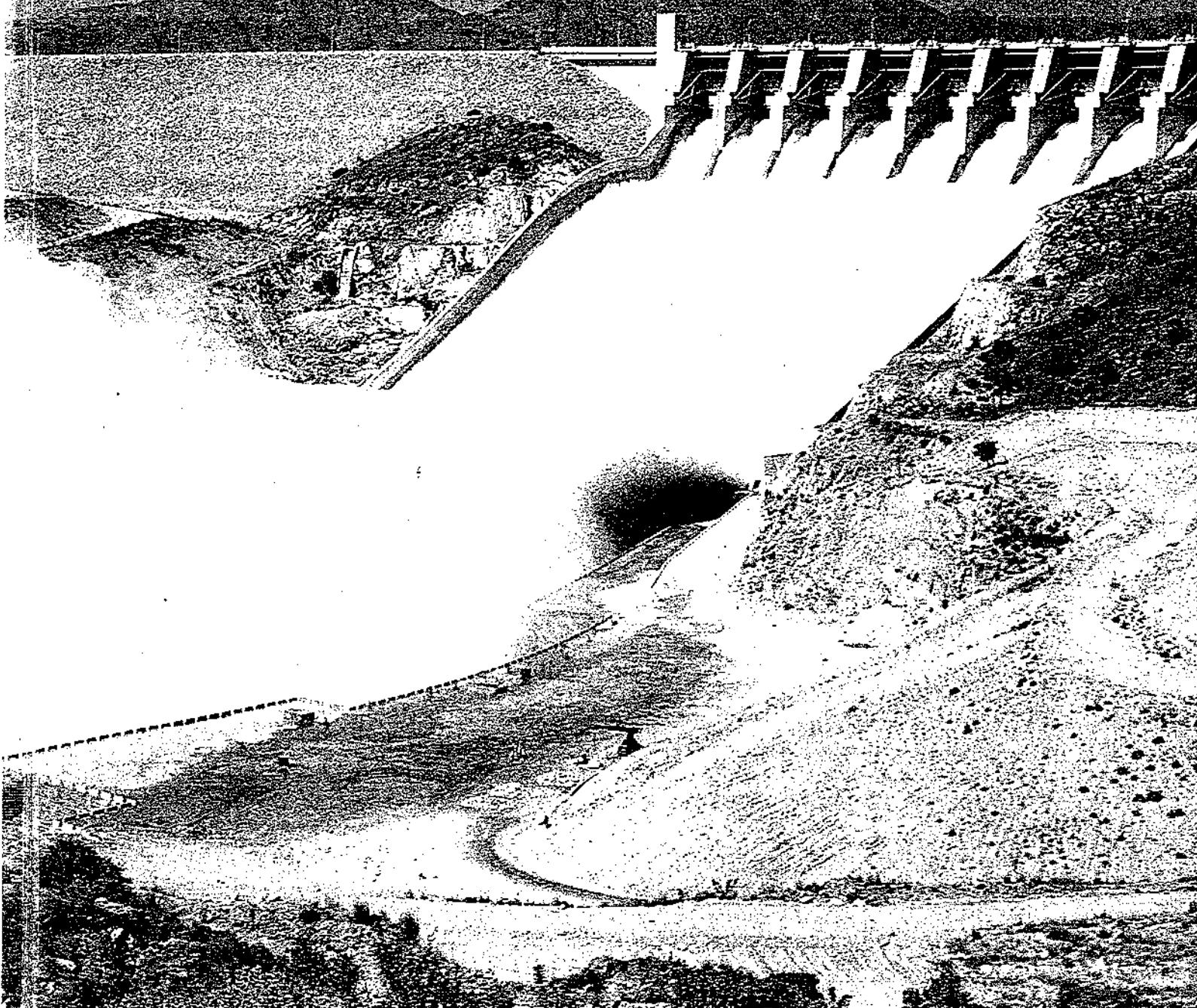


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SIAN DEVELOPMENT BANK

ANNUAL REPORT

1983



The Asian Development Bank

The Asian Development Bank, an international partnership of 45 member nations, is engaged in promoting the economic and social progress of its developing member countries in the Asia-Pacific region.

The Bank started functioning in December 1966 with its Headquarters in Manila, Philippines. It is owned by the governments of 31 countries from the Asia-Pacific region and 14 countries from Europe and North America.

In 17 years of operations, the Bank has become a major catalyst in promoting the development of the most populous and fastest growing region in the world today. The Bank's principal functions are (i) to make loans for the economic and social advancement of developing member countries; (ii) to provide technical assistance for the preparation and execution of development projects and programs and advisory services; (iii) to promote investment of public and private capital for development purposes; and (iv) to respond to requests for assistance in coordinating development policies and plans of member countries. In its operations, the Bank is also required to give special attention to the needs of the smaller or less developed countries and give priority to regional, sub-regional and national projects and programs which will contribute to the harmonious economic growth of the region as a whole.

The financial resources of the Bank consist of ordinary capital resources, comprising subscribed capital, reserves and funds raised through borrowings; and Special Funds, comprising contributions made by member countries and amounts previously set aside from the paid-in capital. Loans from ordinary capital resources, which account for almost 70 per cent of Bank lending, are generally made to member countries which have attained a somewhat higher level of economic development. Loans from Special Funds, which are administered in the Asian Development Fund, are made almost exclusively to the poorest borrowing countries on highly concessional terms.

The Bank has borrowed funds for its ordinary operations from the capital markets of Europe, Japan, the Middle East and the United States. It has also sold two-year dollar-denominated bonds to central banks or monetary authorities of its members. The Bank's callable capital which at the end of 1983 accounted for nearly 86 per cent of its subscribed capital backs its borrowings in the capital markets.

The Bank's operations cover the entire spectrum of economic development, with particular emphasis on agriculture, energy and social infrastructure. Most Bank financing is designed to support specific projects. In certain cases, the Bank also provides program, sector and multiproject loans.¹

With the growing need for larger and more diversified inflows of capital to the region, the Bank is actively expanding its co-financing activities, with official as well as commercial and export credit sources. The Bank has also recently entered into equity investment operations.

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

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

The Bank has 20 departments and offices — including a Resident Office in Dhaka, Bangladesh — dealing with various operational, financial, administrative and general support functions.

ASIAN DEVELOPMENT BANK ANNUAL REPORT 1983

COVER: Water discharging from the spillway of the Tarbela Dam, Pakistan, for which the Bank has provided \$114 million in four loans to help finance the development of 1,050 MW of hydroelectric generating capacity. With a height of 143 meters and a length of 2.5 kilometers, it is the largest earth-fill dam in the world, impounding the waters of the upper reaches of the Indus River in a reservoir of 13,200 million cubic meters gross storage capacity. Tarbela is the country's largest single source of power generation and a major contributor to Pakistan's economic and industrial development.

Board of Directors

President and Chairman of the Board of Directors

Masao Fujioka

Directors	Alternate Directors
John A. Bohn, Jr.	Donald R. Sherk
Hoon-Mok Chung	John Natera
N. W. Davey	Kai Detto
Sofjan Djajawinata	R.C.W. Hamilton
Alan F. Gill	Robert P.J. de Koning
Paul Koehling	John Machin
Le Duc Van	Ronnie Weerakoon
Tunku Abdul Malek	Kawee Keereepart
A. Melchor, Jr.	N.M. Qureshi
Minoru Ohashi	Takashi Taniguchi
G. Ramachandran	K.F. Rahman
Thierry Rosset	Gino Alzetta

**ASIAN DEVELOPMENT BANK
Manila**

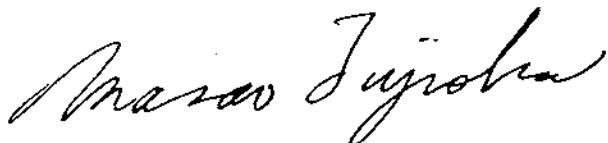
Office of the President

8 March 1984

Dear Mr. Chairman:

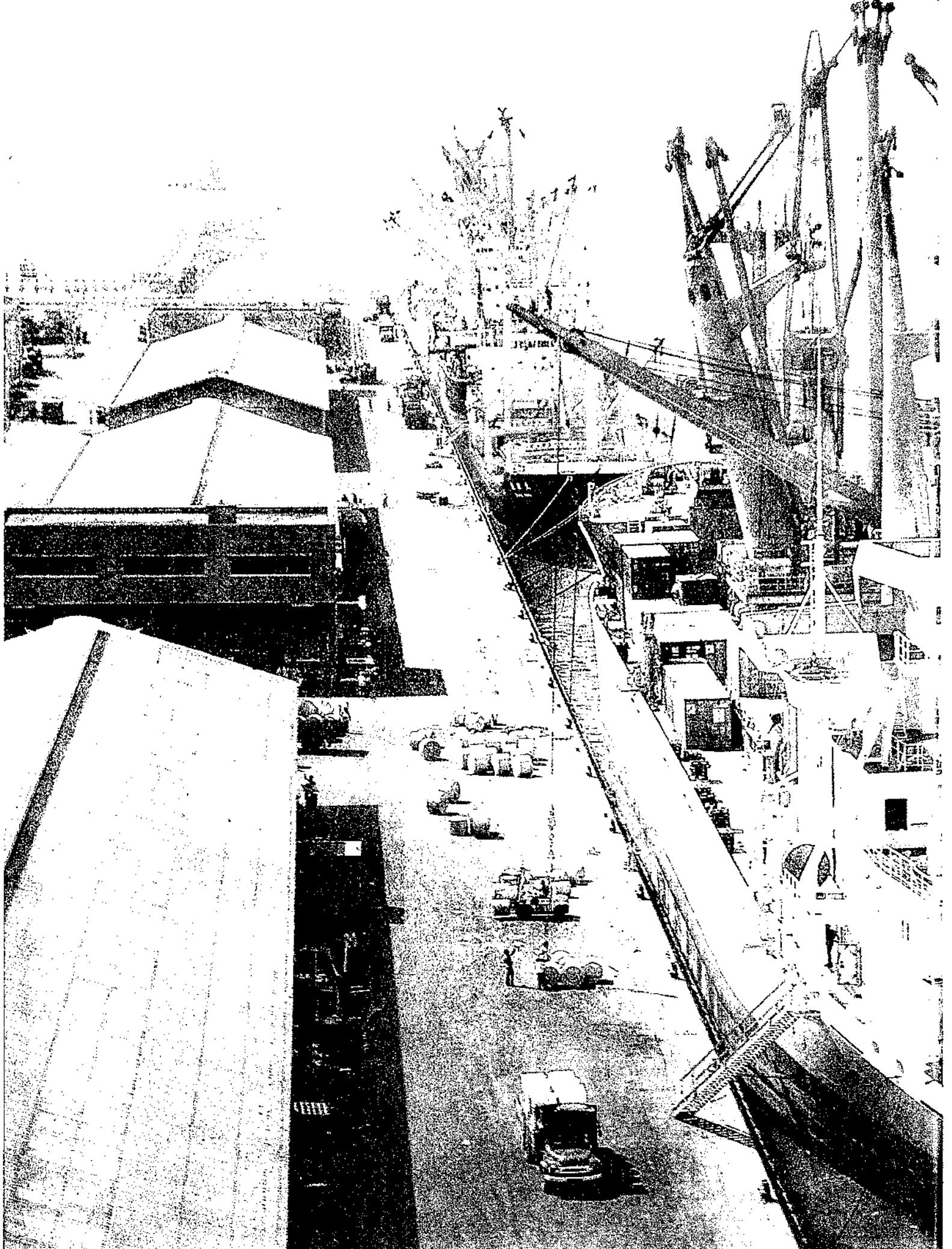
In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the enclosed Annual Report of the Bank for 1983, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MASAO FUJIOKA
President and
Chairman of the
Board of Directors

Chairman of the
Board of Governors
Asian Development Bank



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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 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 1-VII, Notes to Financial Statements of Ordinary Capital Resources.

PENANG PORT, Malaysia. The Bank has provided \$25.1 million for the expansion and conversion of berths, terminals and cargo-handling facilities as well as for a study of the port's future development.

THE RECORD

(i)

(amounts in \$ million)

	1967-1971	1972-1976	1977-1981	1982	1983	1967-1983 ^a
OPERATIONAL ACTIVITIES						
Loan Approvals						
Number of Projects ^b	83	184	266	56	53	611 ^c
Amount of Loans ^d	639.4	2,721.5	6,410.0	1,730.6	1,893.2	13,394.7
Ordinary Loans						
Number of Loans	59	115	143	32	26	375
Amount of Loans ^d	532.2	1,934.0	4,333.2	1,184.5	1,189.8	9,173.7
Disbursements	68.3	879.2	1,875.1	619.6	715.4	4,157.6
Special Funds Loans						
Number of Loans	28	89	129	25	29	300
Amount of Loans ^e	107.2	787.5	2,076.7	546.1	703.4	4,221.0
Disbursements	6.8	204.4	675.7	175.5	221.5	1,283.9
Equity Investments						
Number	—	—	—	—	2	2
Amount	—	—	—	—	3	3
Technical Assistance (Grants) ^f						
Number of Projects	58	120	251	56	77	557 ^c
Amount of Grants	8.0	20.3	61.2	15.5	19.6	126.5 ^g
Regional Activities (Grants) ^f						
Number of Projects	11	25	52	24	30	139 ^c
Amount of Grants	4.1	2.4	6.2	2.5	5.7	20.8
RESOURCES						
<u>Ordinary Capital Resources</u>						
Authorized Capital (at end of period)	1,327	3,707	8,404	7,965	15,461	15,461
Subscribed Capital (at end of period)	1,213	3,688	8,297	7,899	11,510	11,510
Borrowings (gross) ^h	160	983	1,981	882	979	4,985
Outstanding Debt (at end of period)	159	1,084	2,274	2,810	3,429	3,429
Ordinary Reserve (at end of period)	22.4	111.9	512.0	665.7	830.1	830.1
Special Reserve (at end of period)	1.0	18.7	99.9	123.3	151.3	151.3
Gross Income	71.2	347.2	1,299.9	413.7	478.0	2,610.0
Net Income after Appropriation of Commissions to Special Reserve	36.9	122.4	493.6	151.4	151.6	955.9
<u>Special Funds Resources</u>						
Asian Development Fund:						
Total Resources (at end of period) ⁱ	192.5	931.9	3,184.7	3,616.9	4,207.2	4,207.2
Technical Assistance Special Fund:						
Contributions (at end of period)	6.6	23.7	52.0	59.2 ^j	63.5 ^j	63.5
MEMBERSHIP AND STAFF						
Member Countries (at end of period)	36	42	44	45	45	45
Professional Staff (at end of period)	191	288	468	517	551 ^k	551 ^k

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

b Projects financed from both OCR and Special Funds are counted only once.

c Supplementary loans (27), Special Assistance loans (4) and supplementary TA grants (5) which are not counted as separate projects are excluded from the cumulative number of projects; however, for record purposes these are included in the number of projects for the year in which they were approved.

d Includes refinanced amounts of technical assistance loans.

e Special Funds loans negotiated after 1 January 1983 are denominated in terms of the SDR, and in this Report, unless otherwise indicated, the amounts of such loans have been translated into United States dollar equivalents at the exchange rates applicable at the time of loan approval.

f Includes projects financed from sources other than the Bank, mainly UNDP, EEC and Switzerland; technical assistance financed on loan basis is included under loans.

g Adjusted to include subsequent additional UNDP financing of Forestry Development Project in Lao PDR (\$37,490).

h For borrowings during 1967-80, the amount of each borrowing has been converted to US dollars at the exchange rate effective at the end of the year in which the borrowing was made. For borrowings in 1981-83, the conversion to US dollars has been made at the exchange rate effective at the date of relevant Board approval.

i The Asian Development Fund was established in 1974. Previously, the resources for concessional lending were administered principally in the Multi-Purpose Special Fund.

j Includes amounts transferred to Asian Development Fund.

k Including Management but excluding staff charged to Capital Expenditures.

THE BANK IN 1983

DURING the year, the Bank substantially improved its resource position and increased the volume and scope of its lending and technical assistance activities. In addition, it undertook equity investment operations for the first time. The Bank also focused attention on consolidation and further strengthening of its organizational capabilities.

The third Asian Development Fund replenishment (ADF IV), covering the period 1983-86, and the third General Capital Increase (GCI III), covering the period 1983-87, both came into effect during 1983.

Bank lending and equity investments amounted to \$1,896 million compared with \$1,731 million in 1982, an increase of 9.6 per cent in nominal terms compared with a 3.2 per cent rise in nominal terms in the previous year. Over the five-year period 1979-83, the annual increase in nominal terms averaged 11 per cent.

The pace and momentum of growth, however, remained uneven in some of the Bank's developing member countries (DMCs) as they continued to grapple with the problems of resource constraints and made economic adjustments necessitated by the effects of the worldwide recession. Consequently, several projects already substantially processed for potential Bank financing had to be temporarily set aside.

Technical assistance activities recorded a substantial increase of about 40 per cent, with the amount involved rising from \$18 million in 1982 to \$25 million in 1983.

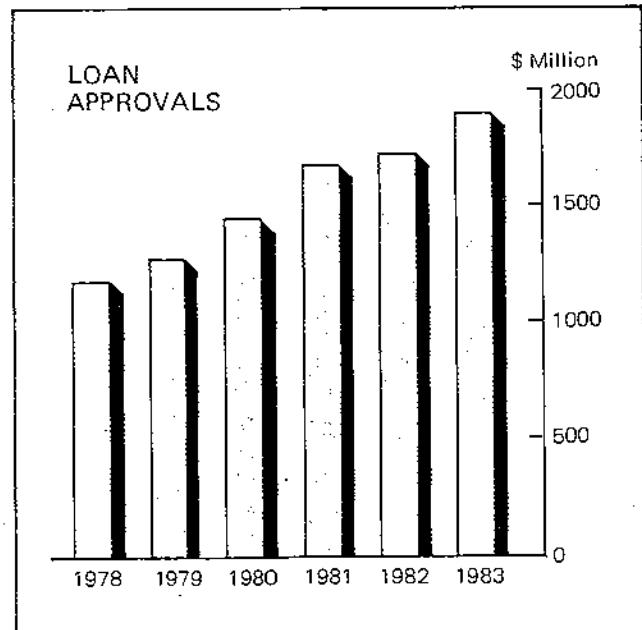
Total annual disbursements increased by 17.8 per cent from \$795 million in 1982 to \$937 million in 1983. The average size of loans rose from \$30.4 million in 1982 to \$34.4 million in 1983.

Other highlights of 1983:

- Four Special Assistance loans were approved to speed up completion of ongoing Bank-financed projects held back by shortages of local funds.
- Complementary financing, a mechanism for promoting commercial co-financing, was undertaken for the first time.
- In October, a comprehensive review of the Bank's financial policies was undertaken, taking account of the report

on financial policies submitted in April by Dr. Irving S. Friedman, an international financial expert.

- Borrowings in international capital markets rose from \$882 million in 1982 to \$979 million.
- A third Vice-President was appointed in April.
- The Bank hosted an International Symposium on Development Strategies in Asia and held its first Development Round Table.
- The first two Issues of the *Asian Development Review: Studies of Asian and Pacific Economic Issues* were published.

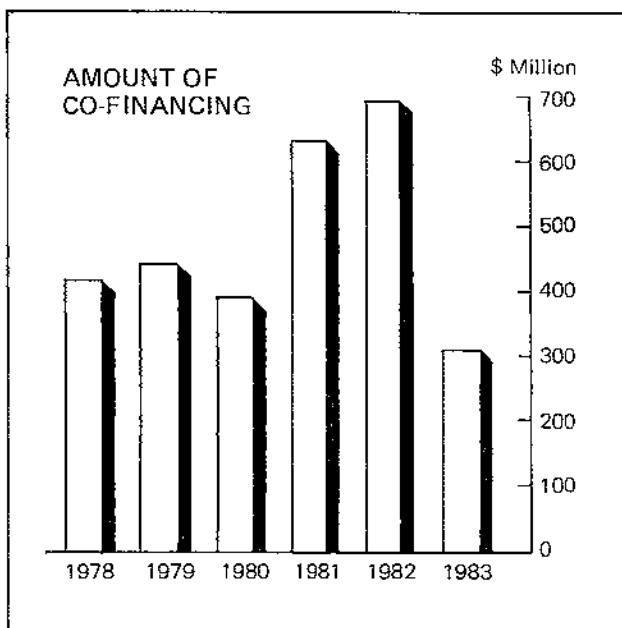


LENDING ACTIVITIES: During the year, the Bank approved 65 loans totalling \$1,893 million for 53 projects in 17 DMCs compared with 57 loans totalling \$1,731 million for 56 projects in 13 DMCs in 1982. Loans from ordinary capital resources (OCR) amounted to \$1,189.8 million, an increase of 0.4 per cent in nominal terms over the corresponding figure of \$1,184.5 million in 1982, while loans from Special Funds (SF), amounting to \$703.4 million, showed an increase of 28.8 per cent in nominal terms over the 1982 concessional lending figure of \$546.1 million. In 1983, about 96 per cent of SF loans went to the low-income DMCs with a per capita gross national product (GNP) in 1981 of less than \$350.

The total cost of projects approved — excluding five development finance institution (DFI) loans, three program loans, four sector loans and four Special Assistance loans — is estimated at \$2,488 million. Direct Bank financing accounted for about 52 per cent of the total project costs. Of the rest, co-financiers provided about 8 per cent, while the balance was provided by the DMCs themselves.

It is estimated that the total cost of the subloan projects to be financed by the five DFI loans¹ will be about \$1,141 million. The projects to be financed by the three program loans, four sector loans and four Special Assistance loans will involve an estimated total cost of \$1,005 million.

During the year, 18 projects involved co-financing, with \$309 million contributed by co-financiers and \$769 million by the Bank. This compared with 25 projects co-financed in 1982 for which co-financiers provided \$699 million and the Bank \$878 million. The decrease in co-financing was attributable to the absence of large-sized projects for which co-financing could be arranged as in previous years. It also reflected sluggish economic activity and resource constraints in DMCs which affected investment programs, especially in the industrial and energy sectors. The share of official sources in the total amount of co-financing dropped from 61 per cent in 1982 to 42 per cent in 1983. Co-financing



with commercial sources also declined from \$261 million in 1982 to \$180 million in 1983. The ratio of co-financing with commercial sources to all co-financing, however, rose from 37 per cent in 1982 to 58 per cent in 1983.

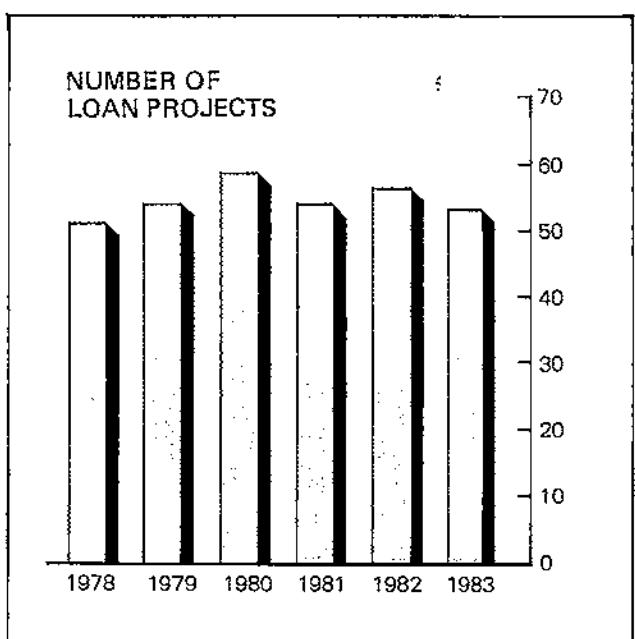
EQUITY INVESTMENTS: Following the Bank's decision in March to undertake equity investment operations, two equity investments — one each in Republic of Korea and Pakistan — were approved during 1983. These were participation to the extent of Won 750 million (\$0.96 million equivalent) in the share capital of the Korea Development Investment Corporation and extension of a line of equity of \$2 million to Bankers Equity Ltd. in Pakistan.

LENDING BY SECTOR: In 1983, as in recent years, the Agriculture and Agro-Industry, Energy and Social Infrastructure sectors dominated Bank lending, together accounting for over 80 per cent of the total. This reflects the high priority which continues to be given to these sectors both by the DMCs and the Bank. Elsewhere, there was a notable increase in lending for Industry and Non-Fuel Minerals, while lending to the Transport and Communications sector was lower than in 1982.

Agriculture and Agro-Industry: Bank lending to this sector reflects the pivotal role that agriculture plays in the social and economic development of DMCs.

During the year, over 34 per cent of all Bank loans and more than 50 per cent of its technical assistance were directed to agricultural and agro-industrial projects. These were principally aimed at increasing food production and the overall productivity of the sector. In addition to the 15 project loans approved in this sector, the Bank also extended three program and two sector loans. Four Special Assistance loans were approved to provide, as a special supplementary measure, additional foreign exchange financing of local currency expenditures to those ongoing Bank-financed projects in which implementation is delayed or would be impeded due

¹ Including a loan of \$1 million approved for Tonga Development Bank as part of a Multiproject loan.



to a shortage of local currency resources.

Bank lending to this sector in 1983 amounted to \$648 million in 24 loans compared with \$621 million in 22 loans in 1982.

Energy: The Energy sector remained the second largest in Bank lending operations, although its share of the total fell from 29.7 per cent in 1982 to 23.8 per cent in 1983.

In 1983, the Bank approved eight loans for power projects designed to help improve the quality and reliability of power supplies and operational efficiency. In addition, the Bank continued to assist in the extension of electrification networks in the rural areas of its DMCs and a major survey of this work was completed.

An important energy planning project, funded jointly by the United Nations Development Programme (UNDP) and the Bank, commenced in Bangladesh in August. Energy planning support was also provided to Thailand by way of follow-up work to the Energy Master Plan which received earlier technical assistance from UNDP and the Bank.

Bank lending to the sector in 1983 amounted to \$451

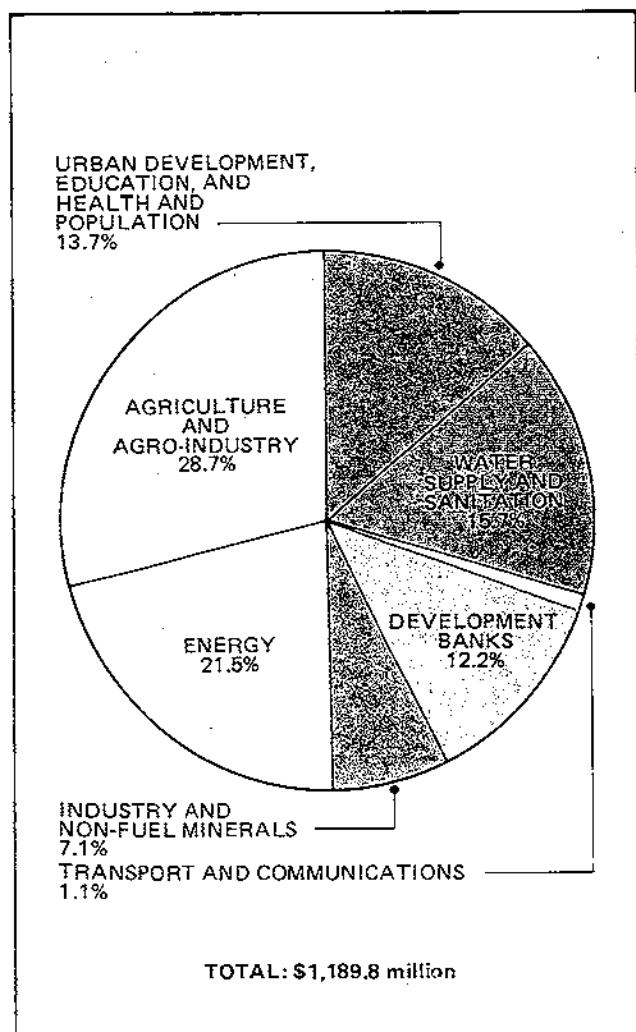
million in nine loans compared with \$514 million in 11 loans in 1982.

Social Infrastructure: Bank lending for social infrastructure projects — water supply and sanitation (sewerage), urban development, housing, education and health and population facilities — rose sharply in 1983 to over 22 per cent of total lending from about 10 per cent in 1982, thereby regaining its 1981 level (21.7 per cent). In terms of three-year averages, Bank lending continued to rise steeply from \$216 million in 1978-80 to \$320.2 million in 1981-83, reflecting the importance attached to these types of projects by the DMCs and the Bank.

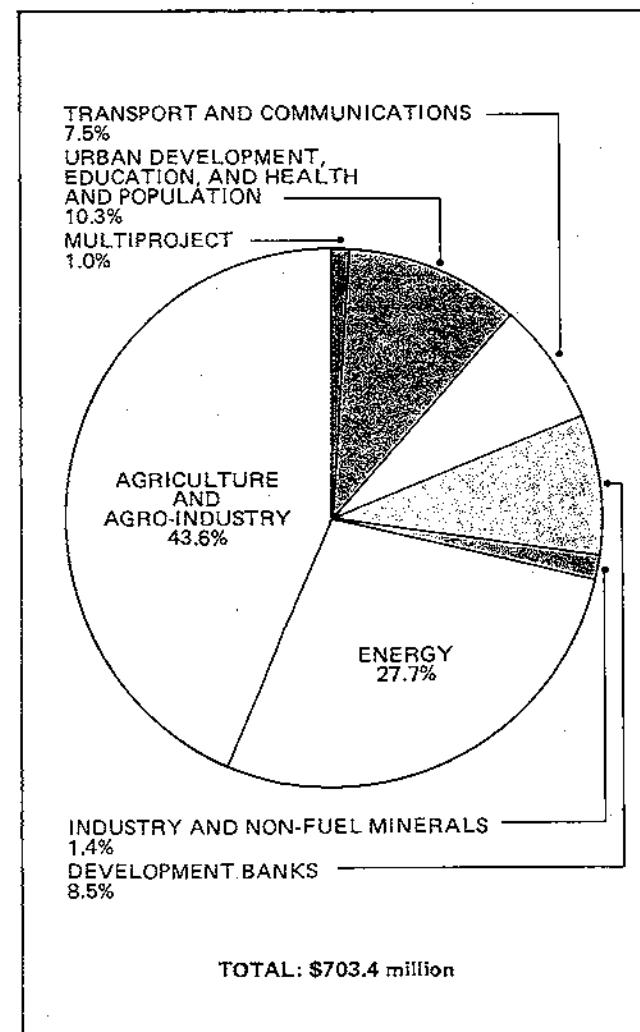
In recent years, the Bank has increasingly supported projects which involve water supply systems in small provincial towns and rural areas. These are designed to extend the benefits of development to the rural poor and thus promote social equity.

Loans approved in 1983 will help bring such facilities to a less developed region of Malaysia, to 21 small communities in the Republic of Korea and to 56 target zones in six districts

ORDINARY LOAN APPROVALS
BY SECTOR, 1983



SPECIAL FUNDS LOAN APPROVALS
BY SECTOR, 1983



of Metro Manila in the Philippines.

In the Urban Development sector, the Bank's approach has been to support programs which are intended to improve directly the living environment of low-income households and promote more efficient urban growth. In 1983, the Bank approved a sector loan for the Small Towns Urban Development Project in Indonesia which is designed to improve the living conditions of residents in 38 small and medium-sized towns in Central Java Province.

Bank activities in the Education sector cover, among others, vocational and technical education, agricultural education, community schools and science education. The need for education to meet each country's manpower and development needs is emphasized, and Bank projects invariably include hardware components such as buildings and equipment as well as software components such as teacher training, curriculum development, staff development and the provision of academic consultants and institutional improvements. In 1983, the Bank approved a Second Vocational Education Project in Malaysia and an Agricultural Education Project in Indonesia.

In the Health and Population sector, the Bank approved two loans in 1983, both in line with its integrated approach to health improvement and population programs in its DMCs.

In Burma, the capability of the Rangoon General Hospital to provide modern medical care will be upgraded. In Bangladesh, the Health and Family Planning Services Proj-

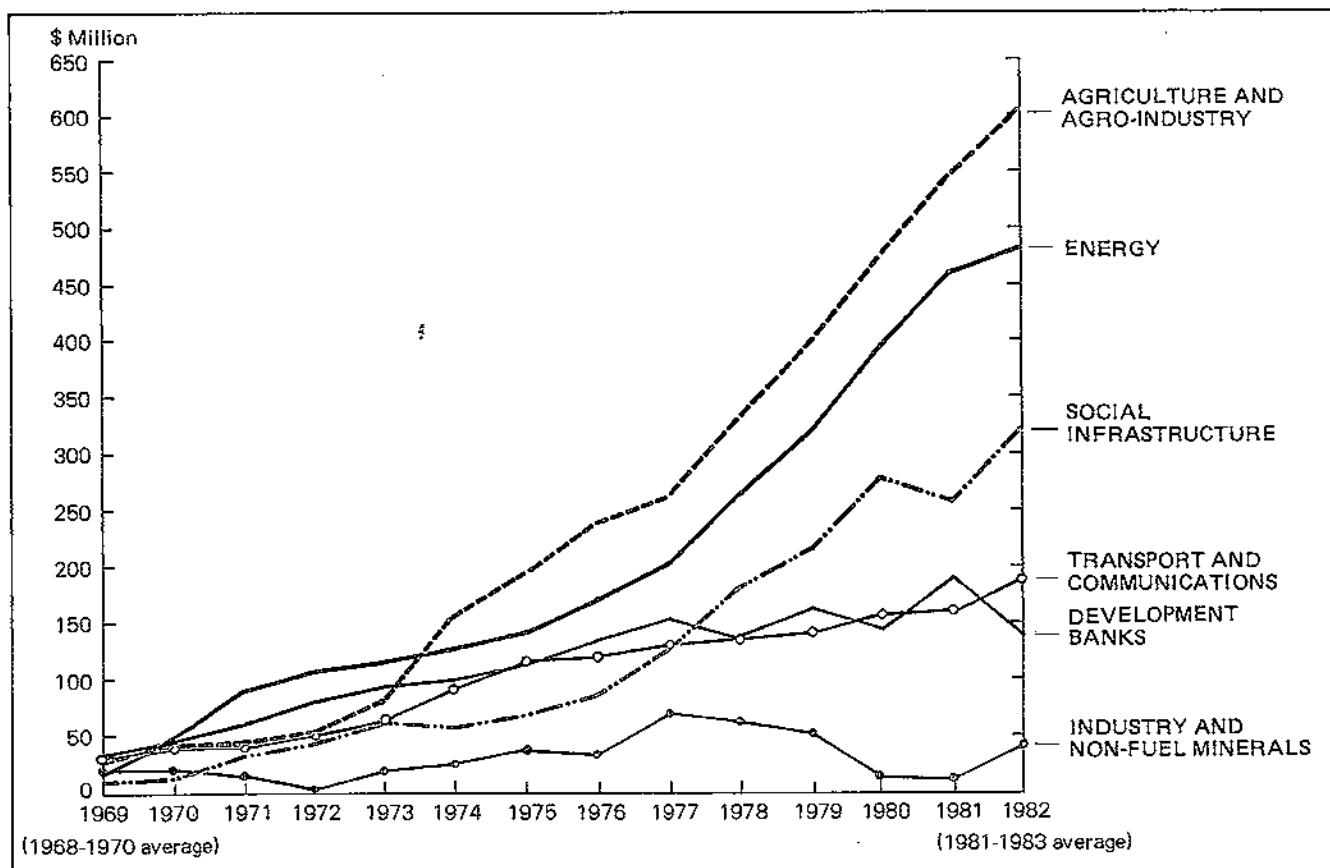
ect will help improve national health and reduce the population growth rate through better delivery of health care and family planning services.

During 1983, Bank lending for Social Infrastructure projects rose to \$421.4 million from \$173.5 million in 1982. Of the 1983 total, loans for Water Supply and Sanitation projects amounted to \$186.6 million (\$57.9 million in 1982), Urban Development to \$36.7 million (\$30.2 million in 1982), Education to \$126 million (\$64.1 million in 1982) and Health and Population to \$72.1 million (\$21.3 million in 1982).

Industry and Non-Fuel Minerals: Through its activities in this sector, the Bank supports programs and projects aimed at helping DMCs develop industrial capacity and infrastructure. It provides finance for the creation or expansion of industrial capacity by direct lending for large-scale industries and by indirect lending through development finance institutions (DFIs) for small and medium-scale industries. It also extends financial and technical assistance for the establishment, expansion and upgrading of industrial research and management training institutes and promotes the development of industrial estates.

In addition, the Bank supports mineral resources development in DMCs which have significant amounts of untapped mineral reserves. In 1983, the Bank focused on the development and upgrading of national institutional capabilities and facilities for conducting mineral resource surveys and ex-

LOAN APPROVALS BY SECTOR:
THREE-YEAR MOVING AVERAGES, 1968-1970 – 1981-1983



ploration programs. During the year, the Bank approved three direct project loans amounting to \$95 million in this sector compared with one loan for \$16.2 million in 1982.

Development Banks: DFIs remain the Bank's main channel of funds to small and medium-scale industries whose projects are too small to warrant direct Bank support. Bank credit lines also enable DFIs to strengthen their own managerial and technical capabilities, helping them become more efficient and effective development institutions. In several instances the Bank has helped establish new DFIs, especially in the South Pacific region.

During 1983, the Bank approved five loans amounting to \$206 million compared with seven loans amounting to \$148.5 million in 1982. One was a composite credit line of \$110 million for contemporaneous utilization by three DFIs in Pakistan, the proceeds of which will be mainly lent to industrial enterprises in the private sector.

Transport and Communications: The Bank's DMCs need reliable low-cost transportation infrastructure and services. In 1983, the Bank approved four loans for the upgrading or rehabilitation of roads. Three of the recipient DMCs — Burma, Lao PDR and Nepal — are among the smaller, lower-income group of countries, and the average size of loans to this sector dropped sharply from \$42.9 million in 1982 to \$16.4 million in 1983.

The total amount of lending for Transport and Communications also decreased markedly, from \$257.4 million in six loans in 1982 to \$65.5 million in four loans in 1983.

Technical assistance approved in 1983 will help prepare studies for roads and shipyard projects as well as investigate the technical viability and fuel-saving potential of sail motor propulsion.

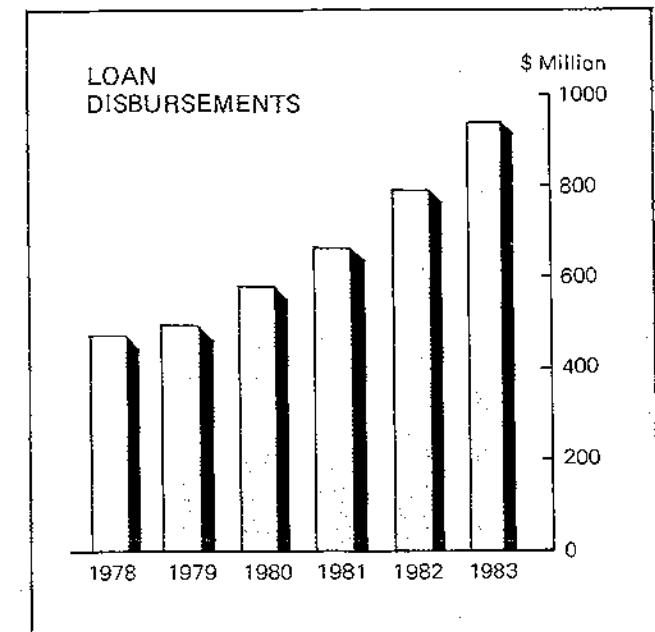
DISBURSEMENTS AND LOAN ADMINISTRATION: Loan disbursements from OCR and SF showed an increase of 17.8 per cent from \$795.1 million in 1982 to \$936.9 million in 1983. Disbursements under OCR loans amounted to \$715.4 million compared with \$619.6 million in 1982, while disbursements under SF loans amounted to \$221.5 million (\$175.5 million in 1982). At the end of 1983, cumulative disbursements were \$4,157.6 million from OCR and \$1,283.9 million from SF.

The increase in disbursements in 1983 was primarily due to a sustained effort by the Bank and its borrowers in expediting project implementation and the implementation of the Special Assistance program and other measures such as the institution of an Imprest Account system to provide advances to executing agencies and the simplification of documentation requirements.

A total of 398 loans were under administration in 1983. Twenty-nine projects were completed.

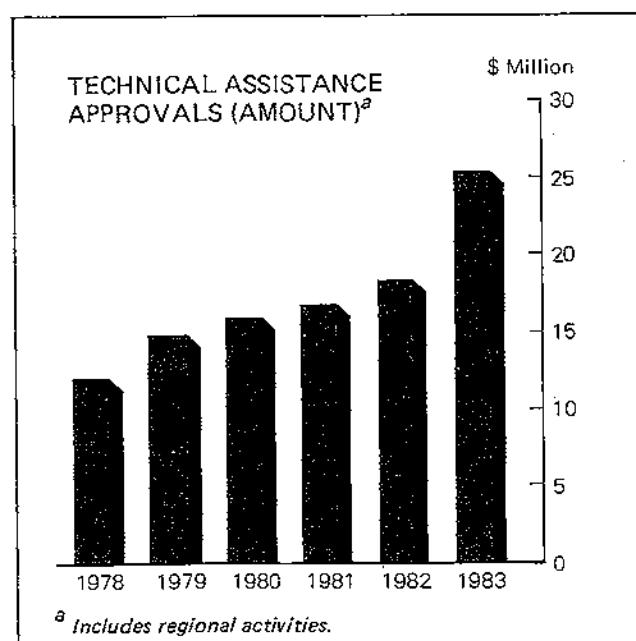
During the year, 383 loan administration missions were undertaken, consisting of 259 full review missions, 23 project inception missions, 59 special loan administration missions and 42 project completion missions. In addition, 21 country disbursement missions were dispatched to explain disbursement practices and procedures, review the status of awarded contracts and help expedite the preparation and submission of withdrawal applications so that loan funds could be released in accordance with disbursement projections. There were also five country project implementation review missions.

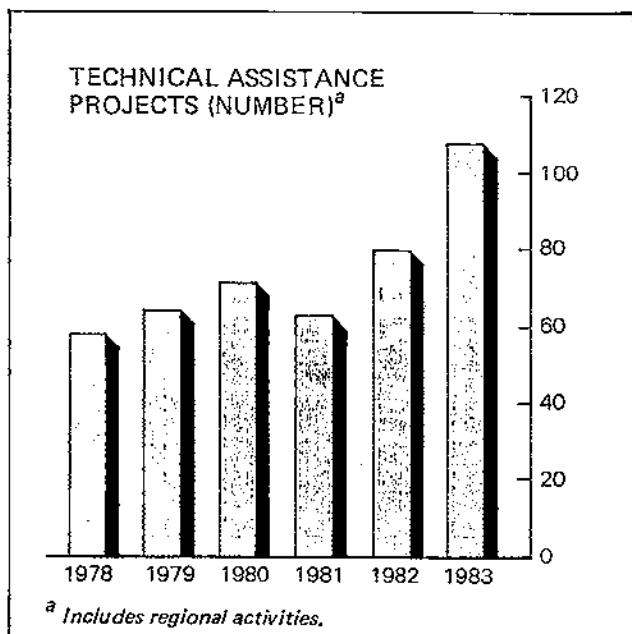
Several internal measures were taken to improve the



Bank's loan administration and project supervision functions in 1983, including the issuance of a revised set of loan administration instructions to Bank staff. Progress was also made in computerizing certain aspects of loan administration.

TECHNICAL ASSISTANCE: The Bank provided technical assistance, including technical assistance for regional activities, for 107 projects in 1983 compared with 80 projects in 1982, while the total amount increased from \$18 million in 1982 to \$25.3 million in 1983. Of this, \$19.6 million was for project preparatory and advisory/operational technical assistance for 77 projects compared with \$15.5 million for





56 projects in 1982. There was a substantial increase in regional activities, for which grants rose from \$2.5 million for 24 projects in 1982 to \$5.7 million for 30 projects in 1983.

On a sectoral basis, 50.2 per cent of the total amount of technical assistance approved in 1983 was for Agriculture and Agro-Industry compared with 51.8 per cent in 1982. About 18.2 per cent was provided to the Energy sector, and the rest to Development Banks, Transport and Communications, Industry and Non-Fuel Minerals and Social Infrastructure.

REGIONAL ACTIVITIES: During the year, the Bank completed a *Study of the Bank's Role in South Pacific DMCs in the 1980s*. It also held an International Symposium on Development Strategies in Asia, the first ADB Development Round Table on Financial Policies and External Debt Management and a Regional Workshop/Conference on Project Benefit Monitoring and Evaluation (PBME). Other regional activities included Studies of Food Demand and Supply and Related Strategies for DMCs; ASEAN Coal Development; and Capital Markets in Selected DMCs; a Review of Energy Demand Management Strategies in DMCs; a Regional Symposium on Bank Assistance to DFIs; the preparation of an Asian Electric Power Utilities Data Book; and assistance for the newly established International Irrigation Management Institute as well as the International Rice Research Institute Demonstration-Cum-Training Center on Rice Production, Post-Harvest Technology and Biomass Utilization. The Bank also supported a number of other research and training programs and seminars.

POST-EVALUATION: During 1983, the activities and procedures of the Post-Evaluation Office (PEO) were endorsed by the Board. The two-tier evaluation system, covering all the Bank's completed loan projects, was further refined. Guidelines for preparation of Project Completion Reports (PCRs) were revised and introduced for the first time for Project Performance Audit Reports (PPARs). During the year,

24 PPARs were prepared, bringing the cumulative total to 105 as of 31 December 1983.

POLICY REVIEWS: During 1983, the Board of Directors considered a wide range of important operational and financial policies. Of particular significance was the completion of a detailed review of the Bank's future resource requirements for ordinary operations, and submission to the Board of Governors for approval of a Report and draft Resolution regarding the Bank's third General Capital Increase.

The other policy issues considered by the Board in 1983 included Review of Arrangements for Lending from the Asian Development Fund; Review of the Bank's Role in Agriculture and Rural Development; Review of Program Lending Policies; Review of Bank's Policy on Lending Foreign Exchange for Local Currency Expenditures on Projects; Review of Bank's Policy on Financing of Interest and Other Charges During Construction; Special Assistance to Selected Bank-Financed Projects; Review of Supplementary Financing of Cost Overruns of Bank-Financed Projects; Equity Investment Operations by the Bank; Streamlining of Loan Administration; Post-Evaluation Office: Activities and Procedures; Currency Swaps for Possible Borrowings with Currency Hedged Transactions; Review of Borrowing Program for 1983; Review of the Lending Rate; and Review of the Technical Assistance Special Fund. The Board also undertook a comprehensive review of the Bank's financial policies taking account of the report submitted by an international financial expert.

LENDING RATE: The Bank's lending rate on ordinary loans was reduced from 11 per cent per annum to 10.5 per cent per annum effective 1 July 1983 and remained unchanged for the rest of the year.

ORDINARY CAPITAL RESOURCES: Including the additional shares authorized for GCI III, the Bank's authorized capital stock as of 31 December 1983 amounted to \$15,461.4 million (SDR14,768.1 million). During the year, subscriptions to GCI III were made by ten member countries (Australia, Canada, Cook Islands, Denmark, India, Republic of Korea, New Zealand, Philippines, United Kingdom and United States) for a total amount of \$4,013.4 million (SDR3,833.4 million).¹ As of 31 December 1983, the Bank's subscribed capital stock stood at \$11,510.0 million (SDR10,993.8 million).

During 1983, the Bank made 15 borrowings amounting to the equivalent of \$979.4 million compared with a total of \$881.8 million raised in 1982. In order to enable the Bank to increase its access to low-cost currencies, the Board of Directors in March authorized the Bank to undertake borrowings involving currency swap transactions.

The Bank made its first public offering in the Eurodollar market, and entered the Austrian capital market for the first time since 1971. In April, the Bank again entered the United States capital market, with a public offering of \$100 million. The Bank borrowed a total of ¥60 billion in the Japanese capital market, with three public bond issues, the third being the 200th public bond issue by a foreign borrower in Japan. The Bank raised a total of DM600 million in the German capital market and again made two public bond issues in the Swiss capital market where interest rates were comparatively low. In the Dutch domestic capital market, the Bank made a direct borrowing of f100 million from institu-

¹ Since the beginning of 1984, GCI III subscriptions have also been received from France and Indonesia.

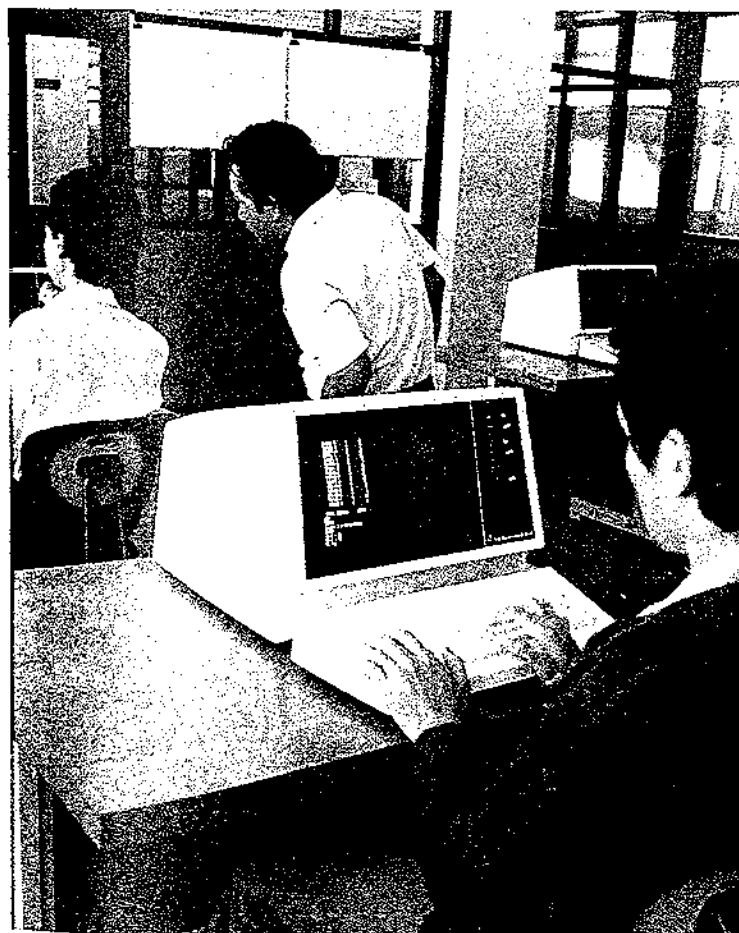
tional investors and a public offering for f150 million. In March, Two-Year US dollar bonds totalling \$65 million were placed with central banks and monetary authorities in 28 member countries. The average maturity of the year's borrowings weighted by amount was 9.84 years, which had the effect of increasing the average life of outstanding borrowings from 7.41 years at the end of 1982 to 7.72 years at the end of 1983.

ASIAN DEVELOPMENT FUND: The third Asian Development Fund replenishment (ADF IV), which will finance the Bank's concessional lending program over the four-year period 1983-86, was authorized by Governors' Resolution No. 154 in July 1982. The total amount authorized was \$3,214 million.¹ ADF IV became effective in April 1983 when the total amount of unqualified contribution commitments received by the Bank from developed member countries surpassed the necessary \$1,600 million¹ required for effectiveness pursuant to the Resolution. At the end of 1983, ADF IV contribution commitments had been received from 18 member countries² for a total amount of \$2,972 million.¹

1 At the exchange rates specified in Resolution No. 154.

2 A contributor commitment was received from Belgium in March 1984.

COMPUTER classroom at the Surabaya Institute of Technology, Indonesia. The Bank has provided \$14.5 million for the construction of an integrated campus, improvements to faculties and curricula, and staff development through a fellowship training program.



At the beginning of 1983, total resources under administration in ADF amounted to \$3,617 million. New resources received during the year included the first tranches of ADF IV contributions, payments totalling \$12.6 million made by the United States under ADF II and III and an amount of \$18 million accrued to ADF by way of net income. Total ADF resources, net of changes in value in terms of the United States dollar, increased over the year by \$590 million to \$4,207 million. After allowing a provision of \$215 million for exchange rate fluctuations, net resources stood at \$3,992 million. Loan commitments during the year, net of repayments, cancellations and exchange rate adjustments, amounted to \$644 million, bringing cumulative net loan commitments as of 31 December 1983 to \$4,048 million. As a result, pending release of the second tranches of unqualified ADF IV contributions on 1 January 1984, the provision for exchange rate fluctuations was used for loan commitments to the extent of \$56 million.

OUTLOOK: Despite encouraging signs of a global economic recovery and generally higher growth rates than in 1982, the Bank's DMCs continue to be hampered by resource constraints and a wide variety of economic ills. To overcome these problems and the effects of the prolonged worldwide recession, the DMCs have been adopting new economic strategies as well as making difficult structural adjustments.

In this connection, the *Study of Operational Priorities and Plans of the Bank for the 1980s*, completed in 1982, has provided the Bank with a framework for addressing a wide range of issues. These include the expansion of local-cost financing, program lending, supplementary financing of cost overruns, expansion of technical assistance operations, streamlining of loan administration, equity investment operations, increased co-financing, closer cooperation with the non-government sector and adoption of measures to assist the private sector.

In addition, the Bank in 1983 reassessed its role in agriculture and rural development and reorganized its Agriculture and Rural Development Department. The Bank also initiated a review of its operations in the South Pacific and at year's end was considering a proposal to establish a regional office there.¹

The inauguration of equity operations in 1983 has stimulated a number of project proposals, which promise increased opportunities for equity investments in 1984. Similarly, the project pipeline holds prospects of increased co-financing activities in 1984.

The appointment of a third Vice-President in 1983 increased the senior-management capacity of the Bank and enabled a redistribution of responsibilities at that level. This arrangement will allow top management in 1984 to provide more effective supervision, especially of the operational departments, and to devote increased attention to policy, research and operational reviews and planning. Simultaneously, a number of steps covering various phases of the project cycle have been taken to speed up loan and technical assistance processing and streamline operational activities, including loan administration. Arrangements which have been made for delegation of authority over wide operational areas are expected to result in improved workflow and efficiency in the coming years.

Policy dialogues between senior Bank and DMO-

1 It was decided in early 1984 to establish a regional office in Vanuatu.



MECHANICS repairing a low-lift pump in Bangladesh. The Low-Lift Pump Maintenance Program, for which the Bank approved its first program loan in 1978, was designed to provide pumps, spare parts and the maintenance necessary for sustained irrigation during the dry season.

government officials will continue to be given emphasis in 1984. These dialogues are based on extensive research and analysis on the part of the Bank, and they benefit both the Bank and DMCs by bringing about a greater awareness of critical issues and helping to find ways to solve them. Emphasis will continue to be placed on the monitoring of various operational policies and on the organization of seminars and workshops with DMC officials and Bank staff in order to ensure that these policies are properly implemented.

Following the encouraging response to the International Symposium on Development Strategies in Asia and the first Development Round Table on Financial Policies and External Debt Management of the Bank's DMCs, both held in Manila in 1983, the Bank proposes to hold an International Symposium on "European Enterprise and the Asian Challenge" on the eve of its Seventeenth Annual Meeting in Amsterdam. Similarly, the Bank will also hold its second Development Round Table on Industrial Development and Trade Policies in 1984.

The Bank has undertaken a study on ways of improving domestic resource mobilization through financial development in selected DMCs. The study will examine the present structure of the financial sectors in these DMCs and identify appropriate strategies for financial development. As a follow-up to this study, the Bank will conduct in 1984 another study in selected DMCs, which will, among others, identify possible areas for Bank assistance in capital market development. Both studies are expected to provide a guide for future Bank operations in the relevant fields. The Bank will also co-sponsor with the Asian Pacific Bankers Club a seminar on Financial Market Development, to be held in February 1984.

During 1984, the Bank will continue to focus its research on the economic conditions and concerns of the DMCs as well as on factors affecting country programming and policy dialogues. Basic country studies in selected DMCs as well as sectoral studies, particularly in agriculture and energy, are also planned.

The report submitted by an international financial expert in April 1983 generally reaffirmed the soundness of the Bank's present financial policies while recommending the introduction of some modifications consistent with the ADB's maturity and high credit standing in the world's financial markets.

Looking ahead, the coming into effect of the third Asian Development Fund replenishment (ADF IV), which covers the period 1983-86, and the third General Capital Increase (GCI III), covering the period 1983-87, have determined the resource base against which lending operations can be planned. Based on these two major accomplishments, the Bank over this time-frame intends to double the total lending it has achieved over the past 15 years. As described earlier, this prospect of increased lending has provided the Bank with an opportunity to analyze the needs and priorities of its DMCs and to gear its development assistance programs to both country-specific and regional goals.

HIGHLIGHTS OF THE BANK'S OPERATIONS, 1967-1983

Developmental Role

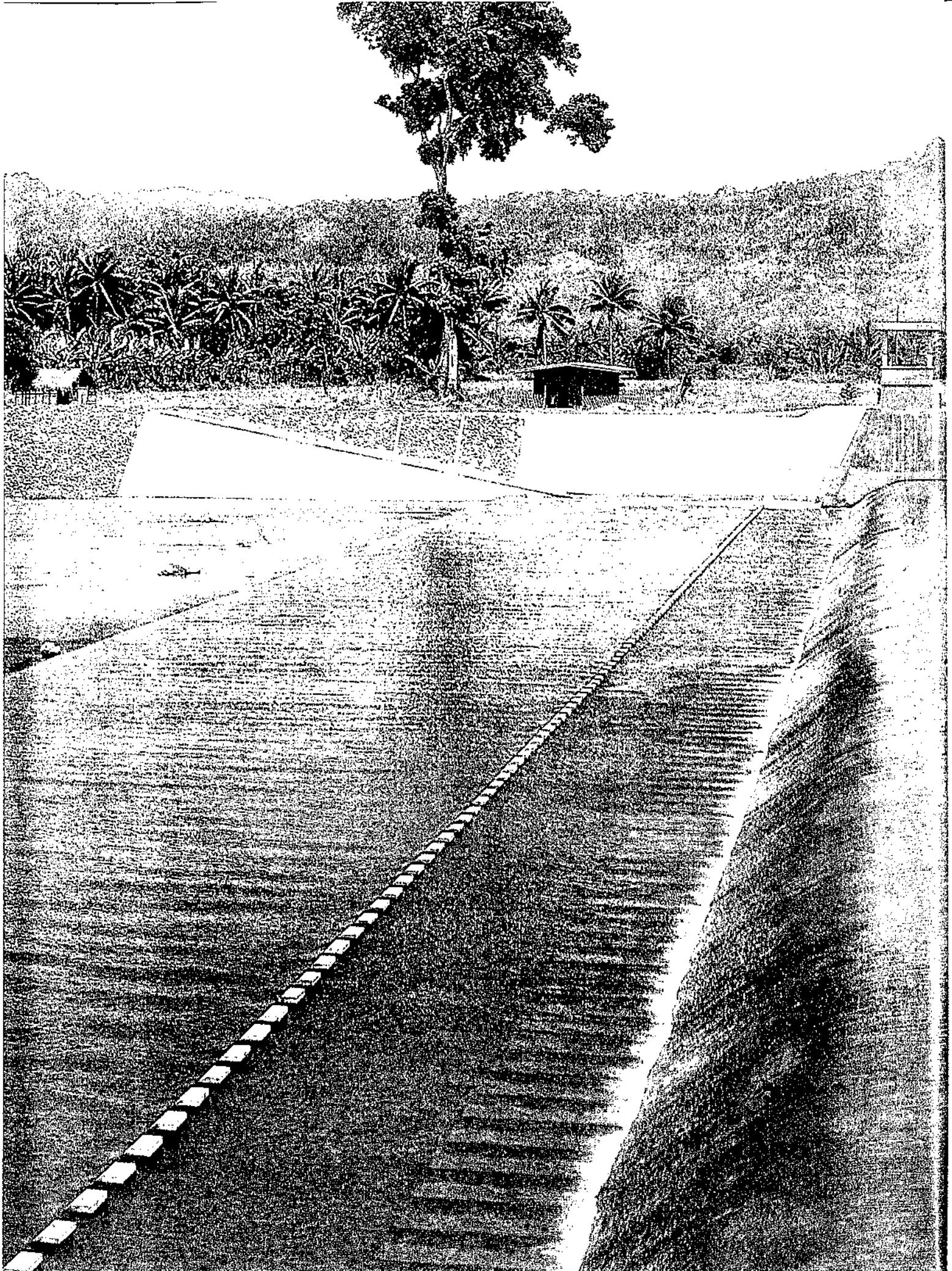
- * 235 loan projects and 377 technical assistance projects completed.
- * Every dollar lent by the Bank is matched with an average additional investment of about \$1.5 by the borrowing countries and, in certain cases, by outside co-financiers. Total Bank lending of about \$13.4 billion is expected to lead to additional investments of about \$20.1 billion; of which approximately 82 per cent would be provided by the borrowing DMCs and about 18 per cent by co-financiers.
- * 153 loan projects involved co-financing of \$3,550 million, comprising \$1,484 million from bilateral sources, \$1,317 million from multilateral sources and \$749 million from export credit and commercial sources.
- * 259 out of 611 loan projects resulted from Bank technical assistance to DMCs. An outlay of \$71.6 million in technical assistance led to Bank lending of \$5.6 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 1970s, Second Asian Agricultural Survey, South Pacific Agricultural Survey and Regional Energy Survey.

