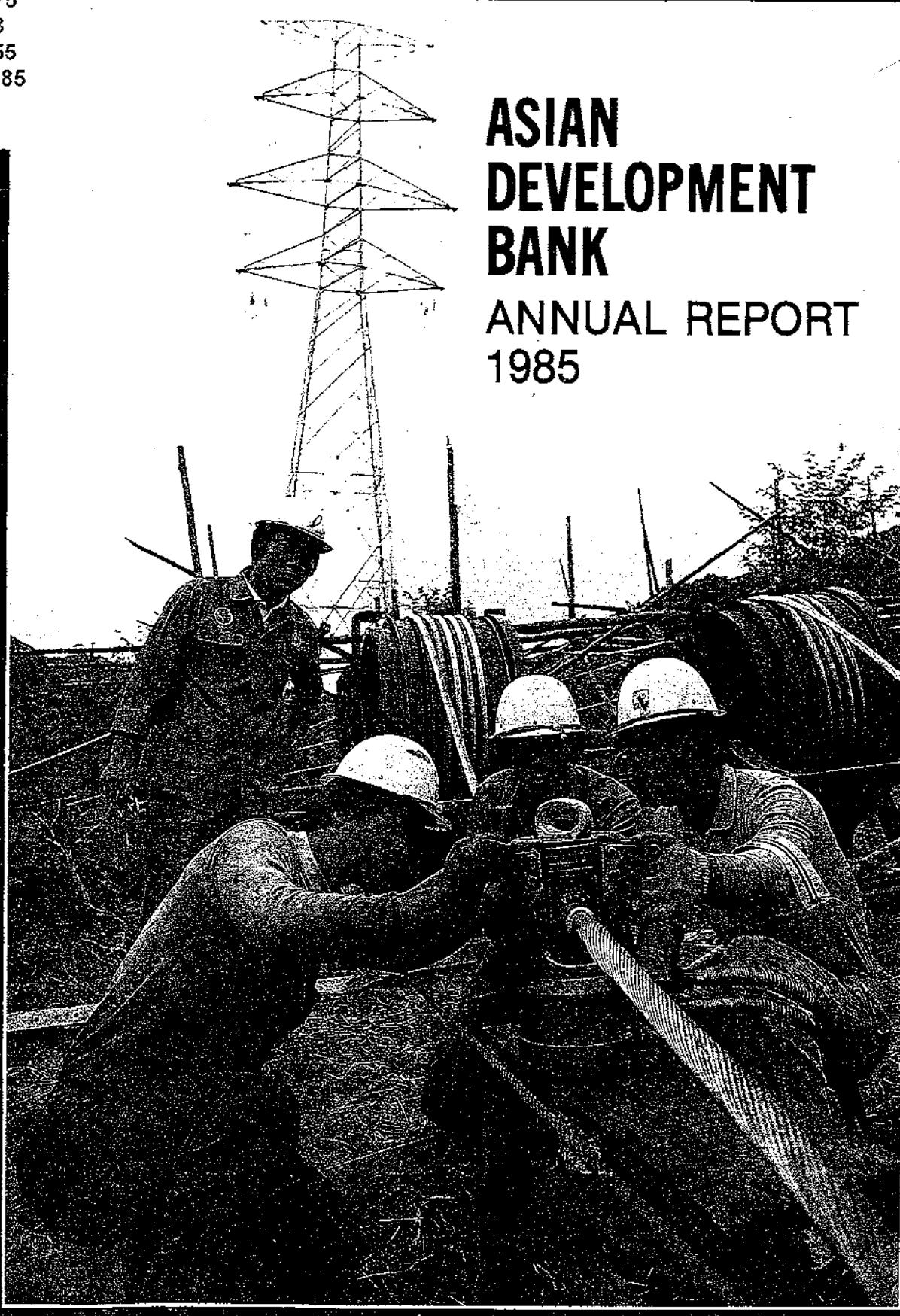


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**ASIAN  
DEVELOPMENT  
BANK**  
**ANNUAL REPORT**  
**1985**

## The Asian Development Bank

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

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

In 19 years of operations, the Bank has become a major catalyst in promoting the development of the most populous and fastest growing region in the world today. The Bank's principal functions are (i) to make loans and equity investments for the economic and social advancement of developing member countries; (ii) to provide technical assistance for the preparation and execution of development projects and programs and advisory services; (iii) to promote investment of public and private capital for development purposes; and (iv) to respond to requests for assistance in coordinating development policies and plans of member countries. In its operations, the Bank is also required to give special attention to the needs of the smaller or less developed countries and give priority to regional, subregional and national projects and programs which will contribute to the harmonious economic growth of the region as a whole.

The financial resources of the Bank consist of ordinary capital resources, comprising subscribed capital, reserves and funds raised through borrowings; and Special Funds, comprising contributions made by member countries and amounts previously set aside from the paid-in capital. Loans from ordinary capital resources, which account for 68 per cent of Bank lending, are generally made to member countries which have attained a somewhat higher level of economic development. Loans from the Asian Development Fund are made on highly concessional terms and almost exclusively to the poorest borrowing countries.

The Bank has borrowed funds for its ordinary operations from the capital markets of Europe, Japan, the Middle East and the United States. The Bank's callable capital, which at the end of 1985 accounted for nearly 88 per cent of its subscribed capital, backs its borrowings in the capital markets.

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

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

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

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

The Bank has 21 departments and offices — including a Resident Office in Dhaka, Bangladesh, and a South Pacific Regional Office in Port Vila, Vanuatu — dealing with various operational, financial, administrative and general support functions.

# **ASIAN DEVELOPMENT BANK ANNUAL REPORT 1985**

**COVER:** Construction workers stringing extra-high voltage (EHV) transmission lines near Kwangju City in the Republic of Korea. The EHV Transmission Project, for which the Bank approved a \$50 million loan in November 1982, will provide transmission facilities for four 950-MW nuclear power units, thereby helping to reduce the country's dependence on imported oil for electricity generation. The Project is also expected to improve the reliability of power supply and reduce transmission losses.

## BANK HIGHLIGHTS, 1967-1985

### Loans and Technical Assistance

- \* The Bank has committed a total of \$17.5 billion in loans for 704 projects. It is estimated that each dollar lent by the Bank will be matched by an additional investment of \$1.50 mainly provided by borrowing countries but also by co-financiers. The total capital formation for Bank projects is expected to amount to \$43.8 billion of which \$21 billion would be provided by borrowing DMCs and \$5.3 billion by co-financiers.
- \* Technical assistance, in grants and loans, has amounted to \$1.4 billion. Of this amount, \$218 million was provided for project preparation technical assistance which has so far resulted in 296 Bank loans totalling \$7.8 billion, \$1,071 million was provided for project implementation technical assistance, \$120 million for advisory technical assistance and \$30 million for regional technical assistance.

### Resource Mobilization

- \* Authorized capital stood at the equivalent of \$16.2 billion as of 31 December 1985.
- \* A total of \$6.7 billion has been borrowed from international capital markets for lending from ordinary capital resources.
- \* About \$6.7 billion has been mobilized in ADF contributions for concessional lending to poorer DMCs, and about \$76 million in TASF contributions for financing technical assistance grants.

### Sectoral Activities

- \* Agriculture and Agro-Industry: 97 irrigation and area development projects benefiting about 15.8 million people; 35 fisheries projects benefiting about 45.6 million consumers, and seven fertilizer projects to help increase the region's fertilizer supplies by about 600,000 tons of nitrogen nutrients and about 76,000 tons of phosphate nutrients per annum.
- \* Energy: 120 projects for creation of 10.2 million kW. of generation capacity, of which over 75 per cent will be based on indigenous resources, and for about 64,000 km. of transmission-distribution circuits.
- \* Industry and Development Banks: 11,200 subloans to small and medium-scale enterprises through credit lines to DFIs.
- \* Transport and Communications: construction, rehabilitation, modernization and expansion of ports to increase cargo-handling capacity to about 43 million tons per year, and of roads serving an estimated population of 101 million, railways (36 million) and telecommunications facilities (81 million).
- \* Social Infrastructure: 54 water supply and sanitation projects benefiting over 60 million people; upgrading and expansion of vocational, technical, science and professional education in nearly 10,000 institutes; housing schemes and other facilities benefiting over 3.4 million people; establishment or upgrading of hospitals/polyclinics and rural health facilities; supply of essential drugs and improvement of drug distribution systems; and provision of better malaria protection for about 20 million people.

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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 OCR-7, Notes to Financial Statements of Ordinary Capital Resources.

**ASIAN DEVELOPMENT BANK  
Manila**

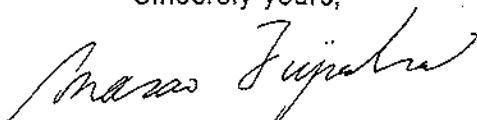
Office of the President

20 March 1986

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 1985, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MASAO FUJIOKA  
President and  
Chairman of the  
Board of Directors

Chairman of the  
Board of Governors  
Asian Development Bank

# THE BOARD OF DIRECTORS

THE Board of Governors, in which all the powers of the Bank are vested, has delegated these powers to the Board of Directors except for those which are specifically reserved to itself under the Bank's Charter. Responsibility for direction of the Bank's general operations thus rests with the Board of Directors which performs its duties on a full-time basis at the Bank's Headquarters. The Board meets in formal session under the chairmanship of the President of the Bank about once a week on average and meets informally as often as necessary.

The Board of Governors elected a new Board of Directors at the Bank's Annual Meeting in Bangkok. It took office for two years on 1 July 1985. A list of the twelve Directors and their Alternates follows this Chapter, while Appendix 4 to this Annual Report provides more details on Board membership and voting groups.

In February 1985, the Board of Governors approved the admission of Spain to membership in the Bank. At Spain's request, the Board of Directors extended the deadline for completing the necessary membership formalities. Membership became effective in February 1986.

In November 1985, a formal membership application was received from the People's Republic of China. A report and draft resolution on the matter was submitted to the Board of Governors, which approved in February 1986 the admission of the People's Republic of China to membership in the Bank. Membership became effective in March 1986.

The Bank's policies are established by the Board of Directors within the general framework of the Bank's Charter. Periodic review by the Board ensures that the policies remain responsive to the needs of the Bank's developing member countries (DMCs) and appropriate to a changing international scene. Accordingly, the Board agreed in 1985 to change the system for setting the lending rate on the Bank's ordinary capital loans. Such loans have so far carried interest rates fixed at the time of commitment for their entire life. Under the new system, which comes into effect in July 1986, the lending rate on new ordinary capital loans will be adjusted every six months and will be determined by adding a spread to the average cost of a pool of Bank borrowings. The decision to move to a new system, which is similar to that already adopted by the World Bank (IBRD), is an important step in adapting the Bank's financial structure to uncertain conditions in international financial markets and in ensuring the

Bank's effectiveness as a development institution in the years ahead. Besides protecting the Bank's net income against fluctuations in interest rates, the new system will provide a high degree of borrowing flexibility that could result in lower overall borrowing costs and, consequently, lower lending rates over time.

Also in 1985, the Board undertook a thorough review of the Bank's assistance to the private sector. In order to promote the efficient use of resources in the Bank's developing member countries and to accelerate their economic development, it decided that the Bank should increase and broaden its assistance to the private sector in its DMCs. The Bank's support will encompass private enterprises, public enterprises which may be privatized, as well as the key financial institutions necessary to sustain an active and expanding private sector. It is expected that the Bank's future assistance will rely mainly on the fuller application of existing policies. However, the Board also decided that the Bank should begin a modest program of lending to private enterprises without requiring guarantees from the respective DMC governments. More information about these developments is contained in a special chapter in this Annual Report which is presented in view of the increased attention which the role of private enterprise has been receiving in the region.

The Board decided that the Bank should provide assistance to its DMCs in support of their efforts to integrate women more effectively in the development process. It recognizes that the social and cultural factors which influence the role and needs of women vary substantially among countries. Consequently, the scope and thrust of the Bank's activities will be designed to suit individual DMCs and their development objectives and priorities. The Bank will incorporate consideration of the role and needs of women into its normal lending and technical assistance operations.

The existing policy framework on sector lending was examined against the experience of recent years and it was found to be generally sound and sufficiently flexible. However, the Board concluded that the effectiveness of sector lending would be enhanced by such means as more intensive policy dialogue and greater emphasis on institution building through technical assistance.

In reviewing the Bank's technical assistance operations, the Board considered that technical assistance had played

an important role in assisting the DMCs enhance their development capability and in facilitating the transfer and effective use of Bank and other financial resources. Nonetheless, the Board believed that certain adjustments should be made to the Bank's technical assistance operations in light of the DMCs' future requirements and that ways should be explored to achieve greater predictability and regularity of funding technical assistance grants.

The Board approved 164 proposals for loans, technical assistance grants and equity operations in 1985. In line with past practice, it examined each proposed loan on the basis of a Project Appraisal Report and other documentation prepared by Bank staff. It paid particular attention to such aspects as the economic and financial viability of the project, its suitability in terms of the Bank's operational strategy in the DMC concerned, project benefits and justification, lessons learned from past and ongoing projects, environmental considerations, project risks and measures to overcome them including specific assurances from the borrower. The proposed financing arrangements, including in certain cases co-financing by other multilateral and bilateral donors, were also considered.

