37 | UNDP |
| Hill Irrigation (Western Region) | Nepal | — | 11.70 | 0.90 | UNDP |
| Fourth Agricultural Credit | Nepal | — | 15.00 | 1.10 | UNDP |
| Second Marine Fisheries Development | Pakistan | — | 30.00 | 12.00 | EEC |
| Load Despatch and Transmission | Pakistan | — | 67.00 | 45.00 35.00 18.00 | IDA EEC (Special Action Credit) Fed. Rep. of Germany |
| Manila Sewerage | Philippines | 42.8 | — | 63.00 | IBRD |
| Second Laguna de Bay Irrigation | Philippines | — | 20.00 | 7.50 | OPEC Fund |
| Vocational and Industrial Training | Singapore | 19.0 ^c | — | 0.53 | UNDP |
| Second Development Bank of Solomon Islands | Solomon Islands | — | 2.00 | 1.50 | IDA |
| Third Tea Development | Sri Lanka | — | 12.80 | 5.00 | OPEC Fund |
| Anuradhapura Dry Zone Agriculture | Sri Lanka | — | 15.00 | 14.50 | IFAD |
| Power System Expansion | Thailand | 85.0 | — | 15.97 15.65 1.75 5.25 | Canada (Export Credit) Japan (Export Credit) Switzerland Commercial Banks |
| Forestry Development | Western Samoa | — | 1.74 | 1.28 | New Zealand |
| Agricultural Development | Western Samoa | — | 3.00 | 2.00 2.00 | Australia IDA |
| TOTAL | | 360.73 | 239.27 | 390.83 | |

^a Bank loan approved in 1978; co-financing of \$63.50 million was arranged in 1978 and 1979.

^b Bank loan approved in 1979 when co-financing of \$1.59 million was also arranged; amount of Bank loan will be reduced by \$3.08 million as a result of co-financing with EEC.

^c Bank loan amount will be reduced by \$0.53 million as a result of co-financing with UNDP.



SMALL and medium-scale industries, like these dairy product plants in Fiji, are supported by the Bank through credit lines to development finance institutions — in this case the Fiji Development Bank.

which co-financiers contributed \$431 million, and the Bank \$723 million. The amount of co-financing in 1980 was affected by carrying over some large projects requiring co-financing from the 1980 pipeline to 1981.

As in the past, the bulk of the Bank's co-financing in 1980 was with official sources, both bilateral and multilateral, which together contributed \$343 million or 88 per cent of total co-financing in the year. Multilateral sources, such as the World Bank Group, United Nations Development Programme (UNDP), World Health Organization (WHO), International Fund for Agricultural Development (IFAD), European Economic Community (EEC) and OPEC Fund for International Development, contributed \$295 million, and bilateral sources, comprising Australia, Federal Republic of Germany, Japan, New Zealand and Switzerland, contributed \$48 million.

During the year, the Bank reached an understanding with the World Bank Group on co-financing development projects in certain South Pacific countries which are common members of both institutions, and entered into cooperation arrangements with the Government of Switzerland on financing development projects and technical assistance in the Bank's DMCs (see pages 59 and 61).

Co-financing of \$16.3 million was arranged in 1980 with commercial banks for two power projects in Republic of



Korea and Thailand. A feature of the co-financing arrangement in the Republic of Korea was the incorporation of an optional "cross-default" clause in the Bank's loan agreement with the borrower, under which the Bank has the option to declare its own loan in default should the borrower be in default under the commercial bank loan, and vice versa. In addition, co-financing of \$31.6 million was arranged with export credit sources from Canada and Japan for a power project in Thailand.

The largest share of the Bank's co-financing in 1980 was in the Energy sector, for which co-financiers contributed \$263 million or 67 per cent of total Bank co-financing. Other sectors involving co-financing were Water Supply and Sewerage (\$63 million), Agriculture and Agro-Industry (\$56 million), and Transport and Communications, Development Banks, Education and Health accounting for smaller amounts.

In addition to co-financing, four projects amounting to \$62 million were processed by the Bank in 1980 for exclusive financing by other sources. Three of these projects, amounting to \$49 million, were for IFAD financing, and one project, for \$13 million, was for financing by EEC and the Government of Switzerland. External resources mobilized through co-financing and exclusive financing in 1980 amounted to \$452 million.

Benefits to the Poor

The Bank has been devoting increased attention in its project activities to the alleviation of poverty in its DMCs. A brief outline of the Bank's approach in combatting this acute and widespread problem was presented in last year's Annual Report.

During 1980, this strategy was further strengthened: 90 per cent of the total concessional lending of \$477 million was committed to the low-income DMCs compared with 85 per cent in 1979, and in the few instances where modest amounts of ADF funds were provided to lower middle-income DMCs the Bank ensured that a high proportion of project benefits would accrue to the poorer segments of the population. During the year, Bangladesh (\$150.9 million) received the largest amount of ADF funds, followed by Pakistan (\$122 million), Burma (\$50.5 million), Sri Lanka (\$47.8 million) and Nepal (\$38.5 million).

Local cost financing (LCF) is also an important vehicle for strengthening the impact of Bank-assisted projects on the poor. In many DMCs, per capita income levels are so low that domestic savings are inadequate to cover local currency costs of development projects, despite the availability of financing for foreign exchange project components. In 1980, the Bank provided \$72 million from ADF resources for LCF, which represented 15 per cent of total ADF lending for the year. Out of \$105 million in local costs financed by the Bank during the year, nearly 69 per cent was provided through ADF loans, and over 93 per cent of the LCF in concessional loans was directed to the rural areas of the poorest DMCs. Of the eight DMCs which received LCF in 1980, five were among the low-income DMCs. These countries received \$67.34 million, or 64 per cent, of the total LCF provided in 1980. The share of LCF to total lending that each received was as follows: Nepal (28.8

per cent), Sri Lanka (20.9 per cent), Bangladesh (18.3 per cent), Cook Islands (14 per cent) and Pakistan (10.7 per cent).

At the sectoral programming level, the Bank recognizes that development of all economic sectors leads to benefits to the poor by increasing their income-earning capacity, either through greater national production or extension and redistribution of public services. Nevertheless, it is equally recognized that certain sectors are particularly important for providing the basic goods and services needed to improve the quality of life. Those sectors and areas of activity which cover basic human needs — namely, agriculture, education, health (including sanitation) and water supply — are quicker and more effective in efforts to alleviate poverty.

In 1980, the Bank approved 33 loans, amounting to \$695.65 million, to these sectors, compared with \$653.08 million in 1979.

Agriculture and rural development is considered particularly important if the Bank's efforts to reach the poor are to succeed, since the vast majority of the poor in the Bank's DMCs live in rural — and often remote — areas. During the year, Bank lending to this sector amounted to \$467.9 million, with 57.7 per cent of the funds being in the form of concessional loans.

In the Education sector, the Bank doubled its lending in 1980 for technical and vocational training. Many of the trained workers will directly serve the poor as teachers, health specialists, and agricultural extension workers. Three projects amounting to \$65 million will help turn out about 12,000 trained workers, teachers, and craftsmen.

Increased attention has also been directed by the Bank to the health and essential needs of the urban poor, in the form of potable water supply, basic housing, public health and other social services. Two sewerage projects, two urban development projects and two urban water supply projects, amounting to \$144.35 million, were approved in 1980. These projects will help combat contagious diseases which spread quickly in areas without safe water supplies and basic hygiene practices.

During the year, the Bank also approved a \$32 million sector loan — the Bank's first — for the Small Towns Water Supply Sector in Indonesia. This Project will help establish water supply facilities, in many instances for the first time, in about 33 small towns in rural areas, and provide potable water to about 720,000 people, half of whom are in the lower-income sections of their communities.

Bank operations in other sectors during 1980 will also bring significant benefits to the poorer segments of the population. The Vientiane Plain Rural Electrification Project in Lao People's Democratic Republic, for example, will extend the benefits of the Nam Ngum Hydropower Project — in which the Bank was also involved — by providing electrification for 76 villages. Similarly, the poor will be the principal beneficiaries of the Second Road Improvement Project in the Philippines (which the Bank supported with a \$30 million loan); the Mahaweli Area Roads Development Project in Sri Lanka (\$10 million) and the Highway Sector Project in Thailand (\$65 million).

Improved access to credit facilities at appropriate rates is also vital for people who are engaged in small and medium-scale entrepreneurial activities. Many of the Bank's loans to development banks in the region, which in 1980 amounted to \$127 million, are thus designed for on-





lending to small and medium-scale enterprises and to encourage maximum employment creation.

In the final analysis, however, the linkages at the project level are crucial for ensuring that the poor benefit from the Bank's projects. The ultimate impact on the poor of Bank-financed projects will be affected by decisions taken at all stages in their life-cycle — from the selection of the particular projects to be financed to project design and implementation. In order to ensure that the poor benefit in direct and tangible ways at the project level, the Bank in 1980 introduced guidelines which will contribute to systematic project appraisal and subsequent Project Benefit Monitoring and Evaluation. These new guidelines, which at this stage will be followed on an experimental basis for agriculture and rural development projects, are designed to integrate Project Benefit Monitoring and Evaluation with the Logical Framework Planning of projects so that the lessons to be learned from earlier efforts — failures as well as successes — can be systematically fed into new projects in an effort to benefit the poor.

During 1980, 33 loans — representing over 64 per cent of all ADF lending and 41 per cent of OCR lending during the year — were specifically oriented towards benefitting the poor, particularly in meeting basic human needs. The degree of benefit is expected to vary from project to project, but the following highlights indicate some of the benefits anticipated in six different areas of activity:

- **Irrigation:** Eight irrigation projects were approved by the Bank in 1980. The Cibaliung and Lower Citarau Projects in Indonesia will provide direct benefits to about

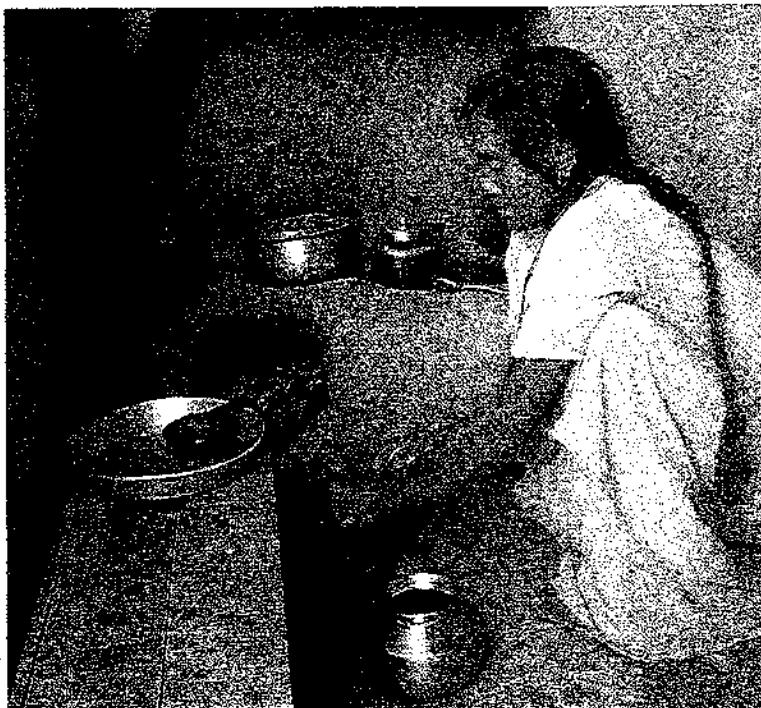
70,800 rural families in the form of increased earnings from improved agricultural productivity. In addition, the environmental impact of various project components, such as flood control facilities, road networks, soil conservation and erosion control, and village water supply, will positively improve the living standards of the rural population as well as generally contribute to the country's program for food self-sufficiency. Other projects in this field which were approved in 1980 were Northern Sumatra Irrigation Study in Indonesia, Second Laguna de Bay Irrigation Project in the Philippines, Kemasin Rural Development Project in Malaysia, Tubewell Development Project in Bangladesh, Hill Irrigation (Western Region) Project in Nepal and On-Farm Water Management Project in Pakistan. In addition, three irrigation-oriented agricultural development projects, including Second Agricultural Credit Project in Bangladesh, Agricultural Support Facilities Project in Lao People's Democratic Republic and Negeri Sembilan Timur Integrated Agricultural Development Project in Malaysia, were approved.

- **Dry Zone Agriculture:** This Project in Sri Lanka is expected to benefit about 23,100 farm families directly, and a further 20,100 rural families — many of whom live on bare subsistence — indirectly. The Project has wide-ranging potential in that, based on the experience with this form of agricultural technology, it can serve as a model for other dry zone areas of the country.

- **Fisheries:** Four fisheries projects, in Burma, Indonesia, Nepal and Pakistan, were approved in 1980 which together will create additional employment opportunities for 40,000 low-income workers as well as increase the fish catch by almost 320,000 m.t. for the benefit of over 14 million consumers.

- **Education:** Technical and vocational training will be provided in three projects approved in 1980, one each in Indonesia, Malaysia and Singapore. Under these projects, a total of almost 12,000 skilled workers, craftsmen and technical teachers will annually enter the labor force from these training institutions.

- **Health:** In relatively higher-income countries, the Bank is able to reach the poor through judicious project selec-





tion. The Sewage Treatment Project in the Republic of Korea and the Manila Sewerage Project in the Philippines are examples of this. In the Republic of Korea, about 485,000 people will benefit from improved sewage treatment. The Manila Sewerage Project will rehabilitate and extend the city's sewerage system to benefit directly about 800,000 people and at the same time improve sanitation facilities for about 2.4 million of the city's population. The majority of the beneficiaries will be urban poor, of whom about two million live in more than 400 blighted areas scattered throughout the city. In Bangladesh, the Bank will provide \$15.6 million in the form of a program loan to increase the supply of essential drugs for the primary health care program of the country. The drugs will help combat various diseases — particularly malaria — and about 20 million people living in the rural areas are expected to benefit.

• **Housing:** The Bang Plee New Town in Thailand is an example of a concentrated effort by the Bank to help poor areas in relatively higher-income societies. This Project takes an integrated approach to the provision of public housing and associated services for low-income households currently living in substandard accommodation in urban areas. Over 30,000 people are expected to benefit directly.

Although the Bank will further intensify its efforts to help the poor, its activities can only be seen as modest when viewed against the enormity of the problem of poverty in the region. Concentrated thrusts in key sectors can nonetheless do much to assist in improving some of the

basic conditions affecting the quality of life of the poor. Progress in the DMCs has been achieved in the past two decades, for example, in raising life expectancy averages, in reducing infant mortality rates and in raising literacy levels. The long-term solution, however, must remain the necessity to generate overall productive economic growth, and, in this regard, the Bank can play an important supportive role in the development efforts of the DMCs themselves.

Sectoral Review

Agriculture and Agro-Industry

Growth in the agriculture sector continues to be the main determinant of overall growth in the majority of the Bank's DMCs. Food imports have to be contained in order to reduce external payments deficits, and the region as a whole has little option but to seek greater self-reliance through a sustained long-term increase in agricultural production.

Agriculture contributes between 30 and 70 per cent of Gross National Product, and the proportion of the national labor force employed in agriculture ranges between 50 and 90 per cent in the majority of the Bank's DMCs. Over one-third of the value of exports of these countries is accounted for by agricultural commodities — including those in processed form — and in many the share is over one-half.

The Bank has consistently accorded high priority to the agriculture sector (which covers Irrigation and rural development, fisheries, livestock, agricultural credit and support services, forestry, fertilizer and agro-processing) in its lending and technical assistance activities and its future strategy is geared to meeting some of the major problems facing rural Asia in the coming decade. These include widespread underemployment and unemployment and poverty among rural populations; the unsatisfactory performance of agricultural production and distribution systems; inadequate implementation capacities at both government and grassroots levels; and continuing neglect of certain vital eco-systems.

The Bank's efforts are mainly aimed at increasing food production and the productivity of food and other agricultural crops through improvements in irrigation and other productive infrastructure, the supply of agro-inputs, and access to markets and storage facilities.

During 1980, the Bank continued to increase the range and volume of its lending and technical assistance to this vital sector. It also took specific measures to sharpen the focus and the effectiveness of its developmental activities by adopting new policy recommendations for Bank Operations in the Agriculture Sector in the South Pacific, and preparing and distributing Guidelines on Logical Framework Planning and Project Benefit Monitoring and Evaluation (see page 29).

During the year, Bank lending to this sector amounted to \$467.9 million for 22 projects, compared with \$411.6 million for 21 projects in 1979. Technical assistance amounted to \$9.8 million for 30 projects, compared with \$7.7 million for 30 projects in 1979.

In terms of overall Bank lending, the Agriculture and Agro-Industry sector received approximately one-third (32.6 per cent) of total loans during 1980, compared with 32.9 per cent in 1979. This sector also received 69.2 per cent of the

Bank's technical assistance, compared with 55.4 per cent in 1979.

In addition to the 22 loans approved for Bank financing in this sector during the year, the Bank processed three loans for exclusive financing by the International Fund for Agricultural Development (IFAD). The Bank also appraised the Oil Palm Development Project in Burma, which will be financed by the Government of Switzerland and the EEC.

Total lending to this sector as of the end of 1980 amounted to \$2,264.4 million for 152 projects, while technical assistance amounted to \$41.6 million for 188 projects.

Irrigation and Rural Development: The Bank recognizes that irrigation is a critical factor in raising regional food production as in most DMCs there appears to be little scope for expanding the areas under cultivation. In rural development, the Bank emphasizes an integrated approach and pays special attention to strengthening rural institutions and to ensuring increased participation of small-scale farmers and landless workers in Bank-assisted projects.

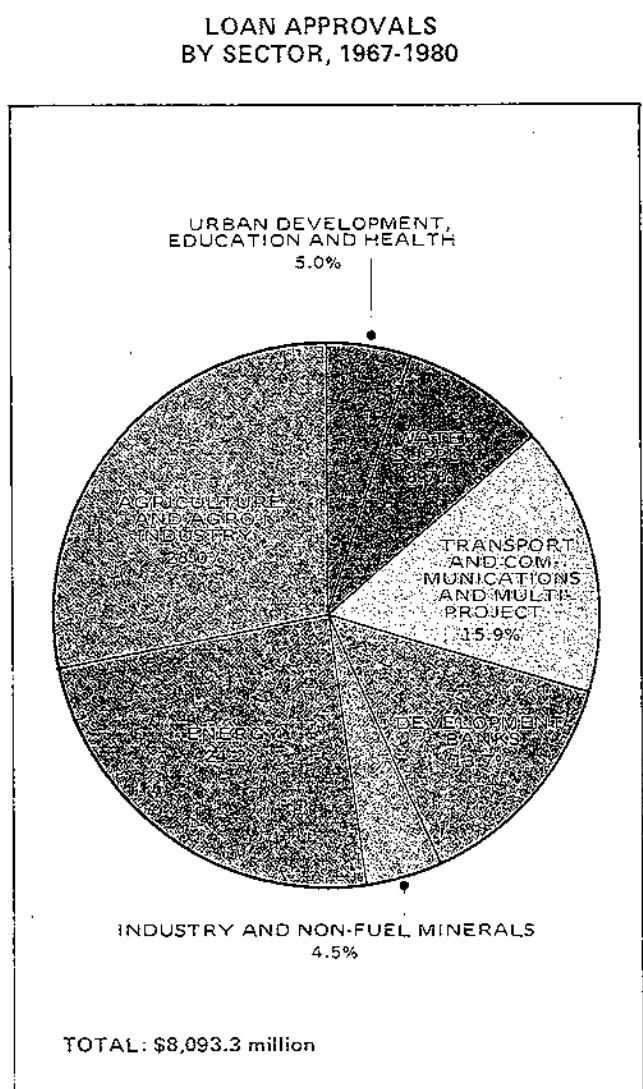
During 1980, the Bank approved loans and technical assistance for several projects containing unique or innovative features in the Irrigation and Rural Development subsector. These included:

- Irrigation and a variety of rural development schemes to be extended for the first time to the Hill Regions of Nepal involving improvement of village tracks, erosion control, increase in fuel and fodder supply through foothill development; and installation of a mini-hydropower plant (Hill Irrigation Project).
- Irrigation development by the rehabilitation of existing as well as installation of new deep tubewells to allow year-round cropping of about 44,000 ha. on irrigable land in northern Bangladesh including electric power supply and command area development covering provision of tertiary and on-farm water distribution networks and water management extension (Tubewell Project).
- Watercourse reconstruction, complementary ground-water supply and improved on-farm water management to be provided on condition that legalized water-users' associations are first established (On-Farm Water Management Project in Pakistan).
- Agricultural production over a broad project area to be increased through irrigation, on-farm development, replanting of old rubber areas, livestock and aquaculture development, various agricultural support services, a program for increasing operating farm size and the construction and improvement of rural roads (Negeri Sembilan Timur Integrated Agricultural Development Project in Malaysia).
- A comprehensive staff training and development program — focusing on upgrading staff capability of the Government's Executing Agency in programming and implementing the country's irrigation projects and on the proper operation and maintenance of completed irrigation facilities — to be included in an irrigation project (Cibaliung Irrigation Project in Indonesia).
- Rehabilitation of ancient water storage tanks which have fallen into disuse and disrepair (Anuradhapura Dry Zone Agriculture Project in Sri Lanka).

During 1980, the Bank also extended post-construction operation and maintenance assistance to strengthen the institutional aspects of the on-going the Nong Wai Irrigation Management Project in Thailand through a technical assistance grant of \$360,000. This is designed to help realize the full potential of the Nong Wai Pioneer Agriculture Project, which was originally supported by the Bank with a \$5 million concessional loan in 1974. The technical assistance also includes a Project Benefit Monitoring and Evaluation component.

During the year, the Bank approved loans which continued to encourage diversified cropping. The Second Laguna de Bay Irrigation Project in the Philippines, for example, will promote the cultivation of vegetables.

The Bank also continued its efforts to ensure that small farmers in its DMCs benefit from its agricultural credit projects. The proceeds of a \$28.1 million concessional loan for the Second Agricultural Credit Project in Bangladesh, for example, will be relent by Bangladesh Krishi Bank to individual farmers, groups of small farmers and workshop operators in three northwestern districts of that country. This Project will substantially increase cropping intensities, provide an opportunity for about 20,000 poor farm families to maintain their land assets and raise their in-



come levels. It will generate about 41,000 additional jobs annually.

In 1980, the Bank approved 11 loans amounting to \$283.45 million in the Irrigation and Rural Development subsector, bringing the cumulative total to 81 loans amounting to \$1,261.4 million.

Fisheries: The Bank has three principal aims in its provision of financial and technical assistance to the Fisheries subsector: to increase the availability of fish and fish products for domestic consumption; to increase fish exports and/or replace fish imports in order to earn or save foreign exchange; and to generate employment for and increase the incomes of fishermen, fish farmers and others in related occupations.

The Asian and Pacific region contains substantial fisheries resources with potential for expanded production, both in the oceans and in inland water areas in which fisheries and aquaculture can be developed. Moreover, many DMCs have greatly expanded fisheries resources within their national jurisdictions by declaring 200 mile ex-

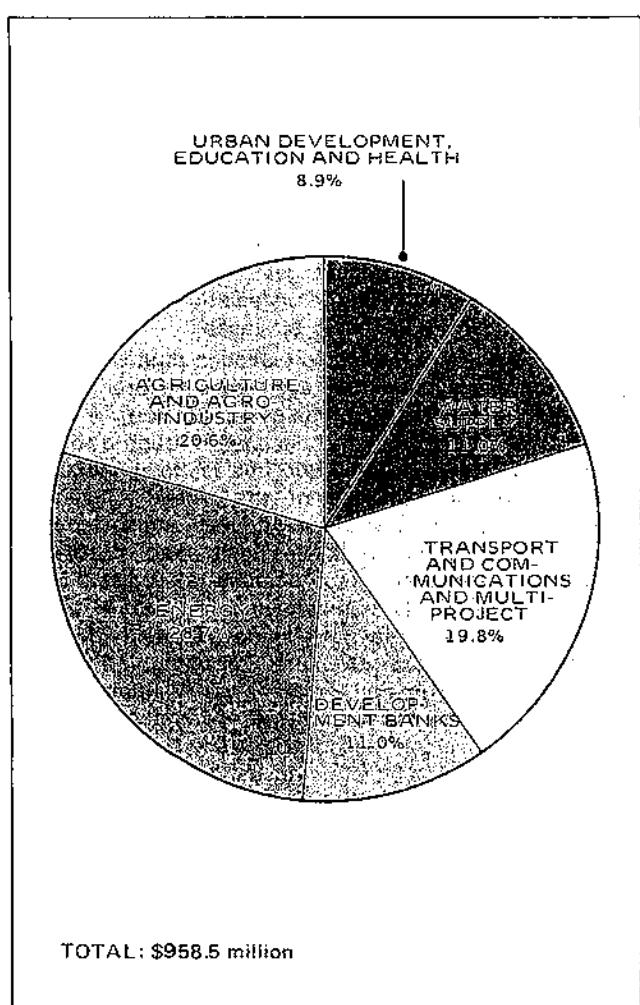
clusive economic zones.

The Bank continues to emphasize the development of marine (i.e. coastal and offshore) fisheries, aquaculture and inland fisheries, and important infrastructure such as fisheries ports, as well as landing, onshore and marketing facilities. Attention is also increasingly being paid to fisheries training and education.

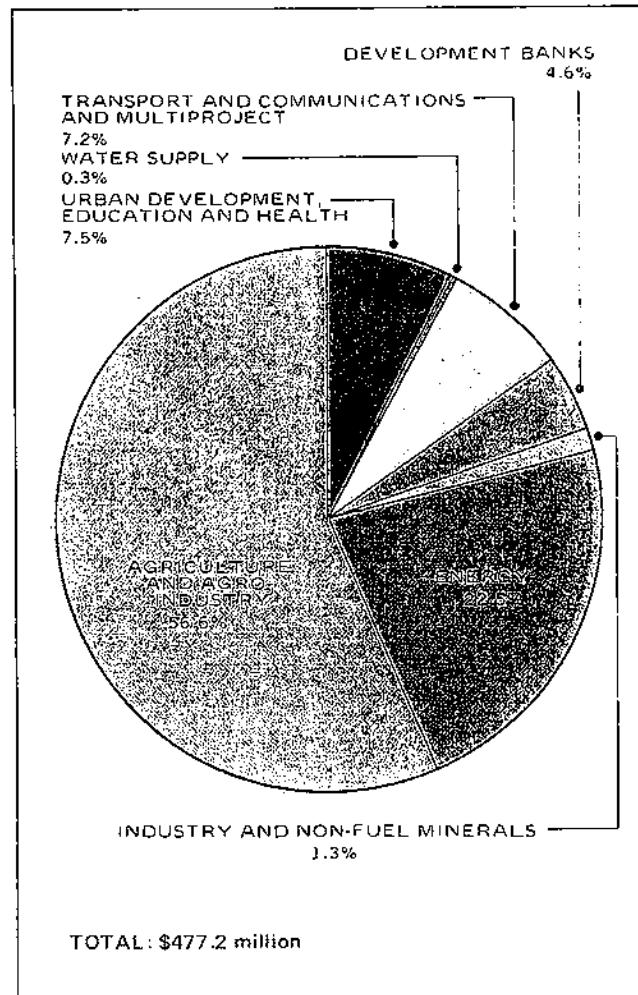
During 1980, the Bank made four loans amounting to \$75.8 million for the Fisheries subsector, including the Second Marine Fisheries Development Project in Pakistan, the Inland Fisheries Development Project in Burma, a loan and a technical assistance grant for the Aquaculture Development Project in Nepal, and a loan and technical assistance grant for the Sumatra Fisheries Development Project in Indonesia.

At the end of 1980, the Bank had made 26 loans amounting to \$333.5 million for fisheries. It had also extended 21 technical assistance grants amounting to \$3 million to this subsector and an additional \$742,000 for fisheries components in loans for three rural development projects.

ORDINARY LOAN APPROVALS
BY SECTOR, 1980



SPECIAL FUNDS LOAN APPROVALS
BY SECTOR, 1980



Livestock: The Bank's basic policy is to help raise the incomes of the rural poor and meet basic nutritional requirements in DMCs by promoting the rearing of all species of livestock, including buffaloes, cattle, goats, sheep, pigs and poultry. It also helps DMCs improve animal health and feedstock facilities.

During the year, livestock components were included in three agricultural development projects — the Negeri Sembilan Timur Integrated Agricultural Development Project in Malaysia, the Anuradhapura Dry Zone Agriculture Project in Sri Lanka and the Fourth Agricultural Credit Project in Nepal. Through these projects the Bank provided a total of \$8.93 million in loans for livestock components.

The Bank also extended technical assistance amounting to \$580,000 for three livestock development projects in 1980; these were the Aceh and North Sumatra Livestock Development Project in Indonesia, the Sind Livestock Development Project in Pakistan and the Livestock Development Project in Sri Lanka.

At the end of 1980, the Bank had provided a total of \$70 million in loans for seven livestock projects in seven DMCs. In addition, the Bank had also provided \$12.93 million in loans for livestock components in six area development projects and three agricultural development projects. It had also extended technical assistance amounting to \$3.6 million for 17 projects.

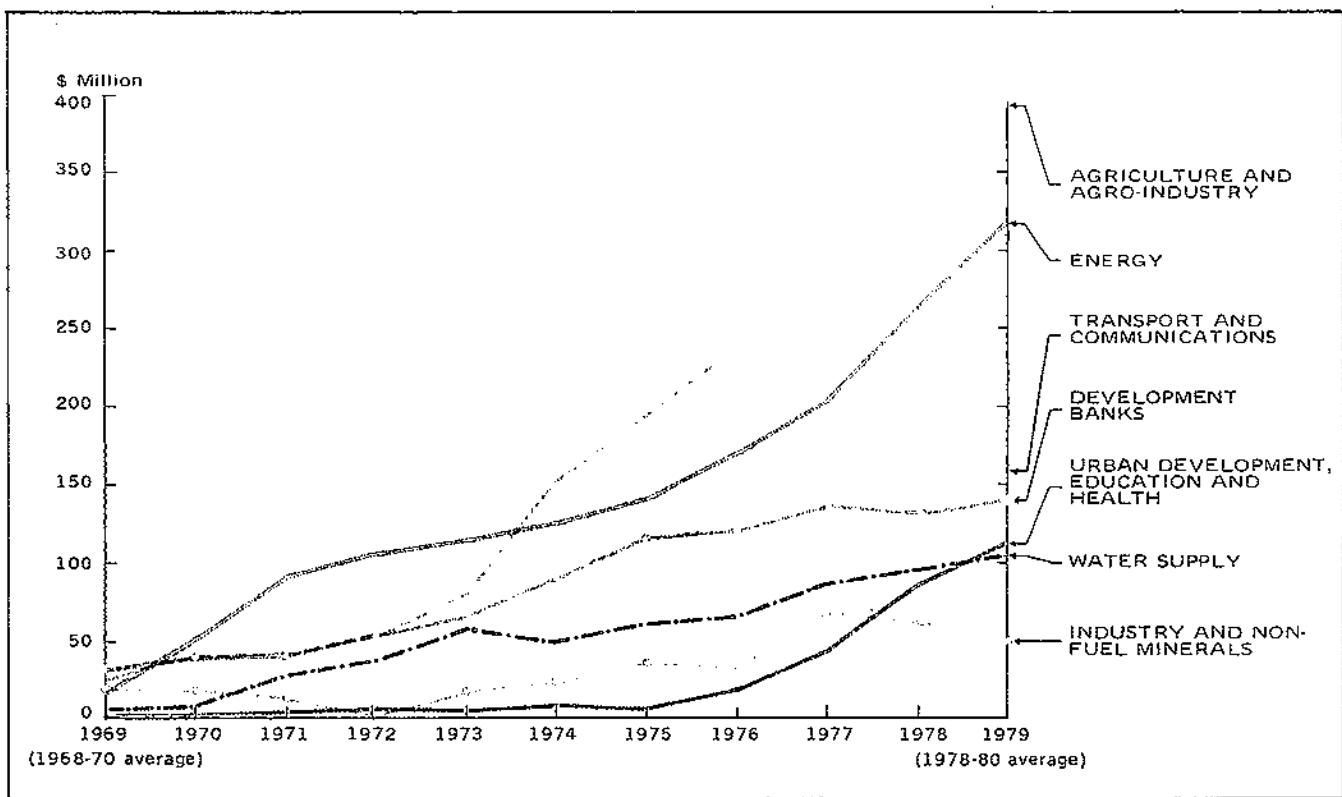
LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 — 1978-1980

| | Total Lending | Agriculture and Agro-Industry | Energy | Industry and Non-Fuel Minerals | Development Banks | Transport and Communications | Water Supply | Urban Development Education and Health |
|---------------------------------------|---------------|-------------------------------|---------|--------------------------------|-------------------|------------------------------|--------------|--|
| Average during (US \$ million) | | | | | | | | |
| 1968-1970 | 128.4 | 25.0 | 15.4 | 19.3 | 30.0 | 30.9 | 6.8 | 1.0 |
| 1969-1971 | 199.3 | 40.8 | 50.6 | 17.3 | 39.0 | 43.2 | 7.4 | 1.0 |
| 1970-1972 | 271.9 | 42.7 | 89.9 | 13.7 | 38.0 | 58.4 | 27.0 | 2.2 |
| 1971-1973 | 330.5 | 52.1 | 106.4 | 1.4 | 51.2 | 78.9 | 37.1 | 3.4 |
| 1972-1974 | 428.4 | 80.4 | 114.4 | 17.2 | 64.5 | 91.4 | 57.1 | 3.4 |
| 1973-1975 | 543.2 | 151.3 | 125.1 | 23.1 | 90.9 | 96.0 | 49.8 | 7.0 |
| 1974-1976 | 661.3 | 193.6 | 141.2 | 36.2 | 115.3 | 109.9 | 59.9 | 5.2 |
| 1975-1977 | 774.2 | 236.2 | 170.5 | 32.4 | 119.7 | 131.4 | 65.2 | 18.8 |
| 1976-1978 | 940.4 | 257.9 | 202.5 | 68.2 | 135.2 | 150.2 | 84.3 | 42.1 |
| 1977-1979 | 1,098.9 | 328.1 | 264.0 | 61.7 | 129.8 | 133.4 | 95.7 | 86.2 |
| 1978-1980 | 1,282.0 | 396.7 | 319.0 | 50.3 | 140.5 | 159.5 | 103.2 | 112.8 |
| Cumulative (1968-1980) ^a | 8,093.3 | 2,264.4 | 1,963.3 | 362.2 | 1,106.1 | 1,283.6 ^b | 705.8 | 407.9 |
| Percentage Distribution | | | | | | | | |
| 1968-1970 | 100.0 | 19.5 | 12.0 | 15.0 | 23.4 | 24.1 | 5.3 | 0.7 |
| 1969-1971 | 100.0 | 20.5 | 25.4 | 8.7 | 19.5 | 21.7 | 3.7 | 0.5 |
| 1970-1972 | 100.0 | 15.7 | 33.1 | 5.0 | 14.0 | 21.5 | 9.9 | 0.8 |
| 1971-1973 | 100.0 | 15.8 | 32.2 | 0.4 | 15.5 | 23.9 | 11.2 | 1.0 |
| 1972-1974 | 100.0 | 18.8 | 26.7 | 4.0 | 15.1 | 21.3 | 13.3 | 0.8 |
| 1973-1975 | 100.0 | 27.9 | 23.0 | 4.2 | 16.7 | 17.7 | 9.2 | 1.3 |
| 1974-1976 | 100.0 | 29.3 | 21.3 | 5.5 | 17.4 | 16.6 | 9.1 | 0.8 |
| 1975-1977 | 100.0 | 30.5 | 22.0 | 4.2 | 15.5 | 17.0 | 8.4 | 2.4 |
| 1976-1978 | 100.0 | 27.4 | 21.5 | 7.2 | 14.4 | 16.0 | 9.0 | 4.5 |
| 1977-1979 | 100.0 | 30.0 | 24.0 | 5.6 | 11.8 | 12.1 | 8.7 | 7.8 |
| 1978-1980 | 100.0 | 30.9 | 24.9 | 4.0 | 11.0 | 12.4 | 8.0 | 8.8 |
| Cumulative (1968-1980) | 100.0 | 28.0 | 24.3 | 4.5 | 13.6 | 15.9 | 8.7 | 5.0 |

^a Inclusive of refinanced Technical Assistance loans.

^b Inclusive of Multiproject loans.

**LOAN APPROVALS BY SECTOR:
THREE-YEAR MOVING AVERAGES, 1968-1970—1978-1980**



Agro-Industry: The Bank's strategy in its lending to this subsector is to replant and improve cultivation practices relating to agro-industrial crops, modernize the associated processing industries and provide facilities for marketing in order to raise productivity in both the public and smallholder sectors. The Bank also pays close attention to the development of marginal lands, the rehabilitation of old estates and the provision of employment opportunities and social inputs in the projects it supports.

During the year, the Bank extended three loans amounting to \$60.8 million to this subsector. These included: a Rubber Rehabilitation and Expansion Project in Bangladesh, the Third Tea Development Project in Sri Lanka (in which a major component was improvements to housing, medical facilities and schools for the labor force), and the Palm Oil Processing and Smallholder Development Project in Indonesia.

At the end of 1980, the Bank had provided a total of \$481.1 million in loans for 31 projects in the Agro-Industry subsector, and \$3.4 million in technical assistance for 23 projects.

Forestry: The role of forestry in regional economic development as a stabilizer of vital watersheds for sustained downstream agricultural production, as a supplier of raw material for various wood-based industries and as a promoter of environmental quality has been recognized by the Bank. More recently, however, greater emphasis has been placed on the implications of forestry for socio-

economic development in view of the impact of forestry on rural development and eco-systems.

The need for the Bank to expand operations in the Forestry subsector has become increasingly urgent in view of the diminishing supply of traditional woodfuels in rural Asia and widespread deforestation, and forestry programs have mainly concentrated on the contribution of forests to the welfare of poor rural communities.

During the year, the Bank provided technical assistance for the development of forestry projects in Bangladesh, Burma, Sri Lanka and Papua New Guinea. A Community Forestry Project in Sri Lanka, for example, provided for a feasibility study — to be undertaken by the FAO Investment Center — for a 10,000 ha. fuelwood plantation and a 2,500 ha. pilot community self-help multipurpose village plantation. The study will also review Sri Lanka's Cooperative Reforestation Program as a basis for recommending a broad national community forestry strategy, and analyze the country's overall firewood requirements over the next 20 years.

During the year, the Bank also approved a \$1.74 million concessional loan for a Forestry Development Project in Western Samoa — to be co-financed with the New Zealand Government — which will provide for extensive reforestation and timber extraction, the construction of 52 km. of roads, provision of a workshop and maintenance equipment, and overseas training for local staff.

At the end of 1980, the Bank had provided four loans amounting to \$39.7 million to the Forestry subsector, and 15 technical assistance grants amounting to \$1.64 million.

Energy

Recent steep increases in petroleum prices and the continuing uncertainty of its worldwide supply have adversely affected many Asian economies, particularly as most DMCs are dependent on oil-derived energy for 75 per cent of their commercial needs.

The energy-importing DMCs' balance-of-payments deficit on current account — reflecting the rising bill of petroleum imports and the effects of inflation on the prices of industrial imports — increased from \$4.2 billion in 1970 to \$18.6 billion in 1979, during which period the cost of petroleum imports in the total import bill of DMCs more than doubled from 7.5 per cent to over 15 per cent. The shortfall was financed by substantial inflows of external financing.

Moreover, the prospect of increasing scarcity continues to exert upward pressure on petroleum prices. This, in turn, places a greater burden on the non-oil exporting DMCs, as seen in these figures: in 1973, imported petroleum costs of DMCs amounted to about \$2 billion, accounting for only 8 per cent of their total export earnings. In 1980, however, this figure rose to \$32.1 billion (23.4 per cent), and by 1990 it is expected to increase to \$83 billion (35 per cent).

The Bank and its DMCs have long recognized the key role that energy plays in social and economic development. For this reason, the Bank has given special support to the priority accorded by the Asian region to the construction of hydroelectric power plants, gas pipelines, geothermal power units, rural electrification systems, and other projects directed at increasing the DMCs' indigenous energy

supply and assisting them to formulate policies and programs which are conducive to efficient use and conservation of energy.

Traditionally, electric power has dominated Bank operations in the energy field, accounting for over 90 per cent of Energy sector lending. In 1976, the Bank decided to expand its activities to include financing of coal mining projects. In late 1979, the Bank decided that it should expand its activities in the following areas:

- Increasing assistance for development of indigenous sources of electric power, i.e. geothermal, coal, lignite, natural gas, and hydroelectric (including mini-hydro). In particular, the Bank will consider financing rural mini-hydro projects (small installations in the sub-megawatt range), as they do not require costly transmission systems and do not have long gestation periods. Moreover, such projects supply electricity to low-income villages, small industries and agribusinesses and they do not have to be integrated into a national grid.

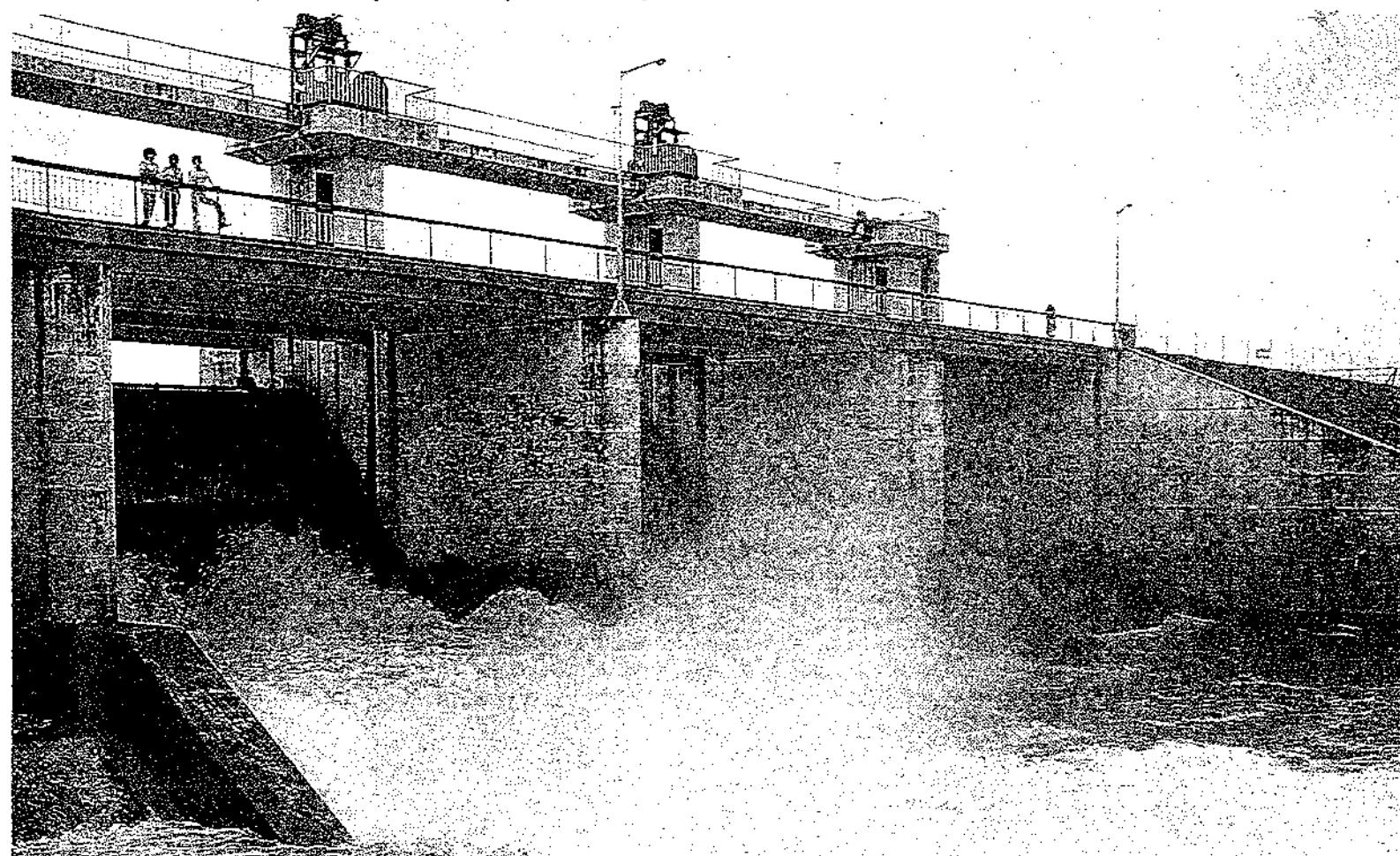
- Financing projects that use renewable energy sources other than hydropower. For example, attention should be given to the possibilities of funding energy sources such as firewood, biogas and gasohol.

- Increasing assistance for the preparation of energy master plans, with special attention to those countries whose economies are vulnerable to developments in the international energy situation.

- Providing technical assistance for energy demand management, conservation and pricing policies.

- Assessing the implications of the economic develop-

WATER swirls from a barrage at the Besut Agricultural Development Project in Trengganu State, Peninsular Malaysia, where a Bank loan has provided irrigation, drainage, road and agricultural extension facilities.



LOAN APPROVALS BY SECTOR, 1979, 1980, 1967-1980
(amounts in \$ million)

| Sector | 1979 | | | | | | |
|--------------------------------|------------|---------------|-----------|---------------|------------------|-----------------|---------------|
| | OCR | | SF | | TOTAL | | |
| | No. | Amount | No. | Amount | No. ^a | Amount | % |
| Agriculture and Agro-Industry | 7 | 158.60 | 16 | 252.98 | 21 | 411.58 | 32.88 |
| Agriculture | 6 | 145.60 | 11 | 178.88 | 17 | 324.48 | 25.92 |
| Agro-Industry | 1 | 13.00 | 5 | 74.10 | 4 | 87.10 | 6.96 |
| Energy | 6 | 271.35 | 5 | 53.95 | 10 | 325.30 | 25.99 |
| Industry and Non-Fuel Minerals | 1 | 15.00 | 1 | 6.20 | 2 | 20.20 | 1.61 |
| Development Banks | 4 | 105.00 | 2 | 32.00 | 6 | 137.00 | 10.95 |
| Transport and Communications | 4 | 114.80 | — | — | 4 | 114.80 | 9.17 |
| Water Supply | 5 | 108.20 | — | — | 4 | 108.20 | 8.65 |
| Urban Development | 2 | 62.30 | — | — | 2 | 62.30 | 4.98 |
| Education | — | — | 4 | 71.00 | 4 | 71.00 | 5.67 |
| Health | — | — | — | — | — | — | — |
| Multiproject | — | — | 1 | 1.20 | 1 | 1.20 | 0.10 |
| TOTAL | 129 | 835.25 | 29 | 416.33 | 54 | 1,251.58 | 100.00 |

^a Projects financed from both ordinary capital resources and Special Funds are counted as one project.
Supplementary loans are not counted as additional projects.

ment plans of DMCs — and of Bank lending activities — with regard to their short and long-term impact on energy availability and utilization.

Within this framework, the Bank will decide the weight it should give to each of these activities in its lending and technical assistance programs. In order to do this, the Bank undertook a survey in the latter half of 1980 which focused on such issues as the availability of and demand for specific energy resources, the implications of increasing energy costs for economic growth, investment needs, and institutional and policy matters (see page 50). With this information, the Bank will now be able to determine inter-country and intra-country priorities in a systematic manner, and plan its lending and technical assistance programs accordingly.

The relative weight that would be given to various forms of lending and technical assistance in the Energy sector by the Bank will be determined, in part, by the activities of other bilateral, multilateral and private organizations. In this regard, the Bank's survey is designed to identify the role that these other organizations could be expected to play. Furthermore, this information will be of value in helping to determine an appropriate division of labor between aid agencies and commercial enterprises, in order to obtain the advantages of specialization and avoid duplication of

effort between them.

The Bank will help its borrowing countries respond efficiently to changing circumstances in the Energy sector. Institutional reform and manpower development — which are essential complements to greater financial aid — will, therefore, be increasingly recognized in Bank operations in this sector.

In 1980, the Bank approved nine loans for the Energy sector, five for energy utilization and four for energy-resource development. In addition to undertaking the Regional Energy Survey, it also approved four technical assistance grants, one for a natural gas distribution project in southeast Bangladesh and three for hydroelectric projects in Lao People's Democratic Republic, Burma and Western Samoa.

During the year, the Bank extended a \$85 million loan to Thailand — the single largest loan made by the Bank thus far — for a Power System Expansion Project. The Bank's credit will enable Thailand to develop its electric power system efficiently and economically.