Resources

- * Increased its authorized capital to \$15.5 billion.
- * Borrowed a total of \$5 billion from international capital markets for ordinary lending. Of these borrowings, \$3.4 billion was outstanding at the end of 1983.
- * Mobilized over \$6 billion from developed member countries for concessional lending to the Bank's poorer and less developed member countries; and about \$63.5 million from both developed and developing member countries for financing the Bank's technical assistance activities.

Economic and Social Impact

- * 83 irrigation and area development projects covering about 2.8 million ha., which support about 2.2 million farm families. Total population expected to benefit — about 13 million.
- * 33 fisheries projects to create additional employment opportunities for about 145,000 fishermen and fish farmers, raise fish production by about 937,000 mt. per year and benefit nearly 45 million consumers.
- * 110 projects for creation of 8.11 million kW. of generation capacity, of which over 75 per cent will be based on indigenous resources such as water, natural gas and lignite, and for about 62,000 km. of transmission-distribution circuits.
- * 48 water supply and sanitation projects which will help increase water supply capacity by 11.2 million cubic meters per day and sewage treatment capacity by 1.7 million cubic meters per day, benefitting over 53 million people.
- * Upgrading and expansion of vocational, technical, science and professional education in nearly 840 institutes which have an annual output of about 527,000 skilled workers, 15,200 technicians, 7,200 engineers, 750 other professionals and 193,000 secondary school students.
- * Housing schemes and other social infrastructure facilities which will provide about 20,000 low-cost houses and 30,000 low-cost apartments and will improve living conditions for over 2.5 million people.
- * Six new hospitals/polyclinics and 620 health centers. Upgrading of an additional 354 hospitals and 420 health centers, including family planning services. Supply of essential drugs and improvement of drug distribution systems. Provision of better malaria protection for about 20 million people.
- * 9,100 subloans to small and medium-scale enterprises through credit lines to DFIs.
- * 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.
- * Construction, upgrading and improvement of 8,200 km. of main roads and about 3,100 km. of rural roads, serving an estimated population of 87 million; and of 830 km. of railways, serving an estimated population of 36 million.
- * Construction, rehabilitation, modernization and expansion of ports in 16 countries to increase cargo-handling capacity to about 38 million tons per year.
- * Construction, modernization and expansion of telecommunication facilities in four countries, serving an estimated population of 54 million.



ECONOMIC DEVELOPMENTS

PART I: THE REGION

THE BANK's developing member countries (DMCs) generally registered a higher rate of economic growth in 1983 than in 1982. Agriculture, aided by favorable weather, fared better in most of the region. The gradual recovery in the industrial countries stimulated increases in exports of both commodities and manufactured goods from the region. In addition, DMCs initiated several domestic policy adjustments to overcome the adverse impact of the prolonged worldwide recession. All these factors contributed to a 5.6 per cent increase in the combined gross domestic product (GDP) of DMCs. Moreover, the aggregate trade deficit of the region decreased and average inflation rate remained low, well below the levels in developing countries in other regions.

International Setting

Economic recovery, initiated in late 1982 by the revival in growth of the United States economy, gathered momentum during 1983. Inflation rates in the world economy were subdued by the major industrial countries' continued pursuit of conservative monetary policies and relative stability in the prices of food and energy. The decline in inflation, particularly that of the United States, exerted downward pressure on nominal interest rates, although real interest rates in the international capital markets continued to be high. World cereal output declined in 1983, entirely due to lower production in the developed countries. The supply of foodgrains, however, remained satisfactory because of production gains in many food-importing developing countries and large cereal stocks in exporting countries.

Aggregate 1983 gross national product (GNP) of industrial countries is estimated to have grown by 1.6 per cent compared with a 0.5 per cent decrease in 1982. The average rate of inflation in 1983 declined to 4.8 per cent compared with 5.9 per cent in 1982. The combined current account registered a surplus of \$16 billion compared with a deficit of \$3.6 billion.

DIVERSION DAM in Mindanao, southern Philippines, where Bank loans totalling \$64.5 million for the Davao del Norte Irrigation Project have helped increase rice production, rural incomes and employment opportunities and upgrade the living standards of people in the Project area.

In 1983, the oil-exporting countries experienced a 0.6 per cent decline in GNP compared with a 4.8 per cent decrease in the previous year. Because of adequate world supplies of oil, prices remained soft, even with recovery in the world economy. The average inflation rate in oil-exporting countries was 9.9 per cent, about the same as in 1982; the aggregate current account deficit widened sharply, from \$2.2 billion in 1982 to \$27 billion in 1983.

In 1983, non-oil developing countries recorded GNP growth of 2.3 per cent compared with 1.7 per cent in 1982. A marked contraction occurred in the aggregate current account deficit, which in 1983 fell to \$67.8 billion from \$86.8 billion in 1982. Inflation in 1983 was high, averaging 61.8 per cent, much higher than the 39.6 per cent average of 1982.

Although there was an improvement in GNP growth in the non-oil developing countries in 1983 over the preceding year, their short-term prospects remain uncertain. The upturn in industrialized countries — which are the major markets for the developing countries — remains tenuous. Only the continued economic growth of the industrialized economies can sustain an expansion of commodity and manufactured exports from the developing countries, and thus their foreign exchange earnings, needed to lighten their burden of existing debt and to enhance their capacity for attracting net capital inflows. At the same time, the continued pursuit of appropriate adjustment policies and austerity measures at national level are essential for improving the growth performance of individual non-oil developing countries.

Economic Developments in DMCs

During 1983, the Bank's DMCs generally recovered from the exceptionally low growth rates of 1982. However, the average 5.6 per cent GDP growth rate of 15 DMCs¹ in 1983, although higher than the 3.3 per cent average registered in 1982 during the depths of the world recession, was below the average growth rate of about 6.3 per cent recorded by the region during the past decade.

¹ At the time this report was written, GDP estimates for 1983 were available for only 15 DMCs. However, these countries together account for about 98 per cent of the GDP of all DMCs.

GDP Growth

Of the DMCs listed in Table 1,¹ a majority experienced increases in GDP growth rates. Increases were particularly pronounced in the cases of the newly industrializing countries (NICs)² and India, but growth rates declined in Burma, Fiji, Nepal, Philippines and Sri Lanka.

Taking advantage of export opportunities presented by the revival of economic activities in industrial countries, the NICs recorded substantially higher GDP growth rates in 1983 than in 1982. While to a large extent export-led, this growth also contained elements of buoyant domestic demand. GDP growth in the Republic of Korea during 1983 improved to 8.7 per cent from a 1982 growth rate of 5.8 per cent. This is attributable to a revival in manufacturing production, which increased by 15.5 per cent. The Republic of China in 1983 recorded 7 per cent GDP growth, up from 3.4 per cent growth in 1982. Hong Kong's 1983 GDP grew by 5.9 per cent compared with a 1982 GDP growth rate of 1.1 per cent. Singapore's 1983 growth rate of 7.9 per cent was higher than the 6.3 per cent achieved in 1982.

Four Southeast Asian countries (Indonesia, Malaysia, Philippines and Thailand) had varying rates of GDP growth. Because of high debt burdens and only modest improvements in their exports, most of them pursued stringent fiscal and monetary policies. Malaysia curbed the expansionary public expenditure policy it pursued during 1982, and

Indonesia and Philippines, particularly the latter, grappled with continuing external payments difficulties. Malaysia's 1983 GDP growth rate of 5.6 per cent was little changed from the 1982 rate. Thailand benefitted from a strong private sector and recorded 5.8 per cent GDP growth during 1983 compared with 4.1 per cent in 1982, although export earnings declined and government expenditure grew slowly. Indonesia's GDP growth remained depressed at about 2.9 per cent, but was higher than the 2.2 per cent in 1982. The GDP growth rate of the Philippines declined sharply to 1 per cent in 1983 from the already depressed 3 per cent level of 1982.

The economic performance of six South Asian countries (Bangladesh, Burma, India, Nepal, Pakistan and Sri Lanka) was mixed. Pakistan sustained a high level of economic growth, with GDP increasing by 5.8 per cent during Fiscal Year (FY) 1983. India experienced robust recovery in its GDP growth — from 2 per cent in FY 1983 to 6.5 per cent in FY 1984 — due to production increases on a wide front, particularly in agriculture. Bangladesh made a significant recovery from the less than one per cent GDP growth of FY 1982, although 1983 growth of 3.3 per cent still remained somewhat depressed. Burma's FY 1984 GDP growth rate declined to 5.5 per cent from 6.0 per cent in FY 1983, as agricultural production was affected by adverse weather. Nepal's GDP declined by 0.9 per cent during 1983 due to a severe drought, reversing the respectable growth trends of the preceding two years. Sri Lanka experienced a deterioration in GDP growth from 5.1 per cent in 1982 to 4.7 per cent in 1983.

Two South Pacific DMCs (Fiji and Papua New Guinea) have experienced stagnant or negative growth in GDP since 1980. The global recession and low prices for primary commodities have been the main contributory factors. However, in 1983, Papua New Guinea reported some improvements in its economic situation, while Fiji reported a 6.8 per cent decline in GDP due to the severe impact of cyclones and drought.

Sectoral Performance

Agricultural growth in 1983 was satisfactory in a majority of DMCs for which data are available. Generally favorable weather and some improvement in the prices of major export commodities promoted growth in agriculture. However, a few DMCs (Fiji, Nepal and Philippines) experienced declines in agricultural production in 1983 due to unfavorable weather.

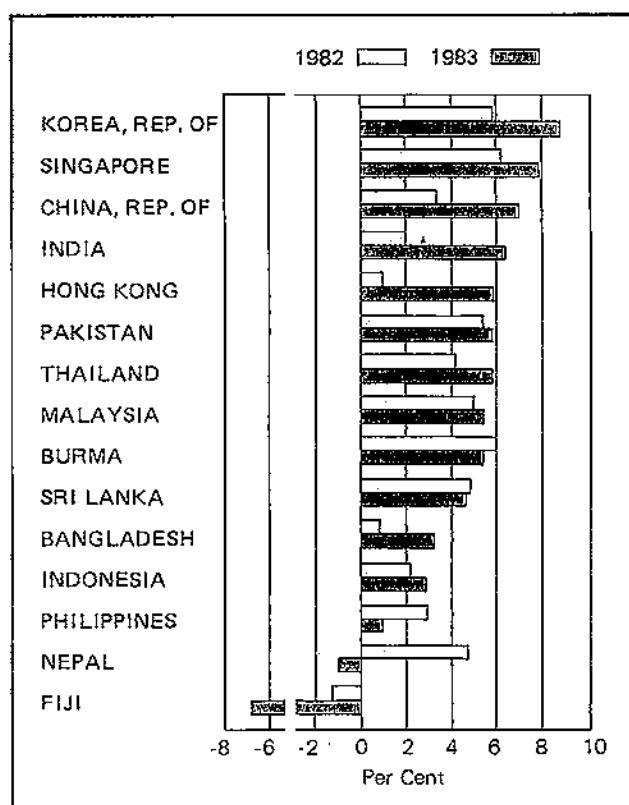
Total DMC output of major foodgrains¹ — rice, wheat and maize — rose from 277 million tons in 1982 to 303 million tons in 1983, which exceeded the record output of 284 million tons achieved in 1981 (see Tables 2 and 3).

Rice production in DMCs increased from 205 million tons in 1982 to 222 million tons in 1983. The increase was accounted for almost entirely by production gains made in India. Bangladesh, Republic of Korea, Malaysia, Pakistan, Sri Lanka, Thailand and Socialist Republic of Viet Nam also had significant increases, but output declined in Burma, Indonesia and Philippines.

Wheat output rose from 53.3 million tons in 1982 to 59.9 million tons in 1983, or by 6.6 million tons; two significant DMC producers — India and Pakistan — shared most of the gains. Maize production in DMCs increased from 19.1 million

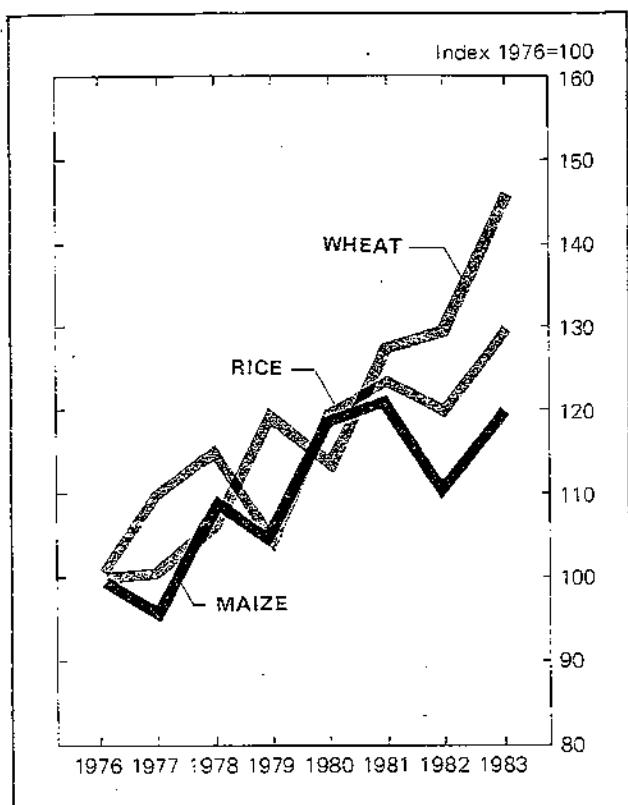
- 1 The tables referred to in this chapter appear on pages 91-101.
 2 Four DMCs (Republic of China, Hong Kong, Republic of Korea and Singapore) are included in this group on the basis of high shares of manufacturing output in their GDP and exports.

ESTIMATED RATE OF REAL GROWTH
OF SELECTED DMCs, 1982-1983

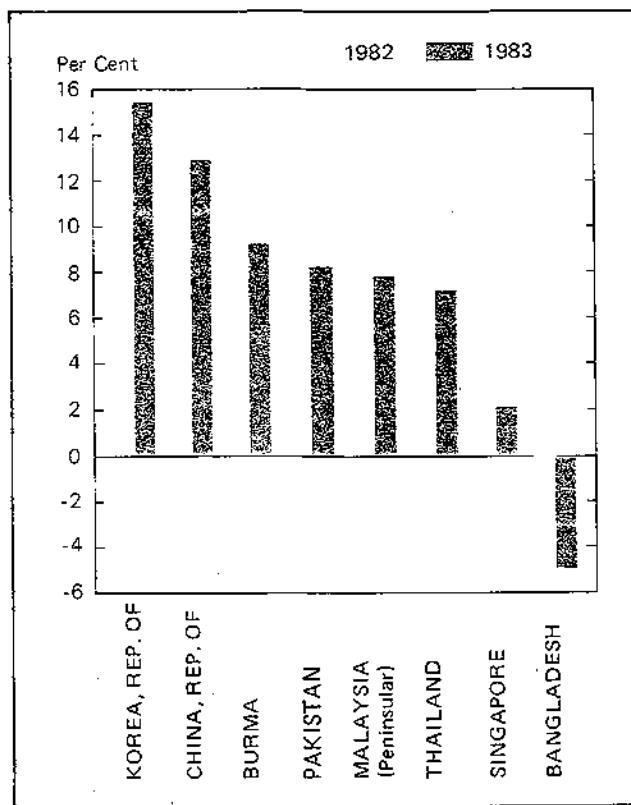


1 The estimates of foodgrains output in this chapter are for the calendar year, while GDP estimates are for the fiscal year. This accounts for discrepancies in the case of DMCs whose fiscal year is different from the calendar year (see footnotes to Table 1).

GRAINS OUTPUT OF DMCs,
1976-1983



CHANGES IN MANUFACTURING PRODUCTION
OF SELECTED DMCs, 1982-1983



tons in 1982 to 20.7 million tons in 1983 largely due to production increases in India and Thailand.

The performance of non-cereal agricultural crops in 1983 was mixed. Output of natural rubber grew by 2.7 per cent, with Indonesia and Thailand accounting for most of the increase. Coconut output decreased by 4.5 per cent with all the major producers among DMCs (India, Indonesia, Philippines and Sri Lanka) experiencing significant declines. Sugar production fell by 6.6 per cent, although production in Indonesia increased substantially. Fiji, India, Pakistan, Philippines and Thailand accounted for most of the decline in sugar production. Palm oil production declined by 6.1 per cent. All the minor producers among DMCs (Indonesia, Papua New Guinea, Solomon Islands and Thailand) increased production; however, that was more than offset by the decline in Malaysia, the largest producer of palm oil. Output of cotton, jute and tea, mainly produced in South Asia, increased by 3.6 per cent, 3.2 per cent and 5.9 per cent, respectively.

Growth rates of the manufacturing sectors of DMCs were generally satisfactory in 1983. The revival of demand in developed countries stimulated growth in Republic of China, Hong Kong and Republic of Korea. The manufacturing exports of these countries registered a substantial increase in 1983 compared with a slight decline in 1982. In Southeast Asia, Indonesia, Malaysia and Thailand enjoyed significant increases in manufacturing output due to both improved domestic demand and some growth in exports. In South Asia, manufacturing production in Burma, India and Pakistan was boosted mainly by improvements in agricultural produc-

tion which enlarged both domestic demand for industrial products and the availability of inputs for agro-based industries.

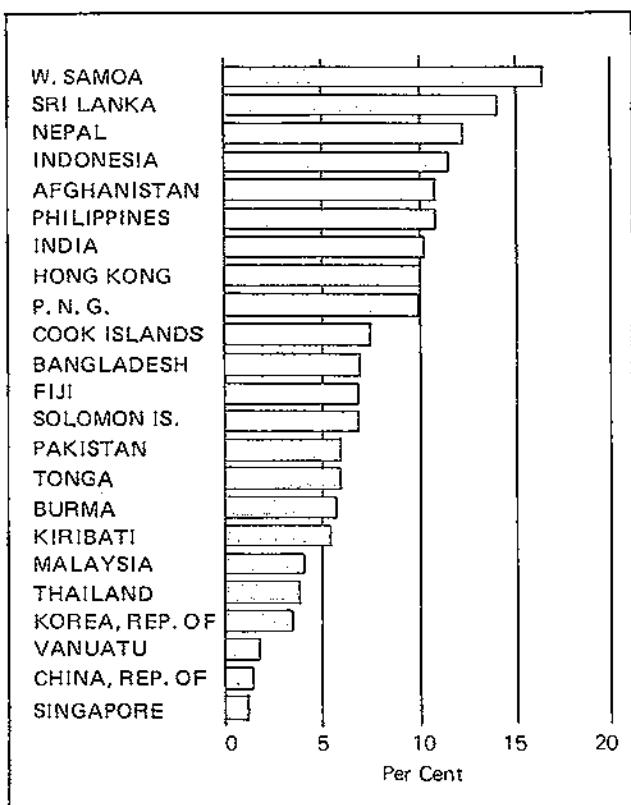
Data on electricity production in DMCs during 1983 is incomplete. A preliminary estimate would suggest that electricity production increased by 9.7 per cent during the year compared with an increase of 5.7 per cent during 1982.

Oil production in the region increased from the depressed 1982 level of 101.9 million tons to 119 million tons in 1983 (see Table 4). DMCs reporting large increases in oil production are Indonesia (by 10.4 million tons), India (by 4.1 million tons) and Malaysia (by 2.1 million tons).

In recent years, natural gas production has been a dynamic component of the Energy sector of many DMCs. Most of the nine DMCs producing significant amounts of natural gas reported an expansion in production, with the largest increases registered by Burma, India, Indonesia, Malaysia and Thailand.

Preliminary data indicate that there was a decline in the total value of oil imports, from \$41.1 billion in 1982 to \$38.6 billion in 1983; lower petroleum prices and a reduction in the volume of imports contributed to the decline. Large savings in oil import costs were reported by India (\$1.2 billion), Singapore (\$765 million), Republic of Korea (\$553 million) and Hong Kong (\$358 million). The 1983 ratio of the total value of oil imports to the total export earnings of the region stood at 24.7 per cent, much below the 1982 ratio of 27.8 per cent. A reduction in the aggregate oil bill and growth in export receipts contributed to this decline in the burden of oil imports.

CHANGES IN CONSUMER PRICES OF SELECTED DMCs, 1983



Price Trends

The 1983 weighted average increase in consumer prices in DMCs — 7.8 per cent — was lower than the 8.0 per cent in 1982 (see Table 5). Inflation rates declined in a majority of DMCs. Republic of China, Republic of Korea, Malaysia, Singapore, Thailand and Vanuatu showed the lowest rates of inflation, with price increases ranging between 1 and 4 per cent. The stable prices of foodgrains and oil, combined with domestic stabilization policies tenaciously maintained by DMCs, helped control inflation. Inflation rates increased significantly or remained at relatively high levels in Afghanistan, Hong Kong, India, Indonesia, Nepal, Papua New Guinea, Philippines, Sri Lanka and Western Samoa. Depreciations of their currencies in relation to the US dollar were an important factor in the large price increases experienced by these DMCs.

External Sector Developments

The combined trade deficit of DMCs fell from \$21.4 billion in 1982 to \$18.1 billion in 1983 (see Table 6); the decline was mainly attributable to lower deficits in Bangladesh, Hong Kong, India, Republic of Korea and Singapore. Malaysia's sizeable deficit of 1982 was succeeded by a modest surplus. The largest increase in trade deficit was registered by Thailand (\$1.8 billion). The trade surplus of Republic of China increased while that of Indonesia declined.

In 1983, export prices of major primary commodities increased. The largest increases were registered by copra (53.2 per cent), maize (23.9 per cent) and rubber (23.3 per cent). Significant price increases were also recorded by cotton (15.9 per cent), tea (14.5 per cent), copper (8.7 per cent)

and palm oil (8.7 per cent). However, compared with the average prices during the period 1978-81, export prices for all these commodities, except cotton, maize and tea, remained depressed during 1983.

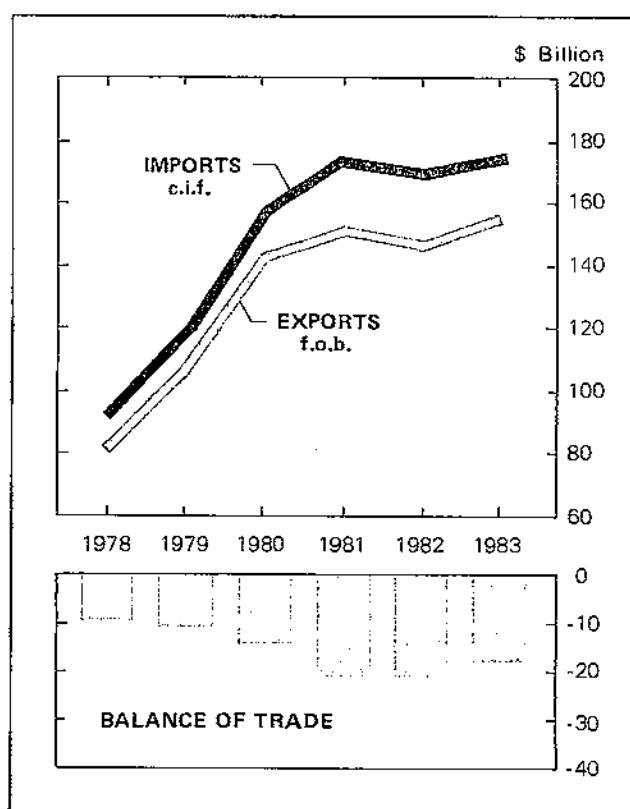
The aggregate value of exports from DMCs increased by 5.4 per cent, from \$148 billion in 1982 to \$156 billion in 1983. The increase was mainly accounted for by Republic of China, Hong Kong, India, Republic of Korea, Malaysia, Pakistan and Singapore as exports from these countries increased significantly over 1982 levels. On the other hand, several DMCs, including Indonesia, Nepal, Philippines and Thailand, experienced declines in exports.

The total imports of DMCs increased from \$169 billion in 1982 to \$174 billion in 1983, or by 3 per cent. There were notable increases in imports in Republic of China, Hong Kong, Republic of Korea, Malaysia and Thailand. A few DMCs recorded lower imports in 1983 than in 1982 due to stringent foreign exchange budgets.

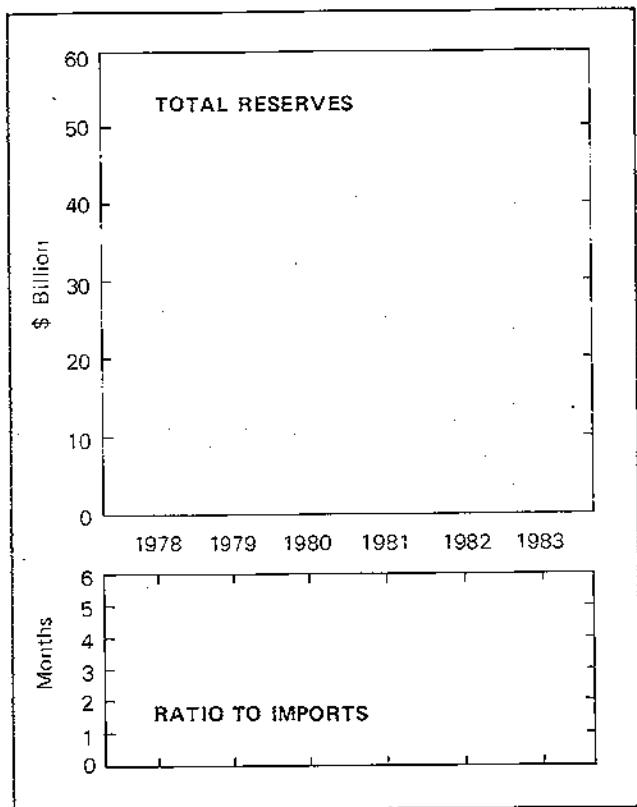
The terms of trade of DMCs during 1983 generally remained at around the levels of the previous year. Some improvements in export unit value indices were generally offset by corresponding increases in import unit value indices. Export and import unit value indices available for nine DMCs show that the terms of trade improved significantly for Malaysia, Philippines and Thailand.

Data on the direction of trade flows for 1982 — the latest year for which figures are available — show that Japan and United States remained the region's two largest trading partners, absorbing 18.9 per cent and 19.7 per cent, respectively, of the total exports of DMCs and accounting for 20 per cent and 14.6 per cent of total imports. However, DMCs' trade

FOREIGN TRADE OF DMCs, 1978-1983



INTERNATIONAL RESERVES OF DMCs,
1978-1983



with oil-exporting countries (other than Indonesia) increased significantly in 1982, accounting for 12.4 per cent of the total imports of DMCs and 6.2 per cent of total exports. More significantly, trade among DMCs increased. The share of intra-DMC exports in total exports increased from 18.3 per cent in 1972 to 21 per cent in 1982, and the share of intra-DMC imports in total imports increased from 12.8 per cent to 17.8 per cent.

The international reserves of DMCs increased during 1983 to a total of \$51.1 billion at the end of the year compared with \$45.5 billion at the end of 1982 (see Table 7). A number of countries registered increases in reserves — Bangladesh, Republic of China, India, Indonesia, Malaysia, Pakistan, Papua New Guinea and Singapore — but several countries — Afghanistan, Burma, Republic of Korea, Nepal, Philippines, Sri Lanka and Thailand — suffered a decline in reserves. At the end of 1983, the level of reserves for the DMCs as a whole was equivalent to 4.1 months' imports compared with 3.8 months' imports in 1982.

Domestic Savings, Investment and Resource Gap

Data for 1980-1982 relating to domestic savings, investment and resource gap for 14 DMCs (see Table 8) show that gross capital formation (GCF) as a percentage of GDP averaged more than 25 per cent in ten DMCs, between 15 and 25 per cent in three and less than 15 per cent in one. However, the ratio of gross domestic savings (GDS) to GDP was considerably less than the investment/GDP ratio in most DMCs, reflecting substantial dependence on external resources. GDS averaged more than 25 per cent of GDP in three DMCs, between 15 and 25 per cent in six and was less than 15 per

cent in five. The resource gap — the difference between GCF and GDS as a ratio of GDP — averaged more than 10 per cent in three DMCs, between 5 and 10 per cent in eight and less than 5 per cent in three.

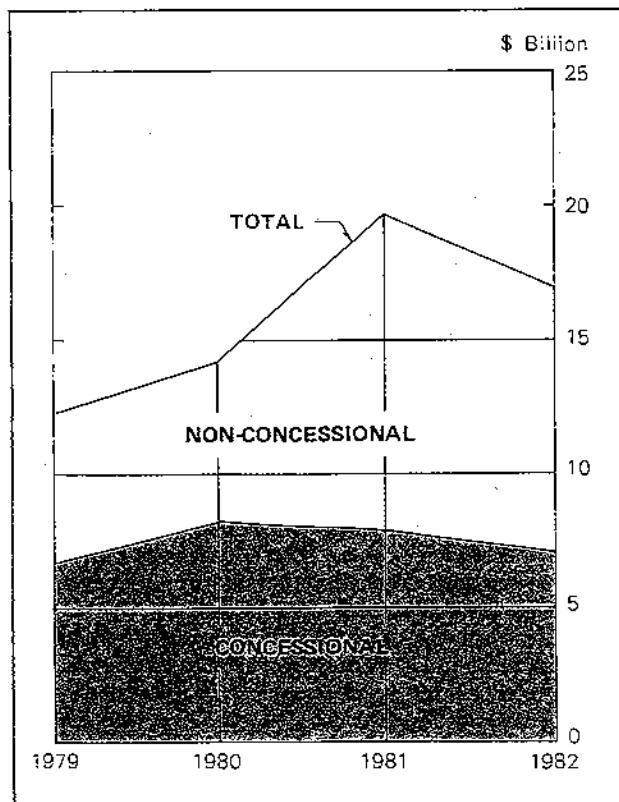
In 1982, the ratio of resource gap to GDP declined in several DMCs. Of the 13 DMCs for which data are available, seven showed declines. In most cases, however, the declines in the resource gap were due to declines in the investment ratio rather than to improvements in the domestic savings ratio. Declines in 1982 investment/GDP ratios in several DMCs highlighted the fact that inadequate investible resources were placing increased constraints on growth prospects. Although 1983 data are not yet available, there are indications that the resource gaps of DMCs may have narrowed further because of declines in the ratio of investment to GDP or, in some cases, because of improvements in domestic savings performance.

The net flow of external resources to DMCs declined from \$19.6 billion in 1981 to \$16.9 billion in 1982, the latest year for which data are available (see Table 9). This decline is attributable to reduction in both non-concessional and concessional flows. Non-concessional flows declined from \$11.8 billion in 1981 to \$9.9 billion in 1982, while concessional flows declined from \$7.8 billion to \$7.0 billion.

Reflecting the continued inflow of external resources, total DMC external public debt outstanding is estimated to have increased from \$93.7 billion in 1981 to \$107.3 billion in 1982.¹

¹ Data on aggregate debts of DMCs are not generally published. Fairly adequate information on public debt is, however, available for the period up to 1982.

TOTAL FLOWS OF RESOURCES TO DMCs, 1979-1982



or by 14.5 per cent (see Table 10). Corresponding debt-service payments increased from \$10.8 billion in 1981 to \$12.3 billion in 1982. There were wide differences in the debt-service ratios of individual DMCs, ranging from 0.2 per cent in the case of Hong Kong to 23.3 per cent in the case of Burma. Since these ratios relate to official debt, they underestimate the debt-service burden of some DMCs which were able to raise substantial amounts in debts not guaranteed by governments. Nevertheless, the ratios represent adequately the debt-service burden of the majority of DMCs which rely mostly on official loans. In many DMCs, the debt-service ratio remains low due to a high grant element in the total inflow of external resources. In some cases, an increase in the ratio, was moderated or reversed by the cancellation or rescheduling of debt repayments that some lenders have allowed in recent years. The Philippines' overall debt-servicing situation became difficult due to short-term liquidity problems, and by the end of 1983 the country sought a three-month moratorium on debt repayment from its creditors.

Policy Initiatives of DMCs

In recent years, the maintenance of continued economic development in the face of adverse international developments has remained a major focus of DMCs' domestic economic policies. As the impact of external developments on the individual economies of DMCs has differed, so have their adjustment policies. However, DMCs have generally pursued economic policies aimed at improving efficiency of resource use, external and internal balance and equitable income distribution. A selective account of policy initiatives taken by DMCs during 1983 follows.

Fiscal and Monetary Policies

Stringent budgetary management and tight monetary policies were pursued by many DMCs due to the scarcity of financial resources. The national budgets of Bangladesh, Nepal, Pakistan, Philippines, Sri Lanka and Thailand contained stabilization measures such as cuts in government expenditure, reductions in subsidies, improvements in tax revenues and lower budgetary deficits. Indonesia announced in May 1983 the rephasing of a large number of new capital- and import-intensive projects. The Republic of Korea reviewed its Fifth Plan and enhanced the speed and timing of some development targets such as reducing budget deficits and effecting a current account surplus in balance of payments.

India, Indonesia, Republic of Korea and Pakistan were among the DMCs which pursued a tight money policy during 1983. During the year, real interest rates tended to remain at positive levels in many DMCs due to the relatively low inflation rates. High real interest rates caused concern in some DMCs, a few of which — Republic of Korea, Malaysia and Thailand — reduced nominal interest rates in order to stimulate investment. Indonesia freed the regulated interest rates of the dominant state banks and lifted the credit ceilings imposed by Bank Indonesia on all commercial banks, both state and private. India imposed higher reserve requirements on bank deposits when the inflation rate began increasing toward the end of the year. Sri Lanka maintained relatively high levels of interest rates for the purposes of demand management and attracting more private savings.

External Trade Policies

In the light of their weak balance-of-payments position, the currencies of several DMCs were devalued or allowed to depreciate during the year. The extent of depreciation of DMCs' currencies ranged between 0.7 per cent in the case of Republic of China and 34.5 per cent in the case of Philippines. In March 1983, Indonesia devalued its currency by 28 per cent to strengthen the international competitiveness of non-oil exports and import-substituting industries. The sharp depreciation of the Philippine currency was brought about by two devaluations, in June (by 7.3 per cent) and in October (by 21.4 per cent). Other DMCs experiencing large depreciations of their currencies during the year were Fiji (9 per cent), Hong Kong (19.6 per cent), India (7 per cent), Republic of Korea (6.7 per cent), Papua New Guinea (12.7 per cent) and Sri Lanka (13.7 per cent).

DMCs took several measures to boost foreign exchange earnings. Indonesia enforced regulations regarding the greater use of Indonesian ships in its export and import trade and made determined and partially successful efforts to promote non-oil exports. Bangladesh initiated steps for setting up a free trade zone in Dhaka for industries based on air-freighted cargoes. India permitted the setting up of four more free trade zones and allowed 100 per cent export firms in the country to sell 25 per cent of their production in the domestic market. Sri Lanka allocated \$3 million in its latest budget to promote tourism and also moved to implement a second phase of the free trade zone at Colombo.

In some cases, DMCs considered it necessary to restrict exports either to improve domestic availability or to protect terms of trade. A conference of forestry officials from the member countries of the Association of Southeast Asian Nations (ASEAN) recommended that the export of logs from the region be discontinued in order to conserve its forestry resources and to encourage the export of processed wood. Major DMC producers of rubber and tin — Indonesia, Malaysia and Thailand — attempted to restrict exports in order to improve the price of those commodities from depressed levels. Nepal banned the export of rice in order to counter the effects of a shortfall in the production of foodgrains. Sri Lanka restricted the export of coconut oil in order to stabilize the domestic price of this commodity.

Individual import policies were generally dictated by the pressures on the balance of payments of the country concerned. The Philippines undertook several emergency measures such as curtailing the importation of non-essential consumer goods in order to stop the drain on its sharply reduced foreign exchange resources. On the other hand, the Republic of China reduced tariff rates and eliminated import permit requirements in order to stimulate imports of capital goods. Bangladesh liberalized imports by reintroducing the Open General License (OGL) system for industrial and commercial imports. Trade liberalization plans adopted by the Republic of Korea are aimed at gradually bringing down import tariffs to levels comparable to those of developed countries.

Energy Programs and Policies

DMCs kept up their efforts to achieve a measure of self-reliance with regard to energy supplies. During the year, major gains in the production of energy resources were reported by Bangladesh, India, Malaysia and Thailand. Large investments in the energy sector were undertaken during 1983 by Bangladesh, Burma, India, Indonesia, Lao PDR, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka

and Thailand.

Many DMCs raised the prices of energy products to encourage conservation of energy and to reduce the cost of government subsidies. Republic of China, India, Republic of Korea and Nepal are among the DMCs which priced energy resources at a high level. In 1983, considerable increases in domestic prices of petroleum and petroleum products were announced by Bangladesh, Indonesia and Philippines.

Human Resource Development Policies

DMCs realize the importance of human resource development both as an input in the process of economic development and as a goal of development itself. Allocations for education, health and family welfare have claimed increasing shares of budget outlays in many DMCs. Indonesia established a separate Ministry of Manpower Development, which planned to increase the number of industrial training centers from 34 to 154 within 1983. Pakistan's Sixth Plan (1983-87) allocated 11.5 per cent of the total outlay for social infrastructure (education, health, water supply and population planning). The second largest amount in the Philippines' 1984 budget was allocated for local governments and the largely rural based national livelihood program.

Regional Cooperation

A number of developments in 1983 contributed to furthering regional cooperation among DMCs.

At the 15th meeting of the Economic Ministers of ASEAN it was agreed that proposed tariff concessions for industrial joint ventures should be amended. Previously, it was required that a joint venture be at least 51 per cent owned by two or more member countries in order to qualify automatically for a 50 per cent tariff cut after three years; instead, it should be left to each member country to reach individual decisions on tariff concessions. The coverage of trade preference exchanges under the Preferential Trade Arrangement increased from 8,560 products to 18,933 products, while the import ceiling on items in intra-regional trade qualifying for across-the-board tariff cuts of 20-25 per cent was raised from \$2.5 million to \$10 million. Operations commenced at Indonesia's fertilizer plant, the first of the ASEAN large-scale industrial projects to be completed. ASEAN members signed a fishing accord that provided for technology transfer in aquaculture, post-harvest technology and marketing of fish and fish products.¹

The foreign ministers of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka signed an agreement in August establishing a regional organization entitled the South Asian Regional Cooperation Council. Areas identified for future cooperation were agriculture and rural development, meteorology, telecommunications, science and technology, health and population activities, transport, postal service, sports, art and culture. The foreign ministers of the seven countries also agreed to continue cooperation among national planning organizations and academic institutions.

At the 23rd South Pacific Conference, held in October, full voting rights were extended to all 27 member countries and territories instead of only 13 members as had previously been the case and, on this basis, the formula for funding the South Pacific Conference was modified. It was also decided that

no further action be taken on establishing a Pacific Islands Fund or a Regional Agricultural Stabilization Scheme in view of the reluctance of various agencies to make contributions without the commitment of the region's governments to them. The issue of merger and rationalization of the region's two associations — the South Pacific Conference and the South Pacific Forum — was also taken up for discussion. It was agreed to await proposals to be presented to the South Pacific Forum in August 1984.

International Cooperation

Loan commitments received by the DMCs from the International Bank for Reconstruction and Development (IBRD) increased from \$4.1 billion in FY 1982 (ending in June) to \$4.2 billion in FY 1983. Commitments of International Development Association (IDA) credits increased from \$1.7 billion in FY 1982 to \$1.8 billion in FY 1983. The combined credits from these two sources increased during the period from \$5.8 billion to \$6.1 billion.

Credit commitments by the International Monetary Fund (IMF) to the region under standby and extended arrangements decreased to SDR6.0 billion at the end of December 1983 compared with outstanding commitments of SDR6.2 billion at the end of 1982. Outstanding IMF credit disbursed to DMCs amounted to SDR9.6 billion as of 31 December 1983 compared with SDR6.8 billion at the end of the previous year.

The resources of the IMF were increased by 47.5 per cent following formal ratification in November of the pending eighth quota increase. The quota approval also triggered the proposed enlargement of the General Arrangement to Borrow by the Group of 10 and Switzerland. When that loan is in place, the resources of the IMF will be further augmented by an additional loan from Saudi Arabia.

At the Williamsburg Summit held in June, the seven major industrial countries — Canada, France, Federal Republic of Germany, Italy, Japan, United Kingdom and United States — expressed strong opposition to protectionism and called for a new round of trade liberalization under the General Agreement on Tariffs and Trade (GATT). The group failed, however, to further the proposal for a new conference on the international monetary system that had been put forward at the summit of non-aligned countries in New Delhi in March.

UNCTAD VI, held in July in Belgrade, ended with no firm agreements. The conference adopted by consensus a series of compromise resolutions but failed to produce new initiatives of financial commitments.

The Twelfth Congress of the World Energy Conference was held in New Delhi in September. The major themes were international cooperation in energy, increased self-reliance and greater exploitation of hydro-electric energy in developing countries.

An International Tropical Timber Agreement was concluded in November 1983. This will become effective on 1 October 1984 or thereafter when 12 producing countries representing at least 55 per cent of the votes and 16 consuming countries with at least 70 per cent of votes have signed, ratified, approved or acceded to the agreement. The pact provides for research and development, reforestation and forest management, increased processing in developing producer countries and improvement of marketing and distribution.

Details relating to major economic developments in 1983 in 19 DMCs for which preliminary data are available are given in Part II.

¹ Brunei became the sixth member country of ASEAN shortly after gaining its independence in January 1984.

PART II: COUNTRY NOTES

Bangladesh

Economic growth in Bangladesh stagnated in FY 1982 (ending June), but the country recorded a modest growth in FY 1983, though far below the 6 per cent average GDP growth of the period 1977-81. The GDP growth rate in FY 1982 of 0.8 per cent increased to about 3.3 per cent in FY 1983. With an annual population growth rate of more than 2.4 per cent, the GDP growth rates for the two years imply a decline in per capita income during the period. The improvement in the growth rate during FY 1983 came from increased agricultural production as well as growth-oriented policy measures adopted in the budget for FY 1983. The budget policies were aimed at mobilizing resources and providing greater scope to the private sector.

Foodgrain production in FY 1983 was significantly higher than even the previous record production level reached in FY 1981; the agricultural sector as a whole achieved a growth of 4.3 per cent. However, manufacturing output declined by 1.6 per cent. The demand for manufactured products was weak because of restrictive fiscal and monetary policies pursued by the Government and depressed agricultural production and incomes during FY 1982 and early FY 1983. Despite higher food production, additional foodgrains had to be imported under aid programs as food demand increased at an even faster pace due to population growth.

The 1983 inflation rate was reduced to 6.9 per cent from 12.9 per cent in 1982 despite upward adjustment in the prices of some goods and services provided by the Government. The balance of payments and the budget were under better control in FY 1983 largely due to restrained public expenditure and imports. Major public sector corporations showed an overall profit.

Export earnings increased by 10 per cent in FY 1983, boosted by some recovery in the prices of jute goods, while import payments were 10 per cent less than FY 1982 levels owing to the slowdown in the import of capital goods, raw materials and some consumer goods. Remittances from abroad increased by 45 per cent. As a result, the balance of payments improved substantially, recording an overall surplus of \$234 million in FY 1983 compared with a deficit of \$142 million in FY 1982.

The budget for FY 1984 maintained the drive toward domestic economic adjustments initiated in the previous budget. In real terms government expenditure during FY 1984 was maintained at about the same level as in the FY 1983 budget. Major steps were taken to mobilize more resources through improvements in the collection and coverage of taxes and higher prices for goods and services provided by public corporations. Procurement prices of rice and wheat were raised, and the scope of foodgrain rationing was reduced. In the area of external trade, the Government liberalized imports, while the value of the currency was allowed to depreciate.

Bhutan

In FY 1983 (ending in March) the agricultural sector in Bhutan performed well; FY 1984 crops are also expected to be good. As a result, food supplies were adequate and price increases moderate. Although no precise figure is available, it is believed that the FY 1983 growth rate was lower than the estimated average 6 per cent rate recorded in the three

previous years. This partially reflects a weakening of the contribution of the forestry sector due to sectoral reorganization.

The Government has been incurring large overall budget deficits, averaging more than 20 per cent of GDP in recent years, reflecting a high level of capital expenditure and the Government's inability to mobilize sufficient domestic resources. These large deficits were mainly financed by considerable assistance received on a grant basis from India. The Government aims to reduce budget deficits through tighter control of current expenditure and by increasing revenue. A number of fiscal reforms introduced in the FY 1983 budget were intended to improve control over expenditure, increase revenue from existing taxes and widen the tax base.

The national budget for FY 1984 provided for a total expenditure of Nu712 million (\$71 million), an increase of 28 per cent over the FY 1983 revised estimates; Nu495 million (\$49 million), or 70 per cent of the total, was allocated to development. These figures reflected the Government's decision to maintain current expenditure at a level roughly equal to domestic revenue while relying in the medium-term on foreign assistance to finance development expenditure. It is anticipated that revenue will increase sharply in FY 1985 when the Chukka Hydroelectric Power Project comes onstream and power is exported to India. This new source of revenue will have major implications for future budgets.

The merchandise trade deficit for FY 1983 amounted to Nu347 million (\$34 million) but was more than covered by external aid. International reserves at the end of September 1983 reached \$35 million, of which the equivalent of \$25 million was held in Indian rupees and the rest in convertible currencies. The reserves were equivalent to 8.2 months' imports.

Burma

The strong performance of the Burmese economy since FY 1979 somewhat weakened in FY 1984 (ending March). GDP grew 5.5 per cent in FY 1984 compared with the FY 1983 growth of 6 per cent. Agricultural production grew by 4.7 per cent compared with 6.8 per cent growth recorded in FY 1983. However, output of the manufacturing, construction and mining sectors increased at higher rates, by 8.9 per cent, 8.1 per cent and 23.9 per cent, respectively, in FY 1984 compared with growth rates of 6.2 per cent, 6.3 per cent and 12.0 per cent, respectively, in FY 1983.

Burma has maintained a record of price stability in recent years. The consumer price index increased by 1.1 per cent in 1981, by 5.2 per cent in 1982 and by 5.7 per cent in 1983.

The consolidated public sector budget estimate for FY 1984 showed a 10 per cent increase in current receipts and an 11 per cent increase in current expenditure. Capital expenditure, however, declined by about 2 per cent. The overall deficit was estimated at about K7 billion (\$0.9 billion), or 14 per cent of GDP.

During 1980-82, exports continuously declined, while imports kept on rising. Falling export receipts, coupled with increasing import payments, resulted in a widening of the trade deficit from \$220 million in 1980 to \$459 million in 1982. In view of the difficult external resources position, the Government planned to reduce the balance-of-payments deficit by cutting imports and boosting exports. This goal was reached in 1983 as exports rose to \$439 million, imports declined to \$730 million and the trade deficit narrowed to \$291 million. However, international reserves fell sharply to \$76.5 million at the end of 1983, equivalent to 1.3 months' imports.

In FY 1984, the Government, while pursuing a more restrictive fiscal policy aimed at reducing the high budget deficit, scaled down several investment projects. It plans to promote more export-oriented projects in the future.

Republic of China

In 1983, the Republic of China registered GDP growth of 7 per cent, a significant increase from the 3.4 per cent growth registered in 1982. The primary factor behind the recovery was an upsurge in export growth which surpassed that of all other Asian NICs. Improvement in United States' import demand and the strength of the US dollar were largely responsible for the gain.

The inflation rate in 1983 was lower than in 1982, with consumer prices increasing by 1.4 per cent compared with an increase of 3 per cent in 1982. This price stability was achieved in the face of the sharp economic recovery.

The country's trade surplus increased from \$3.3 billion in 1982 to \$4.8 billion in 1983, as imports grew slower than exports. This surplus has begun to exert upward pressure on the local currency in relation to the US dollar. This tendency could possibly affect future export growth. To restrain the pressure and stimulate exports, the Government increased the limits on bank dealings in foreign exchange, in particular US dollars. During 1983, imports of capital goods were sluggish, indicating continuing hesitation with regard to business investment. In an effort to stimulate purchases of capital goods from abroad, the Government reduced tariff rates and eliminated import permit requirements. Other incentives to business included the extension of tax credits for investment and the reduction of interest rates for short-term loans. The Central Bank maintained an expansionary monetary policy.

Fiji

The GDP of Fiji, which had declined 1.2 per cent in 1982, declined a further 6.8 per cent in 1983. An agro-based export economy, Fiji's GDP growth is heavily influenced by international market conditions and weather, both of which were unfavorable in 1983. The prices of Fiji's major exports remained depressed, and two cyclones in the early part of the year and prolonged drought conditions in the main agricultural areas severely affected agricultural production and economic activity. Sugar production was almost halved from 487,000 tons in 1982 to 276,000 tons in 1983; the decline in the sugarcane farmers' incomes had widespread effect on other sectors. However, the impact of low production levels on exports and growers' incomes was partly offset by sales of sugar from stocks. White sugar was imported for domestic use, allowing all domestic production to be used for meeting export contracts.

Government revenue exceeded the budget estimates mainly due to the increased collections of customs and excise duties. In addition, government capital expenditure was considerably lower than that in the previous year. As a result, the overall deficit declined to F\$68 million (\$67.3 million) compared with the 1983 budget estimate of F\$77 million (\$76.3 million).

The money supply increased by 9 per cent in 1983 and 4 per cent in 1982 compared with growth of 19 per cent in 1981. Smaller increases in bank credit to public entities and private sector contributed to the lower rate of monetary expansion in recent years. The consumer price index, which increased by 14.5 per cent in 1980 and 11.2 per cent in 1981, recorded a much lower increase of 7 per cent in 1982 and this trend continued with a 6.8 per cent rise in 1983.

The adverse impact of the cyclone and drought on export receipts was largely offset by the inflows of insurance payments. International reserves stood at \$116.2 million at the end of 1983, which represented about 2.8 months' imports.

Hong Kong

A recovery in the export sector during 1983 increased Hong Kong's GDP growth to 5.9 per cent, following a 1.1 per cent rise in the previous year. Exports rose by 5.3 per cent due to the pick-up in demand for manufactured exports which, in turn, led to an improvement in the local employment situation. Private consumption increased by 9.5 per cent and government spending on goods and services increased by 3.8 per cent, but gross fixed capital formation declined by 6.5 per cent. During the year, there was a marked shift of resources and efforts away from the domestically oriented tertiary sector and towards manufacturing for export.

The Hong Kong currency depreciated on the foreign exchange markets to a low of HK\$9.55 to US\$1.00. To contain the depreciation of the Hong Kong dollar, the Government pegged the local currency at the rate of HK\$7.80 to US\$1.00 and in October abolished the 10 per cent tax on interest earnings from Hong Kong dollar deposits.

The inflation rate during 1983 remained at 10 per cent, about the same as in 1982, mainly due to the impact of the large currency depreciation on domestic prices.

Imports rose by 2.5 per cent, while exports expanded by 5.3 per cent, thus reducing the trade deficit in 1983 to \$2 billion compared with \$2.6 billion in 1982. Net earnings from services increased sharply due to the devaluation and helped further improve Hong Kong's current account balance.

The budget for FY 1984 (ending in March) showed a decline of HK\$1 billion (\$135 million) in both government revenue and government expenditure. Nevertheless, there was a large overall deficit of HK\$3.3 billion (\$446 million) due to the shortfall in government revenue from land sales. This was financed mainly from fiscal reserves accumulated in the past.

India

The Indian economy showed healthy growth performance during FY 1984 (ending in March) when GDP growth recovered to around 6.5 per cent compared with the 2 per cent growth of FY 1983. This improved performance was shared by most sectors, but a spurt in agricultural production was the prime mover of the economy during the year. Aided by normal monsoon rains throughout the country, the output of major foodgrains increased by 12 per cent, to a record 143 million tons. The overall growth rate of the agricultural sector was 9 per cent, and the manufacturing sector grew by 4 per cent. Public sector investments increased sharply during the year.

India experienced an increase in its inflation rate from 8.3 per cent in 1982 to 10.3 per cent in 1983 mainly due to increases in the prices of milk products, vegetables and fruits and some non-food goods and services (clothing, school fees and personal care), although the Government pursued a tight money policy to keep inflation in check. In November 1983, when inflation started to rise, the Reserve Bank of India increased the reserve requirements of commercial banks against their deposit liabilities by 10 per cent, thereby absorbing considerable excess liquidity in the banking system.

The budgetary provisions for the FY 1984 central development plan amounted to Rs138.7 billion (\$13.8 billion), 26 per cent higher than the total FY 1983 central plan outlay of

Rs110 billion (\$11.0 billion). The major allocations were Rs15.5 billion (\$1.6 billion) for social and community services, Rs11 billion (\$1.10 billion) for agriculture and allied services, Rs29 billion (\$2.90 billion) for industry and minerals, Rs10.6 billion (\$1.06 billion) for water and power development and Rs11.5 billion (\$1.15 billion) for transport and communications. Family planning continued to receive emphasis in the FY 1984 budget with Rs3.3 billion (\$0.3 billion) provided for family welfare. Within industry and minerals, the energy sector received an allocation of Rs12 billion (\$1.2 billion).

India's trade deficit declined from \$6.7 billion in 1982 to \$5.0 billion in 1983. While exports increased by 4.1 per cent, imports declined by 2.3 per cent. The decline in imports was due to a significant increase in domestic oil production and a consequent reduction in oil imports. Foodgrain imports during the year to support the public distribution system remained at a high level, but India's international reserves also remained high at \$5.8 billion, equivalent to 4.9 months' imports.

The FY 1984 budget tightened the import policy while providing a number of incentives to exporters. The Government permitted the setting up of four more export processing zones in Cochin, Madras, West Bengal and Uttar Pradesh. The 100 per cent export firms in the country were allowed to sell 25 per cent of their production in the domestic market. Import of machinery and raw materials by exporters was liberalized.

Indonesia

Indonesia's GDP growth in 1983 was about 2.9 per cent, an improvement over the 2.2 per cent increase in 1982. Although external demand and prices improved for a number of Indonesia's major non-oil exports, domestic demand remained weak due to stringent monetary and fiscal policies and to the terms of trade losses suffered in 1982.

The domestic inflation rate increased from 9.7 per cent in 1982 to 11.5 per cent in 1983 because of the cost-push effects of large upward adjustments in domestic oil prices in January and the 28 per cent currency devaluation in March.

The trade surplus shrank from \$11.9 billion in 1981 to \$5.4 billion in 1982 and \$4.6 billion in 1983, due mainly to the depressed market for oil. A large volume of foodgrain imports was also required to offset shortfalls in food production. The country's overall external resource position remained unfavorable in 1983 with an officially projected current account deficit of \$5.9 billion, close to the \$5.5 billion deficit incurred in 1982.

During 1983, the Government took a series of measures to improve the external resource position in the short and medium-terms and to sustain development momentum. In January, domestic prices of oil products were raised by amounts ranging between 11 and 71 per cent and in March a currency devaluation of 28 per cent strengthened the international competitiveness of the country's non-oil exports and import substituting industries. In May, the Government announced the rephasing of several large industrial projects and a reduction in public investment by about \$10 billion. In the middle of the year, major financial reforms were implemented to: (i) remove credit ceilings, (ii) deregulate lending and deposit rates of state commercial banks, (iii) reduce subsidized rediscounting and (iv) abolish the interest, dividend and royalty tax on foreign currency deposits held by domestic banks, thereby discouraging outflows of foreign exchange.

The scarcity of resources necessitated the adoption of an austere budget for FY 1984, as in FY 1983. Parliament's adop-

tion of three tax laws, to be implemented in 1984, has initiated a major fiscal reform.

Republic of Korea

After 1980, when GDP fell by 3.6 per cent, the Republic of Korea began to show steady growth which largely regained the momentum of the 1970s. GDP growth was 5.4 per cent in 1981 and 5.8 per cent in 1982 — in the face of a worldwide economic decline. In 1983, GDP grew by 8.7 per cent.

The most significant development in 1983 was the revival in manufacturing, with production increasing by 15.5 per cent. However, construction, with real growth of 22.4 per cent, was once more the most rapidly growing sector. Domestic demand provided the major impetus to growth, although revival of exports during the second half of the year reinforced growth momentum.

Whereas in the past growth was accompanied by high inflation, during 1983 the inflation rate was low and steadily declined. The consumer price index rose only by 3.4 per cent in 1983 compared with the increase of 7.3 per cent in 1982; a contributing factor was the Government's tight money policy.

Exports increased more rapidly than imports, and the 1983 trade deficit was lower than that of 1982. Despite a deterioration in invisible trade and net transfers, the current account deficit declined from \$2.7 billion in 1982 to \$1.6 billion in 1983. During 1983, the current account deficit was partly offset by a sharp increase in capital inflows — mainly attributable to commercial borrowings — with the result that the overall balance-of-payments deficit in 1983 was lower than in 1982.

The Government continued to pursue the liberalization policies initiated under the Fifth Plan and restrictions on a number of import items were lifted. The Government planned to lower gradually the level of import duties to reach the levels prevalent in developed countries by 1988. In the financial sector, denationalization of commercial banks was completed early in the year, although interest rates remained subject to official controls. Recent developments in the economy led to a review of the Fifth Plan, although its underlying philosophy of relying on market forces to spur development remained unchanged. The timing of certain targets, such as reducing budget deficits and achieving a current account surplus in balance of payments, were advanced.

Lao PDR

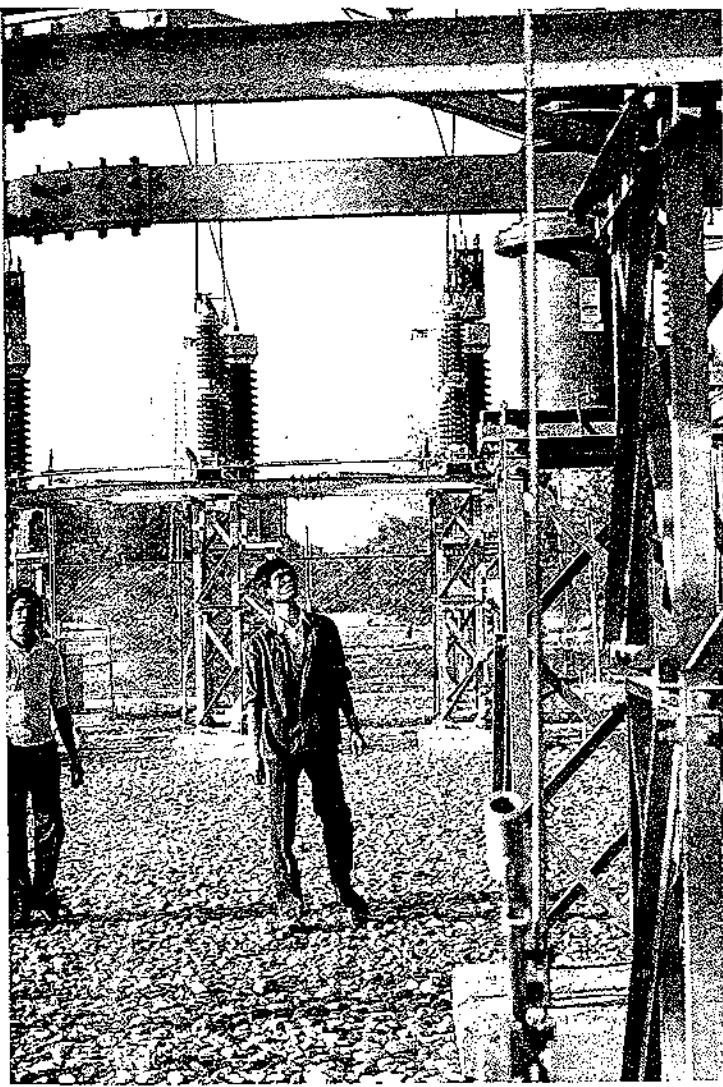
In 1982, drought in Lao People's Democratic Republic (Lao PDR) resulted in stagnation of rice production and a GDP growth of only 1 per cent. In 1983, however, the harvest improved and GDP growth was high enough to yield some increase in per capita income.

Inflation moderated in 1983 as money supply growth was reduced, and the prices of major imported items (e.g., oil, machinery and manufactured goods) were relatively stable.

Overall export earnings did not improve as much as in 1982, although there was some improvement in exports other than electricity. The current account deficit, which was \$94 million or 24 per cent of GDP in 1982, also remained at a high level in 1983.

Greater efforts were made in 1983 to boost rice self-sufficiency and to revive lagging exports, especially logs and wood products, tin and various agricultural goods. Efforts were also made to keep budgetary deficits and money supply growth under control to avoid inflationary pressures.

In order to rectify the trade imbalance, increase interna-



TECHNICIANS at the Vientiane Plain Rural Electrification Project in Lao PDR, for which the Bank has approved \$10.6 million in two loans. This Project will help boost food production through pump irrigation schemes, assist industrial growth and raise the living standards of the local farmers.

tional reserves and reduce the debt-servicing burden, emphasis was placed on development projects that involved short gestation periods and had potential for export production or import substitution.