The Board approved borrowings totalling the equivalent of \$792 million in 1985, including the Bank's offering of yen-denominated bonds in New York, which marked the first public bond issue denominated in a foreign national currency in that market. In view of the reduction in the cost of the Bank's borrowings, it was decided to lower the fixed lending rate on new ordinary capital loans to 9.65 per cent from 10.25 per cent per annum, effective 1 July 1985. This rate is expected to apply until the new variable lending rate system comes into operation on 1 July 1986.

The Board considered further a number of requests from individual member countries for special increases in their capital subscriptions. It agreed on certain arrangements for processing these requests and to recommend to the Board of Governors the approval of special increases in the capital subscriptions of five non-regional member countries, namely, Finland, France, Italy, Netherlands and Switzerland.

The Board monitored the amount of resources available for new loan commitments under the Asian Development Fund (ADF). This reflected some concern early in the year about the adverse impact of exchange rate movements, coupled with arrears in ADF payments by the United States and the consequent reduced release of resources by some other donor countries. These negative factors were partly offset by the voluntary release by ten donor countries of the full amounts of the third tranches of their ADF IV contributions. With ADF IV intended to finance the Bank's concessional lending program until the end of 1986, the Board began to examine the need for a further ADF replenishment. It took careful note that, at the two subsequent meetings of ADF donor countries about a fourth ADF Replenishment (ADF V), several policy matters were discussed. These related mainly to the financing of technical assistance, the importance of maintaining high project quality and of developing suitable strategies for Bank lending to its DMCs, the Bank's assistance to the private sector and the terms of ADF lending.

In other activities, the Board received regular reports on project administration and technical assistance implementation, and decided that greater attention should be paid to these critical aspects of the Bank's operations. Changes in the Bank's investment portfolio were monitored. The Board

also considered various administrative matters, including staff salaries and benefits. It reviewed developments in the construction of a new Headquarters building for the Bank in Manila.

Meeting informally, the Board exchanged views on a range of policy and other issues — for example, requests from member countries for special increases in their capital subscriptions, and the Bank's lending rate methodology — prior to their formal consideration. Other informal meetings covered such matters as the Bank's personnel policies and the work of the Bank's Economics Office.

Short visits were again made by small groups of Directors to some of the Bank's DMCs. These visits enable Directors to get a first hand impression of the Bank's operations and to hold policy discussions with Ministers, senior officials and private business people. Visits were made to the Republic of Korea and the Philippines, as well as to Fiji, Vanuatu (including the Bank's South Pacific Regional Office) and Western Samoa.

Membership of the Board's three standing committees changed during the year, with the President of the Bank appointing five Directors/Alternates to serve on each of the committees for the two-year life of the new Board. Membership of the committees is contained in Appendix 5 to this Annual Report.

The Audit Committee examined the Bank's financial statements and the scope of the outside audit, considered various internal audit matters, and reviewed the work of the Post-Evaluation Office, including 14 Project Performance Audit Reports. As to the latter, the Committee made a number of suggestions for follow-up by staff and stressed that lessons learned in previous projects should be fully taken into account in designing new projects. In accordance with its terms of reference, the Committee also advised the Board on the appointment of Outside Auditors for 1986 and its recommendation was adopted by the Board.

The Budget Review Committee examined in detail the expenditure proposals for the 1986 Administrative Budget. The review was made in the context of Bank activities planned for 1986 as presented in a memorandum submitted by the President and it took into account the mid-year review of the 1985 Administrative Budget. The Committee also considered several studies and reports requested by the previous Committee on issues related to the efficiency of Bank operations and expenditure savings. The Committee submitted its Report and findings to the Board which approved them together with the 1986 Administrative Budget.

The Committee on Administrative Matters Relating to Members of the Board undertook a broad range of activities in 1985, including a consolidation of the various provisions for travel expenses of Directors and Alternates and an examination of ways and means of improving communications between Board members and their capitals. The Committee also kept under review aspects of the Headquarters Agreement as it affected Board administrative matters.

Last, but by no means least, the Board wishes to place on record its deep appreciation for the invaluable contribution to the Bank made by Mr. A.T. Bambawale. He retired in October 1985 after some 7½ years as Vice-President (Operations), having previously served as Alternate Executive Director for India for about 5 years ending October 1976. On the recommendation of the President, the Board appointed Mr. M. Narasimham of India to succeed Mr. Bambawale.

# **THE BOARD OF DIRECTORS**

**President and Chairman of the Board of Directors**  
Masao Fujioka

<b>Directors</b>	<b>Alternate Directors</b>
Chandi Chanmugam	Ha Dan Huan
Sofjan Djajawinata	R. C. W. Hamilton
Keith J. Horton-Stephens	Ralph Hillman
Takatoshi Kato	Yukio Saruhashi
Tunku Abdul Malek	Suwani Pasugswad
Jean-Marc Métivier	Palle Marker
Paolo Nardi	Gino Alzetta
N. M. Qureshi	A. Melchor, Jr.
K. V. Ramanathan	K. F. Rahman
Joe O. Rogers	William R. Thomson
Hans Martin Schmid	Gerhard Kantner
Sung-Yong Wei	John Natera

# THE RECORD

(amounts in \$ million)

	1967-1980	1981	1982	1983	1984	1985	1967-1985
<b>OPERATIONAL ACTIVITIES</b>							
Loan Approvals							
Number of Projects <sup>a</sup>	455	54	56	53	47	46	704
Amount of Loans	8,093.3	1,677.6	1,683.6	1,893.2	2,234.3	1,908.1	17,490.1
Ordinary Loans							
Number of Loans	287	30	32	26	26	25	426
Amount of Loans	5,652.7	1,146.7	1,137.5	1,189.8	1,550.7	1,271.2	11,948.6
Disbursements	2,304.7	518.0	619.6	715.4	702.2	620.3	5,480.1
Asian Development Fund Loans <sup>b</sup>							
Number of Loans	219	27	25	29	23	23	348
Amount of Loans <sup>c</sup>	2,440.6	530.9	546.1	703.4	683.6	636.9	5,541.5
Disbursements	737.7	149.2	175.5	221.5	298.3	389.8	1,972.0
Equity Operations							
Number of Projects	—	—	—	2	1	4	7
Amount	—	—	—	3.0	0.4	3.7	7.0
Technical Assistance <sup>d</sup>							
Number of Projects	684	84	99	107	118	110	1,202
Amount	572.2	182.8	150.0	186.7	141.2	175.3	1,408.2
Regional Activities							
Number of Projects	72	13	24	30	25	32	196
Amount	10.8	1.8	2.5	5.7	3.6	5.5	29.9
<b>RESOURCES</b>							
Ordinary Capital Resources							
Authorized Capital (at end of period)	9,209	8,404	7,965	15,461	14,476	16,222	16,222
Subscribed Capital (at end of period)	8,828	8,297	7,899	11,510	14,058	15,970	15,970
Borrowings (gross)	2,455	668	882	979	972	792	6,748
Outstanding Debt (at end of period)	1,872	2,274	2,810	3,429	3,893	5,569	5,569
Ordinary Reserve (at end of period)	391.2	512.0	665.7	830.1	997.8	1,158.5	1,158.5
Special Reserve (at end of period)	78.6	99.9	123.3	151.3	167.3	176.5	176.5
Gross Income	1,371.2	347.1	413.7	478.0	568.6	684.8	3,863.4
Net Income after Appropriation of Commissions to Special Reserve	513.2	139.7	151.4	151.6	190.4	247.9	1,394.2
Special Funds Resources							
Asian Development Fund:							
Total Resources (at end of period) <sup>b</sup>	2,916.1	3,184.7	3,616.9	4,207.2	4,615.1	6,081.5	6,081.5
Technical Assistance Special Fund: Contributions (at end of period)							
Contributions (at end of period)	48.1	52.0	59.2	63.5	69.2	76.0	76.0
<b>MEMBERSHIP AND STAFF</b>							
Member Countries (at end of period)	43	44	45	45	45	45 <sup>e</sup>	45 <sup>e</sup>
Professional Staff (at end of period)	416	468	517	551	570	581	581

a Projects financed from both OCR and ADF are counted only once.

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

c ADF loans negotiated after 1 January 1983 are denominated in terms of 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.

d Comprising technical assistance grants and loans funded by the Bank and other multilateral and bilateral sources. Regional technical assistance is excluded.

e Spain and the People's Republic of China joined the Bank in February and March 1986, respectively, bringing the number of member countries to 47.

# THE BANK IN 1985

DURING 1985, the Bank's lending commitments amounted to \$1,908 million, which was 14.6 per cent below the 1984 figure of \$2,234 million.

This decline reflected generally slower world economic growth as well as domestic resource constraints and measures taken in many of the Bank's developing member countries (DMCs) in response to external economic developments.

With the notable exception of Pakistan, the level of new Bank loan commitments was lower in all traditional major borrowers. No new Bank loans were approved for the Philippines.

The decline in loan commitments was more marked in ordinary capital resources (OCR) where the total of \$1,271 million represented a drop of 18 per cent from \$1,551 million in 1984. Loans from the Asian Development Fund (ADF) fell 6.8 per cent to \$637 million from \$684 million a year earlier.

In its third year of equity operations, the Bank approved three lines of equity totalling \$3.25 million to financial institutions in Fiji, Indonesia and Thailand, and an equity investment of \$0.4 million in an industrial enterprise in Indonesia.

Technical assistance grants approved during 1985 increased to \$34 million from \$22 million in 1984.

## Other highlights:

\* The Eighteenth Annual Meeting of the Board of Governors was held in Bangkok, Thailand, from 30 April to 2 May.

\* In February 1985, the Board of Governors approved the admission of Spain to membership in the Bank. Spain's membership became effective in February 1986.

\* The Bank received a formal application for membership from the People's Republic of China in November 1985. In February 1986, the Board of Governors approved the admission, and membership became effective in March 1986.

\* The Board of Governors authorized special increases in the capital subscriptions of Finland, France, Italy, Netherlands and Switzerland.

\* The Board of Directors approved the adoption of a pool-based variable lending rate system to come into effect on 1 July 1986. Meanwhile, the Bank's fixed lending rate on new ordinary loans was reduced to 9.65 per cent from 10.25 per cent per annum, effective 1 July 1985.

\* It was decided to diversify Bank assistance to the private sector by providing loans without government guarantee.

\* Discussions commenced with donor countries on a fourth Asian Development Fund replenishment (ADF V) to finance the Bank's concessional lending program over the four-year period 1987-90.

\* Borrowings in the international capital markets amounted to the equivalent of \$792 million. The Bank made an offering of yen-denominated bonds in New York, marking the first public bond issue denominated in a foreign national currency in that market. It also undertook its first floating-rate borrowings in two of its issues in the Swiss capital market.

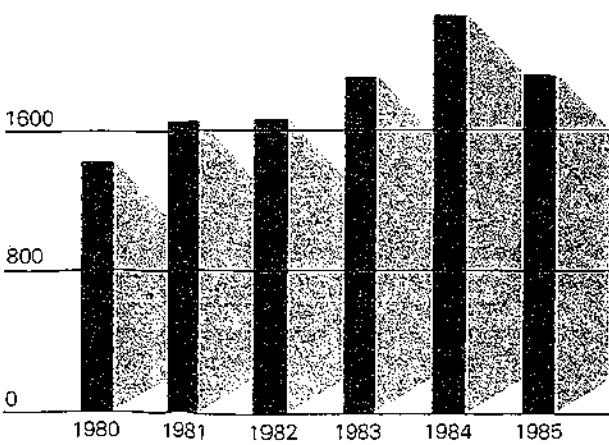
The Bank approved loans for 46 projects in 1985 compared with 47 in 1984. The average loan size decreased 12.7 per cent to \$39.8 million from \$45.6 million.

Co-financing fell by 45 per cent to \$640 million from \$1,163 million the previous year. Official sources provided \$335 million in co-financing in 1985 compared with \$731 million a year earlier, while their share of total co-financing decreased to 62 per cent from 63 per cent in 1984. Co-

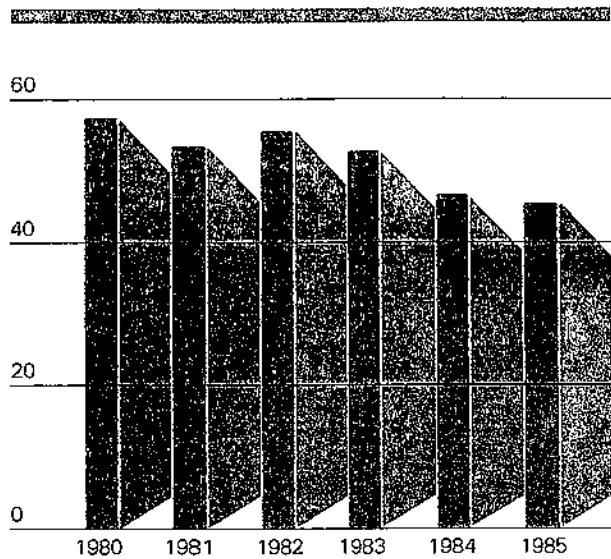
## Loan Approvals

\$ Million

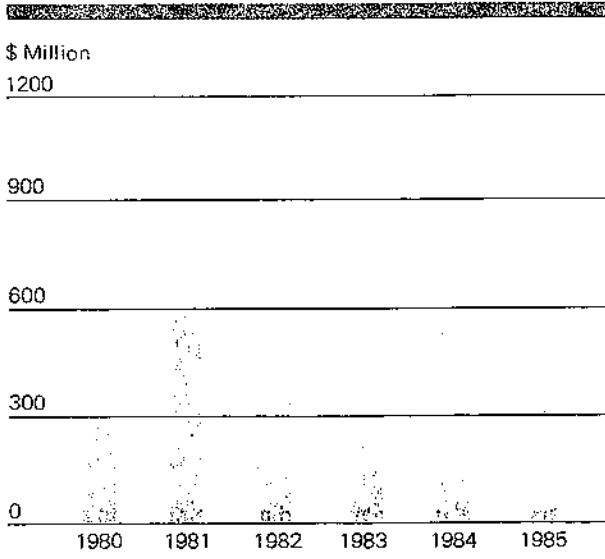
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### Number of Loan Projects



### Amount of Co-Financing



financing from commercial sources fell to \$305 million from \$432 million in 1984, while their share of the total rose to 48 per cent from 37 per cent.