In line with its policy of meeting the requirements of the low-income segments of the population, some of the Bank's loans in the Energy sector are directed towards projects in relatively poor rural areas, where they directly benefit a substantial proportion of the low-income popula-

| 1980 | | | | | | | 1967-1980 | | | | | | |
|------|--------|-----|--------|------------------|----------|--------|-----------|----------|-----|----------|------------------|----------|--------|
| OCR | | SF | | TOTAL | | | OCR | | SF | | TOTAL | | |
| No. | Amount | No. | Amount | No. ^a | Amount | % | No. | Amount | No. | Amount | No. ^a | Amount | % |
| 7 | 197.90 | 15 | 269.99 | 22 | 467.89 | 32.59 | 59 | 967.53 | 107 | 1,296.88 | 152 | 2,264.41 | 27.98 |
| 6 | 169.90 | 13 | 237.19 | 19 | 407.09 | 28.35 | 47 | 825.13 | 81 | 958.15 | 121 | 1,783.28 | 22.03 |
| 1 | 28.00 | 2 | 32.80 | 3 | 60.80 | 4.24 | 12 | 142.40 | 26 | 338.73 | 31 | 481.13 | 5.95 |
| 5 | 275.13 | 4 | 107.30 | 9 | 382.43 | 26.64 | 63 | 1,541.75 | 39 | 421.59 | 83 | 1,963.34 | 24.26 |
| — | — | 1 | 6.20 | 1 | 6.20 | 0.43 | 17 | 259.47 | 5 | 102.77 | 20 | 362.24 | 4.47 |
| 3 | 105.00 | 3 | 22.00 | 6 | 127.00 | 8.84 | 42 | 942.10 | 18 | 164.00 | 58 | 1,106.10 | 13.67 |
| 6 | 189.94 | 3 | 33.50 | 8 | 223.44 | 15.56 | 62 | 1,097.98 | 26 | 183.37 | 79 | 1,281.35 | 15.83 |
| 4 | 105.51 | 1 | 1.65 | 5 | 107.16 | 7.46 | 30 | 586.66 | 10 | 119.16 | 36 | 705.82 | 8.72 |
| 1 | 20.00 | 1 | 20.00 | 2 | 40.00 | 2.79 | 6 | 119.95 | 1 | 20.00 | 7 | 139.95 | 1.73 |
| 3 | 65.00 | — | — | 3 | 65.00 | 4.53 | 6 | 98.80 | 10 | 115.00 | 15 | 213.80 | 2.64 |
| — | — | 1 | 15.60 | 1 | 15.60 | 1.09 | 2 | 38.50 | 1 | 15.60 | 3 | 54.10 | 0.67 |
| — | — | 1 | 1.00 | 1 | 1.00 | 0.07 | — | — | 2 | 2.20 | 2 | 2.20 | 0.03 |
| 29 | 958.48 | 30 | 477.24 | 58 | 1,435.72 | 100.00 | 287 | 5,652.74 | 219 | 2,440.57 | 455 | 8,093.31 | 100.00 |

tion. One example of this is the \$4.3 million loan extended by the Bank to the Lao People's Democratic Republic for the Vientiane Plain Rural Electrification Project.

Another Bank loan, \$60.7 million to Indonesia for the Second Java EHV Transmission Project, will help promote further industrialization and employment opportunities. The Bank also approved a \$67 million loan to Pakistan for a Load Despatch and Transmission Project as well as a \$5 million program loan to Burma for the Petroleum Refining Industry. The former will improve the efficiency of energy utilization in Pakistan and the loan to Burma will provide parts, components and equipment for the Chauk and Syriam refineries so as to enable maximum capacity utilization and to improve the output of petroleum products.

The Bank approved four other loans in 1980 which will foster energy resource development and help reduce oil import bills: \$60.5 million for the Negros and Mindanao Power Transmission Project in Philippines; \$52.6 million for the Samrangjin Pumped Storage Power Project in Republic of Korea; \$16.3 million for the Indus Right Bank Pipeline Gas Compression Project in Pakistan; and \$31 million for the Natural Gas Development Project in Bangladesh.

During 1980, Bank lending to the Energy sector amounted to \$382.4 million for nine projects and technical assistance grants amounted to just over \$1 million for four

projects. Total Energy sector lending at the end of the year amounted to \$1,963 million for 83 projects. Total technical assistance amounted to \$8.7 million for 38 projects.

Industry and Non-Fuel Minerals

Industrial growth in many DMCs has been hampered in recent years by several constraints, especially the continuous steep increases in imported fuel costs, but industrialization remains a focal point in regional economic development. Industrialization helps improve balance of payments through import substitution and/or export diversification, and can provide higher employment, more equitable income distribution and a wider ownership of the means of production.

The Bank's fundamental strategy is to help DMCs develop their basic industries by direct lending for large-scale projects and by indirect lending through DFIs which are involved in the promotion of small and medium-scale industries.

Higher imported fuel costs have also spurred many DMCs to intensify the search for untapped mineral resources which could help them save foreign exchange. The known mineral resources of the Asian and Pacific region vary considerably from country to country, and the

Bank follows a strategy of enhancing the capacity of its DMCs to carry out geological surveys to seek out and prove these resources, with a view to facilitating their systematic exploitation.

Development of mineral resources for export and domestic consumption could have a favorable impact on the foreign exchange earnings or savings of most DMCs. At least five DMCs — Burma, Indonesia, Malaysia, Philippines and Thailand — are known to have significant amounts of untapped mineral resources. The implementation of systematic geological, geophysical and geochemical surveys could help facilitate a more rapid pace of mineral resources development in DMCs through generation of reliable data on location, quantity, quality and mineability of mineral ore deposits.

The Bank's first loan for mineral resources development was approved in 1978 to help upgrade the institutional structure and physical facilities of the Korea Institute of Geoscience and Minerals (KIGAM) in order to improve the Republic of Korea's capability for carrying out mineral surveys.

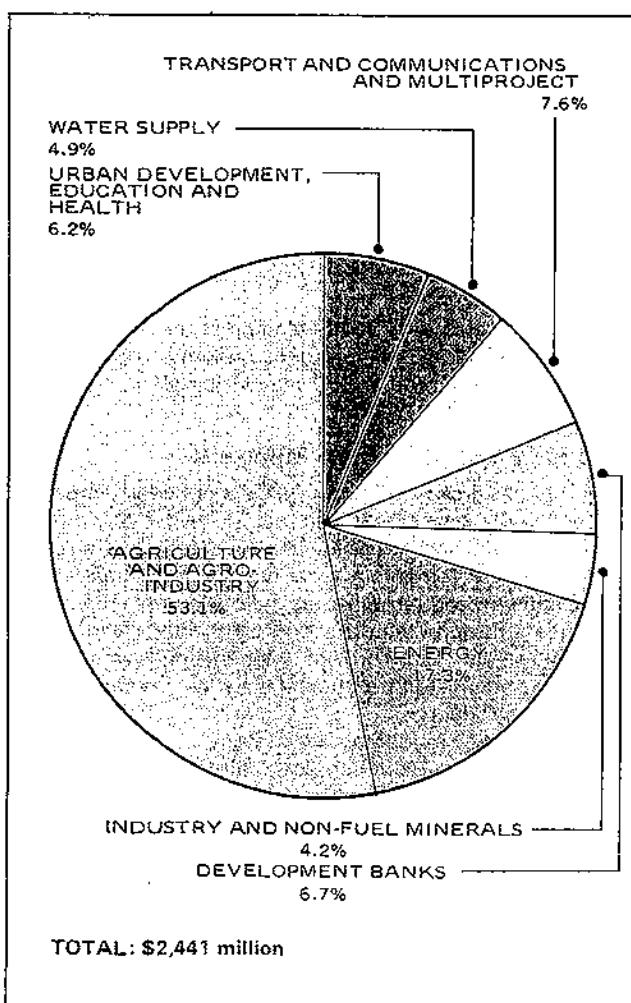
Reflecting the Bank's policy of accelerating assistance for non-fuel mineral development, the Bank in 1980 approved a concessional loan of \$6.2 million for the modernization and expansion of the Geological Survey of Bangladesh, the national institution responsible for the collection and dissemination of geological data and information relating to the country and its continental shelf.

During the year, the Bank also extended six technical assistance grants, amounting to \$939,000, for mineral resources development: \$178,000 for Tin Mining in Burma, \$235,000 for a Mineral Survey in Indonesia, \$45,000 for Mineral Resources Development in Philippines, \$130,000 for a Geological Survey in Sri Lanka, \$165,000 for Accelerated Mineral Resources Development in Thailand and \$186,000 for Graphite Mining in Sri Lanka.

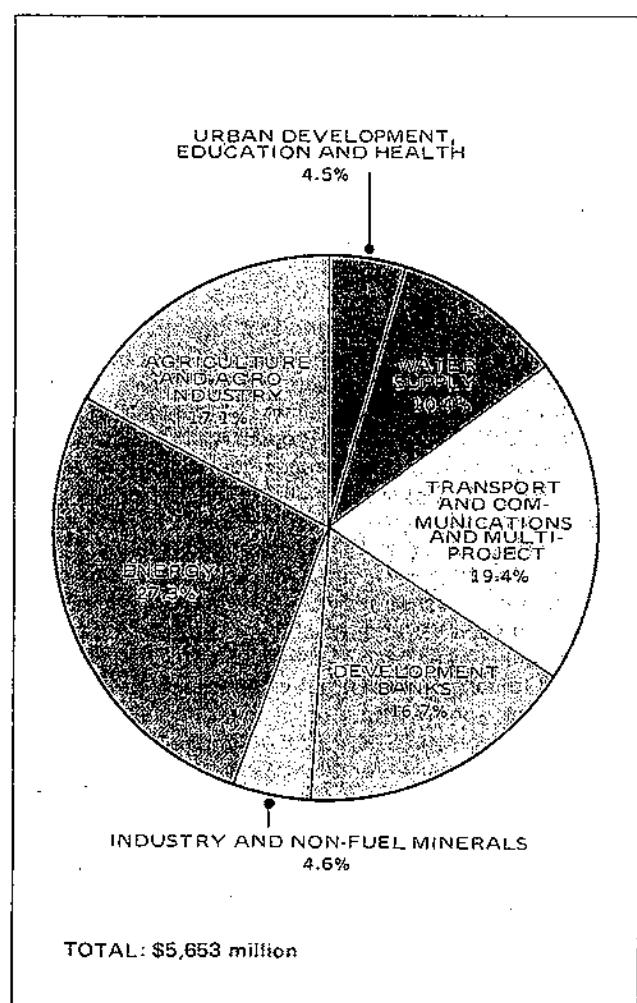
Development Banks

In 1980, the Bank continued to assist the growth of small and medium-scale industries through the DFIs. This complements Bank support for large-scale industrial projects

SPECIAL FUNDS LOAN APPROVALS
BY SECTOR, 1967-1980



ORDINARY LOAN APPROVALS
BY SECTOR, 1967-1980



which, through sectoral linkage effects, strengthen and diversify the manufacturing sector with consequently more effective utilization of existing capacity and widened possibilities for industrial growth.

DFIs in the Bank's region differ greatly in size and operational scope, reflecting the needs of various governments and economies for industrial financing. In general, DFIs are able to channel and disperse medium-term and long-term development funds to a large number of smaller development projects which are too small for direct Bank assistance. This type of assistance tends to promote strong and effective domestic investment institutions which can play an important role in mobilizing domestic or foreign resources.

DFIs also undertake promotional activities contributing to the development of the private industrial sector, the development of entrepreneurship and the identification of investment opportunities. In many cases they take the lead in mobilizing and coordinating efforts of diverse agencies at overcoming the obstacles to industrialization. They have also contributed to the expansion of the financial infrastructure in isolated rural areas, bringing about greater monetization of the economy, increased incomes and savings mobilization. These institutions also function as major centers for the dissemination of modern management techniques, thus helping to raise the level of industrial efficiency and productivity.

During the year, the Bank made six loans to DFIs, amounting to \$127 million. These credits ranged from two \$40 million loans — one to the Pakistan Industrial Credit and Investment Corporation (PICIC) and another to the Small and Medium Industry Bank in Republic of Korea (SMIB) — to a \$2 million credit to the Development Bank of Solomon Islands (DBSI). The DBSI credit has attracted co-financing of \$1.5 million from the International Development Association (IDA), which based its approval on processing carried out by the Bank. These loans will be on-lent to small and medium-scale industrial enterprises and will also serve to strengthen the institutional and management capabilities of the DFIs themselves.

In addition to these loans, the Bank also extended additional credits to the Development Finance Corporation of Ceylon (DFCC) in Sri Lanka and the Philippine Investment Systems Organization (PISO), and a first credit to the Myanma Economic Bank (MEB) in Burma. For maximum responsiveness to identified needs and considering the economic structures in each of these countries, the DFCC credit includes an allocation for preference share investments while the MEB credit is intended to support the rehabilitation and expansion of state-owned industrial enterprises and possibly private sector cooperatives.

At the end of 1980, the Bank had approved 58 credit lines amounting to \$1,106 million to 25 development banks in 17 DMCs. This represented 13.7 per cent of total Bank lending.

Transport and Communications

There is a growing demand in the Bank's DMCs for transportation infrastructure and services needed to accommodate passenger and goods traffic between major urban centers as well as in the rural areas, increasingly so in the latter case with the continuing emphasis on sustained long-term increase in agricultural production in most DMCs. The high rate of population growth, increasing ur-



SKILLED technician operating a lathe at the Automotive Components Manufacturing Project in Pakistan which was assisted by a Bank loan.

banization, rural urban migration, and other variables affecting the direction and growth of economic activities, all have a direct bearing on the choice of viable transportation policies and sectoral investments. With the rising costs of energy, the relative energy efficiencies of the various modes of transportation and the need to conserve energy have become crucial factors.

During 1980, the Bank continued to support transportation projects, especially those designed to integrate the rural sector into the total economy and to raise the productive capacity and income of the rural population. A significant development was the approval by the Bank of its first sector loan for roads, \$65 million to assist the Government of Thailand implement its Highway Sector Development Plan (1982-86). Sector lending is particularly well suited to helping the rapid improvement of rural road networks and strengthening the institutions concerned with road development in the Bank's DMCs. The loan to Thailand will help upgrade provincial roads and strengthen national roads serving rural areas, improve the country's road infrastructure and strengthen concerned institutions. Although about 80 per cent of Thailand's population lives in rural areas and 75 per cent of the labor force earns its livelihood from agriculture, a large proportion of rural roads are unpaved and in poor condition and become impassable

during the rainy season. The Bank's loan will help upgrade unpaved roads, and improve deteriorating paved roads serving rural areas in support of the Government's road development plan for providing reliable, cost-effective transport services which will help raise the living standards of small-scale farmers.

The Bank also extended a \$10 million loan to Sri Lanka for the Mahaweli Area Roads Development Project. This Project will serve the transport needs of selected areas of the Mahaweli Ganga Development Program, and will benefit low-income rural dwellers by creating employment opportunities and facilitating the settlement of landless families on viable farm holdings. A \$30 million loan was made to the Philippines to help reconstruct 370 km. of roads and improve drainage facilities and bridges connected with 170 km. of roads in rural areas with a view to further developing the economic potential of some of the less developed areas of the country, particularly the small island provinces. A loan of \$28 million was also extended to Indonesia for the betterment of over 400 km. of provincial and district roads in Central Java and Yogyakarta Provinces. This Project will facilitate the more efficient movement of goods and people in the densely populated rural areas of Central Java. A project preparatory technical assistance grant for the Rangoon-Prome Road Improvement Project in Burma was approved in the course of the year as well as assistance for Causeway Geotechnical Studies in Kiribati.

During 1980, the Bank extended four loans amounting to \$89.5 million for ports projects. In general, Bank assistance for port development has been designed to improve and expand port facilities in DMCs so that increasing volumes of cargo traffic and trade can be handled, taking into account the requirements of changing technology in shipping and cargo handling. In this respect, the emergence of container traffic and the increasing use of roll-on/roll-off facilities are particularly significant for many DMCs.

In 1980, the Bank extended \$20 million in a blend loan to Papua New Guinea to expand and improve the facilities at Lae Port. The objectives of the Project are to provide additional port capacity at Lae to cope with projected traffic growth up to the year 1990.

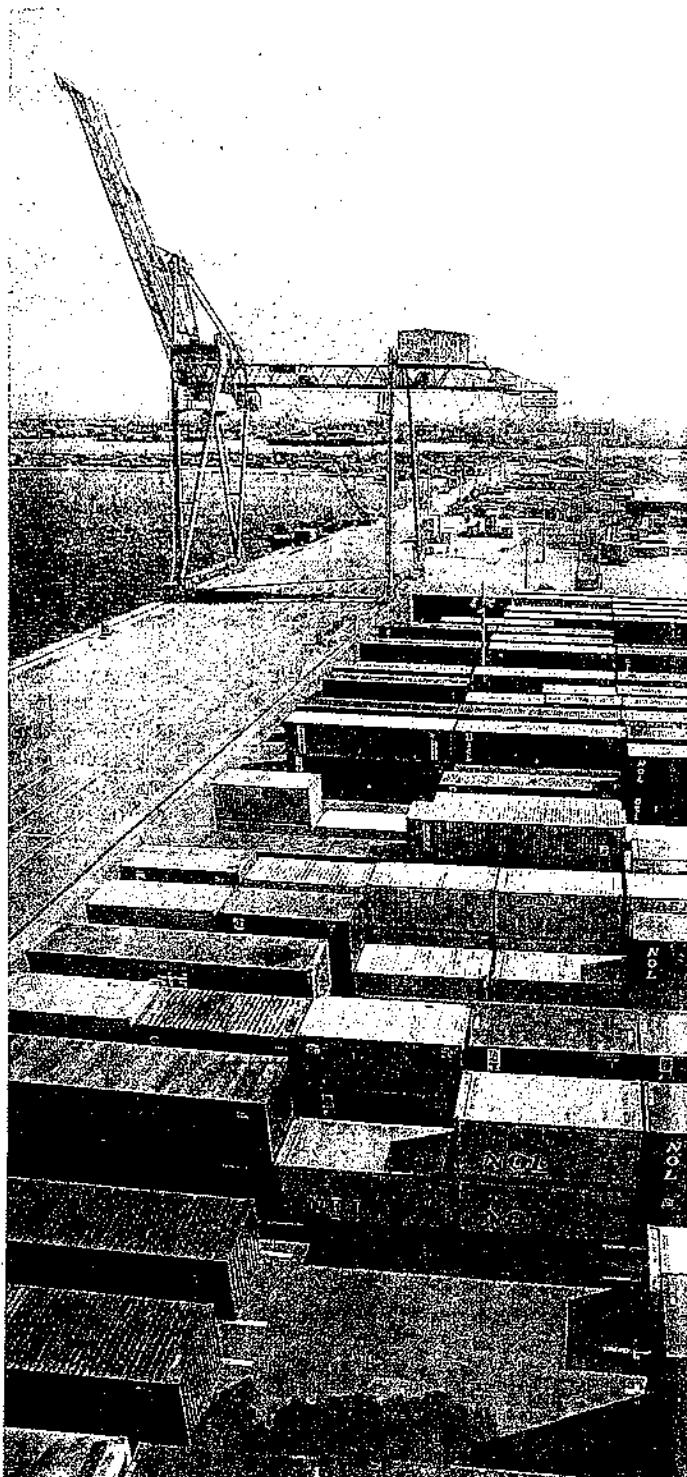
At Incheon Port in the Republic of Korea, a \$54 million loan — the Bank's second loan for this Project — will enable the port to increase its annual cargo handling capacity by more than 3.6 million tons by the end of 1983. The Bank also approved a \$15.5 million loan to Burma for a project to rehabilitate and improve eight outports. This Project, which follows technical assistance extended by the Bank in 1977, is being co-financed by the OPEC Fund for International Development. A multiproject loan — the Bank's second such loan — of \$1 million was extended to the Cook Islands to finance construction and rehabilitation of ports facilities among other components.

In 1980, nine loans totalling \$223.4 million were approved in the Transport and Communications sector, four loans for ports projects accounting for 40 per cent of the amount lent, and another five for road projects. At the end of 1980, the Bank had made 88 loans amounting to \$1,281.3 million for 79 projects in this sector. Within the sector, roads and ports projects received the major share of assistance, 56 per cent and 32 per cent, respectively, followed by airports (7 per cent), railways (4 per cent) and telecommunications (1 per cent).

Water Supply and Sewerage

A large proportion of the people in Asia are without reasonable access to a safe and adequate water supply, and an even greater number lack proper sanitation. Moreover, the region's least developed countries are the most affected, and their poor are the worst sufferers. According to the World Health Organization (WHO), about 80 per cent of all diseases in the world are water-related. At any given time, for example, there are about 150 million people

TEMPORARY container yard at Manila International Port, Philippines: This two-phased Bank-assisted Project aims to upgrade container handling facilities at the country's main domestic and international port and to prepare for the development of a domestic container terminal.



in Asia suffering from gastro-enteritis, 100 million from schistosomiasis, 80 million from malaria and over 15 million from onchocerciasis (river blindness). Moreover, it is estimated that if everyone had access to safe drinking water and sanitation, infant mortality would be reduced by 50 per cent worldwide.

In line with the United Nations' International Drinking Water and Sanitation Decade, which started in November 1980 and aims to provide safe drinking water and adequate sanitation to everyone in the developing world by the year 1990, the Bank plans to become increasingly involved in the Water Supply and Sewerage sector. This sector is particularly important to the health and socio-economic progress of Asia, and the Bank is now emphasizing the provision of water supply loans to impoverished rural areas.

In 1980, the Bank approved its first Water Supply sector loan, amounting to \$32 million, for a Project which will provide potable water to 33 small towns and help strengthen the institutional capabilities of the Water Supply sector in Indonesia.

Also during 1980, a \$2.81 million loan and a technical assistance grant of \$150,000 were provided to assist the Malaysian Government to employ consultants to establish a Master Plan for the provision of adequate water supply facilities to the entire rural population by 1990.

Two loans were approved in 1980 for urban sewerage schemes which will lead to significant improvements in the environment: in the Philippines, a \$42.8 million loan will help to benefit about 3.2 million people by rehabilitating, extending and improving the sewerage and sanitation systems in Manila, and in the Republic of Korea a Bank loan of \$27.9 million will provide a sewerage system for the two industrial cities of Banweol and Gumi. A \$1.65 million loan was also approved for the expansion of the water supply system for Honiara, the major urban area in the Solomon Islands.

In addition to the technical assistance for the Rural Water Supply Master Plan in Malaysia, a project preparatory technical assistance of \$100,000 was provided in 1980 for the Small Towns Water Supply Sector loan in Indonesia, and technical assistance of \$125,000 was provided for the preparation of an Environmental Master Plan for the Han River Basin in the Republic of Korea.

The Bank approved five loans amounting to \$107.16 million for this sector in 1980. Total Bank lending for water supply and sewerage projects at the end of 1980 amounted to \$705.8 million, covering 36 projects in 13 countries.

Urban Development

The total population of the Bank's DMCs (1.2 billion) is growing at a rate of 2.3 per cent per annum, while the urban population growth rate is 4 per cent per year. Urban authorities have not been able to plan for such rapid growth or to mobilize the resources necessary to expand urban infrastructure and public services. The result is an acute shortage of adequate housing, severe traffic congestion, and inadequate transportation, public health and sanitary (water supply, waste disposal and drainage) facilities. In many cases this has led to urban underemployment and unemployment comparable to that found in rural areas and squalid urban-squatter settlements where inferior environmental conditions are reflected in a high incidence of water-borne diseases, high infant mortality, high levels of



NEW APARTMENT blocks in Sha Tin New Town, Hong Kong, developed under Bank assistance. In 1980, the Bank approved its second Sha Tin Urban Development loan with the objective of assisting the Government program for easing congestion in the densely populated central urban areas.

crime and absenteeism from work and schools.

Bank operations in the Urban Development sector have been designed to assist DMCs develop strategies for future urban growth and to act as a catalyst in implementing such strategies by financing projects and providing technical assistance, and to improve the capacity of local institutions for efficient urban management. Bank assistance has traditionally concentrated on water supply and sewerage projects, but in 1976 the Bank formulated a comprehensive and integrated approach, involving urban development studies, new towns, water supply, drainage and waste disposal projects, improvement of slum areas and shelter and community facilities for low-income groups. It has since assisted five DMCs — Hong Kong, Indonesia, Republic of Korea, Malaysia and Thailand — in the implementation of seven urban projects.

Such Bank-financed studies as the multipurpose Bandung Urban Development Project in Indonesia and the Integrated Urban Development of Dacca Metropolitan Area in Bangladesh, both approved in 1979, emphasize the importance of a long-term strategy to guide urban growth. The underlying emphasis is on an integrated approach to urban problems. Sanitation, shelter and shelter-related needs are not tackled in isolation. These projects are designed to benefit directly the urban poor and contain technical

assistance for improving urban management and finance.

The Bank's first loan with a major housing component, approved in 1977, was in Hong Kong for the development of Sha Tin New Town. Another urban project comprising new urban centers to achieve a spatially-balanced hierarchy of urban cities was the Trengganu Tengah Township Development Project in Malaysia, approved in 1978. In 1980, the Bank extended a second loan, amounting to \$20 million, for the Sha Tin New Town Project in Hong Kong. The Bank also approved a \$20 million concessional loan to Thailand for a project which will provide low-cost accommodation for about 30,000 people at Bang Plee New Town, one of four towns included in the Greater Bangkok Master Plan.

At the end of 1980, the Bank had approved seven loans amounting to \$139.9 million to the Urban Development sector.

Education

Bank assistance for education has increased markedly in recent years, as the Bank aims to improve the quality of selected education programs which help augment manpower resources and upgrade occupational skills in its DMCs. To date, lending and technical assistance has tend-

TECHNICAL skills are being upgraded in Thailand through the Bank-financed Vocational Education Project which is expanding vocational education relevant to industrial and development needs throughout the country.



ed to concentrate on technical and vocational education, reflecting the Bank's policy of supporting educational development in coordination with overall development needs.

Bank-assisted projects have aimed at providing and improving education and training facilities geared to the craft and middle-level manpower needs of industrial and agricultural development; they have also frequently included upgrading of curricula, consultancies and fellowships, educational facilities, staff and student facilities, coordination and management of training resources and manpower studies. The Bank is also keenly aware of the additional social and economic benefits which derive from improved education. These include enhanced social mobility, individual participation in economic development, improved living standards and additional income redistribution — all of which are given due consideration in project appraisal.

The Bank's involvement in education is not, however, exclusive to projects in this sector. Attention is paid to education and training in Bank-assisted projects in Agriculture and Agro-Industry, Industry, Development Banks, Transport and Communications and social infrastructure projects. Several rural development projects, for example, include components for the training of farmers and agricultural extension workers, and the training of local staff is a common feature of Bank credits to DFIs. The Bank is currently involved in the study, preparation and implementation of about 25 technical/vocational education projects in nine DMCs.

During the year, the Bank approved three loans amounting to \$65 million for education. These covered the building and equipping of additional secondary vocational schools in Malaysia, the provision of additional (and the upgrading of existing) senior technical schools and teacher training facilities in Indonesia, and the provision of new (and the upgrading of existing) facilities for the training of skilled workers at vocational institutes and the training of teachers of vocational and trade skills in Singapore. Educational fellowships to upgrade the skills of teachers featured in all three projects, and in two of them provision was made for the revision and upgrading of curricula and the introduction of the teaching of new technologies through the use of educational consultants. The Bank also extended technical assistance to Pakistan for the preparation of a project to introduce vocational subjects in secondary courses, to Sri Lanka for the upgrading of technical institutes and to Indonesia for vocational schools.

At the end of 1980, the Bank had approved 16 loans amounting to \$213.8 million for education. It had also extended \$2.4 million in technical assistance for 15 projects in this sector.

Health

The main thrust of the Bank's assistance to the Health sector is aimed at extending primary health services to those areas which are critically deficient in such facilities, and to provide training, equipment and drugs for rural health centers and district hospitals. The Bank also supports nutrition programs and preventive campaigns such as malaria control.

The improvement of health and sanitation is also frequently included as a component in Bank-assisted water supply and sewerage projects as well as rural and urban



IMPROVEMENTS to primary health care facilities are among the main objectives of the Bank's first program loan to the health sector in Bangladesh which was approved in 1980. Malaria control is another major component of the program.

development projects. During 1980, for example, provision for rural health centers was included in the Bank's \$1 million multiproject loan to the Cook Islands.

In order to identify the primary health care needs of its DMCs, the Bank undertakes reconnaissance missions. Five such missions were conducted during 1980 — in Bangladesh, Indonesia, Papua New Guinea, Sri Lanka and Thailand.

The Bank has greatly benefitted from its close ties with such agencies as the World Bank, WHO and the United Nations Fund for Population Activities (UNFPA) in this sector and, during 1980, the Bank reached an understanding with WHO on working arrangements between the two institutions (see pages 60 and 61).

During the year, the Bank approved its first Public Health Program loan, a \$15.6 million concessional loan for a program which aims to increase the supply of essential drugs and strengthen malaria control operations in Bangladesh. The Bank also extended technical assistance to four DMCs — Bangladesh, Burma, Indonesia and Papua New Guinea — for studies covering the entire range of health services, planning and delivery — including upgrading of hospitals and rural health centers, drug production and distribution, provision of medical equipment and supplies and manpower training. At the end of 1980, the Bank had provided \$54.1 million for three projects in the Health sector, and just over \$1 million in technical assistance for six projects.

Loan Administration

The main thrust of the Bank's loan administration activities in 1980 was directed towards strengthening project monitoring and supervision. Improvements have been introduced in the Bank's internal reporting system and review procedures to ensure that existing or impending problems or difficulties are discovered at an early stage and remedial measures taken promptly. Critical Path Method (CPM) networks, which indicate the various tasks to be done and identify the critical activities to be performed within a defined time frame, have been prepared for selected projects and are now being used by staff for monitoring the progress of implementation. The Bank intends to computerize CPM control in the future.

During the year, the Bank conducted studies on general implementation problems encountered in some DMCs. Discussions on strengthening central project implementation agencies were held with concerned officials in two borrowing DMCs and the possibility of the Bank extending technical assistance for this purpose is being examined.

The Bank's Guidelines on Procurement have been reviewed and the relevant working paper has been submitted to and initially considered by the Board. Work has also started on the preparation of sample standard documents which will be provided to borrowers in order to help them expedite the process of procurement. In order to promote greater

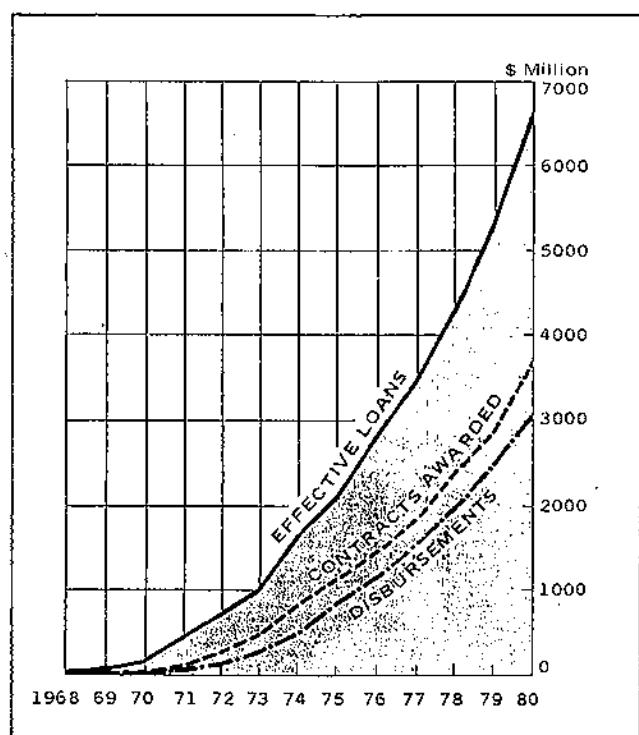
worldwide competition in the procurement of goods and services under Bank-financed projects, procurement information missions visited a number of member countries — both developed and developing — in 1980. In addition, trade and industrial missions which visited the Bank during the year were given extensive briefings on the Bank's operations as well as on procurement opportunities available under the Bank's lending activities.

With regard to consultants, a new registration form — Data on Consultants (Dacon) — has been introduced and initial steps have been taken towards computerizing consultants' data available in Bank files. A review of the two-envelope system for selecting consultants, which was adopted in 1979, has commenced, together with a study on the capabilities of local consultants in DMCs to undertake project consultancy work.

A total of 325 loans were under administration in 1980. Fifty-two loans became effective and 18 loans were closed¹ during the year. The total value of contracts awarded during the year was \$841 million, while disbursement amounted to \$579 million. The ratios of cumulative amounts of contracts awarded and disbursed relative to the total amount of effective loans as of the end of 1980 were 57 per cent and 46 per cent, respectively, compared with 55 per cent and 47 per cent, respectively, in 1979.

A total of 236 loan administration missions were undertaken in 1980, consisting of 24 project inception missions,

CONTRACTS AWARDED AND DISBURSEMENTS TO END OF 1980



¹ Loan disbursements completed.

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS, 1968-1980^a (amounts in \$ million)

| Year | Cumulative Effective Loans | | Cumulative Contracts Awarded | | Cumulative Disbursements | |
|------|----------------------------|--------|------------------------------|----------------------|--------------------------|----------------------|
| | No. ^b | Amount | Amount ^c | % of Effective Loans | Amount ^d | % of Effective Loans |
| 1968 | 4 | 20 | 4.5 | 22 | 1.8 | 9 |
| 1969 | 13 | 67 | 13.5 | 20 | 9.3 | 14 |
| 1970 | 28 | 137 | 58.7 | 43 | 26.4 | 19 |
| 1971 | 67 | 404 | 115.5 | 29 | 75.1 | 19 |
| 1972 | 93 | 696 | 270.8 | 39 | 136.2 | 20 |
| 1973 | 130 | 998 | 446.9 | 45 | 282.7 | 28 |
| 1974 | 187 | 1,612 | 803.1 | 50 | 470.2 | 29 |
| 1975 | 221 | 2,052 | 1,118.7 | 54 | 832.1 | 40 |
| 1976 | 264 | 2,846 | 1,483.9 | 52 | 1,158.7 | 41 |
| 1977 | 294 | 3,461 | 1,832.9 | 53 | 1,514.9 | 44 |
| 1978 | 340 | 4,289 | 2,381.3 | 56 | 1,977.1 | 46 |
| 1979 | 391 | 5,274 | 2,886.4 | 55 | 2,463.4 | 47 |
| 1980 | 451 | 6,592 | 3,727.3 | 57 | 3,042.4 | 46 |

^a After the approval of a loan and the signing of the loan agreement, certain requirements must be complied with for the loan to become effective.

^b For year 1980, includes one fully cancelled and seven refinanced loans.

^c Net of cancellations and amounts transferred to subsequent loans.

^d Includes interest and other charges financed during construction.

142 full project review missions, 51 special loan administration missions and 19 Project Completion Report missions. There were 315 projects reviewed in 1980, representing 104 per cent of the total number of projects under active implementation. The number of projects reviewed in 1980 was 24.5 per cent higher than in 1979 and this was partly due to the higher number of multiproject missions undertaken in 1980.

In order to help borrowers improve their capabilities for implementing projects, the Bank conducted three seminars in 1980 for staff of executing agencies, two on Procurement and Disbursement and one on Project Implementation Management. A total of 59 senior and middle-level officials from 47 project executing agencies, planning agencies and state banks in 17 DMCs participated in these seminars. In addition, Bank staff cooperated with some government agencies in organizing and conducting seminars in Burma, Indonesia, Republic of Korea, Lao People's Democratic Republic, Nepal, Pakistan and Singapore.

Projects Completed

A total of 15 projects involving Bank loans of \$229.5 million were completed in 1980, bringing the total number of projects completed to 152 out of 455 projects approved to the end of the year. During 1980, 25 Project Completion Reports (PCRs) were completed compared with 16 in 1979. The lessons learned from the experience contained in these reports are being consolidated and will be made available to Bank staff for their information and future guidance.

Post-Evaluation

During 1980, the role of post-evaluation was further strengthened as an integral part of the Bank's operations. The Post-Evaluation Office (PEO) continued to focus on the preparation of Project Performance Audit Reports (PPARs) which evaluate, verify and audit the findings of Project Completion Reports (PCRs) prepared by the respective Project Departments. The purpose of the PPARs is to assess completed projects independently in terms of their design, implementation and achievement of stated objectives. The findings and recommendations of PPARs are examined by the Bank with a view to improving its future operations.

During 1980, 13 Post-Evaluation Reports (PERs), including 12 PPARs, were completed. These reports covered 17 Bank loan and technical assistance projects.

A new feature of post-evaluation activities during 1980 was the issuance of reviews summarizing the findings and recommendations of PERs. The first reviewed the 19 PERs, covering 20 projects, which were completed prior to 1979, while the second summarized the findings of the eight PERs, covering 11 projects, which were circulated in 1979. It is now proposed that similar reviews will be issued annually covering the PERs circulated in the previous year.

The Post-Evaluation Office also reported on the implementation status of recommendations made in the PERs issued thus far. For those completed prior to 1979, the implementation status was shown in an appendix to the first review. A separate report was circulated on the implementation status of the recommendations contained in the eight PERs completed in 1979.

Technical Assistance and Regional Activities

Technical Assistance for DMCs

Technical assistance facilitates the transfer of resources to DMCs and enables them to improve their capacity to formulate and implement development programs and to make effective use of available external project financing, either from the Bank or from other sources. While the Bank's technical assistance activities are mainly focused on project preparation, which helps formulate viable investment projects for the Bank's lending operations, they are also directed towards assisting executing agencies in the implementation of Bank-financed projects, establishing and strengthening various development institutions and assisting in the formulation of national and/or sectoral development strategies and plans.

During the year, the Bank provided technical assistance, other than regional technical assistance, for 56 projects, compared with 57 projects in 1979,¹ while the total amount increased to \$14.2 million² from \$13.9 million in the

1 Two technical assistance projects approved in 1979 were subsequently withdrawn in 1980.

2 The amount relates to technical assistance grants and does not include technical assistance loans. In 1980, three technical assistance loans amounting to \$9.45 million were approved.

CONSULTANTS and engineers discuss plans for the Integrated Agricultural Development Program for the Vientiane Plain, Lao People's Democratic Republic, which the Bank supported with a technical assistance grant.



TECHNICAL ASSISTANCE BY COUNTRY AND REGIONAL ACTIVITIES, 1979, 1980, 1967-1980
(amounts in \$ thousand)

| Country | No. | 1979 | | | % |
|----------------------------------|-----------|-------------------|-------------------------------|------------------|---------------|
| | | Bank Financing | Other Sources ^a | Total | |
| Afghanistan | — | — | — | — | — |
| Bangladesh | 6 | 829.50 | 1,634.00 | 2,463.50 | 16.53 |
| Burma | 5 | 410.00 | 525.00 | 935.00 | 6.28 |
| Cambodia | — | — | — | — | — |
| China, Republic of | — | — | — | — | — |
| Cook Islands | — | — | — | — | — |
| Fiji | — | b | — | — | — |
| Indonesia | 7 | 720.00 | — | 720.00 | 4.83 |
| Kiribati | — | — | — | — | — |
| Korea, Republic of | 1 | 150.00 | — | 150.00 | 1.01 |
| Lao People's Democratic Republic | 4 | 150.00 | 1,236.00 | 1,386.00 | 9.30 |
| Malaysia | — | b | — | — | — |
| Maldives | 2 | 268.00 | — | 268.00 | 1.80 |
| Nepal | 8 | 475.00 | 2,644.00 ^d | 3,119.00 | 20.93 |
| Pakistan | 4 | 745.00 | — | 745.00 | 5.00 |
| Papua New Guinea | 2 | 220.00 | — | 220.00 | 1.48 |
| Philippines | 5 | 661.00 | 740.00 ^f | 1,401.00 | 9.40 |
| Singapore | — | — | — | — | — |
| Solomon Islands | 2 | 227.00 | — | 227.00 | 1.52 |
| Sri Lanka | 6 | 547.00 | 398.00 | 945.00 | 6.34 |
| Thailand | 1 | 300.00 | 710.00 | 1,010.00 | 6.78 |
| Tonga | 1 | 70.00 | — | 70.00 | 0.47 |
| Viet Nam | — | — | — | — | — |
| Western Samoa | 3 | 193.00 | — | 193.00 | 1.30 |
| Sub-Total | 57 | 5,965.50 | 7,887.00 | 13,852.50 | 92.97 |
| Regional | 6 | 1,047.50 | — | 1,047.50 | 7.03 |
| TOTAL | 63 | 7,013.00 | 7,887.00 | 14,900.00 | 100.00 |

a Excluding FAO cost-sharing arrangements.

b Forestry Development Project, Fiji for \$99,000 and Smallholder Dairy Development Project, Malaysia for \$150,000 which were approved in 1979 and were subsequently withdrawn in 1980 have been excluded.

c Adjusted to include additional UNDP financing of \$91,497 in 1979 and \$100,000 in 1980 for the Forestry Development Project in Lao People's Democratic Republic which was approved in 1978.

d Includes additional UNDP financing in 1979 of \$150,000 for the Sikta Irrigation and Rural Development Project, Nepal, which was approved in 1977.

e Adjusted to include additional UNDP financing of \$270,000 in 1980 for the Mulghat Hydropower Project which was approved in 1979.

f Revised financing plan for the Palawan Integrated Area Development Project with no Bank financing involved; instead EEC will finance \$350,000.

previous year. Project preparatory technical assistance amounted to \$8 million for 43 projects while advisory and operational assistance amounted to \$6.2 million for 13 projects. These amounts included technical assistance grant components incorporated in nine Bank loans, amounting to \$6.1 million, of which \$1.3 million was for project preparation and \$4.8 million for advice and implementation.

Technical assistance grants are financed mainly from the Bank's Technical Assistance Special Fund (see page 83). In addition, the Bank acts as executing agency for technical assistance projects financed from other multilateral sources such as UNDP and EEC, and bilateral

sources such as the Government of Switzerland. The Bank also cooperates with the Food and Agriculture Organization (FAO) on a cost-sharing basis in providing technical assistance for the preparation of projects in the agriculture sector.

In 1980, 17 technical assistance projects amounting to \$7.4 million were wholly or partly financed from other sources, with the Bank acting as executing agency, comprising 10 projects for \$5.7 million from UNDP, five projects for \$1.22 million from the Swiss Government and two projects for \$0.45 million from EEC. In addition, six projects received assistance from FAO on a cost-sharing basis.

| No. | 1980 | | | 1957-1980 | | | |
|-----|-------------------|-------------------------------|-----------|-----------|-----|------------------------|--------|
| | Bank Financing | Other Sources ^a | Total | % | No. | Total Amount | % |
| — | — | — | — | — | 15 | 2,465.70 | 2.86 |
| 6 | 808.50 | 710.00 | 1,518.50 | 9.65 | 44 | 12,659.94 | 14.71 |
| 8 | 1,035.00 | 465.00 | 1,500.00 | 9.53 | 22 | 3,941.00 | 4.58 |
| — | — | — | — | — | 2 | 111.00 | 0.13 |
| — | — | — | — | — | 1 | 100.0 | 0.12 |
| 1 | 70.00 | — | 70.00 | 0.44 | 2 | 161.00 | 0.19 |
| — | — | — | — | — | 4 | 389.00 | 0.45 |
| 8 | 1,154.00 | 298.00 | 1,452.00 | 9.23 | 58 | 11,320.52 | 13.15 |
| 1 | 98.00 | — | 98.00 | 0.62 | 2 | 148.00 | 0.17 |
| 1 | 125.00 | — | 125.00 | 0.79 | 16 | 2,827.30 | 3.29 |
| 3 | 341.00 | 631.58 | 972.58 | 6.18 | 17 | 4,334.08 ^c | 5.04 |
| 2 | 250.00 | — | 250.00 | 1.59 | 9 | 1,487.00 | 1.73 |
| — | — | — | — | — | 2 | 268.00 | 0.31 |
| 8 | 635.00 | 4,348.00 | 4,983.00 | 31.66 | 38 | 12,485.70 ^b | 14.51 |
| 3 | 489.00 | — | 489.00 | 3.11 | 16 | 2,904.00 | 3.37 |
| 2 | 40.00 | 170.00 | 210.00 | 1.34 | 11 | 1,335.60 | 1.55 |
| 3 | 335.00 | — | 335.00 | 2.13 | 33 | 5,912.00 | 6.87 |
| — | — | — | — | — | 1 | 34.70 | 0.04 |
| — | — | — | — | — | 10 | 1,246.34 | 1.45 |
| 6 | 560.00 | 400.00 | 960.00 | 6.10 | 26 | 3,772.50 | 4.38 |
| 3 | 525.00 | 350.00 | 875.00 | 5.56 | 15 | 3,763.10 | 4.37 |
| — | — | — | — | — | 6 | 830.00 | 0.96 |
| — | — | — | — | — | 11 | 1,110.60 | 1.29 |
| 1 | 348.00 | — | 348.00 | 2.21 | 15 | 1,632.50 | 1.90 |
| 56 | 6,813.50 | 7,372.58 | 14,186.08 | 90.14 | 376 | 75,239.58 | 87.42 |
| 15 | 1,552.16 | — | 1,552.16 | 9.86 | 75 | 10,825.23 | 12.58 |
| 71 | 8,365.66 | 7,372.58 | 15,738.24 | 100.00 | 451 | 86,064.81 | 100.00 |

In 1980, 15 DMCs received technical assistance amounting to \$14.2 million for 56 projects from the Bank. The fully eligible SF countries received \$10.9 million for 37 projects, compared with \$10 million for 41 projects in 1979. Technical assistance grants provided to South Pacific DMCs in 1980 amounted to \$726,000 for five projects compared with \$809,000 for nine projects in the previous year.¹

On a sectoral basis, 69.2 per cent of the total amount of technical assistance approved in 1980 was for Agriculture

and Agro-Industry, compared with 55.4 per cent in 1979. Technical assistance to this sector involved, among other things, small-scale and hill irrigation, agricultural credit, crop intensification, forestry development, palm oil processing, livestock and fisheries development, aquaculture development and small farmers group development. About 7.2 per cent was provided to the Energy sector covering natural gas distribution and rural mini-hydropower, 7.1 per cent to the Industry and Non-Fuel Minerals sector including Development Banks, 3.1 per cent to the Transport and Communications sector and the rest to Water Supply, Education and Health.

¹ One technical assistance project approved in 1979 was subsequently withdrawn in 1980.

TECHNICAL ASSISTANCE APPROVALS, 1980
(amounts in \$ thousand)

| Country/Project | Project Preparatory | Advisory and Operational |
|--|---------------------|--------------------------|
| BANGLADESH | | |
| Community Forestry Development | 125.0 ^a | — |
| South-East Bangladesh Gas Distribution | 210.0 | — |
| Thana/Union Health Centers | 134.0 | — |
| Second Agricultural Credit | — | 550.0 ^b |
| Small Scale Irrigation Sector | 450.0 ^c | — |
| Crop Intensification Program II | 49.5 | — |
| BURMA | | |
| Rice Storage | 80.0 ^d | — |
| Yenwe Multipurpose | 370.0 ^e | — |
| Upgrading of Hospitals | 350.0 | — |
| Myanma Economic Bank | — | 75.0 |
| Forestry Development II | 132.0 ^f | — |
| Tin Mining | 178.0 | — |
| Rangoon-Prome Road Improvement | 95.0 ^g | — |
| Mini-Hydropower | 220.0 | — |
| COOK ISLANDS | | |
| Appraisal of Subprojects under Multiproject Loan | — | 70.0 |
| INDONESIA | | |
| Palm Oil Processing | 98.0 ^g | — |
| Water Supply Sector | 100.0 | — |
| Vocational Schools | 329.0 | — |
| Mineral Survey | 235.0 | — |
| Aceh and North Sumatra Livestock Development | 170.0 | — |
| Production and Distribution of Essential Drugs | 170.0 | — |
| Northern Sumatra Irrigation Study | 150.0 | — |
| Sumatra Fisheries Development | — | 200.0 ^g |
| KIRIBATI | | |
| Geotechnical Investigations for Causeway | — | 98.0 |
| KOREA, REPUBLIC OF | | |
| Han River Basin Environmental Master Plan | 125.0 | — |
| LAO PEOPLE'S DEMOCRATIC REPUBLIC | | |
| Agricultural Support Facilities | — | 631.58 ^g |
| Tha Ngon Rehabilitation and Rice Mill | 95.0 | — |
| Xeset Hydropower | 246.0 | — |
| MALAYSIA | | |
| East-West Highway (Phase II) | 100.0 | — |
| Rural Water Supply Master Plan | 150.0 | — |

a In addition, FAO will provide \$88,000 under a cost-sharing arrangement.

b Of this \$260,000 is to be financed by UNDP.

c To be financed by Switzerland.

d In addition, FAO will provide \$26,000 under a cost-sharing arrangement.

e To be financed by UNDP with Bank acting as Executing Agency.

f In addition, FAO will provide \$92,000 under a cost-sharing arrangement.

g To be financed by EEC.

| Country/Project | Project Preparatory | Advisory and Operational |
|---|------------------------|-----------------------------|
| NEPAL | | |
| Small Farmers Group Development | — | 98.0 ^e |
| Crop Intensification Program | 90.0 ^h | — |
| Command Area Development | 350.0 ^e | — |
| Fourth Agricultural Credit | — | 1,100.0 ^b |
| Aquaculture Development | — | 1,670.0 ⁱ |
| Agricultural Sector Strategy Study | — | 245.0 |
| Hill Irrigation | — | 900.0 ^e |
| Second Hill Irrigation | 530.0 ^e | — |
| PAKISTAN | | |
| Agro-Technical Education | 147.0 | — |
| On-Farm Water Management | 132.0 | — |
| Sind Livestock Development | 210.0 ^j | — |
| PAPUA NEW GUINEA | | |
| Rural Health Services | 170.0 ^c | — |
| Manus Forestry | 40.0 | — |
| PHILIPPINES | | |
| Mineral Resources Development | 45.0 | — |
| Manila Grain Terminal | 150.0 | — |
| Cotton Development | 140.0 ^k | — |
| SRI LANKA | | |
| Geological Survey | 130.0 | — |
| Technical Education | 150.0 | — |
| Community Forestry | 94.0 ^j | — |
| Livestock Development | 200.0 ^c | — |
| Anuradhapura Dry Zone Agriculture | — | 200.0 ^c |
| Graphite Mining | 186.0 | — |
| THAILAND | | |
| Medium Scale Irrigation Package | 350.0 ^g | — |
| Accelerated Mineral Resources Development | 165.0 | — |
| Nong Wai Irrigation Management | — | 360.0 |
| WESTERN SAMOA | | |
| Feasibility Study of Fagaloa/Afullo | — | — |
| Hydropower Scheme | 348.0 | — |
| TOTAL | 7,988.50 | 6,197.58 |

^h In addition, FAO will provide \$60,000 under a cost-sharing arrangement.