Malaysia

In 1983, Malaysia recorded a GDP growth rate of 5.6 per cent, marginally above the 5.2 per cent growth of 1982. Growth accelerated in most sectors, except agriculture and construction where growth decelerated to 2.1 per cent and 8.4 per cent, respectively. Mining sector output showed an improvement of 20.2 per cent over the 1982 level, with large expansions in crude oil and natural gas production. Tin output continued to decline.

The public sector was less expansionary in 1983 than in 1982 owing to a reduction in government expenditure. Moderation in money supply growth and domestic demand led to a fall in the inflation rate from 5.8 per cent in 1982 to 4 per cent in 1983.

Due to a 15 per cent increase in exports compared with a 7 per cent increase in imports, the trade account registered a surplus of \$470 million compared with a \$368 million deficit

in 1982. Nevertheless, the current account deficit amounted to \$2.8 billion and was financed by large capital inflows. The currency exchange rate remained steady in 1983, strengthening against most currencies but depreciated slightly against the US dollar.

The 1984 budget introduced an import duty on heavy construction equipment, reimposed a sales tax on building materials and included various other tax reforms. To narrow the deficit on the invisible account, the shipping industry was granted additional tax incentives.

In 1983, adjusting government expenditure to the tight resource position was a major issue. The focus of adjustment was placed on development expenditure. An investment priority review was completed during the year to assist in making expenditure cuts. The Government prepared a revised National Agricultural Policy to address the structural problems evident in the agriculture sector. Interest on government securities was exempted from taxation to make them more attractive to investors. A commercial bank operating on Islamic principles and with the third largest paid-up capital among commercial banks was opened. To stabilize the price of rubber, trading in rubber futures was initiated on the Kuala Lumpur Commodity Exchange. The reduction of dependence on oil, gas and coal as sources of energy continued to be emphasized, and the relative roles of the public and private sectors came under review, particularly in regard to the development of the industry sector.

Nepal

Nepal's economic performance in FY 1983 (ending in July) suffered principally from the adverse impact of a severe drought. GDP declined by 0.9 per cent, the 4.3 per cent growth in the non-agricultural sector being more than offset by a 4.5 per cent decline in agricultural production.

Foodgrain output during FY 1983 declined by 16 per cent, with production of paddy, the most severely affected crop, declining by 28 per cent. Output of most cash crops, such as oilseeds, tobacco and jute, was also below FY 1982 levels.

The Government's FY 1983 budget showed a large increase in the deficit, owing to a sharp increase in actual expenditure and a shortfall in revenue. The inflation rate, which slowed from 14.6 per cent in FY 1981 to 10.6 per cent in FY 1982, accelerated in FY 1983 to 12.3 per cent because of poor harvests, increases in the prices of goods supplied by the Government (rice in food-deficit areas, bricks, cement and firewood) and increased government deficit spending.

The balance of trade position deteriorated during FY 1983 as export earnings were much lower than in FY 1982 and imports increased considerably. However, the deterioration in the overall payments position was moderated by the availability of more foreign loans and grants connected with emergency food aid for drought victims. International reserves at the end of 1983 stood at \$133.6 million, equivalent to 3.7 months' imports.

In December 1982, the Nepalese currency was devalued by 7.7 per cent in relation to the US dollar in order to eliminate the broken cross rates that had emerged between the Nepalese currency, the US dollar and the Indian currency. In June 1983, to avoid the problem of broken cross rate in the future, the Government pegged the Nepalese currency to a basket of currencies. To combat inflationary pressures in the economy, the budget for FY 1984 adopted austerity measures, including cuts in public expenditure. The Government has also banned the export of rice in view of the shortfall in foodgrain production.

Pakistan

Pakistan recorded high economic growth in FY 1983 (ending in June). GDP grew by 5.8 per cent, led by an 8.3 per cent growth in manufacturing and a 4.8 per cent growth in agriculture, compared with the FY 1982 GDP growth rate of 5.6 per cent. The current account deficit narrowed and inflation moderated during the year.

The inflation rate fell to 5.9 per cent during FY 1983 from 7.4 per cent in FY 1982. Improved domestic availability of goods, stability in the prices of crucial imports, including oil, and responsible fiscal and monetary management reduced inflationary pressures.

The current account deficit fell to \$0.56 billion in FY 1983 from \$1.6 billion in FY 1982. Exports and worker remittances rose sharply following the delinking of Pakistan's currency from the US dollar and the consequent currency depreciation in relation to the US dollar. Exports increased by 17.6 per cent in FY 1983 compared with a 24.6 per cent decline in FY 1982, and overseas remittances reached \$2.9 billion in FY 1983, about as much as earnings from all merchandise exports. These developments in the current account, together with the recovery in long-term capital inflows as a result of some success in attracting foreign investment and the use of a substantial IMF extended fund facility, resulted in a significant surplus in the overall balance of payments. International reserves increased from \$1.5 billion in 1982 to \$2.7 billion in 1983, equivalent to 6.3 months' imports.

Despite encouraging trends in the growth of output, improved overall economic management, increased reliance on market forces and success in attracting foreign investment, several difficulties remain. These are reflected in the continuing imbalance between saving and investment, low investment rates, a substantial gap between imports and exports and domestic production bottlenecks caused by the large exodus of workers to foreign countries. Lesser reliance on foreign workers in Middle East countries will favor Pakistan's supply of manpower resources, but at the same time this will adversely affect the availability of foreign exchange and national savings through remittances.

Papua New Guinea

Preliminary estimates indicate that 1983 GDP growth in Papua New Guinea was higher than the 1.6 per cent growth registered in 1982. The higher growth rate was mainly due to improved export performance and increases in private investment, particularly in the mining sector. The inflation rate rose to 9.9 per cent in 1983 from 3.9 per cent in 1982, due to increases in the prices of imported goods caused by a 5.5 per cent currency devaluation in March 1983.

The export of copra, coffee and timber, among other items, substantially contributed to foreign exchange earnings, reflecting improved export prices for these commodities. The value of exports was \$839 million in 1983 while imports amounted to \$995 million. The trade deficit declined from \$247 million to \$156 million. The overall balance of payments showed a surplus of \$52 million in 1983 compared with a deficit of \$38 million in 1982. International reserves were about \$476 million at the end of 1983, equivalent to 6 months' imports.

During 1983, the Government's financial policy was directed towards reversing the trend of rising government expenditure. Some retrenchment of staff, reduced authoriza-

tions for other current expenditure and underspending on some public works projects reduced current expenditure by about 9 per cent in 1983. This about matched the revenue shortfall.

In addition to adjustments in public expenditure, efforts were made toward increasing domestic resource mobilization. Excise tax rates were raised on items such as petroleum products, cigarettes and beer; import duties on luxury items were raised and the tariff schedule was reclassified, with substantial increases in import duties on motor vehicle as well as vehicle registration fees. In view of the expected shortfall in revenue collections, the Government made efforts to improve tax administration and penalties on tax evasion were stiffened. These measures were designed to raise K20 million (\$24.1 million) in 1982 and an added K15-K20 million (\$18.1-\$24.1 million) in 1983. Statutory authorities undertaking commercial activities were subjected to closer government scrutiny and management reviews; where necessary, substantial increases in charges for services provided by them were effected in order to improve their financial performance.

The devaluation of the Australian dollar in March 1983 was immediately followed by currency devaluation by Papua New Guinea, resulting in an overall devaluation of 5.5 per cent against the trade-weighted basket of currencies. This was the first currency devaluation since independence in September 1975.

Philippines

The Philippines' GDP growth rate declined in 1983 to 1 per cent from about 3 per cent in 1982. Due to severe external resource constraints and exchange rate and other uncertainties, the performance of the industrial and the services sectors was weak. At the same time, agricultural output declined as drought hit the production of rice and maize. External demand and increases in the prices of copper, gold and silver contributed to some production gains in the mining sector.

The inflation rate in 1983 was 10.8 per cent compared with 11 per cent in 1982. The rate of increase in consumer prices, which was easing in the first six months, rose sharply during the second half of the year as a consequence of currency devaluations in June and October, the reduction of government subsidies on petroleum products and various other influences such as minimum wage adjustments.

While merchandise exports decreased, the decline in imports was even larger, so that the 1983 trade deficit narrowed to \$3.1 billion from \$3.3 billion in 1982. The 1983 current account deficit was \$3.3 billion compared with \$3.4 billion in 1982. The international reserves were \$903 million, equivalent to 1.4 months' imports.

Foreign exchange scarcity and fiscal constraints led the Government to defer some major industrial projects. The Central Bank expanded its span of administrative controls by requiring one month's advance approval for imports of equipment and spare parts exceeding certain limits. The two exchange rate adjustments effectively devalued the currency by 34.5 per cent since the end of 1982. This large exchange rate adjustment was designed to improve the balance of payments by encouraging exports and increasing the costs of imports. The remaining ceilings on short-term loans were removed at the beginning of the year completing the deregulation of interest rates. The move was intended not only to stimulate financial savings but also to promote efficient allocation of scarce resources.

Singapore

Singapore's GDP grew 7.9 per cent in 1983 compared with 6.3 per cent in 1982. Growth was spurred by the turnaround in the manufacturing sector and the improved growth in the financial and business services sector.

Singapore sustained its domestic price stability during the year as the strength of the local currency kept the prices of imports down. Consumer prices rose by only 1.2 per cent during 1983 compared with 3.9 per cent in 1982.

Singapore was able to take advantage of the recovery in the United States. Exports increased by 5.1 per cent, but imports remained unchanged. Consequently, the trade deficit decreased from \$7.4 billion in 1982 to \$6.3 billion in 1983.

Sri Lanka

Sri Lanka's 1983 GDP growth was about 4.7 per cent compared with 5.1 per cent in 1982. The slowdown was mainly due to lower growth in agricultural production resulting from the drought in early 1983 and, also, to the adverse impact of the July disturbances on economic activities. Coconut and tea production declined in 1983 due to adverse seasonal conditions which, in turn, had affected the processing industries.

The 1983 inflation rate increased to 14 per cent from 10.8 per cent in 1982. The increase in inflationary pressure was due to credit expansion after July 1983, devaluation of the currency and increases in administered prices. Overall budgetary deficits in 1983 declined; although current expenditure was higher than expected as a result of rehabilitation measures, current revenue increased and capital expenditure was reduced drastically.

The deficit in the trade account was reduced during 1983 to \$835 million compared with \$985 million in 1982. Exports increased due mainly to the recent rise in commodity prices, especially the prices of coconut and tea, while imports were lower.

The 1983 budget introduced several measures to mobilize domestic resources. The basic rate of the business turnover tax was increased to 4 per cent. Commodities such as rice and flour, which enjoyed the status of duty-free imports, have been subjected to a 5 per cent duty. Duties on other imports have been increased by between 2.5 and 10 percentage points. Most tax holidays have been abolished, with the major exception of a continuing five-year tax holiday on profits from non-traditional exports.

To improve the competitiveness of the economy the Government devalued the currency by about 10 per cent in March 1983 and again by about 5 per cent in July. Relatively high interest rates were maintained both to attract more private savings and for demand management purposes. Domestic administered prices of imported goods were adjusted in line with world prices and the new exchange rates.

Thailand

During 1983, economic activity recovered from the recession of the previous year. Lower domestic interest rates, stable oil prices and inventory restocking led to expansion in output. The revival was strong in construction materials for urban housing, consumer durable industries and, to a lesser extent, in food and beverages. Preliminary estimates for 1983 indicate a 5.8 per cent growth in GDP, comprising growth of 3 per cent in agriculture and 8 per cent in in-

dustry. The mining sector also improved in 1983 as the first oil shipments were made from Larn Krabue field.

Inflation continued to decline from 5.4 per cent in 1982 to 3.8 per cent in 1983. Easier credit conditions helped domestic demand to pick up, but some of this spilled into import demand; budget austerity moderated public sector demand. Drought early in 1983 kept rice output below the record level of 1982. However, as world demand was down from 1982 levels, rice prices remained low.

Exports declined by 10 per cent, while imports were up by 13.4 per cent. This produced a 1983 trade deficit of \$3.4 billion compared with \$1.6 billion in 1982.

The promotion of economic recovery and reduction of the overall budget deficit were emphasized in 1983. Monetary policy was expansionary and interest rates were reduced. The record deficit in the 1982 budget prompted a reduction in the growth of public expenditure, improvements in tax administration and higher taxes on luxury imports. Further restrictive measures might be taken if shortfalls in revenues occur.

Tonga

During 1983, the Kingdom of Tonga continued with reconstruction work following the cyclone in March 1982. Although it is difficult, in the absence of up-to-date national accounts statistics, to provide an estimate for the 1983 GDP, it seems to have been slightly higher than the 1982 GDP.

The consumer price index increased by 5.9 per cent during 1983 compared with an increase of 10.8 per cent in 1982. The sharp drop in the inflation rate was mainly due to a reduction in the price of some local food items.

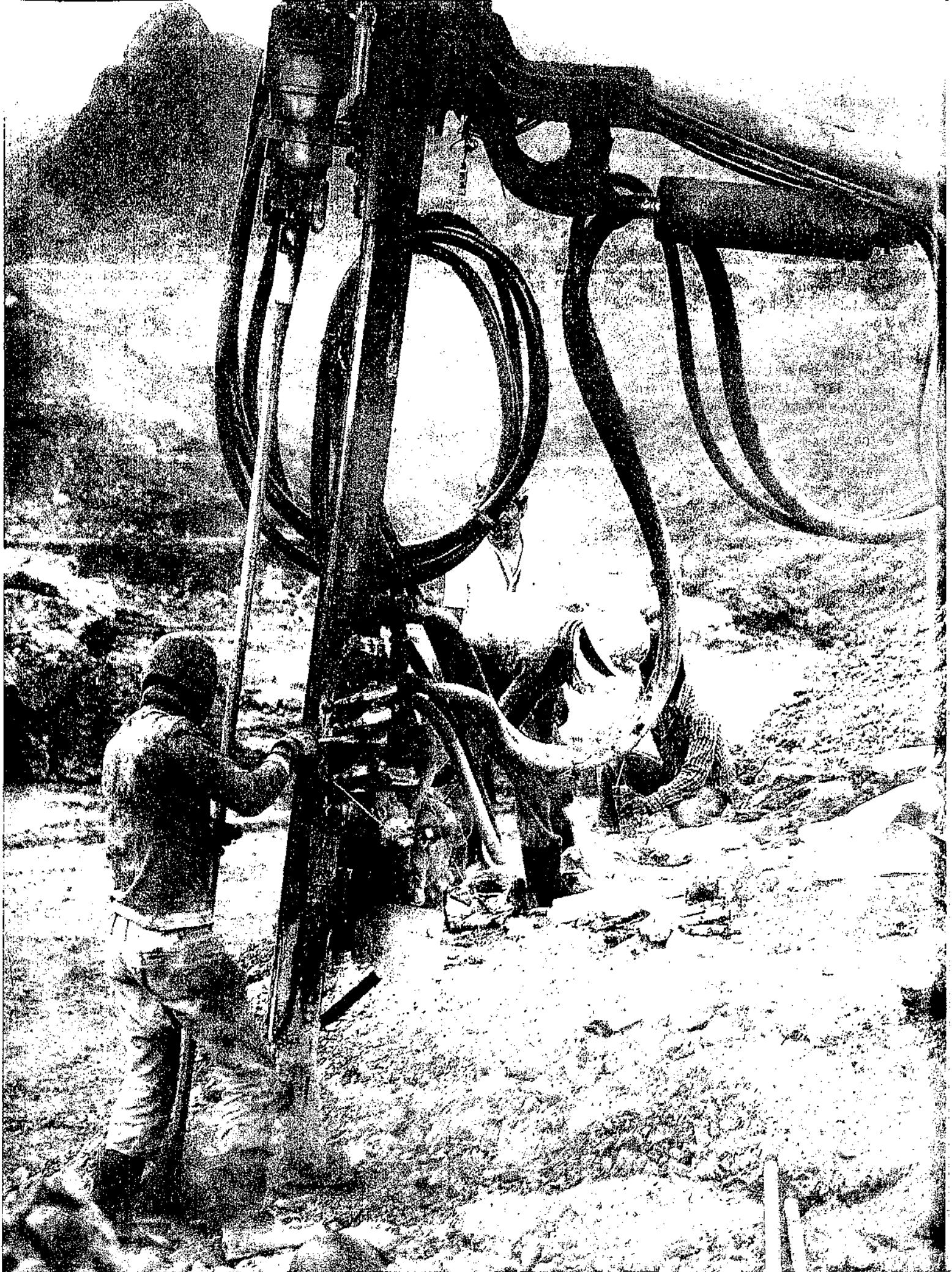
The budget for FY 1984 (ending in June) provides for an expenditure of T\$41 million (\$38 million), 58 per cent of which is for development. The development budget is to be largely financed by external assistance.

Tonga had a 1983 trade deficit of \$40 million. This was substantially covered by net unrequited transfers, mainly overseas remittances from workers. The country enjoyed a substantial overall balance-of-payments surplus.

The Government took a number of steps in the FY 1984 budget to help the economic recovery. The policy measures included (i) the liberalization of the land laws to allow greater freedom of leasing land on a long-term basis for agricultural use; (ii) the widening of the list of duty-free consumer goods to encourage tourism; (iii) the abolition of withholding tax on export of produce; and (iv) tax concessions to attract new industries into the country.

Conclusion

During 1983, DMCs were generally able to improve their GDP growth rates while containing rates of inflation and reducing balance-of-payments deficits. These favorable developments largely resulted from good weather in many DMCs, stable prices of foodgrains and oil and the beneficial impact of the recovery of the world economy. The economic adjustments and policy reforms effected by the DMCs in recent years also contributed to their positive economic performance and enabled them to take advantage of the improvement in the world economy. The Bank's lending and technical assistance operations during 1983, which supported the DMCs' long-term efforts and to some extent helped to relieve the constraints on development, are discussed in detail in subsequent chapters.



OPERATIONS AND POLICIES

Lending Operations

TOTAL LOAN approvals during the year amounted to \$1,893 million compared with \$1,731 million in the previous year. Loans from ordinary capital resources (OCR) in 1983 amounted to \$1,189.8 million, an increase of 0.4 per cent in nominal terms over the corresponding figure of \$1,184.5 million in 1982, while loans from Special Funds (SF), amounting to \$703.4 million, showed an increase of 28.8 per cent in nominal terms over the 1982 figure of \$546.1 million.

Bank lending (OCR and SF) increased by 9.4 per cent in nominal terms in 1983, while over the five-year period 1979-83 the annual increase averaged 11 per cent in nominal terms. The improved lending performance in 1983 was achieved despite continued problems of adjustment faced by those developing member countries (DMCs) which were still trying to overcome the effects of the prolonged global recession. Responding to a situation generally characterized by budgetary constraints and acute shortages of local currency resources, the Bank approved in 1983 four Special Assistance loans — one each to Bangladesh, Philippines, Sri Lanka and Western Samoa — totalling nearly \$60 million. These provided additional foreign exchange for high-priority, ongoing Bank-financed projects in which implementation has been hampered by local currency shortages. The timely completion of these projects would also contribute to effective utilization of investments already made in them.

Following the Bank's decision in March 1983 to commence equity investment operations so as to broaden its support for private enterprises, the Bank approved its first two equity investments, one each in Republic of Korea and Pakistan. During the year, the Bank also approved four sector loans and three program loans compared with only two sector loans approved in 1982.

During the year, 55 loans for 53 projects in 17 DMCs were approved compared with 57 loans for 56 projects in 13 DMCs in 1982. Of these, two projects in Pakistan — the Development Financing Loan and Guddu Gas Turbine (Combined

WORKERS dynamiting a hillside at the Wadaslintang Multipurpose Project in Central Java, Indonesia, where a Bank loan of \$87.7 million will help provide assured year-round irrigation, drainage and flood control in an area with rich potential for increased rice production.

Cycle Power) Project — received blended loans, or, in other words, financing from both OCR and SF.

The average size of loans increased from \$30.4 million in 1982 to \$34.4 million in 1983. The average size of OCR loans increased sharply from \$37 million in 1982 to \$45.8 million in 1983, while the average size of SF loans increased from \$21.8 million to \$24.3 million over the same period. The increase in 1983 was mainly due to the financing of a large number of medium to large-sized projects and increased local cost financing.

In 1983, about 96 per cent of SF loans went to the low-income DMCs with a per capita gross national product (GNP) in 1981 of less than \$350.

During the year, five DMCs received loans exclusively from OCR: Indonesia (\$426.2 million), Philippines (\$234.5 million), Republic of Korea (\$192.8 million), Thailand (\$114 million) and Malaysia (\$82.5 million).

Two DMCs received loans from both OCR and SF: Pakistan \$312.1 million (\$126.8 million from OCR and \$185.3 million from SF), and Papua New Guinea \$28 million (\$13 million from OCR and \$15 million from SF).

Ten DMCs received loans exclusively from SF: Bangladesh (\$273.5 million), Nepal (\$82.7 million), Burma (\$79.6 million), Sri Lanka (\$35.42 million), Lao PDR (\$14.3 million), Solomon Islands (\$7.75 million), Bhutan (\$5 million), Tonga (\$2.2 million), Western Samoa (\$1.55 million) and Vanuatu (\$1.10 million).

Funds contributed by official and commercial co-financiers in 1983 amounted to \$309 million compared with \$699 million in 1982. The decline in co-financing is attributable to the absence of large-sized projects in which co-financing could have been arranged with the World Bank or other donors as was the case in 1982. It also reflected sluggish economic activity and resource constraints in DMCs which affected investment programs, especially in the industrial and energy sectors.

In 1983, as in the past, the Agriculture and Agro-Industry sector accounted for the largest amount of Bank lending, although its share fell marginally to 34.2 per cent of the total from 35.9 per cent in 1982. The Energy sector accounted for 23.8 per cent of total lending in 1983, considerably less than its 29.7 per cent share in 1982.

LOAN APPROVALS IN 1983 AND TOTAL PROJECT COSTS
 (amounts in \$ million)

Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs ^a
BANGLADESH			
Special Assistance for Selected Bank-Financed Projects	—	17.00	—
Power Transmission and Distribution	—	82.00	126.28
Third Crop Intensification Program	—	70.00	—
Bangladesh Krishil Bank	—	40.00	80.00
Health and Family Planning Services	—	27.50	34.73
Ganges-Kobadak Irrigation Rehabilitation	—	37.00	49.30
BHUTAN			
Multiproject	—	5.00	6.40
BURMA			
Second Crop Intensification Program	—	8.00	—
Rangoon Prome-Road Improvement	—	27.00	61.30
Rangoon General Hospital	—	44.60	55.81
INDONESIA			
Second Irrigation Package	52.00	—	87.00
Small Towns Urban Development Sector	36.70	—	—
Second Irrigation Sector	85.00	—	—
West Nusa Tenggara Irrigation Study	3.45	—	5.50
Geological and Mineral Survey	46.00	—	68.85
Power XVIII	135.00	—	317.00
Agricultural Education	68.00	—	120.00
KOREA, REPUBLIC OF			
Small Towns Water Supply Sector	60.00	—	—
Fifth Korea Long Term Credit Bank	70.00	—	—
Second Sewage Treatment	62.80	—	216.57
LAO PDR			
Vientiane Plain Rural Electrification (Phase II)	—	6.30	8.47
Vientiane Plain Road Improvement	—	8.00	9.47
MALAYSIA			
Kedah Water Supply	24.50	—	38.80
Second Vocational Education	58.00	—	145.50
NEPAL			
Hill Forest Development	—	16.70	19.23
Feeder Roads	—	17.50	22.20
Hetauda Cement (Supplementary and Complementary)	—	10.00	37.74
Kankai Diversion Structural Remedial	—	3.50	4.38
Second Crop Intensification Program	—	15.00	—
Fifth Power	—	20.00	26.30

Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs ^a
PAKISTAN			
Gas Purification and Compression	19.30	—	30.40
Foodgrain Storage	—	41.90	53.50
Guddu Gas Turbine (Combined Cycle Power)	57.50	83.40	362.20
Development Financing Loan (NDFC III/PICIC IV/BEL)	50.00	60.00	—
PAPUA NEW GUINEA			
Third Road Improvement	13.00	—	23.17
Cape Rodney Smallholder Development	—	15.00	24.30
PHILIPPINES			
Special Assistance for Selected Bank-Financed Projects	26.70	—	—
Manila Water Supply Rehabilitation	39.30	—	63.00
Irrigation Sector Loan I	67.40	—	—
Fourth Mindanao Irrigation Study	1.50	—	3.15
Negros-Panay Interconnection	43.80	—	53.30
Forestry Development	34.00	—	43.90
Aquaculture Development	21.84	—	36.40
SOLOMON ISLANDS			
Agricultural Development	—	7.75	17.15
SRI LANKA			
Special Assistance for Selected Bank-Financed Projects	—	14.70	—
Aquaculture Development	—	17.27	21.62
Trincomalee Thermal Power	—	3.45	4.44
THAILAND			
Mineral Resources Development	39.00	—	63.72
Sixth Industrial Finance Corporation of Thailand	25.00	—	—
Agricultural Credit	50.00	—	142.10
TONGA			
Development and Redevelopment	—	2.20	1.35 ^b
VANUATU			
Agricultural Extension and Training	—	1.10	3.88
WESTERN SAMOA			
Special Assistance for Selected Bank-Financed Projects	—	1.65	—
GRAND TOTAL	1,189.79	703.42	2,488.41

a Excluding total project costs of program, sector, Special Assistance and DFI loans.

b Excluding total project cost of Tonga Development Bank (DFI loan) component of the Project.

On the other hand, the share of lending for social infrastructure projects more than doubled to 22.3 per cent of total lending from about 10 per cent in 1982. Lending to development finance institutions (DFIs) also increased from 8.6 per cent of total Bank lending in 1982 to 10.8 per cent of total lending in 1983. There was, however, a significant decrease in lending to the Transport and Communications sector which accounted for only 3.5 per cent of the total lending during the year compared with 14.9 per cent in 1982. This was due partly to special circumstances and partly to the cyclical nature of Bank lending in certain sectors.

The total cost of projects approved — excluding five DFI loans, three program loans, four sector loans and four Special Assistance loans — is estimated at \$2,488 million. Direct Bank financing accounted for about 52 per cent of the total project costs. On the basis of the Bank's past experience, it is estimated that the total cost of subloan projects to be financed by the five DFI loans will be about \$1,141 million. The projects to be financed by the three program loans, four sector loans and four Special Assistance loans will involve an estimated total cost of \$1,005 million.

At the end of 1983, the Bank's cumulative lending had

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1982, 1983, 1987-1983
(amounts in \$ million)

Country	1982			1983			1987-1983			
	OCR	SF	Total	OCR	SF	Total	OCR	SF	Total	%
Afghanistan, Dem. Rep. of	—	—	—	—	—	—	—	95.10	95.10	0.71
Bangladesh	—	223.70	223.70	—	273.50	273.50	11.40	1,308.13	1,319.53	9.85
Bhutan	—	—	—	—	5.00	5.00	—	5.00	5.00	0.04
Burma	—	56.20	56.20	—	79.60	79.60	6.60	479.26	485.86	3.63
Cambodia	—	—	—	—	—	—	—	1.67	1.67	0.01
China, Rep. of	—	—	—	—	—	—	100.39	—	100.39	0.75
Cook Islands	—	1.50	1.50	—	—	—	—	2.50	2.50	0.02
Fiji	—	—	—	—	—	—	45.90	—	45.90	0.34
Hong Kong	—	—	—	—	—	—	101.50	—	101.50	0.76
Indonesia	371.07	—	371.07	426.15	—	426.15	2,204.00	162.28	2,366.28	17.66
Kiribati	—	—	—	—	—	—	—	1.75	1.75	0.01
Korea, Rep. of	205.50	—	205.50	192.80	—	192.80	1,771.83	3.70	1,775.53	13.26
Lao People's Dem. Rep.	—	—	—	—	14.30	14.30	—	51.14	51.14	0.38
Malaysia	92.58	—	92.58	82.50	—	82.50	881.83	3.30	885.13	6.61
Maldives	—	—	—	—	—	—	—	1.00	1.00	0.01
Nepal	—	32.00	32.00	—	82.70	82.70	2.00	377.62	379.62	2.83
Pakistan	78.00	160.10	238.10	126.80	185.30	312.10	739.17	1,026.35	1,765.52	13.18
Papua New Guinea	12.00	11.00	23.00	13.00	15.00	28.00	68.95	95.94	164.89	1.23
Philippines	253.75	—	253.75	234.54	—	234.54	1,755.84	79.30	1,835.14	13.70
Singapore	—	—	—	—	—	—	178.08	3.00	181.08	1.35
Solomon Islands	—	—	—	—	7.75	7.75	—	22.60	22.60	0.17
Sri Lanka, Dem. Soc. Rep. of	—	60.60	60.60	—	35.42	35.42	14.13	341.63	355.76	2.66
Thailand	171.60	—	171.60	114.00	—	114.00	1,288.18	72.10	1,360.28	10.16
Tonga	—	—	—	—	2.20	2.20	—	8.25	8.25	0.06
Vanuatu	—	1.00	1.00	—	1.10	1.10	—	2.10	2.10	0.02
Viet Nam, Soc. Rep. of	—	—	—	—	—	—	3.93	40.67	44.60	0.33
Western Samoa	—	—	—	—	1.55	1.55	—	36.58	36.58	0.27
TOTAL	1,184.50	546.10	1,730.60	1,189.79	703.42	1,893.21	9,173.73	4,220.97	13,394.70	100.00

reached \$13,395 million for 611 projects in 27 DMCs. Of this total, loans amounting to \$9,174 million were from OCR and \$4,221 million were from SF.

In 1983, local cost financing (LCF) exclusive of Special Assistance loans amounted to \$216.5 million for 25 projects in 12 DMCs. Of this, \$100.6 million was from OCR and \$115.9 million from SF, representing 8.5 per cent and 16.5 per cent, respectively, of OCR and SF loans approved during the year. At the end of 1983, the Bank had provided a total of \$826.5 million in LCF.

Co-Financing

During the year, the Bank continued its efforts to arrange co-financing of development projects with external sources. A total of 18 projects were co-financed, with co-financiers contributing \$309 million and the Bank \$769 million. This compared with 25 projects co-financed in 1982 for which co-financiers provided \$699 million and the Bank \$878 million. The decrease in co-financing was attributable to the absence of large-sized projects for which co-financing could be arranged as in previous years and to the scaling-

down by DMCs of their development programs, especially in the industrial and energy sectors, in the wake of the prolonged worldwide recession.

By the end of 1983, co-financing had been arranged for 153 Bank-assisted projects, with funds provided by co-financiers amounting to \$3,550 million and Bank financing for these projects amounting to \$4,624 million.

In 1983, official sources provided funds amounting to \$128.4 million for 13 projects compared with \$423 million for 16 projects in 1982. The share of official sources in the total amount of co-financing dropped from 61 per cent in 1982 to only 42 per cent in 1983. Five member countries — Australia, Canada, Finland, Norway and United States — provided \$68.5 million and multilateral sources, comprising the European Economic Community (EEC), International Fund for Agricultural Development (IFAD), Islamic Development Bank (IsDB), United Nations Development Programme (UNDP) and the World Bank Group, contributed \$59.9 million.

Co-financing with commercial sources also decreased in 1983, totalling \$180.4 million in respect of five projects and accounting for 58 per cent of all co-financing during the year. This compared with commercial co-financing of \$260.6 million in respect of nine projects in 1982.

During 1983, complementary co-financing with commercial sources was undertaken for the first time. Two loans were approved under this new funding technique, the Hetauda Cement (Supplementary and Complementary) Project in Nepal, where a syndicate of banks led by Lloyds Bank International, Ltd. raised \$13 million, and the Gas Purification and Compression Project in Pakistan, where a syndicate of banks led by the Toyo Trust and Banking Co., Ltd. of Japan raised \$5 million. By using the complementary financing mechanism, the Bank was able to help its borrowers obtain commercial financing at improved market terms and, at the same time, introduce new financing opportunities to commercial banks.

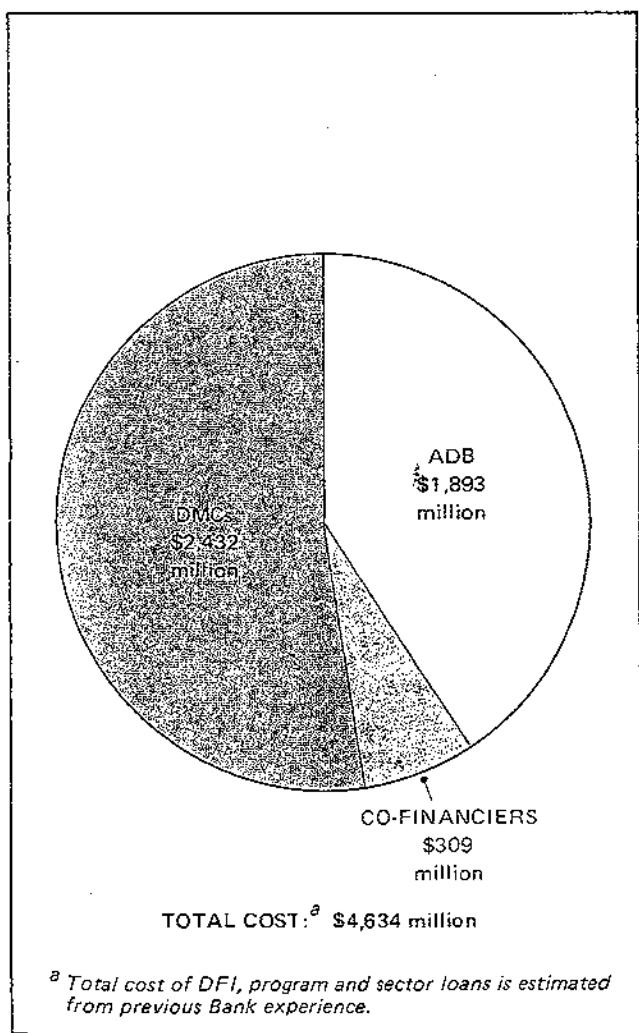
Equity Investments

Initial efforts during the year were devoted mainly to the establishment of policies and procedures and to reaching agreements with the DMCs on the framework for the Bank's equity investment activities in their respective countries. Five DMCs have already indicated their interest in the Bank's equity investments. The Equity Unit also received initial inquiries from over 50 private enterprises, ten of which were selected for further processing and investigation.

The Bank's strategy has been to focus attention on the development finance institution (DFI) sector. Two investments were approved during the year: the Bank will invest Won 750 million (about \$0.96 million) in the share capital of Korea Development Investment Corporation, a private venture capital company with a pioneering role in the provision of scarce risk capital to technology-intensive small and medium-sized enterprises; the Bank also approved a line of equity in the amount of \$2 million to Bankers Equity Ltd., a DFI operating in Pakistan. The equity line will facilitate the Bank's investment in private small and medium-sized industrial enterprises. In making and supervising these investments, the Bank will be assisted by the DFI which will also be providing parallel financing to the enterprises.

It is expected that equity operations will expand in the coming year as more agreements are forged with the different DMCs and the prospects for such investments grow with improved economic conditions in the DMCs (see page 60).

PROJECTS APPROVED IN 1983:
TOTAL COST AND SOURCES OF FINANCE



CO-FINANCING ARRANGEMENTS, 1983
(amounts in \$ million)

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	SF		
Ganges-Kobadak Irrigation Rehabilitation	Bangladesh	—	37.00	1.40	UNDP
Health and Family Planning Services	Bangladesh	—	27.50	0.21	UNDP
Rangoon General Hospital	Burma	—	44.60	4.00 ^a	Finland
Second Irrigation Sector	Indonesia	85.00	—	25.00	IFAD
Power XVIII	Indonesia	135.00	—	69.40	Commercial Banks, including export credit
Korea Long Term Credit Bank V	Korea	70.00	—	43.00	Commercial Banks
Mini-Hydropower Sector ^b	Malaysia	24.00	—	2.00	Norway
Second Vocational Education	Malaysia	58.00	—	8.30	IsDB
Hill Forest Development	Nepal	—	16.70	1.40	Finland
Hetauda Cement (Supplementary and Complementary)	Nepal	—	10.00	13.00	Commercial Banks ^c
Gas Purification and Compression	Pakistan	19.30	—	5.00	Commercial Banks ^d
Guddu Gas Turbine (Combined Cycle Power)	Pakistan	57.50	83.40	52.00	USAID
Agricultural Development	Solomon Islands	—	7.75	3.50 1.50 2.00	IDA IFAD Australia
Mineral Resources Development	Thailand	39.00	—	7.07	Canada
Sixth Industrial Finance Corporation of Thailand	Thailand	25.00	—	50.00	Commercial Banks ^e
Agricultural Credit	Thailand	50.00	—	17.00	EEC
Development and Redevelopment	Tonga	—	2.20	1.00	IFAD
Agriculture Extension and Training	Vanuatu	—	1.10	2.00	IDA
TOTAL		562.80	230.25	308.78	

a Co-financing with the Government of Finland will be arranged under umbrella financing if appropriate, and adjustment to the Bank loan will be effected accordingly.

b Bank loan was approved in 1982.

c The commercial co-financing will be provided by a syndicate of banks led by Lloyds Bank International, Ltd.

d The commercial co-financing will be provided by a syndicate of banks led by Toyo Trust and Banking Co., Ltd.

e Commercial loans will be provided by a syndicate of banks led by Rabo Bank (Netherlands) for f75 million and by bonds issued by Mitsui Finance Asia Ltd. guaranteed by Mitsui Bank Ltd. for SwF55 million.

Benefits to the Poor

The Bank in 1983 continued its multi-faceted approach to the alleviation of poverty in its DMCs. It raised the overall level of lending from concessional resources — the Asian Development Fund (ADF) — and concentrated this lending in the poorer borrowing nations. The Bank also helped to identify, formulate and finance projects in those sectors which contribute directly to raising the incomes and improving the quality of life of the poor. The sectoral focus remained primarily on assistance to agriculture and rural development, but there were significant increases in lending for health and population, education, and water supply and sanitation.

Bank lending from ADF resources in 1983 increased sharply to \$703.4 million, almost 29 per cent higher in nominal terms than in 1982. In 1983, about 96 per cent of ADF loans went to the low-income DMCs with a per capita gross national product (GNP) in 1981 of less than \$350. The largest recipients were Bangladesh (\$273.5 million), Pakistan (\$185.3 million), Nepal (\$82.7 million) and Burma (\$79.6 million). A total of \$12.6 million went to the Group A (lower-income) South Pacific countries and one ADF loan of \$15 million was made to Papua New Guinea, the only Group B (middle-income) country to receive ADF funds.

The Bank seeks to help alleviate poverty by allocating a large portion of its total resources, both OCR and ADF, for projects in rural areas. In 1983, the Bank provided \$306.5 million in ADF loans for agricultural and rural development projects, representing about 43.6 per cent of the year's total ADF lending. In addition, \$341.9 million was allocated from OCR for agricultural and rural development projects, constituting about 29 per cent of the year's total OCR lending.

The projects financed by these loans were generally located in low-income countries — Bangladesh, Burma, Nepal and Vanuatu — and in the more economically depressed regions of Indonesia, Papua New Guinea, Philippines, Solomon Islands and Thailand. They were also labor-intensive and designed to utilize technologies appropriate to those countries and regions.

In the area of agricultural production, the Bank approved loans for irrigation, crop intensification, agricultural credit, and aquaculture and livestock development. These projects are designed to solve the perennial problems of low productivity and low incomes in rural areas. The irrigation projects approved in 1983 will reduce farmers' vulnerability to unfavorable weather; consequently, their incomes will fluctuate less drastically year-to-year. These projects will also improve farmers' regulation of their water supplies, enabling the utilization of new seed varieties which need a more controlled growing environment. This will permit double or triple cropping, thereby increasing the productivity of the land.

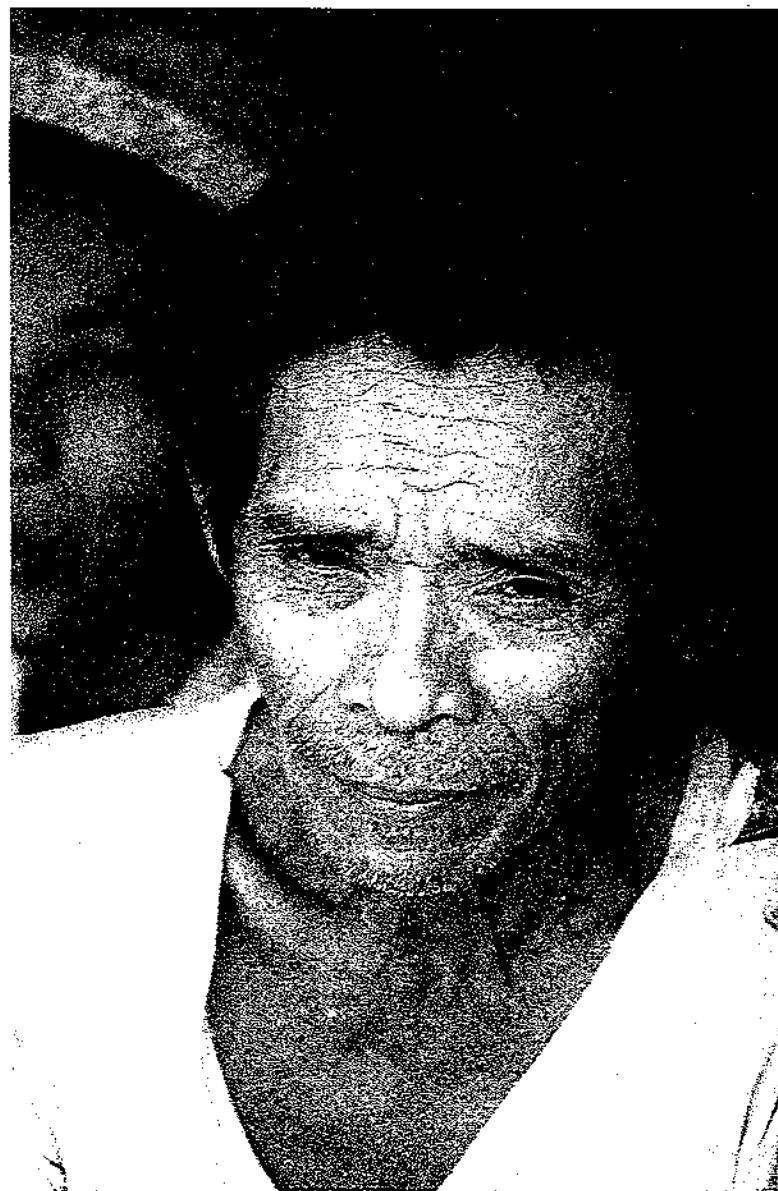
Many of Asia's poor rely heavily on local fisheries for food and incomes. In recent years, some DMCs have begun to reorient fishery development policies in order to emphasize fish production by aquaculture. The Bank assisted in this process in 1983 by approving two loans, one in the Philippines and one in Sri Lanka, for fisheries projects which are primarily designed to increase the production of fish by small-scale fish culture. These projects together will provide additional employment opportunities for over 6,000 people and are expected to benefit over 250,000 people through the expansion of fish supplies available for domestic consumption.

Bank support for forest management and development — the Hill Forest Development Project in Nepal, which was approved in 1983, is a good example — can also directly benefit the poor. Fuelwood is the most important energy source of the rural poor. Proper management of forest resources is needed, therefore, to ensure future supplies of wood and to avoid the environmental degradation which can result from over-exploitation.

The provision of better health and educational facilities needed by low-income groups is another important area of Bank assistance to the poor. In 1983, the Bank approved loans for nine social infrastructure projects — water supply and urban development as well as health and education facilities — amounting to \$421.4 million compared with \$173.5 million in 1982.

The Agricultural Education Project in Indonesia will establish new agricultural secondary schools and polytechnics in the outer islands where there is a need for such education. Similarly, the Second Vocational Education Project in Malaysia will establish vocational schools throughout the country. Both of these projects will give access to educational opportunities to the poorer rural communities located in isolated parts of Indonesia and Malaysia.

The Bank's efforts to alleviate poverty have been mainly focused on rural areas where the vast majority of the poor live. The Bank has also been financing projects which are designed to help the urban poor. In 1983, for instance, the



Bank approved financing for three projects which seek to improve living conditions in urban areas and small towns in Indonesia and Republic of Korea. The Small Towns Urban Development Project in Indonesia will directly benefit about 300,000 residents of low-income settlements in several small and medium-sized towns through flood control, more effective collection and disposal of solid waste and expansion of low-income housing. In the Republic of Korea, improvement to the water supply in several low-income areas is the main objective of the Bank-financed Small Towns Water Supply Sector Project, while the Second Sewage Treatment Project will upgrade sanitation facilities in areas populated by poor people.

Bank loans in other sectors in 1983 will also bring significant benefits to the poor. The Vientiane Plain Rural Electrification (Phase II) Project in Lao PDR, for example, will extend the benefits of the Nam Ngum Hydropower Project by providing electricity for 61 villages. Similarly, the poor will be the main beneficiaries of road construction and improvement projects in Burma, Lao PDR, Nepal and Papua New Guinea. These projects will provide access to numerous rural areas, create new outlets for smallholder farm produce and allow greater mobility for the people living in the project areas.

In 1983, the Bank also reviewed and revised, as necessary, its operational policies which would facilitate its lending for projects which benefit the poor (see pages 57-60).

Support for Private Sector Activities in DMCs

The private sector has a significant role to play in economic development and particularly so in the development of those DMCs in which Government encourages private initiative. It also contributes substantially to the growth of national income, investment, employment and export earnings as well as the transfer of technology.

Recognizing these factors, the Bank has endeavored to promote and assist the private sector, mainly through the provision of credit lines to development finance institutions (DFIs) for meeting the financial requirements of small and medium-sized enterprises (SMEs) which are not large enough to warrant direct Bank supervision.

During 1983, the Bank extended credit lines to DFIs in Republic of Korea, Pakistan, Thailand and Tonga totalling \$206 million. At the end of December 1983, the Bank had extended 74 credit lines amounting to \$1.66 billion to 29 DFIs in 19 DMCs. These credit lines had been committed to the extent of \$1.2 billion and utilized (disbursed) to the extent of \$1 billion for assisting nearly 9,100 widely dispersed SMEs, approximately 95 per cent of which are in the private sector. More than three-fourths of the subloans have been made to manufacturing enterprises. The Bank has also provided technical assistance for the establishment of DFIs in some smaller DMCs and for institution building, including staff training, of several other DFIs.

In addition to such assistance to industrial DFIs, private enterprises in the agro-industry subsector in Bangladesh will benefit from a \$40 million credit line to the Bangladesh Krishi Bank approved in 1983. Over 2,900 new and existing enterprises engaged in agro-processing, marketing, storage and transport are expected to benefit from the loan, leading to a total additional investment of \$80 million and the creation of 8,000 new employment opportunities in rural areas.

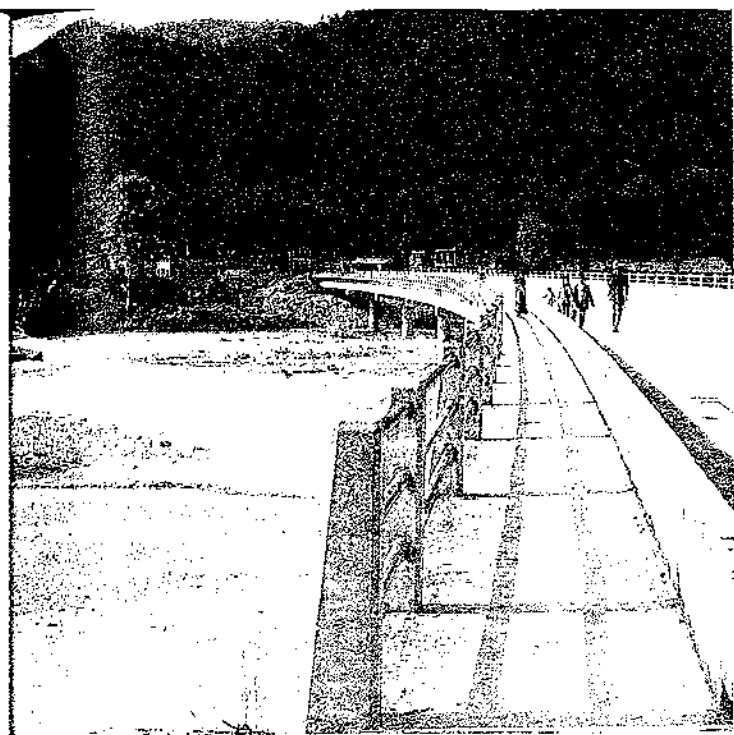
In a new catalytic role aimed at promoting the flow of additional capital, both domestic and foreign, to the private sector, the Bank commenced equity investment operations in 1983. It is hoped these operations will help fill investment gaps in private enterprises and assist in bringing together domestic and foreign investors in joint ventures. The Bank approved two equity investments during the year, one each in Republic of Korea and Pakistan (see pages 29 and 60).

The Bank also helped promote private sector investment in the minerals subsector during 1983 through its geological and mineral survey projects in Thailand and Indonesia. Both are designed to provide comprehensive information necessary for mineral resources development and will help reduce the risk factor for would-be investors. The latter additionally aims at upgrading and strengthening facilities and technical personnel at the four principal directorates responsible for geological survey and mineral exploration in Indonesia.

Technical assistance to the Philippines to improve the planning and management of industrial estates and export processing zones will also help in the formulation of a realistic master plan for industrial support facilities to be developed outside Metropolitan Manila.

In 1983, the Bank also approved a regional technical assistance grant for a Study of Capital Markets in Selected DMCs to assess the problems and prospects of capital markets and identify promising areas for Bank assistance (see page 55).





A NEW BRIDGE (right) has replaced the rudimentary ford (left) at a river crossing on the Hetauda-Narayangarh Road in Nepal. Bank financing helped construct four major bridges and improve 80 km. of this trunk road which links Kathmandu with important development areas.

Bank operations in the agriculture and rural development sector benefit millions of small farmers and rural commercial operators — the region's largest single group of private entrepreneurs. Bank-financed projects for irrigation, crop intensification, rural development, fisheries, livestock and agricultural credit have helped small-scale agricultural entrepreneurs to increase production, productivity and income. For example, over 1,800 fish pond operators will be directly assisted in the Philippines under an Aquaculture Development Project, while a similar project in Sri Lanka will establish the necessary support facilities for commercial production of shrimp for export and encourage the private sector to invest in brackishwater ponds.

Bank assistance for urban development and housing projects has also often indirectly helped private sector activities. In the Small Towns Urban Development Sector Project in Indonesia, for example, Bank financing covers a sub-project for infrastructure improvement in public markets quite apart from urban-related infrastructure development in selected towns in Central Java. A regional Seminar on Financing of Low-Income Housing, organized by the Bank in February 1983, envisaged a significant role for the private sector in tackling the severe housing shortages, particularly for middle to high-income housing, in some DMCs.

The Bank has also helped meet the requirement of trained manpower for private sector endeavors in industry, agriculture and other sectors through its support for vocational education projects. Bank assistance for infrastructure projects such as power generation and distribution, water supply and roads has also helped increase investments in and the productivity of the private sector.

Such diversified Bank support for private sector initiatives and endeavors is expected to be further strengthened in the future. The extension of loans without guarantee by the Government of the recipient DMC and the use of the Bank's guarantee operations are some of the additional measures currently under consideration by the Bank.

Women in Bank-Assisted Activities

Being aware of the special needs of women and the important role they play in socio-economic development, the Bank has assisted projects which have supported these considerations. Among the more recent Bank-financed projects, the Northwest Rural Development Project in Bangladesh, for instance, involved the promotion of productive enterprises by groups which included women's cooperatives. In the Education sector, the Bank-supported Vocational Education Project in Indonesia involved the upgrading of vocational schools which teach subjects of special interest to women. The Bank will continue to review its overall approach to the evolving role of women in development.

Training Activities

The upgrading of human resources and institutional capabilities is an important element in the economic development efforts of the DMCs. Recognizing that the transfer of knowledge and skills and the creation and maintenance of effective institutions is vital for self-sustained growth, the Bank has recently increased its lending and technical assistance activities for training programs.

These training activities fall into four main categories: project-related training activities offered under Bank loans; training to support institution building under advisory and operational technical assistance grants; general training activities offered on a regional or national basis through regional technical assistance grants; and on-the-job training in the Bank itself for seconded DMC officials.

During 1983, several Bank loans included training components or overseas training and fellowships for the staff of executing agencies. Under the Mineral Resources Development Project in Thailand, for example, for which the Bank approved a \$39 million loan, a total of about 110 man-years of long-term (master and doctorate degree courses) and short-term (special skill and technique-oriented courses) training programs will be provided for nearly 70 personnel of the Department of Mineral Resources.

Furthermore, 43 man-months of fellowships in hospital management were included in the Rangoon General Hospital Project in Burma and 560 man-months of staff fellowships for teacher training in the Second Vocational Education Project in Malaysia. In Indonesia, over nine man-years of staff fellowship programs, costing about \$1.2 million, were included in the Agricultural Education Project.

During the year, the Bank approved technical assistance for institution building in several DMCs. In Bangladesh, for example, a UNDP-financed technical assistance grant of \$1.5 million, which the Bank will administer as Executing Agency, will finance an assessment of two major development finance institutions, Bangladesh Shilpa Rin Sangsta and Bangladesh Shilpa Bank, to ensure that the country maintains viable and effective institutions for promoting and financing industrial projects with high development impact.

During 1983, the Bank approved a number of technical assistance grants for general training activities offered on a regional or national basis (see table on page 71).

The Bank also provided on-the-job training under its secondment program to three officials from DMCs for periods ranging from six months to one year and short-term familiarization or exposure to the Bank's activities to three officials from DMCs under its attachment program.

Environmental Activities

During 1983, the Bank continued to assist DMCs to pursue sustained development through effective management and utilization of environmental and natural resources. Its efforts in this direction were reflected in project planning and design, increased assistance to DMCs in strengthening their environmental and natural resources planning and management capabilities and the promotion of environmental projects as such.

In addition to standard environmental review at the appraisal stage, reviews have also been increasingly conducted at earlier stages of the project cycle — project identification and preparation and fact-finding — while environmental concerns have also been taken into account in the preparation of Country Situation and Program Papers. The Bank recognizes that environmental review at the project feasibility or formulation stage is the most effective way to avoid conceptual and design errors which may prove difficult or costly to rectify later in the project cycle.

In addition to project-by-project contact and informal discussions on environmental aspects between the Bank's Environment Unit and project staff, biannual seminars are held on environmental and natural resources planning and management. When appropriate, brief presentations on environmental topics have also been included in seminars on other subjects.

FISH HATCHERIES in Pakistan (left) and Thailand (right) where Bank-supported Aquaculture Projects have been designed to provide additional supplies of protein and improve the incomes and employment opportunities of small-scale fish farmers.

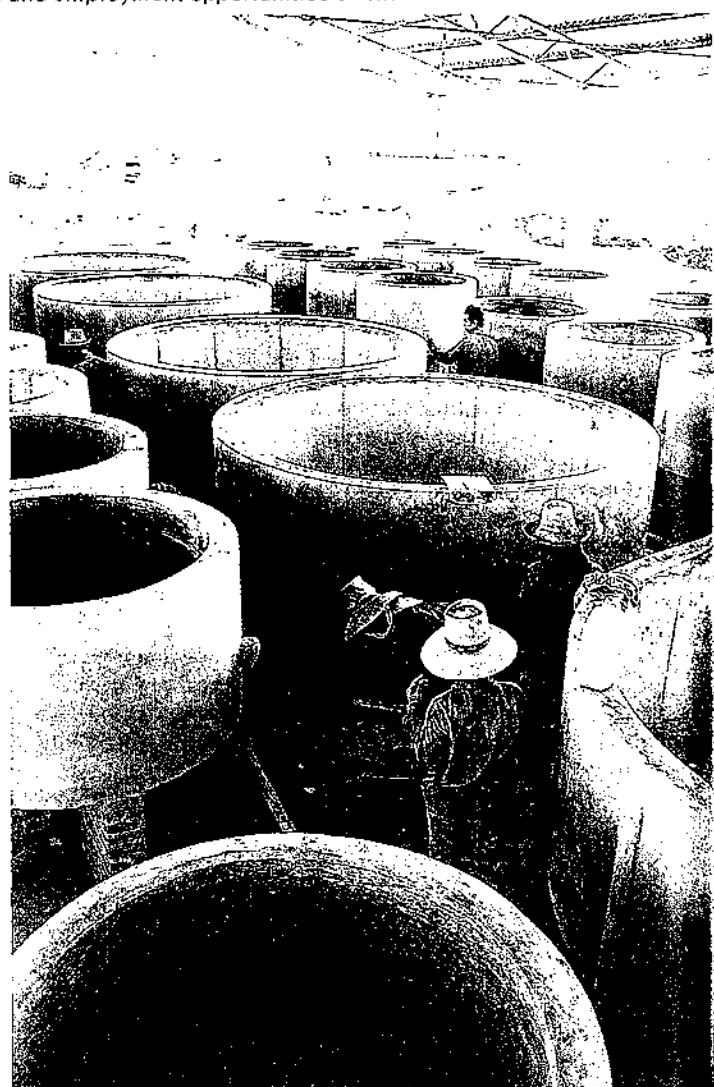


Sectoral Review

Agriculture and Agro-Industry

The Agriculture and Agro-Industry sector remained an area of top priority among the DMCs and continued to receive the largest share of Bank lending in 1983. Lending to this sector (which covers irrigation and rural development, fisheries, livestock, agricultural credit and support services, forestry, fertilizer and agro-processing) amounted to \$648.4 million (34.2 per cent of overall lending), an increase of 4.4 per cent over \$621.3 million in 1982. The increase would have been larger but for the deferment to 1984, at the request of the Governments concerned, of two major loans (one each in Pakistan and Thailand) totalling \$88 million which had already been appraised.

In 1983, however, the Bank's technical assistance in this sector expanded significantly, particularly for activities such as agricultural crop research and food supply and demand studies which have a regional impact and for project preparation. This higher level of activity is expected to result in substantial increases in lending in subsequent years. During the year, more than 50 per cent of the Bank's technical assistance went to agriculture and agro-industrial activities, and total technical assistance to this sector funded from the Bank and other sources amounted to \$9.9 million for 34 projects compared with \$8 million for 28 projects in 1982.



LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 — 1981-1983
(amounts in \$ million)

	Total Lending	Agriculture and Agro-Industry	Energy	Industry and Non-Fuel Minerals	Development Banks	Transport and Communications	Water Supply and Sanitation	Social Infrastructure
								Urban Development, Education, Health and Population
Average during								
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
1979-1981	1,454.9	473.7	395.9	13.1	156.0	138.2	113.0	165.0
1980-1982	1,614.6	543.6	458.7	11.8	159.8	185.3	96.3	159.1
1981-1983	1,767.1	603.8	481.5	41.4	186.2	134.0	122.7	197.5
Cumulative (1968-1983)	13,394.7	4,075.7	3,407.9	486.4	1,664.6 ^a	1,685.5 ^b	1,074.0	1,000.6 ^c
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
1979-1981	100.0	32.6	27.2	0.9	10.7	9.5	7.8	11.3
1980-1982	100.0	33.7	28.4	0.7	9.9	11.5	6.0	9.8
1981-1983	100.0	34.2	27.3	2.3	10.5	7.6	6.9	11.2
Cumulative (1968-1983)	100.0	30.4	25.5	3.6	12.4	12.6	8.0	7.5

^a Includes \$1.0 million of Tonga Development Bank component of Development and Redevelopment Project in Tonga.

^b Includes Multiproject loans.

^c Includes \$1.2 million of Education and Health Facilities Reconstruction component of Development and Redevelopment Project in Tonga.

This high level of Bank lending to the sector reflects the important role that agriculture plays in the economies of its DMCs and the need for a continued stream of investments to promote agricultural output. In most DMCs, agriculture contributes something between 30 and 70 per cent of gross national product (GNP), and the proportion of the national labor force employed in agriculture ranges between 50 and 90 per cent. Over one-third of the value of DMC exports is accounted for by agricultural commodities, including those in processed form, and in many DMCs the share is over one-half.

The Bank's efforts are mainly aimed at increasing food production and the overall productivity of the sector. This is to be achieved through fish production, livestock development and the production of agricultural crops by means of improvements to irrigation and other infrastructure, the supply of agricultural inputs, and providing greater access to markets and storage facilities. Emphasis is also placed on strengthening implementation and expanding institutional capacity for future development through agricultural training and extension, development of rural service centers and consultant services.

In pursuit of its development objectives, and in order to enhance operational efficiency, the Bank in 1983 made extensive use of new methods of lending. It extended three program loans to enhance utilization of production potential created by past investments through crop intensification programs. Two sector loans were also approved to accelerate and improve implementation of irrigation development and rehabilitation. In 1983, for the first time, four countries received Special Assistance loans, of which the majority of components were in the Agriculture sector (see page 59).