Although lending to agriculture and agro-industry declined in 1985 both in volume (to \$569 million from \$758 million a year earlier) and as a percentage of overall Bank lending (to 29 per cent from 34 per cent), this sector remains the most important to the Bank and its DMCs in view of the pivotal role that agriculture plays in economic and social development.

Lending for **social infrastructure** — water supply and sanitation, urban development and housing, education, and health and population — rose sharply to \$544 million in 1985 from \$240 million a year earlier and accounted for 28 per cent of overall lending compared with 11 per cent in 1984. This increase was due to the approval in 1985 of some relatively large projects which could not be processed fully in 1984.

Bank assistance to the **energy** sector declined very steeply, amounting to \$245 million (13 per cent of total approvals) compared with \$767 million (34 per cent of total approvals) in 1984. This was due to a slackening in economic growth and a need to resolve certain policy issues with some executing agencies. During the year, the Bank initiated a review of investment needs in the power subsector over the period 1986-90.

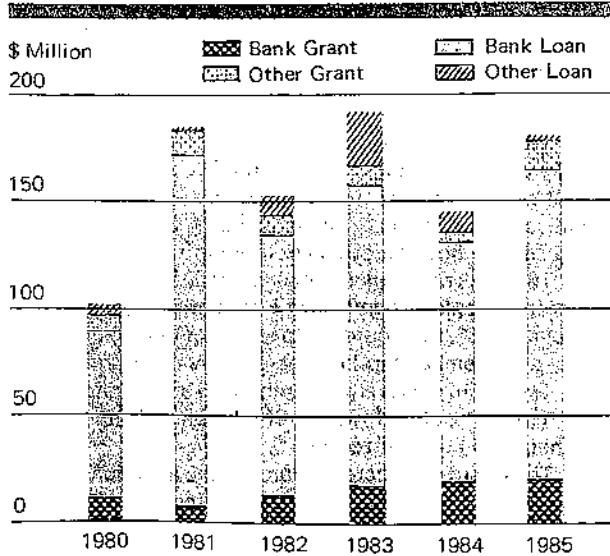
In other sectors, Bank lending for **transport and communications** was slightly lower at \$310 million (16 per cent of the total) compared with \$381 million (17 per cent) a year earlier, while lending for **industry and non-fuel minerals**, despite a decline in direct lending for industry, increased to \$243 million (13 per cent) in 1985 from \$54 million (2 per cent) in 1984. This was due to higher lending to development finance institutions (DFIs) which remain the Bank's main channel of assistance to the private sector. Two credit line projects approved in 1985 were structured along the lines of "umbrella" credits which were successfully introduced in 1983. The Bank also established operational relationships with two commercial banks during the year.

Technical assistance (grant and loan financed) for the

preparation of projects, for advisory and project implementation activities and for regional activities, increased to \$181 million for 142 projects during 1985 from \$145 million for 143 projects in 1984. By end 1985, project preparatory technical assistance amounting to \$218 million had so far resulted in 296 Bank loan projects amounting to nearly \$8 billion and involving an estimated total investment cost of about \$20 billion.

Loan disbursements slightly exceeded \$1 billion for the second consecutive year. Disbursements under ADF loans increased 31 per cent to \$390 million, mainly due to higher

### Technical Assistance Approvals (Grant and Loan Financed)<sup>a</sup>



<sup>a</sup> Includes regional activities.

disbursements to Bangladesh, Burma and Nepal and to a continued high level of disbursements to Pakistan. Disbursements under ordinary loans, however, fell about 12 per cent to \$620 million, reflecting a slowdown in contracts awarded and new procedural requirements in some DMCs, the economic situation in the Philippines and a gradual deceleration of project activities in the Republic of Korea and Malaysia.

During 1985, the net transfer of resources by the Bank to its DMCs (i.e., loan disbursements less repayments of principal, interest and other charges) amounted to \$421.3 million compared with \$502.8 million in 1984.

Project implementation in 1985 was held back in many countries by acute shortages of local counterpart funds as well as several other problems including delays in procurement of goods and consultants' services, changes in scope and components of projects and difficulties in recruiting qualified project staff. During the year, however, the Bank took steps to improve further its project administration practices and procedures by establishing project administration units within two Projects Departments on an experimental basis, revising its project administration reporting system, utilizing microcomputer-based project monitoring tools and fielding missions for discussions with borrowers and executing agencies. Moreover, several publications designed to assist executing agencies were also being prepared.

In order to promote wider interest in International competitive bidding for Bank-financed projects, symposia on business opportunities generated by these projects were held in several countries.

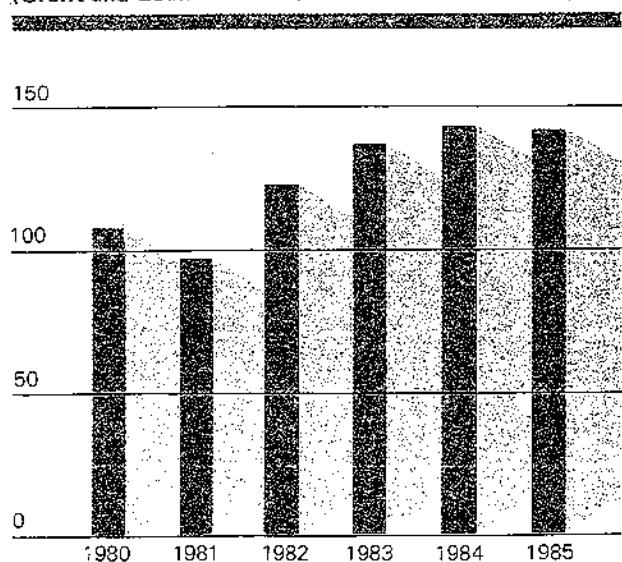
During the year, 36 projects were completed, bringing the total number of projects completed to 302 out of 704 approved by the end of the year.

On the resources side, the Bank's authorized capital stock amounted to about \$16.2 billion (SDR14.8 billion) on 31 December 1985. As of the same date, a total of 737,877 shares, representing about 98 per cent of the total share en-



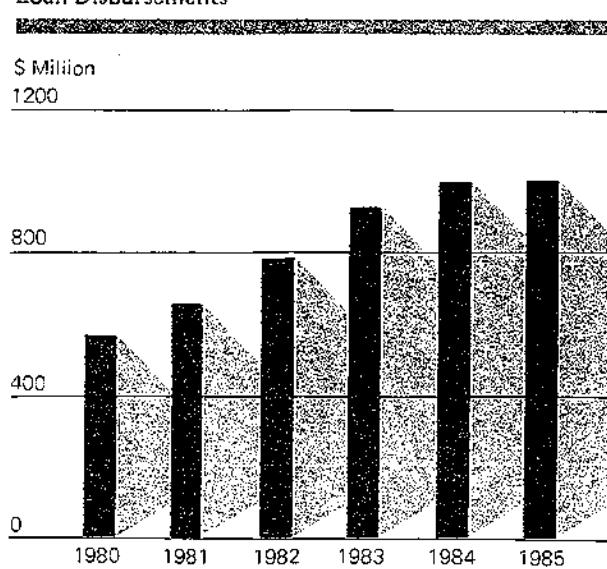
A SMALLHOLDER farmer ploughs his land in Nepal where Bank-financed agricultural credit projects are helping increase foodgrain production and raise the living standards of the rural poor.

#### Number of Technical Assistance Projects (Grant and Loan Financed)<sup>a</sup>



<sup>a</sup> Includes regional activities.

#### Loan Disbursements



titlements of all member countries, had been subscribed to the third general capital increase. The Bank's subscribed capital stock stood at about \$16 billion (SDR14.5 billion).

The Bank made ten public bond issues in 1985 amounting to the equivalent of \$792 million in the capital markets of Japan, Federal Republic of Germany, Netherlands, Switzerland and United States. The average maturity, weighted by amount, was 12.72 years and the average life of outstanding borrowings at the end of the year was virtually unchanged at 8.32 years. The average cost, weighted by amount and average life of each borrowing, was 7.36 per cent per annum.

The period over which the third Asian Development Fund replenishment (ADF IV) is intended to finance the Bank's concessional lending program ends in 1986. Accordingly, the Bank commenced discussions in 1985 with ADF donor countries on a fourth ADF replenishment (ADF V) to finance the concessional lending program over the four-year period 1987-90. At meetings in Rome and Tokyo, donors reaffirmed their strong support for ADF as a vehicle for concessional lending to the Bank's poorer member countries. They exchanged views on various policy matters, the possible amount of ADF V, burden-sharing and other replenishment issues. They also decided that a further donors' meeting be held in Vancouver, Canada, in February 1986.

*SURFACING an upgraded road in South Kalimantan, Indonesia. This Bank-financed Project is expected to alleviate congestion due to the rapidly growing traffic on the existing highway and to meet projected traffic growth.*

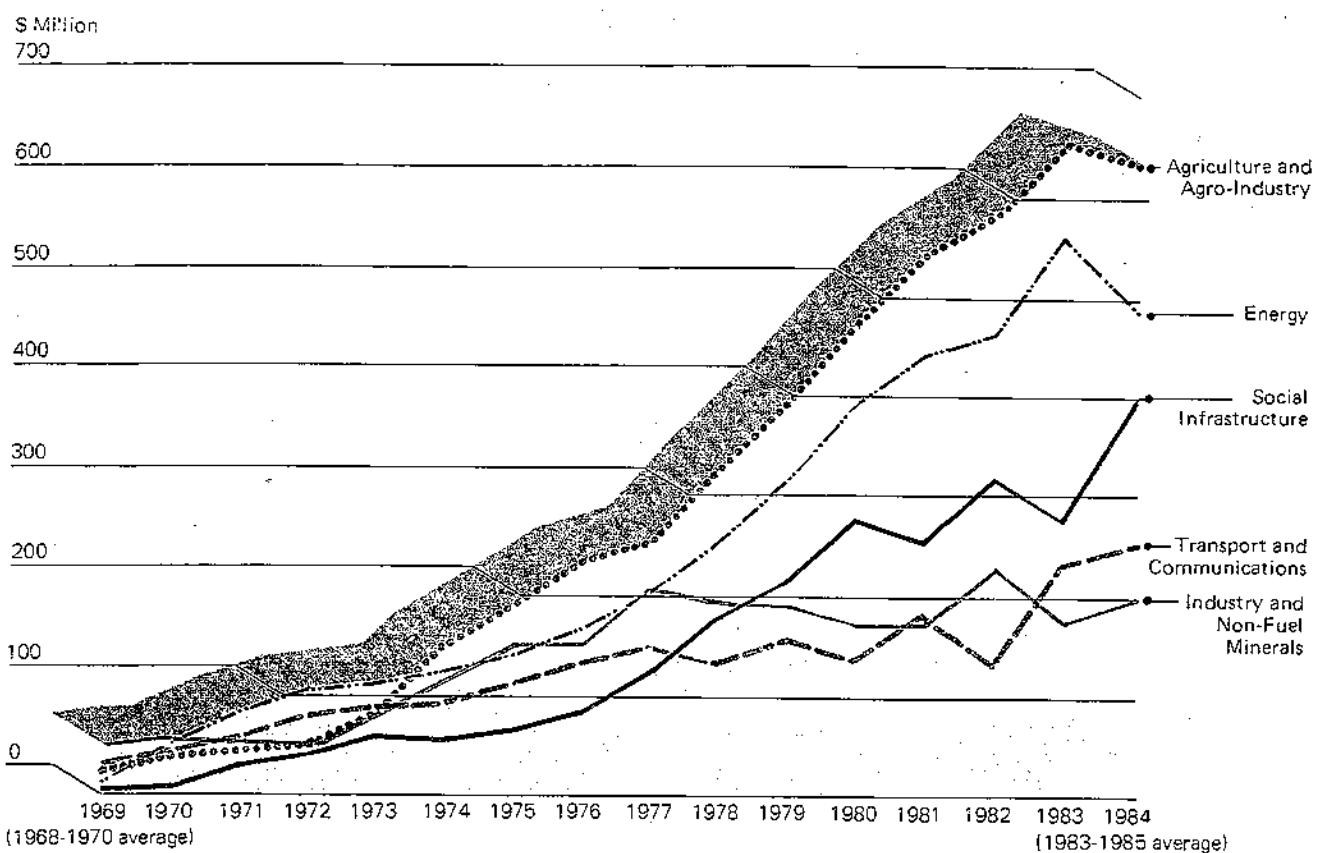
## OUTLOOK

The world economy grew only moderately in 1985 and in several countries, including some in Asia, there was little or no growth. The slowdown in world economic growth, in turn, had its impact on the level of international trade. This was reflected in the weakening of export markets and downward pressure on prices of export commodities of developing countries. In the industrialized countries subdued economic activity and continuing high levels of unemployment aggravated protectionist pressures. International currency movements continued to be volatile and the cost of international borrowings on commercial terms remained high in real terms.