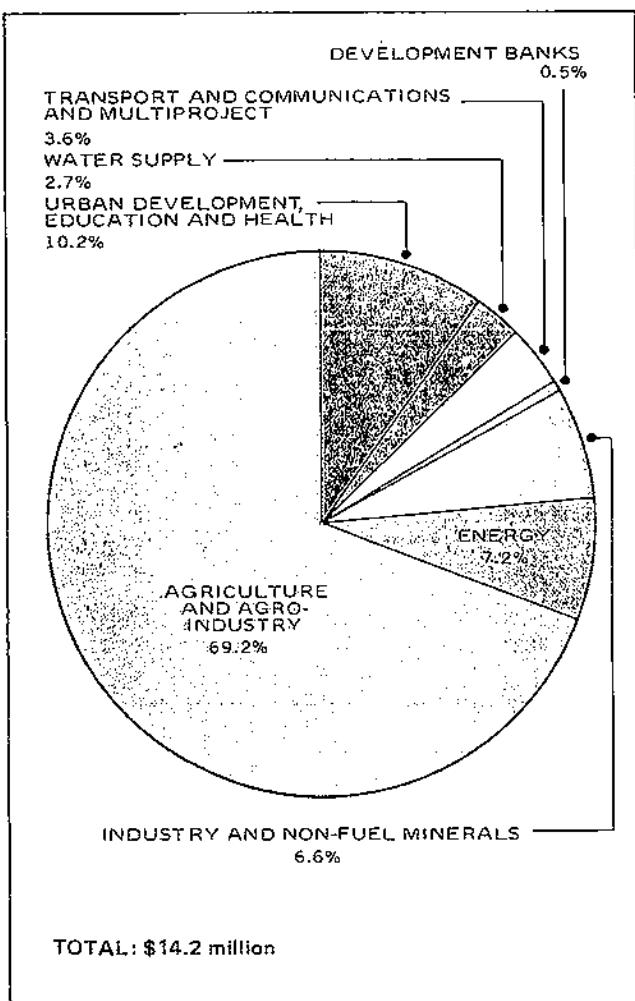
ⁱ Of this, \$1,370,000 is to be financed by UNDP.

^j EEC funds will be utilized for financing the technical assistance if consultants are selected from eligible sources of EEC in accordance with the Bank's Guidelines.

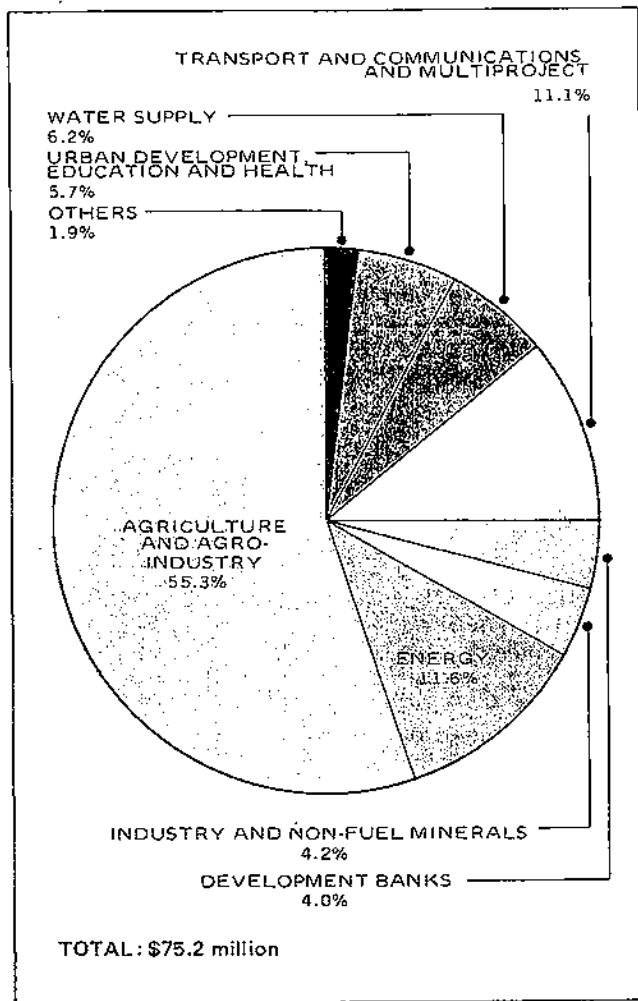
^k In addition, FAO will provide \$110,000 under a cost-sharing arrangement.

^l In addition, FAO will provide \$38,000 under a cost-sharing arrangement.

TECHNICAL ASSISTANCE APPROVALS
BY SECTOR, 1980



TECHNICAL ASSISTANCE APPROVALS
BY SECTOR, 1967-1980



The importance of technical assistance to the Bank's lending program is underscored by the fact that by the end of 1980, 164 Bank loans, amounting to \$2,769 million, had resulted from earlier technical assistance provided by the Bank, amounting to \$37.2 million. In 1980, 32 loans amounting to \$731 million resulted from earlier technical assistance; of this, \$352 million was from OCR and \$379 million from SF, representing 37 per cent and 79 per cent, respectively, of the total loan approvals from these sources in 1980. This also emphasizes the importance of technical assistance in Bank lending operations to the low-income DMCs.

A total of 37 technical assistance projects was completed in 1980, 26 for project preparation and 11 for advisory and operational purposes, bringing the total number of technical assistance projects completed to 251. The total amount of technical assistance grants provided to DMCs as of the end of 1980 stood at \$75.2 million¹ (see Table on page 51).

Regional Activities

Regional Energy Survey (RES): Work on the RES, approved by the Board in April 1980, commenced in early June 1980 with the help of a team of consultants. The primary objective of the technical assistance was to obtain for the Bank adequate information on the energy situation in the DMCs for formulating a more effective program of assistance to this sector. The survey included a broad assessment of the existing and prospective energy demand and supply situation in the DMCs, a review of their indigenous energy resources, evaluation of various energy development and demand management options available to them and identification of the areas and the manner in which they most need external assistance. It is expected that the survey will provide the Bank with information on the DMCs' energy sector programs, problems and priorities and help the Bank in shaping its sector assistance activities in the future. At the end of the year, the field work and most of the analysis for the survey were completed and the main report was under preparation.

¹ Including technical assistance grants financed from sources outside the Bank. Regional technical assistance projects and technical assistance loans are not included.

TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1979, 1980, 1967-1980^a
 (amounts in \$ thousand)

| Sector | 1979 | | | 1980 | | | 1967-1980 | | |
|--------------------------------|-----------|----------------------|---------------|-----------|------------------|---------------|------------|-----------------------|---------------|
| | No. | Amount | % | No. | Amount | % | No. | Amount | % |
| Agriculture and Agro-Industry | 30 | 7,670.0 | 55.4 | 30 | 9,810.08 | 69.2 | 188 | 41,610.54 | 55.3 |
| Agriculture | 27 | 7,362.0 ^b | 53.2 | 28 | 9,632.08 | 67.9 | 165 | 38,243.84 | 50.8 |
| Agro-Industry | 3 | 308.0 | 2.2 | 2 | 178.00 | 1.3 | 23 | 3,366.70 ^c | 4.5 |
| Energy | 6 | 2,519.0 | 18.2 | 4 | 1,024.00 | 7.2 | 38 | 8,709.84 ^d | 11.6 |
| Industry and Non-Fuel Minerals | — | — | — | 6 | 939.00 | 6.6 | 18 | 3,107.90 | 4.2 |
| Development Banks | 1 | 130.0 | 0.9 | 1 | 75.00 | 0.5 | 23 | 3,017.60 | 4.0 |
| Transport and Communications | 7 | 1,085.5 | 7.8 | 4 | 443.00 | 3.1 | 50 | 8,228.30 | 10.9 |
| Water Supply | 4 | 687.0 | 5.0 | 3 | 375.00 | 2.7 | 23 | 4,649.50 | 6.2 |
| Urban Development | 2 | 799.0 | 5.8 | — | — | — | 3 | 899.00 | 1.2 |
| Education | 3 | 472.0 | 3.4 | 3 | 626.00 | 4.4 | 15 | 2,351.20 | 3.1 |
| Health | 2 | 250.0 | 1.8 | 4 | 824.00 | 5.8 | 6 | 1,074.00 | 1.4 |
| Multiproject | 1 | 70.0 | 0.5 | 1 | 70.00 | 0.5 | 2 | 140.00 | 0.2 |
| Others | 1 | 170.0 | 1.2 | — | — | — | 10 | 1,451.70 | 1.9 |
| TOTAL | 57 | 13,852.5 | 100.00 | 56 | 14,186.08 | 100.00 | 376 | 75,239.58 | 100.00 |

a. Excluding Regional Projects and technical assistance loans.

b. Two projects which were subsequently withdrawn, namely, Forestry Development Project, Fiji (\$99,000) and Smallholders Dairy Development Project, Malaysia (\$150,000) have been excluded.

c. Adjusted to include UNDP additional financing of \$91,497 in July 1979 and \$100,000 in January 1980 for the Forestry Development Project in Lao People's Democratic Republic which was approved in 1978.

d. Adjusted to include UNDP additional financing of \$270,000 for Mulghat Hydropower Project, Nepal in 1980.

Regional Seminars on Procurement and Project Implementation Management: In line with the Bank's policy of assisting borrowers ensure the speedy and efficient implementation of projects, the Bank provided \$135,000 for the holding of Regional Seminars on Procurement and Project Implementation Management in 1980, and approved a further \$200,000 for similar seminars in 1981.

In 1980, the Seminars on Procurement were held from 2 to 9 July and from 5 to 12 November, while the Seminar on Project Implementation Management was held from 3 to 13 December. Some 39 staff members of executing agencies in 14 borrowing countries who are directly involved in the procurement process attended the Seminars on Procurement. The Seminar on Project Implementation Management was attended by 20 participants (mostly project directors or project managers) from 12 borrowing countries.

Regional Seminar on Road Maintenance: Sixteen senior executives involved in road maintenance in government ministries and highway departments from 11 DMCs where the Bank is actively assisting in road betterment works attended this Seminar which was held from 16 to 21 October 1980. The Seminar, for which the Bank provided \$80,000, created a forum for an exchange of views and experience about problems related to road maintenance.

Fifth Regional Program on Development Banking: Held in Manila from 18 August to 26 September 1980, the six-week Program was conducted by the Bank in collaboration with the Private Development Corporation of the Philippines. The objective of the Program was to strengthen and upgrade the expertise of the professional staff of DFIs involved in project appraisal, follow-up and supervision. The

1980 LOAN PROJECTS 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 | Local cost to be financed by Government |
|---|----------------------|--------------------|--------------------|--------------------------|-------|-------|------------------------|---|
| | | | | OCR | SF | Total | | |
| BANGLADESH | | | | | | | | |
| Tubewell | 1979 | 0.315 ^a | 67.00 | — | 50.00 | 50.00 | — | 17.00 |
| Natural Gas Development | 1979 | 0.095 | 45.90 | — | 31.00 | 31.00 | — | 14.90 |
| Rubber Rehabilitation and Expansion | 1979 | 0.060 | 36.60 | — | 20.00 | 20.00 | — | 16.60 |
| BURMA | | | | | | | | |
| Outports | 1977 | 0.250 | 45.00 | — | 15.50 | 15.50 | 6.32 | 23.18 |
| Inland Fisheries Development | 1979 | 0.070 | 43.90 | — | 20.00 | 20.00 | — | 23.90 |
| INDONESIA | | | | | | | | |
| Palm Oil Processing and Smallholder Development | 1980 | 0.098 ^a | 39.00 | 28.00 | — | 28.00 | — | 11.00 |
| Second Senior Technical Schools | 1979 | 0.092 | 51.50 | 26.00 | — | 26.00 | — | 25.50 |
| Small Towns Water Supply Sector | 1980 | 0.100 | 53.60 | 32.00 | — | 32.00 | — | 21.50 |
| Sumatra Fisheries Development | 1978 | 0.098 | 25.80 | 14.00 | — | 14.00 | — | 11.80 |
| Ciballung Irrigation | 1978 | 3.560 ^b | 69.90 | 35.00 | — | 35.00 | — | 34.90 |
| KOREA, REPUBLIC OF | | | | | | | | |
| Samrang Jin Pumped Storage Power | 1975 | 1.100 ^b | 321.63 | 52.63 | — | 52.63 | 11.00 | 230.45 |
| Second Incheon Port Development | 1978 | 0.150 | 103.00 | 54.00 | — | 54.00 | — | 49.00 |
| Sewage Treatment | (1977) | 0.089 | 126.34 | 27.90 | — | 27.90 | — | 98.44 |
| (1979) | | 2.250 ^b | | | | | | |
| LAO PEOPLE'S DEMOCRATIC REPUBLIC | | | | | | | | |
| Agricultural Support Facilities | 1979 | 0.066 ^a | 8.21 | — | 5.85 | 5.85 | 0.63 | 1.73 |
| Vientiane Plain Rural Electrification | 1978 | 0.140 | 6.08 | — | 4.30 | 4.30 | — | 1.78 |
| MALAYSIA | | | | | | | | |
| Kemasin Rural Development | 1978 | 0.350 | 96.00 | 40.00 | — | 40.00 | — | 56.00 |

Bank provided \$99,000 for the Program, which was attended by 26 participants from 23 DFIs in 11 DMCs.

Workshop on Appropriate Technology for Alternative Energy Sources in Fisheries: Expected to be held in Manila in early 1981, the Workshop will be co-sponsored by the Bank and the International Center for Living Aquatic Resources Management. The six-day Workshop will bring together participants from the DMCs to discuss and analyze the use of appropriate technology for alternative energy sources in fisheries and fishing communities. The Workshop will not only help the Bank's operations in the Fisheries subsector but will also contribute substantially to

the promotion of technical cooperation among the participating countries. The Bank provided \$70,000 for the Workshop.

APO Second Training Course in Project Management: Sponsored by the Bank and the Asian Productivity Organization (APO), the Second Training Course in Project Management was held in November and December 1980 in New Delhi and Bangalore, India. The purpose of the Course was to give participants the knowledge and skills required for effective project management with a view to alleviating the acute shortage of professionally trained project managers in the Bank's DMCs. The Course dealt with the

| Country/Project | Year of T/A Approval | Amount of T/A | Total Project Cost | Amount of Bank Financing | | | Amount of Co-Financing | Local cost to be financed by Government |
|---|----------------------|--------------------|--------------------|--------------------------|--------|--------|------------------------|---|
| | | | | OCR | SF | Total | | |
| NEPAL | | | | | | | | |
| Fourth Agricultural Credit Hill Irrigation (Western Region) | 1979 | 0.095 | 20.10 | — | 15.00 | 15.00 | 1.10 | 4.00 |
| Aquaculture Development | 1979 | 0.350 ^c | 16.70 | — | 11.70 | 11.70 | 0.90 | 4.10 |
| | | | | — | 11.80 | 11.80 | 1.37 | 3.13 |
| PAKISTAN | | | | | | | | |
| Second Marine Fisheries Development | 1978 | 0.350 | 52.50 | — | 30.00 | 30.00 | 12.00 | 10.50 |
| Load Despatch and Transmission | 1973 | 0.150 | 500.00 | — | 67.00 | 67.00 | 98.00 | 335.00 |
| On-Farm Water Management | 1980 | 0.132 | 33.30 | — | 25.00 | 25.00 | — | 8.30 |
| PAPUA NEW GUINEA | | | | | | | | |
| Lae Port Development | 1979 | 0.150 | 30.10 | 12.00 | 8.00 | 20.00 | — | 10.10 |
| PHILIPPINES | | | | | | | | |
| Second Road Improvement | 1977 | 0.150 | 46.00 | 30.00 | — | 30.00 | — | 19.50 |
| Second Laguna de Bay Irrigation | 1975 | 0.100 | 50.80 | — | 20.00 | 20.00 | 7.50 | 23.30 |
| SOLOMON ISLANDS | | | | | | | | |
| Honiara Water Supply | 1979 | 0.097 | 2.03 | — | 1.65 | 1.65 | — | 0.38 |
| SRI LANKA | | | | | | | | |
| Third Tea Development | 1979 | 0.098 ^a | 36.70 | — | 12.80 | 12.80 | 5.00 | 18.90 |
| Mahaweli Area Roads | 1979 | 0.098 | 20.50 | — | 10.00 | 10.00 | — | 10.50 |
| Anuradhapura Dry Zone Agriculture | 1979 | 0.300 ^a | 39.60 | — | 15.00 | 15.00 | 14.50 | 10.10 |
| WESTERN SAMOA | | | | | | | | |
| Forestry Development | 1979 | 0.059 | 4.78 | — | 1.74 | 1.74 | 1.28 | 1.76 |
| Agricultural Development | 1979 | 0.064 | 10.80 | — | 3.00 | 3.00 | 4.00 | 3.80 |
| TOTAL | | 11.226 | 2,019.57 | 351.53 | 379.34 | 730.87 | 163.60 | 1,101.05 |

a. Financed by EEC.

b. Technical Assistance loan and grant.

c. Financed by UNDP.

development of rural and small-scale industries and the various phases of project cycle. The Bank provided \$19,600 for the Course.

Regional Seminar on Planning, Management and Evaluation of Technical/Vocational Education: The Bank provided \$75,000 to the Colombo Plan Staff College in Singapore for conducting a Regional Seminar on Planning, Management and Evaluation of Technical/Vocational Education Projects. Held in Singapore from 1 to 20 December 1980, the purpose of the Seminar was to widen the expertise of middle-level and senior professional personnel involved in the planning, preparation and implementation of

technical/vocational education projects in the Bank's DMCs. Some 25 participants from nine DMCs of the Bank attended the Seminar.

Regional Seminar on Metropolitan Management: About 24 participants concerned with metropolitan management in large cities of 12 DMCs are expected to attend the Seminar to be held in Manila from 12 to 16 January 1981. Specifically, the Seminar will review the effectiveness of the organizations in selected cities in: (i) setting priorities and goals for spatial and economic development at the metropolitan level; (ii) financing services and investment programming for major sectors of infrastructure; (iii) alloca-

tion of resources; and (iv) inter-agency relationships in metropolitan management. To be sponsored by the Bank and the Economic Development Institute of the World Bank, the Seminar will provide a forum for identifying future training programs and discussing the role of international financing institutions such as the Bank and the World Bank. The Bank provided \$25,000 for this Seminar.

Third Regional Program on Project Implementation and Supervision: This Seminar was undertaken by the Bank in collaboration with the German Foundation for International Development and the Industrial Finance Corporation of Thailand. The main objective of the Program was to assist the participating DFIs in strengthening and upgrading the skills of their professional staff engaged in the field of project implementation and supervision, with a view to ensuring that the objectives of DFI-approved projects are met and that the functioning of the institutions is made more effective and efficient. Held in Bangkok from 24 November to 19 December 1980, the Program was attended by 24 participants from 23 DFIs in 11 DMCs. The Bank provided \$94,000 for the Program.

11th APO Project Feasibility Study Training Course: A technical assistance grant of \$46,557 was extended by the Bank to APO for the Eleventh Project Feasibility Study Training Course, to be held in early 1981 in the Philippines and Japan. This was the ninth such grant by the Bank to APO for this purpose. The main emphasis of the Course will be on the methodology of feasibility studies through an inter-disciplinary approach covering economic, financial, technical, managerial and organizational aspects with a view to ensuring overall viability of projects.

TECHNICAL ASSISTANCE APPROVALS, 1980 FUNDED FROM OTHER SOURCES (amounts in \$ thousand)

| Agency | No. of Projects | Amount |
|---|-----------------|--------------------|
| European Economic Community (EEC) | 2 | 448 ^a |
| Food and Agriculture Organization (FAO) | 6 | 414 |
| Switzerland | 5 | 1,220 |
| United Nations Development Programme (UNDP) | 10 | 5,705 ^b |
| TOTAL | 23 | 7,787 |

^a In addition, the technical assistance for the Sind Livestock Development Project, Pakistan amounting to \$210,000 will be financed by EEC if consultants are selected from eligible sources.

^b Plus additional financing of \$191,497 for the Forestry Development Project in Lao People's Democratic Republic approved by the Bank in 1978; and \$270,000 for the Mulghat Hydropower Project, Nepal, approved by the Bank in 1979. Furthermore, UNDP was expected to provide \$527,220 for the Vocational and Industrial Training Project in Singapore.

Regional Program on Industrial Project Appraisal — Marketing and Economic Aspects: A three-week Regional Program on Industrial Project Appraisal—Marketing and Economic Aspects was held in Manila from 20 October to 7 November 1980. Designed to benefit industrial DFIs in the Bank's DMCs, the Program was aimed at strengthening and upgrading the skills of the professional staff of DFIs engaged in assessing the marketing and economic elements of projects. The Program, for which the Bank provided \$88,000, was attended by 23 participants from 22 DFIs in 11 DMCs.

South Pacific Agricultural Survey: This study of the rural economies of the Bank's seven South Pacific DMCs, distributed early in the year for use by the Bank and its

REGIONAL ACTIVITIES, 1980

| | Amount (\$ thousand) |
|--|-------------------------|
| Regional Energy Survey | 350.0 |
| Seminars on Procurement and Project Implementation Management | 135.0 ^a |
| Regional Seminar on Road Maintenance | 80.0 |
| Fifth Regional Program on Development Banking | 99.0 |
| Workshop on Appropriate Technology for Alternative Energy Sources in Fisheries | 70.0 |
| APO Second Training Course in Project Management | 19.6 |
| Regional Seminar on Planning, Management and Evaluation of Technical/Vocational Education Projects | 76.0 |
| Joint ADB/EDFI Regional Seminar on Metropolitan Management | 25.0 |
| Third Regional Program on Project Implementation and Supervision | 94.0 |
| Asian Productivity Organization's Eleventh Project Feasibility Study Training Course | 46.557 |
| Regional Program on Industrial Project Appraisal — Marketing and Economic Aspects | 88.0 |
| Seminars on Procurement and Project Implementation Management | 200.0 ^b |
| Regional Training Program in Fisheries Stock Assessment and Statistical Data Collection | 200.0 |
| Study of Agricultural Research Facilities and Requirements in the South Pacific | 45.0 |
| Publication of Procurement Opportunities Under Bank-Financed Projects in the Business Edition of the Development Forum (Second Contribution) | 25.0 |
| TOTAL | 1,552.157 |

^a For seminars held in 1980.

^b For seminars to be held in 1981.

member countries, was published in July in association with the Australian National University Press (ANUP) under the title: *South Pacific Agriculture: Choices and Constraints*. Copies are available on a commercial basis in North America, Europe and the Australasian, Asian and Pacific regions.

Study of Agricultural Research Facilities and Requirements in the South Pacific: This involves a preliminary study of agricultural research facilities and requirements in the South Pacific in connection with a South Pacific Agricultural Research Center recommended in the South Pacific Agricultural Survey. The Bank provided \$45,000 for this Study.

Regional Training Program in Fisheries Stock Assessment and Statistical Data Collection: Under this Program, two courses will be given simultaneously, one in fisheries stock assessment methods, and one in fisheries statistics. Each course will last six weeks, after which course evaluation sessions will be held. To be held at the Southeast Asian Fisheries Development Center (SEAFDEC) Training Department in Samutprakarn, Thailand in September and October 1981, the Program seeks to train national fisheries personnel in fisheries stock assessment and statistical data collection. The FAO's South China Sea Fisheries Development and Coordinating Program (SCSP) and Bay of Bengal Program (BOBP) will be the Executing Agencies for this Program, for which the Bank provided \$200,000, while SEAFDEC will be a technical collaborator.

Publication of Procurement Opportunities Under Bank-Financed Projects in the Business Edition of the Development Forum: As part of the Bank's continuing effort to improve the dissemination of information on procurement opportunities under Bank-assisted projects in order to enhance international competition, the Bank made a second contribution, amounting to \$25,000, as a subsidy for this periodical published by the UN Center for Economic and Social Information.

Lending and Operational Policies

Lending and Reflending Policies

The Board reviewed and largely reaffirmed the Bank's policies on choice of borrowers, lending terms and amortization, reflending of proceeds of Bank loans, and disposition of counterpart funds.

In choice of borrowers, the Bank in its OCR operations prefers lending direct to the entity carrying out the projects, and in its SF operations to the Government of the member country where the project is located.

The final maturity of an OCR loan will be determined by project considerations, especially the economic life of the project, but due account may also be taken of country considerations. The grace period will be determined mainly by the time needed before the project concerned becomes operational and starts to yield returns; there may be slight modifications on country and project grounds. Exceptions to this method of determining final maturity and grace period are OCR loans to Hong Kong and Singapore, loans to DFIs, program loans and technical assistance loans.



A FRIESIAN HOLSTEIN cow being milked at the Baluchistan Livestock Development Project in Pakistan which is being supported by a Bank loan following earlier technical assistance.

In determining the terms of reflending or on-lending of the proceeds of Bank loans, the Bank recognizes three categories of beneficiaries. For Government agencies and instrumentalities entrusted with implementing the Government's special social and economic policies, the Bank will be prepared — mainly in OCR lending — to allow loan proceeds to be relent on the same terms as those of the Bank loan; however, the application of terms harder than those of the Bank loan will not be ruled out. Such harder terms would be more usual in SF lending. For commercially-run public corporations, reflending terms harder than those of the Bank will generally apply. For private enterprises, the reflending terms will be determined by the cost of external capital and lending terms prevailing in the local market.

On the use of counterpart funds generated in Bank-financed activities, the Bank will not in principle exercise control over them. However, when counterpart funds accrue to a financial intermediary, it may be required to use the funds for particular development activities.

Streamlining of Loan and Technical Assistance Processing

The Bank has adopted several measures to streamline loan and technical assistance processing which has, in the past, been subject to various delays and impediments. It was decided that the President might approve technical

assistance projects that do not give rise to unusual obligations or raise special policy issues, each involving an amount not exceeding \$250,000; that for project preparation technical assistance projects involving amounts not exceeding \$50,000 each, with no substantial undertaking from the recipient country, no formal agreement or report to the Board would be needed following approval by the President; and that approval by the Board on a no-objection basis would be sought for technical assistance projects to be executed by the Bank but financed entirely by other sources, if these involve amounts exceeding \$250,000. Documentation for all technical assistance projects would be simplified considerably, and in certain cases advance action for the engagement of consultants might be taken with the prior approval of the Board on a no-objection basis.

In loan processing, it was decided that the condition on the effectiveness of loans involving co-financing by the Bank and other sources be made more flexible in the interest of smoother implementation of the projects concerned and that, with the agreement of the country concerned, the Bank might attempt to limit to a reasonable number other co-financiers in any single project. For loans to be appraised and administered by the Bank but financed exclusively by other organizations under general co-operation arrangements, specific Board approval of individual projects would not be required, provided that the Board be furnished in advance with the pertinent information. In addition, the Board agreed, among other things, to simplify the approval procedure for loans not exceeding \$10 million in each case.

It was also decided to introduce indicative three-year aggregate lending levels. This would be in addition to the present annual indicative aggregate levels. There would be over-programming of not less than 25 to 30 per cent of planned annual lending levels, and sector programming should be given greater attention in the Bank's country programming exercises.

Sector Lending

In June 1980, the Bank decided to undertake sector lending in appropriate circumstances. The Bank's sector loans will finance primarily the capital requirements of specific sectors and will also help DMCs strengthen sector policies and institutions. Such loans, for example, could be designed to expand the network of secondary and feeder roads or rural water supply or power transmission and distribution facilities (including rural electrification). Sector loans may also be well suited to meeting, among others, development needs in agriculture and rural development, irrigation and drainage, railways, highways, sanitation, public health and population.

Sector lending will generally involve financing the foreign exchange costs of subprojects in a sector which are consistent with the broad purposes of the sector loan. Sector loans may, in appropriate cases, also finance local currency expenditures and recurring costs of the subprojects.

Since institution-building is a key element in sector lending, the Bank will extend the technical assistance necessary to strengthen the capabilities of the borrower/executing agencies. At the same time, if technical and management capacities of executing agencies permit, there would be considerable delegation of responsibilities

from the Bank to the borrower/executing agencies. It is envisaged that sector loans will need to be relatively large to be effective. The additional responsibilities placed on the borrower/executing agencies will also have to be recognized.

Bank Operations in the Agriculture Sector in the South Pacific

During the year, the Board approved new policy recommendations for Bank Operations in the Agriculture Sector in the South Pacific which are designed to streamline and improve the quality of its assistance to its geographically isolated DMCs, many of which have smaller-based economies, in the South Pacific region (see page 59).

These policy recommendations call for the Bank to involve itself in the examination of the need for a Regional Research Center which would carry out research on a number of root crops which are unique to the South Pacific and on coconut, a crop of fundamental importance to the economies of most South Pacific Developing Member Countries (SPDMCs). The Bank's involvement should be in the form of assistance in undertaking a pre-feasibility study, in association with interested bilateral sources, subject to support for the study being given by the SPDMCs themselves. It is also recommended that the Bank place greater emphasis on project preparation of project components which can increase agricultural productivity and income through the introduction of suitable non-labor inputs in those areas where labor is in short supply and employment generation is not a dominant goal.

The policy recommendations also stressed the need for the Bank to assist SPDMCs develop more commercially oriented smallholder management systems; upgrade and expand agricultural extension services and management training; develop national agricultural research; involve more local personnel in the preparation of rural development projects; exploit their substantial marine resources; and continue — if possible, increase — the channelling of funds for agriculture through DFIs.

The Bank will also have to recognize the critical role of inter-island marine transportation and assist the SPDMCs, wherever it is feasible, by ensuring greater integration between transport services and agricultural development projects. It was also recommended that the Bank should provide assistance where possible in developing markets and assisting in the establishment and upgrading of marketing organizations, especially for fresh food and fish.

Review of Arrangements for Lending from the Asian Development Fund

The Board reviewed and reaffirmed the appropriateness of per capita GNP and debt repayment capacity as the two criteria for determining the access of DMCs to ADF lending during the remaining years of the Second Replenishment of ADF (ADF III), 1980-82. The main conclusions reached were as follows:

- (i) The classification of countries into three groups¹ and the countries within each group remains unchanged.

¹ Excluding India, which has not applied to the Bank for assistance.

Group A — Afghanistan, Bangladesh, Burma, Cambodia, Cook Islands, Kiribati, Lao PDR, Maldives, Nepal, Pakistan, Solomon Islands, Sri Lanka, Tonga, Viet Nam and Western Samoa.

Group B — Indonesia, Papua New Guinea, Philippines and Thailand.

Group C — Republic of China, Fiji, Hong Kong, Republic of Korea, Malaysia and Singapore.

- (ii) The DMCs in Group A will continue to be given first priority in the allocation of ADF resources. Among DMCs in Group A, special attention will be given to the least developed and the most seriously affected DMCs. Some DMCs in Group A may be provided with modest amounts of OCR loans if their need for development financing is greater than can be reasonably provided from available ADF resources and the countries have the capacity to absorb such modest amounts of OCR loans.
- (iii) Considering the current economic circumstances and prospects of Group B DMCs, it would not be necessary to provide access to ADF resources to Indonesia during 1980-82 unless there is any significant development during the period that adversely affects the economic situation or prospects of the country. Other DMCs in Group B, i.e. Papua New Guinea, Philippines and Thailand, may be provided with modest amounts of ADF resources for financing

of projects having a high social content. This criterion need not always apply to Papua New Guinea which may continue to receive a softer blend. The total amount of ADF lending to these three DMCs in Group B should not exceed 10 per cent of annual ADF program levels.

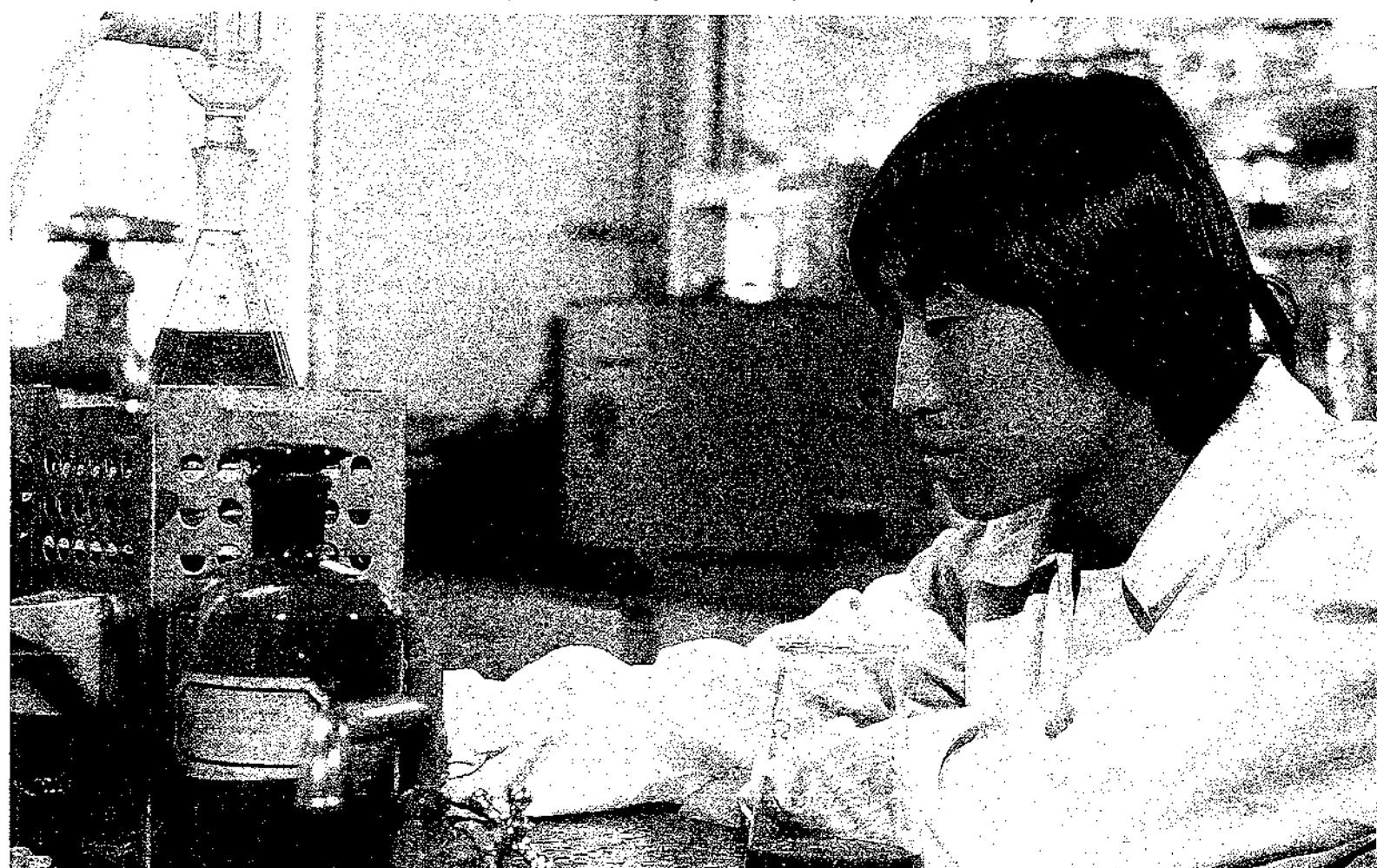
Review of OCR Lending Program in 1980-82

The OCR lending program of the Bank for 1980-82 was approved by the Board in 1978 during its annual review of the financial policies of the Bank. However, the persisting severe inflationary pressures in recent years have led to substantial increases in project costs. The current high rate of inflation is likely to continue in the next few years, reducing the volume of real assistance provided by the Bank. In view of these developments, the Board reviewed and approved an upward revision of OCR lending levels for 1980, 1981 and 1982 from \$900 million, \$975 million and \$1,050 million to \$960 million, \$1,105 million and \$1,270 million, respectively.

Review of DMC Resource Requirements and the Bank's Lending Program in 1983-87

At the 1980 Annual Meeting, the Board of Governors passed a resolution requesting the Board of Directors to undertake a study of the Bank's future resource requirements. Two working papers — one examining the external resource requirements of the borrowing DMCs in the

LABORATORY work at Hankook Caprolactam Corporation's Ulsan plant in the Republic of Korea. This Bank-assisted Project produces Caprolactam, which is used in the production of nylon 6 filament, for domestic use and export.



1980s and the other dealing with policy changes and new initiatives that would be relevant in the context of increased lending levels in the 1980s — were prepared and a first round of discussion held by the Board in November 1980.

Environmental Considerations in Bank Operations

In January 1980, the Board of Directors discussed a paper on Environmental Considerations in Bank Operations and agreed with steps to be taken to ensure that environmental implications were systematically considered and monitored in the Bank's project activities.

Public Utility Tariffs

The Board also commenced consideration, on the basis of a working paper, of a possible framework of policies and guidelines relating to tariff and connected provisions that could be incorporated in loans given by the Bank to assist various types of public utilities in DMCs.

Policies Under Review

At the end of 1980, two other papers on the resource requirements of the Bank — namely, Staffing Implications of the Bank's Proposed Lending Program (1983-87), Review of the Bank's Resource Position and Proposal for an Increase in the Bank's Capital Stock — were circulated for consideration by the Board in early February 1981. Papers on other policy issues, namely, Technical Assistance Special Fund: Arrangements for Resource Mobilization, a Currency Pooling Scheme, Equity Financing, Review of Local Cost Financing, Review of Program Lending, 6.2(b) Resources and Resident Offices, are also under preparation and will be circulated to the Board in early 1981. In addition, work had commenced on a paper on the Third Replenishment of the Asian Development Fund (ADF IV).

Inter-Agency Cooperation

During the year, the Bank continued to maintain close contacts with other institutions interested in the economic development of the Asian and Pacific region. These contacts ranged from high-level official meetings to more informal exchanges of information on operational activities and policy. In particular, contacts with the World Bank group, the International Fund for Agricultural Development, the OPEC Fund for International Development and the European Economic Community were strengthened, leading to co-financing of various projects in DMCs, and cooperation with the Food and Agriculture Organization was broadened. During the year, the Bank also entered into a cooperative arrangement for financing development projects and technical assistance in DMCs with the Government of Switzerland.

Meeting of International Development Financing Institutions

The President of the Bank attended the Annual Meeting of the Regional Development Banks/World Bank and other International Financial Institutions (IFIs) in Washington, D.C. in September 1980. The meeting was also attended by the Presidents of the African Development Bank and the



JUTE production in Bangladesh has been assisted by a Bank loan for the Jute Seed Project, involving provision of research facilities, seed farms and processing centers, training of local staff and consultant services.

Inter-American Development Bank, the Senior Vice-President (Operations) of the World Bank as well as representatives of the Islamic Development Bank, the OPEC Fund for International Development, the International Fund for Agricultural Development, the Commission of the European Community and the European Investment Bank.

The participants in the meeting exchanged views on a wide range of issues and problems currently confronting the IFIs. The issues and problems discussed included the question of recycling, financing of energy resource development, various techniques of lending, problems of project implementation and the question of directing resources to low-income groups. A general understanding was reached that, in light of the increasing resources gap faced by the oil-importing developing countries, the IFIs should play a larger role in the future and should do everything possible to help increase the absorptive capacity of the borrowing countries so as to speed up and increase the transfer of resources.

World Bank Group (Including Development Committee Meeting)

During the year, the Bank maintained close contact with the World Bank through frequent visits of officials, ex-

change of documents and information on operational activities and policies, the coordination of assistance activities in particular DMCs and co-financing.

A high-level coordination meeting between the Bank and the World Bank was held in April in Manila at the Bank's headquarters. The meeting discussed overall policy matters of interest to both institutions, covering a wide range of topics including the major policy issues confronting the common borrowing countries in the 1980s. The meeting also discussed responses to these issues including balance of payments management, industry and trade policies for export expansion, energy policy, aspects of employment generation and poverty alleviation, constraints on and potentials for increased food production and the consideration of environmental aspects in project formulation and implementation.

The Bank was represented at the Thirteenth Meeting of the Development Committee of the IMF-World Bank held in Hamburg in April. The Committee considered papers submitted by the World Bank on lending for structural adjustment and on co-financing, and a progress report by the IMF on recent developments relating to IMF facilities. The Committee also reviewed recent developments relating to the proposals of the Group of 24 for a Program of Immediate Action.

The Fourteenth Meeting of the Development Committee, held in Washington, D.C. in September, was attended by the President of the Bank. The Committee discussed medium-term prospects for the world economy and particularly their impact on the oil-importing developing countries. It also reviewed the recommendations of the Brandt Commission, welcomed the World Bank's initiatives to establish an energy affiliate and urged the World Bank to explore appropriate ways to increase its lending capacity in light of the new requirements for structural adjustment and energy lending as well as expected operations in the People's Republic of China. The President made a statement on the external assistance required by the Bank's DMCs and the role which the Bank expected to play in the coming years.

During the year, the Bank was also represented in an observer capacity at the aid coordination meetings convened by the World Bank for Bangladesh, Burma, Republic of Korea, Nepal, Pakistan, Sri Lanka and Thailand.

Co-financing between the Bank and the World Bank reached a high level in 1980, with five projects co-financed by the two institutions involving World Bank loans of \$202 million. Of this amount, \$198.5 million was made available by the World Bank for co-financing three projects, one each in Indonesia, Pakistan and Philippines, and the balance of \$3.5 million for two projects, one each in Solomon Islands and Western Samoa.

During the year, the Bank and the World Bank reached an understanding on co-financing projects in three South Pacific countries which are members of both institutions, namely, Fiji, Solomon Islands, and Western Samoa. For projects in these countries which the Bank and the World Bank have agreed to co-finance, the Bank will carry out project appraisal on behalf of the World Bank and itself, administer the World Bank co-financing, and monitor the overall project implementation. This cooperation agreement has been applied to two projects in Solomon Islands and Western Samoa which were co-financed by the two institutions in 1980.

International Fund for Agricultural Development

Under the aegis of the Cooperation Agreement between the International Fund for Agricultural Development (IFAD) and the Bank, concluded in 1978, close cooperation and consultation between the two bodies was maintained in 1980. The Bank appraised three projects for exclusive financing by IFAD during the year. These three — one each in Bangladesh, Nepal and Pakistan — involved IFAD financing amounting to \$49 million. Two additional projects, in Indonesia and Western Samoa, were also processed by the Bank for exclusive financing by IFAD. During 1980, a project in Sri Lanka was co-financed with IFAD, the respective contributions being \$14.5 million by IFAD and \$15 million by the Bank.

OPEC Fund for International Development

The Bank continued to cooperate with the OPEC Fund for International Development (formerly the OPEC Special Fund) in 1980. During the Bank's Annual Meeting held in April-May 1980, discussions were held between the delegation of the OPEC Fund, delegations from several DMCs and Bank staff on development assistance from the OPEC Fund. In 1980, the OPEC Fund contributed \$19 million for co-financing three projects, one each in Burma, Philippines and Sri Lanka, with the Bank.

NEW water pipes are laid along a trench during the extension of the Singapore water supply system, financed by a Bank loan. This Project involves the comprehensive development of water supply facilities to meet demand up to the mid 1980s.



Consultative Group on International Agricultural Research

The Bank has been a member of the Consultative Group on International Agricultural Research (CGIAR) since the Group was founded in 1971. CGIAR is an informal group of countries, international development agencies, and private foundations which supports 13 international agricultural research organizations with the aim of developing improved technology to facilitate increased production and better quality of food in developing countries. As the Annual Meetings of the Group have always been held in Washington, the Bank has not normally been represented. In 1980, however, the meeting was held in Manila and the Bank actively participated with a four-man delegation led by the Vice-President for Operations.

United Nations Development Programme

In 1980, the close cooperation between the Bank and the United Nations Development Programme (UNDP) in assisting DMCs with technical assistance for project preparation and advisory services was further enhanced by the conclusion of a "provisional interest" procedure between the two institutions, similar to the arrangements UNDP has with the World Bank and other regional development banks. Under this arrangement, the Bank is given the opportunity to examine and comment on UNDP draft country programs and to express provisional interest in projects which fulfill Bank criteria in terms of investment potential. Apart from the frequent contacts between the Bank and UNDP Headquarters and field offices, senior staff of the Bank and UNDP visited each other's Headquarters during the year for very fruitful consultations and exchanges of information. The Bank was also represented at various UNDP meetings such as the Twenty-Seventh Session of the Governing Council, the Global Meeting of UNDP Representatives, and the Inter-Governmental Meeting on Inter-Country Programming for the Least Developed Countries in Asia and the Pacific. During the year, the Bank agreed to act as Executing Agency for 10 projects wholly or partly financed by UNDP, amounting to \$5.7 million. UNDP also approved additional financing, amounting to \$461,497, for two projects which were approved by the Bank in 1978 and 1979, and was expected to provide \$527,220 for a project approved in 1980.

Food and Agriculture Organization

There was extensive cooperation between the Bank and the Food and Agriculture Organization (FAO) in the preparation of loan projects in 1980. This took the form of formal technical assistance projects involving cost-sharing by the two organizations in six cases — Community Forestry in both Sri Lanka and Bangladesh; Rice Storage and Second Forestry Project in Burma; Cotton Development in the Philippines; and a Crop Intensification Program in Nepal. In addition, FAO assisted the Bank with the formulation of a fisheries project in Kiribati and it is also preparing the Sulawesi Area Development Project in Indonesia on behalf of the Bank for exclusive financing by IFAD in 1981. During the year, discussions were held between FAO and the Bank concerning possible revision of the

Interim Arrangements for Cooperative Action between the two bodies which were approved in 1968 and have guided cooperative activities since that time.

European Economic Community

During the year, the European Economic Community (EEC) agreed to provide grant funds amounting to \$26.8 million from its aid budgets for financing four projects in cooperation with the Bank. Of this, \$20 million was allocated for co-financing three Bank projects, one each in Indonesia, Nepal and Pakistan, and the balance of \$6.7 million for exclusive financing of another project in Burma jointly with the Government of Switzerland. In addition, EEC made available \$35 million under its Special Action Program for co-financing a project in Pakistan with the World Bank, the Bank and a bilateral source. EEC also contributed \$658,000 for financing three technical assistance projects in Indonesia, Pakistan and Thailand approved by the Bank in 1980, as well as \$350,000 for a technical assistance project in the Philippines approved by the Bank in 1979.¹

Economic and Social Commission for Asia and the Pacific

The Bank maintains close contact with the Economic and Social Commission for Asia and the Pacific (ESCAP) in order to benefit from the various development issues relevant to DMCs that are discussed in the meetings organized by ESCAP. Among the important ESCAP meetings attended by Bank staff during 1980 were the Thirty-Sixth Session of ESCAP, held in Bangkok in March, and the Twenty-Third Session of the ESCAP Committee on Trade, held in Bangkok in November.

Other International Organizations

During the year, the Bank maintained and strengthened its close relationship with the World Health Organization (WHO), especially in view of WHO's ready capability for providing needed expertise in various fields of mutual interest. The Bank has worked closely with the three WHO Regional Offices concerned with the DMCs (located in Manila, New Delhi and Alexandria) and with WHO country representatives. WHO representatives and experts have assisted Bank missions in Bangladesh, Burma, Nepal, Pakistan, Papua New Guinea, Sri Lanka and Thailand. WHO also provided an expert team to implement the technical assistance study of Malaria Control, Training and Research in Nepal. The Bank has also been represented at meetings convened by WHO to discuss the financing of primary health care in the Asian Region, and the establishment of a pharmaceutical service for South Pacific countries. During 1980, WHO also provided \$150,000 for financing consultant services for the Bank-assisted Public Health Program in Bangladesh.

Working arrangements for cooperation and consultation between WHO and the Bank have been discussed at staff

¹ EEC financing of \$210,000 for a technical assistance project in Pakistan will be utilized if consultants are selected from EEC eligible sources. In addition, EEC provided \$1 million for financing the Irrigation Study in Indonesia which was to be implemented under special cooperation arrangements with the Bank and was excluded from the Bank's technical assistance activities.



AGRICULTURAL workers at the Kirindi Oya Irrigation and Settlement Project in Sri Lanka, where Bank assistance is helping the country make better use of dry regions in order to achieve self-sufficiency in food and accommodate a growing population.

level with respect to specific pre-investment and investment activities in the fields of environmental health and health services (including, but not necessarily limited to, water supply, sanitation, health care, population, nutrition and drug production and distribution). A formal recording of the understandings reached was signed by representatives of the Bank and WHO in November 1980.

During the year, the President of the Bank, together with heads of other international development assistance organizations (including the World Bank and other regional banks), signed a Declaration of Environmental Policies and Procedures Relating to Economic Development, sponsored by the United Nations Environment Programme (UNEP). This Declaration recalls that at the 1972 UN Conference on the Human Environment many member countries stated their common conviction that international organizations should play a coordinated, efficient and dynamic role in the protection and improvement of the environment, and in effect provides undertakings by these organizations that they acknowledge a responsibility to ensure the sustainability of the economic development activities financed by them and that accordingly they will endeavor to institute procedures and arrangements for appropriate environmental measures. The Declaration embodies policies and practices which the Bank has been seeking to follow for some time in project formulation, appraisal and implementation.

At the beginning of 1980, the Bank decided to introduce a more systematic approach to environmental issues into its

operations. In making this decision it was recognized that environmental guidelines for many types of projects have already been prepared by other agencies. The cooperative arrangements between the major international development assistance organizations party to the Declaration will assist the Bank considerably as it increases its efforts to take proper account of environmental issues (see page 58).

During 1980, the Bank maintained liaison and consultative arrangements with the International Labour Organisation (ILO), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Children's Fund (UNICEF), United Nations Fund for Population Activities (UNFPA) and United Nations Centre for Human Settlements (UNCHS). Periodical meetings between staff of these organizations and the Bank have been held, and the Bank continued to receive copies of reports by these agencies on activities relevant to Bank operations. UNESCO has also provided expert teams for a Bank-financed technical assistance study of Vocational Education in Indonesia.