Total Bank lending to this sector as of the end of 1983 amounted to \$4,075.7 million for 213 projects, while technical assistance amounted to \$68.7 million for 274 projects. In terms of overall Bank lending, the Agriculture and Agro-Industry sector received a little over one-third (34.2 per cent) of total loans during 1983 compared with 35.9 per cent in 1982.

Irrigation and Rural Development: Bank-assisted irrigation and rural development projects in 1983 were generally designed to take into account the development priorities of DMCs and help increase food production, generate agricultural employment, conserve foreign exchange and alleviate poverty.

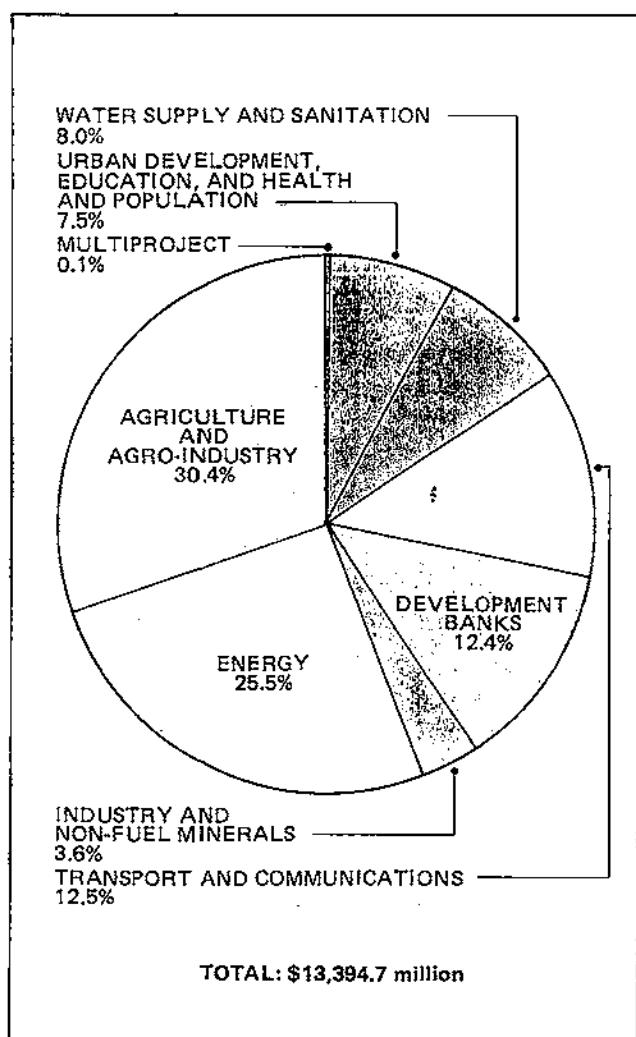
The Bank continued to emphasize the importance of small and medium-scale schemes which involve simple technology, utilize labor-intensive methods and generate maximum benefits with minimal investment in a relatively short period. In view of this, the Bank focused its attention on projects involving rehabilitation of existing facilities and improvements to water management practices. For example, under the Ganges-Kobadak Irrigation Rehabilitation Project in Bangladesh, for which the Bank provided a \$37 million concessional loan, an existing irrigation system currently serving 125,000 ha. will be rehabilitated and upgraded, directly benefiting 114,000 farm families and generating 66,000 man-years of incremental farm labor annually. In Indonesia, a Second Irrigation Sector loan for \$85 million was approved for a Project, to be co-financed by IFAD, which will help rehabilitate and improve existing irrigation systems covering about 45,000 ha. On completion, it will directly benefit 84,500 low-income farm families and generate about 66,000 man-years of employment.

Irrigation projects approved during the year in the Philippines and Indonesia were designed to extend areas under reliable water control. The Irrigation Sector Project in the Philippines, for which the Bank approved a loan of \$67.4 million, involves construction of new irrigation facilities on about 27,200 ha. of land and rehabilitation and improvement of 10,400 ha. of existing irrigation systems. Under the Second Irrigation Package Project in Indonesia, for which a \$52 million loan was approved, about 17,000 ha. of land will be provided with assured irrigation water.

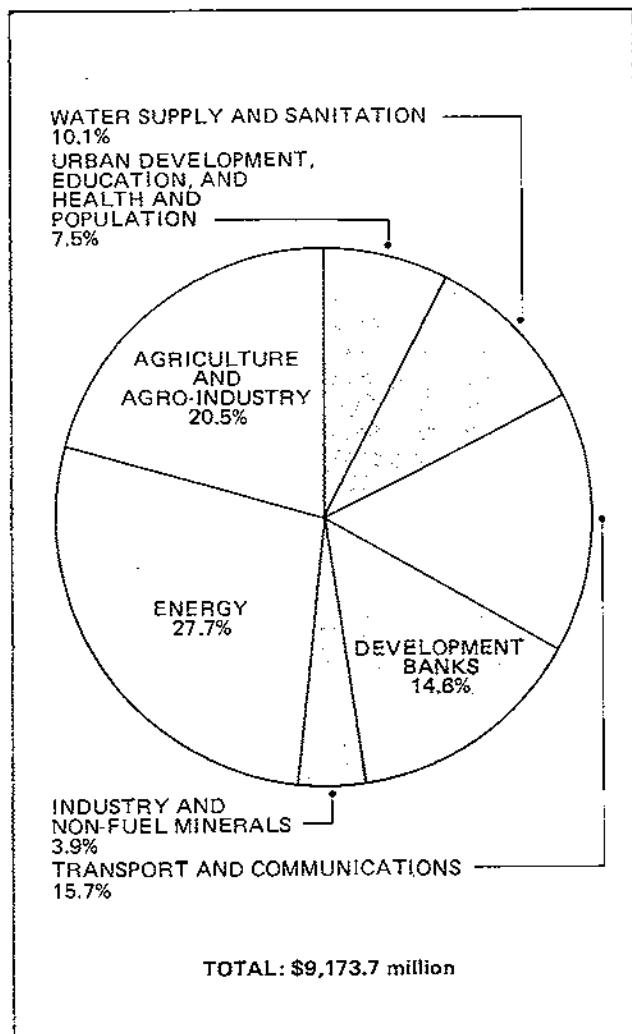
In support of Papua New Guinea's objective of increasing the rate of growth in the Agriculture sector, the Bank approved a \$15 million loan for the Cape Rodney Smallholder Development Project. This involves the rehabilitation and expansion of existing smallholder settlement schemes and the development of new land for growing rubber. It also includes the provision of agricultural support and community services.

A Project Benefit Monitoring and Evaluation (PBME) element was built into most of the irrigation and rural development projects to ensure that benefits from these projects are actually achieved. Similarly, to avoid or minimize any environmental disturbance which may be caused by develop-

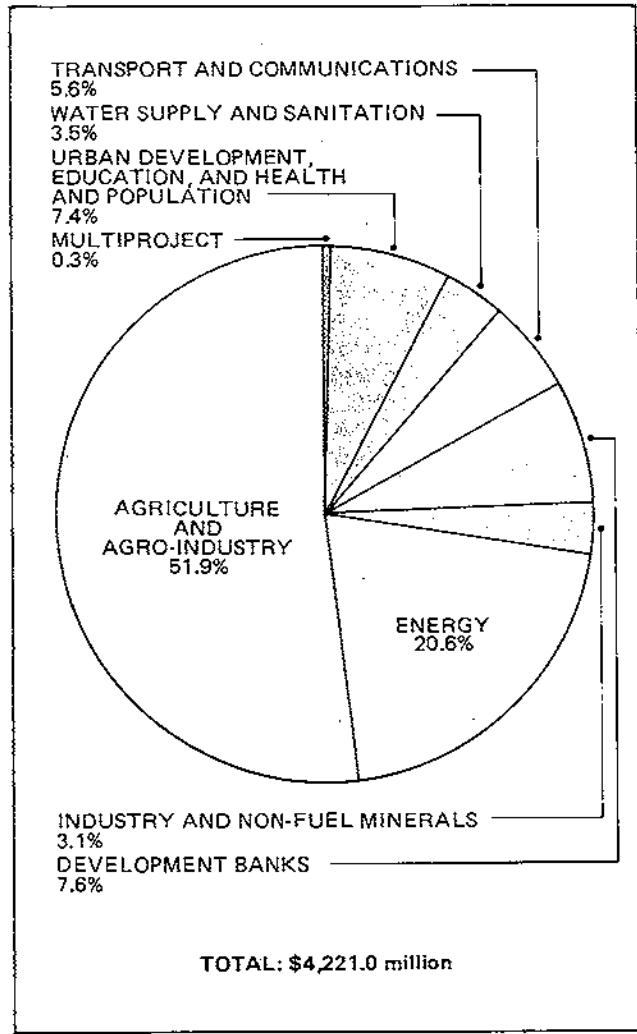
LOAN APPROVALS
BY SECTOR, 1967-1983



ORDINARY LOAN APPROVALS
BY SECTOR, 1967-1983



SPECIAL FUNDS LOAN APPROVALS
BY SECTOR, 1967-1983



ment projects, evaluation of environmental impact was included in project designs.

In 1983, the Bank approved eight loans amounting to \$264.8 million in this subsector. This accounted for almost 41 per cent of the Bank's total lending for Agriculture and Agro-Industry during the year and raised cumulative lending to the subsector to \$2,081.6 million.

Fisheries: During 1983, the Bank continued to be an important source of financing for fisheries development projects. As in the past, new projects focused on expanding high-protein fish supplies for domestic consumption, increasing foreign exchange earnings through fishery product exports and creating employment opportunities. Bank support for marine fisheries and aquaculture has focused on providing assistance designed to alleviate poverty and raise the incomes of the poor. A secondary but very important benefit being derived from Bank-assisted fisheries projects is the improvement in nutrition which comes from the increased production of low-priced fish.

The Bank approved two loans amounting to \$39.1 million for aquaculture projects in the Philippines and Sri Lanka in

1983. Both aim at increasing domestic consumption of fish as well as production for export.

As of the end of 1983, the Bank had approved 34 loans amounting to \$499 million for marine and inland fisheries.

Livestock: The Bank's assistance to this subsector continued to expand during 1983 through financing of \$2.6 million for the livestock component of the Agricultural Development Project in Solomon Islands. As of the end of the year, 12 loans amounting to \$135 million had been approved for livestock projects. They encompass almost all aspects of livestock development, including the strengthening of livestock organization, government and industry support services, but focus principally on small farmer livestock development.

Forestry: The Bank recognizes the role of forestry in stabilizing vital watersheds for sustained agricultural production, in supplying raw material for wood-based industries and in improving the environment and the quality of life in rural areas. 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 and widespread deforestation in rural Asia.

In 1983, Bank-assisted projects in the forestry subsector were designed to have a beneficial impact on rural development and ecosystems. The Hill Forest Development Project in Nepal, for which the Bank approved a concessional loan of \$16.7 million, mainly involves the management of existing forests and the replanting of grasslands with a view to increasing the production of fuelwood, leaf and grass fodder which will be made available to poor rural communities under a benefit-sharing scheme. The Forestry Development Project in the Philippines, for which the Bank approved a \$34 million loan, is designed to reforest 10,700 ha. of open public forest land for the production of fuelwood, pulpwood and timber, reforest a further 1,300 ha. for erosion control and develop community forestry by creating agroforestry farms for the production of fuelwood, timber, tree crops and fodder needed by the local community.

As of the end of 1983, the Bank had provided nine loans amounting to \$136.4 million to the forestry subsector.

Agricultural Support Services: In 1983, the Bank continued to provide financing for agricultural support services (including research, extension, credit, marketing and storage) in order to improve agricultural production and the standard of living of small farmers. The Bank recognizes that an increased and reliable supply of chemical fertilizer is essential for raising agricultural production in general and that of foodgrains in particular.

In 1983, the Bank approved two loans for agricultural credit amounting to \$90 million. A concessional loan of \$40 million for the Bangladesh Krishil Bank is aimed at providing financial support to enterprises involved in the processing, preserving and marketing of various perishable crops and support for storage facilities for grain, agricultural inputs and transportation. The Agricultural Credit Project in Thailand, for which the Bank approved a \$50 million loan, will support Government efforts to improve the efficiency of agricultural production, accelerate the process of agricultural intensification and promote crop diversification. Crop intensification program loans totalling \$93 million were extended to

LOAN APPROVALS BY SECTOR, 1982, 1983, 1967-1983
(amounts in \$ million)

Sector	1982						
	OCR		SF		TOTAL		
	No.	Amount	No.	Amount	No. ^a	Amount	%
Agriculture and Agro-Industry	10	297.30	12	324.00	22	621.30	35.90
Agriculture	9	270.60	11	320.00	20	590.60	34.10
Agro-Industry	1	26.70	1	4.00	2	30.70	1.80
Energy	8	404.10	3	109.60	11	513.70	29.70
Industry and Non-Fuel Minerals	—	—	1	16.20	1	16.20	0.90
Development Banks	3	115.00	4	33.50	6	148.50	8.60
Transport and Communications	6	257.40	—	—	6	257.40	14.90
Water Supply and Sanitation	2	28.50	2	29.40	4	57.90	3.30
Urban Development	1	30.20	—	—	1	30.20	1.80
Education	1	40.00	2	24.10	3	64.10	3.70
Health and Population	1	12.00	1	9.30	2	21.30	1.20
Multiproject	—	—	—	—	—	—	—
TOTAL	32	1,184.50	25	546.10	56	1,730.60	100.00

^a A project which is financed from both OCR and SF is counted only once. Supplementary loans (27) and Special Assistance loans (4) are not counted as separate projects and are, therefore, excluded from the cumulative total; however, for record purposes these are included in the number of projects for the year in which they were approved.

Bangladesh (\$70 million), Burma (\$8 million) and Nepal (\$15 million) in order to increase productivity through the provision of fertilizers and planting materials.

Additional agricultural support was provided for research, extension and agricultural training to Vanuatu (\$1.1 million) and Solomon Islands (\$5.15 million). In addition, storage capacity for some 400,000 mt. of grains and ancillary facilities and services will be financed by the \$41.9 million loan for the Foodgrain Storage Project in Pakistan.

As of the end of 1983, the Bank had provided 32 loans totalling \$574.2 million for agricultural support services, including \$284.5 million for agricultural credit projects and \$154.7 million for program loans in the agriculture and irrigation sector.

Energy

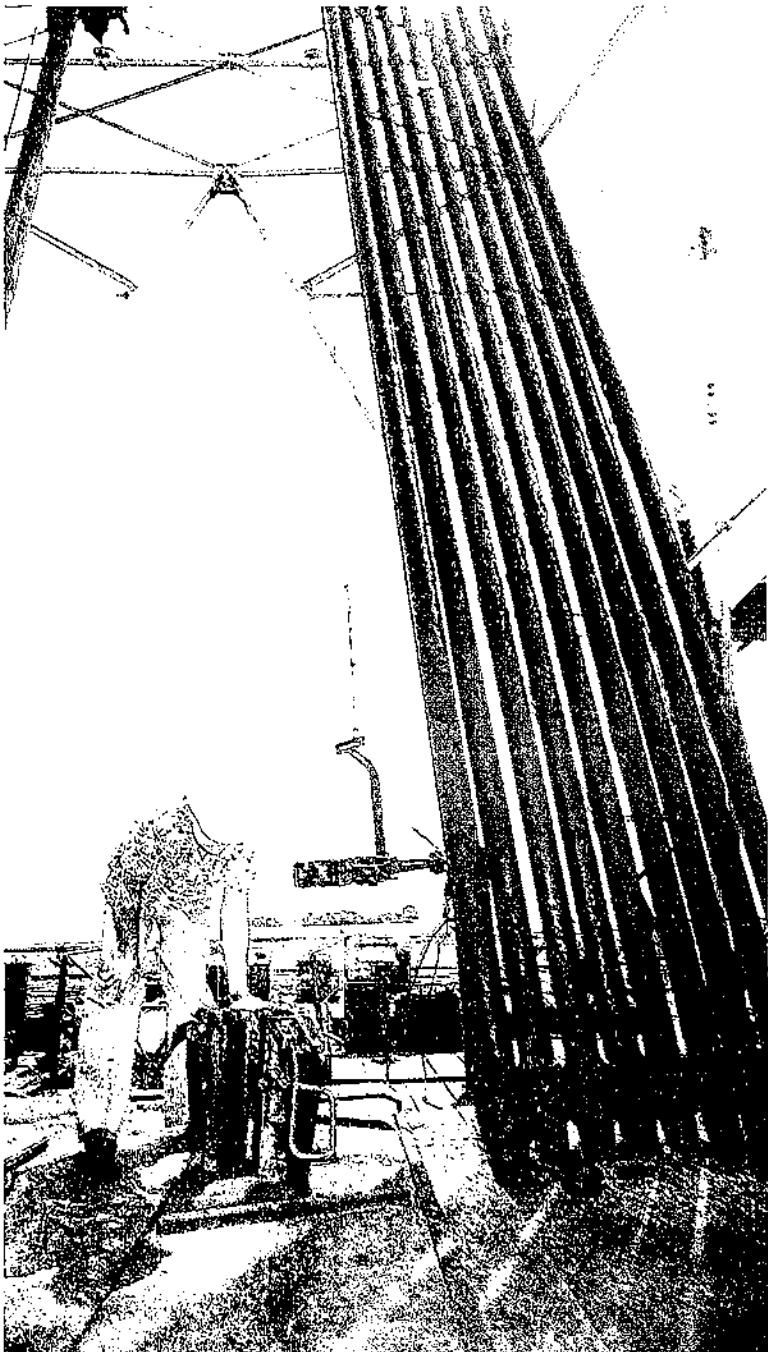
The Energy sector remained the second largest sector in Bank lending operations although its share fell from about 30 per cent in 1982 to 24 per cent in 1983. During the year,

nine loans amounting to \$451 million were approved for eight energy projects. In addition, 22 technical assistance grants totalling \$4.9 million, including six for regional energy projects, were also provided. While the major emphasis was placed on the development of indigenous energy resources, improvements to quality and reliability of power supply, including operational efficiency, continued to receive attention.

The seven Bank-financed power projects for which eight loans were approved in 1983 will contribute to the development of indigenous resources such as hydropower and geothermal power resources in Indonesia, fuel savings in Pakistan through utilization of waste heat, and the optimum use of geothermal resources in the Philippines and hydropower resources in Lao PDR for rural electrification. Two of the loans will be primarily for the development of transmission and distribution facilities in Bangladesh and Nepal. A technical assistance loan was also approved for comprehensive feasibility and engineering studies for thermal plants needed in Sri Lanka.

The Bank's efforts to develop indigenous non-oil energy

1983							1967-1983						
OCR		SF		TOTAL			OCR		SF		TOTAL		
No.	Amount	No.	Amount	No. ^a	Amount	%	No.	Amount	No.	Amount	No. ^a	Amount	%
9	341.89	15	306.47	24	648.36	34.25	87	1,883.32	147	2,192.35	213	4,075.67	30.43
9	341.89	14	264.57	23	606.46	32.04	73	1,691.22	116	1,707.72	175	3,398.94	25.38
—	—	1	41.90	1	41.90	2.21	14	192.10	31	484.63	38	676.73	5.05
4	255.60	5	195.15	8	450.75	23.81	81	2,537.35	52	870.54	112	3,407.89	25.44
2	85.00	1	10.00	3	95.00	5.02	20	357.47	7	128.97	24	486.44	3.63
3	145.00	1	60.00	3	205.00	10.83	51	1,342.10	26	321.50	73	1,663.60	12.42
1	13.00	3	52.50	4	65.50	3.46	70	1,439.78	30	236.87	91	1,676.65	12.52
4	186.60	—	—	4	186.60	9.86	40	925.46	12	148.56	48	1,074.02	8.02
1	36.70	—	—	1	36.70	1.94	10	286.15	1	20.00	11	306.15	2.29
2	126.00	—	—	2	126.00	6.65	12	325.80	14	160.60	24	486.40	3.63
—	—	2	72.10	2	72.10	3.81	4	76.30	6	130.50	10	206.80	1.54
—	—	2	7.20	2	7.20	0.38	—	—	5	11.08	5	11.08	0.08
26	1,189.79	29	703.42	53	1,893.21	100.00	375	9,173.73	300	4,220.97	611	13,394.70	100.00



ENGINEER checking equipment at the Bank-financed Natural Gas Development Project in Bangladesh which is designed to reduce the country's dependence on imported fuel by extending new gas connections to industrial and domestic consumers in support of regional industrial growth.

sources continued in 1983 with a loan to Pakistan for the expansion of gas purification and compression facilities. This will help increase the availability of natural gas for industrial, commercial and residential purposes. This loan was also the first to have commercial co-financing under the recently introduced complementary financing scheme.

During 1983, a total of 16 country-specific technical assistance projects were approved, amounting to \$3.6 million. These included projects for national energy planning and institution building, energy conservation and development of indigenous energy sources. In addition, six regional Energy sector technical assistance grants amounting to \$1.3 million were approved, including the ASEAN Coal Development

Study, Energy Demand Management Strategies Review and Electric Power Utilities Data Book.

The Energy Planning Unit became fully operational and made significant progress in the development of Energy sector activities in the DMCs. A number of technical assistance projects for overall energy planning and policy analysis were formulated and implemented during the year. Initially, a number of loan projects will be identified and evaluated through intersectoral energy planning technical assistance projects which were either approved or completed during 1983. One major energy planning project, funded jointly by UNDP and the Bank, commenced in Bangladesh in August 1983 and is due for completion in early 1985. Under this project, assistance will be provided to the Government of Bangladesh in developing and maintaining energy planning capabilities as well as providing energy development plans which can form part of both the Government's and the Bank's investment planning. Similarly, energy planning support was also provided to Thailand by way of a follow-up to its Energy Master Plan, from which several potential projects are now emerging.

A number of studies in the Energy sector were either initiated or completed during the year. These were aimed at obtaining improved understanding of some of the important issues and ongoing programs in the Energy sectors of the DMCs. It was intended that such assessments would help identify more efficient policies, as well as provide guidance for the identification and preparation of more effective projects and programs. A Regional Rural Electrification Survey, a study of Refinery Rationalization Needs, and Energy Assessments (together with the World Bank) for Fiji and Solomon Islands were completed during the year. Additionally, work was initiated during the year on the Review of Energy Demand Management of DMCs, Bagasse Utilization for Energy Development, Liquefied Natural Gas (LNG) Utilization and Marketing Development.

Continuing work initiated in 1983, the Bank expects to develop in the coming years detailed lending strategies in the Energy sector in each DMC from country and regional energy reviews. These are expected to lead to the identification of new energy projects. Such reviews, by providing the Bank with more information and focusing on the problems and potentials of the Energy sector, will enable the Bank to be of greater assistance to DMCs in its lending operations.

During the year, two seminars were sponsored by the Bank for officials of power utilities: the South Asia and Southeast Asia and Pacific Regional Energy/Power Projects Course and the Regional Program on Power Utility Accounting and Management Information System. Both courses were aimed at further developing the technical, financial and managerial skills of power utility staff.

As of the end of 1983, the Bank had provided 133 loans amounting to \$3,408 million in the Energy sector. This accounted for about 25 per cent of total Bank lending.

Industry and Non-Fuel Minerals

The majority of the Bank's DMCs continue to assign high priority to industrialization as a strategy for achieving balanced and accelerated socio-economic development. Improvements in balance of payments through import substitution and/or export diversification, higher employment generation, more equitable income distribution and a wider dispersal of the ownership of the means of production are among

the benefits sought by DMCs from industrialization.

The Bank's approach in this sector has been to support programs and projects which are aimed at helping DMCs develop their industrial capacity and industrial infrastructure. Consistent with this approach, the Bank has helped its DMCs to industrialize by direct lending for large-scale industries and by indirect lending through DFIs for small and medium-scale industries. It has also extended financial and technical assistance for the establishment, expansion and upgrading of industrial research and management training institutes which help small and medium-scale industries achieve greater operational efficiency, higher productivity, better quality standards and improved technology.

In addition, the Bank has helped promote the development of industrial estates, a notable example of which is the Small Industries Center in Tonga.

The development of non-fuel mineral resources both for export and domestic consumption can contribute significantly towards increased foreign exchange earnings and domestic revenues in some DMCs and thereby help to improve balance of payments and to stimulate economic activity in other sectors. In view of this, the Bank has continued to promote mineral resource development activities in DMCs which are known to have significant amounts of untapped mineral reserves. Systematic geological, geophysical and geochemical surveys to generate the essential data on location, quantity, quality and mineability of mineral ore deposits which are required to facilitate the promotion of mineral resource development in DMCs are of importance in this context. Bank activities in this sector in 1983, therefore, focused on the development and upgrading of national institutional capabilities and facilities for conducting mineral resource surveys and exploration programs.

In 1983, the Bank approved a supplementary loan of \$10 million for the completion of the Hetauda Cement Project in Nepal and two loans amounting to \$85 million for a Geological and Mineral Survey Project in Indonesia and a Mineral Resources Development Project in Thailand. As of the end of 1983, the Bank had made 27 loans amounting to \$486.4 million for 24 projects in the Industry and Non-Fuel Minerals sector in ten DMCs.

The Bank also approved technical assistance amounting to \$400,000 for a Policy and Institutional Review of Planning and Management of Industrial Estates and Export Processing Zones in the Philippines, thus bringing cumulative technical assistance in this sector to 23 technical assistance grants amounting to \$4.2 million for 22 projects in nine DMCs, including two regional studies.

Development Banks

During the year, the Bank increased the flow of its assistance to small and medium-scale enterprises in DMCs, most of which are in the private sector. As in the past, the Bank continued to use DFIs as channels for its assistance to those enterprises whose financing requirements were too small to warrant direct Bank support.

While serving this basic objective, Bank credit lines to DFIs also significantly support the DFIs themselves by enabling them to enlarge and diversify their portfolios. Moreover, Bank operations in this area have also enabled it to play an important role in the establishment of new DFIs in several DMCs. It has also actively participated in the strengthening of existing DFIs, helping turn them into better-managed and

financially stronger institutions which can fulfill their financial intermediation and promotional responsibilities more effectively and efficiently. To facilitate this institution-building process, the Bank has also provided technical assistance grants to DFIs, either together with loans or separately. These grants have mainly been utilized for engaging experts who can give operational or organizational advice and guidance, and for upgrading staff skills.

During the year, the Bank approved credit lines totalling \$206 million to six DFIs, all for meeting the foreign exchange requirements of development projects. It extended a fifth loan to Korea Long Term Credit Bank (KLB) in an amount of \$70 million and a sixth loan, of \$25 million, to the Industrial Finance Corporation of Thailand (IFCT). Both credits were for financing private enterprises. The Bank has assisted the KLB to secure commercial co-financing of \$43 million. The credit line to IFCT will be co-financed by syndicated commercial loans totalling \$50 million.

Tonga Development Bank (TDB) received a second Bank credit line, for \$1 million, during 1983 for assisting productive enterprises in the agricultural, manufacturing and other sectors. The credit line was supplemented by a \$1 million loan from IFAD which will be administered by the Bank and utilized for financing agricultural development projects. The Bank loan was combined with a technical assistance grant of \$135,000.

In 1983, the Bank extended a \$100,000 technical assistance grant to Fiji Development Bank for redefining its role and functions and developing its future operational strategy. The Bank also assumed responsibility for the administration, in association with the International Development Association, of a \$1.5 million technical assistance grant from the United Nations Development Programme (UNDP) for carrying out a comprehensive assessment of the institutional aspects and the future role of two Bank-associated DFIs in Bangladesh, namely, Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha.

Marking a departure from its past practice of extending separate credit lines to individual DFIs, the Bank in 1983 approved a composite credit line of \$110 million — its largest so far in this sector — for contemporaneous utilization by three DFIs in Pakistan, namely, National Development Finance Corporation, Pakistan Industrial Credit and Investment Corporation Ltd. and Bankers Equity Ltd. The proceeds of the loan will be lent mainly to private industrial enterprises. This new lending technique will enable the Bank to adopt a systematic and consistent approach to industrial credit problems in the country while at the same time maintaining direct operational relationships with the participating DFIs.

The five loans¹ approved during the year raised the Bank's cumulative lending to the Development Banks sector, as of the end of 1983, to \$1,664.6 million through 74 credit lines. This represented 12.4 per cent of total Bank lending.

Transport and Communications

During 1983, the Bank made four loans to the Transport and Communications sector compared with six loans in 1982 and two loans in 1981. It also approved a Multiproject loan in which transport and communications components ac-

¹ Including a loan of \$1 million approved for Tonga Development Bank as part of a Multiproject loan.

counted for nearly 80 per cent of the loan amount.

The total amount of lending to this sector, however, fell sharply from \$257.4 million in 1982 to \$65.5 million in 1983. The decrease is mainly a reflection of the smaller loan amounts to the recipient countries, most of which (Burma, Lao PDR, Nepal, and, in the case of the Multiproject loan, Bhutan) are smaller, lower-income DMCs.

The loan to Burma, the Bank's first in the road subsector of that country, will help upgrade a major 254-km. national road in the Upper Irrawaddy Delta area which will support agricultural development programs. The loan to Lao PDR, the first in the Transport sector of that country, will help rehabilitate and improve 53 km. of a secondary road and 90 km. of feeder roads in the Vientiane Plain and thereby assist in the realization of the area's full development potential. A Bank-assisted Project in Papua New Guinea for the improvement of 74 km. of national roads will accelerate development of an important agricultural area and result in reliable lower-cost transportation. Improvements to 250 km. of feeder roads in the Eastern and Far Western regions of Nepal will help to lower transportation costs and improve access to areas with development potential. The Multiproject loan to Bhutan will, among other things, enable the construction of 90 km. of new roads and 24 suspension bridges, thereby providing access to remote areas and improving communications.

The Bank approved five technical assistance projects in this sector in 1983. They will finance feasibility studies of road projects in Nepal and Solomon Islands, help prepare projects designed to improve and expand shipyards in Fiji and Kiribati and examine the technical viability and fuel-saving potential of sail motor propulsion in Fiji. During the year, a technical assistance proposal was finalized for a survey of intermodal transport in Bangladesh and for the formulation of a coordinated sector plan and program for transport investments in that country. In addition, an advisory and operational technical assistance to Bhutan will assist the Government in preparing subprojects under the Multiproject approved during the year.

A regional Study of the Impact of the Energy Situation on Transport Development, carried out under technical assistance approved in 1982, was completed in 1983. The Study findings, which were reviewed by an advisory group of transport and energy experts from within and outside the region, will be taken into account by the Bank in its future operations in this sector.

As of the end of 1983, the Bank had made 100 loans amounting to \$1,676.7 million for 91 projects in the Transport and Communications sector. Roads received the major share (60.1 per cent), followed by ports (29 per cent), airports (5.5 per cent), railways (2.8 per cent) and telecommunications (2.6 per cent). Cumulatively, the share of lending to the sector as a proportion of total Bank lending was 12.5 per cent.

Water Supply and Sanitation

Few, if any, essential public services contribute as much to improving the health and living standards of the poor as safe, piped water and the efficient, sanitary disposal of human waste. In fact, the provision of these two fundamental services to everyone by the end of the current decade was the goal of the United Nations when it declared the period 1981-90 as the International Drinking Water Supply and Sanitation Decade.

In earlier years, Bank lending activities in this sector mainly assisted in the expansion of water supply and sewerage systems in fast-growing towns and cities. In more recent years, the Bank has also increasingly supported projects involving water supply systems in small provincial towns and rural areas in order to promote social equity and extend the benefits of development to the rural poor or less privileged sections of the population. This widened scope of Bank activity is evident in its four project loans, amounting to \$186.6 million, and four technical assistance projects approved in 1983.

A loan for a Project in Kedah state, one of the less developed regions in Malaysia to which the Government is giving considerable attention, will increase the capacity of the Sungai Petani water supply system by nearly 200 per cent to meet the demand projected for a population of 250,000 people up to 1995. Apart from the supply of safe water, direct financial benefits are expected as the Project will include measures for a substantial reduction in leakages and illegal connections. Institutional, commercial and industrial needs of the Project area will also be catered for. The Philippines will benefit from a loan of \$39.3 million for a Project designed essentially to reduce the amount of unaccounted-for water through the rehabilitation of the distribution system in 56 target zones located in six districts of Manila. It is estimated that about 1.5 million consumers of treated water in Metropolitan Manila will benefit from the Project which also includes operational and institutional support and training.

A Project in the Republic of Korea, for which the Bank approved a \$60 million loan, will provide facilities for the abstraction, treatment and distribution of safe water for about 21 small communities with populations ranging from 20,000 to 115,000 in various parts of the country. Another loan, of \$62.8 million, to the Republic of Korea will finance the first-stage implementation of a master plan covering the sewerage and sanitation facility requirements of the cities of Ulsan, Masan and Changwon up to the year 2000.

A significant feature of the Bank's technical assistance activities in this sector in 1983 was the development of rural and underprivileged areas. For example, about 47 small rural communities in Nepal will benefit from a Project to be prepared under a technical assistance grant. The Bank will also execute a Study, financed by UNDP, to prepare a Project in Bangladesh which will provide safe water and adequate sanitation in selected district towns whose total populations are expected to increase from 650,000 to 1.4 million by 1990. Another study approved during the year will help formulate the Rangoon Water Distribution Project in Burma, complementing an earlier Bank-financed water supply project for Rangoon where the population is expected to be approaching two million by 1991. Preparation of a Project to rehabilitate and augment water supply facilities and to construct low-cost sanitation systems in six important centers in Bhutan will be undertaken under another technical assistance grant. In addition, the Bank provided assistance for a workshop, to be held in early 1984, which will help DMCs improve their capabilities for preparing water supply projects through the introduction of computerized techniques for planning and designing small towns and rural water supply systems.

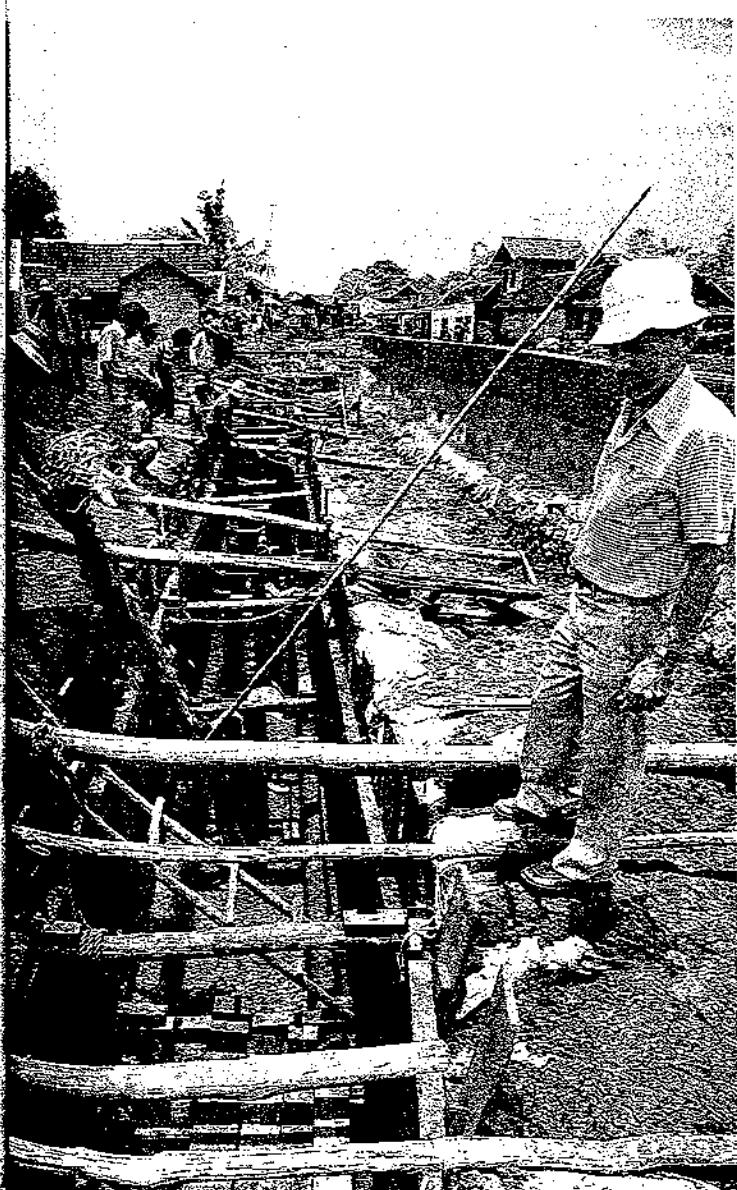
As of the end of 1983, total Bank lending to the Water Supply and Sanitation sector amounted to \$1,074 million covering 48 projects in 14 countries, while technical assistance amounted to \$7.1 million for 36 projects.

Urban Development

In the Urban Development sector, the Bank's approach has been to support programs which are intended to improve directly the living environment for low-income households and which promote more efficient urban growth. In the past, the Bank has assisted the development of secondary cities, new towns and growth centers serving predominantly rural hinterlands. Bank projects have frequently included the provision of essential services to low-income groups and have been designed to take a comprehensive approach, emphasizing the importance of basic services and the integration of urban development and housing activities. The Bank has also devoted attention to institutional development, particularly by strengthening policies and technical and financial competence.

During the year, the Bank approved a sector loan of \$36.7 million for the Small Towns Urban Development Project in Indonesia. This Project is designed to improve the living conditions of residents in 38 small and medium-sized towns in

SEWERAGE pipes being laid in Bandung, Indonesia. The Bandung Urban Development Project, for which the Bank approved a \$32.3 million loan, was designed to meet priority housing and sanitation needs. The Bank also provided \$150,000 in technical assistance for a feasibility study of a second-phase project.



Central Java Province by providing essential and inexpensive services in low-income areas and by improving solid waste management and drainage systems. The water supply and distribution systems of 17 of the 38 towns will be extended, while five towns will benefit through the development of low-income housing estates. The Project also provides for studies and training programs aimed at strengthening the institutions directly concerned — technical agencies of the central Government and municipal administrations of the Project towns — in order to facilitate the development and implementation of future programs in the Province. Overall, about 1.5 million people are expected to benefit from the Project, the majority in the lower-income group.

A technical assistance grant was also approved for the formulation of a Project in Indonesia involving five selected towns in West Java. It will cover their strategic urban development needs and focus on the importance of reducing growth pressure on Jakarta and the Metropolitan subregion. This Project was identified on the basis of a comprehensive urban sector profile prepared earlier by the Bank. A similar sector study, to be prepared under a technical assistance grant, was approved for Malaysia in 1983. Among other things, it will assess urbanization trends, identify strategic and policy issues and evaluate the development potential of selected regional cities and growth centers.

At the end of 1983, total Bank lending for urban development and housing had reached \$306.2 million for 11 projects. Technical assistance extended by the Bank in this sector amounted to \$1.93 million.

Education

Bank activities in this sector cover a broad range of subsectors at both secondary and higher levels, including vocational and technical education, agricultural education, community schools and science education. The need for education to meet each country's manpower and development needs is emphasized. Taking a comprehensive approach, the Bank's projects invariably include hardware components such as buildings and equipment as well as software such as teacher training, curriculum and staff development, provision of academic consultants and institutional improvements.

During the year, the Bank approved two projects amounting to \$126 million in this sector. The Second Vocational Education Project in Malaysia, for which the Islamic Development Bank also provided co-financing, represents the second phase of Bank assistance for improving secondary vocational schools in various engineering fields. The Project involves the construction and equipping of nine secondary vocational schools throughout the country as well as the improvement of teacher training through the provision of technical consultants and staff fellowships.

The Agricultural Education Project in Indonesia, for which the Bank approved a loan in 1983, is designed to improve agricultural manpower both in qualitative and quantitative terms. Under the Project, 18 existing agricultural secondary schools will be upgraded and six new agricultural secondary schools and six new agricultural polytechnics will be established. Additionally, two Development Centers for Agriculture will be established, one for vocational education and the other for polytechnic education.

During the year, the Bank also provided assistance for

rebuilding 37 cyclone-damaged schools in Tonga as part of a Multiproject loan.

Eight technical assistance projects amounting to \$1.2 million were approved in 1983 in this sector. Of these, two were regional seminars which were prepared and held in the course of the year.

Six technical assistance grants were approved for the preparation of projects. A Project to provide basic science facilities and science teacher training at the secondary level in Bangladesh will be prepared under a grant of \$150,000. In the Philippines, a Project will be prepared to improve the output of middle-level agricultural personnel. In Indonesia, the University of Sriwijaya, the main source of professional manpower in Southern Sumatra, will benefit from a Project designed to consolidate the university on one campus and strengthen the faculties of agriculture, engineering, medicine and economics. In the Republic of Korea, a Project to upgrade about 25 selected vocational training centers around the country will be prepared. In Nepal, the Technical Schools Project, which will upgrade four existing and 11 new technical schools and one teacher training center, will be prepared under a grant of \$150,000. The Institute of Management Project in Bhutan, designed to establish a middle-level management institute for developing manpower, will also be prepared with Bank technical assistance. Moreover, during 1983, studies of the Education sector in Bangladesh, Indonesia, Nepal and Singapore were completed.

Total Bank assistance to the Education sector at the end

A RURAL CLINIC in Malaysia. A \$25.8 million Bank loan for a Health and Population Project will help provide primary health care and hospital facilities as well as family planning services in those areas which are inadequately served at present.



of 1983 amounted to \$486.4 million for 26 loans and \$4.4 million for 25 technical assistance projects.

Health and Population

The Bank has significantly increased its support for health and population activities in recent years. Whereas health and population components were previously included in integrated projects in other sectors — Agriculture, Urban Development and Water Supply and Sanitation, for example — it was not until 1978 that the Bank commenced financing Health and Population projects as such.

During 1983, loans were approved for the Rangoon General Hospital Project in Burma (\$44.6 million) and for the Health and Family Planning Services Project in Bangladesh (\$27.5 million). Both loans resulted from previous Bank technical assistance.

The loan to Burma, the second approved by the Bank for this sector in that country, will help improve the capability of the Rangoon General Hospital to provide modern medical care to the people of Rangoon, and through the referral system, more specialized medical services to the entire country. The Project is also designed to improve the quality of medical education, as provided through the General Hospital, by better integration of teaching and clinical functions.

The Project in Bangladesh, also the Bank's second in this sector in that country, is designed to improve the health of the population and reduce the population growth rate through improvements in the delivery of health care and family planning services. Together with the Project, approval was given for advisory and operational technical assistance, to be provided by UNDP with the Bank acting as Executing Agency, designed to assist the Ministry of Health and Population Control in building up its capability for processing, storing and distributing medical supplies.

The Bank approved two project preparatory technical assistance grants during the year. These were \$250,000 for a Health and Population Project in Indonesia and \$50,000 for a Health and Population Project in Pakistan.

In addition, health care facilities in Tonga which had been destroyed or damaged by a cyclone in 1982 will be reconstructed under a Multiproject loan approved in 1983.

By the end of 1983, the Bank had approved \$206.8 million for ten loans to the Health and Population sector and \$1.8 million in technical assistance.

Multiproject Loans

Multiproject loans are classified separately since they combine components relating to several sectors in one loan package, an approach which has been found to be particularly suitable in meeting a variety of needs of the smaller DMCs. Two multiproject loans amounting to \$7.2 million were approved during 1983. The \$5 million Multiproject loan to Bhutan, the Bank's first loan in that country, covers six sub-projects related to agriculture, forestry, roads, bridges, telecommunications and water supply; it also includes technical assistance. The other multiproject loan, \$2.2 million for Development and Redevelopment in Tonga, was provided partly for the reconstruction of certain classrooms and health centers destroyed by a cyclone, and partly (in collaboration with IFAD) as a credit line for Tonga Development Bank to assist the growth of agriculture and small-scale industries.

To date, the Bank has approved five multiproject loans amounting to \$11.1 million in three DMCs.

Loan Administration

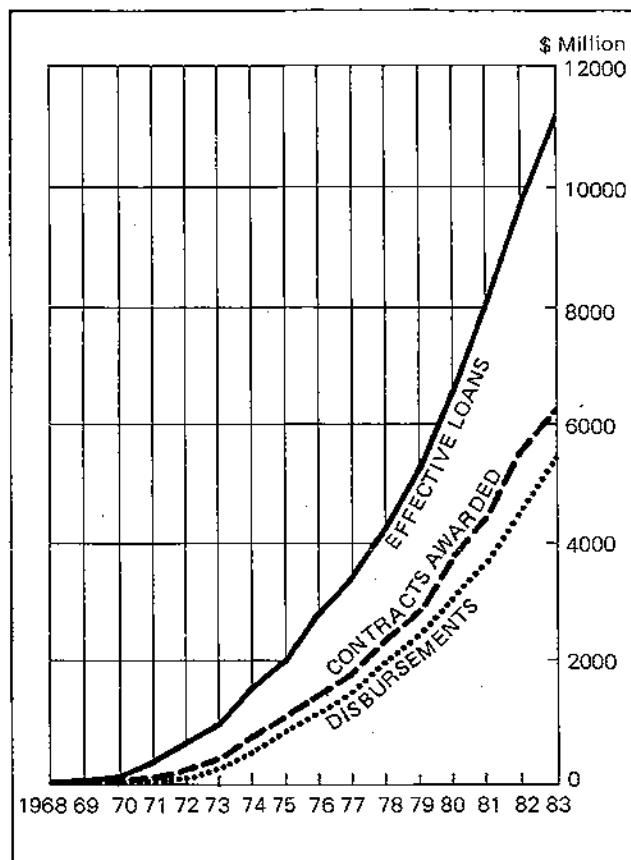
CONTRACTS AWARDED AND DISBURSEMENTS TO END OF 1983

Project Implementation

The Bank's loan administration and project supervision activities in 1983 were characterized by more project reviews and further streamlining of the Bank's internal practices and procedures. As a result of these efforts, the Bank was better able to identify project problems at an early stage, provide timely and appropriate guidance to borrowers and executing agencies and generally ensure that the projects are implemented in a more expeditious manner.

The year 1983 commenced with 374 loans under administration. During January-December 1983, 55 new loans were approved and 31 loans were closed. Thus, the number of loans under administration as of 31 December 1983 was 398 comprising 339 project loans, 12 program loans, 14 sector loans and 33 development bank credits. Eighteen loans involved co-financing with external sources. Out of 52 loans that had become effective as of 31 December 1983, 41 were carried over from 1982 and 11 were approved in 1983.

On-site review of projects was carried out by 383 loan administration missions, consisting of 259 full review missions, 23 project inception missions, 59 special loan administration missions and 42 project completion missions. The project inception missions were designed to facilitate an early start on the implementation of projects approved for Bank financing; the full review missions conducted detailed reviews of the progress of implementation in 364 projects; and the special loan administration missions visited 65 projects to deal with specific loan administration problems or issues. In addition, 21 country disbursement missions were dispatched to explain disbursement practices and pro-



CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS, 1968-1983^a (amounts in \$ million)

Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No. ^b	Amount ^c	Amount ^c	Percentage of Cumulative Effective Loans	Amount ^d	Percentage of Cumulative Effective Loans
1968	4	20	4.5 ^e	22	1.8	9
1969	13	67	13.5	20	9.3	14
1970	28	137	54.4 ^f	40	26.4	19
1971	67	404	115.0	28	75.1	19
1972	93	696	271.5	39	136.2	20
1973	130	998	453.2	45	282.7	28
1974	187	1,612	836.1	52	470.2	29
1975	221	2,052	1,150.2	56	832.1	40
1976	264	2,846	1,505.9	53	1,158.7	41
1977	294	3,461	1,862.0	54	1,514.9	44
1978	340	4,289	2,432.8	57	1,977.1	46
1979	391	5,274	2,941.5	56	2,463.4	47
1980	451	6,592	3,820.4	58	3,042.4	46
1981	510	7,953	4,503.6	57	3,709.5	47
1982	570	9,672	5,570.7 ^g	58	4,504.6	47
1983	621	11,100	6,296.3	57	5,441.5	49

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 years 1980 and 1981, includes one fully cancelled and seven refinanced loans.

c Net of cancellations and amount transferred to subsequent loans.

d Includes interest and other charges financed during construction.

e Figures for 1968 and 1969 are based on Bank's Monthly Statement of Loans as no Quarterly Procurement statistics were prepared during those years.

f Figures from 1970 onwards are based on Quarterly Procurement Statistics of the Bank as a result of computerization. Figures reported in earlier Annual Reports were based on Monthly Statement of Loans.

g Change in amount due to adjustments resulting from computerization of procurement statistics.

cedures, review the status of awarded contracts and help expedite the preparation and submission of withdrawal applications so that loan funds could be released in accordance with disbursement targets.

There were also five country project implementation review missions whose functions were to review the overall progress of projects being implemented in the countries visited, discuss with central government authorities the entire spectrum of government policies, practices and procedures related to project implementation, identify and examine common and relevant problems and their causes and formulate recommendations for improvements in policies, practices and procedures. As a result of these project implementation review missions, country profile papers were prepared and circulated for Indonesia, Nepal and Pakistan, while country profile papers for Philippines and Thailand are under preparation. A country study dealing with the causes of delays in the recruitment of consultants in Indonesia was started, and this will provide recommendations on such key aspects as approval procedures and country-specific contract clauses.

Several internal measures were taken to improve the Bank's loan administration and project supervision functions. A revised set of loan administration instructions (LAIs) was issued to Bank staff to provide detailed guidance on matters related to implementation and supervision of projects and administration of loans.

Moreover, substantial progress was made in computerizing certain aspects of loan administration. A Loan Financial Information System (LFIS) is now fully operational, providing instantaneous, accurate and up-to-date data on loan approvals, procurement and disbursements. A Loan and Technical Assistance Administration System (LTAAS) is in the final stages of design and programming, which, once it becomes operational, will provide an efficient project monitoring mechanism that will effectively assist staff in their supervision work. For purposes of individual project monitoring, Critical Path Method-Project Evaluation and Review Technique (CPM-PERT) Networks Diagram Charts were prepared for 21 projects and these have been made available to staff. With respect to consultants, approximately 85 per cent of all Data on Consultants (Dacon) forms containing information on registered consulting firms and 100 per cent for those pertaining to individual consultants have now been computerized.

The Bank continued with its training programs for improving knowledge and skills in project implementation. Two regional seminars on procurement and one regional seminar on project implementation management were held in Manila in which 61 senior and middle-level officials from 59 executing agencies participated. In addition, country seminars on procurement were held in Bangladesh, Republic of Korea, Papua New Guinea and Thailand which were attended by 105 procurement officers of various Bank-financed projects.

In addition to the training seminars, the Bank responded to the requests of some member countries for information dealing with its activities and operations. In this regard, Bank staff discussed procurement opportunities arising from Bank projects, as well as on its procurement practices and procedures, in meetings and conferences in Australia, Belgium, France, India, Italy, Republic of Korea and Switzerland. A number of briefing sessions were also held in the Bank for groups of visiting businessmen from developed member countries. A seminar designed to develop consulting capability was also held in the Republic of Korea. This program, which will be provided to other DMCs, is expected to

lead to intensified dialogues between governments and the local consulting industries on the ways and means of enhancing the domestic consultants' capability.

The net value of contracts awarded in 1983¹ amounted to \$726 million which was less than the unusually high figure of \$1,067 million recorded in 1982. (The large value of contract awards in 1982 was partly due to a spillover of contract awards from 1981 to 1982.) The amount of \$726 million is broken down into \$523 million for ordinary loans and \$203 million for Special Funds loans. The decline in 1983 is mainly attributable to the tight economic conditions in some DMCs which made it difficult for them to raise local counterpart funds for externally financed contracts. Downward adjustments in the dollar value of outstanding contracts brought about by the continued appreciation of the US dollar also contributed to the lower net amount of contracts for 1983. On a cumulative basis, the total amount of contracts awarded up to the end of 1983 amounted to \$6,296 million, which is 57 per cent of effective loans.

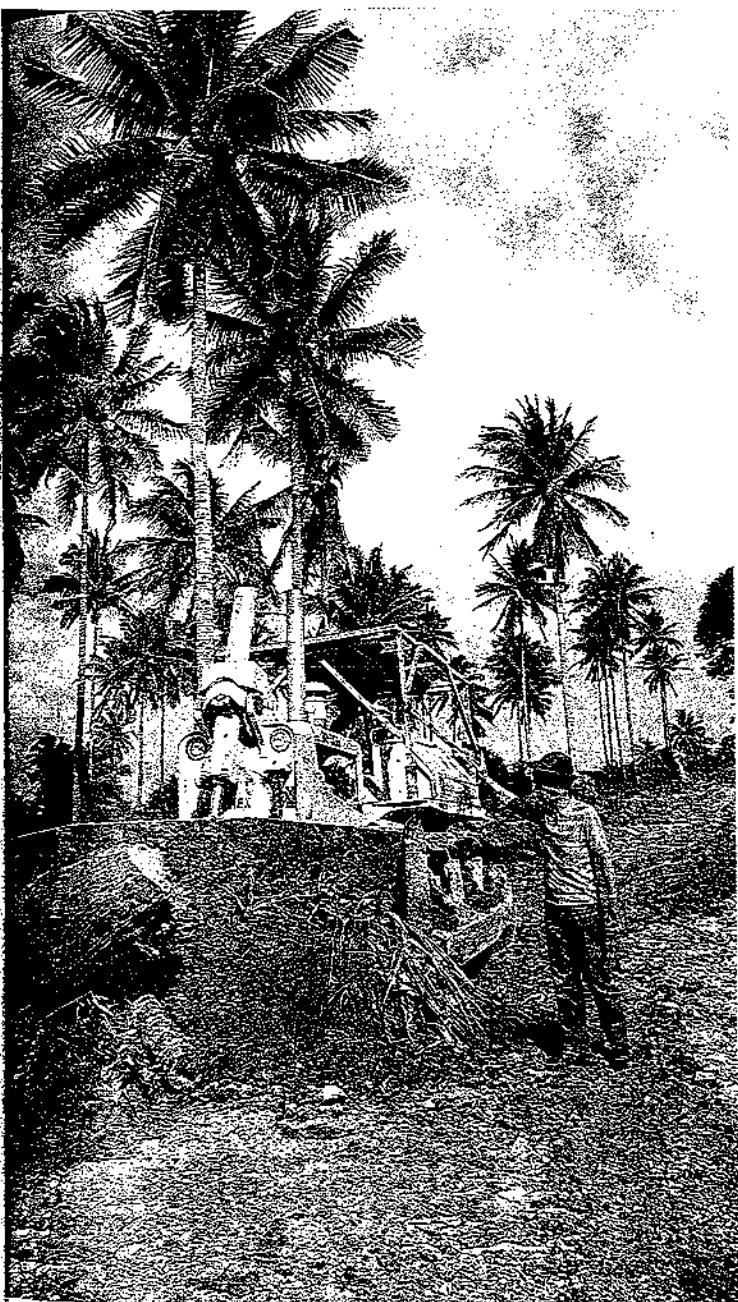
Loan Disbursements

In 1983, disbursements amounted to \$936.9 million compared with \$795.1 million in 1982, an increase of 17.8 per cent. Disbursements under ordinary loans amounted to \$715.4 million, representing a 15.5 per cent increase over the 1982 figure of \$619.6 million. With respect to Special Funds loans, \$221.5 million was disbursed, 26.2 per cent more than the \$175.5 million disbursed in 1982 and a substantial improvement over that year. On a cumulative basis up to the end of 1983, the total amount withdrawn was \$5,441.5 million which is 49 per cent of effective loans.

The increase in disbursements in 1983 was attained primarily due to a sustained effort by the Bank and borrowers in expediting project implementation, the implementation of the Special Assistance Program which provided foreign exchange financing of local currency expenditures for selected Bank projects for four member countries and the introduction of new measures such as an Imprest Account system to facilitate advances being given to executing agencies and a Statement of Expenditure which significantly simplifies documentation requirements. Training of executing agency staff to make them thoroughly familiar with the Bank's policies and procedures for loan withdrawals also contributed to the increased disbursements during the year.

¹ Under the manual system of preparation of procurement statistics, contract awards were translated into US dollars at historical exchange rates. Following the computerization of loan disbursements as of 1 October 1981, the Procurement Statistics for Bank loans have also been transferred to a computerized system in late 1983 but with reference to a base figure of 31 December 1981. "Contracts Awarded" represent firstly, the sum of that portion of contracts already disbursed translated at historical exchange rates; and secondly, undisbursed balance of the contract translated at the latest exchange rate adopted by the Bank for purposes of currency translation. When a contract is amended, the differential procurement is not shown as a procurement at the time of variation but as a retroactive adjustment of the original contract amount. Therefore, this report includes contract updates issued up to the date that affect contracts awarded up to the date of the report.

For certain loans, "Contracts Awarded" are less than "Disbursements". For those loans which provide for financing of interest and other charges during construction, disbursements include interest and other charges to be or already capitalized, whereas there is no corresponding contract awarded. Advances to borrowers under Imprest Fund Procedure and other Advance Procedure (e.g., training) also gave rise to disbursement without corresponding contract awarded. Adjustment is made after liquidation of the advance is received by the Bank. Upon the closing of the loan account the value of contracts awarded is adjusted to match final loan disbursements.



BULLDOZING a track for a road in the Philippines, where the Bank has approved loans totalling \$204 million for the rehabilitation and reconstruction of national highways and feeder roads in rural areas.

Projects Completed

Twenty-nine projects were completed in 1983, bringing the total number of projects completed to 235 out of 611 projects approved as of the end of the year. Twenty-six Project Completion Reports (PCRs) were prepared and circulated to the Board of Directors in 1983. These 26 PCRs covered seven agriculture and rural development projects (seven PCRs), seven industry and development banks projects (six PCRs), and 14 infrastructure projects (13 PCRs). As of the end of 1983, a total of 108 PCRs had been circulated to the Board of Directors. A summary of the significant findings and conclusions contained in the PCRs completed during the year has been circulated to Bank staff for information and guidance. It will also be reviewed and analyzed in Project Performance Audit Reports to be prepared by the Post-Evaluation Office.

Project Benefit Monitoring and Evaluation

Project Benefit Monitoring and Evaluation (PBME) is a sequential series of activities for collecting and analyzing information which helps ensure that benefits as anticipated are realized from projects. Projects in agriculture and rural development in which PBME is called for include those that incorporate new institutional structures and technologies as well as those needing cooperation and participation of beneficiaries.

During 1983, revised PBME Guidelines were prepared for agricultural and rural development projects for issuance early in 1984. In addition, PBME provisions for project preparatory technical assistance grants and appraisal reports were strengthened, coordination with other donors (particularly the World Bank and IFAD) was augmented and pilot activities were initiated to develop suitable monitoring and evaluation methodologies. Efforts were initiated to improve the understanding and capabilities of executing agencies to formulate and implement PBME. An advisory and operational technical assistance was provided to the Directorate General of Water Resources Development in Indonesia to strengthen its PBME Unit. In addition, a Regional Workshop/Conference on PBME was conducted in November 1983 (see page 53).

Post-Evaluation

The Board's endorsement of the Activities and Procedures of the Post-Evaluation Office (PEO) and the issuance of the one hundredth project Post-Evaluation Report (PER) were among the major features of 1983. In addition, the two-tier evaluation system covering all the Bank's completed loan projects was further refined, particularly with respect to differentiation between the first-tier process, consisting of self-evaluation by the Projects Departments through the preparation of Project Completion Reports (PCRs), and the second tier, the preparation of Project Performance Audit Reports (PPARs) by the Post-Evaluation Office. Guidelines for preparation of PCRs were revised and introduced for the first time for PPARs.

During 1983, 24 PPARs were prepared compared with 23 in 1982. These 24 PPARs covered six port projects (one each in Bangladesh, Philippines and Solomon Islands and three in Malaysia), four water supply projects (one each in Republic of Korea, Lao PDR, Singapore and Thailand), three power projects (one in the Republic of Korea and two in Thailand), three highway projects (two in Malaysia and one in Thailand), three development bank projects (all in the Republic of Korea), two urban housing projects (one each in Hong Kong and Republic of Korea), one agricultural credit project (in Indonesia), one irrigation project (in the Philippines), one fisheries project (in Indonesia), two agro-industrial projects (one each in Indonesia and Burma) and one railway project (in Bangladesh). As of 31 December 1983, a cumulative total of 105 PPARs covering 109 projects had been prepared.

Of the four Special Studies initiated in 1982, the Special Study on Regional Training Programs for Development Finance Institutions (DFIs) was completed and circulated to the Board in September 1983. Work continued and has reached an advanced stage on three other studies focusing on the impact of Bank operations in the fisheries subsector and the effectiveness of project executing agency ar-

rangements and project-related technical assistance. Late in the year, work began on a study of the effectiveness of Bank-financed Irrigation systems in generating agricultural production in selected DMCs.

The Fifth Annual Review of Post-Evaluation Reports was circulated to the Board in May 1983. It reviewed findings and conclusions of PPARs prepared for 19 projects in 1982. These projects resulted in a total investment of \$800 million, of which Bank loans accounted for \$285 million or about 36 per cent. Thirteen projects (about 68 per cent) were judged to have achieved the objectives set at the time of appraisals, while the other six projects (about 32 per cent) only partly achieved their intended objectives. The Fifth Review also incorporated a summary analysis of 60 PERs (out of 81 which had been prepared by end of 1982) in eight sectors or subsectors — agro-industry, irrigation, fisheries, highways, ports, water supply, energy and DFIs. Major physical accomplishments of these projects were summarized, common sectoral issues identified and the strengths and weaknesses of Bank involvement in the various sectors and subsectors discussed.