The Bank's DMCs have been adversely affected by these global trends. The weakening of the external accounts of those countries dependent on traditional product exports as well as the newly industrializing countries has affected the course of their domestic economies. The decline in commodity prices has resulted in a deterioration of the fiscal situation of several countries in the region. This has forced them to take measures to restrain the growth in budgetary expenditure, including some cutbacks in real terms in investment, as well as to adopt restrictive monetary policies in order to



Loan Approvals By Sector: Three-Year Moving Averages, 1968-1970 – 1983-1985



curb inflationary pressures. In many DMCs there has consequently been a reduction in the growth of national output and some have experienced negative growth. The fiscal difficulties have also complicated the local funding of projects, even where foreign exchange costs have been met by external capital. Consequently, absorptive capacity has become a constraint on lending by multilateral institutions. The lower lending level of the Bank in 1985 reflected these developments.

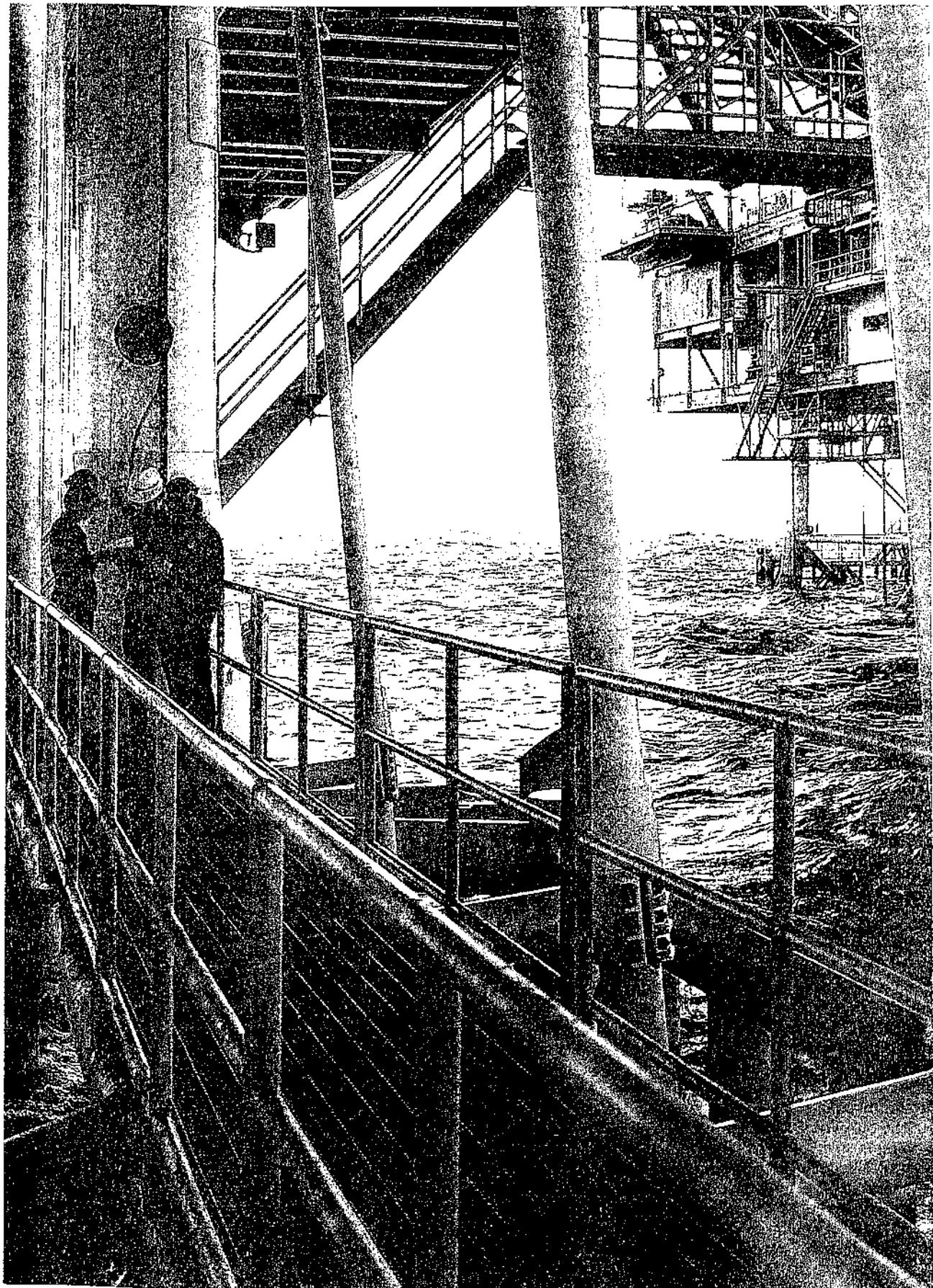
The outlook for 1986 for the global economy suggests, in broad terms, a continuation of the trends in 1985. If the expected modest improvement in the world economy is to have a beneficial impact on the Bank's DMCs, it would need to be translated into an expansion of international trading opportunities. The recent decline in oil prices will ease the pressure on the balance of payments of oil importing DMCs, but constrain investment and growth in oil exporting DMCs. Even for the former, the favorable impact of lower oil prices could be offset by lower exports and invisible receipts, such as workers' remittances, if the international purchasing power of oil surplus countries were to deteriorate further.

At the same time, the adjustment efforts in the fiscal and monetary spheres which are already being made by the DMCs, the deceleration of inflation and the willingness to adopt measures of policy reform in the direction of greater

flexibility in the pricing of goods and services can be expected to improve the climate for investment and growth. This should lead to an expansion of Bank lending commitments and increased disbursements of funds from ongoing loans. Bank lending will also be directed towards ensuring fuller and more efficient use by the DMCs of existing productive capacity. In this regard, the Bank's lending policies, procedures and modalities will be kept under close review to ensure the most economic and efficient use of its resources.

In addition to a resumption of growth in its lending commitments, the Bank's operational program for 1986 will continue to emphasize improved project administration, and the provision of advice and assistance to DMCs to help accelerate the structural and other economic changes needed to support more rapid development. Policy dialogue with DMCs will thus lay emphasis on the importance of economic efficiency through the adoption of appropriate pricing policies and the encouragement of greater competition both within the economy and in respect of the external sector.

While an improvement in the global economy is essential, the resumption of investment and growth by the DMCs will depend no less on the efforts of the countries themselves to undertake structural adjustment in the context of growth. For its part, the Bank stands ready to assist in these efforts.



OFFSHORE facilities in the Gulf of Thailand, part of the Natural Gas Transmission Project designed to help Thailand reduce its oil import bill. A Bank-financed submarine pipeline links the Plalong group of gas fields to an existing offshore pipeline in the Erawan fields.

# ECONOMIC DEVELOPMENTS

DURING 1985, most of the Bank's developing member countries (DMCs) faced economic difficulties. They experienced a decline in economic growth rates, deterioration in their terms of trade, rising debt-service ratios, large trade deficits, and a stagnation in external resource inflows. However, the majority of DMCs achieved moderate growth in per capita income, relative stability in domestic prices and further liberalization of trade. The DMCs made efforts to improve efficiency and productivity by continuing deregulation and privatization of economic activities.

## The International Setting

The economic performance of developing countries in 1985, including that of the DMCs, was adversely affected by sluggish economic growth in industrial countries, depressed prices of commodity exports and a sharp decline in the growth of world trade. The value of world trade declined in 1985 compared with a 6 per cent increase in 1984. On the brighter side, the inflation rate further decreased, interest rates continued to fall and world output of cereals increased.

The aggregate gross national product (GNP) of the industrial countries grew by 2.8 per cent in 1985 compared with 4.9 per cent in 1984. The average increase in consumer prices declined to 4.2 per cent from 4.7 per cent in 1984 while the aggregate current account deficit rose to \$52 billion from \$35 billion in 1984. Unemployment continued to be a major concern in most industrial countries. The protectionist measures in many of these countries were maintained or reinforced during the year.

The combined gross domestic product (GDP) of oil-exporting countries<sup>1</sup> increased by 0.3 per cent in 1985 compared with 1.8 per cent in 1984, reflecting a decline in the volume and the prices of their oil exports. The average rate of inflation in these countries rose to 10.7 per cent from 10.1 per cent in 1984. Their combined current account deficit rose to \$5.7 billion in 1985 from \$3.5 billion in 1984.

The average GDP growth rate of non-oil developing countries declined to 4.5 per cent in 1985 from 5.3 per cent in 1984. Inflation continued to be a major problem. The average in-

crease in consumer prices of this group rose to 50 per cent from 47 per cent in 1984. This was mainly due to the high inflation rates experienced by several developing countries in Latin America. Low demand for the exports of non-oil developing countries and a deterioration in their terms of trade put continued strain on their external payments. Their current account deficit rose to \$44 billion, from \$39 billion in 1984.

## Economic Developments in DMCs

The average GDP growth rate of 16 DMCs in 1985 declined to 3.6 per cent from 6.6 per cent in 1984, and the average of 6 per cent achieved during the preceding decade.<sup>1</sup> A sharp deceleration in the GDP growth rates of the newly industrializing countries (NICs)<sup>2</sup> and the resource-rich middle-income Southeast Asian DMCs largely accounted for the lower growth in 1985.

The DMCs generally faced unfavorable developments in their external trade during 1985, characterized by lower growth in exports, weak external demand, a decline in their terms of trade and large trade deficits. Many DMCs tried to maintain supplies of essential imports, even though it meant drawing down limited foreign exchange reserves. Some DMCs had to curtail their imports to the detriment of their economic development goals.

Lower prices of oil and other commodities, including foodgrains, and higher levels of food production helped to restrain inflationary pressures. Most DMCs were able to reduce or contain their inflation rates at the moderate levels of 1983-1984. The average inflation rate remained at a single digit level for the third consecutive year.

### GDP Growth

Of the DMCs listed in Table 1,<sup>3</sup> most experienced declines in GDP growth rates in 1985. After two consecutive years of

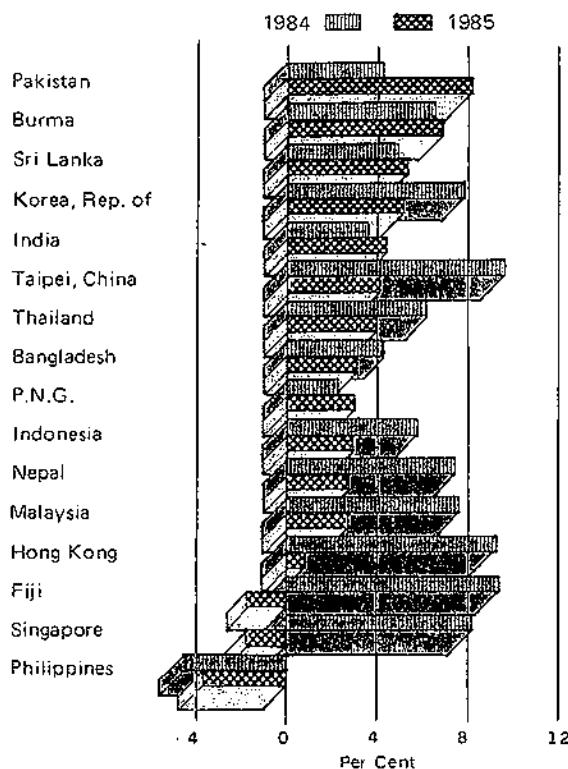
1 At the time of writing, GDP estimates for 1985 are available for only 16 DMCs. However, these countries account for about 98 per cent of the combined GDP of all DMCs.

2 Four DMCs (Hong Kong, Republic of Korea, Singapore and Taipei, China) are included in this group because of the high share of manufactured output in their exports and GDP.

3 The Tables referred to in this chapter appear on pages 110-117.

1 Oil-exporting countries include Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

**Estimated Rate of Real GDP Growth  
of Selected DMCs, 1984 and 1985**



high rates of economic growth, the GDP growth rates of the NICs fell sharply. The growth rate in Hong Kong fell to 0.8 per cent from 9.3 per cent, in the Republic of Korea to 5.2 per cent from 7.9 per cent, in Singapore to -1.8 per cent from 8.2 per cent, and in Taipei, China to 4.1 per cent from 9.6 per cent. A steep reduction in the growth of exports to industrial countries was the principal cause of the lower growth rates in these countries.