Switzerland

In 1980, the Bank and Switzerland agreed to enter into a cooperative arrangement relating to the financing of development projects and technical assistance in the Bank's DMCs. Under this arrangement, Switzerland will provide grant funds on an untied basis for financing develop-

ment projects and technical assistance which will be processed and administered by the Bank in accordance with the Bank's normal procedures. Initially, the Swiss Government has agreed to allocate SwF10 million (equivalent to about \$6.2 million) for financing development projects and SwF14 million (equivalent to \$8.7 million) to be committed over a period of 24 months for financing technical assistance. The Swiss grant of \$6.2 million equivalent for

LABORATORY assistant at the Surabaya Institute of Technology in Indonesia, a Bank-assisted Project which is enabling the country to meet growing demand for qualified engineers.



financing of development projects was to be allocated for exclusive financing of a project in Burma in conjunction with EEC. Out of its allocation of \$8.7 million equivalent for technical assistance, the Swiss Government agreed in 1980 to finance nine technical assistance projects amounting to \$2.3 million, including five projects amounting to \$1.2 million approved by the Bank during the year.

Loan and Technical Assistance Approvals in 1980¹

Bangladesh

LOANS

Geological Survey: \$6.2 million from the Asian Development Fund (ADF) to assist Bangladesh survey its mineral resources through modernization and expansion of the Geological Survey of Bangladesh, the national institution responsible for the collection and dissemination of geological data and information relating to the country and its associated continental shelf.

Second Agricultural Credit: \$28.1 million from ADF for relending by Bangladesh Krishi Bank (BKB) to farmers in the northwestern districts of Rajshahi, Rangpur and Dinajpur. This Project will directly benefit about 20,000 poor farm families and is expected to generate about 41,000 additional jobs annually (see technical assistance which follows).

Rubber Rehabilitation and Expansion: \$20 million from ADF for rehabilitation of rubber estates and establishment of new plantations in the Sylhet and Chittagong districts of eastern Bangladesh through construction of processing facilities, including a latex concentrate factory, and provision of estate infrastructure such as housing, water supply and transportation. Significant employment opportunities and foreign exchange savings are expected from this Project.

Tubewell: \$50 million from ADF for the installation of 960 deep tubewells and command area development, agricultural support services, provision of equipment and facilities for operation, maintenance and groundwater monitoring, and consultant services in the Dinajpur district of extreme northwestern Bangladesh. This will enhance foodgrain production through the year-round cropping of about 44,000 ha. of irrigable land, benefitting about 22,000 farm families and generating substantial new employment opportunities.

Public Health Program: \$15.6 million from ADF to help the Government improve the supply of essential drugs for primary health care by upgrading the capability and increasing the productivity of the Pharmaceutical Production Unit, and to control malaria by restoring the effectiveness of the malaria program. WHO is also providing \$150,000 for consultant services. This is the Bank's third program loan to Bangladesh and its first loan to the Health sector in the country.

¹ Loans are made from ordinary capital resources unless otherwise specified and include technical assistance loans. Technical assistance refers to that provided on a grant basis.

Natural Gas Development: \$31 million from ADF to increase and stabilize the production of gas through drilling additional wells and repairing currently producing wells at Titas and Sylhet gas fields to meet existing and projected demand. This will help reduce the country's dependence on imported fuel, support regional industrial growth and extend new gas connections to a substantial number of industrial and domestic consumers.

TECHNICAL ASSISTANCE

Second Agricultural Credit: \$550,000 (including \$260,000 to be financed by UNDP with the Bank acting as Executing Agency) for institutional strengthening of BKB and staff training.

Crop Intensification Program II: \$49,500 for the preparation of a program-type investment package involving import financing of phosphatic fertilizers and improved seeds of wheat, oil seeds and pulses; construction of fertilizer godowns at primary distribution points; and strengthening of agricultural extension services and an inputs delivery system.

South-East Bangladesh Gas Distribution: \$210,000 for the preparation of a Project to develop gas distribution networks in and around the city of Chittagong and in the towns of Comilla, Feni, Laksham and Chandpur in the southeastern region of the country.

Small Scale Irrigation Sector: \$450,000 (to be financed by the Government of Switzerland with the Bank acting as Administrator) for a study of potentials in the small-scale irrigation sector, a detailed feasibility study of five selected core small-scale projects totalling some 10,000 ha., and formulation of a Sector Project and establishment of guidelines, procedures and criteria for use by the Executing Agency.

Thana/Union Health Centers: \$134,000 to prepare a Project for the expansion of primary health care and population control activities through establishment and expansion of selected Thana Health Complexes and Union Health Centers.

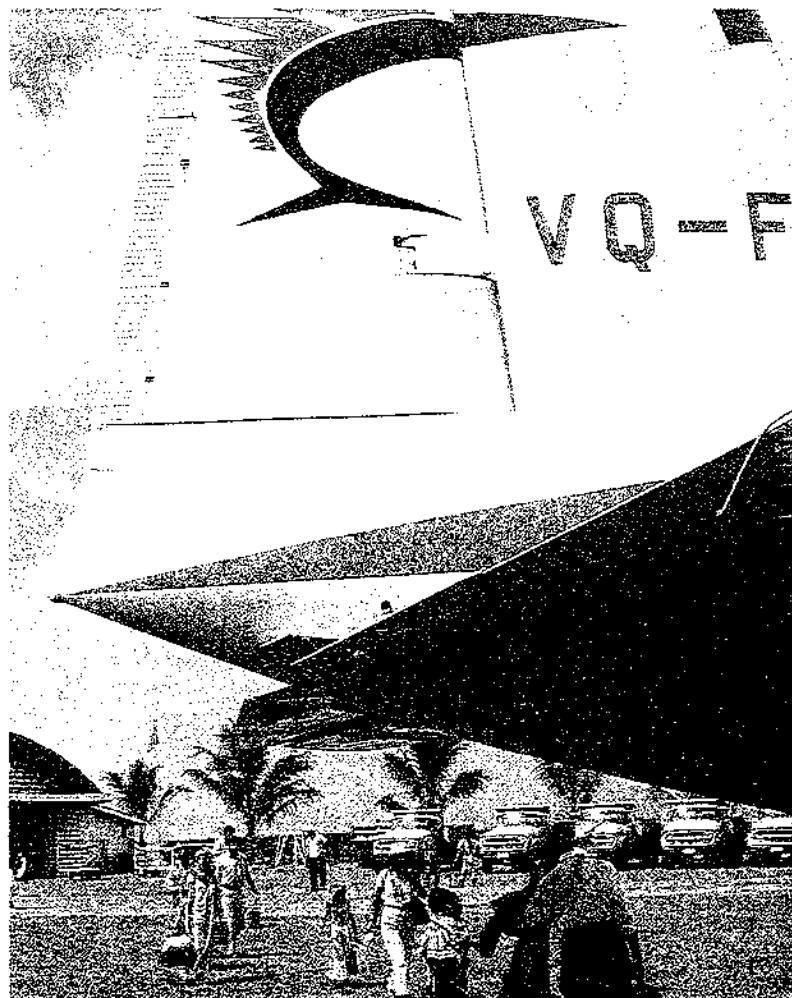
Community Forestry Development: \$125,000 for a feasibility study of the development of rural community forests, with priority given to village-afforestation schemes in the northwestern region of the country.

Burma

LOANS

Outports: \$15.5 million from ADF for a project to rehabilitate and improve eight outports, enabling them to serve their hinterlands more economically and efficiently. Consultant services will also be provided to assist the Burma Ports Corporation implement the Project. The OPEC Fund for International Development is co-financing part of the Project with \$6.32 million.

Inland Fisheries Development: \$20 million from ADF to assist artisanal fishermen through the provision of vessels, fishing gear and related equipment. About 6,000 family members of fishermen households will benefit and their average annual household earnings are expected to rise from about \$600 at present to over \$900 at Project comple-



FALEOLO Airport, Western Samoa. Bank assistance was used for upgrading the country's only international airport and equipping it with new navigational aids and terminal facilities in order to encourage tourism, an important earner of foreign exchange.

tion. About 1,400 new job opportunities will be created and a large number of domestic consumers will benefit through increased supply of animal protein. At full development, foreign exchange earnings from the Project are expected to exceed \$9 million per annum.

Petroleum Refining Industry Program: \$5 million from ADF to finance the replacement of essential parts, components and equipment in the dewaxing facilities of the Chauk Refinery and in the thermal cracking unit of the Syriam Refinery. The Program will improve the utilization of existing refinery capacity and upgrade the quality of petroleum products.

Myanma Economic Bank (MEB): \$10 million from ADF to provide foreign exchange resources to MEB to meet the medium-term and long-term credit requirements of industrial enterprises, mainly in the public sector (see technical assistance which follows).

TECHNICAL ASSISTANCE

Rice Storage: \$80,000 for a feasibility study of a Project which will provide adequate storage for paddy in strategic procurement centers in the main rice-producing area of Burma, rehabilitate existing godowns, and provide for the construction of additional rice godowns at the ports of

Rangoon and Bassein. FAO Investment Center provided a team of experts for the study under a cost-sharing arrangement with the Bank.

Yenwe Multipurpose: \$370,000 (to be financed by UNDP with the Bank acting as Executing Agency) for upgrading an earlier feasibility study for a Project aimed at enhancing agricultural production, rural employment opportunities and farm incomes, as well as supplementing Burma's hydropower generation capability.

Upgrading of Hospitals: \$350,000 to finance the services of consultants who will assist the Government prepare a Project for the upgrading of hospitals, especially station and township hospitals, and a feasibility study for the replacement of the Rangoon General Hospital.

Forestry Development II: \$132,000 for a feasibility study of a Project in Upper Northeast Burma that will include proposals for improvements in timber extraction and transportation methods, tree species selection, appropriate wood processing units to meet local and export demand, and additional training and support services. FAO also contributed funds to this Project under a cost-sharing arrangement with the Bank.

Tin Mining: \$178,000 for a feasibility study of a Project aimed at increasing the production of tin ore concentrate by about 1,200 tons per annum in the Tenasserim Division in southern Burma. The incremental production, which can be viewed as giving renewed impetus toward more effective exploitation of a major area of the mining sector, is expected to have an annual potential export value of about \$10 million.

Rangoon-Prome Road Improvement: \$95,000 (to be financed by UNDP with the Bank acting as Executing Agency) for a feasibility study of an improvement Project for the 175-mile Rangoon-Prome road located in the Upper Irrawaddy Delta, one of the most densely populated areas of the country.

Myanma Economic Bank: \$75,000 for consultant services to develop policies, procedures and staff capability within MEB for the supervision of its assisted projects.

Mini-Hydropower: \$220,000 for a feasibility study of 10 mini-hydropower schemes, ranging in capacity from 300 kW to 4,000 kW, which will provide a reliable power supply to remote areas of the country which are presently served by outdated diesel generators.

Cook Islands

LOAN

Multiproject Loan: \$1 million from ADF — the Bank's first loan to the Cook Islands — to finance a package of small subprojects in the public sector. These subprojects are expected to relate to construction of a drainage and flood control system, a new packing shed, a new wharf and health centers; rehabilitation of a wharf; and improvement of about 25 km. of plantation roads.

TECHNICAL ASSISTANCE

Appraisal of Subprojects under Multiproject Loan: \$70,000 to finance consultant services for the preparation and appraisal of subprojects.

Hong Kong

LOAN

Second Sha Tin Urban Development: \$20 million to finance construction of about 6,500 low-cost rental flats, together with essential community facilities to house about 31,000 people, as well as two primary and two secondary schools and a commercial complex at Sha Tin, one of three New Towns being developed in the New Territories. The loan — the Bank's second with a major housing component — will also finance a study to determine the most efficient transport system for linking Sha Tin with Tsuen Wan, the largest of the three New Towns.

Indonesia

LOANS

Second Java EHV Transmission: \$60.7 million for a Project which aims to stimulate further industrialization and generate employment opportunities in a densely populated area which includes more than half of Indonesia's industrial establishments and labor force. The Project forms part of the first stage of an island-wide interconnection at 500 kV from Suralaya in West Java to Semarang in Central Java and to Surabaya in East Java, to convey power from the major hydro and coal-based thermal power stations. In 1979, the Bank provided a \$83.6 million loan for the first section of the first stage of the EHV System covering transmission from Suralaya to Gandul (Jakarta). The present Project will cover the second section from Gandul to Ungaran via Bandung. Co-financing amounting to \$90.5 million will be provided by the World Bank.

Sumatra Fisheries Development: \$14 million for a Project to increase fish production for local consumption and export. The Project also includes provision of credit through Bank Rakyat Indonesia to individual fishermen and fish farmers (see technical assistance which follows). The Project has a marine component and an aquaculture component. The Project is expected to benefit about 6,000 small-scale fishermen and fish farmers in four less-developed provinces of Sumatra and to generate annual net foreign exchange earnings of approximately \$5 million.

Cibaliung Irrigation: \$35 million for a Project designed to raise significantly paddy and soybean production over a 13,000 ha. area of far western Java, one of the lesser-developed regions of the country. Besides irrigation, soil conservation and village water supply, the Project also includes a staff training and development program. At completion, the Project is expected to benefit some 18,000 rural families, contribute to Indonesia's program for self-sufficiency in food, raise local farm incomes and generate around 23,000 man-years of new employment opportunities during construction.

Lower Citanduy Irrigation: \$55.2 million for an integrated development Project which, by providing assured irrigation water to 24,200 ha., will raise paddy and soybean production in an impoverished region of Central Java. About 53,000 farm families will benefit, with their annual incomes expected to increase from about \$160 to almost \$500. In addition, some 5,200 sharecropping farm families will become owners of farm land. EEC has agreed to provide co-financing amounting to \$4.9 million. This loan is the largest made so far by the Bank for irrigation.

Northern Sumatra Irrigation Study: \$5.7 million as a technical assistance loan to finance consultant services for upgrading existing studies of two areas in north Sumatra and Aceh provinces to full feasibility level for possible external financing (see technical assistance which follows).

Fifth Road: \$28 million to finance improvements to 403 km. of provincial and district roads in Central Java and Yogyakarta Provinces. The Project will serve a basically rural community of about eight million people who are engaged in highly labor and land-intensive agricultural activities. Apart from facilitating the easier movement of agricultural produce, the Project will also provide improved access for the local population to better health and educational services in district towns.

Second Senior Technical Schools: \$26 million for a Project designed to ease the shortage of skilled workers in the country. The Project will upgrade 16 Senior Technical Schools as well as expand and improve technical teacher training programs of six existing training institutions, and establish a new Technical Teacher Upgrading Center.

Small Towns Water Supply Sector: \$32 million for a Project designed to provide cost-effective water supply schemes to about 33 small towns in the provinces of Central Java and South Sumatra with the populations of the majority of towns ranging from 15,000 to 60,000 people. The Project, which is expected to benefit a total of approximately 720,000 people, is in line with the Government's program

to provide potable water to small and medium-sized towns. This is the Bank's first sector loan.

Palm Oil Processing and Smallholder Development: \$28 million for a Project aimed at helping the country to maintain a high degree of self-sufficiency in edible oils in the face of envisaged shortfalls. The Project has agricultural and industrial components, involving the construction of palm oil extraction and refining facilities, as well as development of a new settlement of 1,500 ha. for about 500 landless families.

TECHNICAL ASSISTANCE

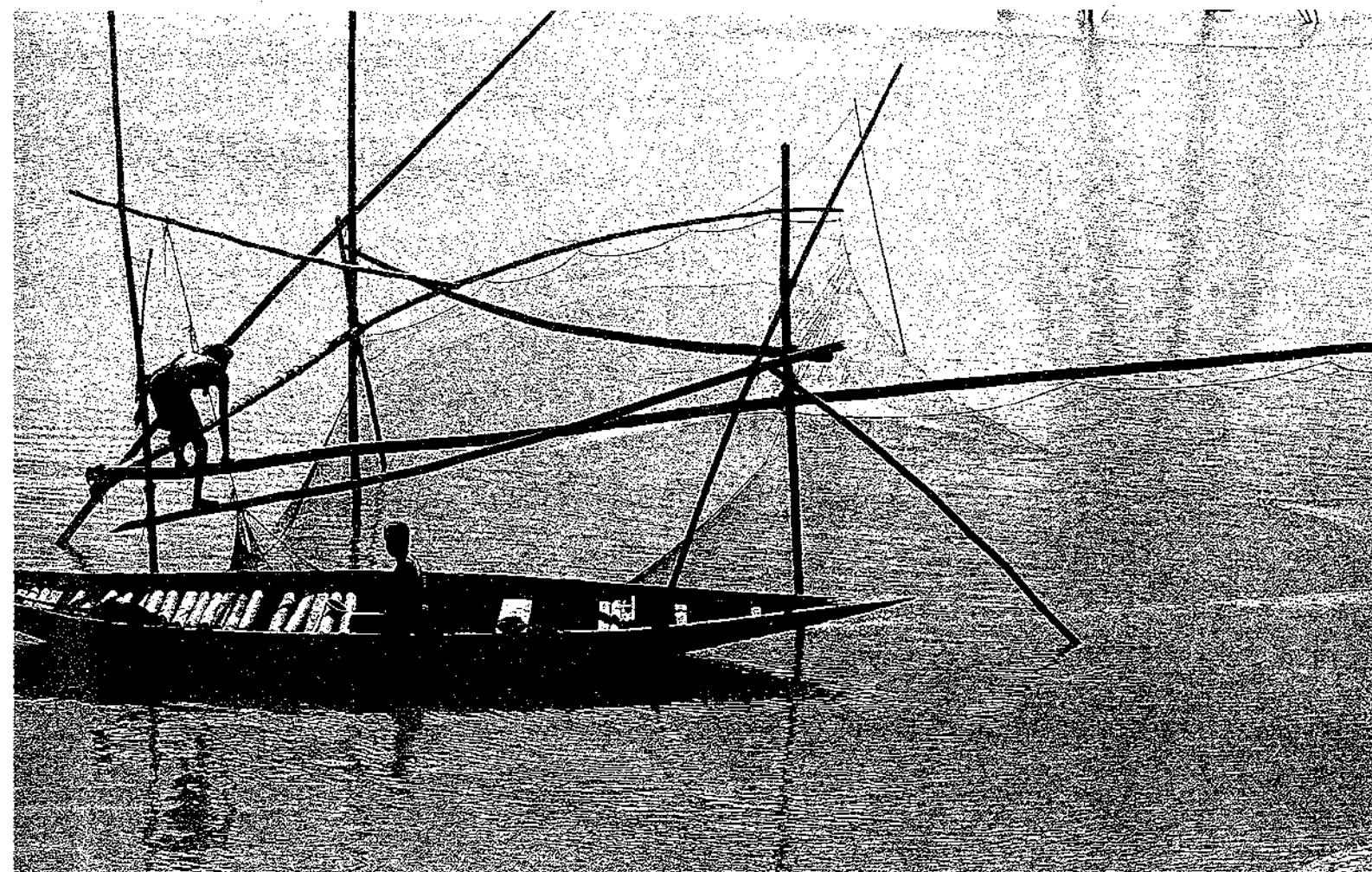
Palm Oil Processing: \$98,000 (financed by EEC with the Bank acting as Executing Agency) for a feasibility study resulting in a loan approved by the Bank for the Palm Oil Processing and Smallholder Development Project (see loan above).

Water Supply Sector: \$100,000 for a feasibility study of the Small Towns Water Supply Sector Project which subsequently resulted in a Bank loan.

Vocational Schools: \$329,000 to finance a study for a Project comprising Senior Vocational Schools and Junior Rural Vocational Schools to provide training courses needed to overcome certain identified manpower shortages.

Mineral Survey: \$235,000 for a feasibility study on the development and expansion of four agencies within the

FISHERMEN in Bangladesh: Bank assistance to the fisheries sector will raise output and boost incomes.



Direktorat General of Mines. The study will help the Government strengthen and improve its institutional capability to carry out an extensive geological survey and a mineral exploration program.

Aceh and North Sumatra Livestock Development: \$170,000 to finance a feasibility study aimed at increasing the production and productivity of livestock so as to improve the socio-economic conditions of the rural population. The Project will help meet a growing demand for draught animals and help raise the level of animal protein in the national diet.

Production and Distribution of Essential Drugs: \$170,000 for consultant services to undertake a feasibility study for setting up a new Government pharmaceutical plant and provincial and district storage facilities.

Sumatra Fisheries Development: \$200,000 (to be financed by the Government of Switzerland with the Bank acting as Administrator) for the services of an advisor who will assist in the implementation of the Project.

Northern Sumatra Irrigation Study: \$150,000 to finance part of the foreign exchange costs of the Project.

Kiribati

TECHNICAL ASSISTANCE

Geotechnical Investigations for Causeway: \$98,000 for consultant services to help the Government's Ministry of Communications, Works and Utilities in undertaking geotechnical investigations to determine the suitability of embankment material for design and construction of the Bank-financed Betio-Bairiki Causeway Project.

Korea, Republic of

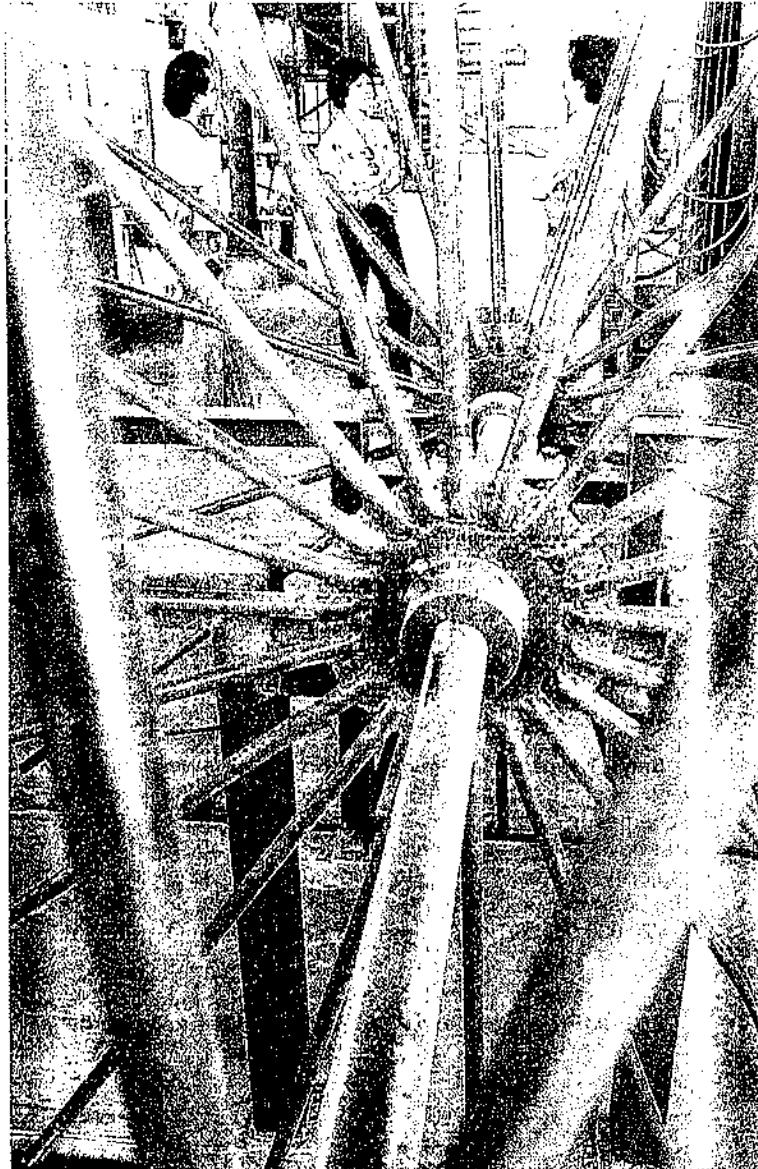
LOANS

Second Incheon Port Development: \$54 million to finance the first phase of a 10-year (1980-90) three-phase development of Incheon Port recommended in a recently completed Bank-financed feasibility study. The Project will increase the annual cargo handling capacity of the Inner Harbor by more than 3.6 million tons by the end of 1983.

Samrangjin Pumped Storage Power: \$52.63 million for a Project which will help meet projected increases in demand for electricity and help the Government reduce its dependence on oil imports and diversify energy supply sources. It will provide 600 MW peaking/reserve capacity from 1984 to the Korea Electric Company power system. Co-financing with commercial banks amounting to \$11 million was arranged for the Project.

Sixth Small and Medium Industry Bank (SMIB): \$40 million to provide foreign exchange for on-lending to private enterprises by SMIB in the next two years, to meet a part of their requirements of imported capital equipment for new expansion and modernization of small and medium-scale industries. This is the Bank's sixth credit line to SMIB.

Sewage Treatment: \$27.9 million for a Project which forms the first stage of a Sewerage Program up to year 2000 to provide sewage treatment and sanitation systems in the



FIBRE BOARD plant in Nueva Ecija, Philippines, which has benefitted from a Bank credit on-lent by Philippine Investments Systems Organization (PISO).

cities of Gumi and Banweol, serving populations of 260,000 and 225,000, respectively.

TECHNICAL ASSISTANCE

Han River Basin Environmental Master Plan: \$125,000 for assistance in institution-building of the Office of Environment under the Ministry of Health and Social Affairs and the preparation of terms of reference for consultants to prepare a Han River Basin Environmental Master Plan.

Lao People's Democratic Republic

LOANS

Agricultural Support Facilities: \$5.85 million from ADF for a Project designed to result in higher farm incomes and an annual addition of some 10,000 tons of rice to Government stocks through increased agricultural production. Over 2,500 families will directly benefit. The Project emphasizes quick-yielding schemes which are simple and easy to implement within a relatively short period (see technical assistance which follows).

Vientiane Plain Rural Electrification: \$4.3 million from ADF to boost food production through pump irrigation schemes, permit the development of agriculture-based and other industries, and raise the living standards of the rural population through greater use of electricity produced by the Nam Ngum hydropower station. This Project will involve the electrification of 76 villages.

TECHNICAL ASSISTANCE

Agricultural Support Facilities: \$631,580 (to be financed by UNDP with the Bank acting as Executing Agency) for consultant services required for the implementation of the Project.

Tha Ngon Rehabilitation and Rice Mill: \$95,000 for a feasibility study to correct the conditions responsible for the present unsatisfactory performance of the Tha Ngon Agricultural Development Project. The study will also consider the provision of a rice mill and storage facilities to serve the Project and the surrounding areas.

Xeset Hydropower: \$246,000 for consultant services to investigate the feasibility of a hydropower station at a site on the Xeset River in the southern region of the country and prepare a project which will include a hydropower station and the associated transmission lines and distribution system.

Malaysia

LOANS

East-West Highway (Phase II): \$940,000 as a technical assistance loan to finance preparation of detailed engineering designs and tender documents for improvements to and new construction work on the East-West Highway Project (Phase II). This will cover stretches of the East-West Highway between Jeli and Pasu Puteh (the Eastern Section) and Gerik and Butterworth (the Western Section), thus improving road communications between the east and west coast States of Northern Peninsular Malaysia (see technical assistance which follows).

Vocational Education: \$20 million for a Project which will provide nine new secondary vocational schools in eight states of Peninsular Malaysia. Provision will be made for an equipment repair center and for a fellowship program to upgrade qualifications of teachers and educational administrators.

Negeri Sembilan Timur Integrated Agricultural Development: \$20 million for a Project which will contribute to the growth of the agricultural sector in the State of Negeri Sembilan — a middle-income State in southwestern Peninsular Malaysia — resulting in higher agricultural production and substantially increased incomes for the majority of 34,000 smallholder farm families in the Project area.

Kemasin Rural Development: \$40 million for a Project designed to improve the socio-economic condition of small farmers through the provision of flood mitigation and irrigation and drainage facilities and the strengthening of agricultural support services. More than 12,700 smallholder farming families in the east coast State of Kelantan will benefit directly from the Project. Upon Project completion, the annual family income of an average 1.8 ha. farm is projected to increase from \$470 to \$1,880.

Rural Water Supply Master Plan: \$2.81 million as a technical assistance loan to finance consultant services to prepare a Master Plan covering all 13 States of Malaysia for the development of adequate and safe water supply for the rural population by 1990 (see technical assistance which follows).

TECHNICAL ASSISTANCE

East-West Highway (Phase II): \$100,000 to finance consultant services for a supplementary feasibility study of the Project.

Rural Water Supply Master Plan: \$150,000 to finance part of the foreign exchange costs of consultant services to prepare the Master Plan (see technical assistance loan above).

FARMING in the Hill areas west of Kathmandu, Nepal, is a burdensome task. The Bank-financed Hill Irrigation Project will improve the socio-economic condition of smallholder farmers by means of intensified agricultural production, improved access, reduced erosion damage and increased energy and fodder supply.



Nepal

LOANS

Aquaculture Development: \$11.8 million from ADF for a Project designed to bring higher levels of animal protein in the country's national diet and increased employment opportunities. The Project includes provision of credit to 8,000 fish farmers and marketers through Agricultural Development Bank of Nepal (ADBN) (see technical assistance which follows).

Fourth Agricultural Credit: \$15 million from ADF for on-lending by ADBN to individual farmers, groups of small farmers, or special purpose cooperatives. Higher foodgrain and milk production, more efficient agro-processing, savings in fuelwood and kerosene, and additional employment opportunities are some of the anticipated benefits from this Project (see technical assistance which follows).

Hill Irrigation (Western Region): \$11.7 million from ADF for a Project which includes the construction of and improvements to irrigation systems, strengthening of agricultural support services, rural training in crop husbandry techniques and water management, storage and marketing facilities, and enhancement of the role of cooperatives and supply of agricultural inputs. About 21,000 people are expected to benefit from these developments (see technical assistance which follows).

TECHNICAL ASSISTANCE

Small Farmers Group Development: \$98,000 (to be financed by UNDP with the Bank acting as Executing Agency) to assist ADBN organize small farmers' groups to ensure that as many small farmers as possible will benefit from the Bank-financed Third Agricultural Credit Project and the Integrated Rural Development Project. Training of ADBN staff, seminars, workshops and other local training programs, training materials, equipment and transport vehicles will be provided.

Aquaculture Development: \$1,670,000 (including \$1,370,000 to be financed by UNDP with the Bank acting as Executing Agency) for a fellowship program and consultant services.

Crop Intensification Program: \$90,000 to identify the potential for the intensification of crop production in six selected districts in the Central and Far Western Terai area. FAO has agreed to contribute to this Project under a cost-sharing arrangement with the Bank.

Command Area Development: \$350,000 (to be financed by UNDP with the Bank acting as Executing Agency) for a feasibility study of four existing irrigation schemes, centered on command area development and water management, in the Terai area of the Central and Western Development Regions in southern Nepal.

Fourth Agricultural Credit: \$1,100,000 (to be financed by UNDP with the Bank acting as Executing Agency) for institution-building and training fellowships.

Hill Irrigation: \$900,000 (to be financed by UNDP with the Bank acting as Executing Agency) for Project implementation and for institution-building and overseas training of Government staff.

Second Hill Irrigation: \$530,000 (to be financed by UNDP, with the Bank acting as Executing Agency) to cover the preparation of a possible sector feasibility study for a Project in the Seti Zone, covering in detail an aggregate area of about 5,000 ha.

Agriculture Sector Strategy Study: \$245,000 to study the development prospects of the agricultural sector, with special reference to food production and distribution.

Pakistan

LOANS

Third Pakistan Industrial Credit and Investment Corporation Limited (PICIC): \$40 million as a third credit line to augment the foreign exchange resources of PICIC to meet the medium-term and long-term credit requirements of medium and large-scale industries in the private sector.

Indus Right Bank Pipeline (IRBP) Gas Compression: \$16.3 million for a Project designed to develop indigenous energy resources. The Project will increase the gas transmission capacity of IRBP from 135 million to 262 million standard cubic feet per day, and will meet the energy needs of the power plants and industries in the Sui-Karachi area.

Second Marine Fisheries Development: \$30 million from ADF to assist the development of fisheries, increase the incomes of small-scale fishermen, generate employment opportunities and help meet the protein requirements of the population. In addition, the Project will augment the foreign exchange earnings of the country through increased exports of fish products. EEC has agreed to provide co-financing amounting to \$12 million.

On-Farm Water Management: \$25 million from ADF for a Project designed to increase agricultural production through watercourse reconstruction, complementary groundwater supply and improved on-farm water management. About 43,000 farm families will benefit and annual foreign exchange savings of about \$26 million will be achieved through increased wheat production.

Load Despatch and Transmission: \$67 million from ADF for transmission equipment and the first phase of a load despatch system. The despatch system will allow economic load generation and despatching by on-line computerized control while the transmission equipment will improve voltage conditions and reduce power system losses. The resulting more efficient operation will reduce fuel costs. The transmission part of this Project is being co-financed by loans from IDA (\$45 million), EEC (\$35 million from Special Action Program) and the Federal Republic of Germany (\$18 million).

TECHNICAL ASSISTANCE

Agro-Technical Education: \$147,000 to finance consultant services for preparation of a Project aimed at changing the educational emphasis in grades VI-VIII and IX and X from general education to more purposeful integrated general and agro-technical education.

On-Farm Water Management: \$132,000 for a study designed to improve the availability of irrigation water through improvements to watercourses, supply of shallow

tubewells and on-farm water management in Northwest Frontier and Punjab Provinces.

Sind Livestock Development: \$210,000 for a study to examine the livestock resources of Sind Province, their production potential, constraints on production and the infrastructure support for livestock development.¹

Papua New Guinea

LOAN

Lae Port: \$12 million from OICR and \$8 million from ADF for the expansion of and improvements to port facilities at Lae, the country's largest port in order to meet the expected traffic growth through the 1980s.

TECHNICAL ASSISTANCE

Manus Forestry: \$40,000 for a market study to assess forestry resources and suitability for end-users and export market potential.

Rural Health Services: \$170,000 (to be financed by the Government of Switzerland with the Bank acting as Administrator) for preparation of a project aimed at upgrading rural health services in the country.

¹ The technical assistance will be financed by EEC if consultants are selected from EEC eligible sources.

RICE PLANTING in Indonesia. Bank assistance is helping raise agricultural production and the living standards of local farmers in a less-developed area of western Java.

Philippines

LOANS

Second Laguna de Bay Irrigation: \$20 million from ADF for a pioneering Project which emphasizes intensive vegetable cultivation along with rice. The net annual incremental productions of paddy and vegetables will be about 55,000 m.t. and 50,000 m.t., respectively, which will generate net incremental benefits of about \$13 million and will directly benefit some 5,800 farm families. The OPEC Fund for International Development is providing \$7.5 million in co-financing for this Project.

Manila Sewerage: \$42.8 million for a Project aimed at providing improved sewerage and sanitation services to about 3.2 million people in the Manila area. The Project is the first stage of a long-term Sewerage and Sanitation Master Plan for Metro Manila. The World Bank is providing a loan of \$63 million for co-financing this Project.

Second Road Improvement: \$30 million to finance the reconstruction or improvements to a total of 370 km. of national roads, and improvements to drainage facilities and bridges on approximately 170 km. of national roads needed to develop further the economic potential of the relatively less-developed areas of the country.

Negros and Mindanao Power Transmission: \$60.5 million for a Project which will provide a reliable and low-cost supply of electric power to existing and potential consumers who are at present served only by high-cost diesel



generation. This will be made possible by the connection of diesel-based sub-systems to existing hydropower generation sources in Mindanao and geothermal power sources now under construction in Negros.

Second Philippine Investment Systems Organization (PISO): \$25 million as a second credit line to PISO to finance by way of subloans the foreign exchange costs of industrial projects in the private sector.

TECHNICAL ASSISTANCE

Manila Grain Terminal: \$150,000 for a feasibility study to determine the need for a grain terminal in Manila and the type of capacity of cargo handling equipment and storage facilities required at the terminal.

Mineral Resources Development: \$45,000 for a study to identify and formulate priority projects within the scope of the Government's Mineral Resources Development Program.

Cotton Development: \$140,000 for a feasibility study to determine the viability of developing a national cotton industry.

Singapore

LOAN

Vocational and Industrial Training: \$19 million to finance the expansion and upgrading of the country's Industrial training facilities in order to meet future manpower requirements. The Project involves the construction of a new Vocational Training Institute and upgrading of an existing Vocational Training Institute, as well as the provision of a new Resources and Staff Training Center for providing instructor training and curriculum development of vocational and industrial training. Consultant services and training fellowships will also be provided. UNDP financing, amounting to \$527,220 for the consultant services and part of the training fellowships, was envisaged.

Solomon Islands

LOANS

Honiara Water Supply: \$1.65 million from ADF to finance the development of two springs to meet the rapidly increasing water demand in Honiara up to 1995.

Second Development Bank of Solomon Islands (DBSI): \$2 million from ADF, the Bank's second credit line to DBSI, to augment its foreign exchange resources to meet the medium-term and long-term credit requirements of the private sector in the agriculture, commerce/service, manufacturing and transport sectors. IDA is providing co-financing amounting to \$1.5 million.

Sri Lanka

LOANS

Second Development Finance Corporation of Ceylon (DFCC): \$10 million from ADF as a second credit line to DFCC to finance specific development projects by way of subloans to productive industrial and tourism-related enterprises. A small part of the loan will be used for consultant services and fellowships for the training of DFCC staff.



INSTRUCTOR and student at Ngee Ann Technical College in Singapore where new equipment, new buildings and expert services and fellowships were provided under a Bank loan.

Mahaweli Area Roads Development: \$10 million from ADF to finance the construction and upgrading of seven primary roads totalling 158 km, and the provision of consultant services. The Project will serve the transport needs of selected areas to be developed under the Mahaweli Ganga Development Program and is, therefore, an essential requisite of the Program.

Third Tea Development: \$12.8 million from ADF for the rehabilitation of 19 public sector tea estates and modernization of tea factories, and construction of new factories. The Project will increase the productivity of tea plantations and factories, enhance the quality of made tea, and improve the living conditions of estate workers. The OPEC Fund for International Development is co-financing part of the Project with \$5 million.

Anuradhapura Dry Zone Agriculture: \$15 million from ADF for a Project which is of an integrated nature in terms of providing a sound production base with a combination of rainfed and irrigated farming, supplemented by smallholder livestock development and supported by infrastructure and agricultural support services and facilities. Over 23,000 farm families, of which more than half are landless, are expected to benefit from this Project, which will serve as a model for similar dry zone areas of the country. IFAD is co-financing part of the Project with about \$14.5 million (see technical assistance which follows).

TECHNICAL ASSISTANCE

Geological Survey: \$130,000 for consultant services to prepare a comprehensive and detailed proposal for the expansion of the Geological Survey Department's physical facilities and strengthening of its institutional structure.

Technical Education: \$150,000 for consultant services for a detailed examination of the country's technical manpower requirements; existing provisions for technical education, including the physical facilities; organizational aspects, curricula and evaluation methods; and supply and training of technical teachers and other staff.

Community Forestry: \$94,000 for consultant services to examine the Government's Cooperative Reforestation Program as a basis for recommending a broad national community forestry strategy. A research program to support community forestry development will be formulated and a training program for departmental staff and farmers developed. FAO has agreed to contribute funds to this Project under a cost-sharing arrangement with the Bank.

Livestock Development: \$200,000 (to be financed by the Government of Switzerland with the Bank acting as Administrator) for consultant services to assess the potential for the development of the Project area, which covers about one-third of Sri Lanka's land area and a population of nearly eight million. Proposals for the improvement of breeds, species, farming techniques and support services will also be made.

Anuradhapura Dry Zone Agriculture: \$200,000 (to be financed by the Government of Switzerland with the Bank acting as Administrator) for strengthening the institutional capabilities of the Ministry of Agricultural Development and Research (MADR). An agricultural economist will assist MADR in overall Project planning, evaluation and monitoring.

Graphite Mining: \$186,000 to prepare a feasibility study for the rehabilitation and expansion of the graphite industry through provision of mining and drilling equipment, together with transport and other facilities, for the Bogala and Kahatagaha/Kolongaha mines.

Thailand

LOANS

Bang Plee New Town: \$20 million from ADF to provide low-cost accommodation for about 30,000 people in a healthy environment with access to basic social and community services and employment opportunities. Bang Plee New Town is one of the four towns included in the Greater Bangkok Master Plan. About 4,000 jobs will be generated by the Project's industrial estate in addition to new jobs as a result of construction activities related to the Project.

Power System Expansion: \$85 million — the largest Bank loan so far — for expanding Thailand's electricity generation and transmission capacity. The Project is divided into two parts: Part A involves the expansion of existing lignite-fired electricity generation facilities at Mae Moh by the addition of one 150 MW generating unit. Part B involves assistance for implementing the phased expansion of power transmission throughout the country. Co-financing

totalling \$38.62 million will be provided for Part A by the Government of Switzerland (\$1.75 million), export credits (from Canada and Japan) and commercial banks (\$5.25 million). External financing may also be available for Part B.

Highway Sector: \$65 million — the Bank's second sector loan — to cover part of the capital expenditure program for the first two years of the Highway Sector Development Plan (1982-86); consultant services to support the Department of Highways in the preparation of subprojects and supervision of construction of civil works; and study of traffic law enforcement and road safety. The Project involves the upgrading of about 600 km. of unpaved provisional roads and the strengthening of about 200 km. of paved roads.

TECHNICAL ASSISTANCE

Medium Scale Irrigation Package: \$350,000 (to be financed by EEC with the Bank acting as Executing Agency) for a feasibility study for a Project aimed at improving agricultural productivity and raising farmers' incomes in five subproject areas in the northern, central and eastern regions of the country.

Accelerated Mineral Resources Development: \$165,000 for a study to prepare a proposal for strengthening and improving the institutional structure of the Department of Mineral Resources and for the preparatory work for a countrywide airborne geophysical survey.

Nong Wai Irrigation Management: \$360,000 for consultant services to assist the Government in realizing the full development potential of the earlier Bank-financed Nong Wai Pioneer Agriculture Project.

Western Samoa

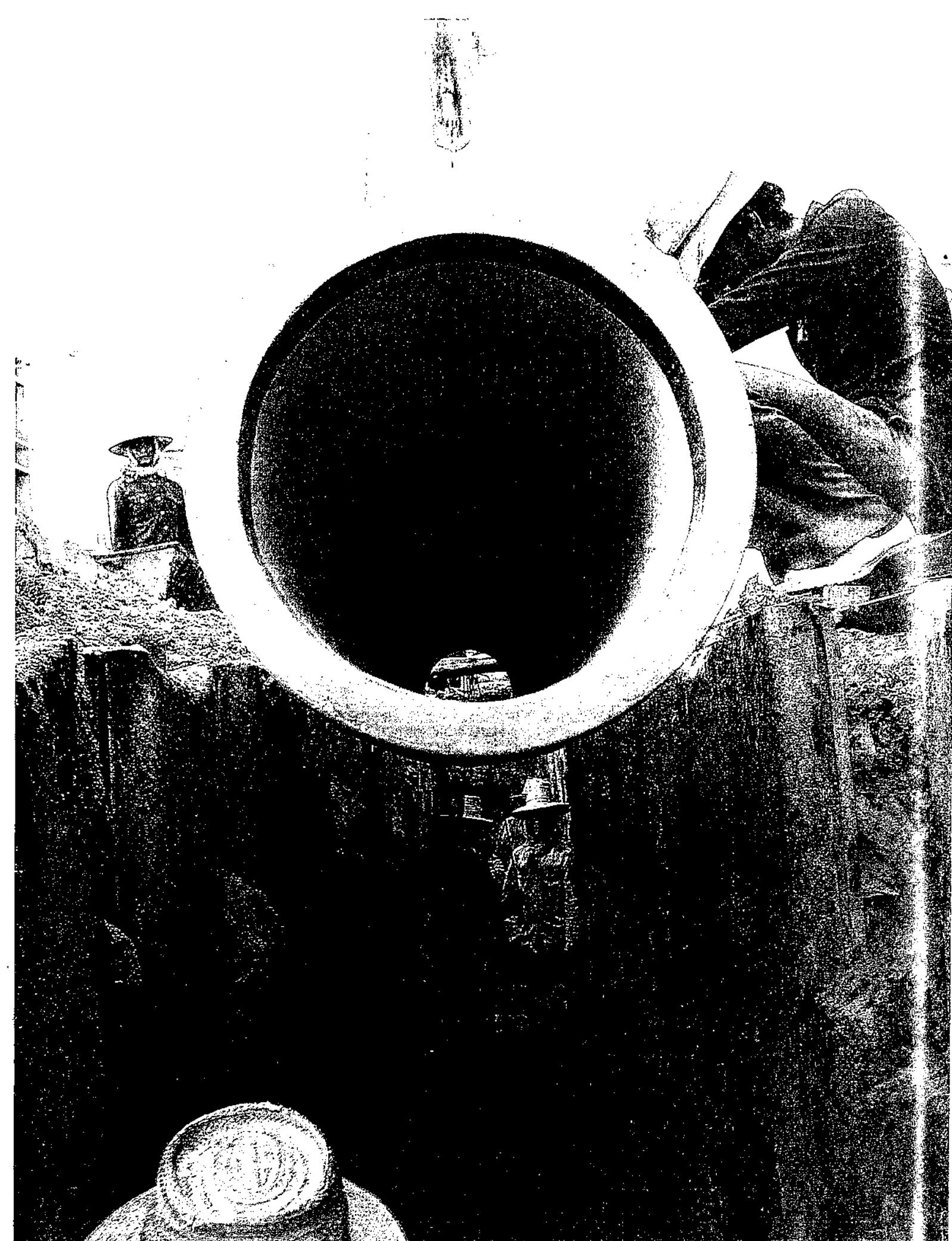
LOANS

Agricultural Development: \$3 million from ADF for a Project designed to benefit both public sector plantations and smallholders. This Project will rehabilitate plantations, expand processing facilities, and improve research and extension. It will increase Western Samoa's production of copra, cocoa, soap, coconut wood by-products and beef as well as improve the farm incomes of smallholders. The Project is being co-financed by IDA and the Government of Australia, each of which has agreed to contribute \$2 million.

Forestry Development: \$1.74 million from ADF for a Project which aims to increase reforestation on land cleared by shifting cultivators and to assist in the utilization of timber extracted from communal forests. The Project makes use of opportunities for beneficial investments in forestry, as identified in the Bank-financed South Pacific Agricultural Survey. The Project is being co-financed by the New Zealand Government, which has agreed to contribute \$1.28 million.

TECHNICAL ASSISTANCE

Fagaloa/Atuilo Hydropower Scheme: \$348,000 for consultant services to determine the optimum development of the potential of the Vaipu/Atuilo basins and to examine the technical feasibility and economic viability of constructing the Fagaloa/Atuilo Scheme as a storage scheme.



ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Review of the Bank's Resource Requirements

AT THE Thirteenth General Meeting, the Board of Governors considered a report of the Board of Directors on the Resources of the Bank and adopted Resolution No. 134. The Board of Governors, recognizing the need for a study of the Bank's future resource requirements, requested 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. In this connection, four Working Papers were submitted to the Board of Directors in 1980.

Capital

The authorized capital stock of the Bank as of 31 December 1980 stood at \$9,209.2 million (SDR 7,220.6 million), of which the subscribed portion amounted to \$8,828.1 million (SDR 6,921.7 million).

Progress of Second General Capital Increase

As of 31 December 1980, 40 member countries had made subscriptions, amounting to \$4,913.8 million (SDR 3,852.7 million), to the second general capital increase. During 1980, Italy and Kiribati took up their full capital subscription entitlements, amounting to \$86.1 million (SDR 67.5 million) and \$0.3 million (SDR 0.2 million), respectively. The United States also made a further partial subscription of \$162.6 million (SDR 127.4 million) in 1980.¹

Valuation of Capital

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. The implications of this change on the basis of valuation of the Bank's capital stock is still under consideration by the Bank. Meanwhile, the Bank's capital stock has been valued for purposes of its financial statements on the basis of SDR 10,000 per share. The SDR is expressed in the Bank's financial statements in current

United States dollars as the equivalent of \$1.27541 per SDR, the rate computed by IMF as of 31 December 1980. Further information on this subject is given in Notes A and C of the Notes to Financial Statements of Ordinary Capital Resources, Appendix I-VIII.

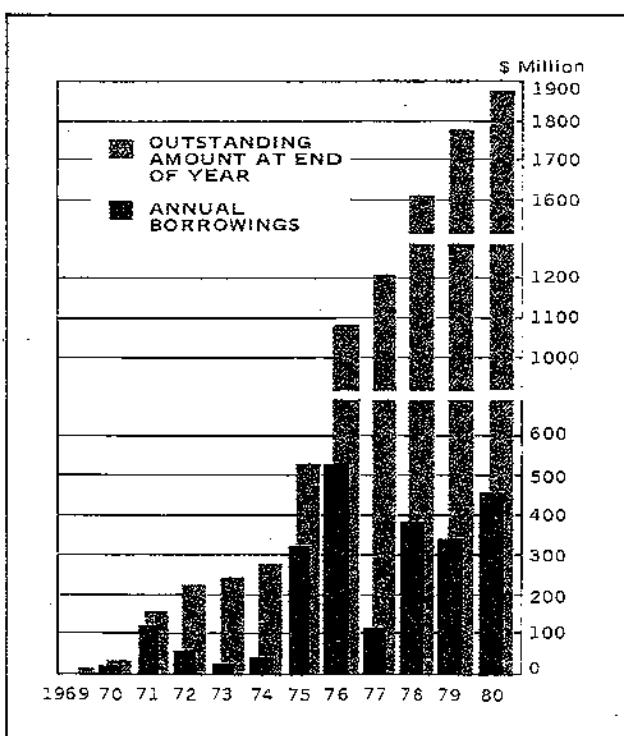
Borrowings

During the year, the Bank undertook seven borrowings,¹ as summarized in the Table on page 74, amounting to the equivalent of \$457.8 million.² Although the extremely volatile and adverse conditions in most major capital

1 One of these was signed in February 1981.

2 At exchange rates as of 31 December 1980.

BORROWINGS: 1969-1980



1 In February 1981, the United States made a further subscription of \$262.4 million (SDR 205.8 million).

markets made selection and timing of borrowings particularly difficult, the Bank was able to arrange the borrowings on comparatively favorable terms. Furthermore, the Bank was able to continue its efforts to secure longer maturities, and for the second year in succession arranged a long-term syndicated loan in Japan. This was the Bank's largest borrowing in the private capital markets in Japan. The average maturity of the year's borrowings, weighted by amount, was 10.01 years, compared with 10.25 years in 1979.