During the year, the PEO updated the Concordance, a document with cross-references based on findings and conclusions of individual PPARs arranged by topical headings. The revised document, issued to Bank staff in June, is intended to facilitate timely dissemination of evaluation findings and lessons that can contribute to improvements in the design and implementation of ongoing and future Bank-supported projects.

The Board of Directors, through its Audit Committee, continued to monitor PEO's work program and effectiveness. During 1983, the Committee discussed eight post-evaluation studies of specific projects and the completed Special Study. The Committee submitted its annual report to the Board in June and expressed satisfaction with the operations of PEO and the standard of its reports.

TWO WOMEN proceeding to work on farms alongside an irrigation canal in the Far Western region of Nepal where the Bank-financed Hill Irrigation Project is helping to boost agricultural production and raise the incomes of local farmers.



Technical Assistance and Regional Activities

During 1983, the Bank provided \$25.3 million in technical assistance, including technical assistance for regional activities, for 107 projects compared with \$18 million for 80 projects in 1982, representing an increase of 34 per cent in number and 40 per cent in amount. Of this, \$19.6 million was for project preparatory and advisory/operational technical assistance for 77 projects in 19 DMCs compared with \$15.5 million for 56 projects in 12 DMCs in 1982.

About 40 per cent of the increase in the number and almost half the increase in the amount of technical assistance projects approved during the year were related to regional activities, for which grants rose from \$2.5 million for 24 projects in 1982 to \$5.7 million for 30 projects in 1983.

Technical Assistance for DMCs

Technical assistance is an important area of Bank activity. Technical assistance operations facilitate the transfer of resources to DMCs by enabling them to improve their capabilities to formulate, design, implement and operate development projects as well as to make effective use of available external project financing, either from the Bank or other sources.

In recent years, roughly 40 per cent of the Bank's total technical assistance has been for project preparation, 45 per cent for advisory and operational purposes and the remaining 15 per cent for regional activities.

During 1983, project preparatory technical assistance amounted to \$9.7 million for 50 projects, while advisory and operational technical assistance amounted to \$9.9 million for 28 projects.¹ These amounts included technical assistance grant components amounting to \$3.6 million incorporated in 14 Bank loans, of which \$0.75 million was for project preparation and \$2.8 million for advisory and operational, including implementation, purposes.

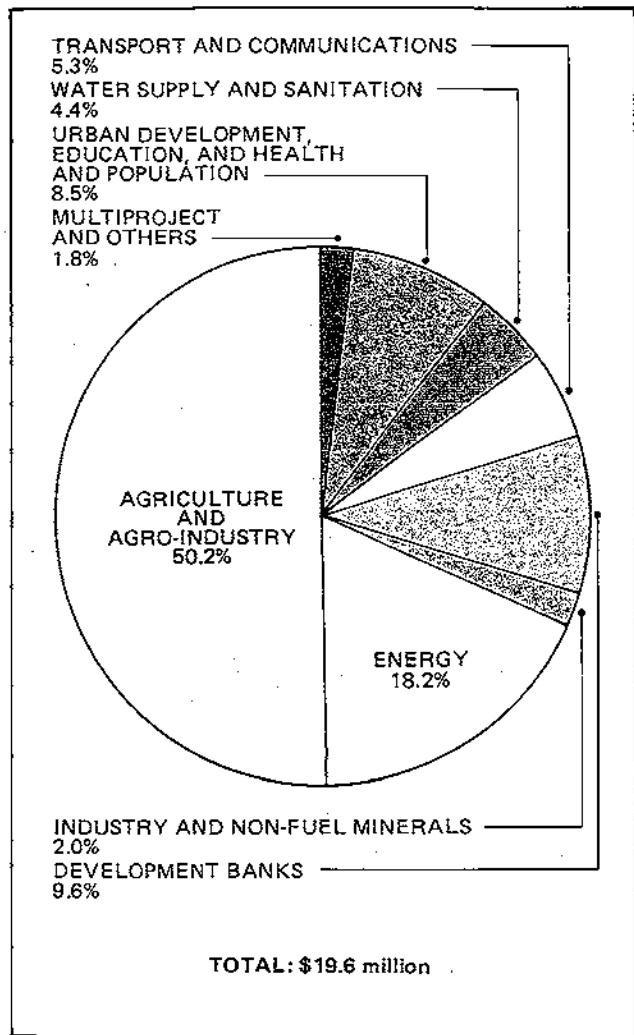
Technical assistance grants are financed mainly from the Bank's Technical Assistance Special Fund (see page 81). In addition, the Bank acts as Executing Agency for technical assistance projects financed from other sources, both multilateral and bilateral, such as UNDP and the Government of Switzerland. 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 1983, 14 technical assistance projects amounting to \$8 million were wholly or partly financed from other sources with the Bank acting as Executing Agency. These comprised six projects for \$5.4 million from UNDP, seven projects for \$2.4 million from the Government of Switzerland and one project for \$248,000 from EEC. In addition, six projects received assistance from FAO on a cost-sharing basis.

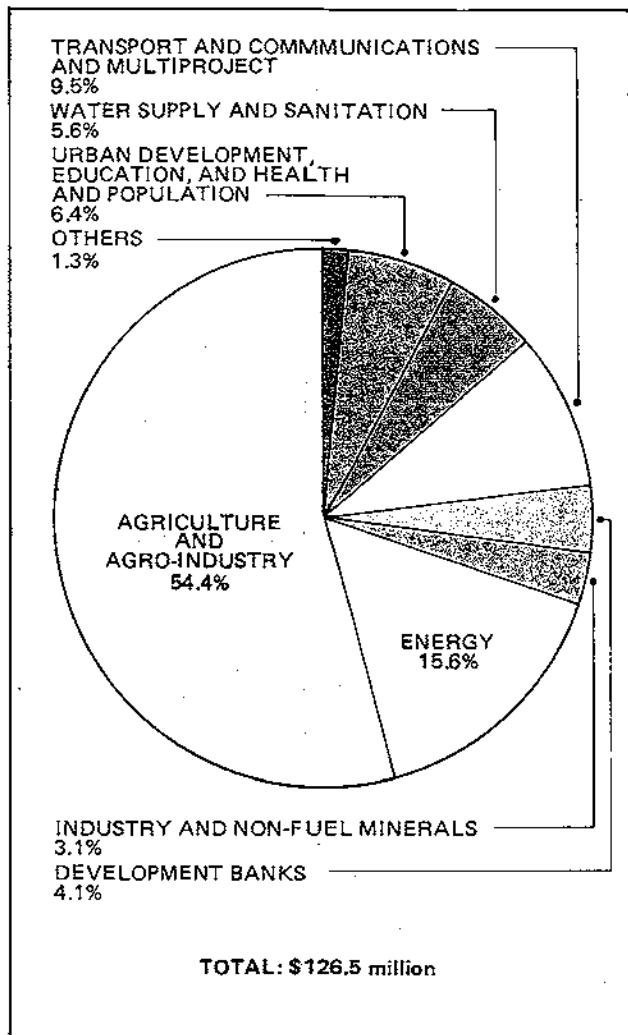
Nineteen DMCs received project preparatory and advisory and operational technical assistance from the Bank in 1983. This amounted to \$19.6 million for 77 projects. Technical assistance provided to South Pacific DMCs during the year

¹ One technical assistance project was for both project preparatory and advisory and operational purposes.

TECHNICAL ASSISTANCE APPROVALS
BY SECTOR, 1983



TECHNICAL ASSISTANCE APPROVALS
BY SECTOR, 1967-1983



amounted to \$2.8 million for 16 projects compared with \$1.2 million for seven projects in 1982.

On a sectoral basis, 50.2 per cent of the total amount of technical assistance to DMCs approved in 1983 was for Agriculture and Agro-Industry compared with 51.8 per cent in 1982. Technical assistance in this sector covered, among other things, irrigation, agricultural credit, rural development, forestry, livestock, fisheries, smallholder agriculture, aquaculture, integrated area development, foodgrain storage and cotton development. About 18.2 per cent was provided to the Energy sector, mainly to cover rural electrification and mini-hydropower development, 9.6 per cent to Development Banks, 5.3 per cent to the Transport and Communications sector and the rest to Industry and Non-Fuel Minerals and Social Infrastructure.

The importance of technical assistance to the Bank's lending program is underscored by the fact that by the end of 1983 a total of 259 Bank loans amounting to \$5,637 million

had resulted from earlier technical assistance amounting to \$71.6 million provided by the Bank. In 1983 alone, 30 loans amounting to \$1,079 million resulted from earlier technical assistance. Of this, \$639.2 million was from OCR and \$440 million from SF, representing 54 per cent and 62.5 per cent, respectively, of total loan approvals from each of these sources in 1983. The importance of technical assistance is highlighted further by the fact that those DMCs which are fully eligible for SF lending received \$12.6 million for 43 projects during the year compared with \$8.1 million for 22 projects in 1982.

Forty-seven technical assistance projects, mostly approved in previous years, were completed in 1983, 39 for project preparation and eight for advisory and operational purposes, bringing the total number of technical assistance projects completed to 377. The total amount of technical assistance grants provided to DMCs, including regional activities, as of the end of 1983 stood at \$147.3 million.

TECHNICAL ASSISTANCE APPROVALS, 1983
(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
BANGLADESH		
Secondary Schools Science Education	150.0	—
Second Natural Gas Development	348.0	—
Third Crop Intensification Program	49.7	—
Institutional Assessment of BSRS/BSB	—	1,500.0 ^a
Second District Towns Water Supply	520.0 ^a	—
Ganges-Kobadak Irrigation Rehabilitation	—	1,400.0 ^a
Management of Medical Supplies	—	210.0 ^a
Third Five-Year Plan Framework Studies on Land Use and Rural Employment	158.0	90.0
Second Community Forestry	150.0 ^b	—
BHUTAN		
Multiproject	—	145.0
Urban Centers Water Supply and Sanitation	150.0	—
Royal Institute of Management	45.0	—
Project Planning and Implementation	—	210.0
Irrigation Rehabilitation	298.0 ^c	—
BURMA		
Rangoon Water Distribution	45.0	—
Myanma Agricultural Bank and for Agricultural Mechanization	—	1,850.0 ^d
FIJI		
Review of the Role and Function of Fiji Development Bank	—	100.0
Experimental Study on Sail-Motor Propulsion	—	250.0
Rural Electrification Study	200.0	—
Agricultural Development	50.0	—
Suva Shipyard Improvement Study	215.0	—
INDONESIA		
Nucleus Estate and Smallholder	150.0 ^e	—
PBME for Institution Building	—	180.0
Second Kalimantan Livestock Development	250.0	—
Rural and Renewable Energy Development Study in Kallmantan	—	450.0
University of Sriwijaya	200.0	—
Fisheries Infrastructure Development	237.0	—
Fruit and Vegetable Production and Marketing	200.0 ^f	—
West Nusa Tenggara Irrigation Study	150.0	—
Land Resource Evaluation and Planning	248.0	—
Health and Population	250.0	—
Forestry Development	248.0	—
Dieng Geothermal	150.0	—
West Java Urban Development Sector	250.0	—
KIRIBATI		
Betio Shipyard Improvement	225.0	—
National Loans Board	—	150.0
KOREA, REPUBLIC OF		
Vocational Training	100.0	—
Third Coal Development	195.0	—
LAO PDR		
Second Forestry Development	50.0	—
MALAYSIA		
Pahang State Small-Scale Hydroelectric Development Study	350.0	—
Urban Development Sector Profile	50.0	—
Energy Sector Coordination	—	250.0

a To be financed by UNDP, with the Bank acting as Executing Agency.

b In addition, FAO will provide \$65,000 under a cost-sharing arrangement.

c To be financed by the Government of Switzerland, with the Bank acting as Executing Agency.

d Of this, \$1.5 million is to be financed by UNDP, with the Bank acting as Executing Agency.

e In addition, FAO will provide \$64,000 under a cost-sharing arrangement.

f In addition, FAO will provide \$86,000 under a cost-sharing arrangement.

Country/Project	Project Preparatory	Advisory and Operational
NEPAL		
Rural Water Supply and Sanitation	150.0	—
Rural Cooperatives	250.0 ^g	—
Hill Forest Development	—	250.0
Technical Schools	150.0	—
Eastern Terai Irrigation	560.0 ^g	—
Second Feeder Roads Improvement	150.0	—
Hill Agriculture Development	230.0 ^h	—
PAKISTAN		
KESC-SITE Combined Cycle Power	50.0	—
Second Health and Population	50.0	—
South Rohri On-Farm Water Management	—	400.0 ^g
Small Dams	390.0 ^g	—
Foodgrain Storage	—	150.0
PAPUA NEW GUINEA		
Institutional Study of the PNG Electricity Commission	—	250.0
PHILIPPINES		
Industrial Tree Plantation	249.0	—
Agricultural Education	215.0	—
Highland Agricultural Development	225.0 ⁱ	—
Policy and Institutional Review of Planning and Management of Industrial Estates and Export Processing Zones	—	400.0
Laguna de Bay Environmental Reassessment	—	150.0
Mindanao Irrigation Study IV	150.0	—
Program Loan for Agricultural Sector	48.4 ^j	—
SOLOMON ISLANDS		
Guadalcanal Road	197.0	—
Power Development Study	150.0	—
Agricultural Development	—	90.0
Second Fisheries Development	200.0	—
SRI LANKA		
Walawe Irrigation Rehabilitation and Improvement	248.0 ^k	—
Energy Planning Support	—	80.0
Trincomalee Thermal Power	150.0	—
Secondary Towns Power Distribution	250.0	—
THAILAND		
Industrial Energy Audits and Conservation Program	—	400.0
Fisheries Sector Study	—	150.0
Agricultural Credit	—	100.0
TONGA		
Tonga Development Bank	—	135.0
VANUATU		
Agricultural Extension and Training	—	265.0
Energy Planning and Institutional Support	—	148.0
WESTERN SAMOA		
Energy Planning and Institutional Support	—	148.0
TOTAL	9,744.1	9,901.0

^g To be financed by the Government of Switzerland, with the Bank acting as Executing Agency.

^h In addition, FAO will provide \$99,000 under a cost-sharing arrangement.

ⁱ In addition, FAO will provide \$85,000 under a cost-sharing arrangement.

^j In addition, FAO will provide \$18,150 under a cost-sharing arrangement.

^k To be financed by EEC, with the Bank acting as Executing Agency.

Regional Activities

Study of the Bank's Role in the South Pacific Developing Member Countries (SPDMCs)^a in the 1980s: A Study of the Bank's Role in the South Pacific Developing Member Countries (SPDMCs) In the 1980s was conducted between June and October primarily by Bank staff with the assistance of an individual consultant. The Study was undertaken in response to suggestions made by the Board of Directors and was also a follow-up of the Study of the Bank's Operational Priorities and

Plans for the 1980s which was completed in October 1982. Based on a detailed review of the special characteristics of the SPDMCs, the Study found that the Bank's past operational framework remained largely valid. For the future, the Study made various recommendations so as to enable Bank operations to respond better to the needs and circumstances of the SPDMCs and to improve the efficiency of such operations both for the Bank and the SPDMCs. The Study also recommended establishing a modest-sized Regional Office with appropriate delegation of authority. The findings and conclusions of this Study were taken into account in a Board review of Bank operations in the SPDMCs.

^a Cook Islands, Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Vanuatu and Western Samoa.

TECHNICAL ASSISTANCE BY COUNTRY AND REGIONAL ACTIVITIES, 1982, 1983, 1967-1983
(amounts in \$ thousand)

Country	No.	1982			%
		Bank Financing	Other Sources	Total	
Afghanistan, Dem. Rep. of	—	—	—	—	—
Bangladesh	7	2,084.00	1,791.00	3,875.00	21.47
Bhutan	—	—	—	—	—
Burma	3	740.00	650.00	1,390.00	7.70
Cambodia	—	—	—	—	—
China, Republic of	—	—	—	—	—
Cook Islands	—	—	—	—	—
Fiji	—	—	—	—	—
Indonesia	12	1,637.00	430.00	2,067.00	11.46
Kiribati	—	—	—	—	—
Korea, Republic of	2	325.00	—	325.00	1.80
Lao People's Democratic Republic	—	—	—	—	—
Malaysia	1	150.00	—	150.00	0.83
Maldives	—	—	—	—	—
Nepal	4	250.00	1,370.00	1,620.00	8.98
Pakistan	4	625.00	—	625.00	3.46
Papua New Guinea	3	650.00	—	650.00	3.60
Philippines	11	2,411.00	360.00 ^b	2,761.00	15.30
Singapore	—	—	—	—	—
Solomon Islands	2	350.00	—	350.00	1.94
Sri Lanka, Dem. Soc. Rep. of	—	—	—	—	—
Thailand	5	600.00	880.00	1,480.00	8.20
Tonga	—	—	—	—	—
Vanuatu	2	240.00	—	240.00	1.33
Viet Nam, Socialist Republic of	—	—	—	—	—
Western Samoa	—	—	—	—	—
Sub-Total	56	10,062.00	5,471.00	15,533.00	86.07
Regional	24	2,513.30	—	2,513.30	13.93
TOTAL	80	12,575.30	5,471.00	18,046.30	100.00

^a Adjusted to include additional UNDP financing of \$37,490 for the Forestry Development Project (Lao PDR) which was approved in 1978.

^b EEC financing of the Sorsogon Integrated Area Development Project was approved in 1983 in place of Bank financing approved in 1982.

mediately prior to the Annual Meeting of the Board of Governors. Fifteen world-renowned speakers addressed over 700 participants on various aspects of development in Asia. The Symposium was chaired by Professor John P. Lewis of Princeton University.

ADB Development Round Table: "Financial Policies and External Debt Management" was the theme of the first ADB Development Round Table (DRT) which was convened at the Bank's Headquarters from 1 to 12 August. The DRT, for which the Bank provided \$100,000, was attended by 17 participants from nine developing member countries, as well as one participant each from Canada, Japan and United States. It was addressed by ten eminent speakers who also discussed policy issues and problems related to finance and external debt.

Workshop/Conference on Project Benefit Monitoring and Evaluation (PBME): The Workshop/Conference, held in November, was intended to enhance the capabilities of executing agencies to formulate and implement PBME. Participants in the Workshop/Conference, for which the Bank approved \$150,000, included 29 senior officials, managers and monitoring and evaluation specialists from 11 DMCs. The Workshop helped promote a basic understanding and strong motivation necessary for the effective implementation of PBME at the project and subsector level. It also laid the groundwork for pilot activities to be undertaken in several DMCs to formulate PBME methodologies suited to various subsectors and administrative environments.

Study of Food Demand and Supply and Related Strategies for DMCs: The Bank provided \$248,000 in technical assistance for a regional study to project the demand, pro-

No.	1983			%	1967-1983		
	Bank Financing	Other Sources	Total		No.	Total	Amount
—	—	—	—	—	15	2,465.70	1.67
9	945.70	3,630.00	4,575.70	18.06	65	24,919.82	16.92
5	550.00	298.00	848.00	3.35	5	848.00	0.58
2	395.00	1,500.00	1,895.00	7.48	28	7,576.00	5.14
—	—	—	—	—	2	111.00	0.08
—	—	—	—	—	1	100.00	0.07
—	—	—	—	—	2	181.00	0.11
5	815.00	—	815.00	3.22	10	1,304.00	0.88
13	2,963.00	—	2,963.00	11.70	90	17,399.52	11.81
2	375.00	—	375.00	1.48	4	550.00	0.37
2	295.00	—	295.00	1.16	22	3,647.30	2.48
1	50.00	—	50.00	0.20	18	4,639.78 ^a	3.15
3	650.00	—	650.00	2.57	15	3,037.00	2.06
—	—	—	—	—	2	268.00	0.18
7	930.00	810.00	1,740.00	6.87	58	20,040.70	13.61
5	250.00	790.00	1,040.00	4.11	30	5,725.00	3.89
1	250.00	—	250.00	0.99	16	2,414.60	1.64
7	1,437.40	—	1,437.40	5.68	58	12,290.40	8.34
—	—	—	—	—	2	577.42	0.39
4	637.00	—	637.00	2.51	17	2,383.34	1.62
4	480.00	248.00	728.00	2.87	33	5,015.50	3.40
3	650.00	—	650.00	2.57	25	6,363.10	4.32
1	135.00	—	135.00	0.53	8	1,085.00	0.74
2	413.00	—	413.00	1.63	4	653.00	0.44
—	—	—	—	—	11	1,110.60	0.75
1	148.00	—	148.00	0.58	16	1,780.50	1.21
77	12,369.10	7,276.00	19,645.10	77.56	557	126,466.28	85.85
30	4,932.90	750.00	5,682.90	22.44	139	20,837.23	14.15
107	17,302.00	8,026.00	25,328.00	100.00	696	147,303.51	100.00

duction prospects and supply balances for food in selected DMCs. The Study, to be carried out by the International Food Policy Research Institute in collaboration with the International Rice Research Institute, will develop suitable approaches and methodologies for undertaking more detailed analyses and assessment of food demand and supply prospects and formulating optimal strategies for meeting consumption demands, including identification of irrigation and infrastructure development and diversification requirements.

The Study will consist of three parts: (i) projection of demand, production and supply balances of food in selected DMCs; (ii) determination of optimal development strategy, in the first instance, for the Philippines; and (iii) development of a prototype assessment methodology for use in other countries.

The assessment will principally cover grains — rice, wheat, corn, other cereals and pulses. Other important food commodities such as meat, fish, sugar, and fats and oils will be

1983 LOANS THAT RESULTED FROM EARLIER BANK TECHNICAL ASSISTANCE
(amounts in \$ million)

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Costs ^a	Amount of Bank Financing			Amount of Co-Financing	Amount of Government Financing
				OCR	SF	Total		
BANGLADESH								
Power Transmission and Distribution	1982	0.050	126.28	—	82.00	82.00	—	44.28
Third Crop Intensification Program	1983	0.0497	—	—	70.00	70.00	—	7.30
Health and Family Planning Services	1980	0.134	34.73	—	27.50	27.50	0.21	7.02
Ganges-Kobadak Irrigation Rehabilitation	1982	0.491 ^b	49.30	—	37.00	37.00	1.40	10.90
BURMA								
Rangoon Prome-Road Improvement	1980	0.095 ^c	61.30	—	27.00	27.00	—	34.30
Rangoon General Hospital	1982	0.150	55.81	—	44.60	44.60	4.00 ^d	11.21
INDONESIA								
Small Towns Urban Development Sector	1981	0.180 ^e	—	36.70	—	36.70	—	29.10
Second Irrigation Package	1980 ^f	—	87.00	52.00	—	52.00	—	36.00
Second Irrigation Sector	1980 ^f	5.850 ^g	—	85.00	—	85.00	25.00	85.00
West Nusa Tenggara Irrigation Study	1980 ^f	—	5.50	3.45 ^h	—	3.45	—	1.90
Geological and Mineral Survey	1980	0.235	68.85	46.00	—	46.00	—	22.85
Agricultural Education	1982	0.238	120.00	68.00	—	68.00	—	52.00
KOREA, REPUBLIC OF								
Small Towns Water Supply Sector	1981	0.250 ⁱ	—	60.00	—	60.00	—	73.00
Second Sewage Treatment	(1977 (1979)	0.089 3.600 ^j	216.57	62.80	—	62.80	—	123.12
LAO, PDR								
Vientiane Plain Rural Electrification (Phase II)	1978	0.140	8.47	—	6.30	6.30	—	2.17
Vientiane Plain Road Improvement	1979	0.150	9.47	—	8.00	8.00	—	1.47

covered for the analysis of food consumption trends and nutritional requirements.

Study of Capital Markets in Selected DMCs: The Bank provided \$245,000 for a Study on capital market development in six selected DMCs, namely, Indonesia, Republic of Korea, Pakistan, Philippines, Sri Lanka and Thailand. The Study will review the current status of capital markets in the selected DMCs; identify the direction and strategy for future develop-

ment of such markets, including appropriate actions to be undertaken by the DMCs concerned; explore the areas in which the Bank can effectively assist capital market development in these DMCs and recommend specific measures to be taken in this respect. The Study will address both security markets and non-security markets, where medium and long-term capital is mobilized. The recent economic difficulties and resource constraints encountered by many DMCs, resulting largely from a slowdown of external capital

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Costs ^a	Amount of Bank Financing			Amount of Co-Financing	Amount of Government Financing
				OCR	SF	Total		
NEPAL								
Hill Forest Development	1982	0.150	19.23	—	16.70	16.70	1.40	1.13
Feeder Roads	1981	0.250 ^b	22.20	—	17.50 ^f	17.50	—	4.55
Fifth Power	1982	0.050	26.30	—	20.00	20.00	—	5.70
PAKISTAN								
Foodgrain Storage	1982	0.050	53.50	—	41.90	41.90	—	11.60
PAPUA NEW GUINEA								
Third Road Improvement	1981	0.179	23.17	13.00	—	13.00	—	6.40
Cape Rodney Smallholder Development	1982	0.190	24.30	—	15.00	15.00	—	9.30
PHILIPPINES								
Irrigation Sector Loan I	1979	1.700 ^e	—	67.40	—	67.40	—	44.90
Forestry Development	1982	0.245	43.90	34.00	—	34.00	—	9.90
Aquaculture Development	1982	0.215	36.40	21.84	—	21.84	—	9.46
SOLOMON ISLANDS								
Agricultural Development	(1981 1982 1982)	0.150 0.200 0.150	17.15	—	7.75	7.75	7.00	2.40
SRI LANKA								
Aquaculture Development	1981	0.105	21.62	—	17.27	17.27	—	1.37
THAILAND								
Mineral Resources Development	1980	0.165	63.72	39.00	—	39.00	7.07	17.65
Agricultural Credit	1982	0.050	142.10	50.00	—	50.00	17.00	— ^h
VANUATU								
Agricultural Extension and Training	1982	0.140	3.88	—	1.10	1.10	2.00	0.78
TOTAL		15.691	1,340.75	639.19	439.62	1,078.81	65.08	665.76

a. Excludes total costs of program and sector loans.

b. Of this, \$341,000 was financed by UNDP with the Bank acting as Executing Agency.

c. Financed by UNDP, with the Bank acting as Executing Agency.

d. Proposed for co-financing with Government of Finland and in the event such co-financing materializes, Bank loan amount will be adjusted accordingly.

e. Includes Technical Assistance loan.

f. In addition, Bank will finance \$150,000 on a grant basis.

g. Financed by the Government of Switzerland, with the Bank acting as Executing Agency.

h. No Government financing; however, the Bank for Agriculture & Agricultural Cooperatives (BAAC) will meet the local currency cost of \$37 million.

**TECHNICAL ASSISTANCE APPROVALS, 1983
FUNDED FROM OTHER SOURCES**
(amounts in \$ thousand)

Agency	No. of Projects	Amount
United Nations Development Programme	6	5,380.0
Switzerland	7	2,398.0
European Economic Community	1	248.0
Food and Agriculture Organization ^a	6	417.2
TOTAL	20	8,443.2

a Under cost-sharing arrangement.

flows and heavy debt service burden, underscore the need for the DMCs to make additional efforts to mobilize domestic resources in order to finance their future development activities. The Study is conceived as an integral part of the Bank's efforts to promote the flows of resources available to the DMCs, particularly with a view to fostering the development of their private sectors.

ASEAN Coal Development Study: The Bank provided \$450,000 for a Study to: (I) estimate the levels of production, utilization and trade in coal up to the year 2000; (II) identify the facilities needed such as new coal mines and associated infrastructure; (III) outline investment requirements, engineering studies and other pre-investment activities, together with their timing and costs for developing the necessary facilities; (IV) identify policy and institutional improvements to promote and sustain the anticipated development; (V) assess the manpower needs; (VI) identify areas for cooperative action among DMCs; and (VII) assess the environmental aspects of development of the coal sector in ASEAN member countries. The Bank will be the administrator of the technical assistance and will implement the Study.

During 1983, the Bank also approved several other regional activities, including training programs and seminars (see table on page 71).

TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1982, 1983, 1967-1983
(amounts in \$ thousand)

Sector	1982			1983			1967-1983		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	28	8,041.00	51.77	34	9,864.10	50.21	274	68,736.52 ^b	54.35
Agriculture	23	7,324.00	47.15	33	9,714.10	49.45	243	63,927.11	50.55
Agro-Industry	5	717.00	4.62	1	150.00	0.76	31	4,809.41	3.80
Energy	10	4,465.00	28.74	16	3,569.00	18.17	73	19,697.84	15.58
Industry and Non-Fuel Minerals	1	244.00	1.57	1	400.00	2.04	21	3,941.90	3.12
Development Banks	2 ^c	310.00	2.00	4	1,885.00	9.59	28	5,212.60	4.12
Transport and Communications	5	785.00	5.05	5	1,037.00	5.28	66	11,776.30	9.31
Water Supply and Sanitation	6	1,200.00	7.73	4	865.00	4.40	36	7,064.50	5.59
Urban Development	1	50.00	0.32	2	300.00	1.53	8	1,929.00	1.53
Education	1	238.00	1.53	6	860.00	4.38	25	4,376.92	3.46
Health and Population	2	200.00	1.29	3	510.00	2.59	11	1,784.00	1.41
Multiproject	—	—	—	1	145.00	0.74	3	285.00	0.22
Others	—	—	—	1	210.00	1.07	11	1,661.70	1.31
TOTAL	56	15,533.00	100.00	77	19,645.10	100.00	557	126,466.28	100.00

a Adjusted to include additional UNDP financing of \$37,490 for the Forestry Development Project (Lao PDR) which was approved in 1978.

Operational and Financial Policies

During 1983, the Board of Directors considered several new operational policies and reviewed a number of financial and other operational policies.

In the wake of the 1982 *Study of the Bank's Operational Priorities and Plans for the 1980s*, the Board of Directors during the year reviewed Bank policies relating to Arrangements for Lending from the Asian Development Fund, the Bank's Role in Agriculture and Rural Development, Program Lending, Lending Foreign Exchange for Local Currency Expenditures on Projects, Financing of Interest and Other Charges During Construction, Special Assistance to Selected Bank-Financed Projects and Supplementary Financing of Cost Overruns on Bank-Financed Projects.

On the recommendation of the Board of Directors, the Board of Governors resolved that the Bank could commence equity investment operations in its DMCs to catalyze the flow of funds to private enterprises.

Greater emphasis on loan administration and post-evaluation of Bank-financed projects was reflected in the adoption by the Board of various measures designed to streamline loan administration procedures and its consideration of the activities and procedures of the Post-Evaluation Office.

On the resources side, the Board completed a detailed review of the Bank's future resource requirements for ordinary operations and submitted to the Board of Governors for approval a Report and draft Resolution regarding the Bank's third General Capital Increase. A comprehensive review of the Bank's financial policies was undertaken by the Board in October.

In addition, several other operational and financial policy issues were considered by the Board in 1983, including the borrowing program for 1983, review of the lending rate, a proposal to undertake borrowings involving currency liability swap transactions and review of the Technical Assistance Special Fund.

Review of Arrangements for Lending from the Asian Development Fund

In September, the Board reviewed arrangements for lending from the Asian Development Fund (ADF) for the ADF IV period, 1983-86. The review reaffirmed the policy of determining a DMC's eligibility for access to ADF assistance based on country economic considerations — primarily per capita GNP and debt repayment capacity. Special consideration will be given to certain island DMCs in the South Pacific in determining their eligibility for ADF loans. On the basis of these eligibility criteria, the classification of DMCs into three groups remains unchanged as follows:

Group A — Afghanistan, Bangladesh, Bhutan, Burma, Cambodia, Cook Islands, Kiribati, Lao PDR, Maldives, Nepal, Pakistan, Solomon Islands, Sri Lanka, Tonga, Vanuatu, 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.

The Bank decided to classify Bhutan and Vanuatu — two new member countries — as Group A countries. In the case of Bhutan, this decision was based on the country's extremely low level of per capita GNP and limited debt repayment capacity, while Vanuatu received the special consideration accorded to similar South Pacific Island DMCs. Based on country criteria, India would be classified as a Group A country. However, it is not seeking ADF financing during the ADF IV period.

Group A countries will be fully eligible for ADF loans. Additionally, some Group A countries — mainly non-least developed countries (LLDCs), including Pakistan — may be provided with a blend of modest amounts of OCR loans if their needs for development financing are greater than can reasonably be provided from ADF resources and if the countries have the capacity to absorb such modest amounts of OCR loans.

Because of the relative scarcity of ADF resources, Groups B and C countries will not have access to ADF funds except for Papua New Guinea, which, as a Group B country, will be provided modest amounts of ADF resources in such a manner as to achieve hard blend financing.

Review of the Bank's Role in Agriculture and Rural Development

In the context of a reassessment of sectoral performance since 1976 and a review of future development needs in the 1980s, the Board approved several new recommendations relating to agriculture and rural development. It also reemphasized the importance and continuity of existing policy objectives as established following the Bank's Second Asian Agricultural Survey. In particular, attention must be paid to the fact that the gap between the Bank's least developed and its other DMCs has been widening, and that within many DMCs the poor have become poorer and more numerous. Similarly, the worsening energy situation and the deterioration of environmental conditions require definite shifts in emphasis. The relevant policy paper on the Bank's Role in Agriculture and Rural Development reconfirmed the following priority areas for Bank action in its future operations: (i) accelerating and sustaining agricultural production and growth; (ii) ensuring participation of small farmers in production and income expansion; (iii) providing employment for the rural workforce; (iv) increasing foreign exchange earnings and savings; (v) meeting essential energy needs; (vi) optimizing land use and environmental protection; and (vii) strengthening intersectoral linkages.

In view of the wide economic diversity among DMCs, no single strategy fits all country situations and needs. The Bank's operational strategy in a particular DMC must take into account the country's overall strategy and policy framework as well as development assistance activities of other donors. Therefore, in order to tailor agriculture and rural development programs to particular DMC development needs, it is essential to develop country-specific operational strategies in the context of DMC sector planning. Sector planning in DMCs will be carried out in close consultation with other donor agencies. Also, Agriculture sector strategy

studies (or similar in-depth studies) provide the basis for conducting a high-level policy dialogue which can lead to meaningful decisions on subsectors and types of projects/programs which the Bank will emphasize in its operations.

Many DMCs suffer from manpower and staff deficiencies, weak organizational structures and limited experience in the implementation of donor-assisted projects. In view of this, the Bank will endeavor to design and implement projects which take into consideration the following guiding principles: (I) consultation and participation of beneficiaries in project design and implementation; (II) clear and simple implementation arrangements; (III) flexibility in design; (IV) project benefit monitoring and evaluation; and (V) constant monitoring and follow-up of agriculture and rural development projects by Bank staff. The aim of implementation arrangements is to ensure that project benefits are realized and that the capacity for self-sustaining development is enhanced.

Review of Program Lending Policies

In March, the Board reviewed and modified the Bank's program lending policies with a view to enhancing the impact of such lending. Under the revised policy, a program loan will finance importation of production inputs, spare parts and balancing or modernizing equipment needed to achieve fuller

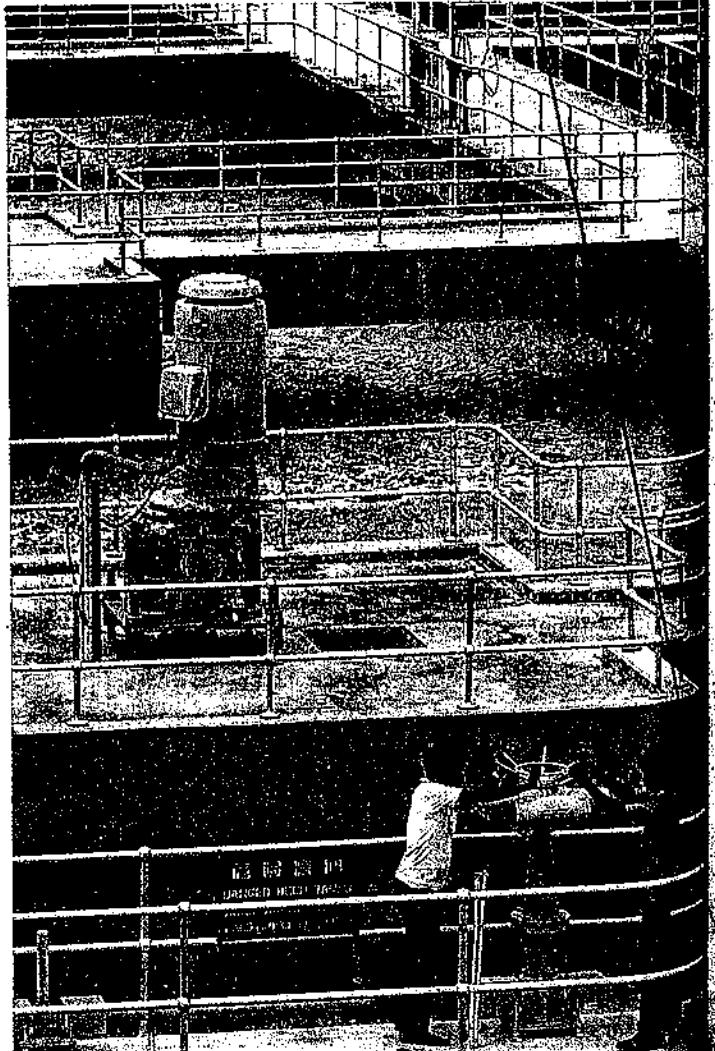
capacity utilization, rationalization or modernization in a key sector or subsector as a whole. Prerequisites for a program loan are the formulation of a sector development program, compatibility of such a loan with the activities of the IMF in the country and a policy dialogue with the government or the sector authority concerned. If needed, the Bank will provide technical assistance for formulating sector or subsector programs and institution building.

The country ceiling for program lending was raised from 10 to 20 per cent of the Bank's anticipated annual lending to a country. Moreover, in justifiable cases, the amount of program lending to a country in a particular year may exceed the ceiling by up to 20 per cent of the anticipated lending to the country in the following year, subject to appropriate reduction of such lending in the following two years. The overall ceiling for program lending was also raised from 5 to 7.5 per cent of the total Bank lending in any one year.

Standard ADF terms (viz., 40 years repayment period including ten years grace) will now be applied to program loans made from ADF resources, while the terms of program loans from ordinary capital resources (OCR) will remain unchanged at 15 years maturity with three years grace period.

The period of program financing will be more flexibly determined, but normally will be three to five years. Project-type elements included in a program loan will be eligible for local cost financing where such financing is appropriate. Performance of a program loan in relation to long-term sector/subsector development objectives will be monitored over a longer time frame than the period of program support.

PUMPING station (left) and aeration tanks (right) form part of the Bedok Sewage Treatment Plant in Singapore where a \$15.1 million Bank loan has helped expand and improve the treatment system for new town development along the east coast.



Review of Bank's Policy on Lending Foreign Exchange for Local Currency Expenditures on Projects

The policy on local cost financing (LCF) was reviewed in March. The Board decided that LCF may be provided to all DMCs except Hong Kong and Singapore and for projects in all sectors except manufacturing projects and subprojects in DFI loans. Under the new policy, the amount of LCF will be the excess (if any) of the loan amount for a project over the latter's foreign exchange cost. The loan amount for a project is determined primarily on country considerations and normally will not exceed the amount corresponding to the standard percentage limit determined for each of the country groups, namely, 80 per cent of the total project cost for a Group A country, 60 per cent for a Group B country and 40 per cent for a Group C country (see page 57).

These standard percentage limits will not be automatically applied, the actual percentage of Bank financing being determined case by case based on both country and project considerations. In exceptional cases (e.g., in the financing of rural community development projects aimed at employment creation), the Bank may finance a percentage of the total project cost higher than the applicable standard percentage limit. When a substantial amount of co-financing is involved in a project, a lower percentage of financing will normally be provided by the Bank, but this principle may be relaxed in justifiable cases involving the poorer DMCs. In any case, the Bank will be prepared to consider financing the entire foreign exchange cost of a project even if this would result in the standard percentage limit being exceeded.

In sector lending, the extent of Bank financing of the sub-projects will be guided by the standard percentage limit. For program lending, only project-type elements (e.g., provision for construction of warehouses and repair shops) will be eligible for LCF. In the financing of technical assistance as a separate project, whether by loan or grant, up to 15 per cent of Bank financing may be in LCF.

Review of Bank's Policy on Financing of Interest and Other Charges During Construction

The Board reviewed the Bank's policy on the financing of interest and other charges during construction (IDC) in August and approved certain revised policy guidelines. The policy revision was made in the light of the deterioration in economic performance and prospects in DMCs in recent years and with a view to making the IDC policy consistent with the Bank's recently revised local cost financing (LCF) policy.

Under the revised IDC policy, Bank financing of IDC may be provided for OCR as well as ADF loans. Consequently, the Bank's definition of "interest and other charges" for IDC financing includes interest and commitment charge on OCR loans and service charge on ADF loans (currently 1.0 per cent). As a result of the recently adopted LCF policy, IDC financing will be provided in accordance with the following guidelines:

- (a) If the total direct and indirect foreign exchange cost of the project, including IDC, is equal to or less than the standard percentage limit for the DMC concerned,

then within the total loan amount, the first financing priority is for the foreign exchange components, excluding IDC. The borrower should then have the choice of receiving the balance of the loan amount for IDC, LCF, or a combination of both. In such an event, no country or project justification is necessary for the financing of IDC.

- (b) If the total foreign exchange cost of the project, including IDC, is greater than the standard percentage limit for the DMC concerned, the Bank will be prepared to consider financing all foreign exchange costs, including IDC. However, the financing of IDC is not warranted if the balance of payments of the DMC shows a comfortable situation reflecting, among other things, a fairly continuous overall balance-of-payments surplus and a relatively low debt-service burden; and/or the amount of IDC in a project appears to be unusually large and could adversely affect or reduce Bank financing of other projects in the DMC concerned.

As under the previous policy, IDC will not be financed for loans to Development Finance Institutions (DFIs) since the new LCF policy will not apply to such loans. Financing of IDC can be provided for program loans, unless such financing is not warranted under the special cases mentioned in (b) above.

Special Assistance to Selected Bank-Financed Projects

In response to the domestic resource constraints in many DMCs, the Board early in the year adopted Special Assistance measures to speed up completion of certain ongoing Bank-financed projects held back by shortages of local funds (see page 25).

Review of Supplementary Financing of Cost Overruns of Bank-Financed Projects

The Board in November revised the Bank's policy on supplementary financing of cost overruns in order to assist its DMCs more effectively in their efforts to implement ongoing Bank-financed projects.

Under the revised policy, flexibility is introduced to enable the Bank to finance not only cost overruns in both foreign exchange and local costs but also cost overruns resulting from causes other than currency realignment and price increases. In considering supplementary financing, the Bank must be satisfied that such financing is warranted by the DMC's balance-of-payments position, that the government is making every reasonable effort to mobilize domestic resources, including government revenues, and that it is pursuing appropriate policies in allocating resources. Financing of cost overruns will be considered on a case-by-case basis after re-appraisal of the project concerned, taking full account of the following:

- (a) the review of each project should aim to establish the principal reasons for the cost overrun, including the identification of corrective actions taken or agreed to be taken;

- (b) the project remains a clearly viable priority in the government's development strategy;
- (c) the possibility of reducing the project scope or changing the design standards is found to be either undesirable or not feasible; and
- (d) the borrower has made a genuine but unsuccessful effort to find alternative financing on reasonable terms.

Financing of cost overruns will be considered on both foreign exchange (direct and indirect) and local cost expenditures of the project concerned. Where local cost financing is involved in a supplementary loan, the standard percentage limits introduced under the revised local cost financing (LCP) policy may be applied, as appropriate, to the revised total cost of the ongoing project. However, the actual level of supplementary loan to be provided for any particular project will be determined on a case-by-case basis. Where no local cost financing is involved in a supplementary loan, the Bank will be prepared to consider financing the entire foreign exchange cost (both direct and indirect) of the project. The Bank will also be prepared to consider using savings under the Bank loans to meet either foreign exchange or local cost overruns, even where there is no total project cost overrun.

The provision of a supplementary loan from the Bank's ordinary resources (OCR) or Special Funds resources would depend on the eligibility status of the DMC concerned for lending from the Asian Development Fund (ADF) prevailing

LABORERS building an irrigation canal at the Bank-financed Kirindi Oya Irrigation and Settlement Project in Sri Lanka which is designed to provide irrigation facilities and settle about 4,200 landless farm families in one of the country's dry regions.



at the time of processing such a loan. The interest and commitment charge on a supplementary loan, if financed from OCR resources, will be those prevailing at the time of supplementary loan approval. If financed from ADF resources, the supplementary loan will carry the standard service charge. Repayments of a supplementary loan from OCR resources will be synchronized with those of the original loan. For a supplementary loan financed from ADF resources, the standard ADF terms will apply.

In the case of co-financing, every effort will be made by the Bank and the government concerned towards reaching agreement with co-financing institutions to share supplementary financing proportionally among the original co-financiers.

Equity Investment Operations by the Bank

Based on the recommendation of the Board of Directors, the Board of Governors resolved in March that the Bank may commence and carry out operations involving investment of funds in the equity capital of institutions or enterprises operating in its DMCs.

The Bank's equity investments would be in productive enterprises in DMCs for specific projects, or DFIs or similar institutions, or in smaller enterprises through lines of equity extended to DFIs. The eligible enterprises should be in the private sector, but investment could also be undertaken in "mixed" enterprises in special circumstances, if such enterprises are substantially in private hands, privately managed and in a position to set product prices relatively freely. Equity assistance would be available for the establishment, expansion, diversification, modernization or improvement of eligible enterprises, as well as DFIs and similar institutions. The Bank will invest only in projects which have a high socio-economic priority and are potentially profitable.

The Bank may invest in ordinary or preferred shares as appropriate, and may decide or agree to underwrite share issues in an appropriate amount.

As a general rule, the Bank will not be the majority or the largest shareholder. The Bank will not seek a controlling interest in an assisted enterprise or institution, or assume a responsibility for managing it except where necessary to safeguard the Bank's investment. The Bank's participation will not normally exceed 20 per cent of the capital stock of the enterprise or institution assisted. The Bank will seek to use its equity investment funds in a revolving manner and generally endeavor to sell the investments in its portfolio at a fair price as soon as possible (for further details, see page 29).

Policies Under Consideration

Operational policies currently under review or expected to be reviewed in 1984 include those relating to Bank operations in the South Pacific DMCs,¹ credit lines to development finance institutions, co-financing with official sources, technical assistance operations, sector lending and domestic procurement. The introduction of measures to assist the private sector in DMCs, other than through equity investments, is also being considered by the Bank.

¹ It was decided in early 1984 to establish a regional office in Vanuatu.

Inter-Agency Cooperation

During 1983, the Bank continued to strengthen its links with those other major international organizations concerned with the social and economic progress of the Asia-Pacific region. Contacts were increased with, among others, the World Bank Group, the International Fund for Agricultural Development, the OPEC Fund for International Development, the United Nations Development Programme, the Food and Agriculture Organization and the European Economic Community.

Meeting of International Financial Institutions: In September, the President of the Bank attended a meeting of International Financial Institutions (IFIs) in Washington, D.C. The discussions focused on the development policy implications of the current financial difficulties faced by the institutions' member countries and what the institutions could do to facilitate the adjustment process and to increase resource flows to those countries.

World Bank Group: During the year, the Bank maintained close contact with the World Bank. At the fifth annual ADB-World Bank high-level coordination meeting, held in May at the Bank's Headquarters, overall policy matters of interest to both institutions were discussed.

Development Committee Meetings: The President of the Bank attended the Twenty-Second Development Committee Meeting in Washington, D.C., in September. The meeting discussed the need for, and dimensions of, a selective capital increase for the World Bank, the status of negotiations for the IDA VII replenishment, the continuing need to give priority on concessional flows to sub-Saharan African countries and the need for expanding flows of private investment to developing countries, including the plans for a capital increase for the International Finance Corporation (IFC). The Bank was also represented at the Twenty-First Meeting of the Committee in April.

International Fund for Agricultural Development: The Bank concluded a Cooperation Agreement with the International Fund for Agricultural Development (IFAD) in 1978. Since that time, one or more projects have been co-financed by the Bank and IFAD each year, while a number of projects have been prepared by the Bank for exclusive financing by IFAD. During 1983, arrangements were made to co-finance three more projects — in Indonesia, Solomon Islands and Tonga — with IFAD's contribution to be \$27.5 million. The number of co-financed loans with IFAD now totals 15 with IFAD's share amounting to \$174.7 million.

OPEC Fund for International Development: For the first time since the establishment of the OPEC Fund for International Development in 1976, there were no co-financing operations between the OPEC Fund and the Bank. Close contact was maintained, however, through visits to Fund Headquarters. The Bank was represented at the Donor Agencies Coordination Meeting, held in Vienna at the end of May, which devoted a special session to co-financing with commercial sources.

United Nations Development Programme: During 1983, the Bank and the United Nations Development Programme



BUFFALOES in a pen in Papua New Guinea, part of a 1,600-head herd being raised under the East Sepik Rural Development Project, which is expected to raise the annual production of fresh meat by 400 tonnes.

(UNDP) continued to cooperate closely for the provision of project preparatory and advisory services to DMCs. The Bank agreed to act as Executing Agency for six technical assistance projects, including one regional project, wholly or partly financed by UNDP amounting to \$5.4 million compared with six projects for \$4.3 million in 1982. UNDP assistance channelled through the Bank for the period 1978-83 was primarily for the least developed countries in the Bank's region. Bangladesh received \$9.5 million, or 30.3 per cent, of such assistance, while Nepal received \$11.26 million, or 36 per cent. Other beneficiaries were Burma, Indonesia, Lao PDR, Philippines and Thailand.

Economic and Social Commission for Asia and the Pacific: Research and policy coordination between the Bank and the Economic and Social Commission for Asia and the Pacific (ESCAP) continued in 1983 through written communications and exchange of visits by senior staff. Bank staff attended several important ESCAP meetings and seminars during the year, including the Thirty-Ninth Session of ESCAP in April, the Third Session of the ESCAP Committee on Population in August and the Second Econometric Modeling Seminar sponsored by ESCAP in September, all held in Bangkok.

Food and Agriculture Organization: Under revised Working Arrangements between the Bank and the Food and Agriculture Organization (FAO), it was agreed in 1983 that the FAO Investment Center would prepare six projects for the Bank. In each case, the Investment Center had special experience or competence qualifying it for this role over consulting firms, apart from the advantage to the Bank of cost-sharing under the Working Arrangements. The annual review of the cooperative program between the Bank and the Investment Center was held in October, while exchange of statistical and other data between the Bank and FAO also continued.

Aid Group Meetings: Bank representatives participated in the annual Aid Group Meetings organized by the World Bank for Bangladesh, Burma, Republic of Korea, Pakistan, Philippines and Sri Lanka. In addition, the Bank was also represented at the World Bank-coordinated meeting for Pakistan's sixth Five-Year Development Plan. The Bank also participated in the UNDP-organized Asia-Pacific Round Table Meeting of LDCs and their Development Partners, held in Geneva. It was also represented at the annual meeting of the Inter-Governmental Group on Indonesia (IGGI).

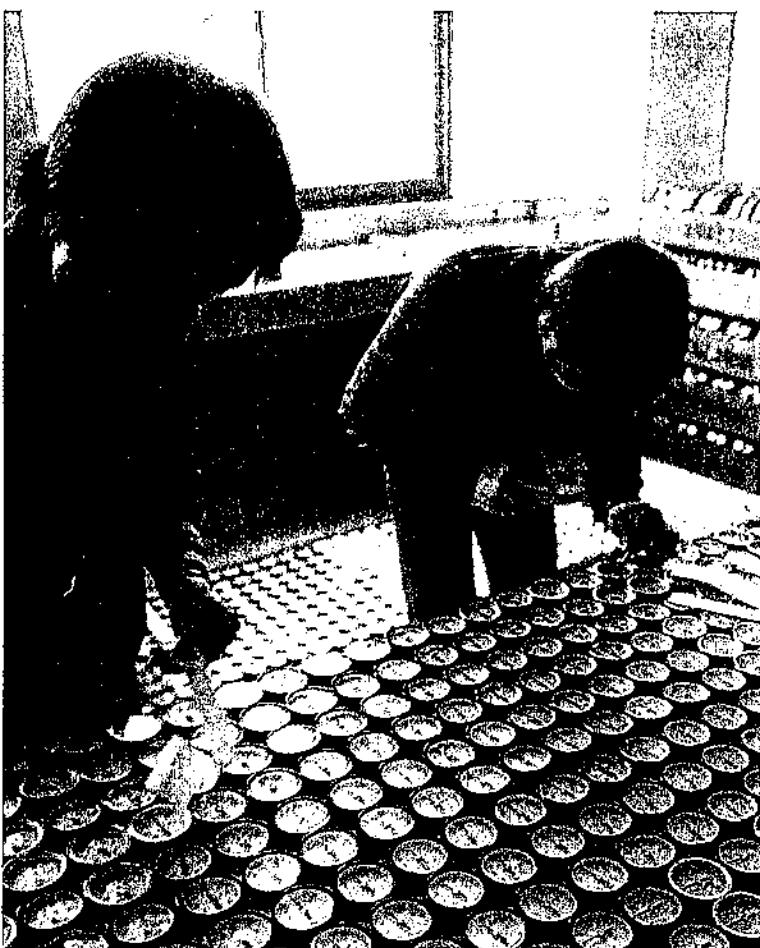
European Economic Community: Following extensive consultations and agreement between the European Economic Community (EEC) and the Bank on the issue of eligibility of consultants from members of both institutions to undertake technical assistance projects financed under this Agreement, the 1981 Channel Financing Agreement became operational in early 1983. As of the end of 1983, from the ECU 1 million provided under this Agreement, the Bank was able to finance three technical assistance projects. In

addition, EEC approved a grant of ECU 20 million (\$17 million equivalent) for parallel co-financing of an Agricultural Credit Project in Thailand, for which the Bank approved a \$50 million loan.

Cooperation with Bilateral Sources: During the year, the Bank received a number of delegations from bilateral aid agencies to discuss opportunities for closer cooperation. These included representatives from Australia, Canada, Finland, Federal Republic of Germany, Norway, Switzerland, United Kingdom and United States. During the year, the Bank also sent delegations to aid agencies in these countries. In October, the Cooperation Arrangement with Switzerland, entered into in 1980 for Swiss untied grant financing of Bank technical assistance projects, expired and resources committed under the Program were completely committed. A delegation from Switzerland visited the Bank in September to explore an extension and replenishment of this Program. Formal agreement on this is expected in early 1984.

Other International Organizations: The Bank has also found it useful to maintain contact with other multilateral organizations on matters of mutual interest mainly through meetings, discussions, exchanges of information and attendance at important conferences and seminars and, occasionally, through specific sector and project activities. The International Labour Organization (ILO), the World Health Organization (WHO), the United Nations Educational Scientific and Cultural Organization (UNESCO), the United Nations Fund for Population Activities (UNFPA) and the United Nations Environment Programme (UNEP) were among the more important agencies with which such contacts continued in 1983.

METER-TESTING (left) and laboratory work (right), two aspects of the Bank-financed Industrial Products Inspection Centers Project in the Republic of Korea which was designed to promote industrial standardization and quality control.



Loan and Technical Assistance Approvals in 1983¹

Bangladesh

LOANS

Special Assistance for Selected Bank-Financed Projects: SDR15.76 million (\$17 million equivalent) from ADF under a special financing arrangement to help Bangladesh implement eight high-priority ongoing Bank-assisted projects in the agriculture and rural development sector which have been or would be delayed because of a shortage of local currency resources. The timely completion of these projects will contribute to an increase in agricultural production and better utilization of past investments.

Power Transmission and Distribution: SDR77.678 (\$82 million equivalent) from ADF to upgrade the voltage from 132 kV to 230 kV of transmission lines connecting the east and west zones of the country and to expand the distribution network in the metropolitan and other coastal areas of Chittagong District to meet the loads forecast until 1990-91. The Project will reduce regional power imbalances, facilitate improvements in production and productivity in the industrial and agricultural sectors and curtail the cost of energy supplies.

Third Crop Intensification Program: SDR66.063 million (\$70 million equivalent) from ADF for a national Program to relieve constraints on fertilizer supply in order to increase foodgrain production.

Bangladesh Krishi Bank (BKB): SDR37.75 million (\$40 million equivalent) from ADF as a credit line to provide the foreign exchange to support BKB's financing program for promoting private investment and entrepreneurship in the agro-industrial sector.

Health and Family Planning Services: SDR25.96 million (\$27.5 million equivalent) from ADF for a Project which includes strengthening the national support systems for procurement, storage and distribution of medical supplies and contraceptives and repair and maintenance of medical equipment as well as consultant services. UNDP is co-financing the Project with \$210,000.

Ganges-Kobadak Irrigation Rehabilitation: SDR34.93 million (\$37 million equivalent) from ADF to increase agricultural productivity, employment opportunities and farm incomes on 125,000 ha. served by the existing Ganges-Kobadak Irrigation scheme, primarily through the rehabilitation of existing facilities. UNDP is co-financing the Project with \$1.4 million.

TECHNICAL ASSISTANCE

Secondary Schools Science Education: \$150,000 to prepare a Project for the phased development of science education in secondary schools throughout the country.

Second Natural Gas Development: \$348,000 to assist the Government in the formulation of an investment program to provide additional supplies of natural gas and to improve and expand the gas transmission system in the Titas Franchise area.

Third Crop Intensification Program: \$49,700 to assist the Government prepare a program loan for agriculture based on fertilizer supply and other agricultural support services (see loan preceding).

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.

Institutional Assessment of Bangladesh Shilpa Rin Sangstha and Bangladesh Shilpa Bank: \$1,500,000 (to be financed by UNDP with the Bank acting as Executing Agency and the International Development Association as Associated Executing Agency) to carry out a comprehensive and systematic institutional review of these two DFIs.

Second District Towns Water Supply: \$520,000 (to be financed by UNDP with the Bank acting as Executing Agency) for the preparation of a Project covering the provision of water supply and sanitation facilities in 11 district towns.

Ganges-Kobadak Irrigation Rehabilitation: \$1,400,000 (to be financed by UNDP with the Bank acting as Executing Agency) for consultant services to assist the Bangladesh Water Development Board in the implementation of the Ganges-Kobadak Irrigation Rehabilitation Project (see loan preceding).

Management of Medical Supplies: \$210,000 (to be financed by UNDP with the Bank acting as Executing Agency) for consultant services to help the Ministry of Health and Population Control upgrade its capacity to handle international procurement and review procedures for storing and distributing medical supplies. This is in conjunction with the Health and Family Planning Services Project (see loan preceding).

Third Five-Year Plan Framework Studies on Land Use and Rural Employment: \$248,000 to assist the Government carry out a Study on land use and cropping patterns to ensure efficient utilization of physical resources and a Study on manpower parameters and employment opportunities in the fisheries, forestry and livestock subsectors.

Second Community Forestry: \$150,000 (with an additional \$65,000 to be provided by FAO on a cost-sharing basis) to assist the Government formulate a second forestry Project in 12 districts.

Bhutan

LOAN

Multiproject: SDR4.737 million (\$5 million equivalent) from ADF for a package of small high-priority subprojects in the fields of agriculture, forestry, transport, communications and water supply and sanitation.

TECHNICAL ASSISTANCE

Multiproject: \$145,000 to assist in the preparation and appraisal of subprojects under the Multiproject loan (see loan preceding).

Urban Centers Water Supply and Sanitation: \$150,000 to prepare a Water Supply and Sanitation Project for six major urban centers.

Royal Institute of Management: \$45,000 to prepare a Project for the rehabilitation and upgrading of the Royal Institute of Management.

Project Planning and Implementation: \$210,000 to help the Government (i) improve its overall planning capacity with special emphasis on project planning, evaluation, monitoring and implementation and the training of planning staff; and (ii) assist in the preparation of the sixth Five-Year Plan.

Irrigation Rehabilitation: \$298,000 (to be financed by the Government of Switzerland with the Bank acting as Executing Agency) to prepare a Project for irrigation rehabilitation in southern Bhutan.

Burma

LOANS

Second Crop Intensification Program: SDR7.681 million (\$8 million equivalent) from ADF to provide fertilizers, seeds, storage facilities, institutional support and support for agricultural research so as to alleviate constraints on crop production in 17 townships in Central and Upper Burma.

Rangoon-Prome Road Improvement: SDR25.923 million (\$27 million equivalent) from ADF for a Project designed to upgrade the existing Rangoon-Prome road from Htaukkyan, about 34 km. north of Rangoon, to Prome, about 254 km. north of Rangoon.

Rangoon General Hospital (RGH): SDR42.104 million (\$44.6 million equivalent) from ADF for the redevelopment of the Rangoon General Hospital through the provision of modern facilities. The Government of Finland will provide \$4 million in co-financing under an umbrella financing scheme.