In 1985, the Southeast Asian DMCs also generally experienced declines in their GDP growth rates. Indonesia's GDP growth rate fell to 2.9 per cent from 5.8 per cent in 1984. Lower export receipts from oil, reduced growth of non-oil exports and the lower growth of agricultural output accounted for the slowdown. Malaysia's GDP growth rate declined to 2.8 per cent from 7.6 per cent in 1984 mainly due to a lower level of domestic investment, weaker external demand for its commodity exports, and a cutback in crude-oil production. The GDP of the Philippines declined for the second consecutive year, although the fall of 3.7 per cent in 1985 was below the 4.5 per cent decrease in the preceding year. Agricultural output increased by 1.3 per cent but manufacturing production fell by 8 per cent. Thailand's GDP growth rate in 1985 was 4 per cent compared with 6.2 per cent in 1984. The slowdown was largely due to a slump in commodity prices and government austerity measures.

In South Asia, India and Pakistan improved their GDP growth rates in 1985 to 4.5 per cent from 3.7 per cent in 1984 and to 8.2 per cent from 4.3 per cent, respectively. Continued good harvests and industrial revival resulting from liberaliza-

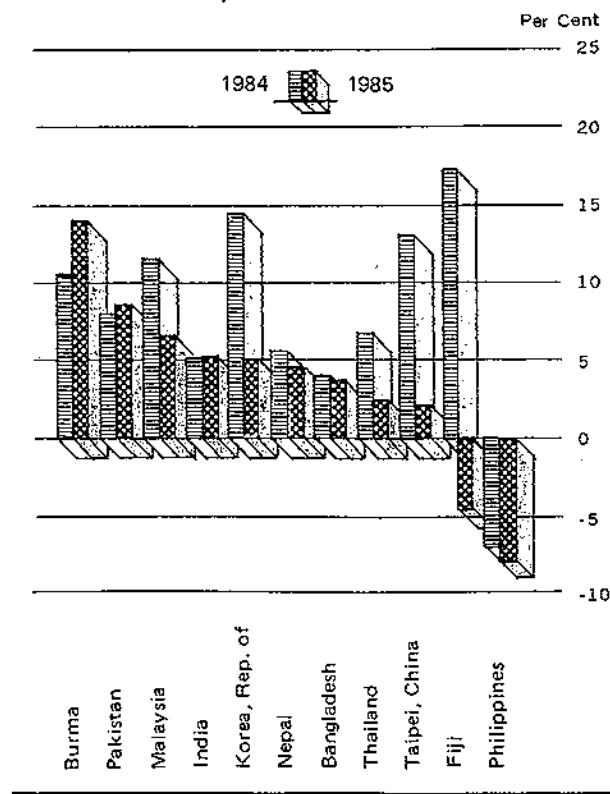
tion measures introduced by the Government contributed to India's improved economic performance. In Pakistan, the improvement was mainly due to the impressive recovery in agricultural production. The GDP growth rates in Burma and Sri Lanka in 1985 were at about their 1984 levels of 6.6 per cent and 5 per cent, respectively. The economic performance of Sri Lanka was adversely affected by declining prices of tea and other primary exports. The GDP growth rates of Bangladesh and Nepal in 1985 declined to 3.1 per cent from 4.3 per cent in 1984 and to 2.8 per cent from 7.4 per cent, respectively. The economic slowdown in Bangladesh was due to damage to crops caused by cyclones and extensive flooding. The lower growth rate in Nepal reflected marginal improvement of rice output over the very high production achieved in 1984.

The economic performance of the South Pacific DMCs in 1985 was generally adversely affected by low and declining world prices of their export commodities. The GDP growth rate of Papua New Guinea was 3 per cent in 1985 compared with 2.2 per cent in 1984. Fiji was hit by cyclones in early 1985 which damaged sugar crops and infrastructure. Its GDP declined by 1.7 per cent in 1985 compared with a 9.4 per cent increase in 1984.

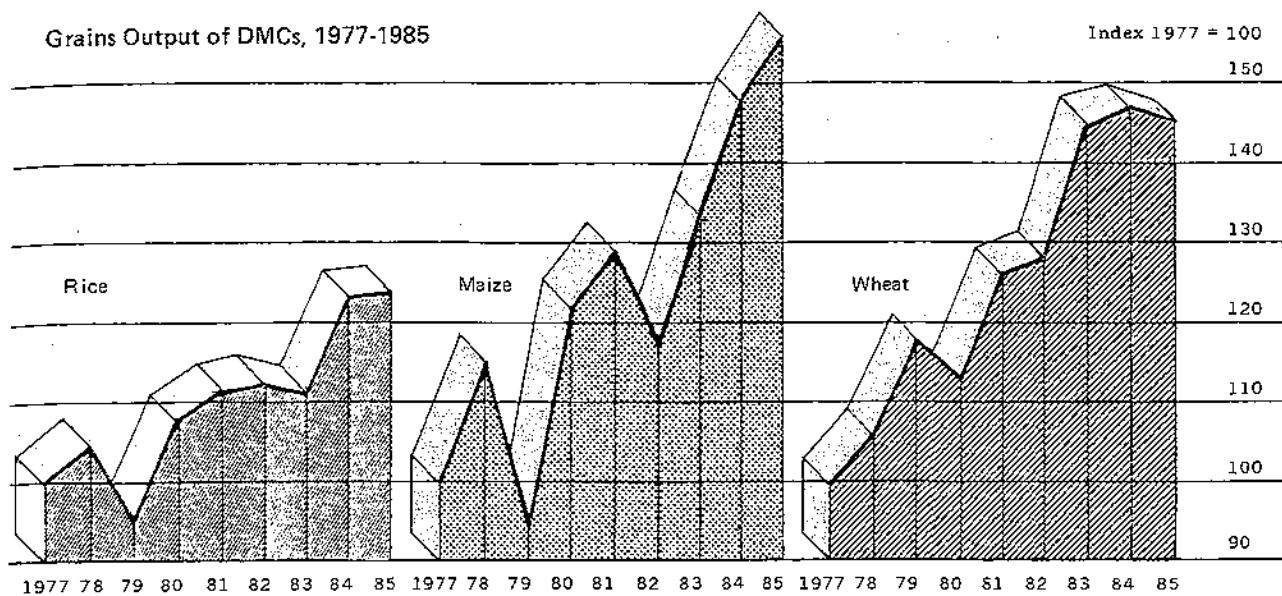
**Sectoral Performance**

Agricultural performance in the DMCs in 1985 was generally satisfactory. For the third consecutive year, the production of foodgrains grew steadily, which helped meet the rising demand in the producing countries. The foodgrain export-

**Estimated Rate of Manufacturing Sector Growth  
in Selected DMCs, 1984 and 1985**



Grains Output of DMCs, 1977-1985



ing DMCs, however, faced low prices. The production of cash crops such as rubber, sugarcane, copra, jute and tea was generally higher, but this was more than offset by a substantial fall in their prices.

The production of foodgrains — rice, wheat and maize — increased by 0.5 per cent to a record level of 320 million tons in 1985.<sup>1</sup> However, the rate of increase was significantly lower than the rate of 9.3 per cent in 1984. Rice production in the DMCs rose by 0.5 per cent to 233 million tons. Bumper harvests were reported in Burma, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Viet Nam. Rice production declined in Bangladesh, India, Republic of Korea and Taipei, China because of unfavorable weather conditions. The production of wheat, the second major foodgrain in the DMCs, declined by 1.4 per cent to 60.5 million tons, mainly as a result of a decrease in production in India which more than offset the increases in Bangladesh, Nepal and Pakistan. The production of maize increased by 5.8 per cent to 26.3 million tons. Among the large producers, output rose in India, Philippines and Thailand but fell in Indonesia.

In 1985, despite the fact that DMCs remained net importers of foodgrains, their net imports declined due to high domestic production. Thailand registered a substantial increase in foodgrain exports, while Indonesia and Bangladesh recorded large reductions in foodgrain imports and India did not import any foodgrains. In India and Indonesia, the rising stocks of foodgrains led to serious storage problems.

Among the major commercial crops of the region, the overall output of coconut, palm oil, jute and tea increased significantly while that of rubber and cotton remained at about the level of 1984. The 8 per cent increase in coconut output was largely due to the recovery in the Philippines, where output grew by 30 per cent. The 7.8 per cent growth

in palm oil output was shared by all the producers. Rubber production increased in India, Indonesia, Thailand and most other DMC producers, but this was largely offset by the decline in Malaysia, the largest producer. Sugar production was higher in India, Pakistan, Thailand and Viet Nam, but this was more than offset by the decline in Bangladesh, Fiji and Philippines, leading to a 1 per cent fall in overall output.

Growth of industrial production was adversely affected in many DMCs by a variety of factors.

Among the NICs, Singapore experienced a fall in manufacturing output. Hong Kong, Republic of Korea and Taipei, China had sharp declines in the growth rate of manufacturing output. Weak domestic demand and growing protectionism in principal export markets accounted for the adverse developments.

In Indonesia, manufacturing and construction activities continued to be constrained by low demand and faced considerable excess capacity. In Malaysia, the growth of manufacturing output slowed down to 6.5 per cent because of weak external demand. In the Philippines, manufacturing production declined by 8 per cent because of domestic and external financial restraints and sharp cutbacks in government and private investment. In Thailand, industrial production slowed down due to austerity measures, credit restraints and flagging domestic and external demand.

The South Asian DMCs are relatively less export-oriented and thus their manufacturing activities were less affected by the slowing world economy. Manufacturing output in Bangladesh grew by 3.8 per cent, the same rate as in 1984. In Burma, manufacturing production increased by 14.2 per cent because of sustained domestic demand and the more liberal import of raw materials and other inputs. In India, manufacturing output increased by 5.2 per cent mainly due to the greater availability of power, transport and raw materials, and new incentives for the private sector. The manufacturing sector in Pakistan recorded an 8.1 per cent increase as a result of a sharp recovery in agricultural pro-

<sup>1</sup> Output estimates for individual crops in this chapter are for the calendar year, while GDP estimates are for the fiscal year, which differs from the calendar year in several DMCs (see footnote to Table 1).

duction and domestic demand. In Sri Lanka, industrial output grew by 7 per cent compared with 15.6 per cent in 1984, due to lower growth in the availability of raw materials and inputs.

In the energy sector in the DMCs, electricity generation has increased steadily to meet the expanding power requirements of agricultural and industrial production and the increasing demand of households resulting from higher incomes and growing urbanization. However, because of low growth in industrial activity in many countries, electricity generation in 1985 increased by only 4 per cent compared with 10.3 per cent in 1984. The growth rate was particularly slow in India, Pakistan, Sri Lanka and some South Pacific DMCs. Electricity generation declined in the Philippines.

The total output of crude oil in DMCs increased to 123.2 million tons in 1985 from 118.7 million tons in 1984 (see Table 2). Burma, India, Indonesia, Pakistan and Thailand experienced an increase in output which was partly offset by a decline in Malaysia, Philippines and Taipei, China. Natural gas production was, however, higher in practically all DMCs which are endowed with this natural resource.

Preliminary data suggest that the aggregate value of imports of oil (crude oil and petroleum products) by DMCs declined to \$32.6 billion in 1985 from \$36.1 billion in 1984. The decline in 1985 of 9.9 per cent, compared with the decline of 6.4 per cent in 1984, was due to the softening of world prices of oil and the slower pace of economic activity experienced by many countries. Apart from Indonesia and Malaysia, which are net oil exporters, crude oil and petroleum products account for substantial portions of the imports of most DMCs. In the case of Singapore, a major though declining part of its oil imports was for re-export after refining. The burden of oil imports was heaviest for those DMCs which have a relatively narrow export base while their dependence on energy imports remains high. The cost of petroleum imports during 1985 ranged from 30 per cent to 58 per cent of export earnings in a number of DMCs including Bangladesh, Fiji, India, Nepal, Pakistan, Sri Lanka and Thailand.

#### Price Trends

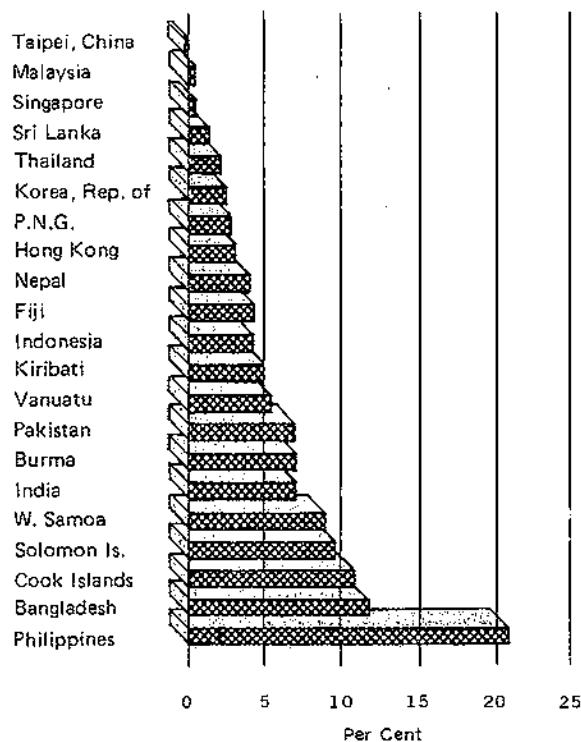
The weighted average rate of inflation in DMCs fell to 5.2 per cent in 1985 from 7.6 per cent in 1984 (see Table 3). The major factors which contributed to this decline included lower prices of foodgrains, raw materials and imported oil, stable prices of manufactured imports, and stabilization measures adopted by the DMCs.