Two public bond issues were made in the Federal Republic of Germany. The first, in May, for a principal amount of DM200 million, was the largest Deutsche Mark borrowing the Bank has undertaken so far. The second issue, in November, was for DM100 million.

In April two-year US dollar bonds totalling \$70 million were placed with central banks and monetary authorities in 28 member countries. The Bank's two-year bonds have in effect been an important source of long-term funds and have been significant in sustaining cooperative efforts among its members. The issue in April was to replace the Bank's Two-Year Bonds of 1978, and carried an interest rate of 14.45 per cent per annum which reflected the high interest rates prevailing at the time of issue.

Taking advantage of the comparatively low interest rates in the Swiss capital market, the Bank, for the first time, made two public bond issues in this market in a year.

Towards the end of the year the Bank arranged a private placement with the Saudi Arabian Monetary Agency for SwF100 million, thereby facilitating the flow of funds to the region from one of the oil exporting countries. The borrowing was signed in February 1981.

Review of Financial Policies

The Annual Review of the Bank's Financial Policies took place early in the year and encompassed the Bank's lending program, financial objectives and indicators, liquidity policy, borrowing program and the determination of the Bank's lending rate. The review concluded that the principles which underlie the Bank's financial policies were sound and should continue to guide the Bank's financial operations. The review also proposed continuation of the phased program of borrowings bearing in mind the developments of the past year and the need to achieve a smooth progression of the Bank's borrowings in the future.

Lending Rate

The lending rate was set at 8.10 per cent per annum effective 1 January 1980, subject to a mid-year review. This was done in July and the lending rate was increased to 9.00 per cent per annum with effect from 1 July 1980. During the course of the mid-year review, it was proposed that the

BORROWINGS, 1980

| Countries | Issue | Amount in Currency of Borrowing (million) | US\$ Equivalent ^a (million) |
|--|----------------------------------|--|--|
| MEMBER COUNTRIES | | | |
| Central Banks/ Monetary Authorities | 14.45% 2-Year Bonds due 1982 | US\$ 70 | 70.0 |
| Germany, Federal Republic of | 10% 10-Year Bonds due 1990 | DM 200 | 102.1 |
| Switzerland | 6-1/4% 10-Year Bonds due 1990 | SwF 80 | 45.4 |
| Germany, Federal Republic of | 8-3/8% 10-Year Bonds due 1990 | DM 100 | 51.0 |
| Switzerland | 6-1/8% 10-Year Bonds due 1990 | SwF 60 | 34.0 |
| Japan | 8.90% 20-Year Loan due 2001 | ¥20,000 | 98.5 |
| NON-MEMBER COUNTRY | | | |
| Saudi Arabia | Bonds ^b | SwF 100 | 56.7 |
| TOTAL | | | 457.8^c |

a US dollar equivalents are based on the exchange rates used by the Bank on 31 December 1980.

b Signed in February 1981.

c Total does not tally due to rounding.



Mr. Taroichi Yoshida, President of the Bank, signs documents in December for a ¥20 billion long-term borrowing in Tokyo from a syndicate of banks, trust banks and insurance companies in Japan.

methodology for determining the lending rate be examined afresh in the near future.

Currency Scheme for Disbursement of Loans to DFIs

Early in the year, the Bank introduced a disbursement scheme, effective 15 February 1980, for equalizing and reducing the incidence of exchange risk of Development Finance Institutions and other intermediaries in the DMCs which borrow from the Bank's ordinary capital resources. Under the scheme, disbursements are made 50 per cent in United States dollars and 50 per cent in any other convertible currency or currencies, in addition, subject to the Bank's debt and asset management requirements, the Bank accommodates as far as possible borrowers' proposals to repay the currencies on a pro-rata or other preferred basis.

Member Currencies

After the Second Amendment to the Articles of Agreement of the IMF came into force on 1 April 1978, new ex-



Signing of documents in April in Frankfurt for a DM200 million public bond issue.

change rates adopted by the Bank in respect of member currencies have been used only for translation purposes in the Bank's books of account and for recording "notional amounts required to maintain the value of currency holdings." Further action on maintenance of value due to changes in exchange rates have been held in abeyance pending a decision on the valuation of the Bank's capital stock.

Loan Disbursements and Repayments

Disbursements from ordinary capital resources in 1980 amounted to \$428.7 million compared with \$361 million in 1979, representing an increase of \$67.7 million or 18.8 per cent. Cumulative disbursements from this source at the end of 1980 reached \$2,304.7 million. Repayments during the year on loans held by the Bank under ordinary capital resources amounted to \$101.2 million, and on loans sold to participants to \$0.1 million, making a total of \$101.3 million. Corresponding figures for cumulative repayments up to the end of 1980 are \$365.5 million and \$14.0 million, respectively, amounting to \$379.5 million.

Investments

At the end of 1980, the Bank's investments — held in 23 separate currencies — amounted to the equivalent of \$1,393.1 million, including investments of Special Reserve Fund Assets. Of the total investments, 24.4 per cent was held in securities issued or guaranteed by member governments and obligations of approved government agencies of member countries. The rest was invested in time deposits and certificates of deposit with banks in member countries and the Bank for International Settlements.

Of the government, agency and government-guaranteed securities, 23 per cent were in securities maturing within one year and 77 per cent in securities maturing after one year up to five years three months. Of the time deposits and certificates of deposit, 41 per cent were in deposits maturing within one year and 59 per cent in deposits maturing after one year up to five years.

Income and Expenses

The Bank's gross income in 1980 rose to \$309.6 million, representing an increase of \$48.8 million or 18.7 per cent over \$260.8 million in 1979. This increase is primarily due to higher income from both loans and investments. Loan income in 1980 registered an increase of 16.5 per cent over that of 1979 while investment income grew by 20.5 per cent over the same period.

During 1980, total expenses amounted to \$163.2 million registering an increase of \$20.8 million or 14.6 per cent over 1979. Financial expenses, administrative expenses (after deducting \$20.3 million for Administrative Charge to Special Operations) and Services to Member Countries were 12.8 per cent, 27.0 per cent and 143.3 per cent higher, respectively, than those of 1979.

Gain from Changes in Value of Currencies

In 1980, there was a net gain of \$4.8 million primarily on translations of currency holdings in excess of maintenance of value ceilings as compared to a net loss of \$18.5 million in 1979.

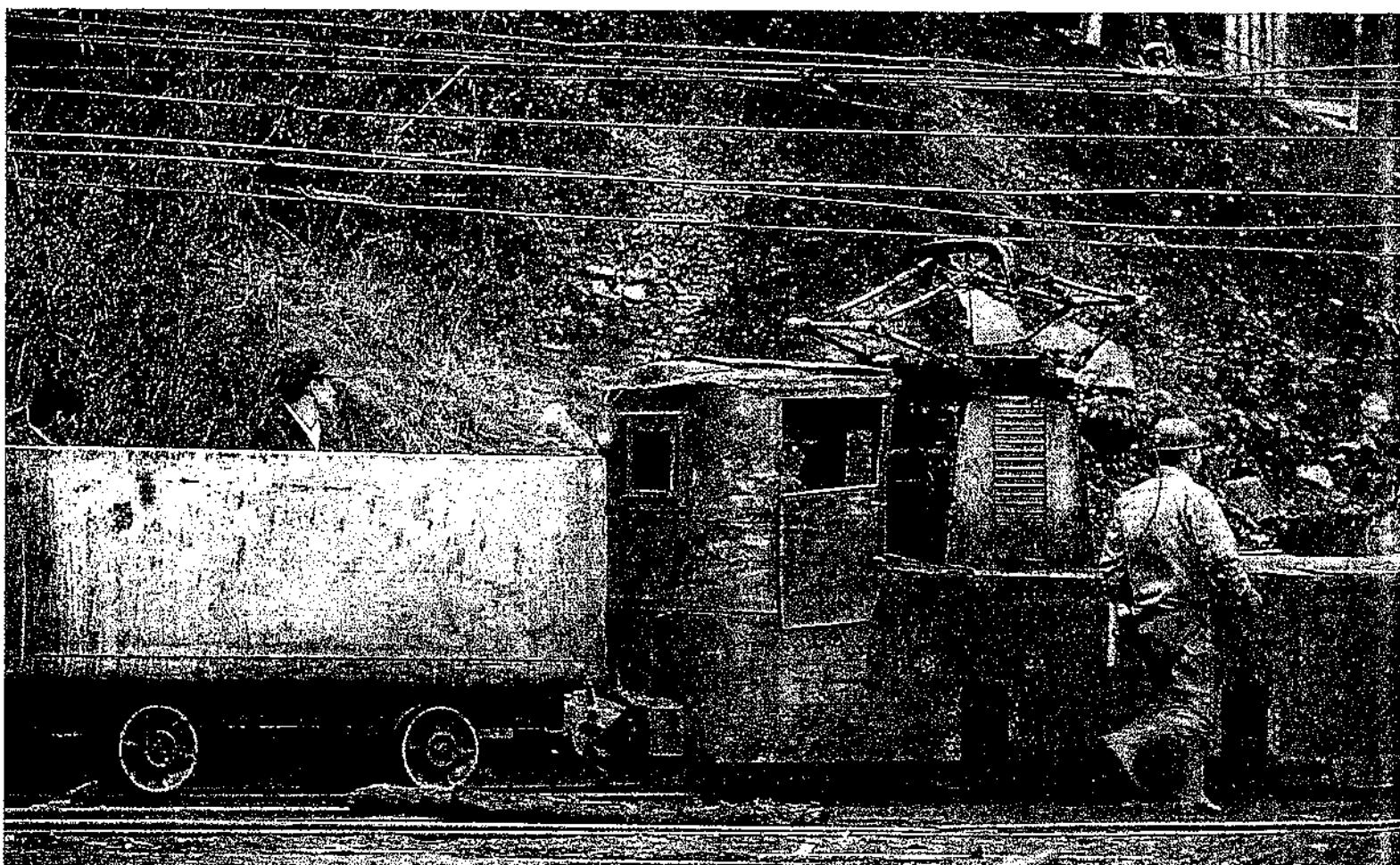
Net Income

Net income for 1980, after appropriation of commissions to Special Reserve, amounted to \$131.8 million, compared with \$83 million in 1979. The improvement was due to the increase in gross income and a net gain from changes in value of currencies.

Accumulated Net Income and Reserve

As of 31 December 1980, accumulated net income, representing net income for 1980 after appropriation of

COAL CARS at the Bank-assisted Chang Sung Coal Mine in Republic of Korea. Many countries are now developing coal and other alternative indigenous energy resources in order to offset mounting oil import bills.



INCOME AND EXPENSES — ORDINARY CAPITAL RESOURCES

(in \$ million — totals may not tally because of rounding)

| | 1979 Actual | 1980 Budget | 1980 Actual | 1981 Budget |
|---|----------------|----------------|----------------|----------------|
| 1. Gross Income | 260.8 | 293.7 | 309.6 | 351.0 |
| 2. Less Expenses Charged to: Ordinary Capital Resources: | | | | |
| a. Interest and Other Financial Expenses | 126.3 | 141.7 | 142.4 | 171.2 |
| b. Administrative Expenses ^a | 15.4 | 19.1 | 19.6 | 26.1 |
| c. Services to Member Countries | 0.5 | 1.9 | 1.2 | 2.4 |
| d. Other Expenses | 0.2 | — | — | — |
| TOTAL | 142.4 | 162.7 | 163.2 | 189.7 |
| 3. Income before Net Gain (Loss) from Changes in Value of Currencies | 118.4 | 131.0 | 146.4 | 151.3 |
| 4. Net Gain (Loss) from Changes in Value of Currencies | (18.5) | — | 4.8 | — |
| 5. Net Income | 99.8 | 131.0 | 151.2 | 151.3 |
| 6. Appropriation of Commissions to Special Reserve | (16.8) | (20.0) | (19.3) | (23.5) |
| 7. Net Income After Appropriation of Commissions to Special Reserve | <u>83.0</u> | <u>111.0</u> | <u>131.8</u> | <u>127.8</u> |

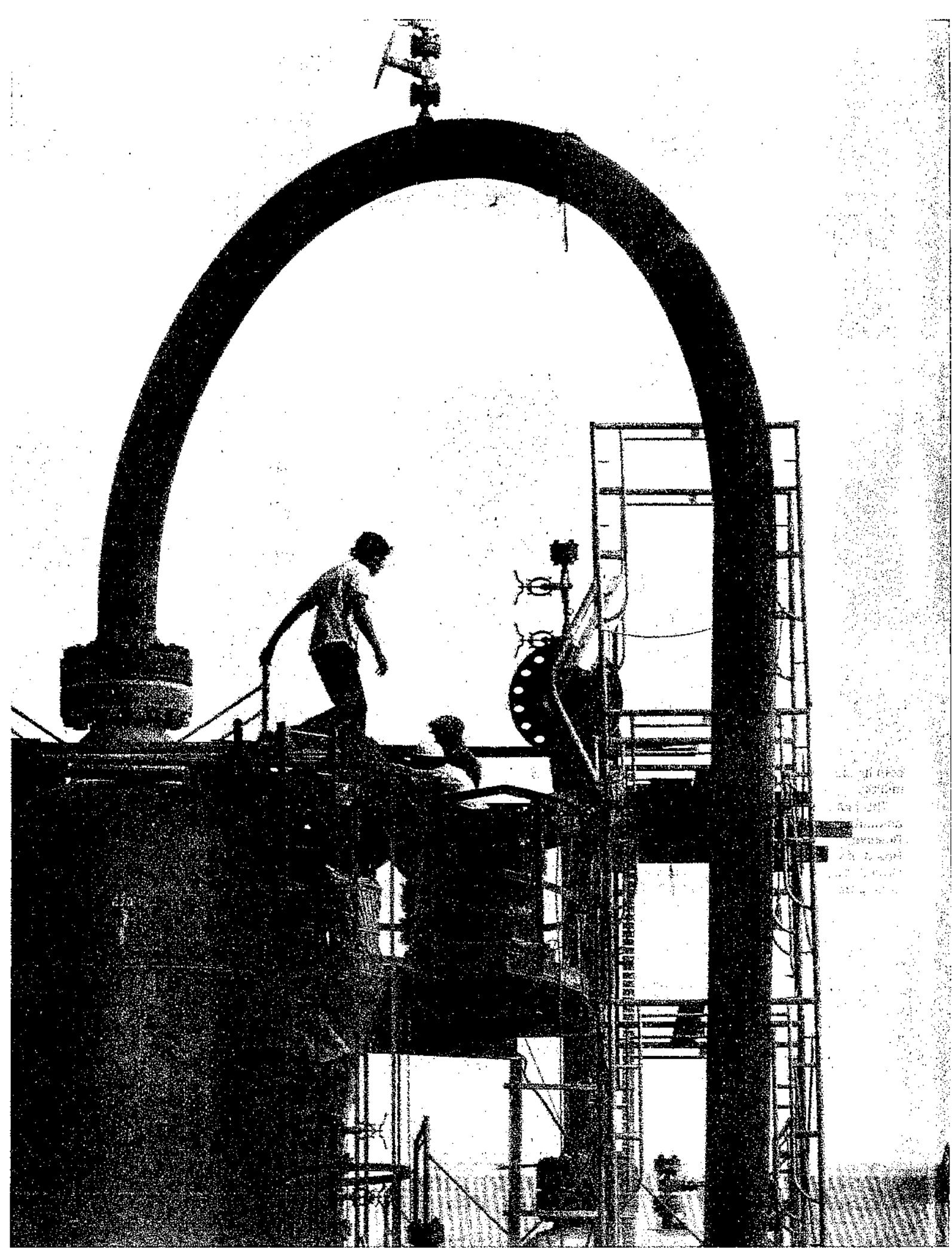
^a Net of Administration Charge to Special Operations which is allocated on the basis of a formula for apportioning administrative expenses between ordinary capital resources and Special Funds.

commissions to Special Reserve, amounted to \$131.8 million.

The accumulated net income as of 31 December 1979, amounting to \$83 million, was allocated to the Ordinary Reserve in accordance with a resolution adopted by the Board of Governors at the Thirteenth Annual Meeting. The Ordinary Reserve was also credited with the \$9.3 million arising from the restatement of the Bank's capital stock by

the substitution, for purposes of the financial statements, of the SDR for the 1966 dollar as unit of value. The Ordinary Reserve thus increased from \$298.8 million as of 31 December 1979 to \$391.2 million as of 31 December 1980.

The Special Reserve increased by \$19.3 million from commissions on loans during 1980, from \$59.3 million as of 31 December 1979 to \$78.6 million as of 31 December 1980.



SPECIAL FUNDS

AT THE end of 1980,¹ 14 donor countries had deposited Instruments of Contribution to the second Asian Development Fund replenishment (ADF III). Release of funds from the Bank's 1980 concessional lending program was, however, delayed by more than six months and did not occur until July when the first instalment of the United States contribution and the second instalments of the other ADF III contributions became available for loan commitments. With the availability of the second instalment of the United States contribution in December, the third instalments of other ADF III contributions became due for release on 1 January 1981, thereby assuring the Bank of adequate resources for its 1981 concessional lending program.

By Governors' Resolution No. 136, adopted in October 1980, the final date for payment by the United States of the last \$60 million of its contribution to the first Asian Development Fund replenishment (ADF II) was extended to 30 September 1981. At the end of the year, the necessary legislative action to enable the United States to make this payment was pending.²

During the year the Bank transferred to ADF the remaining balance of resources in the Multi-Purpose Special Fund (MPSF) and wound up its administration of MPSF.²

Eight member countries made additional contributions to the Technical Assistance Special Fund (TASF) during the year (see page 83) and one member country, France, made its first contribution.

Asian Development Fund

Second Replenishment (ADF III)

Resolution No. 121, adopted by the Board of Governors in July 1978, authorized the Bank to receive contributions to ADF III in an aggregate amount of \$2,150 million (at 1 April 1978 exchange rates), consisting of a basic replenishment total of \$2,000 million plus a further \$150 million in supplementary contributions. The replenishment, intended to cover the Bank's concessional lending program over the four-year period 1979-82, came into effect on 29 March 1979

1 In January 1981, the United States made a partial payment of \$3.5 million towards the outstanding balance of \$60 million.

2 MPSF, together with the Agricultural Special Fund (ASF) was established in 1968. ASF was wound up in 1973 and its resources consolidated with those of MPSF.

when the Bank received unqualified Instruments of Contribution for an amount in excess of the trigger figure of \$1,000 million provided in the Resolution.

At the end of 1980, 14 countries had deposited Instruments of Contribution to ADF III. Of these, 13 countries, namely, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Japan, Norway, Sweden, Switzerland and United Kingdom, had deposited unqualified Instruments of Contribution, while one country, the United States, had deposited a qualified Instrument of Contribution in accordance with the provisions of Resolution No. 121. The contributions provided for under these Instruments amounted to a total of \$2,011 million equivalent (at 1 April 1978 exchange rates). At the end of the year, completion of legislative action to enable Italy and Netherlands to deposit Instruments of Contribution was still awaited.¹

Resolution No. 121 envisages that unqualified contributions would be made available to the Bank for loan commitment over the replenishment period in four equal annual instalments. Pursuant to the Resolution, the first instalments of unqualified contributions became available upon the effectiveness of such contributions. The Resolution envisages that the second, third and fourth instalments of unqualified contributions would be released only if one-fourth, one-half and three-fourths, respectively, of each qualified contribution has previously become unqualified and available for loan commitments. To meet the 1980 concessional lending program, release of the second instalments was to occur on 1 January 1980. However, as the United States was unable to deposit an Instrument of Contribution and make available its first instalment by that date, release of the second instalments of the other contributions was delayed.

As a result of the ensuing shortage of ADF resources, loans considered during the first half of 1980 were approved by the Board of Directors subject to the condition that they would be signed if and when adequate ADF resources became available. To resolve this situation the Bank, in accordance with the Resolution, convened a special meeting of ADF donor countries in Geneva on 29 and 30 May 1980 to discuss measures for obtaining the necessary contribution

1 The Netherlands Instrument of Contribution was received by the Bank in March 1981.

STATUS OF ASIAN DEVELOPMENT FUND RESOURCES
 (US dollars million equivalent)

| | As of 31/12/79 valued as of 31/12/79 | Change in 1980 | | | As of 31/12/80 valued as of 31/12/80 |
|---|--|-----------------------|--|----------------|--|
| | | Addition ^a | Exchange Rate Adjustment ^b | Net Change | |
| CONTRIBUTED RESOURCES | | | | | |
| Australia | 90.42 | 28.02 | 4.26 | 32.28 | 122.70 |
| Austria | 14.43 | 4.85 | (1.33) | 3.52 | 17.95 |
| Belgium | 18.71 | 8.99 | (1.98) | 7.01 | 25.72 |
| Canada | 97.68 | 80.96 | (0.84) | 80.12 | 177.80 |
| Denmark | 18.16 | 3.79 | (1.96) | 1.83 | 19.99 |
| Finland | 7.77 | 3.91 | (0.26) | 3.65 | 11.42 |
| France | 29.67 | 26.92 | (2.75) | 24.17 | 53.84 |
| Germany, Federal Republic of | 198.03 | 36.61 | (21.88) | 14.73 | 212.76 ^c |
| Italy | 39.57 | — | (5.46) | (5.46) | 34.11 |
| Japan | 912.50 | 221.14 | 164.97 | 386.11 | 1,298.61 ^c |
| Netherlands | 40.29 | — | (3.74) | (3.74) | 36.55 |
| New Zealand | 8.85 | — | (0.06) | (0.06) | 8.79 |
| Norway | 14.74 | 3.84 | (0.84) | 3.00 | 17.74 ^c |
| Sweden | 17.52 | 6.99 | (0.99) | 6.00 | 23.52 |
| Switzerland | 33.23 | 6.80 | (3.14) | 3.66 | 36.89 ^c |
| United Kingdom | 113.67 | 35.04 | 7.05 | 42.09 | 155.76 |
| United States | 270.00 | 222.50 | — | 222.50 | 492.50 ^d |
| Total Contributed Resources | 1,925.24 | 690.35 | 131.05 | 821.40 | 2,746.64^e |
| Set-Aside Resources | 62.72 ^f | — | (2.00) | (2.00) | 60.72 ^f |
| Other Resources ^g | 4.35 | 0.33 | — | 0.33 | 4.68 |
| Accumulated Net Income | 73.06 | 31.00 | — | 31.00 | 104.06 |
| Total Additional Resources | 140.13 | 31.33 | (2.00) | 29.33 | 169.46 |
| Total Resources | 2,065.37 | 721.68 | 129.05 | 850.73 | 2,916.10 |
| Less: Amounts Disbursed and Outstanding | 606.78 | 140.67 | 51.37 | 192.04 | 798.82 |
| Less: Amounts Committed but Undisbursed | 1,352.07 | 325.58 | — | 325.58 | 1,677.65 |
| Total Uncommitted Resources | 106.52 | 255.43 | 77.68 | 333.11 | 439.63 |
| Less: Provision for Exchange Rate Fluctuations ^h | 97.66 | — | — | 40.95 | 138.61 |
| Net Amount Available for Loan Commitments | 8.86 | — | — | .292.16 | 301.02^e |

Note: Figures may not add due to rounding.

a Valued at exchange rates as of 31 December 1980.

b Relating to balances as of 31 December 1979.

c Excluding advance payments by the Federal Republic of Germany (\$73.23 million), Japan (\$86.18 million), Norway (\$0.04 million) and Switzerland (\$1.36 million) on account of their respective contributions to ADF III since these are not available for loan commitment purposes.

d Excluding the third instalment (\$60 million) of the United States contribution to ADF II for which the necessary legislative action had not been completed as of 31 December 1980.

e The third instalments (equivalent to \$422.88 million) of all contributions made to ADF III as of 31 December 1980, other than the United States contribution, became available for loan commitment purposes as of 1 January 1981.

f Valued in terms of SDR at the rate of \$1.31733 per SDR as of 31 December 1979.

g Valued in terms of SDR at the rate of \$1.27541 per SDR as of 31 December 1980.

h Net income of MPSF of prior years transferred to ADF.

i Equivalent to the sum of Other Resources, Accumulated Net Income and Loan Principal Repayments.

commitments. Pursuant to the recommendation of the Geneva meeting as adopted by the Board of Directors, and in accordance with the terms of the Resolution, an Instrument of Contribution from the United States, together with the first instalment of \$111.25 million, was received by the Bank in July. This led to the release of the second instalments of the other contributions, and enabled the Bank to complete its 1980 concessional lending program.

In December, the United States made available a further \$111.25 million as the second instalment of its contribution, thereby assuring the release on 1 January 1981 of the third instalments of the other contributions, amounting to \$391 million at 1 April 1978 exchange rates (\$423 million at 31 December 1980 exchange rates).

First Replenishment (ADF II)

The first ADF replenishment (ADF II), authorized in December 1975, by Resolution No. 92 of the Board of Governors, was designed to finance the Bank's concessional lending program over the three-year period 1976-78. The total amount authorized was \$830 million, later revised to \$809 million to be provided by 17 donor countries. However, two of the donor countries were unable to participate, and by the end of 1978 the total of unqualified contribution commitments under ADF II had reached \$701 million, with the last \$60 million of the United States contribution still to come. This position was unchanged at the end of 1980.¹ Under the provisions of Resolution No. 92, as amended by Resolutions Nos. 103, 115 and 136, the Bank is authorized to accept payment of this amount from the United States by the end of September 1981.

Third Replenishment (ADF IV)

In accordance with Governors' Resolution No. 134 adopted at the Thirteenth Annual Meeting, the Bank started

1. In January 1981, the United States made a partial payment of \$3.5 million towards the outstanding balance of \$60 million.

a review of future ADF resource requirements with a view to reaching agreement with donor countries in the course of 1981 as to the appropriate scale of the next ADF replenishment (ADF IV), which will cover the period beyond 1982.

Arrangements for Lending from ADF

The arrangements for ADF lending were reviewed in October 1980. An account of the review and its conclusions may be found on pages 56 and 57.

Resources and Utilization

At the beginning of 1980 the net resources available for concessional loan commitments, after allowing a provision for exchange rate fluctuations, was about \$9 million. The additional resources becoming available during the year under ADF III amounted to \$690 million. Individual contributions to ADF have been made in the national currencies of the respective contributors. Depreciations and appreciations during the year in the values of some of the major contributors' national currencies against the United States dollar resulted in a net increase of \$131 million in the total value of contributed resources expressed in terms of US dollars. In addition, an amount of \$31 million accrued to ADF by way of net income.

At the end of 1980 total resources for concessional lending including contributed resources, set-aside resources and net income stood at \$2,916 million, a net increase of \$851 million during the year.

New concessional loans approved during the year totalled \$477 million, or \$61 million more than in the previous year. As of 31 December 1980, the cumulative amount of concessional loans (after allowing for exchange rate adjustments, cancellations and repayments) was \$2,476 million, leaving a balance of uncommitted resources at that date of \$440 million. After allowing for a provision against exchange rate fluctuations, the net amount available for

INCOME AND EXPENSES AND ACCUMULATED NET INCOME — SPECIAL FUNDS* (amounts in \$ million)

| | MPSF | | ADF | |
|--|-------------|-------------|-------------|-------------|
| | 1979 | 1980 | 1979 | 1980 |
| 1. Gross Income | 0.20 | b | 38.00 | 49.94 |
| 2. Administrative Expenses | 0.05 | — | 15.39 | 20.28 |
| 3. Income Before Net Gain (Loss) from Changes in Value of Currencies | 0.15 | b | 22.61 | 29.66 |
| 4. Net Gain (Loss) from Changes in Value of Currencies | (0.09) | (0.04) | (1.86) | 1.71 |
| 5. Net Income (Expense) for the Year | 0.06 | (0.04) | 20.75 | 31.37 |
| 6. Balance of Accumulated Net Income at Beginning of the Year | 0.27 | 0.06 | 51.94 | 72.69 |
| 7. Transfers to ADF | (0.27) | (0.02) | — | — |
| 8. Balance of Accumulated Net Income at End of the Year | 0.06 | — | 72.69 | 104.06 |

a. Excluding Technical Assistance Special Fund.

b. Amount negligible.

further loan commitments stood at about \$301 million.¹ In 1980, disbursements under ADF resources amounted to \$150.3 million, bringing total cumulative disbursements to \$737.7 million. Repayments during the year and cumulative repayments up to the end of the year amounted to \$10 million and \$30 million, respectively.

Income and Expenses

A substantial improvement in income from investments of ADF resulted in a higher gross income of \$49.9 million, or

¹ The third instalments (equivalent to \$422.88 million) of all contributions made to ADF III as of 31 December 1980, other than the United States contribution, became available for loan commitment purposes as of 1 January 1981.

31.4 per cent, over 1979. Although this was partly offset by an increase in the Administration Charge to Special Operations, ADF realized a net income of \$31.4 million, which includes net gain from changes in value of currencies amounting to \$1.7 million. This is \$10.7 million more than the \$20.7 million net income for 1979.

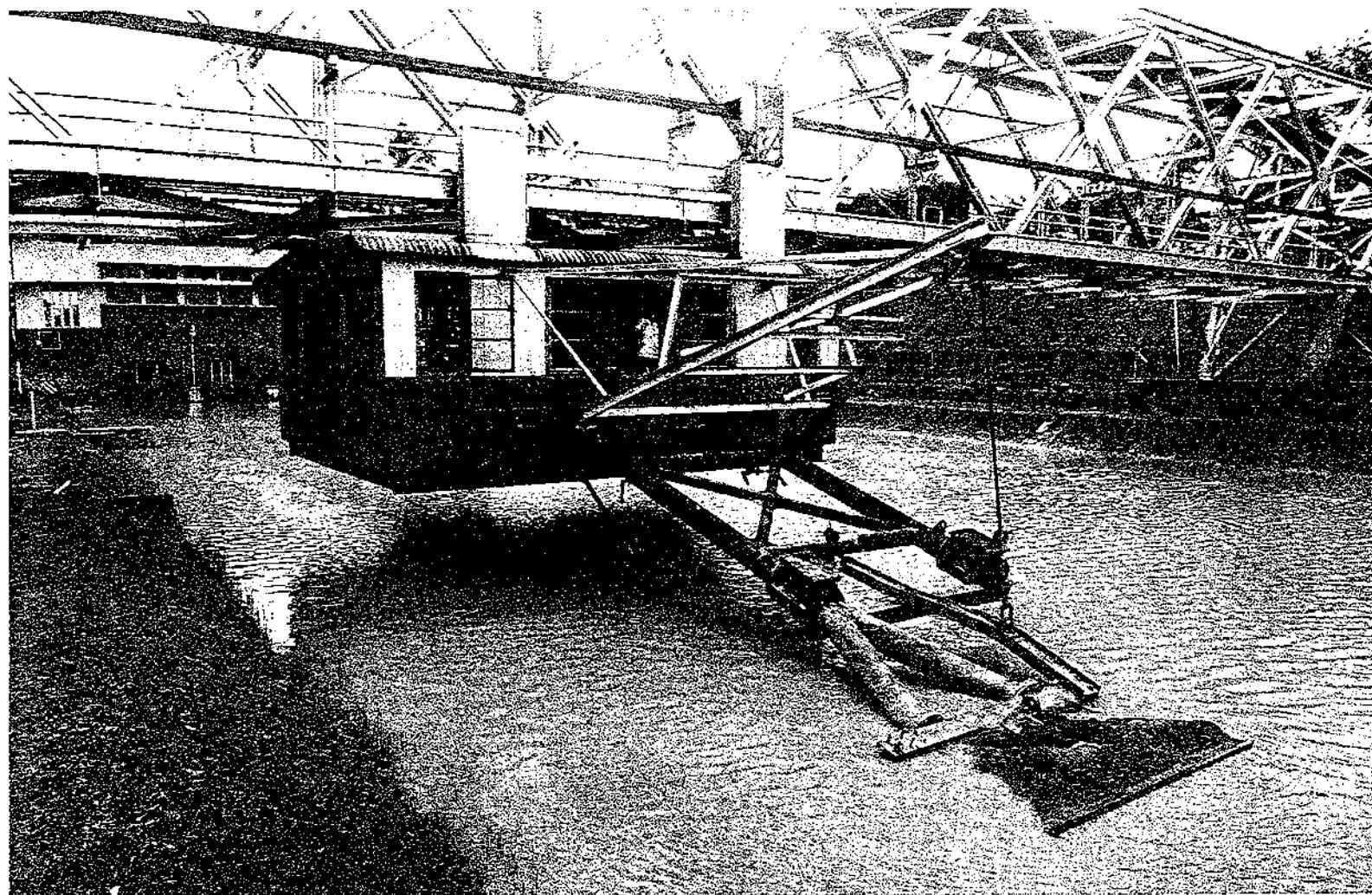
MPSF incurred a net loss of \$41,000 for the period from 1 January 1980 to 31 March 1980 due to changes in value of currencies. This amount and the balance of Accrued Resources amounting to \$64,000 were transferred to ADF when the Bank's administration of MPSF was terminated as of 31 March 1980.

TECHNICAL ASSISTANCE SPECIAL FUND (US Dollar Equivalent)^a

| Contributor | Total Contributions | Amount Utilized |
|------------------------------------|---------------------|-------------------|
| Australia | 1,497,028 | 1,463,795 |
| Austria | 140,708 | 47,194 |
| Bangladesh | 24,085 | 19,752 |
| Belgium | 745,309 | 451,337 |
| Canada | 1,540,667 | 1,505,446 |
| China, Republic of | 200,000 | 200,000 |
| Denmark | 1,987,383 | 1,187,989 |
| Finland | 269,470 | 99,918 |
| France | 523,274 | 271,782 |
| Germany, Federal Republic of | 480,408 | 480,408 |
| Hong Kong | 100,000 | 100,000 |
| India | 795,357 | 697,421 |
| Italy | 139,266 | 96,030 |
| Japan | 30,562,770 | 17,022,158 |
| Korea, Republic of | 630,000 | 343,760 |
| Netherlands | 953,733 | 756,535 |
| New Zealand | 779,242 | 723,529 |
| Norway | 693,903 | 443,003 |
| Pakistan | 325,760 | 137,149 |
| Sri Lanka | 6,309 | 6,309 |
| Sweden | 454,801 | 90,398 |
| Switzerland | 603,060 | 556,364 |
| United Kingdom | 3,369,795 | 3,369,795 |
| United States | 1,250,000 | 1,250,000 |
| Sub-Total | 48,072,328 | 31,320,072 |
| Other Resources^b | 1,387,888 | — |
| TOTAL | 49,460,216 | 31,320,072 |

^a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on the respective dates of utilization; and the amount unutilized, translated at the exchange rates used by the Bank on 31 December 1980.

^b Represents Income, repayments and reimbursements according to the TASF since 1 April 1980.



CHANNEL dredging, part of the Gambarsari-Pesanggrahan Irrigation Rehabilitation Project in Indonesia, has been assisted by the Bank with a concessional loan to rehabilitate pumping irrigation systems for 20,000 ha. of double-cropping paddy lands along the southern coast of Central Java.

Technical Assistance Special Fund

During 1980 France made a first contribution, while eight countries made additional contributions, to the Technical Assistance Special Fund (TASF). The contributions received were as follows:

| Country | Amount | US\$ Equivalent ¹ |
|----------------|---------------|------------------------------|
| Denmark | DKr 1,500,000 | 249,377 |
| Finland | Fmk 583,050 | 151,836 |
| France | F 2,300,000 | 523,274 |
| Japan | ¥ 637,000,000 | 3,137,931 |
| Korea, Rep. of | US\$ 150,000 | 150,000 |
| Netherlands | f. 350,000 | 164,358 |
| Norway | NKr 1,000,000 | 193,050 |
| Pakistan | US\$ 70,000 | 70,000 |
| United Kingdom | £ 210,000 | 496,020 |

¹ As of 31 December 1980.

The contributions from Japan, Korea and Norway are available for procurement from all member countries.

The contributions of Denmark, Finland and Netherlands are available for procurement in the respective donor countries and in developing member countries; the Netherlands' contribution, moreover, is also available for procurement in those developed member countries which are current contributors to TASF and whose contributions are either wholly or substantially untied. The contributions of France, Pakistan, and United Kingdom are, however, tied to procurement from the contributor country concerned.

The total of all contributions made in 1980 amounted to the equivalent of \$5.1 million, of which wholly or partially untied contributions accounted for 78.8 per cent, as compared with 74.5 per cent in 1979.

At the end of 1980, total contributions to TASF amounted to the equivalent of \$48.1 million, of which \$31.3 million had been utilized by the Bank.



MEMBERSHIP AND ADMINISTRATION

Members

THERE WAS no change during the year in the Bank's membership of 43 countries, comprising 29 regional and 14 non-regional countries. The subscriptions and distribution of voting power of members are shown in Appendix 1-VII.

Board of Governors

The Thirteenth Annual Meeting of the Board of Governors was held in Manila from 30 April to 2 May 1980. At the meeting, the Governor for the United States was elected as Chairman of the Board of Governors, and the Governors for Nepal and Tonga as Vice-Chairmen, to hold office until the close of the Fourteenth Annual Meeting. A list of Governors and Alternate Governors as at the end of 1980, with notations of changes during the year, appears in Appendix 4.

The resolutions adopted by the Board of Governors in 1980, including those adopted at the Thirteenth Annual Meeting, are listed in Appendix 3.

Board of Directors

The Board of Directors held 51 formal meetings in 1980. In pursuance of its responsibility for the general direction and oversight of the Bank's activities, the Board, inter alia, during 1980:

- Approved 84 proposals for loans and technical assistance grants,¹ including a proposal for a Regional Energy Survey, and set guidelines for sector lending.
- Reviewed the Lending Program for Ordinary Capital Resources for 1980-82.
- Commenced a review of the Guidelines for Procurement under Bank loans.
- Commenced a Review of the Resource Requirements of DMCs and the Bank's Lending Program in 1983-87 and the operational policy issues relevant thereto.
- Reviewed the financial policies of the Bank and set a new lending rate in January.

¹ Excludes 46 technical assistance grants approved under the President's delegation.

SPORTS SHOES being produced in Manila, Philippines, by a factory supported by the Bank with a credit on-lent by Philippine Investments Systems Organization (PISO).

- Reviewed the Bank's lending rate and set a new rate in July.
- Approved seven borrowings totalling the equivalent of \$457.8 million comprising borrowings in Deutsche Marks, Swiss Francs and Japanese Yen, and the roll-over of \$70 million in Two-Year Bonds.
- Reviewed the arrangements for lending from the Asian Development Fund.
- Reviewed lending and relending policies.
- Established guidelines for Bank Operations in the Agriculture Sector in the South Pacific.
- Approved in principle a proposal for a new Headquarters building.
- Approved arrangements for continued cooperation with the European Economic Community (EEC) and arrangements for cooperation with Switzerland.
- Approved measures for streamlining loan and technical assistance processing work of the Bank.

A list of Directors and Alternate Directors and their voting groups, as of the end of 1980, with notations of changes during the year, appears in Appendix 5.

Audit Committee of the Board

The Audit Committee of the Board held 17 formal meetings in 1980 and submitted a special report and an annual report to the Board. The special report recommended the appointment of outside auditors for 1981. The Committee's annual report reviewed its activities in the period June 1979 to May 1980, with particular reference to internal and external audit and post-evaluation, and recommended improvements in the work approach and programs of the Post-Evaluation and Internal Auditor's Offices and in loan implementation procedures. In addition, the Committee obtained for the Board's information the opinion of the outside auditors for 1980 on audit considerations related to possible participation by the Bank in equity financing and loan guarantees.

The Audit Committee was established in 1977. The present Committee, comprising Mr. B.H. Kay (Chairman), Mr. Rainer Goerdeler and Mr. A. Melchor, Jr., was appointed in June 1979 for a two-year term which will expire in May 1981.

Committee on Administrative Matters Relating to Members of the Board

The Committee on Administrative Matters Relating to Members of the Board held two formal meetings in 1980 and submitted three reports to the Board.

Organization

The Bank's efforts to strengthen its economic research capability were reflected in the appointment of a Chief Economist to head the Economic Office, the steps initiated to design long-term plans of economic research and analysis and the proposed strengthening of staff engaged in economic analysis in the Country Department. A number of studies which will help improve understanding of development problems and processes were initiated in 1980.

Owing to the increased activities and responsibilities of the Advisor, Computer Services and his staff in terms of developing and coordinating the Bank's computerization program, the Office of Computer Services was formed and the position of Advisor, Computer Services previously attached to the Office of the Vice-President, Finance and Administration, was redesignated Chief, Office of Computer Services.

Internal Audit

Internal auditing provides Management with periodic, independent and objective evaluation of the adequacy and effectiveness of internal controls and related systems and procedures, but has no direct responsibility for developing

FRESH FISH at the dockside in Indonesia. The Bank is supporting fisheries development in many DMCs in order to raise incomes, generate employment and increase the protein levels in national diets.



and installing changes in such systems, procedures, and internal controls. The Office of the Internal Auditor (OIA) reports to the President and maintains regular liaison with the Vice-President, Finance and Administration, and Audit Committee of the Board. OIA assists all levels of management in the effective discharge of activities within their respective areas of responsibilities. Regular audit activities are of the financial audit type and are geared towards giving appropriate audit attention to financial, administrative and other Bank activities, but, more recently, greater attention has been paid to such aspects of the Bank's work as efficiency and policy by conducting brief surveys in potentially critical areas. Reports on such surveys are conveyed to appropriate parties in the same manner as special audit reports (see below).

Special audits involve in-depth examination of particular activities and subjects relating to the Bank's financial administration. Though many criteria determine the selection of topics for special audits, there has been a tendency for special audits to concentrate on problem areas of the day. The results of each special audit, comprising findings, analyses, conclusions and recommendations, are conveyed to Management and departments concerned by separate report, for information and action as appropriate. Copies of such special audit reports are also conveyed to the Audit Committee of the Board of Directors, who may review such reports with the Internal Auditor and/or representatives of departments concerned.

Consultations with other Bank departments include OIA's early involvement in the Bank's computerization and safeguarding Bank assets from losses. OIA also assists and coordinates with the external auditors when the latter conduct examinations of the Bank's accounts and financial statements.

Computer Program

In March 1980, the Office of Computer Services was formed to undertake the Bank's computer program and considerable progress has been made in a number of areas to meet the Bank's long-term data processing requirements. Systems analysis and design have been performed for the major applications in lending operations, accounting and finance, administrative management and project monitoring. In December 1980, acquisition arrangements were finalized for computer hardware, software and services and the computer system is expected to be installed in early 1981.

During the year, a number of applications were implemented satisfactorily on a mini-computer and a microprocessor. In-house Electronic Data Processing (EDP) concepts and orientation courses were developed and a number of training sessions were organized for senior staff during 1980. Training courses in systems design, data base management systems, structured programming and on-line applications design were conducted for EDP staff.

Systems analysis, design and program implementation tasks will continue during 1981 for other applications, such as administrative expenses commitment and accounting systems, manpower planning, financial projections, currency management, consultants' data, project planning and monitoring, socio-economic data bank and word processing and retrieval systems. Training sessions will also be arranged for staff in each user department and office in data entry, data control and data access procedures.



CHEMIST at work in a laboratory at the National Industrial Research Institute in the Republic of Korea, part of the Bank-assisted Industrial Products Inspection Centers Project which aims to develop and maintain internationally acceptable standards for the country's industrial products.

Office Accommodation

During the year, congestion in the Headquarters building was relieved, to some extent, by the transfer of a major part of the Budget, Personnel and Management Systems Department to the Marbella I building located close to the Bank. The planned transfer of selected departments and offices to the new Marbella II building, which is also located in the vicinity of the Bank, did not take place due to delays in the completion of the building.

In March 1980, the Board of Directors agreed in general terms with a proposal to construct a new Headquarters building in the Financial Center on the Manila Bay Reclamation Area under arrangements to be agreed upon between the Bank and the Philippine Government, on the understanding that a detailed project appraisal will be submitted to the Board.

Building Safety Improvements

In view of the plan to relocate the Bank in a new Headquarters building within a few years, a reduced program of safety improvements to the present Headquarters building, covering essential work to be undertaken by the Philippine Government in early 1981, has been prepared. Further safety improvements to the Headquarters building were also implemented during the year as part of the building maintenance program.

Staff Housing Scheme

The Bank's rental assistance program was adjusted during the year in order to help expatriate staff meet the dif-

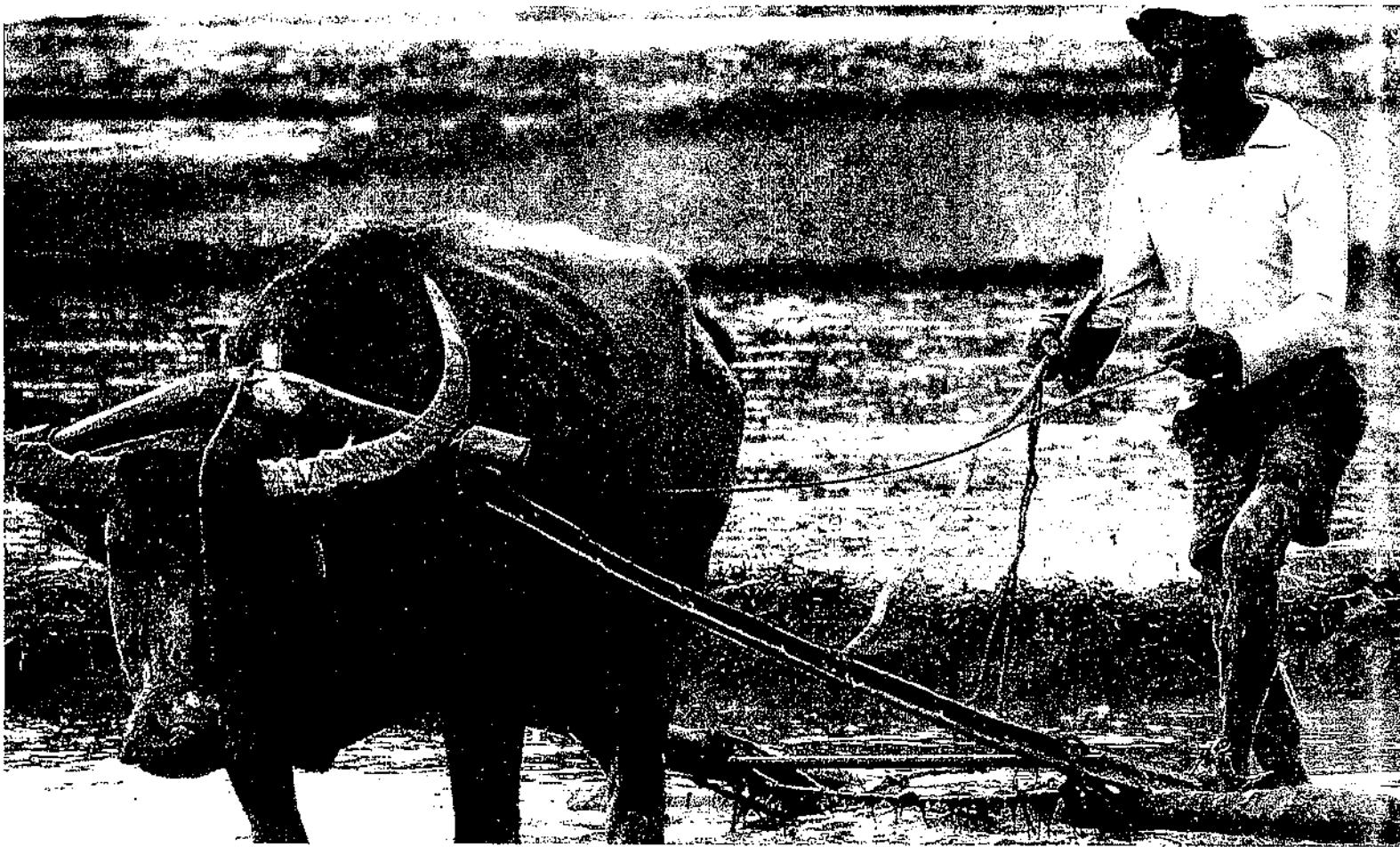
ficulties they face in obtaining suitable accommodation at reasonable cost. A consultant was also engaged to assist in the preparation of a Bank-financed pilot housing scheme.

Staff

On 31 December 1980, the Bank's staff had reached a total of 1,147 from 33 member countries. Of these, 416 belonged to the professional staff category and 731 were supporting staff. There were 94 professional staff appointments during the year — the highest number in any single year so far — while 38 staff terminated their employment with the Bank. In the supporting staff category, 127 appointments were made and 43 staff resigned.

The annual review of staff salaries and benefits was conducted in the second half of the year. In order to keep staff salaries in line with the rising cost of living and in order to maintain the competitiveness of Bank compensation vis-a-vis comparable organizations, the Board of Directors approved general salary increases for professional and supporting staff, effective 1 August, as well as a number of improvements in staff benefits.

During 1980, the Bank formulated a new comprehensive personnel management policy which will serve as a blueprint for future activities in this important area. The Board approved a new salary system for supporting staff in connection with the introduction in August 1980 of a Position Classification Program. A comprehensive review of the compensation system for professional staff was similarly initiated with the assistance of qualified consultants. During the second half of 1980, work was mainly concentrated



IRRIGATED water from the Bank-assisted Besut Agricultural Development Project in Malaysia is helping local farmers raise their output.

on the position classification phase of this review. Programs have also been initiated to establish a comprehensive manpower planning and career development system.

Supplementary Budget for 1980 and Budget for 1981.

A Supplementary Budget for Internal Administrative Expenses for 1980 in the amount of \$965,400 was authorized by the Board of Directors on 17 December 1980, mainly to provide for the costs of the general salary increase and benefit improvements approved during the year. This revised the original budget from \$42,372,000 to \$43,337,400. Actual administrative expenses for 1980 totalled \$42,619,604, representing 98.3 per cent utilization of the revised budget.