TECHNICAL ASSISTANCE

Rangoon Water Distribution: \$45,000 for consultant services to update a water distribution Study.

Myanma Agricultural Bank (MAB) and for Agricultural Mechanization: \$1.85 million (of which \$1.5 million is to be financed by UNDP with the Bank acting as Executing Agency) to (i) institutionally upgrade MAB to enable it to discharge better its agricultural credit provision function; and (ii) to promote the adaptation and introduction of appropriate agricultural machinery so as to improve the efficiency of farm operations.

FRESHLY caught fish being lifted from the hold of a Burmese trawler. The Bank-assisted Fisheries Development Project has provided for the rehabilitation and expansion of the country's fishing fleet as well as improvements to fishing gear and infrastructure.



Fiji

TECHNICAL ASSISTANCE

Review of the Role and Function of Fiji Development Bank (FDB): \$100,000 to review FDB's operational performance, define its role and functions and develop strategies and guidelines for its operations in the 1980s.

Experimental Study on Sail-Motor Propulsion: \$250,000 for an experimental Study to establish the extent of possible fuel savings and the economic and financial viability of retrofitting sail to existing Fijian ships, as well as to make tentative recommendations on the future design of ships which incorporate the use of sail.

Rural Electrification Study: \$200,000 for a Study to provide a coherent rural electrification policy covering selection criteria, design and service standards, financing and institutional arrangements; and formulate a program for an optimum rural electrification scheme.

Agricultural Development: \$50,000 for a feasibility Study for an agricultural development program through improved irrigation, drainage, extension and other institutional aspects in areas affected by the 1980 cyclone.

Suva Shipyard Improvement Study: \$215,000 for a feasibility Study for a Project to improve the existing shipyard facilities in Suva.

Indonesia

LOANS

Second Irrigation Package: \$52 million for a Project designed to increase food production and upgrade living standards through irrigation development, irrigation management training and consultant services in North Sumatra.

Small Towns Urban Development Sector: \$36.7 million to improve the living conditions in 38 small and medium-sized towns in Central Java by improving basic urban services — particularly sanitary facilities in the kampungs — and augmenting the low-income housing stock.

Second Irrigation Sector: \$85 million to increase food production and raise living standards in Simalungun District, North Sumatra Province, through the rehabilitation of existing irrigation systems and the provision of an assured and reliable irrigation water supply. The Project also includes the establishment of a Water Management Training Center to strengthen the operating and maintenance capabilities of local governments, the establishment of a PBME Unit at the Project level and the provision of consultant services. IFAD will co-finance the Project with \$25 million.

West Nusa Tenggara Irrigation Study: \$3.45 million to assist in the preparation of a feasibility Study for the construction of a storage dam at Pengga and the rehabilitation of an existing irrigation system, preparation of a pre-feasibility report for the development of water resources at Pandanduri-Swangi, updating an existing feasibility report and preparing detailed engineering designs for the Mamak Dam and canal systems and carrying out initial PBME benchmark surveys.

Geological and Mineral Survey: \$46 million to help strengthen and upgrade the institutional capabilities and physical facilities of the four geoscience directorates of the Directorate General of Mines (DGM).

Power XVIII: \$135 million to help finance (i) the Sengguruh Hydropower Scheme in East Java and Tes-I Hydropower Scheme in

South Sumatra; (ii) a transmission and distribution system extension in North Sumatra; (iii) a distribution system extension in Denpasar (Bali); (iv) engineering services for the Singkarak Hydropower Scheme; (v) a feasibility study and designs for Dieng Geothermal Power Scheme (Central Java); and (vi) institutional support in financial management to the Executing Agency, Perusahaan Umum Listrik Negara. Co-financing in an amount of \$69.4 million is expected to be arranged with commercial banks including export credit sources.

Agricultural Education: \$68 million to help improve the quality and relevance of agricultural education in the Agricultural Secondary Schools (SMTPs) and improve the quality and quantity of graduates and teachers. Six new SMTPs and five new polytechnics will be established in the Outer Islands, thereby providing students with better access to agricultural education at the secondary and polytechnic levels.

TECHNICAL ASSISTANCE

Nucleus Estate and Smallholder: \$150,000 (with an additional \$64,000 to be provided by FAO on a cost-sharing basis) to determine how to develop idle lands under suitable crops, mainly rubber and oil palm; and to formulate a Project, including the development of two nucleus estates.

Project Benefit Monitoring and Evaluation (PBME) for Institution Building: \$180,000 to strengthen the capabilities of the Directorate General of Water Resources Development in carrying out PBME studies.

Second Kalimantan Livestock Development: \$250,000 for consultant services to review livestock development potential and carry out a feasibility Study of a Livestock Development Project in selected areas of Kalimantan.

Rural and Renewable Energy Development Study in Kalimantan: \$450,000 to help formulate and plan a program of development of energy supply options based upon renewable non-oil energy resources.

University of Sriwijaya: \$200,000 to prepare a Project for the development of an improved and integrated University of Sriwijaya campus on a new site at Inderlaya and for upgrading the quality of education and instruction of the agriculture, engineering, medicine and economics faculties.

Fisheries Infrastructure Development: \$237,000 to prepare a Project designed to improve output and efficiency in the country's potentially rich but relatively underdeveloped fisheries subsector.

Fruit and Vegetable Production and Marketing: \$200,000 (with an additional \$86,000 to be provided by FAO on a cost-sharing basis) to help review all aspects of fruit and vegetable production and marketing to determine the potential for and constraints to future development.

West Nusa Tenggara Irrigation Study: \$150,000 as the grant component of a technical assistance loan to upgrade feasibility studies of the Pengga and Mamak dams and to prepare detailed engineering designs (see loan preceding).

Land Resource Evaluation and Planning: \$248,000 for a detailed Study of the organizational and operational aspects relating to the development of a comprehensive national land resources development planning capability.

Health and Population: \$250,000 to review health facilities at kabupaten hospitals and health centers and the role of kabupaten hospitals in providing family planning services as well as manpower development in the hospitals and health centers at the national level. A second phase involves Project preparation.

Forestry Development: \$248,000 to help formulate a Forestry Development Project consisting of industrial plantations, pilot community/backyard forestry reforestation and rehabilitation of Toba Lake watershed in Northern Sumatra and support to Tanjung Puteng National Park in Central Kalimantan.

Dieng Geothermal: \$150,000 as the grant component of a technical assistance loan to prepare a feasibility Study and design for the Dieng Geothermal Power Scheme (see loan preceding).

West Java Urban Development Sector: \$250,000 to help prepare an Urban Development Project covering five towns in West Java Province with the aim of assisting in slowing the urban growth rate in the Jakarta Capital Region.

Kiribati

TECHNICAL ASSISTANCE

Betio Shipyard Improvement: \$225,000 for a feasibility Study to assess the future requirements of ship repair, maintenance and boat building, and to prepare a shipyard improvement or expansion program.

National Loans Board: \$150,000 to assess the need for a development finance institution as well as the legislative and institutional requirements of expanding the functions and scope of the existing National Loans Board to a DFI.

Korea, Republic of

LOANS

Small Towns Water Supply Sector: \$60 million for provision of water intake, treatment and distribution facilities to supply safe piped water to about 21 communities in different parts of the country.

Fifth Korea Long Term Credit Bank: \$70 million for a fifth credit line to augment the foreign exchange resources of the Korea Long Term Credit Bank to meet a part of the medium and long-term foreign exchange requirements of productive enterprises in the private sector. Commercial banks will provide \$43 million in co-financing.

Second Sewage Treatment: \$62.8 million for a Project designed to meet the sewerage and sanitation facility requirements of the three cities of Ulsan, Masan and Changwon in the year 2000.

TECHNICAL ASSISTANCE

Vocational Training: \$100,000 to prepare a Project designed to upgrade the quality of vocational training in selected In-Plant Vocational Training Centers and to broaden the skills base by providing modular training programs and training of instructors.

Third Coal Development: \$195,000 for a detailed feasibility Study of a Project to develop the deeper coal seams at the Do-Gye and Heung Jeon coal mines east of Seoul.

Lao PDR

LOANS

Vientiane Plain Rural Electrification (Phase II): SDR6.968 million (\$6.3 million equivalent) from ADF for a Project designed to assist the Government in the extension of a 22 kV and 400 volt distribution network in the Vientiane Plain.

Vientiane Plain Road Improvement: SDR7.578 million (\$8 million equivalent) from ADF for the rehabilitation/improvement of 53 km. of a secondary road (Route 10) and 90 km. of feeder roads in the Vientiane Plain as well as provision of a new ferry at the crossing of Route 10 with the Nam Ngum River.

TECHNICAL ASSISTANCE

Second Forestry Development: \$50,000 to help prepare a Project involving door and rattan manufacturing, finger pointing machines, a parqueting unit, a standby slicer for veneer and river transport equipment.

Malaysia

LOANS

Kedah Water Supply: \$24.5 million for the expansion of the Sungai Petani water supply system by 68,000 cubic meters per day to meet the projected demand for water in 1995 of a population of 250,000 and the institutional, commercial and industrial water requirements in the Project area.

Second Vocational Education: \$58 million for a Project designed to construct and equip nine vocational schools, provide training fellowships for vocational teachers and trainers of vocational teachers and provide consultant services to assist in the development of new curricula. The Islamic Development Bank (IsDB) will provide \$8.3 million in co-financing.

TECHNICAL ASSISTANCE

Pahang State Small-Scale Hydroelectric Development Study: \$350,000 to prepare a feasibility Study for the construction of about five small-scale run-of-river hydroelectric schemes with an aggregate capacity of about 50 MW on hill streams in Pahang State.

Urban Development Sector Profile: \$50,000 to prepare a detailed profile of the urban sector and its development in the country.

Energy Sector Coordination: \$250,000 to provide assistance to the Economic Planning Unit of the Prime Minister's Office to undertake analysis and evaluation of energy-economy interactions in the national planning process.

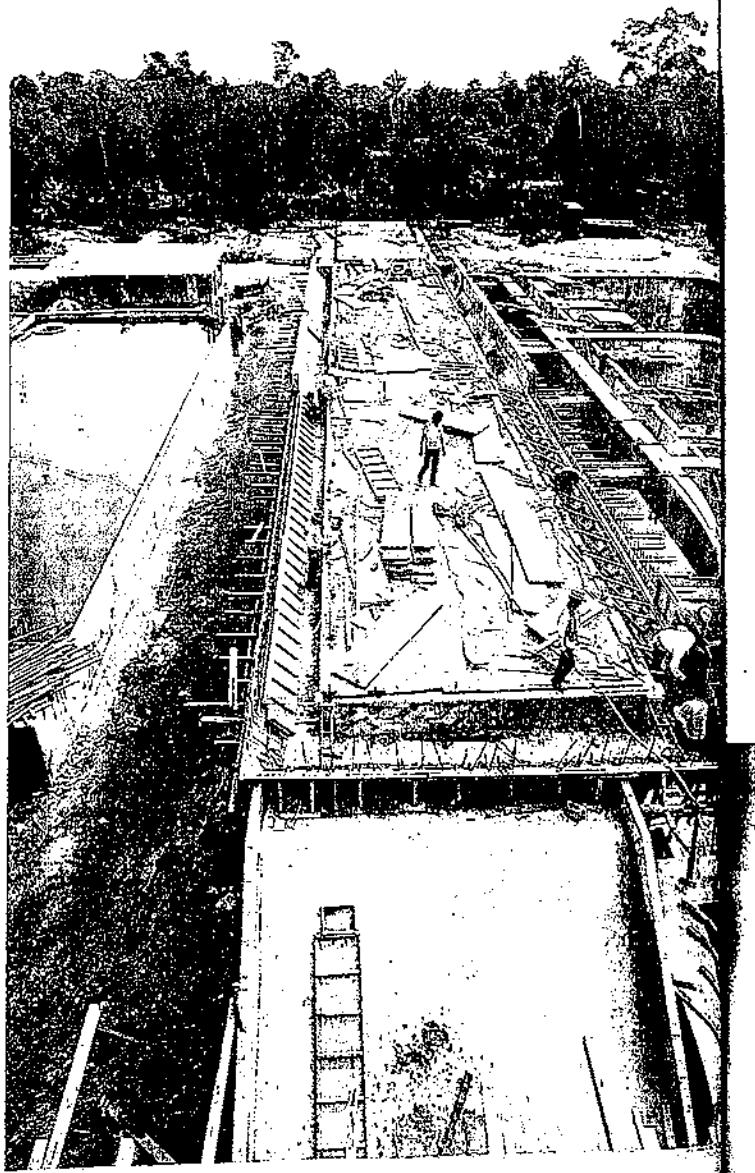
Nepal

LOANS

Hill Forest Development: SDR15.501 million (\$16.7 million equivalent) from ADF to help alleviate fuelwood shortages and augment available fodder supplies for livestock in the Kathmandu and Pokhara valleys. The Government of Finland will provide \$1.4 million in co-financing.

Feeder Roads: SDR16.702 million (\$17.5 million equivalent) from ADF for the improvement of about 250 km. of roads in the Eastern and in the Far Western Regions, a study of the road transport industry and formulation of a long-term road development plan.

Hetauda Cement (Supplementary and Complementary): SDR9.544 million (\$10 million equivalent) as a supplementary loan from ADF to help completion of the Bank-financed Hetauda cement plant which has a rated capacity of 260,000 mt. per annum and is located about 140 km. south of Kathmandu. Complementary co-financing in an amount of \$13 million has also been arranged for the Project.



WATER TREATMENT plant under construction at the Bank-financed Johor, Perak and Trengganu Water Supply Project in Malaysia. A Bank loan of \$31.7 million will help meet projected demand for water supply and distribution systems in various parts of these States up to 1991.

Kankai Diversion Structural Remedial: SDR3.304 million (\$3.5 million equivalent) from ADF for urgent remedial works required to prevent failure of the key structure of the Bank-financed Kankai Irrigation Project.

Second Crop Intensification Program: SDR14.16 million (\$15 million equivalent) from ADF for a Program which includes fertilizer importation, the provision of vehicles and equipment and consultant services.

Fifth Power: SDR18.881 million (\$20 million equivalent) from ADF for a Project designed to provide a 132 kV line and substations, a subtransmission (33 kV) distribution system rehabilitation and extension, consultant services and training and institution building of the Nepal Electricity Authority.

TECHNICAL ASSISTANCE

Rural Water Supply and Sanitation: \$150,000 to help formulate a Project for the provision of safe water supply and sanitation to small rural communities.

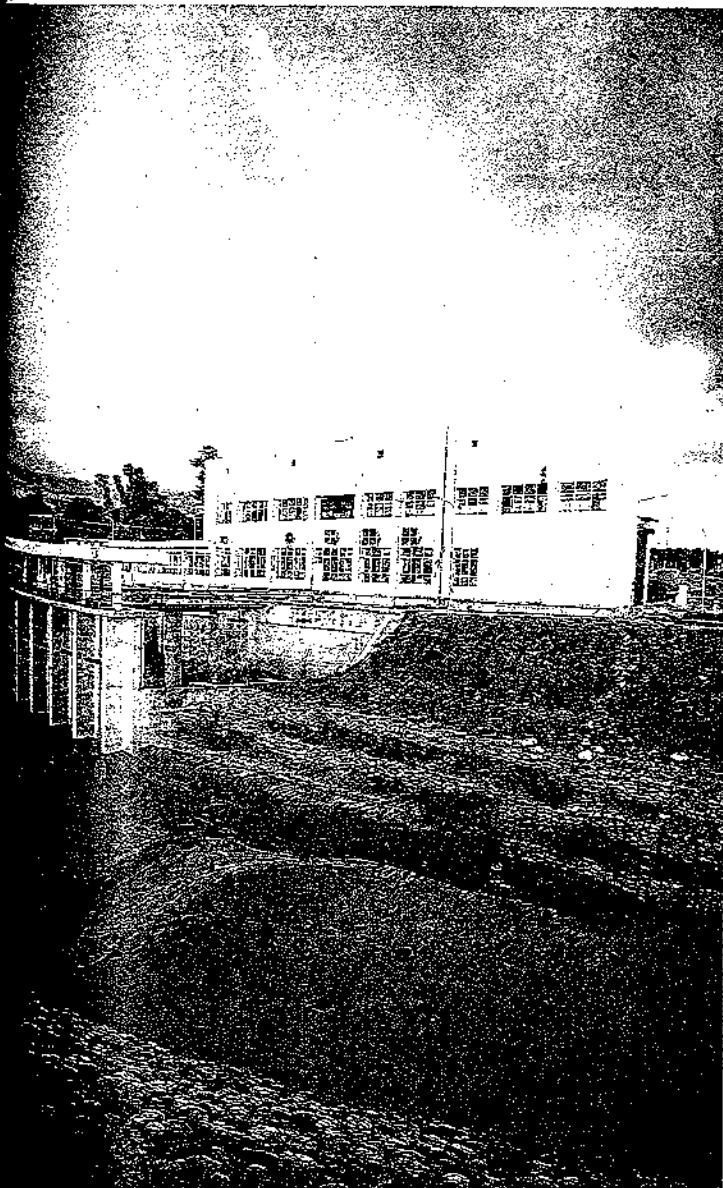
Rural Cooperatives: \$250,000 (to be financed by the Government of Switzerland with the Bank acting as Executing Agency) to prepare a Project designed to review the institutional structure and role of rural cooperatives.

Hill Forest Development: \$250,000 to strengthen the Forest Survey and Research Division within the Department of Forests.

Technical Schools: \$150,000 to undertake a general review of the technical education and vocational training system in Nepal and to prepare a Project designed to establish an appropriate number of new technical schools, provide technical facilities and develop a technical teacher training center.

Eastern Terai Irrigation: \$560,000 (to be financed by the Government of Switzerland with the Bank acting as Executing Agency) to assess the availability of surface and groundwater and to prepare a comprehensive feasibility Study for an initial project package of high-priority sub-areas.

PUMP-STATION at the Chitwan Valley Development Project, Nepal. Bank financing is helping provide year-round irrigation to over 11,000 ha. of land.



Second Feeder Roads Improvement: \$150,000 to help prepare a long-term road development plan for selected areas in the mid-Western, Far Western and Eastern Regions and feasibility studies of high-priority roads.

Hill Agriculture Development: \$230,000 (with an additional \$99,000 to be provided by FAO on a cost-sharing basis) to prepare a Project in four districts in the Central Region.

Pakistan

LOANS

Gas Purification and Compression: \$19.3 million for a Project aimed at eliminating bottlenecks in the Sui Gas Transmission Company Limited (SGTC) gas transport system, thereby maintaining adequate gas supplies to consumers in SGTC's franchise areas. Commercial co-financing in an amount of \$5 million was arranged under a complementary co-financing scheme.

Foodgrain Storage: SDR39.544 million (\$41.9 million equivalent) from ADF for a Project designed to alleviate wheat storage problems by increasing capacity by a total of 400,800 mt. in Sind, Punjab and Northwest Frontier Provinces. Office equipment, training and consultant services will also be provided.

Guddu Gas Turbine (Combined Cycle Power): \$57.5 million from OCR and SDR78.733 million (\$83.4 million equivalent) from ADF for the construction of a 450 MW combined cycle power plant at Guddu Power Station in order to provide additional thermal generation to help meet forecast load growth in Pakistan during the period 1983-91. The United States Agency for International Development (USAID) will provide \$52 million in co-financing.

Development Financing Loan (NDFC III/PICIC IV/BEL): \$50 million from OCR and SDR56.906 million (\$60 million equivalent) from ADF to augment the foreign exchange resources of National Development Finance Corporation (NDFC), Pakistan Industrial Credit and Investment Corporation (PICIC) and Bankers Equity Ltd. (BEL) to meet the credit requirements of industrial enterprises in the private and public sectors.

TECHNICAL ASSISTANCE

KESC-SITE Combined Cycle Power: \$50,000 for a Study to prepare a Project aimed at improving thermal efficiency of the SITE gas turbine plant when it is upgraded into a combined cycle mode together with the steam plant.

Second Health and Population: \$50,000 to examine and prepare the Second Health and Population Project. The Study will cover prevailing conditions in Sind, Baluchistan and Northwest Frontier Provinces and Government plans for the health and population sector.

South Rohri On-Farm Water Management: \$400,000 (to be financed by the Government of Switzerland with the Bank acting as Executing Agency) to develop firm and effective plans for on-farm water management in the South Rohri Fresh Groundwater Irrigation Project area, to develop effective training plans for irrigation training and to strengthen the processes of organization and operation of water users associations.

Small Dams: \$390,000 (to be financed by the Government of Switzerland with the Bank acting as Executing Agency) to formulate a Project for the construction of small dams and related infrastructure.

Foodgrain Storage: \$150,000 to assist the Government set up a laboratory and formulate quality standards to improve the quality of wheat for both local and export markets.

Papua New Guinea

LOANS

Third Road Improvement: \$13 million for a Project aimed at improving about 31 km. of existing road between Lae and Munum in Morobe Province and about 43 km. of existing road between Popondetta and Oro Bay in Oro Province.

Cape Rodney Smallholder Development: SDR14.156 million (\$15 million equivalent) from ADF to rehabilitate and develop about 5,850 ha. for growing rubber and other crops in the Cape Rodney area of the Central province.

TECHNICAL ASSISTANCE

Institutional Study of the PNG Electricity Commission: \$250,000 to strengthen Papua New Guinea Electricity Commission and help develop and implement appropriate integrated management information systems consistent with modern power utility procedures and practices.

Philippines

LOANS

Special Assistance for Selected Bank-Financed Projects: \$26.7 million as a special measure to meet part of the anticipated shortfalls of local currency resources for the fiscal years 1983 and 1984 for ten selected high-priority projects financed earlier by the Bank.

Manila Water Supply Rehabilitation: \$39.3 million for a Project designed to reduce the amount of non-revenue water in the Metropolitan Manila water distribution system through the rehabilitation of systems in 56 target zones located in six districts. The Project will directly benefit about 1.5 million consumers.

Irrigation Sector Loan I: \$67.4 million to help maintain self-sufficiency in foodgrain production in a sustained manner. The Project involves construction of new irrigation facilities on about 27,200 ha. and rehabilitation and improvement of existing irrigation systems covering 10,400 ha.; agricultural development, including the establishment of a diversified cropping system pilot demonstration farm; and consultant services.

Fourth Mindanao Irrigation Study (MIS IV): \$1.5 million for feasibility studies for two high-priority irrigation projects in North Cotabato and Maguindanao Provinces in Region XII of Southern Mindanao which have a combined service area of 15,000 ha.

Negros-Panay Interconnection: \$43.8 million for a Project to connect the 112.5 MW Palimpinon II geothermal plant to the existing transmission system in Negros Island and reinforce this system and provide an interconnecting link between the existing transmission systems in Negros and Panay Islands.

Forestry Development: \$34 million for a Project package designed to provide a protective and productive forest cover on about 13,000 ha. of denuded and open forest lands in the Province of Ilocos Norte in Northern Luzon.

Aquaculture Development: \$21.84 million for a Project designed to improve 14,100 ha. of existing brackishwater ponds in selected areas in the provinces of Aklan, Capiz and Iloilo on Panay Island in Central Philippines.

STUDENTS at work at the Divine Word University in Tacloban, Leyte (left) and the Cebu Institute of Technology (right) in the Philippines, two of 20 Institutions which have benefitted from a \$16 million Bank loan for the Engineering Education Project.



TECHNICAL ASSISTANCE

Industrial Tree Plantation: \$249,000 to assess the feasibility of Industrial Tree Plantations (ITP) and their social and environmental impact and to formulate a Program comprising the establishment, maintenance and protection of between 150,000 ha. and 200,000 ha. of ITP on timber concession land.

Agricultural Education: \$215,000 to undertake a general Review of the agricultural education system in the Philippines, giving particular attention to technician education and extension worker training, and to prepare a detailed Project proposal.

Highland Agricultural Development: \$225,000 (with an additional \$85,000 to be provided by FAO on a cost-sharing basis) for a feasibility Study of a project aimed at raising the productivity and incomes of smallholders in the Benguet and Mountain Provinces of Northern Luzon.

Policy and Institutional Review of Planning and Management of Industrial Estates and Export Processing Zones: \$400,000 to help the Government formulate more effective policies and programs for the implementation of regular and mini-industrial estates, export processing zones and other industrial support facilities to be established outside Metro Manila.

Laguna de Bay Environmental Reassessment: \$150,000 to update the UNDP-financed Laguna de Bay Development Study undertaken by the Bank as Executing Agency in 1972.

Mindanao Irrigation Study IV: \$150,000 as the grant component of a technical assistance loan for the feasibility studies of two high-priority irrigation Projects in North Cotabato and Maguindanao Provinces (see loan preceding).

Program Loan for Agricultural Sector: \$48,400 to help the Government prepare a program loan in the Agriculture sector. FAO will provide a further \$18,150 under a cost-sharing arrangement.

Solomon Islands

LOAN

Agricultural Development: SDR7.419 million (\$7.75 million equivalent) from ADF for two Projects aimed at benefitting the smallholders and subsistence-level rural population. The Rural Services Project will benefit provincial governments by creating self-sustaining development centers capable of inducing development in each of the seven provinces and by strengthening agricultural research. The Livestock Development Project is aimed at institution building within the existing Cattle Development Authority, expanding its activities to other types of livestock and integrating livestock activity into the subsistence farming system. The Projects will be co-financed by IDA (\$3.5 million), IFAD (\$1.5 million) and the Government of Australia (\$2 million).

TECHNICAL ASSISTANCE

Guadalcanal Road: \$197,000 for a feasibility Study of the systematic development of road infrastructure on Guadalcanal Island.

Power Development Study: \$150,000 to help the Government prepare a power development Program for Guadalcanal Island, particularly the Honiara area, for the period 1986-2000. It also involves

bringing to a feasibility level the first stage of a program utilizing indigenous sources of energy, assessment of power development potential in provincial centers, and a review of electricity tariff structures.

Agricultural Development: \$90,000 to introduce PBME in order to assess the extent to which the Rural Services Project and Livestock Development Project objectives are being achieved.

Second Fisheries Development: \$200,000 for the preparation of a feasibility report for a Project aimed at strengthening fisheries infrastructure, stimulating provincial artisanal fisheries development, developing inter-island and export marketing, expanding the National Fisheries Development Agency, and evaluating existing resource management and support services.

Sri Lanka

LOANS

Special Assistance for Selected Bank-Financed Projects: SDR13.796 million (\$14.7 million equivalent) from ADF to provide, as a special measure, additional foreign exchange financing of local currency expenditures to those ongoing Bank-financed projects in which implementation has been hampered mainly by a shortage of local currency resources and whose continuing high priority has been confirmed by the Government. The Special Assistance also consists of utilization of loan savings resulting from the reduction in the scope of projects (\$5.17 million) and reallocation of savings in an earlier Bank loan (\$3.9 million).

Aquaculture Development: SDR16.581 million (\$17.27 million equivalent) from ADF for a Project aimed at increasing fish production for domestic consumption, establishing the basis for shrimp culture to increase the country's export earnings and strengthening the institutional infrastructure for the development of aquaculture.

Trincomalee Thermal Power: SDR3.246 million (\$3.45 million equivalent) from ADF to undertake comprehensive feasibility and engineering studies in order to confirm the need for the proposed Trincomalee Thermal Power Project as well as determining, among others, the unit size, the ultimate plant capacity and the appropriate fuel mix.

TECHNICAL ASSISTANCE

Walawe Irrigation Rehabilitation and Improvement: \$248,000 (to be financed by EEC with the Bank acting as Executing Agency) for rehabilitating and improving the Walawe Project, a comprehensive rural development project aimed at irrigating about 12,000 ha. on the right bank of the Walawe River.

Energy Planning Support: \$80,000 to provide a micro-computer and associated software packages and consultant services necessary to train the Energy Planning and Policy Analysis Coordinating Task Force in data gathering, computerization and analysis and model building.

Trincomalee Thermal Power: \$150,000 as the grant component of a technical assistance loan to help the Government undertake comprehensive feasibility and engineering studies for the establishment of a large-sized thermal power project near Trincomalee (see loan preceding).

Secondary Towns Power Distribution: \$250,000 to prepare a feasibility Study for the reinforcement and expansion of the distribution systems in secondary towns.

Thailand

LOANS

Mineral Resources Development: \$39 million for the provision of an airborne geophysical survey of the entire country to enable the collection and analysis of geological and mineralization data. The Canadian International Development Agency (CIDA) is co-financing the Project with a grant of \$7.07 million.

Sixth Industrial Finance Corporation of Thailand (IFCT): \$25 million as a sixth credit line to help IFCT meet part of the foreign currency requirements of private enterprises in the period 1984-85. The loan will also contribute to improvements in IFCT's operations.

Agricultural Credit: \$50 million to the Bank for Agriculture and Agricultural Cooperatives to provide loans to farmers with the aim of improving production practices and facilitating mechanization. EEC will provide co-financing in an amount of \$17 million.

CARDBOARD containers being manufactured in Singapore in a factory supported by a Bank credit on-lent by the Development Bank of Singapore.



TECHNICAL ASSISTANCE

Industrial Energy Audits and Conservation Program: \$400,000 to prepare data and analysis on various aspects of energy use in the industrial sector to assist the Government in its energy conservation program.

Fisheries Sector Study: \$150,000 for a Master Fisheries Sector Plan focusing on the potentials for and constraints on fisheries development up to 1988.

Agricultural Credit: \$100,000 to help the Government study the long-term commercial viability of the Bank for Agriculture and Agricultural Cooperatives (see loan preceding).

Tonga

LOAN

Development and Redevelopment: SDR2.019 million (\$2.2 million equivalent) from ADF, comprising \$1.2 million to reconstruct primary school classrooms and equip two health centers, and \$1 million (to be co-financed by IFAD) to augment the foreign exchange resources of Tonga Development Bank.

TECHNICAL ASSISTANCE

Tonga Development Bank (TDB): \$135,000 to assist TDB in staff training.

Vanuatu

LOAN

Agricultural Extension and Training: SDR1.030 million (\$1.1 million equivalent) from ADF for a Project aimed at increasing farm incomes and expanding and diversifying agricultural production and exports through the establishment of experimental plots and demonstration farms. The Project, which is expected to benefit some 19,000 smallholder farm households, is being co-financed by the World Bank Group in the amount of \$2 million.

TECHNICAL ASSISTANCE

Agricultural Extension and Training: \$265,000 to strengthen the technical and managerial capabilities of the Department of Agriculture, Livestock and Forestry, the Executing Agency for the Agricultural Extension and Training Project (see loan preceding).

Energy Planning and Institutional Support: \$148,000 to strengthen the Government's planning capacity by setting up an Energy Planning Unit which will provide advice on energy policy matters and on energy-related technical and economic issues.

Western Samoa

LOAN

Special Assistance for Selected Bank-Financed Projects: SDR1.439 million (\$1.55 million equivalent) from ADF for supplementary financing of ongoing Bank-financed projects in which implemen-

tation has been hampered mainly by a shortage of local currency resources. The Special Assistance also includes reallocation of savings in an earlier Bank loan amounting to \$100,000.

TECHNICAL ASSISTANCE

Energy Planning and Institutional Support: \$148,000 to strengthen planning capacity through the establishment of an Energy Planning Unit to advise on energy policy and energy-related technical and economic issues.

VINES being staked in a greenhouse in Western Samoa. Several small-scale businesses like this have been financed by loans from the Development Bank of Western Samoa, which has received four credit lines totalling \$12 million from the Bank's Special Funds resources.



REGIONAL ACTIVITIES, 1983

	Amount (\$ thousand)
Seminars on Procurement and Project Implementation Management	175.0
Study of Food Demand and Supply and Related Strategies for Developing Member Countries	248.0
Regional Symposium on Bank Assistance to Development Finance Institutions	70.0
Strengthening Vegetable Research	475.0
Strengthening Chick-Pea Research in Collaboration with the International Crops Research Institute for the Semi-Arid Tropics	300.0
Publication of Procurement Opportunities Under Bank-Financed Projects in the Development Forum-Business Edition (Contribution)	12.0
Asian Electric Power Utilities Data Book	50.0
ASEAN Coal Development Study	700.0 ^a
ADB Development Round Table on Financial Policies and External Debt Management	100.0
Study of the Bank's Role in South Pacific Developing Member Countries in the 1980s	68.0
Regional Workshop/Conference on Project Benefit Monitoring and Evaluation (PBME)	150.0
South Asia, South East Asia and Pacific Regional Energy/Power Projects Course (1983)	80.0
Sixth Regional Program on Project Implementation and Supervision	135.0
International Rice Research Institute Demonstration-Cum-Training Center on Rice Production, Post-Harvest Technology and Biomass Utilization	400.0
Joint ADB/ILO (APSDEP) Regional Seminar on the Training of Instructor Trainers	200.0 ^b
Second Regional Program on Management Development for Development Finance Institutions in Asia	90.0
Third Regional Education Seminar on the Monitoring and Evaluation of Education Projects	145.0
ADB-DBSI Program on Development Banking for the South Pacific Region	110.0
Seminar on Consulting Engineering in the Republic of Korea	25.0
Regional Program on Power Utility Accounting and Management Information System	125.0
Second APO-ADB Training Course in Project Feasibility, Appraisal, and Implementation	64.9
Regional Workshop for Planning and Designing of Low-Cost Water Supply System	50.0
Regional Workshop on Livestock Production Management	130.0
South Pacific Training in Fisheries Statistics Collection, Interpretation and Stock Assessment	50.0
International Irrigation Management Institute	500.0
Regional Seminar on Rural Development	200.0
Review of Energy Demand Management Strategies in Developing Member Countries	250.0
Regional Training Program in Vegetable Production and Research	475.0 ^c
Asian Electric Power Utilities Data Book (Second Edition)	80.0
Study of Capital Markets in Selected Developing Member Countries	245.0
TOTAL	5,882.9

a Of this, \$250,000 is to be financed by UNDP.

b To be financed by the Government of Switzerland.

c Of this, \$300,000 is to be financed by the Government of Switzerland.



ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Separation of Operations

IN ACCORDANCE with its Articles of Agreement, the Bank's ordinary capital resources and Special Funds resources are held, used and committed entirely separate from each other. The ordinary and special operations of the Bank are shown separately in its financial statements. Moreover, the Bank's ordinary capital resources may under no circumstances be charged with, or used to discharge, losses or liabilities arising out of its special operations. The Bank's administrative expenses are currently allocated between ordinary capital resources and Special Funds resources on the basis of the number of loans respectively approved from each of these resources. Funds raised by the Bank through borrowings are included in the Bank's ordinary capital resources and used in its ordinary operations.

Third General Capital Increase

A detailed review of the Bank's future resource requirements for ordinary operations, which the Board of Directors had undertaken pursuant to Governors' Resolution No. 134 adopted in May 1980, was completed in early 1983. The Board concluded that a substantial increase in the Bank's authorized capital was necessary at an early date to enable the Bank to continue its ordinary lending operations at an appropriate level during the years 1983-87. The Board accordingly recommended to the Board of Governors that the Bank's subscribed capital be increased by 105 per cent, of which 5 per cent should be in the form of paid-in shares, and that of the payments for paid-in shares, 40 per cent should be in convertible currency and 60 per cent in the national currency of the subscribing member. On 25 April 1983 the Board of Governors adopted Resolution No. 158 authorizing a third General Capital Increase (GCI III) as recommended by the Board of Directors. The increase, which became effective on the date of adoption of the Resolution, amounts

to \$7,901.9 million (SDR7,547.5 million) and is divided into 754,750 shares, each having a par value of \$10,000 in terms of US dollars of the weight and fineness in effect on 31 January 1986. Of these shares, 37,738 are paid-in shares and 717,012 are callable shares. The Resolution envisages 31 May 1984 as the final date for subscribing to GCI III.

Authorized and Subscribed Capital

Including the additional shares authorized for GCI III, the Bank's authorized capital stock as of 31 December 1983 amounted to \$15,461.4 million (SDR14,768.1 million). During the year, subscriptions to GCI III were made by ten member countries (Australia, Canada, Cook Islands, Denmark, India, Republic of Korea, New Zealand, Philippines, United Kingdom and United States) for a total amount of \$4,013.4 million (SDR3,833.4 million).¹ As of 31 December 1983, the Bank's subscribed capital stock stood at \$11,510.0 million (SDR10,993.8 million).

Valuation of Capital and Maintenance of Value

The capital stock of the Bank is defined in its Articles of Agreement in terms of United States dollars of the weight and fineness in effect on 31 January 1986. 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 for the valuation of the Bank's capital stock are under examination by the Bank. Pending a decision on this matter, the value of the Bank's capital stock is expressed, for purposes of the Bank's financial statements, in terms of the SDR on the basis that each share has the value of SDR10,000. The mutual obligations of each member and the Bank with respect to maintenance of value of currency holdings are also measured by the same standard, but settlement of such obligations is being held in

1 Since the beginning of 1984, GCI III subscriptions have also been received from France and Indonesia.

ASSEMBLY-line workers at a precision instrument factory in the Republic of Korea, one of several private enterprises funded through Bank credit lines to the Korea Development Bank.

abeyance. For purposes of the financial statements, the SDR is translated into current United States dollars at the rate computed by the IMF. As of 31 December 1983, the rate was \$1.04685 per SDR. Further information on valuation of capital and maintenance of value is given in Notes A and D of the Notes to Financial Statements of Ordinary Capital Resources, Appendix 1-VII.

Special Increases in Subscriptions

In 1982, the Board of Directors approved a procedure for multilateral consultation in regard to requests from individual member countries for special increases in their capital subscriptions. Following receipt by the Bank of a number of requests for special increases, the Board of Directors in 1983 gave further consideration to possible criteria for dealing with such requests.

Review of Financial Policies

A comprehensive review of the Bank's financial policies was undertaken by the Board of Directors in October. The review took into account, inter alia, a report on financial policies submitted in April by Dr. Irving S. Friedman, an international financial expert. Pursuant to the review, the present policies on income and reserves, liquidity and borrowings are substantially unchanged, while further consideration will be given to the modalities for the eventual removal of the limitation which currently restricts the Bank's borrowings to 100 per cent of the callable capital of members whose currencies are convertible. Following also from the review, a paper was submitted to the Board of Directors in December incorporating a recommendation to the Board of Governors for a gradual reduction and discontinuation of the transfers of commissions to the special reserve.¹

Borrowings

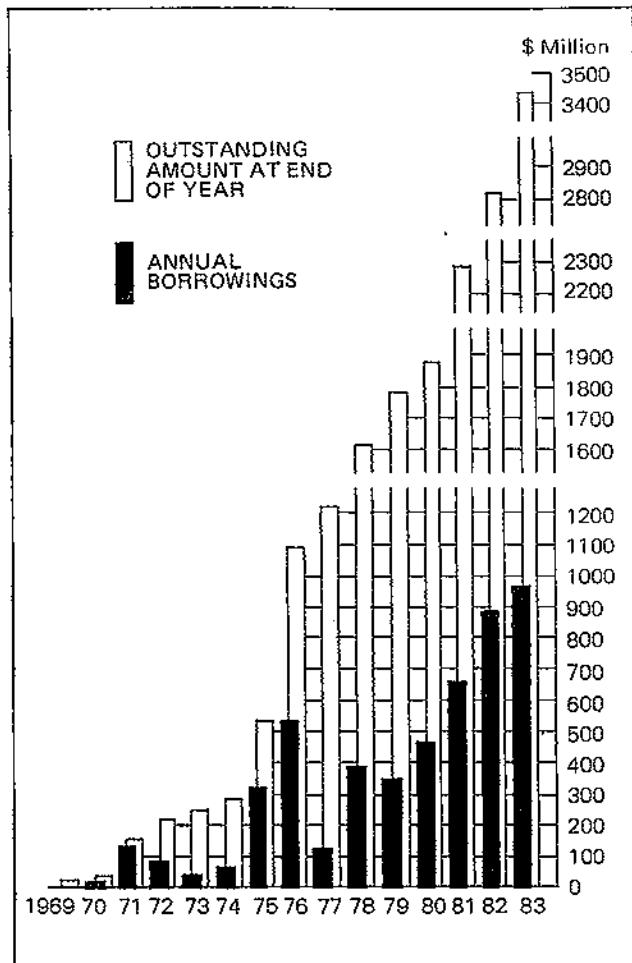
During 1983, the Bank made 15 borrowings amounting to the equivalent of \$979.4 million compared with a total of \$881.8 million raised in 1982. Details of the year's borrowings are shown in the table on page 75.

In order to enable the Bank to increase its access to low-cost currencies, the Board of Directors in March authorized the Bank to undertake borrowings involving currency liability swap transactions.

In addition to obtaining relatively favorable borrowing terms, the Bank was able to diversify the currencies and markets of its borrowings. It made its first public offering in the Eurodollar market and entered the Austrian capital market for the first time since 1971.

A total of \$265 million was raised in US dollars, consisting of \$65 million in Two-Year US dollar bonds placed in March with central banks and monetary authorities in 28 member countries, \$100 million in a public offering in the United States capital market in April and \$100 million in the Eurodollar issue floated in October. Of the proceeds from

BORROWINGS: 1969-1983



the Eurodollar issue, \$84.9 million was utilized in two currency liability swap transactions involving Swiss francs.

The Bank borrowed a total of ¥60 billion in the Japanese capital market, with three public bond issues, in January, July and December, each for ¥20 billion. The issue in December was the 200th public bond issue by a foreign borrower in Japan.

In the German capital market, the Bank raised a total of DM600 million, consisting of two public bond issues, each for DM200 million, a direct borrowing of DM100 million from a syndicate of German banks and a private placement of DM100 million.

The Bank again made two public bond issues in the Swiss capital market where interest rates were comparatively low. Each issue was for SwF100 million.

In the Dutch domestic capital market, the Bank made a direct borrowing of f100 million in May from institutional investors and a public offering also in May for f150 million.

The issue in the Austrian capital market was a public offering in March for AS500 million.

The average maturity of the year's borrowings weighted by amount was 9.84 years, which had the effect of increasing the average life of outstanding borrowings from 7.41 years at the end of 1982 to 7.72 years at the end of 1983.

¹ The paper was considered by the Board of Directors in February 1984, and the recommendation was sent to the Governors for voting by 27 March 1984.

BORROWINGS, 1983

Country	Borrowing	Amount in Currency of Borrowing (million)	US\$ Equivalent ^a (million)
Austria	8.25% 10-Year Bonds due 1993	AS 500	29.4
Germany, Federal Republic of	7.75% 8-Year Bonds due 1991	DM 200	82.6
	8.55% 12-Year Loan due 1995	DM 100	41.0
	8.25% 10-Year Bonds due 1993	DM 100	40.7
	8.50% 10-Year Bonds due 1993	DM 200	75.8
Japan	7.80% 12-Year Bonds due 1995	¥20,000	85.1
	7.90% 12-Year Bonds due 1995	¥20,000	83.2
	7.60% 12-Year Bonds due 1995	¥20,000	86.2
Netherlands	8.50% 15-Year Loan due 1998	f 100	37.7
	8.75% 10-Year Bonds due 1993	f 150	54.2
Switzerland	5.875% 12-Year Bonds due 1995	SwF 100	51.6
	6.125% 12-Year Bonds due 1995	SwF 100	47.0
United States	11.125% 15-Year Bonds due 1998	US\$ 100	100.0
Central Banks/ Monetary Authorities	9.625% 2-Year Bonds due 1985	US\$ 65	65.0
International	11.75% 10-Year Bonds due 1993	US\$ 100 ^b	100.0
TOTAL		979.4^c	

a US dollar equivalents are based on the exchange rates effective at the date of Board approval.

b \$84.9 million of the proceeds were swapped into SwF183.1 million with an average cost of 5.83%.

c Total does not tally due to rounding.

Investments

At the end of 1983, the Bank's OCR investments were denominated in 22 currencies and amounted to the equivalent of \$2,282.6 million (\$1,957.3 million at the end of 1982), including investments of Special Reserve Fund assets. Of the total investments, 64.2 per cent (61.0 per cent at the end of 1982) was held in securities issued or guaranteed by

member governments, obligations of other multilateral development banks and of approved government agencies of member countries. The remainder was invested in time deposits and certificates of deposit of banks in member countries and the Bank for International Settlements. The average yield on the Bank's OCR investments over the year decreased from 11.42 per cent in 1982 to 10.35 per cent in 1983.

SIAN DEVELOPMENT BANK YEN BONDS-12TH SERI

The 200th Samurai Bond Issue



ADB President Masao Fujioka (seated second from right) signing documents in Tokyo in December for a ¥20 million bond issue. Witnessing the signing (seated left to right) are Takashi Aida, Deputy President of The Industrial Bank of Japan, Ltd.; Yukiji Miyazaki, Deputy Treasurer of ADB; and Setsuya Tabuchi, President of Nomura Securities Co., Ltd.

Lending Rate

The annual review of the Bank's lending rate was undertaken in June taking into account the latest projections of the Bank's financial position and other relevant factors. On the basis of the review, the Board decided to reduce the lending rate from 11 per cent per annum to 10.5 per cent per annum, effective 1 July 1983.

Exchange Risk Pooling System

The Exchange Risk Pooling System, designed to equalize the exchange risk among the borrowers in respect of currencies repayable under loans financed from the Bank's ordinary capital resources, was introduced from 1 January 1983. As

of 31 December 1983, loans with undisbursed balances totalling \$4,024.2 million, or 85.6 per cent of the total undisbursed loans (including loans signed but not yet effective), were covered by the Exchange Risk Pooling System.

Loan Disbursements and Repayments

Disbursements from ordinary capital resources during the year amounted to \$715.4 million, bringing cumulative disbursements from this source up to the end of 1983 to \$4,157.6 million. Repayments in 1983 totalled \$165.6 million, consisting of \$165.4 million of loans held by the Bank and \$0.2 million on portions of loans sold to participants. Cumulative loan repayments up to the end of 1983 reached \$820.8 million, consisting of \$803.6 million on loans held by the Bank and \$17.2 million on portions sold to participants.

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

	1982 Actual	1983 Budget	1983 Actual	1984 Budget
1. Gross Income	<u>413.7</u>	<u>481.1</u>	<u>478.0</u>	<u>561.8</u>
2. Less Expenses Charged to Ordinary Capital Resources:				
a. Interest and Other Financial Expenses	202.7	266.7	262.9	332.4
b. Administrative Expenses ^a	35.1	37.5	34.5	40.1
c. Services to Member Countries	1.0	3.4	1.0	4.6
TOTAL	238.8	307.6	298.4	377.1
3. Net Income	174.8	173.5	179.6	184.7
4. Appropriation of Commissions to Special Reserve	<u>(23.4)</u>	<u>(31.1)</u>	<u>(28.0)</u>	<u>(17.1)</u>
5. Net Income After Appropriation of Commissions to Special Reserve	<u>151.4</u>	<u>142.4</u>	<u>151.6</u>	<u>167.6</u>

Note: Figures may not add due to rounding.

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

Income and Expenses

In 1983, the Bank's gross income was \$478.0 million, an increase of \$64.3 million, or 15.5 per cent, over the gross income figure of \$413.7 million in the preceding year. This increase was principally due to the rise in income from loans and investments by \$42.4 million and \$19.2 million, respectively.

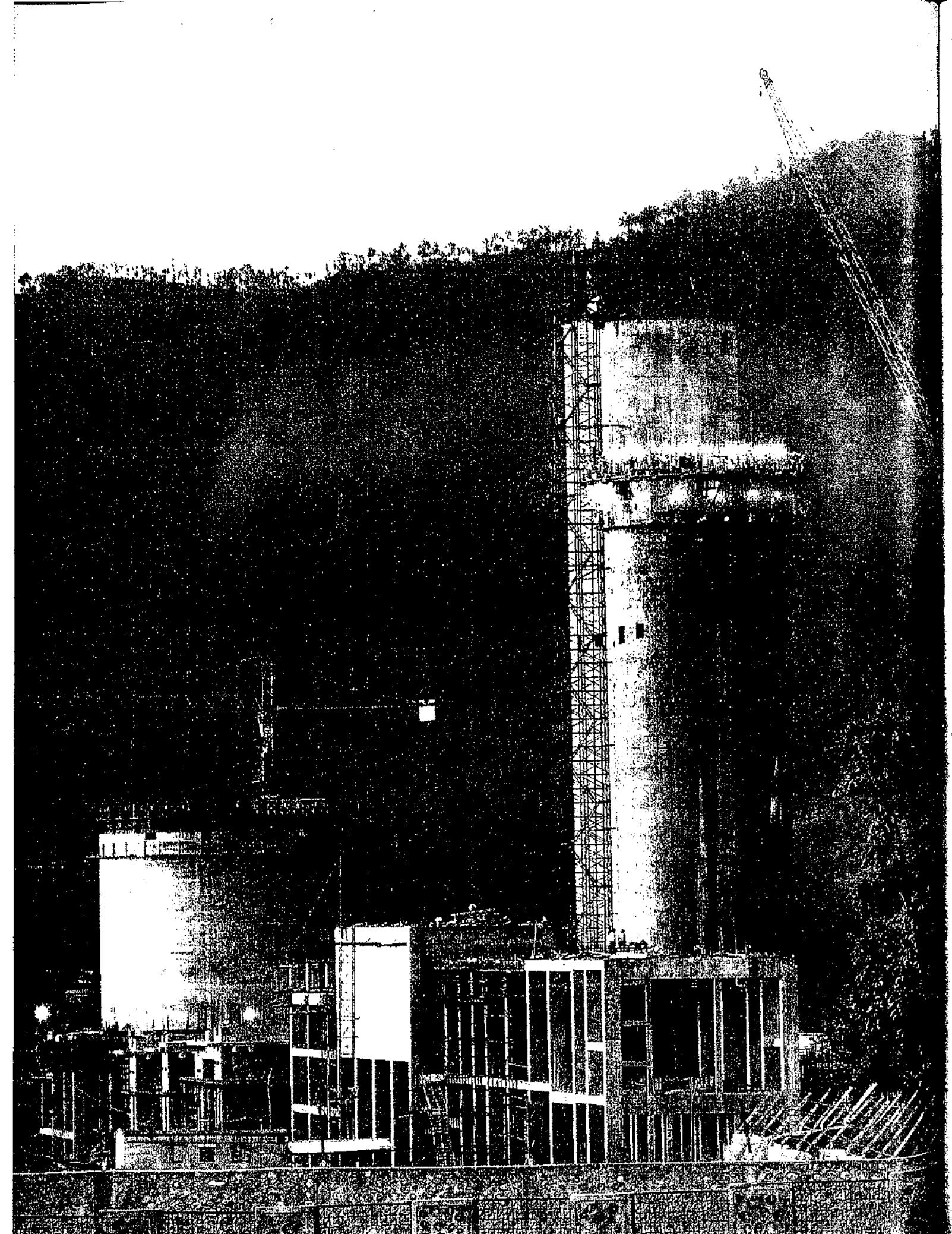
Gross expenses increased by \$59.6 million, or 25.0 per cent, from \$238.8 million in 1982 to \$298.4 million in 1983. This increase reflected almost entirely an increase of \$60.2 million in financial expenses.

Net income after appropriation of commissions to the Special Reserve increased by \$0.2 million, from \$151.4 million in 1982 to \$151.6 million in 1983.

Reserves

During the year, the Bank's Ordinary Reserve increased due to (i) transfer of the accumulated net income as of 31 December 1982 amounting to \$151.4 million; and (ii) the net credit of \$13.0 million as a result of the restatement of the Bank's capital stock in terms of the SDR. As a result, Ordinary Reserve rose from \$665.7 million as of 31 December 1982 to \$830.1 million as of 31 December 1983.

The Special Reserve increased from \$123.3 million as of 31 December 1982 to \$151.3 million as of 31 December 1983 due to the appropriation of commissions earned on loans during the year.



SPECIAL FUNDS

Third Asian Development Fund Replenishment (ADF IV)

THE THIRD Asian Development Fund replenishment (ADF IV), which will finance the Bank's concessional lending program over the four-year period 1983-86, was authorized by Governors' Resolution No. 154 in July 1982. The total amount authorized was \$3,214 million.¹ ADF IV became effective in April 1983 when the total amount of unqualified contribution commitments received by the Bank from developed member countries surpassed the necessary \$1,600 million¹ required for effectiveness pursuant to the Resolution.

At the end of 1983, ADF IV contribution commitments had been received from 18 member countries² for a total amount of \$2,972 million.³ Sixteen of these countries, namely, Australia, Austria, Republic of China, Denmark, Finland, France, Federal Republic of Germany, Hong Kong, Indonesia, Japan, Republic of Korea, New Zealand, Norway, Sweden, Switzerland and United Kingdom, had deposited unqualified contribution commitments, while two countries, Canada and the United States, had deposited contribution commitments containing a qualification, in accordance with the provisions of the Resolution, that all instalment payments except the first would be subject to budgetary appropriations.

In depositing its ADF IV contribution commitment, the United States was able to make available a first tranche of only \$97 million instead of the full \$130 million envisaged in Resolution No. 154. Pursuant to the provisions of the Resolution, therefore, the second tranches of the unqualified contributions were due for release to the Bank on 1 January 1984 in the same proportion as the United States' first tranche.

Progress of Earlier ADF Replenishments

In March 1983, the United States made available a further \$9.6 million of the outstanding balance of its contribution to the first ADF replenishment (ADF II). Consequently, at the

1 At the exchange rates specified in Resolution No. 154.

2 A contribution commitment was received from Belgium in March 1984.

CONSTRUCTION underway at the Bank-assisted Hetauda Cement Project in Nepal which is designed to produce 260,000 mt. of cement annually from indigenous raw materials.

end of 1983 the outstanding balance of this contribution was \$28.2 million. The deadline for payment of the U.S. contribution was extended by Governors' Resolution No. 145, adopted in October 1981. The Resolution provides that the Governors will fix the final date when the United States informs the Bank of a new payment schedule.

By the end of 1982, contribution commitments to the second ADF replenishment (ADF III) had been received from all 17 developed member countries. However, the Bank had not received payment of the last \$3 million of the United States' contribution. Accordingly, the Board of Governors, by Resolution No. 156 adopted in January 1983, extended the final payment date to 31 December 1983. The \$3 million balance of the U.S. contribution was received by the Bank towards the end of 1983. The full ADF III amount of \$2,141 million (at 1 April 1978 exchange rates) had accordingly been made available to the Bank.

Availability and Utilization of ADF Resources

At the beginning of 1983, total ADF resources amounted to \$3,617 million. During the year, the Bank received the first tranches of ADF IV contributions. Payments totalling \$12.6 million were made by the United States towards ADF II and III, and an amount of \$18 million accrued to ADF by way of net income. Total resources, net of changes in value in terms of the United States dollar, increased over the year by \$590 million to \$4,207 million. After allowing a provision of \$215 million for exchange rate fluctuations, net resources stood at \$3,992 million.

New concessional loans approved during the year totalled SDR665 million. At the exchange rates applicable at the time of loan approval, this was equivalent to \$703.4 million. After taking account of repayments, cancellations and exchange rate adjustments, net loan commitments, at the 31 December 1983 rates, amounted to \$644 million, bringing cumulative net loan commitments as of 31 December 1983 to \$4,048 million. As a result, pending release of the second tranches of unqualified ADF IV contributions on 1 January 1984,¹ the

1 The second tranches of unqualified ADF IV contributions were released to the Bank on 1 January 1984 in proportion to the extent (74.62%) that the first instalment of the United States' qualified contribution had become available to the Bank. The total amount released was \$374 million.

STATUS OF ASIAN DEVELOPMENT FUND RESOURCES

	Change in 1983					
	Valued as of 31/12/82 US\$m.	Addition US\$m.	Exchange Rate Adjustments ^a US\$m.	Net Change US\$m.	Valued as of 31/12/83 US\$m.	SDRm. ^b
Contributed Resources						
Australia	151.41	45.81	(10.06)	35.75	187.16	178.77
Austria	22.90	6.66	(3.28)	3.38	26.28	25.10
Belgium	23.32	—	(3.66)	(3.66)	19.66	18.78
Canada	250.05	68.41	(1.28)	67.13	317.18	302.96
China, Republic of	—	0.50	—	0.50	0.50	0.48
Denmark	19.78	6.57	(3.84)	2.73	22.51	21.50
Finland	13.96	5.31	(1.56)	3.75	17.71	16.92
France	72.36	33.62	(16.65)	16.97	89.33	85.32
Germany, Federal Republic of	235.74	50.02	(32.48)	17.54	253.28	241.92
Hong Kong	—	0.25	—	0.25	0.25	0.24
Indonesia	—	0.75	—	0.75	0.75	0.72
Italy	70.69	—	(12.34)	(12.34)	58.35	55.73
Japan	1,503.84	296.00	27.31	323.31	1,827.15	1,745.21
Korea, Republic of	—	0.88	—	0.88	0.88	0.84
Netherlands	70.87	—	(10.18)	(10.18)	60.69	57.97
New Zealand	9.39	0.98	(0.82)	0.16	9.55	9.12
Norway	18.93	5.12	(2.12)	3.00	21.93	20.95
Sweden	22.50	8.42	(2.53)	5.89	28.39	27.12
Switzerland	44.63	9.65	(4.31)	5.34	49.97	47.73
United Kingdom	154.36	26.60	(16.18)	10.42	164.78	157.39
United States	734.13	109.64	—	109.64	843.77 ^c	805.93
Total Contributed Resources	3,418.86	675.19	(93.97)	581.22	4,000.08	3,820.70
Additional Resources						
Set-Aside Resources	52.52 ^d	—	(2.68)	(2.68)	49.84 ^b	47.61
Other Resources ^e	4.94	0.14	—	0.14	5.08	4.85
Accumulated Translation Adjustments	(12.50)	(6.77)	—	(6.77)	(19.27)	(18.41)
Accumulated Net Income	153.12	18.40	—	18.40	171.52	163.83
Total Additional Resources	198.08	11.77	(2.68)	9.09	207.17	197.88
Total Resources	3,616.94	686.96	(96.65)	590.31	4,207.25	4,018.58
Less: Amounts Disbursed and Outstanding	985.53	210.63	(19.94)	190.69	1,176.22	1,123.47
Less: Amounts Committed but Undisbursed:						
Denominated in US Dollars	2,418.34	(230.20)	—	(230.20)	2,188.14	2,090.01
Denominated in SDRs	—	686.77	(3.01)	683.76	683.76	653.10
Total Uncommitted Resources	213.07	19.76	(73.70)	(53.94)	159.13	152.00
Less: Provision for Exchange Rate Fluctuations ^f	194.76	19.96	—	19.96	214.72	205.08
Extent to Which Provision for Exchange Rate Fluctuations Used for Loan Commitments					55.59	53.09
Net Amount Available for Loan Commitments	18.31				—	—

Note: Figures may not add due to rounding.

a Relating to balances as of 31 December 1982 and additions during 1983.

b Valued at the rate of \$1.04695 per SDR as of 31 December 1983.

c Excluding the balance (\$28.23 million) of the United States contribution to the first ADF replenishment (ADFI) and the balance (\$33.00 million) of the first tranche of its contribution to the third ADF replenishment (ADFI) for which the necessary internal procedures had not been completed.

d Valued at the rate of \$1.10311 per SDR as of 31 December 1982.

e Amounts initially accrued or allocated to other Special Funds.

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

**INCOME AND EXPENSES AND ACCUMULATED NET
INCOME — ASIAN DEVELOPMENT FUND**
(amounts in \$ million)

	1982	1983
1. Gross Income	56.1	54.1
2. Administrative Expenses	(27.4)	(35.7)
3. Net Income for the Year	28.7	18.4
4. Balance of Accumulated Net Income at Beginning of the Year	<u>124.4</u>	<u>153.1</u>
5. Balance of Accumulated Net Income at End of the Year	<u>153.1</u>	<u>171.5</u>

provision for exchange rate fluctuations was used for loan commitments to the extent of \$56 million.

Disbursements from ADF resources during 1983 amounted to \$221.5 million, bringing total cumulative disbursements to \$1,283.9 million. Repayments during the year and cumulative repayments up to the end of the year amounted to \$10.8 million and \$62.7 million, respectively.

ADF Income and Expenses

ADF net income for 1983 amounted to \$18.4 million, bringing accumulated net income at the end of the year to \$171.5 million.

At the end of 1983, the Bank's investments of ADF resources were denominated in 17 currencies and amounted to the equivalent of \$398.9 million (\$442.0 million at the end of 1982). Of the total investments, 49.2 per cent (35.1 per cent at the end of 1982) was held in securities issued or guaranteed by member governments and obligations of approved government agencies of member countries. The balance was invested in time deposits and certificates of deposit of banks in member countries. The average yield on ADF investments over the year was 9.54 per cent compared with 11.17 per cent in 1982.