The inflation rate among the NICs ranged from -0.2 per cent in Taipei, China to 3.2 per cent in Hong Kong. Among Southeast Asian DMCs, Indonesia, Malaysia and Thailand had inflation rates of 4.4 per cent, 0.5 per cent and 2.4 per cent, respectively. In the Philippines, the consumer price index increased by 20.7 per cent which was far below the inflation rate of 49 per cent experienced in 1984. The stabilization policy in the Philippines reduced the consumer price increase to a single digit level by the end of 1985.

The South Asian DMCs also mostly recorded single digit inflation rates. Sri Lanka was able to reduce its inflation rate to 1.5 per cent in 1985 from 16.6 per cent in 1984. Apart from Bangladesh, whose inflation rate was 11.8 per cent compared with 9.9 per cent in 1984, changes in the consumer price index in the other South Asian DMCs ranged between 4 per cent and 7.1 per cent.

In most of the South Pacific DMCs, inflation rates in 1985 were below the level in 1984. In Fiji, Papua New Guinea and Vanuatu, consumer prices increased by 4.4 per cent, 2.8 per

Changes in Consumer Prices of Selected DMCs, 1985



cent, and 5.4 per cent, respectively. Solomon Islands and Western Samoa had inflation rates of 9.7 per cent and 9.1 per cent, respectively.

#### External Sector Developments

The aggregate trade deficit of the DMCs increased to \$4.9 billion in 1985 from \$4 billion in 1984 (see Table 4). Apart from Indonesia, Malaysia and Taipei, China, which had large trade surpluses, the trade deficit of the DMCs decreased to \$20.7 billion in 1985 from \$22 billion in 1984.

Among the NICs, the trade deficit of Republic of Korea and Singapore narrowed while Hong Kong had a trade surplus. Taipei, China further increased its high trade surplus. Of the Southeast Asian DMCs, both Indonesia and Malaysia had lower trade surpluses, while both the Philippines and Thailand reduced their trade deficits. Most DMCs in South Asia had larger trade deficits than in 1984, as did most South Pacific DMCs.

The aggregate value of exports of the DMCs decreased to \$175 billion in 1985 from \$180 billion in 1984. This represented a decline of 2.8 per cent in 1985 compared to an increase of 15.3 per cent in 1984. This reflected a decline in both the growth in volume and prices of the major export commodities. Manufactured exports also registered slower growth in 1985 than in 1984, mainly due to lower economic growth rates and trade barriers in industrial countries, which remain the principal importers of manufactured goods from DMCs.

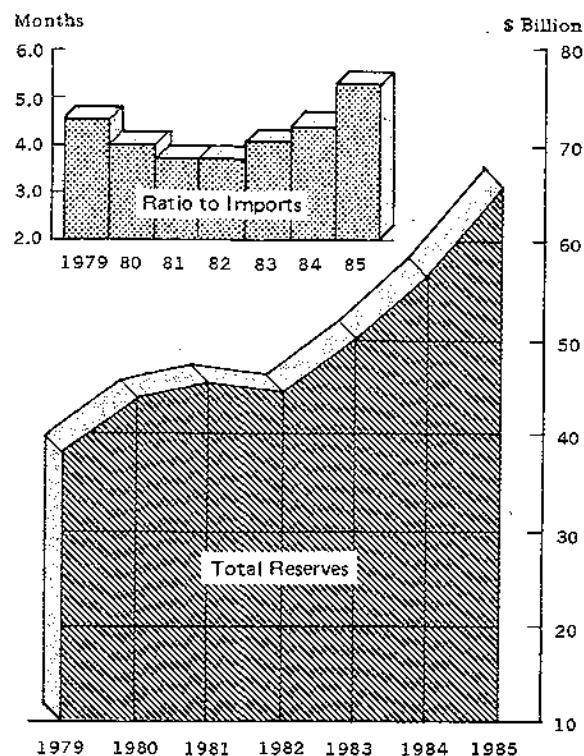
The decline in commodity prices was sharpest at 42 per cent for copra and 41 per cent for tea. Palm oil prices declined by 28 per cent, sugar by 27 per cent, cotton by 23 per cent, and maize by 17 per cent. Prices in 1985 were a fraction of their peak levels in 1980-1981. The producers of these crops suffered large income losses. In general, the growth in export volumes failed to compensate for the decline in prices, while in some cases both price and volume were reduced, leading to a worsening of the trade balance of DMCs which depend largely on the export of primary commodities.

Most of the DMCs are heavily dependent on imports of machinery and equipment, minerals (including oil) and raw materials, and intermediate products for the maintenance of their production capacities and implementation of their development programs. Their imports were constrained during 1985 by lower growth in export earnings, increasing debt service obligations and stagnant inflow of external resources. The shortage of essential imports affected the economic development of many DMCs.

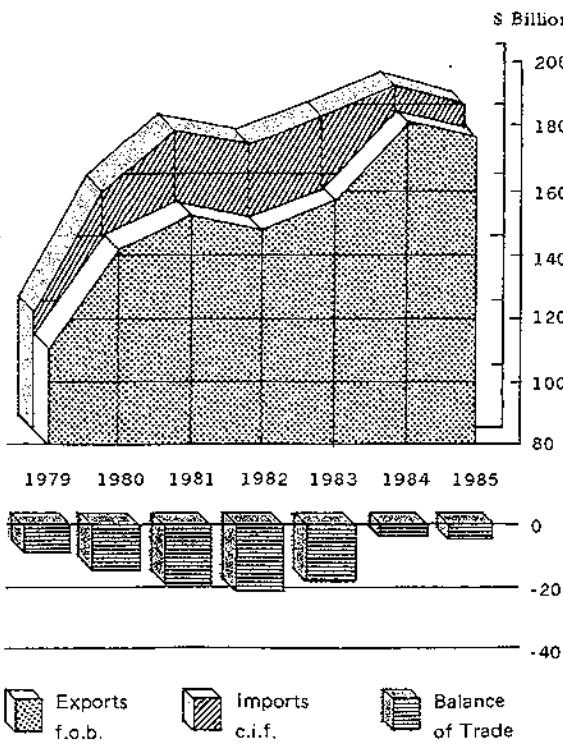
The aggregate imports of the DMCs decreased by 2.3 per cent to \$180 billion in 1985 compared with \$184 billion in 1984. The decline was mainly accounted for by lower imports by Singapore and Taipei, China among NICs and by Malaysia, Philippines and Thailand among the Southeast Asian countries. The reduced imports of these countries were partly due to a slackening in industrial production and partly due to efforts by governments to curtail imports to keep external debt within manageable levels.

The geographical distribution of trade flows during 1984 — the latest year for which data are available — shows some

#### International Reserves of DMCs, 1979-1985



#### Foreign Trade of DMCs, 1979-1985



changes. The share of the DMCs and oil-exporting countries in the total export of DMCs decreased, while that of industrial countries and East European countries increased. In the case of imports of DMCs, the significant changes were a drop in the share of oil-exporting countries and a rise in the share of non-oil developing countries.

Within the industrial countries, the relative share of Japan in both exports and imports of DMCs remained unchanged at about 17 per cent and 20 per cent, respectively. The share of the United States in the imports of DMCs remained unchanged at 15 per cent, while that in the exports of DMCs rose to 25 per cent in 1984 from 23 per cent in 1983. A significant change was the rise in the share of Canada in the exports of DMCs to 4.5 per cent in 1984 from 1.4 per cent in 1983.

A major factor contributing to the generally increased trade deficits or reduced trade surpluses of DMCs in 1985 was a deterioration in their terms of trade. While the export unit value indices of DMCs generally fell, the import unit value indices generally increased. The terms of trade indices in 1985 were, therefore, below those in 1984 in the case of six of the nine DMCs for which data are available. The declines were from the already depressed levels of 1984 in the case of Burma, Malaysia, Philippines and Thailand which are major exporters of primary commodities. For Sri Lanka and Taipei, China, the terms of trade declined from the favorable levels of 1984. The terms of trade improved substantially in the case of Bangladesh and Hong Kong and remained steady in the case of the Republic of Korea.

The total international reserves of DMCs increased to \$65.9 billion in 1985 from \$56.5 billion in 1984 (see Table 5). This was largely due to a substantial addition to reserves made by India; Indonesia; Republic of Korea; Malaysia; Philippines; Singapore; Taipei, China; and Thailand. A number of countries, however, experienced declines in their reserves. This was particularly true of Bangladesh, Burma, Nepal, Pakistan and Sri Lanka. The aggregate level of reserves at the end of 1985 equalled 5.3 months of imports compared with 4.4 months of imports in 1984. Apart from Kiribati and Taipei, China, which had exceptionally high levels of reserves equivalent to 62.5 months and 13.6 months of imports, respectively, the level of reserves for the other DMCs ranged from one month of imports for Burma to 6.5 months of imports for Solomon Islands.

#### **Domestic Savings, Investment and Resource Gap**

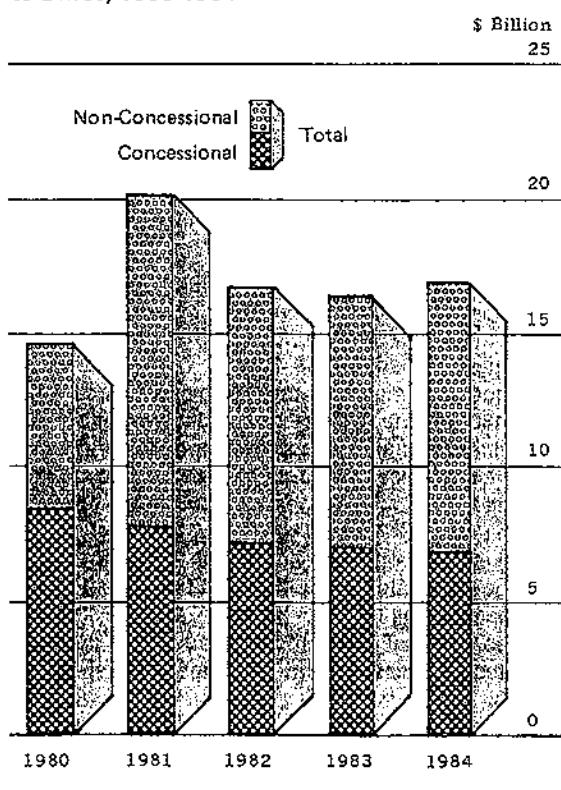
Data on domestic savings, investment and the resource gap of DMCs for the period 1982-1984 show some significant developments (see Table 6). In 1984, the resource gap of DMCs (i.e., the difference between gross domestic savings and gross capital formation) measured as a percentage of GDP declined in all 14 DMCs for which data are available, except Burma, India and Singapore. In Burma and India, the gap remained at about the level of 1983, whereas in Singapore the resource gap widened. This reduction in the resource gap was associated with significant improvements in domestic savings in all the DMCs, except in the Philippines where savings fell but much less than the fall in investment. In Hong Kong, Republic of Korea, Malaysia, Philippines and Taipei, China, domestic saving exceeded investment during 1984. In Hong Kong, Malaysia and Taipei, China, the improvement resulted from both an increased rate of domestic savings and a reduced rate of investment. In the Republic of Korea, both saving and investment ratios were higher than those in 1983, but the domestic saving to GDP ratio increased more than the investment to GDP ratio. The other DMCs which sharply reduced their resource gap in 1984 were Papua New Guinea, Sri Lanka and Thailand.

The net flow of external resources to DMCs rose to \$17 billion in 1984 from \$16.3 billion in 1983, the latest year for which data are available (see Table 7). Concessional flows decreased to \$6.9 billion in 1984 from \$7 billion in 1983, while non-concessional flows rose to \$10.1 billion from \$9.3 billion.

The external public debt of DMCs<sup>1</sup> increased to \$130 billion in 1984 from \$122 billion in 1983 (see Table 8), or by 6.6 per cent, substantially less than the increase of 13 per cent in the previous year. India, Indonesia, Republic of Korea, Malaysia, Philippines and Thailand accounted for 85 per cent of the aggregate debt increase during the year. The DMCs which reduced their external public debt during the year were Fiji and Taipei, China.

The debt-service payments of DMCs rose to \$16.7 billion in 1984 from \$14.3 billion in 1983 and \$12.3 billion in 1982. The overall debt-service ratio increased to 8 per cent in 1984 from 7.7 per cent in 1983. The debt-service ratios of individual DMCs varied widely ranging from 36.9 per cent for Burma to 0.2 per cent for Hong Kong. In most cases, the ratios were at moderate levels. However, these ratios cover official external debt only and, therefore, do not adequately reflect the debt-service burden of some DMCs such as Indonesia,

**Total Net Flows of Resources to DMCs, 1980-1984**



Republic of Korea, Philippines and Thailand, which have secured substantial external loans without government guarantee.