The approved Budget for 1981 is summarized in Appendix 2. It provides for Internal Administrative Expenses in 1981 amounting to \$58,746,000, an increase of \$16.1 million over actual expenses in 1980. This increase is largely attributable to: (i) additional staff; (ii) salary and benefit im-

provements approved in 1980; (iii) increased consultants' services and business travel required for the Bank's work in 1981; (iv) higher volume in office occupancy, communications, equipment, supplies, and other overheads required to support the Bank's functions; and (v) past and prospective price escalation.

It was recognized that the high rate of budget increase was a matter for concern. In this respect, maximum efforts would be exerted in the implementation of the budget to effect possible economies and to improve budgetary processes and controls.

In addition, provision is made under Services to Member Countries for new Commitments and Disbursements in 1981 amounting to \$11,000,000 and \$9,573,000, representing increases of 31.5 per cent and 51.2 per cent over actual commitments and disbursements in 1980, respectively. The increases in both commitments and disbursements in 1981 are due to the higher volume of technical assistance to be processed for approval and those under implementation.

STATISTICAL ANNEX

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TABLE 1
ESTIMATED RATE OF REAL GROWTH, 1970-1980 AND PER CAPITA GNP OF SELECTED DMCs, 1979

| Country | Compound Growth Rate (1) | Rate of Real Growth (%) | | | Per Capita GNP ^a In Current \$ |
|-------------------------|-----------------------------|-------------------------|-------------|--------------------------|--|
| | | 1978 (2) | 1979 (3) | 1980 ^b (4) | |
| Bangladesh ^c | 6.8 (1973-79) | 7.6 | 4.4 | 4.8 | 100 |
| Burma ^d | 3.9 (1970-79) | 6.0 | 6.0 | 6.3 | 160 |
| China, Rep. of | 9.5 (1970-80) | 13.4 | 7.8 | 6.8 | 1,800 |
| Fiji | 4.8 (1970-78) | 3.9 | 12.8 | ... | 1,690 |
| Hong Kong | 8.3 (1974-80) | 10.2 | 8.6 | 9.0 | 4,000 |
| India ^d | 3.6 (1970-79) | 5.9 | -4.5 | ... | 190 |
| Indonesia | 7.5 (1971-80) | 6.9 | 4.9 | 6.9 | 380 |
| Korea, Rep. of | 10.0 (1970-79) | 11.3 | 7.1 | -3.4 | 1,500 |
| Malaysia | 8.1 (1971-80) | 7.5 | 8.5 | 7.6 | 1,320 |
| Nepal ^c | 2.3 (1975-80) | 1.5 | 3.8 | -1.4 | 130 |
| Pakistan ^c | 4.5 (1970-80) | 7.0 | 5.9 | 6.2 | 270 |
| Papua New Guinea | -0.4 (1973-77) | 6.3 | 8.2 | ... | 650 |
| Philippines | 6.1 (1970-80) | 5.8 | 5.7 | 5.2 | 600 |
| Singapore | 9.0 (1970-79) | 8.6 | 9.3 | 10.2 | 3,820 |
| Sri Lanka | 4.2 (1970-80) | 8.2 | 6.3 | 5.6 | 230 |
| Thailand | 7.0 (1970-80) | 10.1 | 7.0 | 6.0 | 590 |

^a denotes data not available.

^b World Bank Atlas Methodology, 1977-79 base period.

^c Preliminary estimates.

^c Refers to fiscal years 1 July to 30 June for Bangladesh and Pakistan; 16 July to 15 July for Nepal. The year captions correspond to the last year mentioned in the fiscal year.

^d For Burma and India whose fiscal years end on 31 March, the year captions correspond to the first year mentioned in the fiscal year.

Sources: IBRD for column (5) and country sources for columns (1), (2), (3) and (4).

TABLE 2
RICE (PADDY) PRODUCTION IN SELECTED DMCs, 1977-1980^a
(Million metric tons)

| Country | 1977 | 1978 | 1979 | 1980 ^b | Annual Growth Rate (%) | | |
|------------------------|----------------|----------------|----------------|-------------------|------------------------|-------------|-------------------|
| | | | | | 1978 | 1979 | 1980 ^b |
| Bangladesh | 19.441 | 19.273 | 18.403 | 21.000 | -0.9 | -4.5 | 14.1 |
| Burma | 9.465 | 10.532 | 10.600 | 13.000 | 11.3 | 0.6 | 22.6 |
| China, Rep. of | 3.954 | 3.641 | 3.651 | 3.470 | -7.9 | 0.3 | -5.0 |
| India | 78.975 | 80.731 | 63.200 | 83.000 | 2.2 | -21.7 | 31.3 |
| Indonesia | 23.347 | 25.772 | 26.338 | 29.400 | 10.4 | 2.2 | 11.6 |
| Korea, Rep. of | 8.495 | 8.352 | 7.881 | 5.800 | -1.7 | -5.6 | -26.4 |
| Malaysia | 1.903 | 1.791 | 1.869 | 1.649 | -5.9 | 4.4 | -11.8 |
| Nepal | 2.282 | 2.339 | 2.024 | 2.399 | 2.6 | -13.5 | 18.5 |
| Pakistan | 4.424 | 4.828 | 4.753 | 5.312 | 9.1 | -1.6 | 11.8 |
| Philippines | 6.895 | 7.198 | 7.504 | 7.706 | 4.4 | 4.3 | 2.7 |
| Sri Lanka | 1.677 | 1.891 | 1.917 | 2.159 | 12.8 | 1.4 | 12.6 |
| Thailand | 13.921 | 17.526 | 15.800 | 17.400 | 25.9 | 9.8 | 10.1 |
| Viet Nam, Soc. Rep. of | 10.885 | 9.880 | 11.290 | 11.500 | -9.2 | 14.3 | 1.9 |
| Other DMCs | 3.075 | 2.749 | 2.370 | 2.448 | -10.6 | -13.8 | 3.3 |
| TOTAL | 188.739 | 196.503 | 177.600 | 206.243 | 4.1 | -9.6 | 16.1 |

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

b Preliminary estimates.

Sources: Food and Agriculture Organization, February 1981 and country sources.

TABLE 3
WHEAT AND MAIZE PRODUCTION IN SELECTED DMCs, 1977-1980^a
(Million metric tons)

| Country | 1977 | 1978 | 1979 | 1980 ^b | Annual Growth Rate (%) | | |
|----------------|---------------|---------------|---------------|-------------------|------------------------|-------------|-------------------|
| | | | | | 1978 | 1979 | 1980 ^b |
| WHEAT | | | | | | | |
| Afghanistan | 2.652 | 2.813 | 2.666 | 2.700 | 6.1 | -5.2 | 1.3 |
| Bangladesh | 0.259 | 0.348 | 0.494 | 0.823 | 34.4 | 42.0 | 66.6 |
| Burma | 0.075 | 0.042 | 0.091 | 0.100 | -44.0 | 116.7 | 9.9 |
| India | 29.010 | 31.749 | 35.508 | 31.564 | 9.4 | 11.8 | -11.1 |
| Korea, Rep. of | 0.045 | 0.036 | 0.042 | 0.092 | -20.0 | 16.7 | 119.0 |
| Nepal | 0.362 | 0.411 | 0.454 | 0.440 | 13.5 | 10.5 | -3.1 |
| Pakistan | 8.941 | 8.367 | 9.950 | 10.757 | -6.4 | 18.9 | 8.1 |
| TOTAL | 41.344 | 43.766 | 49.205 | 46.476 | 5.9 | 12.4 | -5.5 |
| MAIZE | | | | | | | |
| Afghanistan | 0.760 | 0.780 | 0.760 | 0.797 | -2.6 | -2.6 | 4.9 |
| India | 5.973 | 6.199 | 5.578 | 6.000 | 3.8 | -10.0 | 7.6 |
| Indonesia | 3.143 | 4.029 | 3.305 | 3.100 | 28.2 | -18.0 | -6.2 |
| Nepal | 0.740 | 0.742 | 0.554 | 0.700 | -0.3 | 25.3 | 26.4 |
| Pakistan | 0.764 | 0.821 | 0.799 | 0.875 | 7.5 | -2.7 | 9.5 |
| Philippines | 3.037 | 2.860 | 3.176 | 3.120 | -5.8 | 11.0 | -1.8 |
| Thailand | 1.677 | 2.791 | 3.300 | 3.150 | 66.4 | 18.2 | -4.5 |
| Other DMCs | 0.793 | 0.898 | 0.902 | 1.004 | 13.2 | 0.4 | 11.3 |
| TOTAL | 16.887 | 19.120 | 18.374 | 18.746 | 13.2 | 3.9 | 2.0 |

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

Sources: Food and Agriculture Organization, February 1981 and country sources.

TABLE 4
OIL PRODUCTION AND IMPORTS OF SELECTED DMCs, 1978-1980

| Country | Crude Petroleum Production ('000 mt) | | | | Petroleum & Petroleum Products Imports (\$ million) | | | |
|--------------------------------|---|----------------|-------------------|-----------------------|--|--------------------|--------------------|-----------------------|
| | 1978 | 1979 | 1980 ^a | % Increase 1980/79 | 1978 | 1979 | 1980 ^a | % Increase 1980/79 |
| Afghanistan | 14 | 16 | 11 | -31.2 | 37 | 44 | 65 | 47.7 |
| Bangladesh | — | — | — | — | 46 | 59 | 117 | 98.3 |
| Burma | 1,344 | 1,416 | 1,542 | 8.9 | 2 | 1 ^a | ... | ... |
| China, Rep. of | 289 | 271 | 254 | -6.3 | 1,589 | 2,176 | 4,105 | 88.6 |
| Fiji ^b | — | — | — | — | 54 | 84 | 99 | 17.9 |
| Hong Kong | — | — | — | — | 646 | 951 | 1,444 | 51.8 |
| India | 11,271 | 12,841 | 9,361 | -27.1 | 1,893 | 2,064 | 5,169 | 150.4 |
| Indonesia | 81,210 | 78,210 | 77,867 | -0.4 | 580 ^c | 793 ^c | 1,485 ^c | 87.3 |
| Kiribati ^d | — | — | — | — | 2 | 2 | 3 | 50.0 |
| Korea, Rep. of | — | — | — | — | 2,190 | 3,104 | 5,576 | 79.6 |
| Lao PDR ^e | — | — | — | — | 7 | 10 | 13 | 30.0 |
| Malaysia | 10,554 | 13,600 | 13,400 | -1.5 | 401 ^b | 575 ^b | 798 ^b | 38.8 |
| Nepal ^d | — | — | — | — | 34 | 26 | 39 | 50.0 |
| Pakistan | 484 | 523 | 560 | 7.1 | 598 | 676 | 1,515 | 124.1 |
| Philippines | — | 1,184 | 493 | -58.4 | 1,030 ^d | 1,385 ^d | 1,910 ^d | 37.9 |
| Singapore | — | — | — | — | 3,112 | 4,446 | 6,431 | 44.6 |
| Solomon Islands ^f | — | — | — | — | 4 | 7 | 11 | 57.1 |
| Sri Lanka | 1,388 | 1,311 | 1,303 | -0.6 | 143 | 201 | 442 | 119.9 |
| Thailand | 12 | 9 | 13 | 44.4 | 1,123 | 1,599 | 2,866 | 79.2 |
| Tonga ^d | — | — | — | — | 3 | 3 | 4 | 33.3 |
| Western Samoa | — | — | — | — | 4 | 7 | 10 | 42.9 |
| TOTAL (Reporting) | 106,566 | 109,381 | 104,804 | -4.2 | 13,498 | 18,213 | 32,102 | 76.3 |
| TOTAL (Excluding India) | 95,295 | 96,540 | 95,443 | -1.1 | 11,605 | 16,149 | 26,933 | 66.8 |

... denotes data not available.

— denotes magnitude zero.

a Preliminary estimates.

b Oil only.

c Includes lubricants.

d Mineral fuels & lubricants.

e Minerals & Petroleum Products.

f Mineral fuels.

Sources: UN Monthly Bulletin of Statistics, December 1980, ESCAP Statistical Indicators for Asia and the Pacific, December 1980 and country sources.

TABLE 5
CHANGES IN CONSUMER PRICES IN SELECTED DMCs, 1978-1980^a
(Per cent)

| Country | 1978 | 1979 | 1980 ^c |
|-------------------------------|------|------|-------------------|
| Afghanistan | 11.8 | 4.9 | 0.4 |
| Bangladesh | 15.2 | 10.2 | 15.5 |
| Burma | -6.0 | 5.7 | 0.6 |
| China, Rep. of ^b | 5.8 | 9.8 | 19.0 |
| Cook Islands | 11.7 | 11.2 | 14.0 |
| Fiji ^b | 6.1 | 7.7 | 14.5 |
| Hong Kong | 5.9 | 11.6 | 15.5 |
| India ^b | 2.5 | 6.3 | 10.7 |
| Indonesia | 8.1 | 21.9 | 16.0 |
| Kiribati | 10.9 | 8.3 | 13.8 |
| Korea, Rep. of | 14.4 | 18.1 | 28.6 |
| Malaysia | 4.9 | 3.6 | 6.7 |
| Nepal | 6.8 | 4.9 | 11.0 |
| Pakistan ^b | 6.9 | 8.4 | 10.4 |
| Papua New Guinea | 6.5 | 7.0 | 12.2 |
| Philippines | 7.6 | 18.8 | 17.8 |
| Singapore | 4.8 | 4.0 | 9.7 |
| Solomon Islands | 6.4 | 7.9 | 11.4 |
| Sri Lanka | 12.1 | 10.8 | 26.1 |
| Thailand | 8.8 | 10.3 | 19.9 |
| Tonga ^b | 9.5 | 5.5 | 22.4 |
| Western Samoa ^b | 2.2 | 11.1 | 29.7 |
| Weighted Average ^d | 6.7 | 11.6 | 15.6 |

a. Unless otherwise indicated, data refer to changes in consumer prices in capital city of the DMC.

b. Data refer to whole country or average of all cities.

c. Preliminary estimates.

d. Weights are proportional to GNP in US dollars in 1979.

Sources: IMF, *International Financial Statistics*, March, 1981 and country sources.

TABLE 6
BALANCE OF TRADE OF SELECTED DMCs, 1977-1980
(\$ million)

| Country | Exports (fob) | | | |
|------------------------|---------------|---------------|------------------|----------------------------|
| | 1977 | 1978 | 1979 | 1980 ^a |
| Afghanistan | 306 | 322 | 494 | 363 |
| Bangladesh | 476 | 475 | 632 | 680 |
| Burma | 207 | 267 | 408 | 475 |
| China, Republic of | 9,361 | 12,687 | 16,103 | 19,766 |
| Cook Islands | 2 | 3 | 4 | ... |
| Fiji | 179 | 197 | 257 | 374 |
| Hong Kong | 9,617 | 11,507 | 15,178 | 19,743 |
| India | 6,378 | 6,668 | 6,939 | 9,230 |
| Indonesia | 8,092 | 8,287 | 11,558 | 17,759 |
| Kiribati | 20 | 24 | 24 | 26 |
| Korea, Republic of | 10,046 | 12,711 | 15,056 | 17,517 |
| Lao PDR | 9 | 8 | 22 | ... |
| Malaysia | 6,080 | 7,413 | 11,077 | 13,117 |
| Maldives | 2 | 4 | 5 | ... |
| Nepal | 81 | 91 | 109 | 96 |
| Pakistan | 1,189 | 1,475 | 2,056 | 2,518 |
| Papua New Guinea | 718 | 770 | 965 | 1,204 |
| Philippines | 3,051 | 3,425 | 4,601 | 5,591 |
| Singapore | 8,241 | 10,134 | 14,233 | 20,107 |
| Solomon Islands | 33 | 35 | 67 | 67 |
| Sri Lanka | 570 | 847 | 981 | 964 |
| Thailand | 3,490 | 4,085 | 5,298 | 6,494 |
| Tonga | 7 | 6 | 7 | 8 |
| Viet Nam, Soc. Rep. of | 456 | 650 | 927 ^b | ... |
| Western Samoa | 15 | 11 | 18 | 18 |
| TOTAL | 68,626 | 82,102 | 107,019 | 137,346^c |

— denotes magnitude zero.

... denotes data not available.

a Preliminary estimates.

b Based on growth rate of 1978/1977.

c Based on 1980/79 growth rate of total reporting countries.

Sources: IMF, *International Financial Statistics*, March 1981 and country sources.

| Imports (cif) | | | | Balance of Trade | | | |
|---------------|--------|------------------|----------------------|------------------|--------|---------|----------------------|
| 1977 | 1978 | 1979 | 1980 ^a | 1977 | 1978 | 1979 | 1980 ^a |
| 328 | 395 | 387 | 279 | -22 | -73 | 107 | 84 |
| 1,191 | 1,205 | 1,426 | 1,780 | -715 | -730 | -794 | -1,100 |
| 273 | 467 | 537 | 770 | -66 | -200 | -129 | -295 |
| 8,511 | 11,027 | 14,774 | 19,719 | 850 | 1,660 | 1,329 | 47 |
| 17 | 19 | 20 | ... | -15 | -16 | -16 | ... |
| 306 | 354 | 470 | 580 | -127 | -157 | -213 | -206 |
| 10,446 | 13,459 | 17,157 | 22,438 | -829 | -1,952 | -1,979 | -2,695 |
| 6,647 | 7,929 | 8,800 | 16,005 | -269 | -1,261 | -1,861 | -6,775 |
| 5,605 | 6,286 | 7,261 | 8,534 | 2,487 | 2,001 | 4,297 | 9,225 |
| 13 | 16 | 17 | 19 | 7 | 8 | 7 | 7 |
| 10,811 | 14,960 | 20,339 | 22,012 | -765 | -2,249 | -5,283 | -4,495 |
| 58 | 74 | 88 | ... | -49 | -66 | -66 | ... |
| 4,542 | 5,929 | 7,849 | 10,344 | 1,538 | 1,484 | 3,228 | 2,773 |
| 4 | 13 | 20 | ... | -2 | -9 | -15 | ... |
| 168 | 222 | 242 | 295 | -87 | -131 | -133 | -199 |
| 2,446 | 3,285 | 4,052 | 5,420 | -1,257 | -1,810 | -1,996 | -2,902 |
| 665 | 675 | 789 | 903 | -53 | 95 | 176 | 301 |
| 4,270 | 5,143 | 6,613 | 8,280 | -1,219 | -1,718 | -2,012 | -2,689 |
| 10,471 | 13,049 | 17,636 | 24,423 | -2,230 | -2,915 | -3,403 | -4,316 |
| 29 | 35 | 56 | 69 | -4 | — | 11 | -2 |
| 696 | 942 | 1,448 | 1,909 | -126 | -95 | -467 | -945 |
| 4,616 | 5,356 | 7,158 | 9,214 | -1,126 | -1,271 | -1,860 | -2,720 |
| 19 | 25 | 29 | 33 | -12 | -19 | -22 | -25 |
| 1,142 | 990 | 858 ^b | ... | -686 | -340 | 69 | ... |
| 41 | 52 | 74 | 70 | -26 | -41 | -56 | -52 |
| 73,315 | 91,907 | 118,100 | 154,385 ^c | -4,689 | -9,805 | -11,081 | -17,022 ^c |

TABLE 7
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs, 1977-1980

| Country | International Reserves ^a (\$ million) | | | | Ratio to Imports ^b (Months) | | | |
|-----------------------|---|-----------------|-----------------|-----------------------------|---|------------|------------|------------------------|
| | 1977 | 1978 | 1979 | 1980 ^c | 1977 | 1978 | 1979 | 1980 ^c |
| Afghanistan | 315.5 | 430.6 | 483.3 | 656.5 | 11.5 | 13.1 | 15.0 | 28.2 |
| Bangladesh | 235.0 | 316.4 | 401.9 | 322.1 | 2.4 | 3.2 | 3.4 | 2.2 |
| Burma | 112.9 | 107.2 | 214.9 | 271.9 | 5.0 | 2.8 | 4.8 | 4.2 |
| China, Rep. of | 1,448.0 | 1,513.0 | 1,576.0 | 1,625.0 | 2.0 | 1.6 | 1.3 | 1.0 |
| Fiji | 147.5 | 135.1 | 137.0 | 168.0 | 5.8 | 4.6 | 3.5 | 3.5 |
| India | 5,107.0 | 6,688.0 | 7,716.0 | 7,664.0 | 9.2 | 10.1 | 10.5 | 5.7 |
| Indonesia | 2,516.0 | 2,663.0 | 4,167.0 | 6,500.0 | 5.4 | 5.1 | 6.9 | 9.1 |
| Kiribati ^d | 55.0 | 72.5 | 90.3 | ... | 50.8 | 54.4 | 63.7 | ... |
| Korea, Rep. of | 4,306.8 | 4,920.2 | 5,691.4 | 6,596.4 | 4.8 | 3.9 | 3.4 | 3.6 |
| Lao PDR | 7.8 | 21.5 | 21.8 | ... | 1.6 | 3.5 | 3.0 | ... |
| Malaysia | 2,858.0 | 3,329.0 | 4,013.0 | 4,705.0 | 7.6 | 6.7 | 6.1 | 5.5 |
| Nepal | 147.8 | 153.6 | 170.8 | 195.9 | 10.6 | 8.3 | 8.4 | 8.0 |
| Pakistan | 517.0 | 740.0 | 941.0 | 1,470.1 | 2.5 | 2.7 | 2.8 | 3.3 |
| Papua New Guinea | 430.2 | 430.1 | 540.3 | 473.0 | 7.8 | 7.6 | 8.2 | 6.3 |
| Philippines | 1,524.0 | 1,881.0 | 2,416.0 | 3,140.0 | 4.3 | 4.4 | 4.4 | 4.6 |
| Singapore | 3,857.7 | 5,302.7 | 5,818.5 | 6,512.9 | 4.4 | 4.9 | 4.0 | 3.2 |
| Solomon Islands | 2.4 | 28.1 | 34.1 | 24.1 | 1.0 | 9.6 | 7.9 | 4.2 |
| Sri Lanka | 292.0 | 400.0 | 520.0 | 404.0 | 5.0 | 5.0 | 4.3 | 2.5 |
| Thailand | 1,915.0 | 2,557.0 | 3,129.0 | 3,026.0 | 5.0 | 5.7 | 5.2 | 3.9 |
| Tonga ^d | 9.8 | 7.1 | 7.7 | 11.0 | 6.2 | 3.4 | 3.2 | 4.0 |
| Western Samoa | 9.1 | 4.8 | 4.8 | 1.9 | 2.7 | 1.1 | 0.8 | 0.3 |
| TOTAL | 25,814.5 | 31,700.9 | 38,094.3 | 43,767.8^e | 5.0 | 4.9 | 4.6 | 4.0^e |

... denotes data not available.

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

b. Imports c.i.f. from trade statistics are used for computing the ratio.

c. Preliminary estimates.

d. Foreign exchange holdings only.

e. Reporting countries.

Sources: IMF, *International Financial Statistics*, March 1981 and country sources.

TABLE 8
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO OF SELECTED DMCs, 1977-1979
(\$ million)

| Country | Debt Outstanding ^a | | | Service Payments | | | Debt Service Ratio (%) | | |
|------------------|-------------------------------|-----------------|-----------------|------------------|----------------|----------------|------------------------|-------------------|-------------------|
| | 1977 | 1978 | 1979 | 1977 | 1978 | 1979 | 1977 | 1978 | 1979 |
| Afghanistan | 1,071.4 | 1,215.9 | 1,143.1 | 38.3 | 51.9 | 9.4 | 8.2 | 13.7 | 2.0 ^b |
| Bangladesh | 2,290.2 | 2,775.2 | 2,841.6 | 67.1 | 94.2 | 84.0 | 11.8 | 13.8 | 9.8 |
| Burma | 505.5 | 861.0 | 1,140.8 | 33.3 | 46.5 | 90.5 | 13.1 | 18.0 | 21.9 |
| China, Rep. of | 2,623.2 | 2,905.2 | 3,082.4 | 470.7 | 631.2 | 731.0 | 4.8 | 4.8 | 4.3 |
| Fiji | 80.8 | 80.3 | 105.5 | 7.3 | 16.4 | 12.3 | 2.3 | 4.4 | 2.7 |
| Hong Kong | 163.5 | 223.5 | 405.1 | 9.4 | 94.5 | 22.6 | 0.1 | 0.8 | 0.1 |
| India | 14,529.7 | 15,319.4 | 15,540.9 | 810.4 | 933.6 | 962.8 | 9.4 | 9.4 | 13.9 ^b |
| Indonesia | 11,658.4 | 13,087.5 | 13,272.0 | 1,261.4 | 1,468.2 | 2,102.1 | 11.5 | 13.0 | 13.3 |
| Korea, Rep. of | 8,725.8 | 12,073.5 | 14,694.0 | 1,201.2 | 1,827.8 | 2,636.2 | 9.2 | 10.6 | 13.5 |
| Lao PDR | 68.4 | 81.2 | ... | 2.2 | 3.1 | 3.3 | 26.2 | 31.3 | 12.7 |
| Malaysia | 2,049.4 | 2,691.0 | 3,003.7 | 446.2 | 703.7 | 574.7 | 6.6 | 8.4 | 4.7 |
| Maldives | 1.8 | 3.9 | 6.2 | 0.1 | 0.1 | 0.1 | 5.0 | 2.5 | 2.0 |
| Nepal | 72.1 | 87.7 | 125.3 | 2.8 | 2.7 | 3.3 | 1.4 | 1.4 | 1.4 |
| Pakistan | 6,789.6 | 7,652.4 | 7,997.6 | 317.1 | 383.7 | 484.7 | 21.7 | 20.9 | 19.1 |
| Papua New Guinea | 334.8 | 369.9 | 393.4 | 27.1 | 32.0 | 46.0 | 3.5 | 3.9 | 4.3 |
| Philippines | 2,945.3 | 4,242.1 | 5,180.4 | 317.9 | 642.3 | 804.7 | 7.6 | 13.2 | 13.0 |
| Singapore | 998.2 | 1,133.5 | 1,323.0 | 82.3 | 303.8 | 219.4 | 0.8 | 2.3 | 1.3 |
| Sri Lanka | 779.5 | 1,010.3 | 1,086.0 | 123.3 | 89.1 | 75.8 | 14.5 | 9.2 | 6.5 |
| Thailand | 1,067.6 | 1,790.5 | 2,699.3 | 121.7 | 195.0 | 278.0 | 2.9 | 3.8 | 4.2 |
| Western Samoa | 29.8 | 39.9 | 48.3 | 1.9 | 2.9 | 3.6 | 12.7 ^b | 26.4 ^b | 20.0 ^b |
| TOTAL | 56,785.0 | 67,643.9 | 74,088.6 | 5,341.7 | 7,522.7 | 9,144.5 | 6.6 | 7.7 | 7.0 |

a. Disbursed only.

b. Computed using exports from external trade.

Source: IBRD-ADB External Debt Tables, 31 Dec. 1979.

TABLE 9
**DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCES GAP AS
PERCENTAGE OF GDP OF SELECTED DMCs, 1977-1979**
(Per cent)

| Country | Gross Domestic Savings As Percentage of GDP | | | Gross Capital Formation As Percentage of GDP | | | Resources Gap As Percentage of GDP | | |
|------------------|--|------|------|---|------|------|---------------------------------------|------|------|
| | 1977 | 1978 | 1979 | 1977 | 1978 | 1979 | 1977 | 1978 | 1979 |
| Bangladesh (FY) | 4.9 | 6.8 | 5.1 | 13.7 | 15.4 | 15.2 | 8.8 | 8.6 | 10.1 |
| China, Rep. of | 32.8 | 35.0 | 33.9 | 28.2 | 28.2 | 33.7 | -4.6 | -6.8 | -0.2 |
| Hong Kong | 28.2 | 23.7 | 25.0 | 24.7 | 27.1 | 27.4 | -3.5 | 3.4 | 2.4 |
| India (FY) | 21.6 | 23.9 | 21.2 | 20.0 | 23.7 | 21.8 | -1.6 | -0.2 | 0.6 |
| Korea, Rep. of | 25.0 | 26.2 | 27.9 | 27.1 | 31.0 | 35.6 | -2.1 | 4.8 | 7.7 |
| Malaysia | 27.4 | 26.0 | 30.3 | 23.3 | 25.2 | 24.7 | -4.1 | -0.8 | -5.6 |
| Nepal (FY) | 9.9 | 7.7 | 9.3 | 12.4 | 12.6 | 13.6 | 2.5 | 4.9 | 4.3 |
| Pakistan (FY) | 8.0 | 8.6 | ... | 18.4 | 17.3 | 17.7 | 10.4 | 8.7 | ... |
| Papua New Guinea | 22.0 | 19.0 | ... | 18.5 | 18.9 | ... | -3.5 | -0.1 | ... |
| Philippines | 25.3 | 24.1 | 25.0 | 28.4 | 28.7 | 29.9 | 3.1 | 4.6 | 4.9 |
| Singapore | 28.3 | 27.2 | 26.7 | 33.5 | 35.6 | 38.7 | 5.2 | 8.4 | 12.0 |
| Sri Lanka | 17.6 | 17.2 | 15.5 | 13.2 | 21.8 | 26.3 | -4.4 | 4.6 | 10.8 |
| Thailand | 20.4 | 22.1 | 21.9 | 26.0 | 27.0 | 29.5 | 5.6 | 4.9 | 7.6 |
| Tonga | 15.7 | 8.6 | 10.4 | 19.1 | 24.5 | 30.4 | 3.4 | 15.9 | 20.0 |

— denotes data not available.

Sources: Country sources.

TABLE 10
NET FLOWS OF RESOURCES TO DMCs, 1977-1979
(\$ Million)

| Country | Net Flows From Multilateral Agencies* | | | Net Official Flows From DAC Countries | | |
|------------------------|--|----------------|----------------|--|----------------|----------------|
| | 1977 | 1978 | 1979 | 1977 | 1978 | 1979 |
| Afghanistan | 51.5 | 44.4 | 52.5 | 27.6 | 32.0 | 68.4 |
| Bangladesh | 215.9 | 295.8 | 404.3 | 384.3 | 664.7 | 775.2 |
| Burma | 47.3 | 120.3 | 104.8 | 54.2 | 156.4 | 262.7 |
| Cambodia | 0.1 | 0.1 | 83.3 | 0.3 | 0.2 | 25.0 |
| China, Rep. of | -18.5 | -24.5 | -11.3 | 98.4 | 42.0 | 162.7 |
| Cook Islands | 0.2 | 0.3 | ... | 8.2 | 6.7 | ... |
| Fiji | 8.3 | 4.7 | 15.0 | 21.6 | 23.6 | 34.2 |
| Hong Kong | -2.1 | 1.8 | 19.2 | -0.4 | -0.9 | -0.8 |
| India | 530.0 | 563.3 | 635.7 | 434.2 | 612.5 | 731.4 |
| Indonesia | 291.8 | 235.0 | 296.8 | 516.1 | 678.9 | 605.2 |
| Kiribati | 0.2 | 0.7 | ... | 6.1 | 10.0 | ... |
| Korea, Rep. of | 294.5 | 390.2 | 448.2 | 811.4 | 516.6 | 334.0 |
| Lao PDR | 5.7 | 29.2 | 27.7 | 26.7 | 42.6 | 26.4 |
| Malaysia | 99.3 | 87.8 | 116.3 | 92.3 | 66.6 | 91.2 |
| Maldives | 1.1 | 1.3 | ... | 1.5 | 3.8 | ... |
| Nepal | 40.1 | 36.0 | 50.7 | 37.4 | 39.6 | 82.4 |
| Pakistan | 204.0 | 271.9 | 215.8 | 331.2 | 355.0 | 421.2 |
| Papua New Guinea | 16.6 | 25.2 | 22.1 | 227.0 | 275.3 | 285.5 |
| Philippines | 150.0 | 212.8 | 338.0 | 200.8 | 209.3 | 264.3 |
| Singapore | 0.7 | 59.5 | -4.8 | 7.3 | 43.1 | 99.2 |
| Solomon Islands | 0.8 | ... | ... | 16.1 | ... | ... |
| Sri Lanka | 61.4 | 104.9 | 84.2 | 118.7 | 215.8 | 231.3 |
| Thailand | 123.8 | 224.8 | 258.7 | 129.4 | 181.1 | 376.0 |
| Tonga | 1.8 | 1.6 | ... | 4.9 | 8.0 | ... |
| Viet Nam, Soc. Rep. of | 47.6 | 161.2 | 106.7 | 200.5 | 208.3 | 249.3 |
| Western Samoa | 9.4 | 8.9 | ... | 12.1 | 13.3 | ... |
| TOTAL | 2,181.5 | 2,856.7 | 3,263.9 | 3,267.9 | 4,404.5 | 5,124.8 |

... denotes data not available.

— denotes magnitude zero.

a Includes net flows from ARAB/OPEC multilateral institutions.

b Exclude financial flows from the IMF (other than loans by the IMF Trust Fund), Member States of the Council for Mutual Economic Assistance (CMEA), other developing countries and grants by voluntary private agencies.

c Includes flows to South Pacific Countries.

Source: OECD, Geographical Distribution of Financial Flows to Developing Countries, 1980.

| Net Private Flows From DAC Countries | | | OPEC Assistance | | | Total Net Flows of Resources ^b | | |
|---|---------|---------|-----------------|-------|-------|--|-----------------------|-----------------------|
| 1977 | 1978 | 1979 | 1977 | 1978 | 1979 | 1977 | 1978 | 1979 |
| -0.2 | 0.7 | -0.2 | 21.5 | 18.4 | 8.3 | 100.4 | 95.5 | 129.0 |
| -0.2 | 11.1 | 6.1 | 165.0 | 26.8 | 13.3 | 765.0 | 998.4 | 1,198.9 |
| 4.5 | 81.4 | 104.2 | — | — | — | 106.0 | 358.1 | 471.7 |
| — | 0.2 | -0.1 | — | — | — | 0.4 | 0.5 | 108.2 |
| -52.1 | -17.6 | 255.7 | 33.8 | 19.7 | 21.5 | 61.6 | 19.6 | 428.6 |
| 0.0 | -0.3 | ... | — | — | ... | 8.4 | 6.7 | 7.7 |
| 14.7 | 15.2 | 13.6 | — | — | — | 44.6 | 43.5 | 62.8 |
| 239.4 | 101.6 | 343.4 | — | — | — | 236.9 | 102.0 | 361.8 |
| -49.1 | -102.1 | -128.9 | 133.8 | 218.9 | 45.0 | 1,048.9 | 1,292.6 | 1,283.2 |
| 60.3 | 504.2 | -520.5 | 29.3 | 28.4 | 5.0 | 897.5 | 1,446.5 | 386.5 |
| 0.0 | -0.1 | ... | — | — | — | 6.3 | 10.6 | 9.1 |
| 726.2 | 580.0 | 912.0 | 48.4 | 52.8 | 20.2 | 1,380.5 | 1,539.6 | 1,714.4 |
| 0.7 | 0.4 | 0.4 | — | — | 5.0 | 33.1 | 72.2 | 59.5 |
| -70.4 | 128.9 | 475.8 | 7.5 | 9.1 | 5.2 | 128.7 | 292.4 | 688.5 |
| 1.2 | 1.5 | ... | 0.1 | 2.1 | 2.5 | 3.9 | 8.7 | 5.8 |
| 0.2 | 0.6 | 3.6 | 4.5 | 1.6 | 3.5 | 82.2 | 77.8 | 140.2 |
| 23.1 | 20.4 | 23.2 | 59.1 | 97.7 | 42.1 | 617.4 | 745.0 | 702.3 |
| 19.5 | 35.5 | 18.5 | — | — | 2.2 | 263.1 | 336.0 | 328.3 |
| 359.6 | 639.2 | 558.5 | — | — | 3.0 | 710.4 | 1,061.3 | 1,163.8 |
| 180.7 | 254.2 | 364.1 | — | — | — | 188.7 | 356.8 | 458.5 |
| 0.2 | — | ... | — | — | ... | 17.1 | 28.1 | 26.9 |
| -12.9 | -11.5 | -4.3 | 7.7 | 6.1 | 4.5 | 174.9 | 315.3 | 315.7 |
| 20.4 | 228.0 | 310.0 | 0.3 | 1.8 | 3.1 | 273.9 | 635.7 | 947.8 |
| 0.1 | -0.4 | ... | — | — | ... | 6.8 | 10.0 | 24.2 |
| 57.1 | 89.0 | 62.5 | — | — | — | 305.2 | 458.5 | 418.5 |
| 2.9 | 1.1 | ... | — | — | ... | 24.4 | 23.3 | 33.5 |
| 1,525.9 | 2,562.0 | 2,797.6 | 511.0 | 483.4 | 184.4 | 7,486.3 | 10,334.7 ^c | 11,475.4 ^c |

APPENDIXES

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FINANCIAL STATEMENTS AND OPINIONS OF INDEPENDENT AUDITORS

ORDINARY CAPITAL RESOURCES

- 1-I Balance Sheet, 31 December 1980 and 31 December 1979
- 1-II Statement of Income and Expenses for the Years Ended 31 December 1980 and 31 December 1979
- 1-III Statement of Changes in Financial Position for the Years Ended 31 December 1980 and 31 December 1979
- 1-IV Statement of Cash in Banks and Demand Obligations of Members, 31 December 1980
- 1-V Summary Statement of Loans, 31 December 1980
- 1-VI Summary Statement of Borrowings, 31 December 1980 and 31 December 1979
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- 1-VIII Notes to Financial Statements, 31 December 1980 and 31 December 1979

Opinion of Independent Auditors

SPECIAL FUNDS RESOURCES

- 1-A Balance Sheet, 31 December 1980 and 31 December 1979
- 1-B Statement of Income and Expenses and Accumulated Net Income (Expense) for the Years Ended 31 December 1980 and 31 December 1979
- 1-C Statement of Changes in Financial Position for the Years Ended 31 December 1980 and 31 December 1979
- 1-D Technical Assistance Special Fund Statement of Contributed Resources, 31 December 1980
- 1-E Technical Assistance Special Fund Balance Sheet, 31 December 1980
- 1-F Technical Assistance Special Fund Summary Statement of Expenses for the Year Ended 31 December 1980
- 1-G Notes to Financial Statements, 31 December 1980 and 31 December 1979

Opinion of Independent Auditors

ASIAN DEVELOPMENT FUND

- 1-1 Balance Sheet, 31 December 1980 and 31 December 1979
- 1-2 Statement of Income and Expenses and Accumulated Net Income for the Years Ended 31 December 1980 and 31 December 1979
- 1-3 Statement of Changes In Financial Position for the Years Ended 31 December 1980 and 31 December 1979
- 1-4 Summary Statement of Loans, 31 December 1980
- 1-5 Statement of Resources, 31 December 1980
- 1-6 Notes to Financial Statements, 31 December 1980 and 31 December 1979

Opinion of Independent Auditors

ORDINARY CAPITAL RESOURCES

SHEET

and 31 December 1979

United States Dollars (Note A)

LIABILITIES, CAPITAL AND RESERVES

| | 1980 | 1979 |
|--|------------------|------------------|
| UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-V) | | |
| Held by Bank | \$2,361,716 | \$1,845,578 |
| BORROWINGS | | |
| Principal amounts outstanding (See Appendix 1-VI) | \$1,871,820 | \$1,777,151 |
| Less — net unamortized discounts and premiums (Note A) | <u>2,030</u> | <u>1,869,790</u> |
| ACCRUED INTEREST ON BORROWINGS | 56,307 | 50,154 |
| ACCOUNTS PAYABLE AND OTHER LIABILITIES | | |
| Notional amounts required to maintain value of currency holdings (Note I) | 22,571 | 9,141 |
| Miscellaneous | <u>6,448</u> | <u>29,019</u> |
| CAPITAL AND RESERVES | | |
| Capital Stock (See Appendix 1-VII) (Note C) | | |
| Authorized (SDR 7,220,570) | | |
| Subscribed | | |
| (SDR 6,921,740 — 1980) | 8,828,056 | 8,861,139 |
| (SDR 6,726,590 — 1979) | <u>7,083,653</u> | <u>7,085,128</u> |
| Less — "callable" shares subscribed (SDR 5,554,020 — 1980) | 1,744,403 | 1,776,011 |
| (SDR 5,378,400 — 1979) | <u>117,455</u> | <u>223,692</u> |
| "Paid-In" shares subscribed (SDR 1,367,720 — 1980) | 1,626,948 | 1,552,319 |
| (SDR 1,348,190 — 1979) | <u>60,722</u> | <u>62,718</u> |
| Less — subscription instalments not due (SDR 92,092 — 1980) | 1,566,226 | 1,489,601 |
| (SDR 169,807 — 1979) | <u>5,647</u> | <u>2,095</u> |
| Subscription instalments matured | | |
| (SDR 1,275,628 — 1980) | 391,195 | 298,836 |
| (SDR 1,178,383 — 1979) | <u>78,598</u> | <u>59,299</u> |
| Less — capital set aside and transferred to Special Funds (Note F) (SDR 47,610) | <u>131,833</u> | <u>2,173,499</u> |
| Advance payments on subscriptions (Note C) | 2,173,499 | 83,014 |
| Ordinary Reserve (Note G) | \$6,490,331 | \$5,623,427 |
| Special Reserve (Note E) | | |
| Net income after appropriation of commissions to Special Reserve (Note G) | | |
| For the years ended 31 December 1980 and 31 December 1979 | | |

BALANCE

31 December 1980

Expressed in Thousands of

| ASSETS | 1980 | 1979 |
|---|--------------------|--------------------|
| CASH IN BANKS (See Appendix 1-IV) (Note B) | \$ 64,422 | \$ 62,139 |
| INVESTMENTS | | |
| Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$337,542—1980, \$394,218—1979) | \$ 332,957 | \$ 390,192 |
| Time deposits and other obligations of banks | <u>981,589</u> | <u>1,314,546</u> |
| LOANS (See Appendix 1-V) (Note A) | | |
| Loans approved — <u>\$5,652,743</u> —1980, <u>\$4,694,263</u> —1979 | | |
| Effective loans Held by Bank | 4,457,057 | 3,641,309 |
| ACCRUED INCOME | | |
| On investments | 48,641 | 48,928 |
| On loans | <u>47,465</u> | <u>40,559</u> |
| AMOUNTS RECEIVABLE FROM MEMBERS | | |
| Non-negotiable, non-interest-bearing demand obligations (See Appendix 1-IV) (Notes B and C) | 355,683 | 303,670 |
| Amounts required to maintain value of currency holdings (Note D) | 1,586 | 1,596 |
| Subscription instalments (Note C) | <u>374</u> | <u>812</u> |
| OTHER ASSETS | | |
| Notional amounts required to maintain value of currency holdings (Note I) | 85,482 | 120,818 |
| Administration Charge receivable from Special Funds (Note J) | 9,380 | 8,605 |
| Unamortized issuance costs of borrowings (Note A) | 18,429 | 15,112 |
| Miscellaneous | <u>8,668</u> | <u>6,412</u> |
| SPECIAL RESERVE FUND ASSETS (Note E) | 78,598 | 59,299 |
| TOTAL | \$6,490,331 | \$5,623,427 |

ORDINARY CAPITAL RESOURCES

SHEET

and 31 December 1979

United States Dollars (Note A)

LIABILITIES, CAPITAL AND RESERVES

| | 1980 | 1979 |
|---|--------------------|--------------------|
| UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-V) | | |
| Held by Bank | \$2,361,716 | \$1,845,578 |
| BORROWINGS | | |
| Principal amounts outstanding (See Appendix 1-VI) | \$1,871,820 | \$1,777,151 |
| Less — net unamortized discounts and premiums (Note A) | <u>2,030</u> | <u>1,869,790</u> |
| | <u>2,385</u> | <u>1,774,766</u> |
| ACCRUED INTEREST ON BORROWINGS | 56,307 | 50,154 |
| ACCOUNTS PAYABLE AND OTHER LIABILITIES | | |
| Notional amounts required to maintain value of currency holdings (Note I) | 22,571 | 9,141 |
| Miscellaneous | <u>6,448</u> | <u>10,943</u> |
| | <u>29,019</u> | <u>20,084</u> |
| CAPITAL AND RESERVES | | |
| Capital Stock (See Appendix 1-VII) (Note C) | | |
| Authorized (SDR 7,220,570) | | |
| Subscribed | | |
| (SDR 6,921,740 — 1980, SDR 6,726,590 — 1979) | 8,828,056 | 8,861,139 |
| Less — "callable" shares subscribed (SDR 5,554,020 — 1980, SDR 5,378,400 — 1979) | <u>7,083,653</u> | <u>7,085,128</u> |
| Paid-in" shares subscribed (SDR 1,367,720 — 1980, SDR 1,348,190 — 1979) | 1,744,403 | 1,776,011 |
| Less — subscription instalments not due (SDR 92,092 — 1980, SDR 169,807 — 1979) | <u>117,455</u> | <u>223,692</u> |
| Subscription instalments matured (SDR 1,275,628 — 1980, SDR 1,178,383 — 1979) | 1,626,948 | 1,552,319 |
| Less — capital set aside and transferred to Special Funds (Note F) (SDR 47,610) | <u>60,722</u> | <u>62,718</u> |
| | <u>1,566,226</u> | <u>1,489,601</u> |
| Advance payments on subscriptions (Note C) | 5,647 | 2,095 |
| Ordinary Reserve (Note G) | 391,195 | 298,836 |
| Special Reserve (Note E) | 78,598 | 59,299 |
| Net income after appropriation of commissions to Special Reserve (Note G) | | |
| For the years ended 31 December 1980 and 31 December 1979 | 131,833 | 2,173,499 |
| | <u>83,014</u> | <u>1,932,845</u> |
| TOTAL | \$6,490,331 | \$5,623,427 |

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1980 and 31 December 1979

Expressed in Thousands of United States Dollars (Note A)

| | 1980 | 1979 |
|---|-----------------------|-----------------------|
| INCOME | | |
| From loans: | | |
| Interest | \$135,850 | \$117,394 |
| Commissions | 19,299 | 16,817 |
| Commitment charge | 15,655 | 12,448 |
| From investments | 136,440 | 113,208 |
| From other sources | <u>2,336</u> | <u>906</u> |
| GROSS INCOME | \$309,580 | \$260,773 |
| EXPENSES | | |
| Interest and other financial expenses (Note A) | 142,408 | 126,258 |
| Administrative expenses (Note J) | 19,592 | 15,423 |
| Services to member countries (Note K) | 1,205 | 495 |
| Other expenses | <u>—</u> | <u>240</u> |
| GROSS EXPENSES | <u>163,205</u> | <u>142,416</u> |
| INCOME BEFORE NET GAIN (LOSS) FROM CHANGES IN VALUE OF CURRENCIES | 146,375 | 118,357 |
| NET GAIN (LOSS) FROM CHANGES IN VALUE OF CURRENCIES — resulting primarily from translation of currency holdings in excess of maintenance of value ceilings (Notes A and D) | 4,757 | (18,526) |
| NET INCOME | 151,132 | 99,831 |
| APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note E) | (19,299) | (16,817) |
| NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note G) | \$131,833 | \$83,014 |

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

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1980 and 31 December 1979

Expressed in Thousands of United States Dollars (Note A)

| | 1980 | 1979 |
|---|-----------------|-------------------|
| FUNDS WERE PROVIDED BY | | |
| Operations | | |
| Net income | \$ 151,132 | \$ 99,831 |
| Items not requiring or providing funds: | | |
| Accrued interest and other expenses | 5,750 | 4,694 |
| Accrued income including capitalized interest and commitment charges on loans | (19,465) | (31,475) |
| Administration Charge | (20,268) | (15,423) |
| Commissions (transferred to Special Reserve Fund assets) | (19,299) | (16,817) |
| Other — net | <u>2,565</u> | <u>2,541</u> |
| Funds provided by operations | 100,415 | 43,351 |
| Borrowings | 325,398 | 328,643 |
| Capital subscriptions | 121,784 | 127,327 |
| Demand obligations of members encashed | 5,105 | 40,989 |
| Loans collected | 119,126 | 93,862 |
| Loans sold | — | 1,909 |
| Administration Charge collected | 19,493 | 12,682 |
| Net maintenance of value adjustments | | |
| Regular | 10 | (2,942) |
| Notional | 48,758 | (65,461) |
| Decrease in loans disbursed and outstanding as a result of currency revaluations | 9,966 | 72,361 |
| Decrease in other assets as a result of currency revaluations | 8,327 | 6,688 |
| Decrease (increase) in capital set aside and transferred to Special Funds due to substitution of the SDR for the 1966 dollar as unit of value | 1,996 | (693) |
| Net credit (charge) to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as unit of value | <u>9,345</u> | <u>(4,318)</u> |
| Total | <u>769,723</u> | <u>654,398</u> |
| FUNDS WERE UTILIZED FOR | | |
| Loans disbursed | 415,856 | 346,669 |
| Demand obligations of members received | 65,284 | 71,455 |
| Bonds purchased for redemption and borrowings redeemed | 205,382 | 105,297 |
| Decrease in borrowings as a result of currency revaluations | 25,347 | 56,095 |
| Decrease (increase) in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as unit of value | 43,165 | (27,491) |
| Other — net | <u>12,028</u> | <u>1,607</u> |
| Total | <u>767,062</u> | <u>553,632</u> |
| INCREASE IN CASH IN BANKS AND INVESTMENTS | <u>\$ 2,661</u> | <u>\$ 100,766</u> |
| INCREASE IN COMPONENTS OF FUNDS | | |
| Cash in banks | \$ 2,283 | \$ 5,116 |
| Investments | 378 | 95,650 |
| TOTAL | \$ 2,661 | \$ 100,766 |

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

31 December 1980

Expressed in Thousands of United States Dollars (Note A)

| Members | Unit of Currency | Cash in Banks | Non-Negotiable Non-Interest-Bearing Demand Obligations |
|------------------------------|------------------------|---------------------|--|
| Afghanistan | Afghani | \$ 10 | \$ 2,211 ¹ |
| Australia | Australian dollar | 53 | 15,722 |
| Austria | Austrian schilling | 35 | 644 |
| Bangladesh | Bangladesh taka | 65 | 9,766 ¹ |
| Belgium | Belgian franc | 121 | 273 |
| Burma | Kyat | 724 ¹ | 5,222 ¹ |
| Cambodia | Riel | 47 ¹ | 172 ¹ |
| Canada | Canadian dollar | 133 | 13,757 |
| China, Republic of | New Taiwan dollar | 189 | — |
| Cook Islands | New Zealand dollar | 20 ¹ | 877 |
| Denmark | Danish krone | 19 | 732 ¹ |
| Fiji | Fiji dollar | 2 ¹ | 378 |
| Finland | Finnish markka | 22 | 4,535 |
| France | French franc | 24 | 12,651 |
| Germany, Federal Republic of | Deutsche mark | 368 | 148 ³ |
| Hong Kong | Hong Kong dollar | 46 ² | 65,113 ¹ |
| India | Indian rupee | 6 | 2,255 ¹ |
| Indonesia | Rupiah | 38,336 ¹ | — |
| Italy | Italian lira | 25 | 41,703 |
| Japan | Yen | 2,472 | 32 ¹ |
| Kiribati | Australian dollar | 4 | 33,775 ¹ |
| Korea, Republic of | Won | 4,924 ¹ | 14 ¹ |
| Laos | Kip | 160 ¹ | 29,425 ¹ |
| Malaysia | Malaysian ringgit | 142 | — |
| Maldives | Maldivian rupee | 18 ¹ | 1,319 ¹ |
| Nepal | Nepalese rupee | 15 | 1,973 |
| Netherlands | Netherlands guilder | 75 | 11,296 ³ |
| New Zealand | New Zealand dollar | 80 ² | 925 |
| Norway | Norwegian krone | 28 | — |
| Pakistan | Pakistan rupee | 4,405 ¹ | 17,797 ¹ |
| Papua New Guinea | Kina | 52 | 938 ¹ |
| Philippines | Philippine peso | 728 | 11,049 ¹ |
| Singapore | Singapore dollar | 26 | 3,197 ¹ |
| Solomon Islands | Solomon Islands dollar | 7 | 38 ¹ |
| Sri Lanka | Sri Lanka rupee | 22 | 5,786 ¹ |
| Sweden | Swedish krona | 35 | — |
| Switzerland | Swiss franc | 195 | — |
| Thailand | Baht | 7 | 13,373 ¹ |
| Tonga | Tongan dollar | 34 ¹ | — |
| United Kingdom | Pound sterling | 983 | 6,399 |
| United States | United States dollar | 774 | 30,979 |
| Viet Nam | New Dong | 8,788 ¹ | — |
| Western Samoa | Western Samoan tala | 11 ¹ | 1 ¹ |
| Total Members (forward) | | \$64,230 | \$355,683 |

| Members | Unit of Currency | Cash in Banks | Non-Negotiable Non-Interest-Bearing Demand Obligations |
|-------------------------|---------------------|---------------|--|
| Total Members (forward) | | \$64,230 | \$355,683 |
| <hr/> | | | |
| Non-Members | | | |
| Kuwait | Kuwaiti dinar | 41 | — |
| Luxembourg | Luxembourg franc | 45 | — |
| Saudi Arabia | Saudi Arabian riyal | 106 | — |
| Total Non-Members | | 192 | — |
| <hr/> | | | |
| TOTAL | | \$64,422 | \$355,683 |

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

1. Restrictions on use may be imposed by members (Note B).
2. Restrictions on use have been imposed for \$31 of these amounts.
3. Restrictions on use have been imposed by members (Note B).