Technical Assistance Special Fund

In 1983, Singapore made its first contribution and seven countries made additional contributions to the Technical Assistance Special Fund (TASF) totalling \$4.9 million. The contributions received were as follows:

Member Country	Amount	US\$ Equivalent ¹
Germany,		
Fed. Rep. of	DM 2,000,000	733,961
India	Rs 3,000,000	312,000
Japan	¥ 711,000,000	3,062,016
Korea, Rep. of	US\$ 150,000	150,000
New Zealand	NZ\$ 150,000	98,050
Norway	NKr 1,000,000	129,836
Singapore	US\$ 100,000	100,000
United Kingdom	£ 220,000	328,768

The contribution from the Republic of Korea is available to finance services and facilities from all member coun-

tries. The contribution from Japan is available to finance expert services from Japan, all developing member countries and other developed member countries which have contributed to the TASF. The contributions from the Federal Republic of Germany and the United Kingdom are available to finance services and facilities from the respective contributor country, all developing member countries and other developed member countries which contribute or are contributing to the TASF on a similarly untied basis. The contributions from India, New Zealand, Norway and Singapore are available to finance services and facilities from the respective contributor country and all developing member countries.

As of 31 December 1983, total contributions to TASF amounted to the equivalent of \$63.5 million, of which \$55.0 million had been utilized by the Bank.

TECHNICAL ASSISTANCE SPECIAL FUND (US Dollar Equivalent)^a

Contributor	Total Contributions	Amount Utilized
Australia	2,484,371	2,481,718
Austria	114,344	47,194
Bangladesh	22,517	19,752
Belgium	1,089,798	602,988
Canada	3,359,311	2,972,392
China, Republic of	200,000	200,000
Denmark	1,732,125	1,614,747
Finland	237,201	237,201
France	848,881	489,315
Germany, Federal Republic of	2,053,789	1,470,817
Hong Kong	100,000	100,000
India	1,288,576	1,137,650
Indonesia	250,000	9,205
Italy	888,879	391,828
Japan	37,164,618	32,212,677
Korea, Republic of	1,150,000	951,705
Netherlands	910,729	910,729
New Zealand	981,897	973,384
Norway	1,014,013	724,458
Pakistan	373,785	373,785
Singapore	100,000	62,904
Sri Lanka, Dem. Soc. Rep. of	6,309	6,309
Sweden	382,071	382,071
Switzerland	1,062,423	976,428
United Kingdom	4,426,163	4,426,163
United States	1,250,000	1,250,000
Sub-Total	63,491,800	55,025,420
Other Resources ^b	5,864,517	—
TOTAL	69,356,317	55,025,420

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 1983.

b. Represents income, repayments and reimbursements accruing to TASF since April 1980.

¹ As of 31 December 1983.



MEMBERSHIP AND ADMINISTRATION

Members

THERE WAS no change during the year in the Bank's membership of 45 countries, comprising 31 regional and 14 non-regional countries. The subscriptions and distribution of voting power of members are shown in Appendix 1-VI.

Board of Governors

The Sixteenth Annual Meeting of the Board of Governors was held in Manila from 4 to 6 May. At the meeting, the Governor for the Netherlands was elected Chairman of the Board of Governors, and the Governors for Fiji and Thailand were elected Vice-Chairmen, to hold office until the close of the Seventeenth Annual Meeting. A list of Governors and Alternate Governors as of 31 December 1983, with notations of changes during the year, appears in Appendix 4.

The resolutions adopted by the Board of Governors in 1983, including those adopted at the Sixteenth Annual Meeting, are listed in Appendix 3.

Board of Directors

The Board of Directors held 54 formal meetings in 1983, as well as several informal meetings, to discuss policy and other matters. In pursuance of its responsibility for the direction of the general operations of the Bank, the Board, inter alia:

- Submitted to the Board of Governors for its approval proposals for a third general increase in the Bank's authorized capital stock.
- Reviewed arrangements for lending from the Asian Development Fund.
- Reviewed the Bank's role in agriculture and rural development.

TWO-STORY row houses for low-income families under construction at the Bang Plee New Town Project in Thailand which the Bank is supporting with a \$20 million loan.

- Reviewed the Bank's operational policies on:
 - program lending;
 - lending foreign exchange for local currency expenditures;
 - financing of interest and other charges during construction;
 - supplementary financing of cost overruns.
- Approved a scheme for Special Assistance to Selected Bank-Financed Projects.
- Recommended to the Board of Governors that the Bank commence equity investment operations.
- Approved 72 proposals for loans, technical assistance grants and equity investments.
- Approved proposals for streamlining of loan administration.
- Reviewed the Bank's operations in its South Pacific DMCs.
- Approved borrowings totalling the equivalent of \$979.4 million, consisting of borrowings in United States Dollars, Japanese Yen, Deutsche Marks, Swiss Francs, Dutch Guilders and Austrian Schillings, and the roll-over of \$65 million in Two-Year Bonds.
- Reviewed the Bank's financial policies.
- Reviewed the lending rate of the Bank and set a new rate from 1 July.
- Reviewed the operation of the Technical Assistance Special Fund.
- Approved improvements to the Staff Retirement Plan.
- Approved the Administrative Budget for 1984 and capital expenditures for improving the Bank's telecommunications and printing facilities and for additions to the computer and office automation programs.

The Board also dealt with a number of other financial and administrative issues, including reviews of the borrowing program for the year and staff salaries and benefits. It also approved the general proposal for construction of a new Headquarters building for the Bank and commenced consideration of a proposal to establish a Regional Office in the South Pacific.

Election of Directors

The biennial election of Directors for a new term commencing 1 July 1983 was held during the Sixteenth Annual Meeting of the Board of Governors on 5 May 1983, in accordance with Resolution No. 159. The results of the election, together with the subsequent appointments of Alternate Directors, are set out in the following table:

Directors	Alternate Directors
Mr. A. J. Barry ¹ (Canada)	Mr. Jorma Paukku ¹ (Finland)
Mr. John A. Bohn, Jr. ¹ (United States)	Mr. Donald R. Sherk ¹ (United States)
Mr. Hoon-Mok Chung ¹ (Republic of Korea)	Mr. John Natera ¹ (Papua New Guinea)
Mr. N. W. Davey ¹ (Australia)	Mr. Kal Dett ¹ (Australia)
Mr. Sofjan Djajawinata (Indonesia)	Mr. R.C.W. Hamilton ¹ (New Zealand)
Mr. Paul Koehling ¹ (Federal Republic of Germany)	Mr. John Machin ¹ (United Kingdom)
Mr. Le Duc Van (Socialist Republic of Viet Nam)	Mr. Ronnie Weerakoon (Dem. Soc. Rep. of Sri Lanka)
Tunku Abdul Malek (Malaysia)	Mr. Kawee Keereepart ¹ (Thailand)
Mr. A. Melchor, Jr. (Philippines)	Mr. N. M. Qureshi (Pakistan)
Mr. Minoru Ohashi ¹ (Japan)	Mr. Takashi Taniguchi ¹ (Japan)
Mr. G. Ramachandran ¹ (India)	Mr. K. F. Rahman ¹ (Bangladesh)
Mr. Thierry Rosset ¹ (France)	Mr. Max Gertsch ¹ (Switzerland)

A list of Directors and Alternate Directors and their voting groups as of the end of 1983, with notations of changes since the election, appears in Appendix 5.

Audit Committee of the Board

Under its terms of reference, the Committee reviews and, as appropriate, reports to the Board of Directors on the following matters: (i) selection of outside auditors; (ii) scope of the outside auditors' work and reports; (iii) audited financial statements and the outside auditors' opinions thereon; (iv) the outside auditors' recommendations on an evaluation of internal controls in the Bank; and (v) the adequacy and efficiency of internal audit and post-evaluation activities.

The Committee held 12 formal meetings in 1983 and submitted an annual report and a special report to the Board. The special report recommended the appointment of outside auditors for 1984. The present Committee, comprising Mr. N. W. Davey (Chairman), Mr. John A. Bohn, Jr., Mr. Minoru Ohashi, Mr. John Natera and Mr. N. M. Qureshi, was appointed to hold office until 30 June 1985.

Committee on Administrative Matters Relating to Members of the Board

The Committee on Administrative Matters Relating to Members of the Board was established in September 1979. The present Committee, comprising Mr. Thierry Rosset (Chairman), Mr. Le Duc Van, Mr. Kawee Keereepart, Mr. K. F. Rahman and Mr. Takashi Taniguchi, was appointed to hold office until 30 June 1985. The Committee held two formal meetings and several informal meetings during the year. It submitted two reports to the Board.

Ad Hoc Committee for Review of 1984 Administrative Budget

An Ad Hoc Committee for Review of the 1984 Administrative Budget was established in August 1983 by a decision of the Board of Directors. Mr. Hoon-Mok Chung, Mr. Paul Koehling, Mr. G. Ramachandran, Mr. R. C. W. Hamilton and Mr. Donald R. Sherk were appointed as members of the Committee and Mr. G. Ramachandran designated as Chairman.

Under its terms of reference, the Committee reviewed the proposed 1984 Administrative Budget and submitted a report thereon to the Board.

Vice-Presidents

On 27 January 1983, acting on the recommendation of the President, the Board of Directors decided that the Bank should have three Vice-Presidents from 1 April 1983 and appointed Mr. Günther Schulz as the third Vice-President with effect from 1 April 1983.

Organization

With the appointment of a third Vice-President in April 1983, the responsibilities at the top management level were redistributed. Operational departments and offices were placed together under one group for the Vice-President (Operations) covering development policy, country economic and general economic work, country programming, and central loan administration, procurement and consulting services. Another group of such departments responsible for sector work and processing and implementation of loan and technical assistance projects was placed under the Vice-President (Projects).

In the early part of 1983, the Agriculture and Rural Development Department was expanded from five to six divisions with the creation of the Agricultural Services Division which has responsibility for the processing and administration of more complex loan and technical assistance projects involving the review of policy issues. The Division is also responsible for the coordination and undertaking of sector policy studies, the development of sector strategies by country, participation in project identification and country programming, review and monitoring (including project benefit monitoring and evaluation) of projects under implementation, liaison with other international organizations and departmental consolidation of general administrative matters.

Towards the end of 1983, several new measures relating to the operational activities of the Bank were introduced. These measures, involving revised organizational and ad-

¹ Reelected (Directors) or reappointed (Alternate Directors).

ministrative arrangements, were directed towards the expeditious processing of loan and technical assistance proposals. Other related measures called for greater delegation of responsibility in project processing and were intended to enable the Bank to cope with the increasing size of the operational program.

Following organizational studies in the second half of the year, it was decided to reorganize the Agriculture and Rural Development Department into an Agriculture Department and an Irrigation and Rural Development Department, effective 1 January 1984. Towards the end of 1983, a proposal to open a South Pacific Regional Office in the latter part of 1984 was submitted to the Board of Directors.¹

Internal Audit

Internal auditing provides Management with periodic, independent and objective evaluation of the adequacy and effectiveness of managerial controls and related systems and procedures in the financial, accounting, administrative, data processing and other functions of the Bank. The overall objective is to assist Heads of Departments and Offices and Managers of other levels in the effective discharge of their responsibilities. The Internal Audit Office (IAO) reports to the President.

¹ It was decided in early 1984 to establish a regional office in Vanuatu.

The results of audits, comprising findings, analyses, conclusions and recommendations, are conveyed to Management and departments or offices concerned by separate report for information and action as appropriate. Copies of certain audit reports are also conveyed to the Audit Committee of the Board of Directors which may review selected reports with the representative of IAO and/or departments or offices concerned. The Audit Committee also reviews the status of implementation of IAO's recommendations and its annual work program.

IAO performs audits pertaining to all functions of the Bank to identify areas that may be in need of improvement in efficiency, economy and effectiveness. It examines and evaluates the adequacy and effectiveness of controls, the reliability and integrity of financial and operating information and the adequacy of safeguards for the Bank's resources. IAO also reviews the extent of compliance with the Bank's policies, guidelines, systems, procedures and agreements, including the adequacy and effectiveness of controls inherent in the computer environment. It reviews and tests computer systems which have been implemented and/or are in the process of conversion from manual systems.

Review and testing of computer systems which have been implemented or are in the process of conversion from existing systems was made more effective with the engagement of consultants. A comprehensive and up-to-date audit manual had been completed to enhance IAO's efficiency.

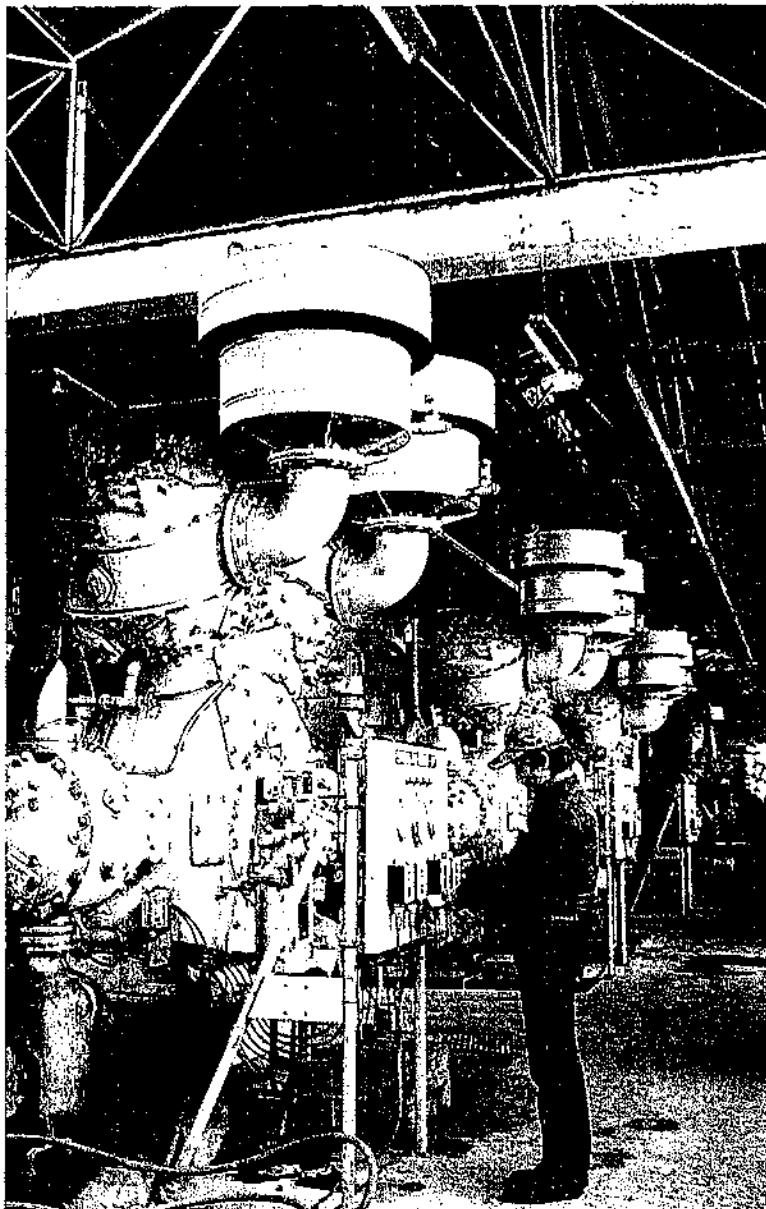
CONSTRUCTION work at the Kanyir Dam in Trengganu State, Malaysia. A \$45.4 million Bank loan is financing part of the foreign exchange cost of the dam and associated structures in this 400MW power project. Australia, Japan and Kuwait also provided co-financing for this Project.



Computer and Office Automation Systems

During 1983, the comprehensive computer data base which supports the Bank's major financial, administrative and operational activities was stabilized and enhanced. The processing of the accounting systems and related databases for Loan Accounting, Exchange Risk Pooling, Loan Service Payments, Investment Accounting, Administrative Expenses and General Ledger Accounting started on 1 January 1983. The following computer applications were implemented during the year: Project Processing Information System used by the Country Department, Data on Consultancy Firms and Individual Consultants used by the Central Projects Services Office, Investments Portfolio System used by the Treasurer's

TECHNICIANS checking one of six air compressors financed by a \$12 million Bank loan for the Dal Han Coal Corporation in the Republic of Korea. The loan also covered consultant services for long-term operational planning.



Department, Banking Transactions and Cash System, Management Decision Support System with graphics capabilities, Time Recording, Mailing List, Personnel Management Information, Budget Reporting and Travel Control Systems. The on-line Loan Financial Information System was used extensively by the Controller's Department, Projects Departments and Central Projects Services Office for loan administration functions to provide immediate access to loans, disbursements and procurement contracts data.

The total number of professional workstations as of 31 December 1983 was 69 computer terminals and printers, 42 word processing and office automation workstations, including phototypesetting, updateable microfiche, telex punch equipment linked to word processing systems, eight microcomputers used primarily in electronic spreadsheet computation and financial analysis, two portable microcomputers and eight Teletype terminals for financial market information. The extensive use of the systems contributed to Bank productivity in the areas of lending operations, financial control, economic analysis and administration.

Research Activities

During the year, a number of research projects were undertaken by the Bank on economic conditions and issues in its DMCs. A major study was made of ways of mobilizing domestic resources through financial development in selected developing countries. The study critically viewed financial development in order to identify savings and financial sector policies, as well as innovations and reforms that might raise the level of resource mobilization, particularly in low-saving DMCs.

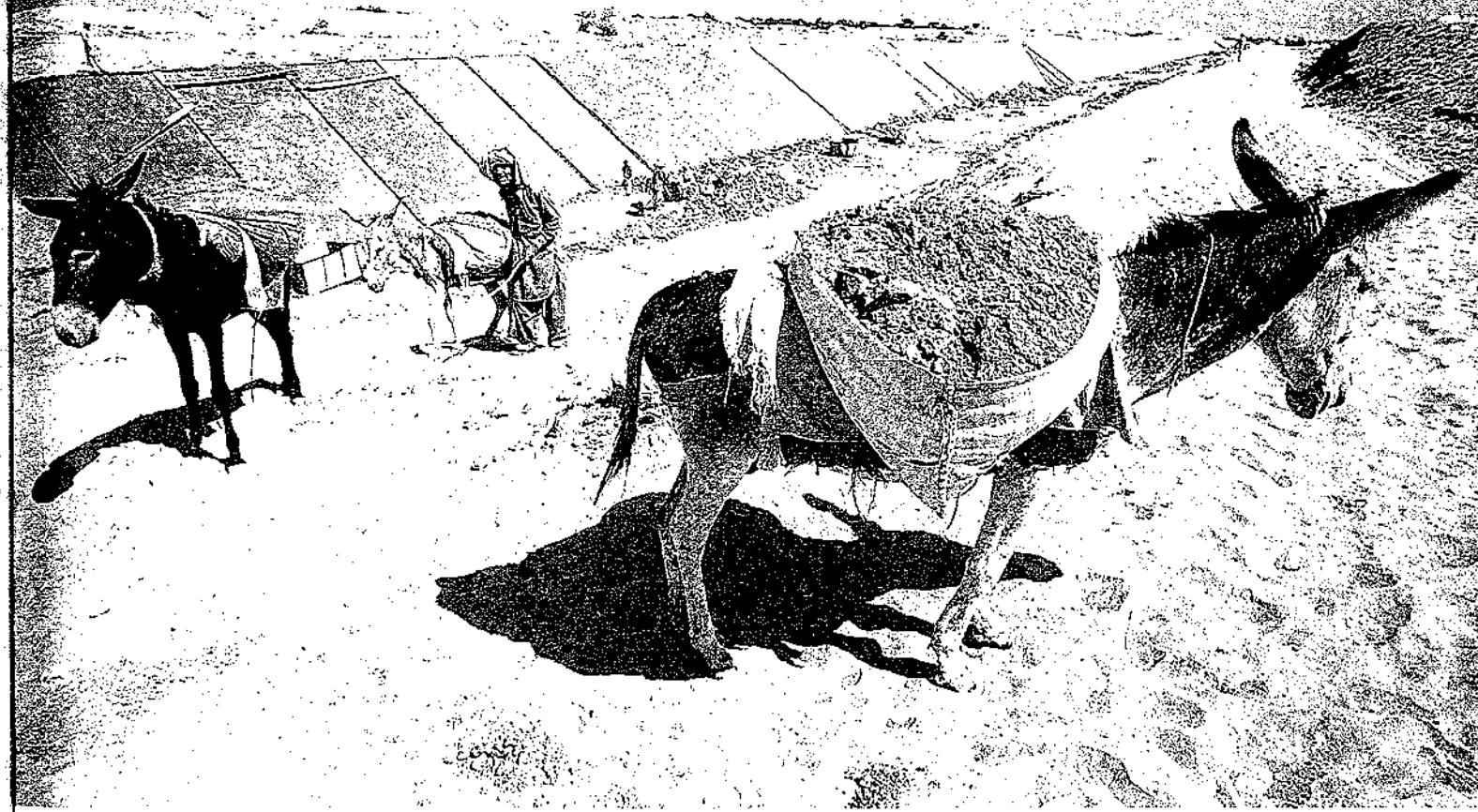
Studies were also completed on agriculture, energy, small and medium-scale industry, income distribution, external debt, and debt-servicing capacity, as well as on the economic performances and forecasts of selected DMCs. Comprehensive guidelines for economic evaluation of projects were also prepared for the guidance of Bank staff. During the year, several new publications were released under the ADB Economic Staff Papers and Economics Office Report series.

In April 1983, the Bank's new journal, the *Asian Development Review: Studies of Asian and Pacific Economic Issues*, was published and was followed by a second issue in December. Under the Bank's Distinguished Speakers Series, which was initiated in 1982, eminent economists were invited to deliver lectures on various aspects of socio-economic development.

Office Accommodation

During the year, the Office of Administrative Services undertook an in-depth study of the Bank's office space requirements up to 1987. This study took into account such factors as the steady increase in the number of staff, the need to alleviate existing congestion, rationalizing the fragmentation of the Bank in several buildings and accommodating new services such as computers and word processors.

Various options for the acquisition of additional space — estimated to total 3,400 square meters — were examined on the basis of the least-cost approach and considerations of operational efficiency. The Office Accommodation Project, as finally approved by the Board of Directors, comprised four subprojects involving an estimated total capital expenditure of \$1.2 million.



THE CHASHMA Right Bank Irrigation Project in Pakistan, for which the Bank approved a \$31.5 million loan, will help increase agricultural production in a food deficit area of the Northwest Frontier and Punjab Provinces by more effective use of water from the Indus River. EEC and World Food Program have also provided assistance for this Project.

New Headquarters Building

In February, the Board approved the general proposal to construct the Bank's new Headquarters building in Ortigas Commercial Center and the engagement of consultants for the preparation of preliminary design proposals, cost estimates and related studies. Six hectares of land for the building were purchased and registered in the Bank's name. Consultants, engaged by the Bank, commenced work in mid-July and submitted their final report in November. Project appraisal was undertaken and completed on the basis of the consultants' proposals. The Board of Directors is expected to consider a proposal early in 1984 for proceeding with the construction of the new Headquarters building at the site acquired by the Bank.

Staff

As of 31 December 1983, the Bank's staff had reached a total of 1,469¹ from 33 member countries. Of this number,

551 belonged to the professional staff category and 918 to the supporting staff category. During the year, there were 66 professional staff appointments and 29 terminations of appointment. In the supporting staff category, 84 appointments were made and 27 staff resigned.

Successful recruitment and low turnover during 1983 resulted in more than 98 per cent of professional staff positions being filled at year's end; this staffing level is the best yet achieved by the Bank.

The professional staff position classification and compensation programs which were approved in late 1982 were fully implemented during the year. A comprehensive review of the Bank's Staff Retirement Plan was completed, and significantly improved retirement, withdrawal and death and disability benefits were approved by the Pension Committee and the Board of Directors. The annual review of staff salaries was conducted in late 1983 to take into account developments in the compensation of local and international comparator organizations and trends in relevant cost-of-living indicators. The Board approved, effective 1 August 1983, general salary increases of 4.5 per cent for professional staff and 16 per cent for supporting staff as well as certain improvements in staff benefits.

During the year, the Bank continued to offer training and development opportunities to all staff in the areas of opera-

¹ Including Management but excluding positions allocable to Capital Expenditures.



TEA-SORTING in Sri Lanka. The Bank has provided loans totalling \$18.3 million for the rehabilitation of public sector tea estates, the construction and modernization of tea factories and assistance to smallholders.

tional, professional and managerial skills. Development and improvement of personnel systems during 1983 included the computerization of personnel data and staffing actions. It is anticipated that additional major computer-based sub-systems in the Personnel Management Information System will be fully implemented in 1984.

Staff Housing Scheme

The Bank's rental assistance scheme continued during the year. A proposal for a staff housing scheme as a long-term solution to the housing problems of professional staff has also been under consideration. The proposal is being reviewed in the light of current and prospective developments in the Manila housing market.

Budget

Internal Administrative Expenses for 1983 amounted to \$70,329,236 against the original Budget of \$77,524,000, representing 90.72 per cent utilization of the latter. The underrun of \$7,194,764 against the Budget is due mainly to savings in staff salaries, benefits and relocation on account of the lower number of staff appointments/replacements, lower than projected professional staff general salary increase and some economy achieved in budget utilization. The favorable effect of exchange rate fluctuations also contributed to the lower utilization. In addition, the general contingency of \$1.5 million was not utilized.

The Administrative Budget for 1984, which was approved in December 1983, is summarized in Appendix 2. It provides for Internal Administrative Expenses in 1984 amounting to \$82,639,000, an increase of \$12.3 million over actual expenses in 1983. The increase is largely attributable to: (i) full-year effect of the past year's staff increase and to additional staff required for activities programmed for 1984; (ii) salary and benefits improvements approved in 1983 and further improvements subject to consideration in 1984; (iii) increased consultant services and business travel required for the Bank's work in 1984; (iv) additional overheads, including expendable supplies, contractual services, depreciation charges, etc., for supporting the Bank's functions; and (v) past and prospective price escalation.

Commitments for Services to Member Countries in 1983 amounted to \$17,302,000, representing 91 per cent utilization of the budget of \$19,000,000 and an increase of 38 per cent over actual commitments of \$12,575,300 in 1982. Provision is made in 1984 for new commitments amounting to \$22,000,000, representing an increase of 27 per cent over the actual commitments in 1983.

STATISTICAL ANNEX

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TABLE 1
ESTIMATED RATE OF REAL GROWTH, 1970-1983 AND PER CAPITA GNP OF SELECTED DMCs, 1982

Country	Ave. Annual Growth Rate (1)	Rate of Real Growth (%)			Per Capita GNP ^a In Current \$ (5)
		1981 (2)	1982 (3)	1983 ^b (4)	
Bangladesh ^c	6.3 (1973-81)	6.8	0.8	3.3	140
Burma ^d	4.0 (1970-81)	6.4	6.0	5.5	190
China, Rep. of	9.2 (1970-81)	5.5	3.4	7.0	2,540
Fiji	4.2 (1977-81)	4.6	-1.2	-6.8	1,990
Hong Kong	9.5 (1970-81)	9.4	1.1	5.9	5,330
India ^d	2.7 (1970-81)	5.7	2.0	6.5	250
Indonesia	7.9 (1971-81)	7.9	2.2	2.9	580
Korea, Rep. of	8.5 (1970-81)	5.4	5.8	8.7	1,760
Malaysia	8.0 (1971-81)	7.1	5.2	5.6	1,840
Nepal ^c	3.0 (1975-81)	8.9	4.8	-0.9	170
Pakistan ^c	4.7 (1970-81)	7.7	5.6	5.8	380
Papua New Guinea	2.3 (1977-81)	0.4	1.6	...	820
Philippines	6.0 (1970-81)	3.8	3.0	1.0	820
Singapore	9.2 (1970-81)	9.9	6.3	7.9	5,900
Sri Lanka	5.5 (1970-81)	5.8	5.1	4.7	320
Thailand	7.0 (1970-81)	6.3	4.1	5.8	800
Average ^e		6.3	3.3	5.6	460

... denotes data not available.

a World Bank Atlas Methodology, 1980-82 base period, rounded to the nearest ten.

b 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.

e Weights are proportional to GDP in US dollars in 1982.

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

TABLE 2
RICE (PADDY) PRODUCTION IN SELECTED DMCs, 1980-1983^a
(Million metric tons)

Country	1980	1981	1982	1983 ^b	Annual Growth Rate (%)		
					1981	1982	1983 ^b
Bangladesh	20.821	20.444	21.322	21.700	-1.8	4.3	1.8
Burma	13.317	14.147	14.758	14.500	6.2	4.3	-1.7
China, Rep. of	3.083	3.087	3.252	3.300	0.1	5.3	1.5
India	80.312	79.883	69.948	85.500	-0.5	-12.4	22.2
Indonesia	29.652	32.774	34.104	33.824	10.5	4.1	-0.8
Korea, Rep. of	5.311	7.149	7.308	7.506	34.6	2.2	2.7
Malaysia	2.070	2.095	2.062	2.150	1.2	-1.6	4.3
Nepal	2.464	2.060	2.300	2.300	-16.4	-11.6	--
Pakistan	4.685	5.145	5.053	5.167	9.8	-1.8	2.3
Philippines	7.723	8.108	8.122	7.731	5.0	0.2	-4.8
Sri Lanka	2.133	2.229	2.156	2.200	4.5	-3.3	2.0
Thailand	17.368	17.774	16.878	18.000	2.3	-5.0	6.6
Viet Nam, Soc. Rep. of	11.679	12.552	14.169	14.837	7.5	12.9	4.7
Other DMCs	3.068	2.874	3.141	3.262	-6.3	9.3	3.9
TOTAL	203.686	210.321	204.573	221.977	3.3	-2.7	8.5

-- denotes magnitude zero.

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 1984, except for Philippines and Socialist Republic of Viet Nam which are from country sources.

TABLE 3
WHEAT AND MAIZE PRODUCTION IN SELECTED DMCs, 1980-1983^a
(Million metric tons)

Country	1980	1981	1982	1983 ^b	Annual Growth Rate (%)		
					1981	1982	1983 ^b
WHEAT							
Afghanistan	2.750	3.000	3.000	3.015	9.1	—	0.5
Bangladesh	0.823	1.092	0.967	1.095	32.7	-11.4	13.2
Burma	0.091	0.117	0.124	0.183	28.6	6.0	47.6
India	31.830	36.313	37.452	42.502	14.1	3.1	13.5
Korea, Rep. of	0.092	0.057	0.066	0.112	-38.0	15.8	69.7
Nepal	0.440	0.477	0.526	0.626	8.4	10.3	19.0
Pakistan	10.857	11.474	11.126	12.380	5.7	-3.0	11.3
Other DMCs	0.024	0.024	0.025	0.026	—	4.2	4.0
TOTAL	46.907	52.554	53.286	59.939	12.0	1.4	12.5
MAIZE							
Afghanistan	0.797	0.798	0.798	0.813	0.1	—	1.9
India	6.957	6.397	6.274	7.000	-8.0	-1.9	11.6
Indonesia	3.991	4.509	3.207	3.500	13.0	-28.9	9.1
Nepal	0.743	0.752	0.612	0.620	1.2	-18.6	1.3
Pakistan	0.970	0.931	0.950	1.005	-4.0	2.0	5.8
Philippines	3.123	3.110	3.290	3.126	-0.4	5.8	-5.0
Thailand	2.998	3.448	3.002	3.552	15.0	-12.9	18.3
Other DMCs	0.991	1.049	1.015	1.130	5.9	-3.2	11.3
TOTAL	20.570	20.994	19.148	20.746	2.1	-8.8	8.3

— denotes magnitude zero.

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 1984, except for Philippines which is from country source.

TABLE 4
OIL PRODUCTION AND IMPORTS OF SELECTED DMCs, 1981-1983

Country	Crude Petroleum Production ('000 mt)				Petroleum & Petroleum Products Imports (\$ million)			
	1981	1982	1983 ^a	% Increase 1983/82	1981	1982	1983 ^a	% Increase 1983/82
Afghanistan	8	124	99	164	65.7
Bangladesh	—	—	—	—	187	180	181	0.6
Burma	1,348	1,263	1,480	17.2	8
China, Rep. of	183	140	131	-6.4	5,066	4,101	4,213	2.7
Fiji	—	—	—	—	155	153	115	-24.8
Hong Kong	—	—	—	—	1,903	1,747	1,389	-20.5
India	14,925	21,062	25,160	19.5	6,273	5,813	4,600	-20.9
Indonesia	79,570	66,420	76,828	15.7	1,721	3,544	4,232	19.4
Korea, Rep. of	—	—	—	—	6,918	6,740	6,187	-8.2
Malaysia	10,143	11,973	14,046	17.3	1,987	1,880	1,865	-0.8
Nepal	—	—	—	—	45	40	48	20.0
Pakistan	487	539	645	19.7	1,535	1,677	1,503	-10.4
Papua New Guinea	—	—	—	—	235	198	180	-9.1
Philippines	203	444	670	50.9	2,149	2,105	2,112	0.3
Singapore	—	—	—	—	9,381	9,566	8,801	-8.0
Solomon Islands	—	—	—	—	16	15	13	-13.3
Sri Lanka	449	590	463	-21.5
Thailand	18	21	31	47.6	2,984	2,642	2,539	-3.9
Tonga	—	—	—	—	5	6	7	16.7
Vanuatu	—	—	—	—	6	7	6	-14.3
Western Samoa	—	—	—	—	13	7	8	14.3
TOTAL (Reporting)	106,885	101,862	118,991	16.8	41,160	41,110	38,626	-6.0

... denotes data not available.

— denotes magnitude zero.

a Preliminary estimates.

Sources: UN, *Monthly Bulletin of Statistics*, January 1984 and country sources.

TABLE 5
CHANGES IN CONSUMER PRICES IN SELECTED DMCs, 1981-1983^a
(Per cent)

Country	1981	1982	1983 ^b
Afghanistan	17.6	19.1	10.8
Bangladesh	13.2	12.9	6.9
Burma	1.1	5.2	5.7
China, Rep. of ^c	16.3	3.0	1.4
Cook Islands	20.8	12.5	7.5
Fiji ^c	11.2	7.0	6.8
Hong Kong	14.0	10.6	10.0
India ^c	12.5	8.3	10.3
Indonesia	8.5	9.7	11.5
Kiribati	7.7	5.6	5.4
Korea, Rep. of	21.4	7.3	3.4
Malaysia	9.7	5.8	4.0
Nepal	14.6	10.6	12.3
Pakistan ^c	12.4	7.4	5.9
Papua New Guinea	9.9	3.9	9.9
Philippines	13.4	11.0	10.8
Singapore	8.2	3.9	1.2
Solomon Islands	16.4	13.0	6.8
Sri Lanka	15.2	10.8	14.0
Thailand	13.4	5.4	3.8
Tonga	14.9	10.8	5.9
Vanuatu	27.4	6.2	1.7
Western Samoa	20.5	18.3	16.4
Weighted Average^d	13.1	8.0	7.8

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

b Preliminary estimates.

c Data refer to average of all cities.

d Weights are proportional to GNP in US dollars in 1982.

Sources: Country sources, except for Afghanistan 1983, which is from ESCAP, *Statistical Indicators*, December 1983 and Burma 1983, which is from IMF, *International Financial Statistics*, February 1984.

TABLE 6
BALANCE OF TRADE OF SELECTED DMCs, 1980-1983
(\$ million)

Country	Exports (fob)			
	1980	1981	1982	1983 ^a
Afghanistan	670	694	708	681
Bangladesh	710	703	567	735
Burma	480	469	387	439
China, Republic of	19,811	21,611	22,204	25,117
Cook Islands	4	4	4	4
Fiji	374	315	286	245
Hong Kong	19,743	21,842	20,979	22,095
India	8,564	8,343	8,851	9,217
Indonesia	23,950	25,165	22,293	21,131
Kiribati	3	4	2	...
Korea, Republic of	17,505	21,254	21,853	24,375
Lao PDR	31	33	40	...
Malaysia	12,941	11,766	12,038	13,791
Maldives	8	9	17	20
Nepal	96	130	113	81
Pakistan	2,396	2,987	2,252	2,649
Papua New Guinea	1,032	840	773	839
Philippines	5,788	5,722	5,012	4,840
Singapore	19,359	20,964	20,782	21,837
Solomon Islands	74	66	58	48
Sri Lanka	1,064	1,093	1,031	1,042
Thailand	6,505	7,012	6,945	6,267
Tonga	6	7	4	5
Vanuatu	35	33	23	27
Viet Nam, Socialist Republic of	606	615	425	538
Western Samoa	17	12	30	18
TOTAL	141,772	151,693	147,677	156,076^b

... denotes data not available.

— denotes magnitude zero.

a Preliminary estimates.

b Estimates based on all countries.

Sources: IMF, *International Financial Statistics*, February 1984 and country sources.

Imports (cif)				Balance of Trade			
1980	1981	1982	1983 ^a	1980	1981	1982	1983 ^a
552 1,829	622 1,980	695 1,626	725 1,530	118 -1,119	72 -1,277	13 -1,059	-44 -795
700 19,733	767 21,200	846 18,888	730 20,285	-220 78	-298 411	-459 3,316	-291 4,832
23 561	23 633	23 511	23 493	-19 -187	-19 -318	-19 -225	-19 -248
22,438 15,143	24,741 15,781	23,533 14,502	24,122 14,169	-2,695 -6,579	-2,899 -7,438	-2,554 -5,651	-2,027 -4,952
10,834 19	13,272 23	16,858 18	16,640 ...	13,116 -16	11,893 -19	5,435 -16	4,591 ...
22,292 131	26,131 125	24,251 115	26,246 ...	-4,787 -100	-4,877 -92	-2,398 -75	-1,871 ...
10,773 26	11,546 28	12,406 46	13,321 50	2,168 -18	220 -19	-368 -29	470 -30
290 4,741	358 5,409	372 5,022	471 5,208	-194 -2,345	-228 -2,422	-259 -2,770	-390 -2,559
1,020 8,295	1,098 8,479	1,020 8,264	995 7,950	12 -2,507	-258 -2,757	-247 -3,252	-156 -3,110
23,979 74	27,570 76	28,152 59	28,153 56	-4,620 —	-6,606 -10	-7,370 -1	-6,316 -8
2,053 9,215	1,901 9,933	2,016 8,549	1,877 9,698	-989 -2,710	-808 -2,921	-985 -1,604	-835 -3,441
26 71	31 59	42 61	45 65	-20 -36	-24 -26	-38 -38	-40 -38
1,212 63	1,200 67	1,115 50	1,240 45	-606 -46	-585 -55	-690 -20	-702 -27
156,093	173,053	169,040	174,173 ^b	-14,321	-21,360	-21,363	-18,097 ^b

TABLE 7
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs, 1980-1983

Country	International Reserves ^a (\$ million)				Ratio to Imports ^b (Months)			
	1980	1981	1982	1983 ^c	1980	1981	1982	1983 ^c
Afghanistan	641.5	519.3	502.8	459.2	13.9	10.0	8.7	7.6
Bangladesh	321.1	155.3	207.1	541.9	2.1	0.9	1.5	4.2
Burma	271.8	239.2	114.0	76.5	4.7	3.7	1.6	1.3
China, Rep. of	2,345.0	7,368.0	8,677.0	12,461.0	1.4	4.2	5.5	7.4
Fiji	168.0	135.5	127.4	116.2	3.6	2.6	3.0	2.8
India	7,228.0	4,941.0	4,549.0	5,793.0	5.7	3.8	3.8	4.9
Indonesia	6,500.0	6,076.0	4,196.0	4,755.0	7.2	5.5	3.7	3.4
Kiribati ^d	80.0	75.0	80.0	86.5	50.5	39.1	53.3	57.7 ^f
Korea, Rep. of ^e	6,571.5	6,890.1	6,985.1	6,394.3	3.6	3.2	3.5	2.9
Lao PDR	14.0	13.5	12.4	11.9	1.3	1.3	1.3	1.2 ^f
Malaysia	4,491.0	4,183.0	3,858.0	4,228.0	5.0	4.4	3.7	3.8
Nepal	189.2	208.3	205.6	133.6	7.8	7.0	6.6	3.7
Pakistan	1,684.0	1,507.0	1,526.0	2,744.0	4.3	3.3	3.6	6.3
Papua New Guinea	438.2	469.5	360.0	746.0	5.2	5.1	4.2	6.0
Philippines	3,140.0	2,707.0	2,543.0	903.0	4.5	3.8	3.7	1.4
Singapore	6,566.8	7,549.2	8,479.8	9,039.0	3.3	3.3	3.6	3.9
Solomon Islands	30.0	20.5	37.7	50.0	4.9	3.2	7.7	10.7
Sri Lanka	262.0	341.0	364.0	308.0	1.5	2.2	2.2	2.0
Thailand	3,026.0	2,727.0	2,652.0	2,555.0	3.9	3.3	3.7	3.2
Tonga ^d	15.4	15.2	19.9	12.7	7.1	5.9	5.7	3.4
Western Samoa	2.8	3.3	3.5	4.3	0.6	0.6	0.8	1.1
TOTAL	43,986.3	46,153.9	45,500.3	51,149.1	4.0	3.8	3.6	4.1

a Gold + SDRs + Reserves position in IMF + Foreign exchange holdings; year-end figures unless otherwise specified.

b Imports cif from trade statistics were used for computing the ratio.

c India as of October; Singapore and Solomon Islands as of September; and Malaysia and Western Samoa as of November.

d Foreign exchange holdings only.

e Includes commercial banks' foreign assets, which constitute 55%, 61%, 59% and 63%, of total International reserves for 1980 to 1983, respectively.

f Figure for 1982 imports was used in getting the ratio.

Sources: IMF, *International Financial Statistics*, February 1984 and country sources.

TABLE 8
DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCE GAP
AS PERCENTAGE OF GDP OF SELECTED DMCs, 1980-1982
(Per cent)

Country	Gross Domestic Savings as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1980	1981	1982	1980	1981	1982	1980	1981	1982
Bangladesh (FY)	2.5	2.0	2.9	11.3	10.4	10.8	8.8	8.4	7.9
Burma (FY)	17.6	16.6	17.2	21.5	22.9	22.8	3.9	6.3	5.6
China, Rep. of	32.8	31.7	30.5	34.2	29.5	24.6	1.4	-2.2	-5.9
Hong Kong	31.4	30.4	28.5	35.9	35.9	32.4	4.5	5.5	3.9
India (FY)	23.2	22.9	25.0	23.7	24.7	27.1	0.5	1.8	2.1
Korea, Rep. of	23.2	24.4	24.0	31.4	28.2	30.0	8.2	3.8	6.0
Malaysia	23.2	23.0	25.7	26.9	30.1	34.1	3.7	7.1	8.4
Nepal (FY)	12.1	12.0	6.6	18.3	35.7	...	6.2	23.7	...
Pakistan (FY)	6.9	6.5	7.2	17.5	16.1	16.6	10.6	9.6	9.4
Papua New Guinea	19.1	11.9	12.3	25.2	26.7	30.7	6.1	14.8	18.4
Philippines	25.1	24.1	21.4	30.5	29.7	28.5	5.4	5.6	7.1
Singapore	35.9	38.3	40.0	45.3	44.5	45.2	9.4	6.2	5.2
Sri Lanka	11.2	11.8	14.7	33.8	30.6	29.7	22.6	18.8	15.0
Thailand	20.7	17.8	18.4	27.2	24.7	21.0	6.5	6.9	2.6

... denotes data not available.

Sources: Country sources.

TABLE 9
TOTAL FLOWS OF RESOURCES TO DMCs, 1980-1982
 (\$ million)

Country	Concessional Flows (ODA)			Non-Concessional Flows ^a			Total Flows		
	1980	1981	1982	1980	1981	1982	1980	1981	1982
Afghanistan	32.3	23.2	9.0	2.0	-0.5	3.0	34.3	22.7	12.0
Bangladesh	1,220.3	1,095.8	1,197.8	-6.0	-23.9	34.6	1,214.3	1,071.9	1,232.4
Bhutan	8.3	9.8	11.3	—	—	—	8.3	9.8	11.3
Burma	308.7	283.6	305.5	94.0	44.4	102.6	402.7	328.0	408.1
Cambodia	188.3	130.0	43.9	—	—	-0.2	188.3	130.0	43.7
China, Rep. of	-3.5	7.8	-8.8	442.4	686.9	440.9	438.9	694.7	432.1
Cook Islands	10.6	10.5	10.4	0.8	1.2	1.7	11.4	11.7	12.1
Fiji	33.8	40.5	35.4	34.6	45.4	40.2	68.4	86.9	75.6
Hong Kong	3.6	9.5	7.9	888.4	1,624.6	1,046.9	892.0	1,634.1	1,054.8
India	2,161.4	1,902.4	1,620.4	237.1	386.7	585.4	2,398.5	2,289.1	2,205.8
Indonesia	938.5	975.4	897.5	810.4	3,569.1	1,884.9	1,748.9	4,544.5	2,782.4
Kiribati	19.1	15.3	15.1	—	7.7	0.1	19.1	23.1	15.2
Korea, Rep. of	138.8	330.6	38.8	684.1	1,201.8	1,500.1	822.9	1,532.5	1,538.9
Lao PDR	35.9	35.0	38.0	-0.9	—	-0.2	35.0	35.0	37.8
Malaysia	122.3	142.0	116.6	488.4	853.4	1,389.0	610.7	995.4	1,505.6
Maldives	21.4	12.9	3.0	-0.2	9.1	-3.4	21.2	22.0	-0.4
Nepal	163.0	180.6	195.3	-1.6	0.0	-1.2	161.4	180.6	194.1
Pakistan	1,037.2	768.2	821.2	164.4	38.9	257.4	1,201.6	807.1	1,078.6
Papua New Guinea	325.3	335.9	310.6	64.8	-12.1	289.9	390.1	323.8	600.5
Philippines	294.2	376.5	331.8	668.6	859.6	619.6	962.8	1,236.1	951.4
Singapore	11.9	21.8	20.5	658.5	1,260.9	807.5	670.4	1,282.6	828.0
Solomon Islands	35.2	31.1	27.9	0.1	-1.0	0.1	35.3	30.1	28.0
Sri Lanka	431.2	366.6	411.5	36.3	39.3	46.9	487.5	405.9	458.4
Thailand	384.8	406.6	353.2	694.1	1,154.5	843.0	1,078.9	1,561.2	1,196.2
Tonga	14.9	18.0	16.9	-0.3	—	—	14.6	18.0	16.9
Vanuatu	43.9	30.4	26.0	-1.6	-1.0	6.1	42.3	29.4	32.1
Viet Nam, Soc. Rep. of	220.8	242.4	129.6	-26.8	60.2	2.3	194.0	302.6	181.9
Western Samoa	23.9	25.0	21.9	-0.6	-0.4	-0.2	23.3	24.6	21.7
TOTAL	8,226.1	7,827.4	7,008.2	5,931.0	11,804.8	9,897.0	14,157.1	19,632.2	16,905.2

0.0 denotes magnitude less than half of the unit employed.

— denotes magnitude zero.

a Including bilateral and multilateral non-concessional flows and private flows.

Source: OECD, February 1984.

TABLE 10
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO
OF SELECTED DMCs, 1980-1982
(\$ million)

Country	Debt Outstanding ^a			Service Payments			Debt Service Ratio (%)		
	1980	1981	1982	1980	1981	1982	1980	1981	1982
Bangladesh	3,521.1	3,851.8	4,352.9	75.5	97.6	111.3	5.5	6.8	8.3
Burma	1,453.0	1,638.6	1,960.1	111.7	136.4	120.2	22.6	21.9 ^b	23.3 ^b
China, Rep. of	4,357.3	5,012.7	6,035.4	980.7	1,063.3	1,263.1	4.3	4.1	4.9
Fiji	174.3	198.9	234.3	19.0	22.5	24.5	3.2	4.1	4.5 ^b
Hong Kong	484.8	308.5	267.3	80.8	191.3	48.5	0.4 ^c	0.9 ^c	0.2 ^c
India	17,575.7	17,999.5	19,611.5	1,055.9	1,025.1	1,157.5	7.0	8.4 ^b	13.1 ^c
Indonesia	14,882.1	15,737.0	18,421.2	1,771.9	1,978.1	2,308.5	8.0	8.3	10.9 ^b
Korea, Rep. of	15,808.0	18,279.3	20,061.4	2,708.5	3,398.5	3,716.2	12.0	12.4	13.1
Malaysia	3,586.8	5,191.8	7,670.7	367.0	467.0	720.2	2.5	3.6	5.1
Maldives	24.8	36.9	45.1	0.3	0.7	1.6	2.9	4.6	9.4 ^c
Nepal	173.9	231.6	296.6	3.9	4.9	6.0	1.5	1.6	5.3 ^c
Pakistan	8,780.0	8,812.0	9,178.3	592.4	533.3	538.2	11.1	9.6	9.3
Papua New Guinea	510.3	629.0	748.0	61.3	68.1	94.5	5.6	7.0	10.2
Philippines	6,463.9	7,577.6	8,836.0	585.3	850.3	1,029.0	7.2	9.9	13.2 ^b
Singapore	1,320.0	1,318.2	1,422.7	262.5	228.6	235.8	1.0	0.8	0.8
Solomon Islands	7.6	11.7	16.0	0.0	0.1	0.1	0.1	0.1	0.2 ^c
Sri Lanka	1,327.4	1,594.5	1,833.6	81.5	90.9	135.1	6.5	5.7	10.1 ^b
Thailand	4,123.1	5,187.0	6,205.9	433.9	621.4	788.5	5.1	6.7	8.4
Western Samoa	55.0	56.5	60.5	4.6	3.5	2.8	17.0 ^b	21.8 ^b	17.5 ^b
TOTAL	84,629.1	93,673.1	107,257.5	9,196.7	10,781.5	12,301.6	5.4	5.9	6.9

0.0 denotes magnitude less than half of the unit employed.

a Disbursed only.

b Exports of goods and non-factor services were used in computing the ratio.

c Merchandise exports was used in computing the ratio.

Sources: IBRD, February 1984 and country sources.

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FINANCIAL STATEMENTS AND OPINIONS OF INDEPENDENT AUDITORS

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ASIAN DEVELOPMENT FUND

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Opinion of Independent Auditors

BALANCE \$

31 December 1983

Expressed in Thousands of US Dollars

ASSETS

	1983	1982
CASH IN BANKS (Note B)	\$ 55,898	\$ 53,044
INVESTMENTS (Note C)		
Government and government guaranteed obligations — amortized cost (Face amounts \$1,331,506—1983, \$1,200,775—1982)	\$1,315,312	\$1,193,524
Time deposits and other obligations of banks	<u>815,965</u>	<u>640,459</u>
LOANS (Appendix 1-IV) (Note A)		
Loans approved — <u>\$9,173,733</u> —1983, <u>\$7,983,943</u> —1982		
Effective loans	6,718,685	6,036,704
Less—undisbursed balances	<u>3,613,015</u>	<u>3,352,075</u> ¹
ACCRUED INCOME		
On investments	45,858	57,356
On loans	<u>71,069</u>	<u>62,673</u>
AMOUNTS RECEIVABLE FROM MEMBERS		
Non-negotiable, non-interest-bearing demand obligations (Notes B and D)	353,457	377,061
Amounts required to maintain value of currency holdings (Note E)	1,569	1,562
Subscription instalments (Note D)	<u>7,797</u>	<u>284</u>
OTHER ASSETS		
Notional amounts required to maintain value of currency holdings (Note E)	112,277	86,133
Administration Charge receivable from the Asian Development Fund (Note F)	11,693	2,087
Unamortized issuance costs of borrowings	49,525	37,417
Property, furniture and equipment (net of accumulated depreciation of \$881—1983, \$330—1982) (Note A)	14,806	1,319
Miscellaneous	<u>15,384</u>	<u>11,137</u>
SPECIAL RESERVE FUND ASSETS (Note G)	151,302	123,300
TOTALS	\$6,127,582	\$5,331,985

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

1 Undisbursed balances of effective loans, previously shown under liabilities, have been reclassified as a deduction from effective loans.

ORDINARY CAPITAL RESOURCES

IEET

as at 31 December 1982

United States Dollars (Note A)

LIABILITIES, CAPITAL AND RESERVES

	1983		1982 ¹	
BORROWINGS				
Principal amounts outstanding (Appendix 1-V)	\$3,428,637		\$2,809,894	
Less — unamortized discounts and premiums on interest-bearing bonds and notes	11,047	\$3,417,590	9,181	\$2,800,713
ACCRUED INTEREST ON BORROWINGS		101,538		87,823
ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Notional amounts required to maintain value of currency holdings (Note E)	92,531		52,172	
Miscellaneous	14,014	106,545	16,268	68,440
CAPITAL AND RESERVES (SDRs in thousands)				
Capital Stock (Appendix 1-VI) (Note D)				
Authorized (SDR 14,768,070 — 1983, SDR 7,220,570 — 1982)				
Subscribed (SDR 10,993,800 — 1983, SDR 7,160,370 — 1982)	11,509,959		7,898,676	
Less — "callable" shares subscribed	9,852,229		6,363,444	
"Paid-in" shares subscribed	1,657,730		1,535,232	
Less — subscription instalments not due	162,430		4,661	
Subscription instalments matured	1,495,300		1,530,571	
Less — capital transferred to the Asian Development Fund (Note H)	49,845		52,519	
	1,445,455		1,478,052	
Advance payments on subscriptions (Note D)	310		254	
Accumulated translation adjustments (Note A)	(76,857)		(43,715)	
Ordinary Reserve (Note I)	830,145		665,683	
Special Reserve (Note G)	151,302		123,300	
Net income after appropriation of commissions to Special Reserve for the years ended 31 December 1983 and 31 December 1982 (Appendix 1-II) (Note I)	151,554	2,501,909	151,435	2,375,009
TOTALS		\$6,127,582		\$5,331,985

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1983 and 31 December 1982

Expressed in Thousands of United States Dollars (Note A)

	1983	1982
INCOME		
From loans:		
Interest	\$200,199	\$165,469
Commissions	28,002	23,403
Commitment charge	27,543	24,458
From Investments (Note C)	218,283	199,122
From other sources — net	<u>3,956</u>	<u>1,220</u>
GROSS INCOME	\$477,983	\$413,672
EXPENSES		
Interest and other financial expenses (Notes A and F)	262,934	202,731
Administrative expenses (Notes F and J)	34,458	36,086
Services to member countries (Note K)	<u>1,035</u>	<u>1,017</u>
GROSS EXPENSES	298,427	238,834
NET INCOME	179,556	174,838
APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note G)	(28,002)	(23,403)
NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note I)	\$151,554	\$151,435

The accompanying notes to financial statements (Appendix 1-VII) 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 1983 and 31 December 1982

Expressed in Thousands of United States Dollars (Note A)

	1983	1982
FUNDS WERE PROVIDED BY		
Operations		
Net income	\$ 179,556	\$ 174,838
Items not requiring or providing current funds:		
Accrued interest and other expenses	15,525	20,232
Accrued income including interest and commitment charges added to loans	(18,701)	(31,455)
Administration Charge (Note F)	(35,690)	(27,410)
Commissions (transferred to Special Reserve Fund Assets)	(28,002)	(23,403)
Other — net	<u>22,211</u>	<u>10,698</u>
Funds provided by operations	134,899	123,500
Borrowings	974,666	894,587
Loans collected	<u>154,732</u>	<u>139,847</u>
Decrease in loans disbursed and outstanding as a result of currency revaluations	139,631	127,476
Capital subscriptions	36,380	6,824
Demand obligations of members encashed	32,755	6,818
Administration Charge collected	26,084	28,743
Net maintenance of value adjustments	14,208	(7,635)
Net credit to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as the unit of value	13,027	13,974
Decrease in other assets as a result of currency revaluations	11,573	21,880
Decrease in capital set aside and transferred to Asian Development Fund due to substitution of the SDR for the 1966 dollar as the unit of value	<u>2,674</u>	<u>2,897</u>
Totals	<u>1,540,629</u>	<u>1,358,911</u>
FUNDS WERE UTILIZED FOR		
Loans disbursed	693,601	598,940
Bonds purchased for redemption and borrowings redeemed	203,697	239,118
Decrease in borrowings as a result of currency revaluations	168,059	125,170
Decrease in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as the unit of value	79,108	84,668
Net translation adjustments	33,142	38,861
Demand obligations of members received	19,282	3,361
Property, furniture and equipment acquired	14,038	1,649
Other — net	<u>29,554</u>	<u>9,136</u>
Totals	<u>1,240,481</u>	<u>1,100,903</u>
INCREASE IN CASH IN BANKS AND INVESTMENTS	\$ 300,148	\$ 258,008

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

SUMMARY STATEMENT

31 December 1983 and

Expressed in Thousands of

Borrowers/Guarantors ²	Principal Amounts	Loans Not Yet Effective	Refundings and Cancellations
Bangladesh	\$ 11,400	\$ —	\$ 2,082
Burma	6,600	—	—
China, Republic of	100,390	—	9,252
Fiji	45,900	—	112
Hong Kong	101,500	—	4,503
Indonesia	2,204,000	337,450	44,634
Korea, Republic of	1,771,830	132,800	72,353
Malaysia	881,828	82,500	43,181
Nepal	2,000	—	—
Pakistan	739,170	126,800	32,174
Papua New Guinea	68,950	—	572
Philippines	1,755,840	207,840	22,376
Singapore	178,080	—	32,542
Sri Lanka	14,135	—	931
Thailand	1,288,180	201,000	47,588
Viet Nam	3,930	—	2,389
Adjustments in United States dollar equivalents of loans disbursed			
TOTALS — 31 December 1983	<u>\$9,173,733</u>	<u>\$1,088,390</u>	<u>\$314,689</u>
TOTALS — 31 December 1982	<u>\$7,983,943</u>	<u>\$ 927,120</u>	<u>\$262,513</u>

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1984	\$189,207	1993	1,789,670
1985	224,384	1998	1,920,667
1986	257,986	2003	1,420,670
1987	290,820	2008	513,356
1988	321,230	2013	41,188
		Undetermined	(250,493) ⁴
		Total	<u>\$6,718,685</u>

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

- 1 The interest rates charged on loans approved in the first half and the second half of 1983 are 11.00% per annum and 10.50% per annum, respectively (11.00% — 1982). The interest rates charged on loans outstanding range from 6.875% per annum to 11.00% per annum.
- 2 Loans other than those made directly to a member or to its central bank have been guaranteed by the member.
- 3 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.
- 4 Represents prepayments, cancellations and translation adjustments which have not been allocated to specific maturities.

LOANS¹

December 1982

United States Dollars (Note A)

Payments Received		Effective Loans	Undisbursed Balances of Effective Loans	Outstanding Balances
In Loans Held by Bank	For Loans Sold			
\$ 4,848	\$ —	\$ 4,470	\$ —	\$ 4,470
681	—	5,919	78	5,841
52,595	2,800	35,743	—	35,743
3,250	—	42,538	13,223	29,315
31,268	3,859	61,870	7,132	54,738
37,497	—	1,784,419	1,314,403	470,016
294,985	3,456	1,268,236	509,841	758,395
60,606	2,140	693,401	325,437	367,964
2,000	—	—	—	—
78,427	—	501,769	188,372	313,397
491	—	67,887	45,266	22,621
100,737	423	1,424,464	737,807	686,657
46,006	2,830	96,702	19,452	77,250
10,352	—	2,852	—	2,852
79,625	1,711	958,256	452,004	506,252
180	—	1,361	—	1,361
		(231,202) ³		(231,202) ³
<u>\$803,548</u>	<u>\$17,219</u>	<u>\$6,718,685</u>	<u>\$3,613,015</u>	<u>\$3,105,670</u>
<u>\$638,175</u>	<u>\$17,219</u>	<u>\$6,036,704</u>	<u>\$3,352,075</u>	<u>\$2,684,629</u>

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1983	1982	Currency	1983	1982
Australian dollar	\$ 53,711	\$ 71,779	Luxembourg franc	533	1,274
Austrian schilling	35,898	9,045	Malaysian ringgit	34,122	31,662
Belgian franc	322	379	Netherlands guilder	20,078	29,910
Canadian dollar	5,248	5,604	New Zealand dollar	6,907	7,868
Danish krone	138	145	Norwegian krone	3,407	4,085
Deutsche mark	766,781	583,457	Pound sterling	3,534	4,210
French franc	2,057	2,830	Saudi riyal	—	1,956
Hong Kong dollar	3,827	4,850	Singapore dollar	2,139	1,994
Italian lira	473	585	Swedish krona	2,208	2,422
Japanese yen	1,230,422	1,013,641	Swiss franc	821,755	654,436
Malta dinar	1,456	2,090	United States dollar	341,856	352,619
			Adjustments in United States dollar equivalents of loans disbursed	(231,202) ³	(102,212) ³
			Totals	<u>\$3,105,670</u>	<u>\$2,684,629</u>

ASIAN DEVELOPMENT BANK

SUMMARY STATEMENT

31 December 1983 and

Expressed in Thousands of

Changes During the Year Ended 31 December 1983

Currency	Balance 31 December 1982	Borrowings	Repayments and Sinking Fund and Other Purchases	Translation and Other Adjustments
Austrian schilling	\$ 899	\$ 29,727	\$ 769	\$ (3,876)
Belgian franc	3,250	—	2,785	(465)
Deutsche mark	635,959	240,734	32,899	(98,144)
Italian lira	3,650	—	625	(615)
Japanese yen	983,404	254,261	33,307	15,280
Kuwaiti dinar	57,398	—	2,849	(315)
Luxembourg franc	3,581	—	172	(533)
Netherlands guilder	133,359	87,407	32,997	(20,531)
Saudi Arabian riyal	3,671	—	3,628	(43)
Swiss franc	633,866	97,537	17,576	(58,817)
United States dollar	350,857	265,000 ⁴	76,090	15,833 ¹
Principal amounts outstanding	2,809,894	974,666	203,697	(152,226)
Less -- unamortized discounts and premiums on interest- bearing bonds and notes	9,181	1,866	—	—
TOTALS	\$2,800,713	\$972,800	\$203,697	\$ (152,226)

MATURITY OF

	Twelve Months Ending 31 December	1983	1982
1983		\$213,218	
1984	\$121,160	129,797	
1985	135,457	77,222	
1986	167,265	172,632	
1987	53,726	53,327	
1988	266,075		

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

1 Balance outstanding at 31 December 1983 includes \$122,000 (\$106,000 — 1982) for the Ten-Year Zero Coupon Notes of 1982 (principal amount at maturity, \$400,000); amortization of the original discount at issuance by the Interest method is shown as an "Other Adjustment".