#### **Domestic Efforts and Policies**

Economic developments in 1985 imposed severe strains on several DMCs. Many DMCs took steps to adjust their policies in response to changes in the domestic and external economic environment. The policy initiatives were aimed at both short-term stabilization and long-term development goals. The former included the maintenance of high levels of capacity utilization, price stability and external payments equilibrium. The latter included increasing capital stock, promoting greater self-reliance and fostering balanced economic growth. Some of the policy measures adopted by DMCs during 1985 are described below.

#### **Fiscal and Monetary Policies**

The decline in the growth of GDP and foreign trade in 1985 had an adverse impact on government budgetary resources in many DMCs. A variety of measures were adopted by countries to cope with this situation. Several DMCs took steps to raise higher revenues through more vigorous implementation of taxes on domestic income and property and by plugging loopholes for tax evasion. A number of DMCs including Bangladesh, Pakistan, Philippines, Sri Lanka and Thailand

<sup>1</sup> Data on total external debt in the DMCs are generally not available.

also made substantial cutbacks in their budgetary expenditures. Many public sector development projects were postponed or scaled down due to domestic resource constraints. Bangladesh, Bhutan, Malaysia, Nepal, Pakistan, Philippines and Western Samoa took significant steps to promote privatization during the year. New development plans of some of these countries launched during the year assigned expanded roles to the private sector. India, Indonesia, Malaysia and Singapore provided new fiscal incentives to attract domestic and foreign investors.

Monetary policies in DMCs were generally pursued to achieve the goals of economic growth and price stability. Bangladesh used restrictive monetary policies and food imports to combat inflationary pressures. While providing rehabilitation assistance to its cyclone-ravaged economy, Fiji maintained control on wages and domestic liquidity to ensure price stability. The Philippines and Sri Lanka succeeded in sharply bringing down inflation rates through restrictive monetary policies. At the same time, several DMCs (Hong Kong, Malaysia, Philippines, Sri Lanka and Taipei, China) took steps to reduce nominal interest rates to encourage domestic investment. However, the decline in the inflation rate to levels considerably below the interest rates paid to depositors made the real returns to savers substantially positive in many DMCs, thus enhancing the inducement to save.

#### External Trade Policies

The widening current account deficits and the consequent draw-down of external reserves of DMCs exerted pressures on their exchange rates. Nepal devalued its official exchange rate in December 1985. Other DMCs whose exchange rates depreciated vis-a-vis the US dollar during 1985 were Bangladesh, Indonesia, Republic of Korea, Pakistan and Sri Lanka. The depreciation in relation to other major currencies was more pronounced in view of the fall in the value of US dollar in relation to those currencies. The exchange rate adjustments in most instances exceeded the inflation differential and led to some effective real depreciation of the currencies relative to those of their major trading partners, thus enhancing the competitiveness of exports.

Individual DMCs took a variety of measures to promote exports, encourage the inflow of external resources and make efficient use of their limited foreign exchange resources to meet their urgent and growing import requirements. Some of the policy measures were aimed at attracting foreign investment and reducing the distortions in effective exchange rates.

Pakistan extended its system of subsidies to exporters and overseas Pakistani workers were provided added concessions to attract remittances. Indonesia undertook customs reforms to simplify its importing procedures and encourage foreign investors and liberalized export credit policies to promote non-oil exports. India's new trade policy offered businesses in India easier access to imports, further incentives to export and less administrative controls. In view of the exceptionally low domestic prices, Bangladesh provided support prices to jute farmers and Thailand to its rice farmers in order to maintain production incentives. Malaysia allowed up to 80 per cent foreign ownership in export-oriented firms. Sri Lanka undertook import tariff reforms to reduce the levels and variance of protection given to domestic industries.

#### Energy Programs and Policies

Despite the decline in the real and nominal prices of oil in the world market during the past few years, the DMCs pursued their goals of achieving greater self-reliance in energy resources through development of alternative sources of energy. Exploitation of hydroelectricity potential, natural gas and coal reserves remained the major thrust of energy programs.

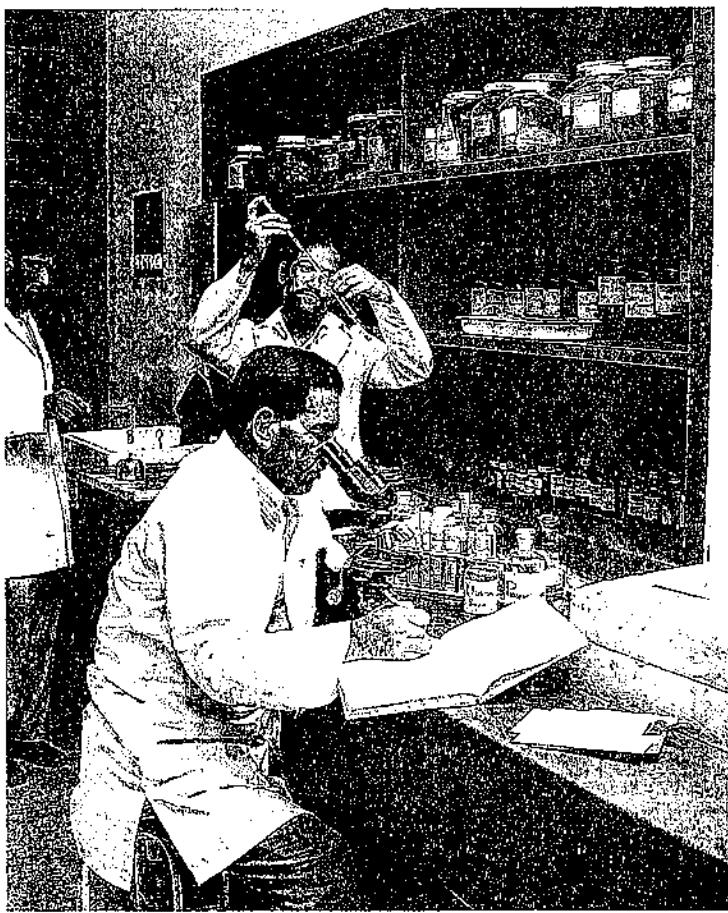
During 1985, Nepal sought foreign collaboration for oil exploration and prepared plans for a major step-up in hydropower. In India, investment in coal-based power increased substantially and the national oil company raised a large loan in the private capital market to improve its oil production and exploration activities. Bangladesh, Pakistan and Sri Lanka undertook large investments in energy related projects during the year. Conservation of energy resources continued to be stressed. Some countries increased the domestic prices of oil and oil products to encourage the more efficient use of energy resources.

#### Regional Cooperation

The Economic Ministers of the Association of South East Asian Nations (ASEAN), at their seventeenth meeting in Kuala Lumpur in February, decided on an across-the-board 25 per cent tariff cut on all items with import values above \$10 million. The Ministers also approved three new ASEAN In-



COAL MINER working a seam at Malangas in the Philippines. This Bank-assisted project is expected to increase the country's coal production by about 240,000 tons per annum.



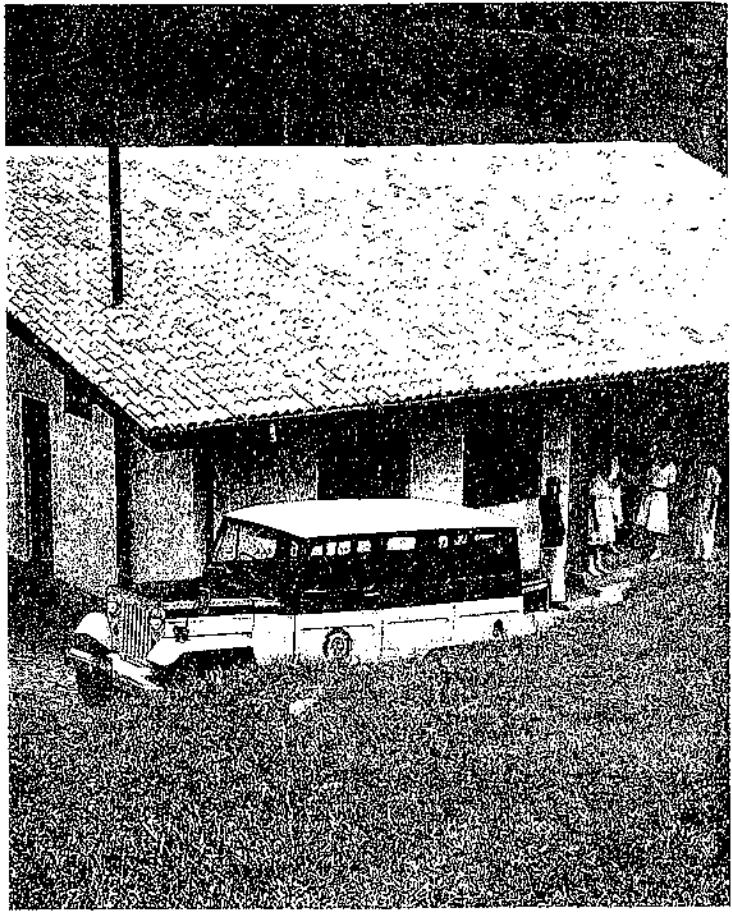
LABORATORY work at a District Headquarters Hospital in Pakistan (left) and a Mother and Child Health Center in Sri Lanka (right) — two examples of Health and Population projects supported by the Bank in its DMCs.

dustrial Joint Venture Projects. The ASEAN Sub-Committee on Tourism approved a marketing plan aimed at promoting the ASEAN region as a tourist destination. The ASEAN Ministers responsible for energy considered a draft study on ASEAN petroleum security.

To further promote intra-ASEAN trade, the Committee on Trade and Tourism developed an ASEAN Trade Quota Scheme whereby the members would be able to negotiate bilaterally on a product-by-product basis for a minimum of 25 per cent margin of preference. This proposal was being considered by the Economic Ministers. Several leaders in the private sector also called for further economic integration among the six countries.

The Heads of State or Government of seven South Asian countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) met in Dhaka in December 1985 and signed a charter formally launching the South Asian Association for Regional Cooperation (SAARC). Areas identified for future cooperation include agriculture and rural development, telecommunications, meteorology, health and population, transport, postal services, science and technology, sports, arts and culture, and campaigns against narcotic trafficking and terrorism in the region.

At the South Pacific Forum meeting held in August, the island member nations were able to negotiate further trade concessions from Australia. Australia announced that under the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) the Forum members would have duty-free access to the Australian market for all commodities



other than clothing, footwear, steel, sugar and cars. In the meeting, New Zealand also agreed to extend its Pacific Islands Industrial Development Scheme, which sponsors joint ventures among the Forum members.

### International Cooperation

On the occasion of the thirtieth anniversary of the Bandung Conference, representatives of the Non-Aligned Movement met in Bandung, Indonesia, in April 1985. Their final declaration called for: (i) an end to protectionism, especially in the industrial countries; (ii) long-term measures to alleviate the external debt problems of a number of developing countries; and (iii) an increase in concessional assistance, especially for the least-developed countries.

At the Commonwealth Heads of Government Meeting held in Nassau, Bahamas, in October a four-point-action program was proposed to improve the external economic environment for the developing countries. This included higher growth in the industrialized countries, lower interest rates, a significant increase in external aid, and larger foreign investment.

Some of the above issues were considered in the Bonn Summit held in May 1985. The Heads of State or Government of the seven major industrial countries noted that important progress had been achieved in bringing about global economic recovery and expressed their determination to work for an open multilateral trade and effective monetary system. They also noted that the problem of external debt was far

from resolved and welcomed long-term restructuring agreements between debtors and commercial banks. The participants also recognized that sustained economic recovery in the industrial countries was important for the economic growth of the developing countries and agreed to ensure that international institutions had adequate resources to promote economic development of the developing countries. The group, however, failed to set a date for a new round of trade liberalization talks and act on the proposal for a summit on monetary reforms.

The Finance Ministers of the Group of Five, at their September Meeting in Washington, agreed on a coordinated program designed to bring down the value of the US dollar against other currencies. The initiative taken by the US Administration aimed at stemming protectionist sentiments at home and trade frictions abroad, met with considerable success. By the end of 1985 the US dollar had fallen considerably in relation to other major currencies.