ASIAN DEVELOPMENT BANK —

SUMMARY STATEMENT

31 December

Expressed in Thousands of

| Borrower/Guarantor ¹ | Principal Amount | Loans Not Yet Effective | Refundings and Cancellations | Payments Received | |
|--|---------------------|-------------------------------|------------------------------------|--------------------------|-------------------|
| | | | | On Loans Held by Bank | For Loans Sold |
| Bangladesh | \$ 11,400 | \$ — | \$ 1,932 | \$ 2,867 | \$ — |
| Burma | 6,600 | — | — | 99 | — |
| China, Republic of | 100,390 | — | 9,252 | 39,036 | 2,800 |
| Fiji | 29,900 | — | 112 | 1,266 | — |
| Hong Kong | 101,500 | — | 4,500 | 12,031 | 3,859 |
| Indonesia | 1,068,980 | 223,900 | 34,370 | 5,479 | — |
| Korea, Republic of | 1,168,330 | 120,530 | 28,318 | 135,077 | 3,456 |
| Malaysia | 589,948 | 82,810 | 34,037 | 29,576 | 2,140 |
| Nepal | 2,000 | — | — | 1,435 | — |
| Pakistan | 479,370 | 56,300 | 31,639 | 30,183 | — |
| Papua New Guinea | 35,950 | 12,000 | — | — | — |
| Philippines | 1,067,050 | 115,500 | 5,541 | 40,356 | 423 |
| Singapore | 178,080 | 19,000 | 30,147 | 26,288 | 2,830 |
| Sri Lanka | 14,135 | — | 931 | 6,308 | — |
| Thailand | 795,180 | 150,000 | 23,161 | 35,412 | 1,711 |
| Viet Nam | 3,930 | — | 2,389 | 91 | — |
| Adjustments in United States dollar equivalents of loans disbursed | | | | | |
| TOTAL | \$5,652,743 | \$780,040 | \$206,329 | \$365,484 | \$17,219 |

MATURITY STRUCTURE

| <u>Twelve Months Ending 31 December</u> | <u>Amount</u> |
|---|---------------|
| 1981 | \$105,928 |
| 1982 | 134,510 |
| 1983 | 158,560 |
| 1984 | 180,595 |
| 1985 | 200,636 |

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

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

2 This amount represents 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.

3 Represents prepayments, cancellations and exchange adjustments which have not been allocated to specific maturities.

ORDINARY CAPITAL RESOURCES

OF LOANS

1980

United States Dollars (Note A)

| Effective Loans | | Undisbursed Balance of Effective Loans | | Outstanding Balance | |
|--------------------------|-------------------|--|-------------------|-----------------------|----------------|
| Held by Bank | Agreed to be Sold | Held by Bank | Agreed to be Sold | On Loans Held by Bank | For Loans Sold |
| \$ 6,601 | \$ — | \$ 468 | \$ — | \$ 6,133 | \$ — |
| 5,501 | — | 225 | — | 6,276 | — |
| 49,302 | — | — | — | 49,302 | — |
| 28,522 | — | 8,785 | — | 19,737 | — |
| 81,110 | — | 41,440 | — | 39,670 | 2,709 |
| 805,231 | — | 672,474 | — | 132,757 | — |
| 680,949 | — | 373,052 | — | 507,897 | — |
| 441,385 | — | 204,112 | — | 237,273 | 500 |
| 565 | — | — | — | 565 | — |
| 361,248 | — | 121,035 | — | 240,213 | — |
| 23,950 | — | 12,643 | — | 11,307 | — |
| 905,230 | — | 581,472 | — | 323,758 | — |
| 99,835 | — | 39,313 | — | 60,522 | — |
| 6,896 | — | — | — | 6,896 | — |
| 584,896 | — | 305,819 | — | 279,077 | — |
| 1,450 | — | 878 | — | 572 | — |
| 173,386 ² | | 173,386 ² | | | |
| <u>\$4,457,057</u> | <u>\$ —</u> | <u>\$2,361,716</u> | <u>\$ —</u> | <u>\$2,095,341</u> | <u>\$3,209</u> |

OF EFFECTIVE LOANS

| Five Years Ending 31 December | Amount |
|----------------------------------|--------------------|
| 1990 | 1,152,270 |
| 1995 | 1,160,196 |
| 2000 | 848,480 |
| 2005 | 324,161 |
| 2010 | 35,829 |
| Undetermined ³ | 155,892 |
| Total | <u>\$4,457,057</u> |

ASIAN DEVELOPMENT BANK —

SUMMARY STATEMENT

31 December 1980 and

Expressed in Thousands of

| Currencies Payable | Principal Outstanding at 31 December 1979 | Operations During the Year Ended 31 December 1980 | | |
|---|---|---|--|----------------------------|
| | | Borrowings | Repayments and Sinking Fund and Other Purchases | Translation Adjustments |
| Austrian schillings | \$ 7,438 | \$ — | \$ 1,838 | \$ (607) |
| Belgian francs | 9,908 | — | 1,394 | (900) |
| Deutsche mark | 417,463 | 158,201 | 31,965 | (48,767) |
| Italian lire | 9,975 | — | 1,160 | (1,292) |
| Japanese yen | 382,979 | 16,688 | 2,503 | 71,802 |
| Kuwaiti dinars | 15,328 | — | 3,051 | — |
| Luxembourg francs | 11,247 | — | 2,535 | (940) |
| Netherlands guilders | 116,490 | — | — | (10,831) |
| Saudi Arabian riyals | 15,037 | — | 3,759 | — |
| Swiss francs | 356,315 | 80,509 | 11,124 | (33,812) |
| United States dollars | <u>434,971</u> | <u>70,000</u> | <u>146,053</u> | <u>—</u> |
| Principal outstanding at face value | 1,777,151 | 325,398 | 205,382 | (25,347) |
| Less: net unamortized discounts and premiums | 2,385 | (355) | — | — |
| Total | <u>\$1,774,766</u> | <u>\$325,753</u> | <u>\$205,382</u> | <u>\$ (25,347)</u> |

MATURITIES OF

| Twelve Months Ending 31 December | 1980 | 1979 |
|-------------------------------------|-----------|-----------|
| 1980 | | \$202,874 |
| 1981 | \$273,413 | 277,785 |
| 1982 | 272,675 | 195,620 |
| 1983 | 161,187 | 168,316 |
| 1984 | 58,667 | 60,546 |
| 1985 | 74,233 | — |

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

- 1 The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.
- 2 On 29 December 1980, the Bank contracted to borrow ~ 20 billion in the Japanese syndicated loan market at 0.1% per annum above the Long Term Prime Lending Rate prevailing in Japan on the drawdown date. This loan is to be drawn in the first quarter of 1981 and is to mature in 2001.
- 3 Subsequent to 31 December 1980, the Bank has contracted a Swiss Franc Loan at 6.35% from Saudi Arabian Monetary Agency in the principal amount of SwF100 million to mature in 1989.

ORDINARY CAPITAL RESOURCES**OF BORROWINGS****31 December 1979**

United States Dollars (Note A)

| Principal Outstanding at 31 December 1980 | Weighted Average Rates ¹ | Effective Interest Rates ¹ | 1979 | Due for Redemption |
|---|---|---|------|-----------------------|
| | | | | Due for Redemption |
| \$ 4,993 | 7.28% | 7.28% | | 1981-1983 |
| 7,614 | 7.36 | 7.36 | | 1981-1983 |
| 494,932 | 7.82 | 7.28 | | 1981-1991 |
| 7,523 | 7.22 | 7.22 | | 1981-1987 |
| 468,966 ² | 7.57 | 7.54 | | 1981-1999 |
| 12,277 | 7.50 | 7.50 | | 1981-1984 |
| 7,772 | 6.64 | 6.64 | | 1981-1987 |
| 105,659 | 8.42 | 8.42 | | 1981-1984 |
| 11,278 | 8.00 | 8.00 | | 1981-1983 |
| 391,888 ³ | 5.46 | 5.35 | | 1981-1994 |
| <u>358,918</u> | <u>9.83</u> | <u>8.56</u> | | <u>1981-1996</u> |
| 1,871,820 | 7.67 | 7.34 | | |
| <u>2,030</u> | | | | |
| <u>\$1,869,790</u> | | | | |

BORROWINGS OUTSTANDING

| Five Years Ending 31 December | 1980 | 1979 |
|----------------------------------|--------------------|--------------------|
| 1990/1989 | 753,866 | 587,714 |
| 1995/1994 | 211,338 | 230,537 |
| 2000/1999 | 66,441 | 53,759 |
| Total: | <u>\$1,871,620</u> | <u>\$1,777,151</u> |

STATEMENT OF SUBSCRIPTIONS TO
31 December

Expressed in Thousands of United States Dollars (Note A)

| | S U B S C R I B E D | | | | P A R V A L U E O F C A L L A B L E S H A R E S | | |
|----------------------------|---------------------|----------------------|-------------------------------|-----------------------------------|---|-------------------------|--|
| | Shares | Per Cent of Total | Par Value Expressed in SDR | Par Value Expressed in Dollars | Subject to Call Expressed in SDR | Expressed in Dollars | |
| REGIONAL | | | | | | | |
| Afghanistan ¹ | 1,195 | 0.173 | SDR 11,950 | \$ 15,241 | SDR 8,130 | \$ 10,369 | |
| Australia | 49,937 | 7.215 | 499,370 | 636,901 | 402,680 | 513,582 | |
| Bangladesh | 8,812 | 1.273 | 88,120 | 112,389 | 71,060 | 90,631 | |
| Burma | 4,700 | 0.679 | 47,000 | 59,944 | 37,900 | 48,338 | |
| Cambodia ¹ | 875 | 0.126 | 8,750 | 11,160 | 5,950 | 7,589 | |
| China, Republic of | 9,400 | 1.358 | 94,000 | 119,889 | 75,800 | 96,676 | |
| Cook Islands | 23 | 0.003 | 230 | 293 | 190 | 242 | |
| Fiji | 587 | 0.085 | 5,870 | 7,487 | 4,730 | 6,033 | |
| Hong Kong | 4,700 | 0.679 | 47,000 | 59,944 | 37,900 | 48,338 | |
| India | 54,637 | 7.894 | 546,370 | 696,846 | 440,580 | 561,920 | |
| Indonesia | 47,000 | 6.790 | 470,000 | 599,443 | 379,000 | 483,381 | |
| Japan | 117,500 | 16.975 | 1,175,000 | 1,498,607 | 947,500 | 1,208,451 | |
| Kiribati | 35 | 0.005 | 350 | 446 | 280 | 357 | |
| Korea, Republic of | 43,475 | 6.281 | 434,750 | 554,484 | 350,580 | 447,133 | |
| Laos | 246 | 0.036 | 2,460 | 3,138 | 1,980 | 2,525 | |
| Malaysia | 23,500 | 3.395 | 235,000 | 299,721 | 189,500 | 241,690 | |
| Maldives | 35 | 0.005 | 350 | 446 | 280 | 357 | |
| Nepal | 1,269 | 0.183 | 12,690 | 16,185 | 10,230 | 13,047 | |
| New Zealand | 13,254 | 1.915 | 132,540 | 169,043 | 106,880 | 136,316 | |
| Pakistan | 18,800 | 2.716 | 188,000 | 239,777 | 151,600 | 193,352 | |
| Papua New Guinea | 810 | 0.117 | 8,100 | 10,331 | 6,540 | 8,341 | |
| Philippines | 20,562 | 2.971 | 205,620 | 262,250 | 165,810 | 211,476 | |
| Singapore | 2,937 | 0.424 | 29,370 | 37,459 | 23,680 | 30,202 | |
| Solomon Islands | 58 | 0.008 | 580 | 740 | 470 | 600 | |
| Sri Lanka | 5,005 | 0.723 | 50,050 | 63,834 | 40,360 | 51,475 | |
| Thailand | 11,750 | 1.698 | 117,500 | 149,861 | 94,750 | 120,845 | |
| Tonga | 35 | 0.005 | 350 | 446 | 280 | 357 | |
| Viet Nam | 7,050 | 1.019 | 70,500 | 89,916 | 56,850 | 72,507 | |
| Western Samoa | 58 | 0.008 | 580 | 740 | 470 | 600 | |
| Total Regional | 448,245 | 64.759 | 4,482,450 | 5,716,961 | 3,611,960 | 4,606,730 | |
| NON-REGIONAL | | | | | | | |
| Austria | 2,937 | 0.424 | 29,370 | 37,459 | 23,680 | 30,202 | |
| Belgium | 2,937 | 0.424 | 29,370 | 37,459 | 23,680 | 30,202 | |
| Canada | 45,143 | 6.522 | 451,430 | 575,758 | 364,030 | 464,287 | |
| Denmark | 2,937 | 0.424 | 29,370 | 37,459 | 23,680 | 30,202 | |
| Finland | 1,175 | 0.170 | 11,750 | 14,986 | 8,580 | 10,943 | |
| France | 14,687 | 2.122 | 146,870 | 187,320 | 118,430 | 151,047 | |
| Germany, Fed. Rep. of | 37,334 | 5.394 | 373,340 | 476,161 | 301,050 | 383,962 | |
| Italy | 11,750 | 1.698 | 117,500 | 149,861 | 94,750 | 120,845 | |
| Netherlands | 6,462 | 0.934 | 64,620 | 82,417 | 52,110 | 66,462 | |
| Norway | 2,937 | 0.424 | 29,370 | 37,459 | 23,680 | 30,202 | |
| Sweden | 1,175 | 0.170 | 11,750 | 14,986 | 8,580 | 10,943 | |
| Switzerland | 4,037 | 0.583 | 40,370 | 51,488 | 32,550 | 41,514 | |
| United Kingdom | 17,625 | 2.546 | 176,250 | 224,791 | 142,130 | 181,274 | |
| United States ² | 92,793 | 13.406 | 927,930 | 1,183,491 | 725,130 | 924,838 | |
| Total Non-Regional | 243,929 | 35.241 | 2,439,290 | 3,111,095 | 1,942,060 | 2,476,923 | |
| GRAND TOTAL | 692,174 | 100.000 | SDR 6,921,740 | \$8,828,056 | SDR 5,554,020 | \$7,083,653 | |

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

1 As of 31 December 1980, these members have not yet subscribed to the additional shares under the second general increase in capital stock authorized by Resolution No. 104 of the Board of Governors.

2 As of 31 December 1980, the United States has subscribed to 42,793 shares out of the 67,500 shares which it is entitled to subscribe to under Resolution No. 104 of the Board of Governors. Subsequently, it has made a further subscription of 20,575 shares.

ORDINARY CAPITAL RESOURCES

CAPITAL STOCK AND VOTING POWER

1980

and in Thousands of Special Drawing Rights

| PAR VALUE OF PAID-IN SHARES | | | | VOTING POWER | | |
|--|---------------|--|----------------|--------------------|----------------------|--|
| Instalments Not Due Expressed in SDR | \$ — 9,148 | Instalments Matured Expressed in SDR | \$ — 89,517 | Number of Votes | Per Cent of Total | Per Cent of Regional/ Non-Regional |
| — | — | SDR 3,820 | \$ 4,872 | 5,219 | 0.603 | 0.924 |
| 7,173 | 9,148 | 89,517 | 114,171 | 53,961 | 6.237 | 9.552 |
| 1,265 | 1,613 | 15,795 | 20,145 | 12,836 | 1.484 | 2.272 |
| 675 | 861 | 8,425 | 10,745 | 8,724 | 1.008 | 1.544 |
| — | — | 2,890 | 3,571 | 4,899 | 0.566 | 0.857 |
| 1,350 | 1,722 | 16,850 | 21,491 | 13,424 | 1.552 | 2.376 |
| 5 | 6 | 35 | 45 | 4,047 | 0.468 | 0.716 |
| 85 | 108 | 1,055 | 1,346 | 4,611 | 0.533 | 0.816 |
| 675 | 861 | 8,425 | 10,745 | 8,724 | 1.008 | 1.544 |
| 7,848 | 10,009 | 97,942 | 124,917 | 58,661 | 6.780 | 10.384 |
| 6,750 | 8,609 | 84,250 | 107,453 | 51,024 | 5.897 | 9.032 |
| 16,875 | 21,523 | 210,625 | 268,633 | 121,524 | 14.046 | 21.511 |
| 15 | 19 | 55 | 70 | 4,059 | 0.469 | 0.718 |
| 6,243 | 7,962 | 77,927 | 99,389 | 47,499 | 5.490 | 8.408 |
| 35 | 45 | 445 | 568 | 4,270 | 0.494 | 0.756 |
| 3,375 | 4,304 | 42,125 | 53,727 | 27,524 | 3.181 | 4.872 |
| 18 | 22 | 52 | 67 | 4,058 | 0.469 | 0.718 |
| 182 | 233 | 2,278 | 2,905 | 5,293 | 0.612 | 0.937 |
| 1,902 | 2,426 | 23,758 | 30,301 | 17,278 | 1.997 | 3.059 |
| 2,700 | 3,444 | 33,700 | 42,981 | 22,824 | 2.638 | 4.040 |
| 115 | 147 | 1,445 | 1,843 | 4,834 | 0.559 | 0.856 |
| 2,952 | 3,766 | 36,858 | 47,008 | 24,586 | 2.842 | 4.352 |
| 423 | 539 | 5,267 | 6,718 | 6,961 | 0.804 | 1.232 |
| 7 | 9 | 103 | 131 | 4,082 | 0.472 | 0.723 |
| 718 | 915 | 8,972 | 11,444 | 9,029 | 1.044 | 1.598 |
| 1,687 | 2,153 | 21,063 | 26,863 | 15,774 | 1.823 | 2.792 |
| 5 | 6 | 65 | 83 | 4,059 | 0.469 | 0.718 |
| 1,012 | 1,291 | 12,638 | 16,118 | 11,074 | 1.280 | 1.960 |
| 15 | 19 | 95 | 121 | 4,082 | 0.472 | 0.723 |
| 64,106 | 81,760 | 806,385 | 1,028,471 | 564,941 | 65.297 | 100.000 |
| 423 | 539 | 5,267 | 6,718 | 6,961 | 0.804 | 2.318 |
| 1,268 | 1,616 | 4,422 | 5,641 | 6,961 | 0.804 | 2.318 |
| 6,482 | 8,268 | 80,918 | 103,203 | 49,167 | 5.683 | 16.375 |
| 423 | 539 | 5,267 | 6,718 | 6,961 | 0.804 | 2.318 |
| 167 | 214 | 3,003 | 3,829 | 5,199 | 0.601 | 1.732 |
| 2,110 | 2,691 | 26,330 | 33,582 | 18,711 | 2.163 | 6.231 |
| 5,362 | 5,839 | 66,928 | 85,360 | 41,358 | 4.780 | 13.774 |
| 6,750 | 8,609 | 16,000 | 20,407 | 15,774 | 1.823 | 5.253 |
| 927 | 1,182 | 11,583 | 14,773 | 10,486 | 1.212 | 3.492 |
| 423 | 539 | 5,267 | 6,718 | 6,961 | 0.804 | 2.318 |
| 167 | 214 | 3,003 | 3,829 | 5,199 | 0.601 | 1.732 |
| 955 | 1,218 | 6,865 | 8,756 | 8,061 | 0.932 | 2.685 |
| 2,530 | 3,227 | 31,590 | 40,290 | 21,649 | 2.502 | 7.210 |
| — | — | 202,800 | 258,653 | 96,817 | 11.190 | 32.244 |
| 27,987 | 35,695 | 469,243 | 598,477 | 300,265 | 34.703 | 100.000 |
| SDR 92,092 | \$117,455 | SDR 1,275,628 | \$1,626,948 | 865,206 | 100.000 | |

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1980 and 31 December 1979

NOTE A —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Unit of Account

The ordinary capital resources financial statements are expressed in thousands of current United States dollars.

(2) Capital Stock

The capital stock is defined in Article 4, paragraph 1 of the Articles of Agreement "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). 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. The Bank is examining the implications of this change on the valuation of its capital stock but has not made a decision on the matter. Pending such a decision, the Bank's capital stock 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 1980, the SDR was valued at \$1.27541 (See Note C. This note also shows what the value of the Bank's capital stock would be if expressed in terms of \$1.20635 per 1966 dollar.)

(3) Translation of Currencies

Assets and liabilities in currencies other than United States dollars are translated at the applicable rates of exchange at the end of the year, except that unamortized issuance costs of borrowings in such currencies are translated at applicable historical rates.

Except for amortized issuance costs of borrowings which are translated at applicable historical rates, income and expense amounts in currencies other than United States dollars are translated for each quarter generally at the rates of exchange at the beginning of the quarter; such practice approximates the application of average rates in effect during the quarter. Translation adjustments, other than those relating to maintenance of value of currency holdings under Article 25 (see Note D) and "Notional amounts required to maintain value of currency holdings" (see Note I), are charged or credited to income.

(4) Loans

The Summary Statement of Loans (Appendix 1-V) presents, by country, total approved loans to be financed from ordinary capital resources. Adjustments for loans not yet effective, refundings and cancellations, payments received, loans agreed to be sold and exchange adjustments are made to arrive at effective loans held by the Bank.

(5) Unamortized Discounts, Premiums and Issuance Costs of Borrowings

Unamortized discounts, premiums and issuance costs of borrowings are amortized over the life of each issue in proportion to each of the principal amounts outstanding.

(6) Property, Furniture and Equipment

The headquarters seat of the Bank, including land, building, facilities and fixtures and the initial cost of necessary staff amenities and of related furnishings are provided to the Bank by the Government of the Republic of the Philippines. Purchases of furniture and equipment by the Bank have not been material and have been charged to expense.

(7) Staff Retirement Costs

The Bank absorbs all expenses of administering the Staff Retirement Plan and charges all of its contribu-

CONTINUED

tions thereto (see Note H) to administrative expenses currently.

NOTE B —

RESTRICTIONS ON USE OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

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

The use of cash in banks and demand obligations in the currencies of 25 members aggregating \$270,892,000 (\$259,732,000 — 1979).

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

The use of cash in banks and demand obligations in the currencies of two members aggregating \$11,475,000 (\$11,237,000 — 1979).

NOTE C —

CAPITAL STOCK

The authorized capital stock of the Bank consists of 722,057 shares, of which 692,174 shares have been subscribed by members. Of the subscribed shares, 555,402 are "callable" and 136,772 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 Articles, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member,

where such currency is not required by the Bank for the conduct of its operations.

In the Articles, the Bank's capital stock is defined "in terms of United States dollars of the weight and fineness in effect on 31 January 1966", and the value of each share of stock is defined as being 10,000 1966 dollars. On 1 April 1978, the Second Amendment to the IMF Articles entered into force, under which gold has been abolished as a common denominator of the international monetary system, currencies no longer have par values, and all calculations for the purposes of the IMF Articles are made on the basis of the SDR. Simultaneously, the provision of United States law defining the par value of the United States dollar in terms of gold was repealed. As a result of these changes, the pre-existing basis for translating the term "United States dollars of the weight and fineness in effect on 31 January 1966" into current United States dollars, or into any other currency, no longer exists.

The Bank is considering a proposal that its capital stock be redefined in terms of the SDR. A member government has raised the question whether the substitution of a new unit of value, insofar as it would give rise to any new obligations with respect to maintenance of value and capital stock subscription payments, should be made only by amendment of the Articles. This member has also raised questions as to the appropriateness of substituting a unit of value other than the SDR, the desirability of retaining the principle of maintenance of value, and the form in which maintenance of value should be applied.

The General Counsel of the Bank is of the opinion that the SDR is the successor in the international monetary system to the gold-based dollar, and that pending the exercise by the appropriate authorities of the Bank of their statutory powers under Chapter IX of the Articles, references in the Articles to the 1966 dollar should be read as referring to the SDR as defined from time to time by the IMF. In view of this, and pending consideration and action on the issues

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1980 and 31 December 1979

referred to in the preceding paragraph, the Bank has for purposes of these financial statements expressed the value of its capital stock in terms of the SDR, on the basis that each share has the value of SDR 10,000. For purposes of these financial statements, it has also measured the mutual obligations of each member and of the Bank with respect to maintenance of value of currency holdings by that standard. However, the appropriate authorities of the Bank could decide that the value of each share should be fixed at \$12,063.50, on the basis of a substitution of 1.20635 current United States dollars for each 1966 dollar.

When the SDR was introduced into the IMF Articles in 1969, it was expressed in terms of a specified weight of gold equal to the gold content of the 1966 dollar. Since 1 July 1974, its value has been based on the weighted relative values of a number of major currencies (a "currency basket"). On 1 July 1974, the value of the SDR, expressed in terms of United States dollars was \$1.20635, namely the same value as the 1966 dollar, but subsequently the value in current monetary terms has varied from day to day. Effective 1 July 1978, the IMF made certain adjustments in the SDR currency basket, and established a method for further adjustments at five-yearly intervals, to reflect changes in the relative importance of currencies over time, while ensuring continuity and reasonable predictability for the valuation of the SDR. The IMF further revised the currency basket effective 1 January 1981 by reducing the number of currencies from 16 to 5. The adjustments made at the time of the changes are such that the value of the revised baskets in terms of any currency was exactly the same under both the then existing and the revised valuations. As of 31 December 1980, the value of the SDR in terms of the United States dollar was \$1.27541, giving a value for each share of the Bank's capital equivalent to \$12,754.10.

The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Bank. If the capital stock

as of 31 December 1980 had been valued in terms of \$12,063.50 per share, the "callable" capital subscribed would have been \$6,700,092,000 (\$6,488,233,000—1979) instead of \$7,083,653,000 (\$7,085,128,000—1979) the "paid-in" capital subscribed would have been \$1,649,949,000 (\$1,626,389,000—1979) instead of \$1,744,403,000 (\$1,776,011,000—1979), the total subscribed capital would have been \$8,350,041,000 (\$8,114,622,000—1979) instead of \$8,828,056,000 (\$8,861,139,000—1979) and maintenance of value obligations would have been \$9,488,000 payable to members instead of \$64,497,000 receivable from members (\$5,467,000 receivable from members instead of \$113,273,000 receivable from members—1979).

As of 31 December 1980, all matured instalments amounting to \$1,626,948,000 (\$1,552,319,000—1979) were received except \$374,000 due from two members (\$812,000 due from three members—1979). Instalments not due aggregating \$117,455,000 (\$223,692,000—1979) are receivable as follows:

| | 1980 | 1979 |
|------|---------------|---------------|
| 1980 | | \$111,288,000 |
| 1981 | \$109,896,000 | 111,278,000 |
| 1982 | 2,710,000 | 570,000 |
| 1983 | 2,697,000 | 556,000 |
| 1984 | 2,152,000 | |

Some members have made payments in respect of their capital subscription instalments in advance of the due date. Such payments 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.

CONTINUED

NOTE D —**AMOUNTS RECEIVABLE TO MAINTAIN VALUE OF CURRENCY HOLDINGS**

These represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purposes of maintenance of value, under Article 25 and relevant resolutions of the Board of Directors, of the Bank's holdings of certain member currencies (see Notes C and I).

NOTE E —**SPECIAL RESERVE**

In accordance with Article 16, paragraph 1, the Bank charges a commission calculated at one per cent per annum on the outstanding amount of loans made by it from the ordinary capital resources. In accordance with Article 17, an amount equivalent to such commissions is appropriated to a Special Reserve. Special Reserve Fund assets consist principally of certificates of deposit.

NOTE F —**CAPITAL SET ASIDE FOR SPECIAL OPERATIONS**

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of 10 per cent 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 part of the Special Funds of the Bank. The resources so set aside, amounting to \$60,722,000 as of 31 December 1980 expressed in terms of the SDR on the basis of \$1.27541 per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar — see Notes A and C), were allocated and transferred to the Asian Development Fund.

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

Under the provisions of Article 40, the Board of Governors shall determine annually what part of the net income after appropriation of commissions to Special Reserve (see Note E) shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. Net income after appropriation of commissions to Special Reserve for the year ended 31 December 1979, namely \$83,014,000, was allocated to the Ordinary Reserve in accordance with the resolution adopted by the Board of Governors at the Thirteenth Annual Meeting. Similar allocations had previously been made in respect of net income after appropriation of commissions to Special Reserve for the preceding years.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Notes A and C) resulted in a net credit of \$9,345,000 to the Ordinary Reserve during the year (net charge of \$4,318,000 — 1979). This net credit (net charge — 1979) represents the net amount of \$43,165,000 (\$27,492,000 — 1979) restatement of the matured and paid capital subscriptions reduced by the net amount of \$33,820,000 (\$23,174,000 — 1979) notional maintenance of value adjustments attributable to the changes in the value of the SDR in relation to the United States dollar, the Bank's unit of account, during the year. (See Note I).

NOTE H —**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

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1980 and 31 December 1979

as of the first day of his service, provided that as of such a date, he shall not have reached his normal retirement date. The Plan applies also to 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.

From December 1974, each participant has contributed 9 1/3 per cent of his remuneration to the Plan, and the Bank has contributed 18 2/3 per cent 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 1980, the amount contributed by the Bank was \$3,414,000 (\$2,647,000 — 1979).

The actuarial present value of vested and non-vested accumulated plan benefits as of 31 December 1980 totalled \$24,750,000 and \$1,250,000, respectively. Net assets available for benefits totalled \$31,302,000 as of 31 December 1980. The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 per cent for 1980.

NOTE I —

NOTIONAL AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS

Prior to 1 April 1978, 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 Articles and relevant resolutions of the Board of Directors. Inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations after the effective date of the Second Amendment to the IMF Articles 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 1980, consisting of receivables of \$85,482,000 (\$120,818,000 — 1979) and payables of \$22,571,000 (\$9,141,000 — 1979) represent (a) the increase of \$73,985,000 in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the

United States dollar, the Bank's unit of account, during the period 1 April 1978 to 31 December 1980, offset by (b) the net increase of \$11,074,000 in the value of such currency holdings in relation to the United States dollar during the same period [(a) the increase of \$107,805,000 in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period 1 April 1978 to 31 December 1979, and by (b) the net decrease of \$3,872,000 in the value of such currency holdings in relation to the United States dollar during the same period].

NOTE J —

ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses are net of Administration Charge to Special Operations amounting to \$20,268,000 (\$15,423,000 — 1979). The Administration Charge to Special Opérations was instituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans approved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those pertaining directly to ordinary operations and special operations) and the number of loans approved.

NOTE K —

SERVICES TO MEMBER COUNTRIES

The outstanding commitments, as of 31 December 1980, for technical assistance projects and programs approved by the Bank, were approximately \$12,670,000 (\$11,844,000 — 1979); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over \$150,000 will be converted to the subsequent loan. Under such options, no technical assistance expenditure was charged to loans and credited to income of ordinary capital resources during the years ended 31 December 1980 and 31 December 1979.

DELOITTE HASKINS & SELLS
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

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

Appendix

| | |
|---|--------|
| Balance Sheet, 31 December 1980 and 31 December 1979 | 1-I |
| Statement of Income and Expenses for the Years Ended 31 December 1980 and 31 December 1979 | 1-II |
| Statement of Changes in Financial Position for the Years Ended 31 December 1980 and 31 December 1979 | 1-III |
| Statement of Cash in Banks and Demand Obligations of Members, 31 December 1980 | 1-IV |
| Summary Statement of Loans, 31 December 1980 | 1-V |
| Summary Statement of Borrowings, 31 December 1980 and 31 December 1979 | 1-VI |
| Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1980 | 1-VII |
| Notes to Financial Statements, 31 December 1980 and 31 December 1979 | 1-VIII |

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 1980 and 31 December 1979 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

27 February 1981

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

BALANCE SHEET

31 December 1980 and 31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

| | Technical Assistance Special Fund (Note 3) | | Multi-Purpose Special Fund (Note 4) | | Consolidated | |
|---|---|-----------------|--|--------------|------------------|-----------------|
| ASSETS | 1980 | 1979 | 1980 | 1979 | 1980 | 1979 |
| CASH IN BANKS | \$ 1,201 | \$ 922 | \$ — | \$ 52 | \$ 1,201 | \$ 974 |
| INVESTMENTS | | | | | | |
| Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$11,871 — 1980, \$12,477 — 1979) | 11,661 | 12,142 | — | — | 11,661 | 12,142 |
| Time deposits | 6,298 | 4,624 | — | — | 6,298 | 4,624 |
| LOANS (Note 5) | | | | | | |
| Effective loans held by Bank | — | — | — | 710 | — | 710 |
| ACCRUED INCOME | | | | | | |
| On investments | 338 | 202 | — | — | 338 | 202 |
| On loans | — | — | — | 3 | — | 3 |
| AMOUNTS RECEIVABLE FROM CONTRIBUTOR(S) (See Appendix 1-D) | 1,061 | 1,421 | — | — | 1,061 | 1,421 |
| OTHER ASSETS | 1,420 | 1,078 | — | 65 | 1,420 | 1,143 |
| TOTAL | \$21,979 | \$20,389 | \$ — | \$830 | \$ 21,979 | \$21,219 |
| LIABILITIES, UNEXPENDED BALANCES AND CAPITAL | | | | | | |
| ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6) | \$ — | \$ — | \$ — | \$ 14 | \$ — | \$ 14 |
| ACCOUNTS PAYABLE | | | | | | |
| Asian Development Fund | — | — | — | 447 | — | 447 |
| Others | 3,839 | 3,096 | — | — | 3,839 | 3,096 |
| UNEXPENDED BALANCES AND CAPITAL | | | | | | |
| Contributed Resources (See Appendix 1-D) [Note 4(a)] | 48,072 | 41,081 | — | — | 48,072 | 41,081 |
| Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6) | — | — | — | 305 | — | 305 |
| Accumulated net income (expense) (See Appendix 1-B) | (31,320) | (23,788) | — | — | (31,320) | (23,788) |
| Contributed Resources | — | — | — | 64 | — | 64 |
| Accrued Resources [Note 4(b)] | — | — | — | — | — | — |
| Other Resources [Note 3(b)] | 1,388 | — | — | — | 1,388 | — |
| TOTAL | \$21,979 | \$20,389 | \$ — | \$830 | \$ 21,979 | \$21,219 |

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

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME (EXPENSE)

For the Years Ended 31 December 1980 and 31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

| | Technical Assistance Special Fund (Note 3) | | | Multi-Purpose Special Fund (Note 4) | |
|---|--|--------------------|-----------------|---|-------------------|
| | Contributed Resources | Other Resources | Total | | |
| | | | 1980 | 1979 | 1980 |
| INCOME | | | | | |
| From investments | \$ 376 | \$1,162 | \$ 1,538 | \$ 989 | \$— \$ 10 |
| From loans | — | — | — | — | 2 8 |
| From conversion of grants into loans (Note 7) | — | 148 | 148 | — | — 183 |
| From other sources | 7 | — | 7 | 1 | — — |
| GROSS INCOME | 383 | 1,310 | 1,693 | 990 | 2 201 |
| EXPENSES | | | | | |
| Services to member countries (Note 7) | 5,128 | — | 5,128 | 5,020 | — — |
| Administrative expenses (Note 6) | 2,759 | — | 2,759 | 1,324 | — 47 |
| GROSS EXPENSES | 7,887 | — | 7,887 | 6,344 | — 47 |
| INCOME (EXPENSE) BEFORE NET GAIN (LOSS) | | | | | |
| FROM CHANGES IN VALUE OF CURRENCIES | (7,504) | 1,310 | (6,194) | (5,354) | 2 154 |
| NET GAIN (LOSS) FROM CHANGES IN VALUE OF CURRENCIES — resulting primarily from translation of currency holdings derived from earnings (Note 2) | (28) | 78 | 50 | (130) | (43) (90) |
| NET INCOME (EXPENSE) FOR THE YEAR | (7,532) | 1,388 | (6,144) | (5,484) | (41) 64 |
| BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT BEGINNING OF THE YEAR | (23,788) | — | (23,788) | (18,304) | 64 270 |
| TRANSFER TO ASIAN DEVELOPMENT FUND | — | — | — | — | (23) (270) |
| BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT END OF THE YEAR | \$31,320 | \$1,388 | \$29,932 | \$23,788 | \$— \$ 64 |

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

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1980 and 31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

| | Technical Assistance Special Fund (Note 3) | | Multi-Purpose Special Fund (Note 4) | | Consolidated | |
|---|---|------------------|--|------------------|-----------------|-------------------|
| | 1980 | 1979 | 1980 | 1979 | 1980 | 1979 |
| FUNDS WERE PROVIDED BY | | | | | | |
| Operations | | | | | | |
| Net income (expense) | \$ (6,144) | \$ (5,484) | \$ (41) | \$ 64 | \$ (6,185) | \$ (5,420) |
| Items not requiring or providing funds: | | | | | | |
| Accrued expenses | 359 | 407 | — | — | 359 | 407 |
| Accrued income | (136) | (177) | 2 | 188 | (134) | 11 |
| Administration Charge | — | — | — | 47 | — | 47 |
| Funds provided by (utilized for) operations | (5,921) | (5,254) | (39) | 299 | (5,960) | (4,955) |
| Contributions drawn | 5,394 | 5,415 | — | — | 5,394 | 5,415 |
| Increase (decrease) in contributions drawn as a result of currency revaluations | 1,957 | (3,141) | — | — | 1,957 | (3,141) |
| Loans and other assets (accounts payable and other liabilities) transferred to the Asian Development Fund | — | — | 328 | (1,722) | 328 | (1,722) |
| Other — net | 42 | 247 | (13) | 602 | 29 | 849 |
| Total | 1,472 | (2,733) | 276 | (821) | 1,748 | (3,554) |
| FUNDS WERE UTILIZED FOR | | | | | | |
| Loans disbursed | — | — | — | 119 | — | 119 |
| Resources transferred to the Asian Development Fund | — | — | 328 | 7,121 | 328 | 7,121 |
| Administration Charge paid | — | — | — | 122 | — | 122 |
| Total | — | — | 328 | 7,362 | 328 | 7,362 |
| INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS | \$ 1,472 | \$(2,733) | \$ (52) | \$(8,183) | \$ 1,420 | \$(10,916) |
| INCREASE (DECREASE) IN COMPONENTS OF FUNDS | | | | | | |
| Cash in banks | \$ 279 | \$ 347 | \$ (52) | \$ (13) | \$ 227 | \$ 334 |
| Investments | 1,193 | (3,080) | — | (8,170) | 1,193 | (11,250) |
| TOTAL | \$ 1,472 | \$(2,733) | \$ (52) | \$(8,183) | \$ 1,420 | \$(10,916) |

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

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CONTRIBUTED RESOURCES

31 December 1980

Expressed in Thousands of United States Dollars (Note 2)

| | Amounts Committed During 1980 | Amounts Committed and Made Available | Amounts Received | Amounts Receivable |
|------------------------------|-------------------------------------|--|---------------------|-----------------------|
| Australia | \$ — | \$ 1,497 | \$ 1,497 | \$ — |
| Austria | — | 141 | 141 | — |
| Bangladesh | — | 24 | 24 | — |
| Belgium | — | 745 | 484 | 261 |
| Canada | — | 1,541 | 1,541 | — |
| China, Republic of | — | 200 | 200 | — |
| Denmark | 249 | 1,987 | 1,987 | — |
| Finland | 152 | 269 | 269 | — |
| France | 523 | 523 | 523 | — |
| Germany, Federal Republic of | — | 481 | 481 | — |
| Hong Kong | — | 100 | 100 | — |
| India | — | 795 | 694 | 101 |
| Italy | — | 139 | 139 | — |
| Japan | 3,138 | 30,563 | 30,563 | — |
| Korea, Republic of | 150 | 630 | 630 | — |
| Netherlands | 164 | 954 | 775 | 179 |
| New Zealand | — | 779 | 779 | — |
| Norway | 193 | 694 | 694 | — |
| Pakistan | 70 | 326 | 319 | 7 |
| Sri Lanka | — | 6 | 6 | — |
| Sweden | — | 455 | 455 | — |
| Switzerland | — | 603 | 603 | — |
| United Kingdom | 496 | 3,370 | 2,857 | 513 |
| United States | — | 1,250 | 1,250 | — |
| TOTAL | \$5,135 | \$48,072 | \$47,011 | \$1,061 |

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

ASIAN DEVELOPMENT BANK —

TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in Thousands of

| | C O N T R I B U T E D | | | | |
|--|-----------------------|--------------|-------------|---------------|---------------|
| | Australia | Austria | Bangladesh | Belgium | Canada |
| <u>ASSETS</u> | | | | | |
| CASH IN BANKS | \$ 40 | \$ 23 | \$ 4 | \$ 25 | \$ 11 |
| INVESTMENTS | | | | | |
| Government obligations — amortized cost which approximates market (Face amount \$11,871) | — | 72 | — | — | — |
| Time deposits | — | — | — | 22 | 124 |
| ACCRUED INCOME | | | | | |
| On investments | — | — | — | — | — |
| AMOUNTS RECEIVABLE FROM CONTRIBUTORs | | | | | |
| (See Appendix 1-D) | — | — | — | 261 | — |
| OTHER ASSETS | 2 | — | — | — | 2 |
| TOTAL | \$ 42 | \$ 95 | \$ 4 | \$ 308 | \$ 137 |
| <u>LIABILITIES AND UNEXPENDED BALANCES</u> | | | | | |
| ACCOUNTS PAYABLE | \$ 9 | \$ 1 | \$ — | \$ 14 | \$ 102 |
| UNEXPENDED BALANCES | | | | | |
| Contributed Resources | | | | | |
| Amounts committed and made available (See Appendix 1-D) | 1,497 | 141 | 24 | 745 | 1,541 |
| Accumulated net income (expense) (See Appendix 1-B) | (1,464) | (47) | (20) | (451) | (1,506) |
| Other Resources | — | — | — | — | — |
| TOTAL | \$ 42 | \$ 95 | \$ 4 | \$ 308 | \$ 137 |

SPECIAL FUNDS RESOURCES**SPECIAL FUND (Note 3)****SHEET****1980**

United States Dollars (Note 2)

CONTINUED

RESOURCES

| China, Republic of | Denmark | Finland | France | Germany, Federal Republic of | Hong Kong | India | Italy | Forward |
|-----------------------|---------|---------|--------|------------------------------------|-----------|--------|-------|----------|
| \$ — | \$ 256 | \$ 169 | \$ 8 | \$ — | \$ 8 | \$ 57 | \$ 21 | \$ 622 |
| — | — | — | — | — | — | — | 72 | |
| — | 679 | — | 365 | — | — | — | 46 | 1,236 |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 101 | — | 362 |
| — | 50 | — | 151 | — | — | 4 | — | 209 |
| \$ — | \$ 985 | \$ 169 | \$ 524 | \$ — | \$ 8 | \$ 162 | \$ 67 | \$ 2,501 |
| — | — | — | — | — | — | — | — | — |
| \$ — | \$ 186 | \$ — | \$ 273 | \$ — | \$ 8 | \$ 64 | \$ 24 | \$ 681 |
| 200 | 1,987 | 269 | 523 | 481 | 100 | 795 | 139 | 8,442 |
| (200) | (1,188) | (100) | (272) | (481) | (100) | (697) | (96) | (6,622) |
| \$ — | — | — | — | — | — | — | — | — |
| \$ — | \$ 985 | \$ 169 | \$ 524 | \$ — | \$ 8 | \$ 162 | \$ 67 | \$ 2,501 |

ASIAN DEVELOPMENT BANK —

TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in Thousands of

| | C O N T R I B U T E D | | | | |
|---|-----------------------|-----------------|-----------------------|--------------|----------------|
| | Forward | Japan | Korea, Republic of | Netherlands | New Zealand |
| ASSETS | | | | | |
| CASH IN BANKS | \$ 622 | \$ 95 | \$166 | \$ 6 | \$ 3 |
| INVESTMENTS | | | | | |
| Government obligations -- amortized cost which approximates market (Face amount \$11,871) | 72 | 10,464 | 197 | — | 83 |
| Time deposits | 1,236 | 4,212 | — | 14 | — |
| ACCRUED INCOME | | | | | |
| On investments | — | — | — | — | — |
| AMOUNTS RECEIVABLE FROM CONTRIBUTOR S | | | | | |
| (See Appendix 1-D) | 362 | — | — | 179 | — |
| OTHER ASSETS | 209 | 865 | 11 | — | 40 |
| TOTAL | \$2,501 | \$15,636 | \$374 | \$199 | \$126 |
| LIABILITIES AND UNEXPENDED BALANCES | | | | | |
| ACCOUNTS PAYABLE | \$ 681 | \$ 2,095 | \$ 88 | \$ 1 | \$ 71 |
| UNEXPENDED BALANCES | | | | | |
| Contributed Resources | | | | | |
| Amounts committed and made available (See Appendix 1-D) | 8,442 | 30,563 | 630 | 954 | 779 |
| Accumulated net income (expense) (See Appendix 1-B) | (6,622) | (17,022) | (344) | (756) | (724) |
| Contributed Resources | — | — | — | — | — |
| Other Resources | — | — | — | — | — |
| TOTAL | \$2,501 | \$15,636 | \$374 | \$199 | \$126 |

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

SPECIAL FUNDS RESOURCES**SPECIAL FUND (Note 3)****SHEET****1980****United States Dollars (Note 2)**

| RESOURCES | | | | | | | OTHER RESOURCES | TOTAL |
|-----------|----------|-----------|--------|-------------|----------------|---------------|--------------------|----------|
| Norway | Pakistan | Sri Lanka | Sweden | Switzerland | United Kingdom | United States | | |
| \$ 35 | \$ 90 | \$— | \$— | \$ 9 | \$— | \$— | \$ 175 | \$ 1,201 |
| 29 | 94 | — | — | 79 | — | — | 643 | 11,661 |
| 286 | — | — | 443 | — | — | — | 107 | 6,298 |
| — | — | — | — | — | — | — | 338 | 338 |
| — | 7 | — | — | — | 513 | — | — | 1,061 |
| 17 | 7 | — | 51 | 26 | 69 | — | 125 | 1,420 |
| \$ 367 | \$ 198 | \$— | \$ 494 | \$ 114 | \$ 582 | \$— | \$1,388 | \$21,979 |
| | | | | | | | | |
| \$ 116 | \$ 9 | \$— | \$ 129 | \$ 67 | \$ 582 | \$— | \$— | \$ 3,839 |
| 694 | 326 | 6 | 455 | 603 | 3,370 | 1,250 | — | 48,072 |
| (443) | (137) | (6) | (90) | (556) | (3,370) | (1,250) | — | (31,320) |
| — | — | — | — | — | — | — | 1,388 | 1,388 |
| \$ 367 | \$ 198 | \$— | \$ 494 | \$ 114 | \$ 582 | \$— | \$1,388 | \$21,979 |

**ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES
TECHNICAL ASSISTANCE SPECIAL FUND**

SUMMARY STATEMENT OF EXPENSES

For the Year Ended 31 December 1980

Expressed in Thousands of United States Dollars (Note 2)

| SERVICES TO MEMBER COUNTRIES | | |
|---|-----------------------------------|--|
| Project preparation missions and other loan-related technical assistance — | (Forward) | \$ 897 |
| Consultants | Regional activities — Consultants | 843 |
| Bangladesh | \$ 677 | TOTAL SERVICES TO MEMBER COUNTRIES |
| Burma | 403 | ADMINISTRATIVE EXPENSES |
| Indonesia | 466 | Staff-Consultants |
| Korea, Republic of | 142 | Headquarters |
| Laos | 164 | Project appraisal and other field missions |
| Maldives | 30 | Afghanistan |
| Nepal | 104 | Bangladesh |
| Pakistan | 488 | Burma |
| Papua New Guinea | 28 | Hong Kong |
| Philippines | 398 | Indonesia |
| Solomon Islands | 113 | Kiribati |
| Sri Lanka | 319 | Korea, Republic of |
| Western Samoa | 56 | Laos |
| Total | <u>3,388</u> | Malaysia |
| Project Implementation/advisory — | | 233 |
| Consultants | | Maldives |
| Bangladesh | 39 | Nepal |
| Burma | 56 | Pakistan |
| Cook Islands | 50 | Papua New Guinea |
| Fiji | 70 | Philippines |
| Indonesia | 31 | Solomon Islands |
| Korea, Republic of | 13 | Singapore |
| Maldives | 152 | Sri Lanka |
| Nepal | 50 | Thailand |
| Papua New Guinea | 114 | Western Samoa |
| Solomon Islands | 37 | Total |
| Sri Lanka | 102 | Other administrative expenses |
| Tonga | 87 | TOTAL ADMINISTRATIVE EXPENSES |
| Western Samoa | 96 | |
| TOTAL (Forward) | \$ 897 | GROSS EXPENSES |
| | | \$7,887 |

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

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1980 and 31 December 1979

CONTINUED

NOTE 1 —

GENERAL

- (a) Since 1967, the Bank has established Special Funds Resources to finance the special operations of the Bank as provided in Article 19 of the Articles of Agreement. Such Special Funds Resources consist of a Technical Assistance Special Fund and a Multi-Purpose Special Fund.
- (b) In 1974, the Asian Development Fund was established. Six contributors elected to have their contributions to the Multi-Purpose Special Fund made after 31 December 1972 credited toward the amount of their contributions to the Asian Development Fund. Accordingly, their contributions were transferred to the Asian Development Fund.
- (c) As a further step to streamline and restructure the Special Funds, transfer to the Asian Development Fund of the resources in the Multi-Purpose Special Fund was authorized in 1975. Accordingly, all the resources in the Multi-Purpose Special Fund have since been transferred to the Asian Development Fund.
- (d) Since the Special Funds Rules and Regulations do not apply to the Asian Development Fund, the accompanying financial statements do not include the operations and activities of that Fund.