2 The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums and the effect of currency swaps. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.

3 Subsequent to 31 December 1983, the Bank has made the following additional borrowings:

Currency	Principal Amount	Coupon Rate	Due for Redemption
Swiss franc	SwF 100 million	6.000%	1987 — 1994
Japanese yen	¥ 15 billion	7.375	1994
Pound sterling	£100 million	10.250	1985 — 2009

4 Including net proceeds of \$84,889 (principal amount \$87,515) with an effective interest rate of 11.97% which were swapped for SwF 183.1 million, resulting in an effective interest rate of 5.83% based on forward exchange commitments made in connection with the currency swaps.

ORDINARY CAPITAL RESOURCES

OF BORROWINGS

31 December 1982

United States Dollars (Note A)

Balance 31 December 1983	Weighted Average Effective Interest Rates ²		Due for Redemption
	1983	1982	
\$ 25,981	8.18%	7.30%	1985—1993
—	—	7.36	—
745,650	8.38	8.44	1984—1995
2,410	7.22	7.22	1984—1987
1,219,638 ³	8.11	8.19	1984—2001
54,234	11.20	11.00	1984—1991
2,876	6.64	6.64	1984—1987
167,238	9.50	9.84	1984—1998
—	—	8.00	—
655,010 ³	6.24	6.31	1984—1995
555,600 ¹	10.85	12.40	1984—1998
 3,428,637	 8.36	 8.48	
 <u>11,047</u>			
 <u>\$3,417,590</u>			

BORROWINGS OUTSTANDING

Five Years Ending 31 December	1983	1982
1993/1992	2,153,585	1,910,993
1998/1997	757,597	468,576
2003/2002	51,895	78,085
Totals	<u>\$3,706,760</u>	<u>\$3,103,850</u>

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK,

31 December

Expressed in Thousands of

MEMBERS	SUBSCRIBED CAPITAL ¹					Number of Shares	
	Number of Shares	Par Value of Shares					
		Total	Callable	Paid-in			
REGIONAL							
Afghanistan	1,195	\$ 12,511	\$ 8,512	\$ 3,999	1,254		
Australia ⁴	102,370	1,071,763	943,082	128,681	—		
Bangladesh	8,812	92,258	74,397	17,861	9,252		
Bhutan	110	1,152	932	220	115		
Burma	4,700	49,207	39,679	9,528	4,935		
Cambodia	875	9,161	6,229	2,932	918		
China, Rep. of	9,400	98,413	79,359	19,054	9,870		
Cook Islands ⁴	47	492	440	52	—		
Fiji	587	6,145	4,952	1,193	616		
Hong Kong	4,700	49,207	39,679	9,528	4,935		
India ⁴	112,005	1,172,636	1,031,853	140,783	—		
Indonesia ⁵	47,000	492,067	396,794	95,273	49,350		
Japan	117,500	1,230,166	991,985	238,181	123,375		
Kiribati	35	366	293	73	36		
Korea, Rep. of ⁴	89,123	933,073	821,060	112,013	—		
Laos	246	2,576	2,073	503	258		
Malaysia	23,500	246,034	198,397	47,637	24,675		
Maldives	35	366	293	73	36		
Nepal	1,269	13,286	10,710	2,576	1,332		
New Zealand ⁴	27,170	284,456	260,305	34,151	—		
Pakistan	18,800	196,827	158,718	38,109	19,740		
Papua New Guinea	810	8,480	6,847	1,633	850		
Philippines ⁴	42,152	441,311	388,335	52,976	—		
Singapore	2,937	30,749	24,792	5,957	3,083		
Solomon Islands	58	607	492	115	60		
Sri Lanka	5,005	52,400	42,255	10,145	5,255		
Thailand	11,750	123,016	99,198	23,818	12,337		
Tonga	35	366	293	73	36		
Vanuatu	58	607	492	115	60		
Viet Nam	6,038	63,215	49,982	13,233	6,339		
Western Samoa	58	607	492	115	60		
Total Regional	638,380	6,683,520	5,672,920	1,010,600	278,777		
NON-REGIONAL							
Austria	2,937	30,749	24,792	5,957	3,083		
Belgium	2,937	30,749	24,792	5,957	3,083		
Canada ⁴	92,543	968,879	852,563	116,316	—		
Denmark ⁴	6,020	63,026	55,457	7,569	—		
Finland	1,175	12,302	8,983	3,319	1,233		
France ⁵	14,687	153,766	123,990	29,776	15,421		
Germany, Fed. Rep. of	37,334	390,868	315,184	75,684	39,200		
Italy	11,750	123,016	99,198	23,818	12,337		
Netherlands	6,462	67,654	54,557	13,097	6,785		
Norway	2,937	30,749	24,792	5,957	3,083		
Sweden	1,175	12,302	8,983	3,319	1,233		
Switzerland	4,037	42,265	34,078	8,187	4,238		
United Kingdom ⁴	36,131	378,273	332,867	45,406	—		
United States ⁴	240,875	2,521,841	2,219,073	302,768	—		
Total Non-Regional	461,000	4,826,439	4,179,309	647,130	89,696		
TOTALS	1,099,380	\$11,509,959	\$9,852,229	\$1,657,730	368,473		

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

1 On 25 April 1983, the Board of Governors approved a third general increase in the Bank's authorized capital stock by 754,750 shares (from 722,057 shares to 1,476,807 shares) which became effective on that date. Each member is entitled to subscribe to 105% of the number of shares subscribed by it on the date of the resolution, with 5% of the subscription being paid-in shares and the remainder being callable shares. The resolution provides for instruments of subscriptions to be submitted by 31 May 1984, or such later date as the Board of Directors may determine.

SUBSCRIPTION ENTITLEMENTS AND VOTING POWER

83

United States Dollars (Note A)

SUBSCRIPTION ENTITLEMENTS ²			VOTING POWER			
Par Value of Shares			31 December 1983		Including Entitlements ³	
Total	Callable	Paid-in	Number of Votes	Per Cent	Number of Votes	Per Cent
\$ 13,129	\$ 12,469	\$ 660	7,302	0.531	10,603	0.578
—	—	—	108,477	7.894	110,524	6.024
96,863	92,016	4,847	14,919	1.086	26,218	1.429
1,204	1,141	63	6,217	0.452	8,379	0.457
51,667	49,081	2,586	10,807	0.786	17,789	0.969
9,611	9,129	482	6,982	0.508	9,947	0.542
103,334	98,172	5,162	15,507	1.128	27,424	1.494
—	—	—	6,154	0.448	8,201	0.447
6,450	6,125	325	6,694	0.487	9,357	0.510
51,667	49,081	2,586	10,807	0.786	17,789	0.969
—	—	—	118,112	8.595	120,159	6.549
516,670	490,842	25,828	53,107	3.865	104,504	5.696
1,291,675	1,227,088	64,587	123,607	8.995	249,029	13.573
377	356	21	6,142	0.447	8,225	0.448
—	—	—	95,230	6.930	97,277	5.302
2,701	2,565	136	6,353	0.462	8,658	0.472
258,335	245,416	12,919	29,607	2.154	56,329	3.070
377	356	21	6,142	0.447	8,225	0.448
13,945	13,244	701	7,376	0.537	10,755	0.586
—	—	—	33,277	2.422	35,324	1.926
206,668	196,335	10,333	24,907	1.812	46,694	2.545
8,899	8,459	440	6,917	0.503	9,814	0.535
—	—	—	48,259	3.512	50,306	2.742
32,277	30,665	1,612	9,044	0.658	14,174	0.773
628	597	31	6,165	0.449	8,272	0.451
55,017	52,264	2,753	11,112	0.809	18,414	1.003
129,163	122,703	6,460	17,857	1.299	32,241	1.757
377	356	21	6,142	0.447	8,225	0.448
628	597	31	6,165	0.449	8,272	0.451
66,366	63,047	3,319	12,145	0.884	20,531	1.119
628	597	31	6,165	0.449	8,272	0.451
2,918,656	2,772,701	145,955	827,697	60.231	1,169,931	63.764
32,277	30,665	1,612	9,044	0.658	14,174	0.773
32,277	30,665	1,612	9,044	0.658	14,174	0.773
—	—	—	98,650	7.179	100,697	5.488
—	—	—	12,127	0.883	14,174	0.773
12,909	12,260	649	7,282	0.530	10,562	0.576
161,450	153,378	8,072	20,794	1.513	38,262	2.085
410,404	389,884	20,520	43,441	3.161	84,688	4.615
129,163	122,703	6,460	17,857	1.299	32,241	1.757
71,036	67,486	3,550	12,569	0.915	21,401	1.166
32,277	30,665	1,612	9,044	0.658	14,174	0.773
12,909	12,260	649	7,282	0.530	10,562	0.576
44,370	42,150	2,220	10,144	0.738	16,429	0.895
—	—	—	42,238	3.074	44,285	2.413
—	—	—	246,982	17.973	249,029	13.573
939,072	892,116	46,956	546,498	39.769	664,852	36.236
\$3,857,728	\$3,664,817	\$192,911	1,374,195	100.000	1,834,783	100.000

² Entitlements under the third general capital increase not subscribed as of 31 December 1983.³ Voting Power including entitlements indicates the voting position when all members have subscribed to their entitlements under the third general capital increase.⁴ These members have subscribed to their entitlements under the third general capital increase and the number and par value of those shares are included in Subscribed Capital.⁵ Subsequent to 31 December 1983, France and Indonesia have subscribed to 15,421 and 49,350 shares, respectively, under the third general capital increase.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1983 and 31 December 1982

NOTE A —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Functional Currencies and Reporting Currency

The currencies of members are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

(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 1983, the SDR was valued at \$1.04695 (\$1.10311 — 1982). (See Note D. 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, liabilities and capital are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period (quarterly period — 1982) generally at the applicable

rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments, other than those relating to maintenance of value of currency holdings (see Note E), are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in income. Currency swaps made in connection with borrowings are hedged by forward exchange commitments, and accordingly do not result in any net exchange gain or loss.

(4) Loans

Effective 1 January 1983, the Bank adopted an Exchange Risk Pooling System for its lending operations as a means of equalizing exchange rate risks among borrowers. All loans negotiated after that date have been included in the system and borrowers under earlier loans are given the option of having the undisbursed balances of their loans included in the system. The pool consists of all currencies disbursed and not yet due for repayment under all loans or portions of loans included in the system (pooled loans). The principal amount withdrawn and outstanding under each pooled loan consists of its pro-rata share of each of the currencies and the composite exchange adjustment of the pool from time to time. The borrowers of loans and portions of loans not included in the system remain obligated to repay the Bank the currencies used by the Bank in making disbursements on their loans.

(5) Property, Furniture and Equipment

The headquarters building of the Bank, including land, facilities and fixtures and the initial cost of necessary staff amenities and other related furnishings have been provided to the Bank by the Government of the Republic of the Philippines which has also provided additional office space in a second building. The Bank has leased additional office space in other buildings and has fitted and furnished all additional office space. Significant purchases of property, furniture and equipment by the Bank are

CONTINUED

capitalized and depreciated over estimated useful lives of related assets using the straight-line method. Other purchases are charged to expense.

To meet the Bank's need for future office accommodations, the Bank has purchased a parcel of land in Metro Manila at the original cost of \$9,555,000 for the construction of a proposed new headquarters building. Other costs capitalized in connection with this project, including interest (see Note F), totalled \$2,928,000 as of 31 December 1983 (\$142,000 — 1982).

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. With respect to the currencies of 27 members, cash in banks and demand obligations totalling \$35,720,000 (\$48,336,000 — 1982) and \$214,498,000 (\$213,432,000 — 1982), respectively, may be so restricted.

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 two members to payments for goods or services produced in their territories. Cash in banks and demand obligations totalling \$35,000 (\$72,000 — 1982), and \$3,706,000 (\$4,483,000 — 1982), respectively, have been so restricted.

NOTE C —

INVESTMENTS

As of 31 December 1983, the market value of investments was \$2,129,723,000 (\$1,862,950,000 — 1982), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$1,014,910,000 (\$727,786,000 — 1982). During the year ended 31 December 1983, sales

of investments resulted in a net gain of \$4,504,000 (\$8,466,000 — 1982). Gains and losses on sales of investments are measured by the difference between average amortized cost and the net proceeds of sales. The annualized rate of return on the average investments held during the year, based on the portfolio held at the end of each quarter, including realized gains and losses, was 10.35% (11.42% — 1982).

NOTE D —

CAPITAL STOCK

The authorized capital stock of the Bank consists of 1,476,807 shares (722,057 — 1982), of which 1,099,380 shares (716,037 — 1982) have been subscribed by members. Of the subscribed shares, 941,041 (576,864 — 1982) are "callable" and 158,339 (139,173 — 1982) 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, provided 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

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1983 and 31 December 1982

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 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 SDR10,000. 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 were 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 1983, the value of the SDR in terms of the United States dollar was \$1.04695 (\$1.10311 — 1982) giving a value for each share of the Bank's capital equivalent to \$10,469.50 (\$11,031.10 — 1982).

If the capital stock as of 31 December 1983 had been valued in terms of \$12,063.50 per share, the "callable" capital subscribed would have been \$11,352,248,000 (\$6,958,999,000 — 1982) instead of \$9,852,229,000 (\$6,363,444,000 — 1982), the "paid-in" capital subscribed would have been \$1,910,123,000 (\$1,678,913,000 — 1982) instead of \$1,657,730,000 (\$1,535,232,000 — 1982), the total subscribed capital would have been \$13,262,371,000 (\$8,637,912,000 — 1982) instead of \$11,509,959,000 (\$7,898,676,000 — 1982) and the net maintenance of value obligations would have been \$206,027,000 (\$154,154,000 — 1982) receivable from members instead of \$21,315,000 (\$35,523,000 — 1982) receivable from members.

As of 31 December 1983, all matured instalments amounting to \$1,495,300,000 (\$1,530,571,000 — 1982) were received except \$7,797,000 (\$284,000 — 1982). Instalments not due aggregating \$162,430,000 (\$4,661,000 — 1982) are receivable as follows:

	1983	1982
1983		\$2,653,000
1984	\$41,984,000	1,950,000
1985	40,189,000	58,000
1986	40,134,000	
1987	40,123,000	

CONTINUED

Payments in respect of capital subscription instalments in advance of due dates are shown in the balance sheet (under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

NOTE E —

MAINTENANCE OF VALUE OF CURRENCY HOLDINGS

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of its Articles and relevant resolutions of the Board of Directors. The "Amounts required to maintain value of currency holdings" under "AMOUNTS RECEIVABLE FROM MEMBERS" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of the Bank's holdings of certain member currencies (See Note D).

Since 1 April 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain. The notional amounts as of 31 December 1983 consisting of receivables of \$112,277,000 (\$86,133,000 — 1982) and payables of \$92,531,000 (\$52,172,000 — 1982) represent (a) the net decrease of \$204,458,000 (\$152,592,000 — 1982) in the value of currency holdings in relation to the United States dollar, the Bank's unit of account, during the period from 1 April 1978 to 31 December 1983, offset by (b) the decrease of \$184,712,000 (\$118,631,000 — 1982)

in amounts required to maintain the value of such currency holdings to the extent of matured and paid capital subscriptions due to the decrease in the value of the SDR in relation to the United States dollar during the same period.

NOTE F —

INCOME AND EXPENSES

Income from other sources includes exchange gains or losses which are not material.

Total interest expense incurred amounted to \$239,573,000 (\$190,517,000 — 1982). Of this amount \$537,000 (nil — 1982) were capitalized as a part of the cost of the proposed new headquarters building.

Administrative expenses are net of an Administration Charge to the Asian Development Fund amounting to \$36,690,000 (\$27,410,000 — 1982). The charge is presently based on a formula which takes into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved.

NOTE G —

SPECIAL RESERVE

In accordance with Articles 16 and 17, 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 and an amount equivalent to such commissions is appropriated to a Special Reserve. Special Reserve Fund assets consist of government and government guaranteed obligations (time deposits and certificates of deposit — 1982).

NOTE H —

CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND

Pursuant to the provisions of Article 19, paragraph

ASIAN DEVELOPMENT BANK —ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1983 and 31 December 1982

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 a part of the Special Funds of the Bank. The resources so set aside, amounting to \$49,845,000 as of 31 December 1983 (\$52,519,000 — 1982) expressed in terms of the SDR on the basis of \$1.04695 (\$1.10311 — 1982) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar — see Notes A and D), were allocated and transferred to the Asian Development Fund.

NOTE I —

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 G) 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 1982 was allocated to the Ordinary Reserve.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Notes A and D) resulted in a net credit of \$13,027,000 to the Ordinary Reserve during the year (\$13,974,000 — 1982). That credit is the decrease in the value of the matured and paid capital subscriptions caused by the change during the year in the value of the SDR in relation to the United States dollar not allocated to members as national maintenance of value adjustments in compliance with resolutions of the Board of Directors.

NOTE J —

STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of service, provided that as of such

a date, the employee shall not have reached the normal retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet. All costs of administering the Plan are absorbed by the Bank.

From December 1974, participants have contributed 9 1/3 per cent of their remuneration to the Plan, and the Bank has contributed amounts equal to 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 1983, the amount contributed by the Bank was \$5,980,000 (\$5,214,000 — 1982).

The actuarial present value of vested and non-vested accumulated plan benefits as of 30 September 1983, the date of the last actuarial valuation, totalled \$36,870,000 (\$29,259,000 — 1982) and \$2,301,000 (\$2,949,000 — 1982), respectively. Net assets available for benefits totalled \$62,643,000 as of 30 September 1983 (\$42,785,000 — 1982). The

weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8 per cent.

NOTE K —

SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for technical assistance projects and programs totalled approximately \$24,840,000 as of 31 December 1983 (\$17,015,000 — 1982); 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 remaining balance over \$150,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of \$62,000 were charged to loans and credited to income of ordinary capital resources during the year ended 31 December 1983 (\$31,000 — 1982).

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 1983 and 31 December 1982	1-I
Statement of Income and Expenses for the Years Ended 31 December 1983 and 31 December 1982	1-II
Statement of Changes in Financial Position for the Years Ended 31 December 1983 and 31 December 1982	1-III
Summary Statement of Loans, 31 December 1983 and 31 December 1982	1-IV
Summary Statement of Borrowings, 31 December 1983 and 31 December 1982	1-V
Statement of Subscriptions to Capital Stock, Subscription Entitlements and Voting Power, 31 December 1983	1-VI
Notes to Financial Statements, 31 December 1983 and 31 December 1982	1-VII

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 1983 and 31 December 1982 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

2 March 1984

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1983 and 31 December 1982

Expressed in Thousands of United States Dollars (Note 2)

ASSETS	1983	1982 ^a
CASH IN BANKS	\$ 7,564	\$ 4,174
INVESTMENTS (Note 3)		
Government and government guaranteed obligations — amortized cost (Face amounts \$200,603 — 1983, \$158,042 — 1982)	\$ 196,064	\$ 155,049
Time deposits and other obligations of banks	<u>202,791</u>	<u>398,855</u>
LOANS (Appendix 1-4) (Note 4)		
Loans approved — <u>\$4,213,847</u> — 1983, <u>\$3,517,543</u> — 1982		
Effective loans	3,221,726	2,800,375
Less — undisbursed balances	<u>2,045,509</u>	<u>1,176,217</u>
ACCRUED INCOME		
On investments	4,119	7,744
On loans	<u>4,020</u>	<u>8,139</u>
NOTES OF CONTRIBUTORS		
Non-negotiable, non-interest-bearing notes	2,618,306	2,125,233
AMOUNTS RECEIVABLE FROM CONTRIBUTORS (Appendix 1-5)	10,409	45,880
ACCOUNTS RECEIVABLE	3,809	7,632
TOTALS	\$4,223,299	\$3,621,791
<hr/>		
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL		
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 5)	\$ 11,693	\$ 2,087
ACCOUNTS PAYABLE	4,022	2,766
UNEXPENDED BALANCES AND CAPITAL		
Amounts available for loan commitments (Appendix 1-5)		
Contributed Resources	\$4,000,083	\$3,418,858
Set-Aside Resources (Note 6)	49,845	52,519
Other Resources	<u>5,080</u>	<u>4,941</u>
	4,055,008	3,476,318
Advance payment on contributions (Appendix 1-5)	326	—
Accumulated translation adjustments (Note 2)	<u>(19,266)</u>	<u>(12,500)</u>
Accumulated net income (Appendix 1-2)	<u>171,516</u>	<u>4,207,584</u>
TOTALS	\$4,223,299	\$3,621,791

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

a Undisbursed balances of effective loans, previously shown under liabilities, have been reclassified as a deduction from effective loans.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME

For the Years Ended 31 December 1983 and 31 December 1982

Expressed in Thousands of United States Dollars (Note 2)

	<u>1983</u>	<u>1982</u>
INCOME		
From Investments (Note 3)	\$ 40,933	\$ 44,439
From loans	12,985	11,454
From other sources — net	<u>179</u>	<u>251</u>
GROSS INCOME	54,097	56,144
EXPENSES		
Administrative expenses (Note 5)	<u>35,701</u>	<u>27,423</u>
NET INCOME FOR THE YEAR	18,396	28,721
ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR	153,120	124,399
ACCUMULATED NET INCOME AT END OF THE YEAR	\$171,516	\$153,120

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

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ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND**STATEMENT OF CHANGES IN FINANCIAL POSITION****For the Years Ended 31 December 1983 and 31 December 1982**

Expressed in Thousands of United States Dollars (Note 2)

	1983	1982
FUNDS WERE PROVIDED BY		
Operations		
Net income	\$ 18,396	\$ 28,721
Items not requiring or providing current funds:		
Accrued income	3,222	1,401
Administration Charge (Note 5)	<u>35,690</u>	<u>27,410</u>
Funds provided by operations	57,308	57,532
Contributions drawn	715,900	547,791
Notes of contributors encashed	159,428	192,152
Decrease in notes of contributors as a result of currency revaluations	62,010	151,458
Decrease in loans disbursed and outstanding as a result of currency revaluations	20,384	51,219
Loans collected	10,402	10,954
Other — net	<u>5,079</u>	<u>(5,394)</u>
Totals	<u>1,030,511</u>	<u>1,005,712</u>
FUNDS WERE UTILIZED FOR		
Notes of contributors received	714,511	525,326
Loans disbursed	221,472	175,469
Decrease in contributions drawn as a result of currency revaluations	98,739	219,930
Administration Charge paid	26,084	28,743
Net translation adjustments	6,766	8,610
Decrease in Set-Aside Resources due to substitution of the SDR for the 1966 dollar as the unit of value	<u>2,674</u>	<u>2,897</u>
Totals	<u>1,070,246</u>	<u>960,975</u>
INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS		
	\$ (39,735)	\$ 44,737

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

SUMMARY STATEMENT

31 December 1983

Expressed in Thousands of

Borrowers	Principal Amounts	Loans Not Yet Effective	Refundings and Cancellations
Afghanistan	\$ 95,100	\$ 20,100	\$ 949
Bangladesh	1,304,898	310,261	13,126
Bhutan	4,959	4,959	—
Burma	478,923	79,263	1,782
Cambodia	1,670	—	—
Cook Islands	2,500	—	—
Indonesia	162,280	—	5,440
Kiribati	1,750	—	—
Korea, Republic of	3,700	—	102
Laos	51,025	14,182	6,877
Malaysia	3,300	—	—
Maldives	1,000	—	—
Nepal	376,678	85,758	7,335
Pakistan	1,024,458	244,608	10,096
Papua New Guinea	95,761	25,821	731
Philippines	79,300	—	405
Singapore	3,000	—	—
Solomon Islands	22,617	7,767	161
Sri Lanka	341,386	20,777	7,161
Thailand	72,100	—	28
Tonga	8,164	—	55
Vanuatu	2,078	—	—
Viet Nam	40,670	13,000	3,745
Western Samoa	36,530	—	84
 Adjustments in United States dollar equivalents of loans disbursed			
TOTALS — 31 December 1983	<u>\$4,213,847</u>	<u>\$826,396</u>	<u>\$58,077</u>
TOTALS — 31 December 1982	<u>\$3,517,543</u>	<u>\$603,500</u>	<u>\$36,806</u>
 <u>MATURITY OF EFFECTIVE LOANS</u>			
Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1984	\$15,790	1993	297,550
1985	17,434	1998	419,073
1986	20,695	2003	551,463
1987	26,169	2008	609,202
1988	33,381	2013	599,720
		2018	504,292
		2023	170,838
		Undetermined	(43,881) ^a
		Total	<u>\$3,221,726</u>

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 Funds 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. Loans negotiated after 1 January 1983 are denominated in Special Drawing Rights (SDR) for the purpose of commitment. The disbursed portions of such loans have been translated into United States dollars at the applicable exchange rates as of the respective dates of disbursements whereas the undisbursed portions are translated into United States dollars at the applicable exchange rates as of the end of a reporting period.

IAN DEVELOPMENT FUND

LOANS^a

31 December 1982

United States Dollars (Note 2)

Payments Received	Effective Loans	Undisbursed Balances of Effective Loans ^b	Outstanding Balances
\$ 1,849	\$ 72,202	\$ 46,153	\$ 26,049
2,748	978,763	689,669	289,094
—	—	—	—
—	397,878	217,492	180,386
—	1,670	1,027 ^c	643
—	2,500	900	1,600
16,125	140,715	42,453	98,262
—	1,750	1,234	516
1,486	2,112	—	2,112
1,910	28,056	7,501	20,555
994	2,306	—	2,306
—	1,000	271	729
10,775	272,810	172,529	100,281
6,503	763,351	547,908	215,443
5,589	63,620	12,305	51,315
2,222	76,673	46,902	29,771
498	2,502	—	2,502
—	14,689	2,343	12,346
8,213	305,235	186,002	119,233
—	72,072	53,740	18,332
145	7,964	3,096	4,868
—	2,078	2,078	—
1,949	21,976	4,135	17,841
1,734	34,712	7,771	26,941
	(44,908) ^d		(44,908) ^d
<u>\$62,740</u>	<u>\$3,221,726</u>	<u>\$2,045,509</u>	<u>\$1,176,217</u>
<u>\$51,889</u>	<u>\$2,800,375</u>	<u>\$1,814,844</u>	<u>\$ 985,531</u>

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1983	1982	Currency	1983	1982
Australian dollar	\$48,121	\$44,777	Japanese yen	611,122	514,003
Austrian schilling	5,229	4,050	Netherlands guilder	25,633	21,552
Belgian franc	10,530	9,419	New Zealand dollar	5,820	5,563
Canadian dollar	61,025	45,081	Norwegian krone	6,064	5,606
Danish krone	7,575	6,473	Pound sterling	45,168	37,711
Deutsche mark	91,941	79,902	Swedish krona	6,192	5,243
Finnish markka	4,386	4,070	Swiss franc	17,841	15,521
French franc	11,139	8,532	United States dollar	243,114	184,983
Italian lira	20,225	18,018	Adjustments in United States dollar equivalents of loans disbursed	(44,908) ^d	(24,973) ^d
			Totals	<u>\$1,176,217</u>	<u>\$985,531</u>

^b Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse \$290.^c Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursement 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 translation adjustments and undisbursed amounts which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1983

Expressed in Thousands of United States Dollars (Note 2)

	Amounts Committed During 1983	Cumulative Amounts Committed	Amounts Not Yet Available for Loan Com- mitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
CONTRIBUTED RESOURCES						
Australia	\$ 191,523	\$ 330,798	\$ 143,643	\$ 187,155	\$ 187,155	\$ —
Austria	25,689	45,542	19,266	26,276	26,276	—
Belgium	—	19,663	—	19,663	19,663	—
Canada	275,022	523,444 ^a	206,267	317,177	317,177	—
China, Republic of	2,000	2,000	1,500	500	500	—
Denmark	22,857	39,654	17,143	22,511	22,511	—
Finland	19,985	32,693	14,989	17,710	17,017	693
France	124,158	182,452	93,119	89,333	89,333	—
Germany, Federal Republic of	193,336	399,018	145,738	253,280	243,564	9,716
Hong Kong	1,000	1,000	750	250	250	—
Indonesia	3,000	3,000	2,250	750	750	—
Italy	—	58,354	—	58,354	58,354	—
Japan	1,220,719	2,742,693	915,539	1,827,154	1,827,154	—
Korea, Republic of	3,500	3,500	2,625	875	875	—
Netherlands	—	60,694	—	60,694	60,694	—
New Zealand	3,919	12,491	2,939	9,552 ^b	9,552	—
Norway	19,321	36,423	14,491	21,932	21,932	—
Sweden	31,524	52,034	23,642	28,392	28,392	—
Switzerland	36,622	77,365	27,391	49,974	49,974	—
United Kingdom	104,361	243,054	78,271	164,783	164,783	—
United States	520,000	1,295,000 ^c	451,232	843,768	843,768	—
Totals	2,798,436	6,160,878	2,160,795	4,000,083	3,989,674	10,409
SET-ASIDE RESOURCES (Note 6)	—	49,845	—	49,845	49,845	—
OTHER RESOURCES	139 ^d	5,080	—	5,080	5,080	—
TOTALS	\$2,798,575	\$6,215,803	\$2,160,795^e	\$4,055,008	\$4,044,599	\$10,409

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

- a Including \$206,267 equivalent representing the last three tranches of Canada's contribution to the third ADF replenishment (ADF IV) for which the necessary internal procedures had not been completed as of 31 December 1983.
- b Excluding \$326 equivalent received from New Zealand representing advance payment on account of its contribution to the third ADF replenishment (ADF IV) which amount was not available for loan commitment purposes as of 31 December 1983.
- c Including \$451,232 representing the balance of the United States' contribution to the first ADF replenishment (ADF II) and the balance of the first tranche and the last three tranches of its contribution to the third ADF replenishment (ADF IV) for which the necessary internal procedures had not been completed as of 31 December 1983.
- d Amount transferred from Canada's contribution to the Technical Assistance Special Fund.
- e As from 1 January 1984, portions of the second tranches of all unqualified contributions so far made to the third ADF replenishment (ADF IV) equivalent to \$373,920 have become available for loan commitment purposes.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1983 and 31 December 1982

CONTINUED

NOTE 1 —

GENERAL

- (a) The Asian Development Fund (the Fund) was established on 28 June 1974 to streamline special operations of the Bank.
- (b) The initial contributions of three contributors are restricted as to their initial use to procurement of goods and services from their respective countries. As of 31 December 1983, the unused portions of such contributions were equivalent to US\$32,971,000 (US\$38,988,000 — 1982).
- (c) The resources of the Fund have been subsequently augmented by three replenishments, the most recent of which was in July 1982 in a total amount equivalent to US\$3,214,073,000 to cover the operational requirements for the four years ending 31 December 1986.

NOTE 2 —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Functional Currencies and Reporting Currency

The currencies of contributing members are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

(b) Translation of Currencies

Assets, liabilities and contributions committed are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period (quarterly period — 1982) generally at the applicable rates of exchange at the beginning of each period; such practice approximates the applica-

tion of average rates in effect during the period. Translation adjustments relating to contributions are offset by increases or decreases in the contribution accounts. Translation adjustments relating to capital set-aside (see Note 6) are recorded as receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions are included in 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 —

INVESTMENTS

As of 31 December 1983, the market value of investments was \$400,095,000 (\$443,538,000 — 1982), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$277,741,000 (\$317,659,000 — 1982). During the year ended 31 December 1983, sales of investments resulted in a net loss of \$397,000 (net gain of \$365,000 — 1982). Gains and losses on sales of investments are measured by the difference between average amortized cost and the net proceeds of sales. The annualized rate of return on the average investments held during the year, based on the portfolio held at the end of each quarter, including realized gains and losses, was 9.54% (11.17% — 1982).

NOTE 4 —

LOANS

Loans negotiated after 1 January 1983 are denominated in Special Drawing Rights (SDR) for the purpose of commitment whereas loans negotiated

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1983 and 31 December 1982

before that date were denominated in current United States dollars for the same purpose.

NOTE 5 —

ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an Administration Charge from Ordinary Capital Resources amounting to \$35,690,000 (\$27,410,000 — 1982). The charge is presently based on a formula which takes into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved.

NOTE 6 —

SET-ASIDE RESOURCES

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 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 1983, the SDR was valued at \$1,04695 (\$1.10311 — 1982). On this basis, Set-Aside Resources amounted to \$49,845,000 (\$52,519,000 — 1982). If the capital stock as of 31 December 1983 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

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 — Asian Development Fund:

Appendix

Balance Sheet, 31 December 1983 and 31 December 1982	1-1
Statement of Income and Expenses and Accumulated Net Income for the Years Ended 31 December 1983 and 31 December 1982	1-2
Statement of Changes in Financial Position for the Years Ended 31 December 1983 and 31 December 1982	1-3
Summary Statement of Loans, 31 December 1983 and 31 December 1982	1-4
Statement of Resources, 31 December 1983	1-5
Notes to Financial Statements, 31 December 1983 and 31 December 1982	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 Bank — Asian Development Fund at 31 December 1983 and 31 December 1982 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

2 March 1984

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

BALANCE SHEET

31 December 1983 and 31 December 1982

Expressed in Thousands of United States Dollars (Note 1)

	<u>1983</u>	<u>1982</u>
<u>ASSETS</u>		
CASH IN BANKS	\$ 766	\$ 1,627
INVESTMENTS (Note 2)		
Government and government guaranteed obligations—amortized cost (Face amounts \$4,866—1983, \$4,636—1982)	4,790	4,636
Time deposits and other obligations of banks	10,104	10,554
ACCRUED INCOME	50	111
AMOUNTS RECEIVABLE FROM CONTRIBUTORs (Appendix 1-D)	1,537	2,599
OTHER ASSETS	1,649	1,423
TOTALS	\$18,896	\$20,850
<u>LIABILITIES AND UNEXPENDED BALANCES</u>		
ACCOUNTS PAYABLE	\$ 4,565	\$ 4,288
UNEXPENDED BALANCES (Appendix 1-B) (Note 3)	14,331	16,562
TOTALS	\$18,896	\$20,850

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

ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF OPERATIONS AND UNEXPENDED BALANCES**

For The Years Ended 31 December 1983 and 31 December 1982

Expressed in Thousands of United States Dollars (Note 1)

	1983	1982
CONTRIBUTIONS COMMITTED (Appendix 1-D)	\$ 4,776	\$ 8,516
INCOME		
From investments (Note 2)	<u>\$1,141</u>	<u>\$1,147</u>
From other sources — net (Note 4)	<u>776</u>	<u>342</u>
Totals	6,693	10,005
EXPENSES (Appendix 1-E)		
Services to member countries (Note 4)	<u>6,477</u>	<u>5,892</u>
Administrative expenses	<u>1,694</u>	<u>1,711</u>
CONTRIBUTIONS AND INCOME IN EXCESS OF (LESS THAN) EXPENSES	(1,478)	2,402
EXCHANGE LOSSES — net (Note 1)	<u>(753)</u>	<u>(1,516)</u>
INCREASE (DECREASE) IN UNEXPENDED BALANCES	<u>(2,231)</u>	<u>886</u>
UNEXPENDED BALANCES AT BEGINNING OF THE YEAR	<u>16,562</u>	<u>15,676</u>
UNEXPENDED BALANCES AT END OF THE YEAR	\$14,331	\$16,562

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

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF CHANGES IN FINANCIAL POSITION****For the Years Ended 31 December 1983 and 31 December 1982**

Expressed in Thousands of United States Dollars (Note 1)

	1983	1982
FUNDS WERE PROVIDED BY		
Contributions drawn	\$ 5,678	\$ 6,382
Other—net	<u>426</u>	<u>(464)</u>
Totals	<u>6,104</u>	<u>5,918</u>
FUNDS WERE UTILIZED FOR		
Operations		
Decrease (increase) in unexpended balances	2,231	(886)
Items not requiring or providing current funds:		
Accrued expenses	375	(898)
Accrued income	(61)	(77)
Accrued contributions committed	<u>4,164</u>	<u>6,915</u>
Funds utilized for operations	6,709	5,054
Decrease in contributions drawn as a result of currency revaluations	<u>452</u>	<u>1,056</u>
Totals	7,161	6,110
DECREASE IN CASH IN BANKS AND INVESTMENTS		
	\$ (1,057)	\$ (192)

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

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF CONTRIBUTED RESOURCES****31 December 1983**

Expressed in Thousands of United States Dollars (Note 1)

Contributors	Contributions Committed During 1983	Cumulative Contributions Committed	Cumulative Amounts Received	Amounts Receivable
Australia	\$ —	\$ 2,484	\$ 2,484	\$ —
Austria	—	114	114	—
Bangladesh	—	23	23	—
Belgium	—	1,090	1,090	—
Canada	—	3,359	2,819	540
China, Republic of	—	200	200	—
Denmark	—	1,732	1,732	—
Finland	—	237	237	—
France	—	849	849	—
Germany, Federal Republic of	734	2,054	2,054	—
Hong Kong	—	100	100	—
India	312	1,289	1,051	238
Indonesia	—	250	250	—
Italy	—	889	130	759
Japan	3,062	37,165	37,165	—
Korea, Republic of	150	1,150	1,150	—
Netherlands	—	911	911	—
New Zealand	98	982	982	—
Norway	130	1,014	1,014	—
Pakistan	—	374	374	—
Singapore	100	100	100	—
Sri Lanka	—	6	6	—
Sweden	—	382	382	—
Switzerland	—	1,062	1,062	—
United Kingdom	329	4,426	4,426	—
United States	—	<u>1,250</u>	<u>1,250</u>	—
Totals	4,915	63,492	61,955	1,537
Transfer to the Asian Development Fund	(139)	(400)	(400)	—
TOTALS	\$4,776	\$63,092	\$61,555	\$1,537

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

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF EXPENSES

For the Year Ended 31 December 1983

Expressed in Thousands of United States Dollars (Note 1)

RECIPIENTS	SERVICES TO MEMBER COUNTRIES			ADMINISTRATIVE EXPENSES ^a	TOTAL EXPENSES		
	Project Preparation	Implementation/ Advisory	Total				
Bangladesh	\$ 180	\$ 61	\$ 241	\$ 285	\$ 526		
Bhutan	—	—	—	10	10		
Burma	133	15	148	22	170		
Fiji	58	73	131	15	146		
Indonesia	805	162	967	244	1,211		
Kiribati	48	—	48	—	48		
Korea, Republic of	71	—	71	25	96		
Laos	73	—	73	5	78		
Malaysia	—	76	76	42	118		
Maldives	—	—	—	4	4		
Nepal	36	104	140	138	278		
Pakistan	138	99	237	170	407		
Papua New Guinea	351	4	355	49	404		
Philippines	784	621	1,405	189	1,594		
Solomon Islands	375	—	375	108	483		
Sri Lanka	—	39	39	27	66		
Thailand	155	186	341	113	454		
Tonga	—	9	9	—	9		
Vanuatu	4	—	4	31	35		
Viet Nam	—	—	—	97	97		
Western Samoa	(7)	—	(7)	—	(7)		
Totals	\$ 3,204	\$ 1,449	4,653	1,574	6,227		
Regional Activities			1,824	—	1,824		
Multiple Projects/Headquarters			—	115	115		
Other Administrative Expenses			—	5	5		
TOTALS			\$6,477	\$1,694	\$8,171		

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

a Principally staff consultants.

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1983 and 31 December 1982

NOTE 1 —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Functional Currency and Reporting Currency

The functional currency of the Technical Assistance Special Fund (TASF) is deemed, as a matter of convenience, to be the same as the reporting currency, the United States dollar. The financial statements of TASF are expressed in thousands of current United States dollars.

(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 a reporting period. As to contributions committed, the used portions have been translated at the applicable exchange rates as of the respective dates of use whereas the unused portions are translated at the applicable exchange rates as of the end of a reporting period. Income and expense amounts in currencies other than United States dollars are translated for each semi-monthly period (quarterly period — 1982) generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

(c) Contributions

Contributions by member countries are included in the financial statements as amounts committed from the date contribution agreements become effective.

NOTE 2 —

INVESTMENTS

As of 31 December 1983, the market value of investments was \$14,969,000 (\$15,151,000 — 1982), in-

cluding investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$12,308,000 (\$11,396,000 — 1982). During the year ended 31 December 1983, sales of investments resulted in a net gain of \$20,000 (\$1,000 — 1982). Gains and losses on sales of investments are measured by the difference between average amortized cost and the net proceeds of sales. The annualized rate of return on the average investments held during the year, based on the portfolio held at the end of each quarter, including realized gains and losses, was 7.88% (8.58% — 1982).

NOTE 3 —

FUNDING

Since 1967, contributions have been made by 26 (25 — 1982) member countries and such contributions have been restricted in one form or another. There has been a trend in recent years towards contributions being made in a substantially or wholly unrestricted manner.

NOTE 4 —

SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for technical assistance projects and programs totalled approximately \$24,840,000 as of 31 December 1983 (\$17,015,000 — 1982); to the extent available, contributions to the TASF 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 remaining balance over \$150,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of \$774,000 were charged to loans and credited to income from other sources of the TASF during the year ended 31 December 1983 (\$337,000 — 1982).

DELOITTE HASKINS & SELLS

Certified Public Accountants

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OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of the Asian Development Bank — Technical Assistance Special Fund:

	Appendix
Balance Sheet, 31 December 1983 and 31 December 1982	1-A
Statement of Operations and Unexpended Balances for the Years Ended 31 December 1983 and 31 December 1982	1-B
Statement of Changes In Financial Position for the Years Ended 31 December 1983 and 31 December 1982	1-C
Statement of Contributed Resources, 31 December 1983	1-D
Summary Statement of Expenses for the Year Ended 31 December 1983	1-E
Notes to Financial Statements, 31 December 1983 and 31 December 1982	1-F

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Technical Assistance Special Fund at 31 December 1983 and 31 December 1982 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

2 March 1984

SUMMARY OF BUDGET FOR 1984
INTERNAL ADMINISTRATIVE EXPENSES

	1983			1984 Budget
	Original Budget	After Transfers¹	Actual	
I. BOARD OF GOVERNORS	\$ 193,000	\$ 193,000	\$ 168,887	\$ 580,000
II. BOARD OF DIRECTORS	3,850,000	3,850,000	3,367,856	3,849,000
Salaries	1,785,000	1,785,000	1,783,539	2,018,000
Benefits	916,000	916,000	748,000	905,000
Relocation	473,000	473,000	297,100	294,000
Business Travel	377,000	377,000	269,375	367,000
Staff Services	299,000	299,000	269,842	265,000
III. STAFF	56,005,000	56,005,000	52,701,645	59,577,000
Salaries	32,681,000	32,681,000	31,228,443	35,010,000
Benefits	17,609,000	17,609,000	16,755,009	18,627,000
Relocation	2,123,000	2,123,000	1,659,292	2,037,000
Consultants	3,592,000	3,592,000	3,058,901 ²	3,903,000
IV. BUSINESS TRAVEL AND REPRESENTATION	5,200,000	5,200,000	4,812,072	5,844,000
Business Travel	5,094,000	5,094,000	4,725,280	5,731,000
Representation	106,000	106,000	86,792	113,000
V. OTHER ADMINISTRATIVE EXPENSES	10,756,000	10,756,000	9,278,776	11,169,000
Communications	1,607,000	1,607,000	1,440,600	1,593,000
Office Occupancy	3,549,000	3,531,000	2,835,932	3,241,000
Library	190,000	193,000	192,134	216,000
Expendable Supplies	877,000	877,000	793,012	1,016,000
Office Equipment	1,281,000	1,281,000	1,143,289	1,136,000
Contractual Services	1,805,000	1,805,000	1,462,386	2,151,000
Insurance	230,000	230,000	216,045	287,000
Depreciation	1,110,000	1,125,000	1,122,752	1,408,000
Miscellaneous	107,000	107,000	72,626 ³	121,000
VI. GENERAL CONTINGENCY	1,520,000	1,520,000	—	1,620,000
T O T A L	\$77,524,000	\$77,524,000	\$70,329,236⁴	\$82,639,000

¹ Transfers were made between budget items within each Budget Category without exceeding the total amount for the Category.

² Includes \$1,689,195 from the Technical Assistance Special Fund.

³ Includes \$5,115 from the Technical Assistance Special Fund.

⁴ Excludes \$1,271,990 accrued as an accounting requirement as of 31 December 1983 for accumulated compensated absences — \$47,693, severance pay — \$1,183,267, and mid-year bonus — \$41,030.

**SUMMARY OF BUDGET FOR 1984
SERVICES TO MEMBER COUNTRIES**

CONTINUED

Financed from Bank's Own Resources	Commitments		
	Budget	1983	1984 Budget
Project Preparation	\$ 8,600,000	\$ 7,478,100	\$11,000,000
Advisory and Operational	5,400,000	4,891,000	6,000,000
Regional	5,000,000	4,932,900	5,000,000
TOTAL	\$19,000,000	\$17,302,000	\$22,000,000

RESOLUTIONS OF BOARD OF GOVERNORS DURING 1983

Resolution No.	Subject	Date Adopted
156	Second Replenishment of the Asian Development Fund (ADF III); Extension of Time for Payment of Contributions	26 January 1983
157	Equity Investment Operations by the Bank	18 March 1983
158	Increase in Authorized Capital Stock and Subscriptions Thereto	25 April 1983
159	Procedures for Election of Directors at Sixteenth Annual Meeting	5 May 1983
160	Place and Date of Seventeenth Annual Meeting	6 May 1983
161	Financial Statements and Auditors' Reports	6 May 1983
162	Allocation of Net Income	6 May 1983

BOARD OF GOVERNORS

(As of 31 December 1983)

H. O. Ruding (Netherlands) (Chairman)

Mosese Qlonibaravi (Fiji) (Vice-Chairman)

Sommai Hoontrakool (Thailand) (Vice-Chairman)

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Democratic Republic of	Abdul Wakil Minister of Finance	Rajab Ali Yagana President Treasury Department
Australia	P. J. Keating ¹ Treasurer	R. B. Dunn ² Director Australian Development Assistance Bureau
Austria	Herbert Salcher Federal Minister of Finance	Hans Heller ³ Director General Ministry of Finance
Bangladesh	A. M. A. Muhith Minister for Finance and Planning	Mafizur Rahman Secretary External Resources Division Ministry of Finance
Belgium	W. de Clercq Vice Prime Minister and Minister of Finance and Foreign Trade	E. Kestens Director-General of Administration of the Treasury
Bhutan	Dawa Tsering Minister for Foreign Affairs	Dorji Tshering Secretary Ministry of Finance
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	Marc Lalonde ⁴ Minister of Finance	Marcel Massé
China, Republic of	Kuo-Hwa Yu Governor Central Bank of China	Wilson C. P. Yen Vice-Minister of Finance

¹ Succeeded J. W. Howard in March.² Succeeded Richard C. Manning in March.³ Succeeded Hans Seldel in July.⁴ Succeeded Allan J. MacEachen in March.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Cook Islands	Sir Thomas Robert Alexander Harries Davies ¹ Prime Minister and Minister of Finance	Paul Drury ² Financial Secretary Ministry of Finance
Denmark	Mogens Isaksen Under-Secretary of State Ministry of Foreign Affairs	Boerge Bloend ³ Head of Department Ministry of Foreign Affairs
Fiji	Mosese Qionibaravi ⁴ Minister of Finance	Savenaca Siwatibau General Manager Central Monetary Authority
Finland	Wilhelm Breitenstein Undersecretary of State Ministry for Foreign Affairs	Eero Asp
France	Jacques Delors Minister of Economy, Finance and the Budget	Michel Camdessus Director of Treasury Ministry of Economy
Germany, Federal Republic of	Jürgen Warnke Federal Minister for Economic Cooperation	Winfried Heck Deputy Assistant Secretary Federal Ministry of Finance
Hong Kong	Sir John H. Bremridge Financial Secretary	D. W. A. Blye Secretary for Monetary Affairs
India	Pranab Mukherjee Minister of Finance	P. K. Kaul ⁵ Secretary Ministry of Finance Department of Economic Affairs
Indonesia	Radius Prawiro ⁶ Minister of Finance	Arifin M. Siregar ⁷ Governor Bank Indonesia
Italy	Carlo Azeglio Ciampi Governor Bank of Italy	Mario Sarcinelli Director General of the Treasury Ministry of the Treasury
Japan	Noboru Takeshita Minister of Finance	Haruo Maekawa Governor Bank of Japan
Kiribati	Boanereke Boanereke ⁸ Minister for Finance	Beniamina Tinga ⁹ Secretary for Finance Ministry of Finance

¹ Succeeded Geoffrey Arama Henry in November.

Geoffrey Arama Henry succeeded V. A. K. T. Ingram in April.

² Succeeded George Frederick Ells in November.

George Frederick Ells succeeded Tutai Manuela in April.

³ Succeeded Henning Kjeldgaard in October.

4 Succeeded Charles Walker in December.

⁵ Succeeded M. Narasimham in July.

6 Succeeded Ali Wardhana in April.

7 Succeeded Rachmat Saleh in April.

8 Succeeded Tiwau Awira in March.

9 Succeeded Roniti Tewaiki in January.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Korea, Republic of	Mahn-Je Kim ¹ Minister of Finance	Chang Nak Choi ² Governor Bank of Korea
Lao People's Democratic Republic	Oudone Pholsena ³ Vice-Minister of Finance	Kikham Vongsay ⁴ Vice-Minister of Finance
Malaysia	Tengku Razaleigh Hamzah Minister of Finance	Tan Sri Thong Yaw Hong Secretary General to the Treasury
Maldives	Ahmed Mujuthaba ⁵ Minister of Transport and Shipping	Ismail Fathy Vice Governor Maldives Monetary Authority and Director of Dept. of Finance
Nepal	Prakash Chandra Lohani ⁶ Minister for Finance and Communications	Karna Dhoj Adhikary Finance Secretary Ministry of Finance
Netherlands	H. O. Rusing Minister of Finance	E.M. Schoo Minister for Development Cooperation
New Zealand	Sir Robert D. Muldoon Prime Minister and Minister of Finance	Bernard Vincent Galvin Secretary to the Treasury
Norway	Svenn Stray Minister of Foreign Affairs	Elvinn Berg State Secretary Ministry of Foreign Affairs
Pakistan	Ghulam Ishaq Khan Minister of Finance, Planning, Commerce and Coordination	Ejaz Ahmed Nalk Secretary Ministry of Planning and Economic Affairs
Papua New Guinea	Phillip Bouraga Minister for Finance	John Vulupindi ⁷ Secretary for Finance
Philippines	Cesar Virata Prime Minister and Minister of Finance	Jaime C. Laya Governor Central Bank of the Philippines
Singapore	Tony Tan Keng Yam Minister for Finance and Trade and Industry	J.Y.M. Pillay Permanent Secretary Revenue Division Ministry of Finance
Solomon Islands	Bartholomew Ulufa'alu Minister of Finance	Felix P. Panjuboe Permanent Secretary Ministry of Finance

¹ Succeeded Kyong-Shik Kang in October.² Succeeded Yeung-Ki Hah in October.³ Succeeded Bousbong Souvannavong in September.⁴ Succeeded Nouphanh Sithphasay in September.⁵ Succeeded Fathulla Jameel in June.⁶ Succeeded Yadav Prasad Pant in July.⁷ Succeeded Mekere Morauta in January.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
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	Goesta Edgren Under Secretary of State for International Development Cooperation Ministry for Foreign Affairs	Per Joedahl Assistant Under Secretary 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	Sommai Hoontrakool Minister of Finance	Panas Simasathien Permanent Secretary for Finance
Tonga	J. C. Cocker Minister of Finance	Baron Vaea Minister of Labour, Commerce and Industries and Assistant Minister of Finance
United Kingdom	Timothy Raison, M.P. ¹ Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development	H. J. Arbuthnott ² Under Secretary International Division Overseas Development Administration
United States	Donald T. Regan Secretary of the Treasury	W. Allen Wallis Under Secretary of State for Economic Affairs
Vanuatu	Kalpokor Kalsakau Minister of Finance ;	John Sethy Regenvanu Minister of Agriculture, Forest and Fisheries
Viet Nam, Socialist Republic of	Nguyen Duy Gia Minister-Director General State Bank of Viet Nam	Le Hoang Vice-Minister Deputy Director-General State Bank of Viet Nam
Western Samoa	Tofilau Luamanuvae Eti Prime Minister and Minister of Finance	A. L. Hutchison Financial Secretary

¹ Succeeded Neil Marten in January.² Succeeded A. G. Hurrell in October.
A. G. Hurrell succeeded J. L. F. Buist in March.

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1983)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED ¹
John A. Bohn, Jr. (United States)	Donald R. Sherk (United States)	United States
Hoon-Mok Chung (Republic of Korea)	John Natera (Papua New Guinea)	Republic of China Republic of Korea Papua New Guinea Vanuatu
N. W. Davey (Australia)	Kai Detto (Australia)	Australia Hong Kong Kiribati Solomon Islands
Sofjan Djajawinata ² (Indonesia)	R. C. W. Hamilton (New Zealand)	Cook Islands Fiji Indonesia New Zealand Tonga Western Samoa
Alan F. GILL ³ (Canada)	Robert P.J. de Koning ⁴ (Netherlands)	Canada Denmark Finland Netherlands Norway Sweden
Paul Koehling (Federal Republic of Germany)	John Machin (United Kingdom)	Austria Federal Republic of Germany United Kingdom
Le Duc Van ⁵ (Socialist Republic of Viet Nam)	Ronnie Weerakoon ⁶ (Democratic Socialist Republic of Sri Lanka)	Democratic Republic of Afghanistan Lao People's Democratic Republic Maldives Democratic Socialist Republic of Sri Lanka Socialist Republic of Viet Nam
Tunku Abdul Malek ⁷ (Malaysia)	Kawee Keereepart (Thailand) ⁸	Burma Malaysia Nepal Singapore Thailand
A. Melchor, Jr. ⁸ (Philippines)	N. M. Qureshi ⁹ (Pakistan)	Pakistan Philippines
Minoru Ohashi (Japan)	Takashi Taniguchi (Japan)	Japan
G. Ramachandran (India)	K. F. Rahman (Bangladesh)	Bangladesh Bhutan India
Thierry Rosset (France)	Gino Alzetta ¹⁰ (Belgium)	Belgium France Italy Switzerland

¹ In alphabetical order within each group.² Elected at the Sixteenth Annual Meeting to succeed Soesilo Sardadi.³ Succeeded A. J. Barry on 5 December.⁴ Succeeded Jorma Paukku on 1 September.⁵ Elected at the Sixteenth Annual Meeting to succeed F. M. Tarin.⁶ Succeeded Le Duc Van on 1 July.⁷ Elected at the Sixteenth Annual Meeting to succeed U Hla Maung.⁸ Elected at the Sixteenth Annual Meeting to succeed N. M. Qureshi.⁹ Succeeded A. Melchor, Jr. on 1 July.¹⁰ Succeeded Max Gertsch on 1 August.

PRINCIPAL OFFICERS

(As of 31 December 1983)

OFFICE OF THE PRESIDENT

Masao Fujioka	President
A. T. Bambawale	Vice-President
S. Stanley Katz	Vice-President
Günther Schulz	Vice-President

OFFICE OF THE SECRETARY

Wilfred A. Vawdrey	Secretary
A.B. Adarkar	Assistant Secretary

OFFICE OF THE GENERAL COUNSEL

Chun Pyo Jhong	General Counsel
Ramdass K. Keswani	Assistant General Counsel
Herbert V. Morais	Assistant General Counsel
Peter H. Sullivan	Assistant General Counsel

COUNTRY DEPARTMENT

Ernest A. Oestreicher	Director
Zia Noorzoy	Deputy Director
Klaus J. L. Hoffarth	Deputy Director
Eiichi Watanabe	Co-Financing Manager
Grahame Muller	Country Manager (Afghanistan, Maldives, Pakistan and Sri Lanka)
Sayed A. Baha	Country Manager (Bangladesh, Bhutan, India and Nepal)
Noritada Morita	Country Manager (Burma, Cambodia, Lao PDR, Thailand and Viet Nam)
Paul G. Krukowski	Country Manager (Republic of China, Republic of Korea and Philippines)
Sharda P. Srivastava	Country Manager (Hong Kong, Indonesia, Malaysia and Singapore)
Eiji Kobayashi	Country Manager (Cook Islands, Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Vanuatu and Western Samoa)

DEVELOPMENT POLICY OFFICE

Akira Tsusaka	Director
William T. C. Ho	Manager

APPENDIX 6

CONTINUED

AGRICULTURE DEPARTMENT¹

B.M. Soeksmono	Director
E. Frank Tacke	Deputy Director
S.T. Senewiratne	Manager (Agro-Industries and Forestry)
B. Dahal	Manager (Fisheries and Livestock)
A. I. Aminul Islam	Manager (Agricultural Support Services)

IRRIGATION AND RURAL DEVELOPMENT DEPARTMENT¹

Kunio Takase	Director
M. Zaki Azam	Deputy Director
Satish C. Jha	Manager (Division I — Burma, Cambodia, Indonesia, Lao PDR, Malaysia, Thailand and Viet Nam)
Richard M. Bradley	Manager (Division II — Afghanistan, Republic of Korea, Maldives, Pakistan, Philippines and Sri Lanka)
Eun Jin Lim	Manager (Division III — Bangladesh, Bhutan, Nepal and South Pacific DMCs)

INFRASTRUCTURE DEPARTMENT

Kasturi L. Luthra	Director
Lewis Hayashi	Deputy Director
Mahesan Ganesan	Manager (Airports and Highways)
Yuzo Akatsuka	Manager (Ports, Railways and Telecommunications)
Javier M. Gomez	Manager (Water Supply and Sanitation)
Mazhar Ali Khan	Manager (Social Infrastructure, including Health and Population and Urban Development)
Charles J. Leven	Acting Manager (Education)

INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT

Robert N. Bakley	Director
Joaquin J. Gochoco	Deputy Director
Jayanta Madhab	Energy Advisor
Stephen Y. C. Lau	Manager (Industry and Minerals)
V. S. Rao	Manager (Power Division East)
Alan D. Burrell	Manager (Power Division West)
Ivan L. Zimonyi	Manager (Development Finance)

CENTRAL PROJECTS SERVICES OFFICE

Wolf D. Kluber	Chief
Urs Rolf Sieber	Manager (Consulting Services)
N. Viswanathan	Manager (Central Loan Administration Services)

BANGLADESH RESIDENT OFFICE

Song Chil Lee	Resident Director
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¹ This listing reflects staff redeployment following a decision taken in December 1983 to reorganize the Agriculture and Rural Development Department into two new departments, effective 1 January 1984.

BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT

Hiroo Fukui	Director
Joseph H. Landriault	Deputy Director
Dang Fook Lee	Deputy Director and concurrently Manager, Systems and Procedures
John P. Kennedy	Manager (Personnel)
William G. Brown	Manager (Budget and Planning)

OFFICE OF ADMINISTRATIVE SERVICES

S. Mahboob Alam	Chief
Ian F. Darroch	Manager (Building Services)
Pyong Whi Min	Manager (General Services)

SPECIAL PROJECTS OFFICE

Pradhan J. Prasad	Chief
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CONTROLLER'S DEPARTMENT

Ronald G. Rose	Controller
Alan L. Pan	Assistant Controller (Accounting)
Shamshad Ali Khan	Assistant Controller (Administrative Expenses)
Bernard Donge	Assistant Controller (Loans)

TREASURER'S DEPARTMENT

Edgar J. Roberts, Jr.	Treasurer
Yukiji Miyazaki	Deputy Treasurer
Daud Ilyas	Financial Advisor
Albert L. Faber	Assistant Treasurer (Treasury Operations)
Hiroyuki Yamamoto	Assistant Treasurer (Treasury Services)

ECONOMICS OFFICE

Seiji Naya	Chief Economist
Kedar N. Kohli	Assistant Chief Economist
Brien K. Parkinson	Assistant Chief Economist

INFORMATION OFFICE

P. S. Hariharan	Chief Information Officer
Reynaldo D. Pacheco	Assistant Chief Information Officer

OFFICE OF COMPUTER SERVICES

C. Trujillo, Jr.	Chief
S. Kalyanaraman	Assistant Chief

INTERNAL AUDIT OFFICE

M. Ikramullah Khan	Chief
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POST-EVALUATION OFFICE

Ronald S. Skeates	Chief
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