NOTE 2 —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Unit of Account

The Special Funds Resources financial statements are expressed in thousands of current United States dollars.

(b) 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 the year.

Income and expense amounts in currencies other than United States dollars are translated for each quarter generally at the applicable rates of exchange at the beginning of the quarter; such practice approximates the application of average rates in effect during the quarter.

Translation adjustments relating to funds representing the unexpended balances of contributions

are offset by increases or decreases in the contribution accounts. Other translation adjustments are charged or credited to income.

(c) Contributions

Contributions by member countries are included in the financial statements as amounts committed from the date contribution agreements become effective. As to those member countries which have agreed to consider specific requests for financing, the amounts shown in the financial statements as amounts committed are based on the specific requests approved through 31 December 1980 and 31 December 1979.

NOTE 3 —

TECHNICAL ASSISTANCE SPECIAL FUND

- (a) Since 1967, contributions have been made by 24 member countries to be used by the Bank for financing technical assistance activities. In most cases, the initial use of the contributions shall be for the procurement of expert services and facilities from the contributing member country. There has been, however, a trend towards liberalization of the procurement terms. Therefore, some of the contributions are substantially or wholly untied.
- (b) The term "Other Resources" refers to the income, repayments and reimbursements retained in the Technical Assistance Special Fund since 31 March 1980 after the termination of the Bank's administration of the Multi-Purpose Special Fund [See Notes 4 (b) and 4 (c)], for further use, free of any restriction, as part of the Technical Assistance Special Fund.

NOTE 4 —

MULTI-PURPOSE SPECIAL FUND

- (a) Since 1968, contributions have been made by 14 member countries to be used by the Bank for financing special operations (other than non-reimbursable technical assistance). However, as stated in Notes 1(b) and 1(c) above, all the contributions to the Multi-Purpose Special Fund have been transferred to the Asian Development Fund.
- (b) The term "Accrued Resources" refers to the resources derived from the service fee charged by the Bank in its special operations in accordance with the Special Funds Rules and Regulations for the Bank's administration of the Special Funds

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1980 and 31 December 1979

Resources and to certain other income derived from Special Funds Resources credited, held and administered by the Bank in the Multi-Purpose Special Fund.

- (c) Pursuant to a Resolution adopted by the Board of Directors, the amount representing accumulated net income and other credit of the Multi-Purpose Special Fund as of 31 March 1980 was transferred to the Asian Development Fund and the Bank's administration of the Multi-Purpose Special Fund was terminated as of that date.

NOTE 5 —

LOANS

Loans approved by the Bank on concessional terms are classified as Special Funds loans. Where necessary and when available, the resources of both the Multi-Purpose Special Fund and the Asian Development Fund were used, prior to the termination of the Bank's administration of the Multi-Purpose Special Fund on 31 March 1980, either singly or jointly to finance such loans. The amounts shown as "Effective loans held by Bank" at 31 December 1979 represented only the portions of loans outstanding which were disbursed from the resources then remaining in the Multi-Purpose Special Fund.

NOTE 6 —

ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

The Administrative expenses for the year ended 31 December 1979 included Administration Charge to Special Operations amounting to \$47,000. The Administration Charge to Special Operations was in-

stituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans approved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved. Upon transfer of the bulk of the resources to the Asian Development Fund [see Notes 1(b), and 1(c)] the Administration Charge Payable to Ordinary Capital Resources applicable to such resources and contributions was also transferred, resulting in a net credit arising from such transfer of the liability.

NOTE 7 —

TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 December 1980 for technical assistance projects and programs approved by the Bank, were approximately \$12,670,000 (\$11,844,000—1979); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over \$150,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of \$148,000 (\$183,000—1979) were charged to loans and credited to income of Other Resources of the Technical Assistance Special Fund during the year ended 31 December 1980 (Multi-Purpose Special Fund—1979).

DELOITTE HASKINS & SELLS
Certified Public Accountants

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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 — Special Funds Resources:

Appendix

Balance Sheet, 31 December 1980 and 31 December 1979 1-A

Statement of Income and Expenses and Accumulated Net Income
(Expense) for the Years Ended 31 December 1980 and 31 December 1979 1-B

Statement of Changes in Financial Position for the Years Ended
31 December 1980 and 31 December 1979 1-C

Technical Assistance Special Fund
Statement of Contributed Resources, 31 December 1980 1-D

Balance Sheet, 31 December 1980 1-E

Summary Statement of Expenses for the Year Ended
31 December 1980 1-F

Notes to Financial Statements, 31 December 1980 and 31 December 1979 1-G

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 — Special Funds Resources at 31 December 1980 and 31 December 1979 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

27 February 1981

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1980 and 31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

| <u>ASSETS</u> | 1980 | 1979 |
|---|-------------|-------------|
| CASH IN BANKS | \$4,674 | \$ 4,142 |
| INVESTMENTS | | |
| Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$145,705 — 1980, \$165,471 — 1979) | \$ 143,206 | \$ 163,517 |
| Time deposits and other obligations of banks | 240,806 | 384,012 |
| LOANS (See Appendix 1-4) (Note 4) | | |
| Loans approved — <u>\$2,440,563</u> — 1980, <u>\$1,963,323</u> — 1979 | | |
| Effective loans held by Bank | 1,986,638 | 1,570,960 |
| ACCRUED INCOME | | |
| On investments | 9,981 | 7,979 |
| On loans | 3,248 | 13,229 |
| NOTES OF CONTRIBUTOR | | |
| Non-negotiable, non-interest-bearing notes | 1,851,231 | 1,200,751 |
| AMOUNTS RECEIVABLE FROM CONTRIBUTOR | | |
| (See Appendix 1-5) | 13,996 | 55,813 |
| ACCOUNTS RECEIVABLE | | |
| Multi-Purpose Special Fund | — | 447 |
| Others | 2,189 | 2,189 |
| TOTAL | \$4,255,969 | \$3,198,347 |
| <u>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</u> | | |
| UNDISBURSED BALANCE OF EFFECTIVE LOANS | | |
| (See Appendix 1-4) | \$1,187,820 | \$ 964,888 |
| ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL | | |
| RESOURCES (Note 5) | 9,380 | 8,591 |
| ACCOUNTS PAYABLE | 1,867 | 932 |
| UNEXPENDED BALANCES AND CAPITAL | | |
| Amounts available for loan commitments (See Appendix 1-5) | | |
| Contributed Resources | \$2,746,643 | \$1,925,240 |
| Set-Aside Resources (Note 3) | 60,722 | 62,718 |
| Other Resources | 4,680 | 4,352 |
| | 2,812,045 | 1,992,310 |
| Advance payments on contributions | 140,800 | 158,939 |
| Accumulated net income (See Appendix 1-2) | 104,057 | 3,056,902 |
| TOTAL | \$4,255,969 | \$3,198,347 |

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME

For the Years Ended 31 December 1980 and 31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

| | 1980 | 1979 |
|---|---------------------|-----------------------|
| INCOME | | |
| From investments | \$39,379 | \$28,212 |
| From loans | 10,094 | 9,444 |
| From other sources | <u>463</u> | <u>343</u> |
| GROSS INCOME | \$ 49,936 | \$37,999 |
| EXPENSES | | |
| Administrative expenses (Note 5) | <u>20,277</u> | <u>15,394</u> |
| INCOME BEFORE NET GAIN (LOSS) FROM CHANGES IN VALUE OF CURRENCIES | 29,659 | 22,605 |
| NET GAIN (LOSS) FROM CHANGES IN VALUE OF CURRENCIES — resulting primarily from translation of currency holdings derived from earnings (Note 2) | <u>1,711</u> | <u>(1,862)</u> |
| NET INCOME FOR THE YEAR | 31,370 | 20,743 |
| BALANCE OF ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR | 72,687 | 51,944 |
| BALANCE OF ACCUMULATED NET INCOME AT END OF THE YEAR | \$104,057 | \$72,687 |

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

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1980 and 31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

| | 1980 | 1979 |
|---|------------------|------------------|
| FUNDS WERE PROVIDED BY | | |
| Operations | | |
| Net income | \$ 31,370 | \$ 20,743 |
| Items not requiring or providing funds: | | |
| Accrued income including capitalized interest and service charges on loans | (2,549) | 238 |
| Administration Charge | 20,268 | 15,376 |
| | <hr/> | <hr/> |
| Funds provided by operations | 49,089 | 36,357 |
| Contributions drawn | 721,046 | 468,747 |
| Notes of contributors encashed | 138,356 | 140,492 |
| Increase (decrease) in contributions drawn as a result of currency revaluations | 124,035 | (162,500) |
| Loans collected | 10,971 | 8,595 |
| Resources transferred from the Multi-Purpose Special Fund | 328 | 7,121 |
| Other — net | 4,175 | (3,450) |
| | <hr/> | <hr/> |
| Total | 1,048,000 | 495,362 |
| FUNDS WERE UTILIZED FOR | | |
| Loans disbursed | 150,288 | 125,132 |
| Notes of contributors received | 715,486 | 464,018 |
| Increase (decrease) in loans disbursed and outstanding as a result of currency revaluations | 52,719 | (64,833) |
| Increase (decrease) in notes of contributors as a result of currency revaluations | 73,350 | (94,220) |
| Administration Charge paid | 19,493 | 12,560 |
| Loans and other assets (accounts payable and other liabilities) transferred from the Multi-Purpose Special Fund | 328 | (1,722) |
| Decrease (increase) in Set-Aside Resources due to substitution of the SDR for the 1966 dollar as unit of value | 1,996 | (693) |
| | <hr/> | <hr/> |
| Total | 1,013,660 | 440,242 |
| INCREASE IN CASH IN BANKS AND INVESTMENTS | | |
| | \$ 34,340 | \$ 55,120 |
| | <hr/> | <hr/> |
| INCREASE (DECREASE) IN COMPONENTS OF FUNDS | | |
| Cash in banks | \$ 532 | \$ (5,428) |
| Investments | 33,808 | 60,548 |
| | <hr/> | <hr/> |
| TOTAL | \$ 34,340 | \$ 55,120 |

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS^a

31 December 1980

Expressed in Thousands of United States Dollars (Note 2)

| Borrower | Principal Amount | Loans Not Yet Effective | Refundings and Cancellations | Payments Received | Effective Loans Held by Bank | Undisbursed Balance of Effective Loans ^b | Outstanding Balance |
|---|--------------------|-------------------------|------------------------------|-------------------|------------------------------|---|---------------------|
| Afghanistan | \$ 95,100 | \$ 20,100 | \$ 949 | \$ 670 | \$ 73,381 | \$ 47,684 | \$ 25,697 |
| Bangladesh | 619,930 | 156,900 | 5,201 | 1,312 | 456,517 | 291,179 | 165,338 |
| Burma | 283,960 | 35,000 | 1,163 | — | 247,797 | 140,093 | 107,704 |
| Cambodia | 1,670 | — | — | — | 1,670 | 1,027 ^c | 643 |
| Cook Islands | 1,000 | — | — | — | 1,000 | 1,000 | — |
| Indonesia | 162,280 | — | 5,400 | 6,333 | 150,547 | 55,254 | 95,293 |
| Kiribati | 1,750 | — | — | — | 1,750 | 1,234 | 516 |
| Korea, Republic of | 3,700 | — | 102 | 816 | 2,782 | — | 2,782 |
| Laos | 36,843 | 10,150 | 6 | 958 | 25,729 | 15,596 | 10,133 |
| Malaysia | 3,300 | — | — | 511 | 2,789 | — | 2,789 |
| Nepal | 217,720 | 38,500 | 1,750 | 5,580 | 171,890 | 126,955 | 44,935 |
| Pakistan | 525,950 | 122,000 | 95 | 3,416 | 400,439 | 309,164 | 91,275 |
| Papua New Guinea | 61,940 | 8,000 | — | 3,187 | 50,753 | 27,199 | 23,554 |
| Philippines | 64,300 | 20,000 | 373 | 1,108 | 42,819 | 24,531 | 18,288 |
| Singapore | 3,000 | — | — | — | 3,000 | — | 3,000 |
| Solomon Islands | 14,850 | 3,650 | — | — | 11,200 | 5,078 | 6,122 |
| Sri Lanka | 210,105 | 37,800 | 6,361 | 4,526 | 161,418 | 96,306 | 65,112 |
| Thailand | 57,100 | 20,000 | — | — | 37,100 | 29,408 | 7,692 |
| Tonga | 4,370 | — | — | — | 4,370 | 929 | 3,441 |
| Viet Nam | 40,670 | 13,000 | 3,745 | 757 | 23,168 | 8,730 | 14,438 |
| Western Samoa | 31,025 | 4,740 | 61 | 697 | 25,527 | 6,453 | 19,074 |
| Adjustments in United States dollar equivalents of loans disbursed | | | | | 90,992 ^d | | 90,992 ^d |
| TOTAL | \$2,440,563 | \$489,840 | \$25,206 | \$29,871 | \$1,986,638 | \$1,187,820 | \$ 798,818 |

MATURITY STRUCTURE OF EFFECTIVE LOANS

| Twelve Months Ending 31 December | Amount | Five Years Ending 31 December | Amount |
|-------------------------------------|----------|----------------------------------|---------------------|
| 1981 | \$12,344 | 1990 | 168,340 |
| 1982 | 11,911 | 1995 | 241,686 |
| 1983 | 11,979 | 2000 | 305,244 |
| 1984 | 14,424 | 2005 | 341,913 |
| 1985 | 18,099 | 2010 | 328,031 |
| | | 2015 | 313,845 |
| | | 2020 | 127,830 |
| | | Undetermined ^e | 90,992 |
| | | Total | \$ 1,986,638 |

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

- a. The Bank makes a service charge on all Special Fund loans approved after 21 March 1974 at the rate of 1% per annum. On loans approved prior to 21 March 1974, the Bank charges interest (including a service fee of 3/4 of 1%) ranging from 1% per annum to 3% per annum.
- b. Of the undisbursed balance, the Bank has entered into irrevocable commitments to disburse \$1,101.
- c. Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursements of the loan.
- d. This amount represents 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.
- e. Represents exchange adjustments which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1980

Expressed in Thousands of United States Dollars (Note 2)

| | Amounts Committed During 1980 | Cumulative Amounts Committed | Amounts Not Yet Available for Loan Com- mitments | Amounts Available for Loan Commitments | Amounts Received | Amounts Receivable |
|-------------------------------------|-------------------------------------|------------------------------------|--|---|---------------------|-----------------------|
| CONTRIBUTED RESOURCES | | | | | | |
| Australia | \$ — | \$ 178,742 | \$ 56,039 | \$ 122,703 | \$ 122,703 | \$ — |
| Austria | — | 27,649 | 9,701 | 17,948 | 17,948 | — |
| Belgium | 17,976 | 34,706 | 8,988 | 26,718 | 25,718 | — |
| Canada | 161,918 | 258,756 | 80,959 | 177,797 | 163,801 | 13,996 |
| Denmark | — | 27,576 | 7,685 | 19,991 | 19,991 | — |
| Finland | — | 19,235 | 7,811 | 11,424 ^a | 11,424 | — |
| France | — | 107,673 | 53,837 | 53,836 | 53,836 | — |
| Germany, Federal Republic of | — | 285,982 | 73,227 | 212,755 ^a | 212,755 | — |
| Italy | — | 34,109 | — | 34,109 | 34,109 | — |
| Japan | — | 1,740,899 | 442,289 | 1,298,610 ^a | 1,298,610 | — |
| Netherlands | — | 36,545 | — | 36,545 | 36,545 | — |
| New Zealand | — | 8,791 | — | 8,791 | 8,791 | — |
| Norway | — | 25,429 | 7,685 | 17,744 ^a | 17,744 | — |
| Sweden | — | 37,501 | 13,978 | 23,523 | 23,523 | — |
| Switzerland | — | 50,478 | 13,591 | 36,887 ^a | 36,887 | — |
| United Kingdom | — | 225,832 | 70,070 | 155,762 | 155,762 | — |
| United States | 445,000 | 775,000 ^b | 282,500 | 492,500 | 492,500 | — |
| Total | 624,894 | 3,874,903 | 1,128,260 | 2,746,643 | 2,732,647 | 13,996 |
| SET-ASIDE RESOURCES (Note 3) | | | | | | |
| OTHER RESOURCES | 328 ^c | 4,680 | — | 4,680 | 4,680 | — |
| TOTAL | \$625,222 | \$3,940,305 | \$1,128,260^d | \$2,812,045 | \$2,798,049 | \$13,996 |

The accompanying notes to financial statements (Appendix 1-8) are an integral part of this statement.

a Not including \$1,373,226, \$66,178, \$37 and \$1,358 received from Finland, the Federal Republic of Germany, Japan, Norway and Switzerland, respectively, representing advance payments on account of their contributions to the second replenishment of the Fund which amounts were not available for loan commitment purposes as of 31 December 1980.

b Including \$60,000 and \$222,500 representing the balance of the United States' contribution to the first replenishment and the last two instalments of its contribution to the second replenishment, respectively, of the Fund for which amounts the necessary legislative action had not been completed as of 31 December 1980. Subsequent to 31 December 1980, the United States paid \$3,535 of the balance of its contribution to the first replenishment of the Fund.

c Amount transferred from the Multi-Purpose Special Fund [see Note 1-(d)].

d The third instalments (equivalent to US\$422,880) of all contributions so far made to the second replenishment of the Fund, other than the United States' contribution, became available for loan commitment purposes as of 1 January 1981.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1980 and 31 December 1979

CONTINUED

NOTE 1 —

GENERAL

- (a) In 1973, the Board of Governors authorized the establishment of the Asian Development Fund (the Fund) with initial resource mobilization arrangements for the three years ending 31 December 1975 in a total amount equivalent to US\$525,000,000 to be provided in two stages. In April 1974, the Board of Directors adopted Regulations for the administration of the Fund. The Fund was established on 28 June 1974 when Instruments of Contribution for a total amount exceeding the minimum amount required to establish the Fund were deposited with the Bank.
- (b) Six contributors elected to have their contributions to the Multi-Purpose Special Fund made after 31 December 1972 credited toward the amount of their contributions to the Fund. Accordingly, their contributions were transferred to the Fund.
- (c) Three contributors have requested and the Board of Directors has agreed, that the initial use of their contributions under the first stage of the initial mobilization arrangements, aggregating the equivalent of US\$104,209,000 at 31 December 1980 (US\$104,279,000 — 1979) be restricted to procurement of goods and services from their respective countries. Of this amount, the equivalent of US\$46,390,000 as of 31 December 1980 (US\$27,252,000 — 1979) has been so used.
- (d) As a further step to streamline and restructure the Special Funds, transfer to the Fund of the resources in the Multi-Purpose Special Fund was authorized in 1975. Accordingly, the Set-Aside Resources, the Contributed Resources and the accumulated net income and other credit of the Accrued Resources have all

since been transferred from the Multi-Purpose Special Fund to the Fund.

- (e) Subsequent to the initial resource mobilization arrangements, the Board of Governors has authorized the following:
 - (i) In December 1975, the first replenishment of the Fund in a total amount equivalent to US\$830,000,000 (subsequently revised to US\$809,000,000) for the three years ending 31 December 1978 under a three-instalment program; and
 - (ii) In July 1978, the second replenishment of the Fund in a total amount equivalent to US\$2,000,000,000 in basic contributions together with an amount equivalent to US\$150,000,000 in supplementary contributions to be provided during the four years ending 31 December 1982 under a four-instalment program.

NOTE 2 —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Unit of Account

The financial statements of the Fund are expressed in thousands of current United States dollars.

(b) Translation of Currencies

Assets, liabilities and unexpended balances in currencies other than United States dollars are translated at the applicable rates of exchange which prevailed at the end of the year.

Income and expense amounts in currencies other than United States dollars are translated for each quarter generally at the applicable rates of exchange which prevailed at the beginning of the quarter; such

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1980 and 31 December 1979

practice approximates the application of average rates in effect during the quarter.

Translation adjustments relating to contributions are offset by increases or decreases in the contribution accounts. Translation adjustments relating to capital set-aside are recorded as receivable from or payable to ordinary capital resources. Other translation adjustments are credited or charged to income.

(c) 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 3 —

SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(l), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973, to be used as part of the Special Funds of the Bank. The capital so set aside was allocated and transferred from the ordinary capital resources to the Fund as Set-Aside Resources.

The capital stock of the Bank is defined in Article 4, paragraph 1 of the Articles of Agreement "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. The Bank is examining the implications of this change on the valuation of its capital stock but has not made a decision on the matter. Pending such a decision, 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 1980, the SDR was valued at \$1.27541. On this basis, Set-Aside Resources amounted to \$60,722,000. The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Fund. If the capital stock as of 31 December 1980 had been valued in terms of \$12,063.50 per share Set-Aside Resources would have been \$57,434,000.

NOTE 4 —

LOANS

Loans approved by the Bank on concessional terms are classified as Special Funds loans. Where necessary and when available the resources of both the Multi-Purpose Special Fund and the Fund were used, prior to the termination of the Bank's Administration of the Multi-Purpose Special Fund on 31 March 1980, either singly or jointly to finance such loans. The portions of loans allocated to the Multi-Purpose Special Fund, representing disbursements in respect of individual loans made from the resources remaining in that fund, were excluded from the amount shown at 31 December 1979 as "Effective loans held by Bank" under the Fund.

NOTE 5 —

ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include Administration Charge to Special Operations amounting to \$20,268,000 (\$15,376,000 — 1979). The Administration Charge to Special Operations was instituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans approved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those pertaining directly to ordinary operations and special operations) and the number of loans approved.

DELOITTE HASKINS & SELLS
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of the Asian Development Fund:

Appendix

| | |
|---|-----|
| Balance Sheet, 31 December 1980 and 31 December 1979 | 1-1 |
| Statement of Income and Expenses and Accumulated Net Income for the Years Ended 31 December 1980 and 31 December 1979 | 1-2 |
| Statement of Changes in Financial Position for the Years Ended 31 December 1980 and 31 December 1979 | 1-3 |
| Summary Statement of Loans, 31 December 1980 | 1-4 |
| Statement of Resources, 31 December 1980 | 1-5 |
| Notes to Financial Statements, 31 December 1980 and 31 December 1979 | 1-6 |

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 Fund at 31 December 1980 and 31 December 1979 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

27 February 1981

APPENDIX 2

SUMMARY OF BUDGET FOR 1981
INTERNAL ADMINISTRATIVE EXPENSES

| | 1980 | | | 1981 Budget |
|---|--------------------|--------------------------------|---------------------------|----------------|
| | Original Budget | Revised Budget ¹ | Actual | |
| I. BOARD OF GOVERNORS | \$ 135,000 | \$ 140,400 | \$ 140,094 | \$ 419,000 |
| II. BOARD OF DIRECTORS | 1,976,000 | 2,511,000 | 2,482,361 | 2,956,000 |
| Salaries | 1,009,000 | 1,213,000 | 1,201,667 | 1,332,000 |
| Benefits | 483,000 | 470,000 | 467,715 | 484,000 |
| Relocation | 133,000 | 266,000 | 259,031 | 591,000 |
| Business Travel | 163,000 | 240,000 | 237,851 | 293,000 |
| Staff Services | 188,000 | 222,000 | 216,097 | 256,000 |
| Remuneration Study | — | 100,000 | 100,000 | — |
| III. STAFF | 30,359,000 | 31,863,000 | 31,316,694 | 42,347,000 |
| Salaries | 17,393,000 | 17,953,000 | 17,787,288 | 24,028,000 |
| Benefits ² | 7,855,000 | 8,645,000 | 8,516,638 | 11,327,000 |
| Relocation | 2,561,000 | 2,214,000 | 1,961,882 | 2,805,000 |
| Consultants | 2,550,000 | 3,051,000 | 3,050,886 | 4,187,000 |
| IV. BUSINESS TRAVEL AND REPRESENTATION | 3,060,000 | 3,110,000 | 2,999,271 | 4,060,000 |
| Business Travel | 3,000,000 | 3,050,000 | 2,939,622 | 4,000,000 |
| Representation | 60,000 | 60,000 | 59,649 | 60,000 |
| V. OTHER ADMINISTRATIVE EXPENSES | 6,012,000 | 5,713,000 | 5,681,184 | 7,812,000 |
| Communications | 1,122,000 | 1,142,000 | 1,140,445 | 1,670,000 |
| Office Occupancy | 2,658,000 | 2,426,000 | 2,417,526 | 3,300,000 |
| Library | 130,000 | 147,000 | 146,109 | 167,000 |
| Expendable Supplies | 459,000 | 492,000 | 489,357 | 662,000 |
| Office Equipment | 427,000 | 423,000 | 422,241 | 668,000 |
| Contractual Services | 1,030,000 | 936,000 | 921,792 | 1,107,000 |
| Insurance | 138,000 | 90,000 | 89,408 | 168,000 |
| Miscellaneous ² | 48,000 | 57,000 | 54,306 | 70,000 |
| VI. GENERAL CONTINGENCY | 830,000 | — | | 1,152,000 |
| T O T A L | \$42,372,000 | \$43,337,400 | \$42,619,604 ³ | \$58,746,000 |

¹ Incorporating the Supplementary Budget. Transfers between items were made at year-end without exceeding the total for each category.

² Food Services Subsidy was reclassified from Other Administrative Expenses (Miscellaneous) to Staff (Benefits).

³ Includes \$2,759,207 from the Technical Assistance Special Fund: Staff Consultants — \$2,754,861 and Miscellaneous — \$4,346.

SUMMARY OF BUDGET FOR 1981

SERVICES TO MEMBER COUNTRIES

CONTINUED

| Financed from Bank's Own Resources | 1980 | | | | 1981 | |
|---------------------------------------|--------------------|--------------------|----------------------------|--------------------------------|---------------------|----------------------------|
| | Commitments | | Disbursements ¹ | | Budget | |
| | Budget | Actual | Budget | Actual | New Commitments | Disbursements ¹ |
| Project Preparation | \$4,900,000 | \$5,375,500 | \$3,800,000 | \$4,037,393 | \$6,500,000 | \$5,834,000 |
| Advisory and Operational | 2,500,000 | 1,438,000 | 2,800,000 | 712,138 | 2,800,000 | 2,252,000 |
| Regional Services | 2,100,000 | 1,552,157 | 900,000 | 1,583,067 | 1,200,000 | 987,000 |
| Special (Energy) | — | — | — | — | 500,000 | 500,000 |
| TOTAL | \$9,500,000 | \$8,365,657 | \$7,500,000 | \$6,332,598¹ | \$11,000,000 | \$9,573,000 |

¹ Includes \$5,128,249 from the Technical Assistance Fund: Project Preparation—\$3,388,466; Advisory and Operational—\$896,808; and Regional Services—\$842,975.

APPENDIX 3**RESOLUTIONS OF BOARD OF GOVERNORS DURING 1980**

| Resolution No. | Subject | Date Adopted |
|----------------|---|------------------|
| 129 | Amendment of Section 7(B)(a) of By-Laws | 12 February 1980 |
| 130 | Further Extension of Time for Subscription to, and Payment of Instalments Under, Second General Capital Increase | 16 April 1980 |
| 131 | Financial Statements and Auditors' Reports | 2 May 1980 |
| 132 | Allocation of Net Income | 2 May 1980 |
| 133 | Date and Place of Fourteenth Annual Meeting | 2 May 1980 |
| 134 | Resources of the Bank | 2 May 1980 |
| 135 | Amendment of Section 5 of By-Laws | 16 May 1980 |
| 136 | Further Measures to Facilitate Payment of United States Contribution to First Replenishment of Asian Development Fund | 28 October 1980 |
| 137 | Amendment of Section 7(B)(a) of By-Laws | 10 November 1980 |

BOARD OF GOVERNORS

(As of 31 December 1980)

G. William Miller (United States) Chairman

Yadav Prasad Pant (Nepal) Vice-Chairman

S. Tapa (Tonga) Vice-Chairman

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|-------------------------------------|---|---|
| Afghanistan, Democratic Republic of | Abdul Wakil Finance Minister | M. Naim Askaryar President Treasury Department |
| Australia | J. W. Howard Treasurer | J. C. Ingram Director Australian Development Assistance Bureau |
| Austria | Hannes Androsch Federal Minister of Finance | Robert Poliak ¹ Director-General Ministry of Finance |
| Bangladesh | M. Saifur Rahman ² Minister of Finance | A.M.A. Muhith ³ Secretary External Resources Division Ministry of Finance |
| Belgium | M. Eyskens ⁴ Minister of Finance | M. D'Haeze Vice-Governor National Bank of Belgium |
| Burma | U Tun Tin Deputy Prime Minister and Minister of Planning and Finance | U Maung Shein Deputy Minister Ministry of Planning and Finance |
| Cambodia | | |
| Canada | Allan J. MacEachen ⁵ Deputy Prime Minister and Minister of Finance | Marcel Masse ⁶ President Canadian International Development Agency |
| China, Republic of | Yu Kuo-Hwa Governor The Central Bank of China | C. M. Wang Vice Minister of Finance |
| Cook Islands | V. A. K. T. Ingram Minister of Economic Development | Jeff Liew ⁷ Director Department of Development Planning |
| Denmark | Mogens Isaksen ⁸ Under-Secretary Ministry of Foreign Affairs | C.U. Haxthausen ⁹ Head of Department Ministry of Foreign Affairs |

¹ Succeeded Erich Schmid in January.² Succeeded M.N. Huda in May.³ Succeeded S.A. Khair in March.⁴ Succeeded P. Harry in October.

P. Harry succeeded R. Henrion in June.

R. Henrion succeeded G. Geens in May.

⁵ Succeeded John C. Crosbie in March.⁶ Succeeded Michel Dupuy in May.⁷ Succeeded W.A. King in October.⁸ Succeeded Kai Rebsdorph in December.

Kai Rebsdorph succeeded Lise Oestergaard in April.

⁹ Succeeded Kai Rebsdorph in April.

APPENDIX 4

CONTINUED

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|-------------------------------------|--|--|
| Fiji | Charles Walker Minister of Finance | Winston Thompson Permanent Secretary for Finance |
| Finland | Wilhelm Breitenstein Undersecretary of State Ministry of Foreign Affairs | Eero Asp Managing Director Finnish Export Credit, Ltd. |
| France | Rene Monory Minister of Economy | Jean-Yves Haberer Director of Treasury Ministry of Economy |
| Germany, Federal Republic of | Rainer Offergeld Federal Minister for Economic Cooperation | Winfried Hech ¹ Deputy Assistant Secretary Federal Ministry of Finance |
| Hong Kong | Sir Philip Haddon-Cave, K.B.E. Financial Secretary | |
| India | R. Venkataraman ² Minister of Finance | R.N. Malhotra ³ Secretary Ministry of Finance Department of Economic Affairs |
| Indonesia | All Wardhana Minister of Finance | Rachmat Saleh Governor Bank Indonesia |
| Italy | Lamberto Dini Director General Bank of Italy | Felice Ruggiero Director General Ministry of the Treasury |
| Japan | Michio Watanabe ⁴ Minister of Finance | Haruo Maskawa Governor Bank of Japan |
| Kiribati | Tiwau Awira Minister for Finance | Roniti Tewaiki Minister for Trade and Communications |
| Korea, Republic of | Lee Seung Yun ⁵ Minister of Finance | Kim Joon Sung ⁶ Governor Bank of Korea |
| Lao People's Democratic Republic | Bousbong Souvannavong Secretary of State for Finance | |
| Malaysia | Tengku Razaleigh Hamzah Minister of Finance | Thong Yaw Hong ⁷ Secretary General to the Treasury Federal Treasury |
| Maldives | Fathulla Jameel Minister of External Affairs | Adam Maniku Deputy Director Department of Finance |

1 Succeeded Hans-Herbert Weber in January.

2 Succeeded H. N. Bahuguna in January.

3 Succeeded Manmohan Singh in April.

4 Succeeded Noboru Takeshita in July.

5 Succeeded Won Gie Kim in May.

6 Succeeded Byong Hyun Shin in July.

7 Succeeded Ismail Bin Ishamed Ali in July.

CONTINUED

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|--|--|--|
| Nepal | Yadav Prasad Pant ¹ State Minister of Finance | Goraksha Bahadur Nhuchhe Pradhan ² Secretary of Finance Ministry of Finance |
| Netherlands | A. P. J. M. M. van der Stee ³ Minister of Finance | J. de Koning Minister for Development Cooperation |
| New Zealand | R. D. Muldoon Prime Minister and Minister of Finance | B. V. Galvin ⁴ Secretary to the Treasury |
| Norway | Knut Frydenlund Minister of Foreign Affairs | Johan Joergen Holst Under-Secretary of State Ministry of Foreign Affairs |
| Pakistan | Ghulam Ishaq Khan Minister of Finance and Coordination | Aftab Ahmad Khan Secretary Economic Affairs Division |
| Papua New Guinea | John R. Kaputin ⁵ Minister for Finance | Mekere Morauta Secretary for Finance |
| Philippines | Cesar Virata Minister of Finance | Gregorio S. Licaros Governor Central Bank of the Philippines |
| Singapore | Goh Chok Tong Minister of Trade & Industry | J. Y. M. Pillay Permanent Secretary Revenue Division Ministry of Finance |
| Solomon Islands | Benedict Kinika, O.B.E. Minister of Finance | Pulepada Ghemu Minister of Foreign Trade, Industry & Labour |
| Sri Lanka, Democratic Socialist Republic of | Ronnie de Mel Minister of Finance and Planning | W. M. Tilakaratna Secretary to the Treasury and Secretary, Ministry of Finance and Planning |
| Sweden | Hans Blix Under-Secretary of State Office for International Development Cooperation Ministry for Foreign Affairs | Bo Kjellen Head Multilateral Department Office for International Development Cooperation Ministry for Foreign Affairs |
| Switzerland | Klaus Jacobi Ambassador Delegate of the Federal Council for Trade Agreements | Hans Meyer Deputy General Manager Swiss National Bank |
| Thailand | Amnuay Viravan ⁶ Minister of Finance | Chanchai Leetavorn Under-Secretary of State for Finance Ministry of Finance |

¹ Succeeded Harihar Prasad Yadav in June.² Succeeded Devendra Raj Panoay in February.³ Succeeded F.H.J.J. Andriessen in March.⁴ Succeeded N.V. Lough in December.⁵ Succeeded Barry Blyth Holloway in March.⁶ Succeeded Sommai Hoontrakool in March. Sommai

Hoontrakool succeeded Krlangsak Chomanan in February.

APPENDIX 4

CONTINUED

| COUNTRY | GOVERNOR | ALTERNATE GOVERNOR |
|------------------------------------|---|--|
| Tonga | S. Tapa Minister of Finance | Baron Vaea Minister of Labour, Commerce & Industries and Assistant Minister of Finance |
| United Kingdom | Neil Marten M.P. Minister of State for Foreign & Commonwealth Affairs and Minister for Overseas Development | J.L.F. Buist ¹ Under Secretary Overseas Development Administration |
| United States | G. William Miller Secretary of the Treasury | Richard N. Cooper Under-Secretary of State for Economic Affairs |
| Viet Nam, Socialist Republic of | Tran Duong Minister Director General The State Bank of Viet Nam | Le Hoang Vice Minister Deputy Director General The State Bank of Viet Nam |
| Western Samoa | Vaovasamania R. P. Phillips Minister of Finance | A. L. Hutchison Financial Secretary |

¹ Succeeded A.G. Hurrell in December.

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1980)

| DIRECTOR | ALTERNATE DIRECTOR | COUNTRIES REPRESENTED ¹ |
|--|---|---|
| A. J. Barry (Canada) | Dag Larsson (Norway) | Canada Denmark Finland Netherlands Norway Sweden |
| Rosario Bonavoglia (Italy) | Max Gertsch ² (Switzerland) | Belgium France Italy Switzerland |
| N. W. Davey (Australia) | Peter H. Hodge (Australia) | Australia Hong Kong Kiribati Solomon Islands |
| Lester E. Edmond (United States) | Jon M. Gaaserud (United States) | United States |
| Rainer Goerdeler (Federal Republic of Germany) | David L. Stanton (United Kingdom) | Austria Federal Republic of Germany United Kingdom |
| R. A. Kartadjoemena (Indonesia) | Cliff F. Sproule (New Zealand) | Cook Islands Fiji Indonesia New Zealand Tonga Western Samoa |
| Bong H. Kay (Republic of Korea) | John Natera ³ (Papua New Guinea) | Republic of China Republic of Korea Papua New Guinea |
| Le Duc Van (Socialist Republic of Viet Nam) | F.M. Tarin ⁴ (Democratic Republic of Afghanistan) | Democratic Republic of Afghanistan Lao People's Democratic Republic Maldives Democratic Socialist Republic of Sri Lanka Socialist Republic of Viet Nam |
| A. Melchor, Jr. (Philippines) | N.M. Qureshi ⁵ (Pakistan) | Pakistan Philippines |
| Genji Nozaki (Japan) | Takashi Taniguchi ⁶ (Japan) | Japan |
| Y. T. Shah (India) | K. Mahmood (Bangladesh) | Bangladesh India |
| Yeo Teng Yang (Singapore) | Khalil Hassan ⁷ (Malaysia) | Burma Malaysia Nepal Singapore Thailand |

¹ In alphabetical order within each group.² Succeeded J.V. Motteau (resigned with effect from 31 May) on 1 June.³ Succeeded William Lawrence (resigned with effect from 18 January) on 10 March.⁴ Succeeded Mohammad Qassim (resigned with effect from 14 September) on 15 September.⁵ Succeeded M.R. Khan (resigned with effect from 30 June) on 15 December.⁶ Succeeded Yoshinori Yonimatsu (resigned with effect from 24 June) on 5 July.⁷ Succeeded U Hla Maung (resigned with effect from 30 June) on 1 July.

APPENDIX 6

PRINCIPAL OFFICERS

(As of 31 December 1980)

OFFICE OF THE PRESIDENT

| | |
|------------------|----------------|
| Tarolchi Yoshida | President |
| A. T. Bambawale | Vice-President |
| S. Stanley Katz | Vice-President |

OFFICE OF THE SECRETARY

| | |
|--------------------|------------------|
| Soesilo Sardadi | Secretary |
| Wilfred A. Vawdrey | Deputy Secretary |

OFFICE OF THE GENERAL COUNSEL

| | |
|--------------------|---------------------------|
| Chun Pyo Jhong | General Counsel |
| Vacant | Deputy General Counsel |
| Daud Ilyas | Assistant General Counsel |
| Ramdass K. Keswani | Assistant General Counsel |
| Herbert V. Morais | Assistant General Counsel |

COUNTRY DEPARTMENT

| | |
|---------------------|--|
| Donald Mentz | Director |
| Song Chil Lee | Deputy Director |
| Zia Noorzoy | Deputy Director |
| Eiji Kobayashi | Country Manager (Democratic Republic of Afghanistan, Nepal, Pakistan) |
| S. Mahboob Alam | Country Manager (Burma, Maldives, Democratic Socialist Republic of Sri Lanka) |
| Vacant ¹ | Country Manager (Bangladesh, Cambodia, Lao People's Democratic Republic, Socialist Republic of Viet Nam) |
| Klaus J.L. Hoffarth | Country Manager (Malaysia, Thailand) |
| Jayanta Madhab | Country Manager (Republic of China, Republic of Korea, Philippines) |
| Sayed A. Baha | Country Manager (Hong Kong, Indonesia, Singapore) |
| Mazhar Ali Khan | Country Manager (South Pacific) |

DEVELOPMENT POLICY OFFICE

| | |
|--------------------|---------|
| Akira Tsusaka | Chief |
| A. I. Aminul Islam | Manager |
| Paul G. Krukowski | Manager |

¹ Eichi Watanabe was transferred from Controller's Department effective 2 January 1981.

CONTINUED

AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT

| | |
|---------------------|---|
| Sam-Chung Hsieh | Director |
| Kunio Takase | Deputy Director |
| S. T. Senewiratne | Manager (General Agriculture) |
| E. Frank Tacke | Manager (Rural Development and Agricultural Credit) |
| Vacant ¹ | Manager (Irrigation I - East Asia, Southeast Asia, South Pacific) |
| Richard M. Bradley | Manager (Irrigation II - South Asia, Indo-China) |
| M. Zaki Azam | Manager (Fisheries and Livestock) |

INFRASTRUCTURE DEPARTMENT

| | |
|----------------------------|--|
| Kasturi L. Luthra | Director |
| J. J. Warford ² | Deputy Director |
| Mahesan Ganesan | Manager (Airports and Highways) |
| Yuzo Akatsuka | Acting Manager (Ports, Railways and Telecommunications) |
| David A. Howarth | Manager (Water Supply) |
| Ronald S. Skeates | Manager (Social Infrastructure, including Education and Urban Development) |

INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT

| | |
|---------------------------------|---|
| Robert N. Bakley | Director |
| Joaquin J. Gochoco ³ | Deputy Director |
| Stephen Y. C. Lau | Manager (Industry and Minerals) |
| S. N. Vinze | Manager (Power) |
| Muttathottil K. Titus | Manager (Development Banks I - East Asia, Southeast Asia and South Pacific) |
| Vacant | Manager (Development Banks II - South Asia, Indo-China) |

CENTRAL PROJECTS SERVICES OFFICE

| | |
|-----------------|--|
| Wolf D. Kluber | Chief |
| Urs Rolf Sieber | Manager (Consulting Services) |
| Vacant | Manager (Central Loan Administration Services) |

¹ Eun Jin Lim was promoted effective 2 January 1981.² Lewis Hayesni was appointed effective 26 December 1980.³ The Deputy Director is also responsible for the Training Assistant Unit.

APPENDIX 6

CONTINUED

BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT

| | |
|----------------------|-------------------------------|
| Yukinori Watanabe | Director |
| Joseph H. Landriault | Deputy Director |
| Dang Fook Lee | Manager (Budget and Planning) |
| John P. Kennedy | Acting Manager (Personnel) |

OFFICE OF ADMINISTRATIVE SERVICES

| | |
|------------------------|-------------------------------|
| Raymond B. Lyon | Chief |
| Frank R. S. Weeraratne | Coordinator, Special Projects |
| Ian F. Darroch | Manager (Building Services) |
| Pyong Whi Min | Manager (General Services) |

CONTROLLER'S DEPARTMENT

| | |
|-----------------------------|----------------------|
| S. M. A. Kazmi | Controller |
| Sven P. Blaeckberg | Deputy Controller |
| Eichi Watanabe ¹ | Assistant Controller |
| Alan L. Pan | Assistant Controller |
| Shamshad Ali Khan | Assistant Controller |

TREASURER'S DEPARTMENT

| | |
|--------------------|---------------------------------------|
| Vacant | Treasurer |
| Yukiji Miyazaki | Deputy Treasurer and Acting Treasurer |
| M. Ikramullah Khan | Assistant Treasurer |
| Albert L. Faber | Assistant Treasurer |

ECONOMIC OFFICE

| | |
|-----------------|---------------------------|
| Seiji Naya | Chief Economist |
| Kedar N. Kohli | Assistant Chief Economist |
| Burton T. Oñate | Chief Statistician |

INFORMATION OFFICE

| | |
|-----------------|---------------------------|
| P. S. Hariharan | Chief Information Officer |
|-----------------|---------------------------|

OFFICE OF COMPUTER SERVICES

| | |
|------------------|-------|
| C. Trujillo, Jr. | Chief |
|------------------|-------|

OFFICE OF THE INTERNAL AUDITOR

| | |
|--------------------|------------------|
| Carl J. Lemvig-Fog | Internal Auditor |
|--------------------|------------------|

POST-EVALUATION OFFICE

| | |
|---------------------|-------|
| Ernest J. Ettlinger | Chief |
|---------------------|-------|

¹ Eichi Watanabe was transferred to Country Department effective 2 January 1981.

CHANNELS OF COMMUNICATION AND DEPOSITORIES

(As of 31 December 1980)

| COUNTRY | CHANNEL | DEPOSITORY |
|-------------------------------------|---|---|
| Afghanistan, Democratic Republic of | Ministry of Finance | Da Afghanistan Bank |
| Australia | Commonwealth Treasury | Reserve Bank of Australia |
| Austria | Bundesministerium fuer Finanzen | Oesterreichische Nationalbank |
| Bangladesh | Ministry of Finance | Bangladesh Bank |
| Belgium | Ministere des Finances | National Bank of Belgium |
| Burma | Ministry of Planning and Finance | Union of Burma Bank |
| Cambodia | | National Bank of Cambodia |
| Canada | Department of Finance | Bank of Canada |
| China, Republic of | Central Bank of China | Central Bank of China |
| Cook Islands | Office of Financial Secretary | National Bank of New Zealand, Ltd. |
| Denmark | Ministry of Foreign Affairs | Danmarks National Bank |
| Fiji | Ministry of Finance | Central Monetary Authority of Fiji |
| Finland | Ministry for Foreign Affairs | Soumen Pankki-Finlands Bank |
| France | Ministere de l'Economie et des Finances | Banque de France |
| Germany, Federal Republic of | Bundesministerium fuer Wirtschaftliche Zusammenarbeit | Deutsche Bundesbank |
| Hong Kong | Office of Financial Secretary | Hongkong and Shanghai Banking Corporation |
| India | Ministry of Finance | Reserve Bank of India |
| Indonesia | Ministry of Finance | Bank Indonesia |
| Italy | Ministero del Tesoro | Banca d'Italia |
| Japan | Ministry of Finance | Bank of Japan |
| Kiribati | Office of Financial Secretary | Bank of New South Wales |
| Korea, Republic of | Ministry of Finance | Bank of Korea |
| Lao People's Democratic Republic | National Bank of Laos | National Bank of Laos |
| Malaysia | Office of Secretary General to the Treasury | Bank Negara Malaysia |
| Maldives | Department of Finance | Department of Finance |
| Nepal | Ministry of Finance | Nepal Rastra Bank |
| Netherlands | Ministerie van Financien | De Nederlandsche Bank N.V. |

APPENDIX 7

CONTINUED

| COUNTRY | CHANNEL | DEPOSITORY |
|---|--|---|
| New Zealand | Ministry of Foreign Affairs | Reserve Bank of New Zealand |
| Norway | Royal Ministry of Foreign Affairs | Norges Bank |
| Pakistan | Economic Affairs Division Ministry of Finance | State Bank of Pakistan |
| Papua New Guinea | Department of Finance | Bank of Papua New Guinea |
| Philippines | Ministry of Foreign Affairs | Central Bank of the Philippines |
| Singapore | Ministry of Finance | Monetary Authority of Singapore |
| Solomon Islands | Ministry of Finance | Australia and New Zealand Banking Group, Ltd. |
| Sri Lanka, Democratic Socialist Republic of | Ministry of Finance and Planning | Central Bank of Ceylon |
| Sweden | Ministry for Foreign Affairs | Sveriges Riksbank (Bank of Sweden) |
| Switzerland | Departement federal de l'économie publique | Banque Nationale Suisse |
| Thailand | Ministry of Finance | Bank of Thailand |
| Tonga | Ministry of Finance | Accountant-General Treasury Department |
| United Kingdom | Overseas Development Administration | Bank of England |
| United States | Treasury Department | Federal Reserve Bank of New York |
| Viet Nam, Socialist Republic of | State Bank of Viet Nam | State Bank of Viet Nam |
| Western Samoa | Office of the Secretary to the Government | Bank of Western Samoa |

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