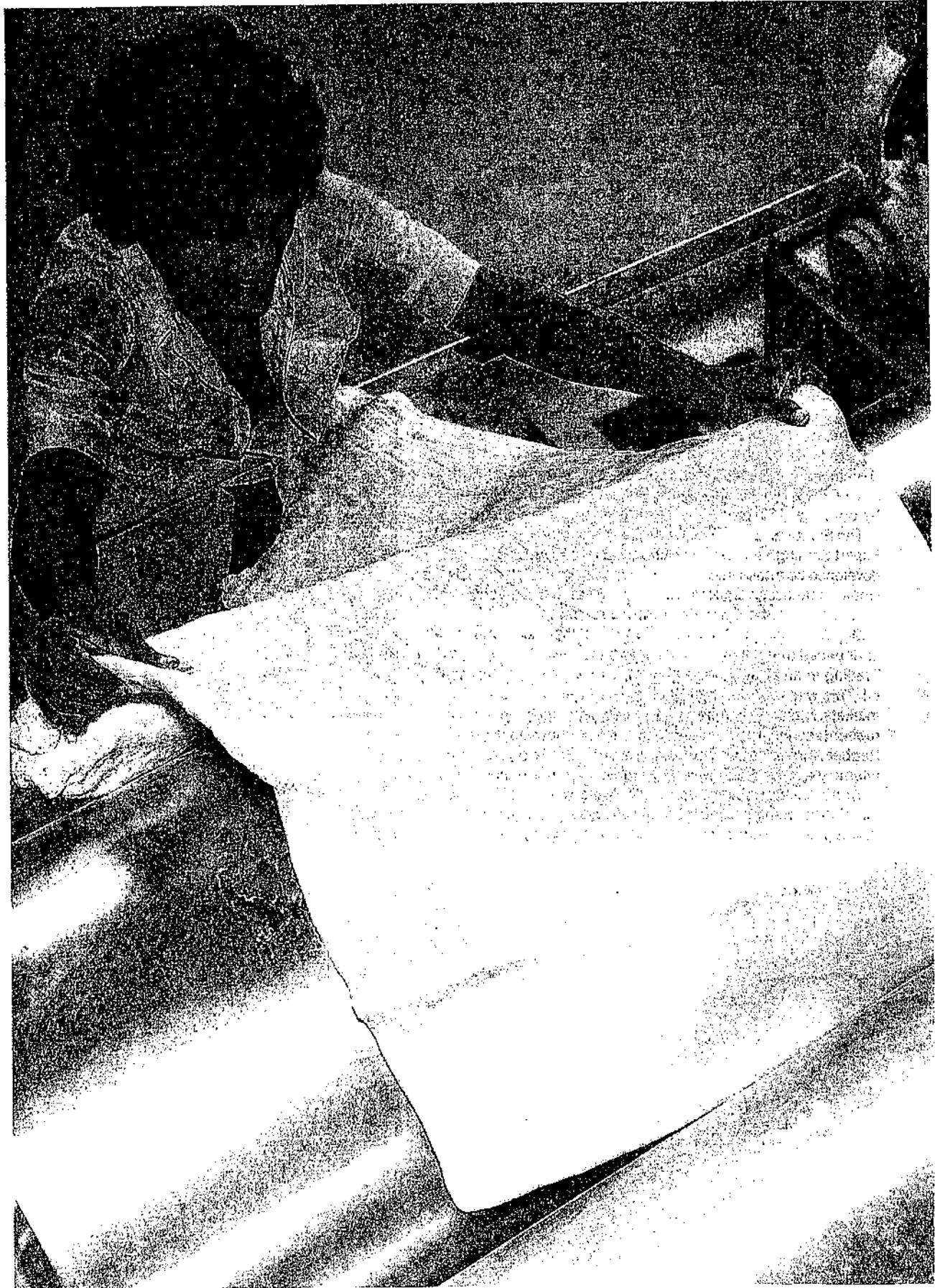
At the Annual Meeting of the General Agreement on Tariffs and Trade held in November, agreement was reached to initiate a new round of trade discussions in September 1986. Unlike the earlier discussions which sought to reduce tariffs, the proposed discussions would emphasize non-tariff barriers to trade which constituted the "new protectionism". In December, President Reagan vetoed the US Trade and Tariff Act 1985, known as the Jenkins Bill, which had been passed by both the House of Representatives and the Senate.

The European Economic Commission agreed to extend its Export-Earning Stabilization Scheme (STABEX) to all 36 least-developed countries in the UN list. Five DMCs — Bangladesh, Nepal, Maldives, Bhutan and Lao People's Democratic Republic — will benefit from this extension.

On 24 October 1985, the International Tin Council announced that it had run out of funds to support tin prices. Trading in tin at the London Metal Exchange was suspended. This was followed by the closure of the major world tin markets. Attempts to renegotiate a new agreement on natural rubber failed in May, and the existing International Natural Rubber Agreement was renewed for another two years. An International Tropical Timber Agreement (ITTA) was launched in April. The main functions of ITTA are reforestation and forest management, expansion of processing activities in the developing countries, and research and development.



EUROPEAN consultant discusses construction with the chief engineer of the Bedok Sewage Treatment Plant Expansion Project in Singapore. This Project, which was supported by the Bank with a \$15.1 million loan, is designed to provide an effective sewage collection and treatment system up to 1990 and to preserve the marine environment along Singapore's east coast.



SHEET RUBBER being processed in a private sector factory near Colombo, Sri Lanka, which was supported with Bank financing on-lent by the National Development Bank of Sri Lanka.

# BANK ASSISTANCE TO THE PRIVATE SECTOR

## Background

IN 1985, the Bank undertook an extensive review of its assistance to the private sector in its developing member countries (DMCs). This enabled the Bank to clarify its objectives in assisting the private sector and to formulate a comprehensive approach to guide its future operations in this field. Given the growing importance of private sector development in the DMCs and in light of the reorientation of the Bank's own approach, the Board of Directors felt that it would be appropriate to highlight in a special theme chapter in this Annual Report the salient features of the Bank's assistance to the private sector including the new initiatives taken during the year.

The increased emphasis in Bank operations on assistance to the private sector reflects a growing interest in its DMCs in stimulating private enterprise. The economies of the region are becoming more market-oriented and are placing greater emphasis on the private sector.

Indeed, DMCs as diverse as Bangladesh, India, Republic of Korea, Malaysia, Pakistan, Sri Lanka and Thailand have each undertaken measures designed to foster private initiative. These measures have included deregulation of economic activities and greater reliance on market forces, promotion of private, domestic and foreign investment, tax and trade policy reforms, and, in a few cases, privatization of state-owned firms.

The motivation for these policy reforms is found in four factors: (i) the demonstration effect of the economic success of those DMCs which have promoted market-oriented policies and private enterprise; (ii) the growing recognition of the costs of ineffective public enterprises both in terms of budgetary expenditure and forgone economic development; (iii) the reduced level of domestic and external resources for public sector expenditure; and (iv) the need to tap the productive and managerial capacity of the private sector for development.

## Past Bank Assistance to the Private Sector

The Bank has channelled a total of about \$2 billion to its DMCs for private sector projects in industry (including agro-industry), energy, transportation, finance and other services.

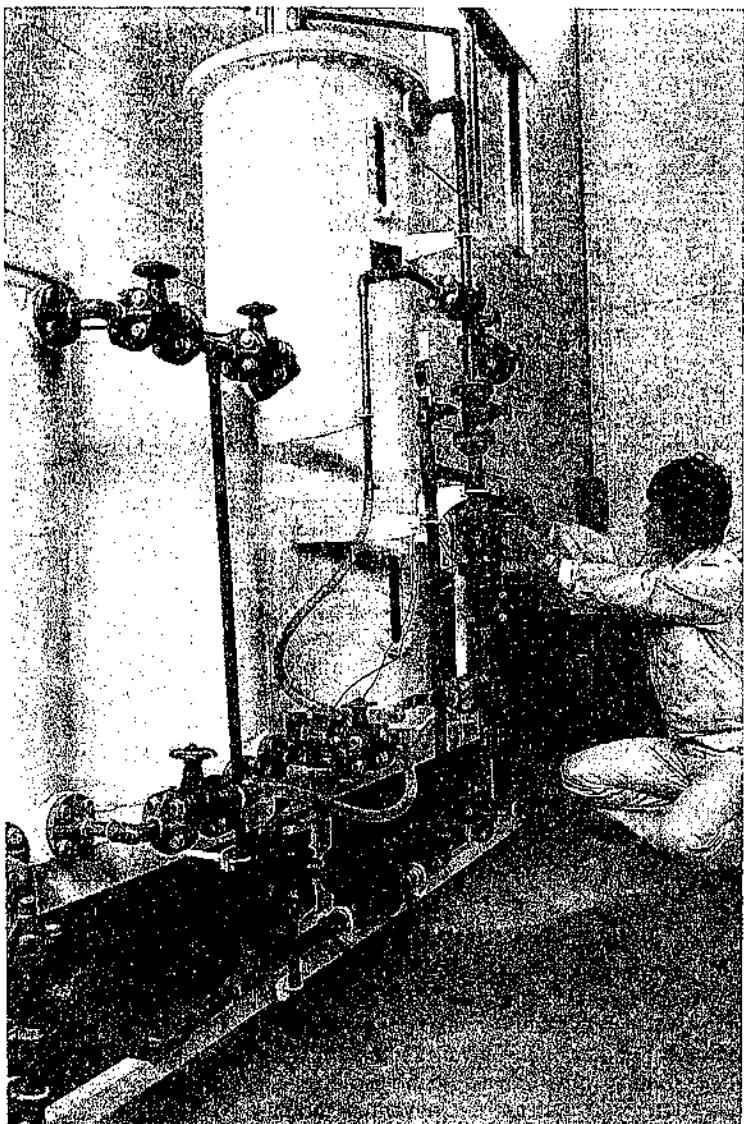
In addition, much of the Bank's assistance to agriculture has been in the form of direct support for private farmers, the single largest group of entrepreneurs in the Bank's DMCs. The largest component of Bank support for the private sector outside agriculture has been credit lines to development finance institutions (DFIs) for on-lending to small and medium-scale enterprises. As of the end of 1985, the Bank had extended 86 credit lines amounting to \$1.9 billion to 30 DFIs in 19 DMCs. Most of this (79 per cent) was financed from the Bank's ordinary capital resources (OCR) and the balance from its Asian Development Fund (ADF) resources. Through these credit lines, the Bank has succeeded in promoting new enterprises, expanding operations of existing ones and helping them to modernize and acquire balancing equipment to utilize fully their capacities. Of the total of \$1.9 billion, nearly \$1.4 billion has been committed by DFIs in on-lending to nearly 11,200 small and medium-scale private sector enterprises and \$1.3 billion has been disbursed to most of these enterprises. A large share has been used to finance projects and create employment opportunities in manufacturing, followed by transport, utilities and services, agriculture, mining and quarrying. The Bank believes that through the application of rigorous project analysis the associated DFIs have helped foster a more efficient productive structure in these DMCs based on sound financial, technical and economic viability criteria.

The Bank has also lent about \$100 million for relatively large private industrial projects. These loans have been provided either directly to the private enterprises or channelled through the DMC governments or DFIs.

In 1983, the Bank's strategy for supporting the private sector was expanded through the introduction of an equity investment facility permitting direct investment in industrial enterprises and direct investment or lines of equity to DFIs or similar institutions. By the end of 1985, the Bank had approved equity investments totalling \$7.03 million. Of this total, \$1.78 million represented direct equity investments in three enterprises in the private sector. These included a venture capital company in the Republic of Korea, a leasing corporation in Pakistan and a joint-venture industrial undertaking in Indonesia. The remaining \$5.25 million was channelled through four lines of equity to three DFIs (in Fiji, Indonesia and Pakistan) and to one private commercial bank in Thailand.

The Bank has used its technical assistance resources in a variety of ways to support the private sector. By the end of 1985, the Bank had made 36 technical assistance grants totalling \$6.5 million to establish new DFIs or to strengthen the managerial, project analysis and accounting capacities of existing ones on a national or regional basis. The Bank has also studied private sector development issues, including privatization of public sector firms, capital market development, the leasing industry and venture capital firms. Moreover, under its Development Round Table series, the Bank has sponsored discussions among its DMCs on the role of the private sector in their national economies.

In its efforts to promote the most efficient use of resources in its DMCs, the Bank has also indirectly assisted the private sector during the project processing cycle by evaluating the opportunity costs of proposed projects in the public sector. In recent years, the alternative "private sector approach" has been increasingly considered at the time of project appraisal in the public sector.



TECHNICIAN at the research and development laboratory of a private sector company assisted by the Korea Development Investment Corporation (KDIC). The Bank made its first equity investment in KDIC in 1983.

## Bank Assistance to the Private Sector in 1985

In 1985, the Bank approved four credit line projects in the total amount of \$227 million to DFIs in Fiji, Republic of Korea, Pakistan and Sri Lanka. A \$20 million credit line from the Bank's ADF resources to Sri Lanka for the Development Financing Project will be utilized by two DFIs (the Development Finance Corporation of Ceylon and the National Development Bank of Sri Lanka) to support the Government's policy of fostering development of the private industrial sector. The project is also expected to reinforce government efforts to establish an open economy based on comparative advantage and promotion of export-oriented private sector development.

The Bank's Second Development Financing Loan in Pakistan will open a credit line of \$100 million (\$50 million from OCR and \$50 million from ADF) to four development banks (Bankers Equity Ltd., Industrial Development Bank of Pakistan, National Development Finance Corporation, and Pakistan Industrial Credit and Investment Corporation) and, for the first time, a commercial bank (Habib Bank Ltd.). Bank funds are intended to encourage government efforts in the structural transformation of the industrial sector, to contribute to the development of the financial system through policy dialogue between the Bank and the Government on a range of issues relating to the efficiency of the financial system and the capital market and to assist in institutional strengthening of the participating DFIs and the commercial bank.

The two other credit lines extended to Fiji Development Bank (\$7 million) and Korea Long Term Credit Bank (\$100 million) will be on-lent to small and medium-sized enterprises in the private sector.

In its equity investment operations, the Bank achieved several "firsts" in 1985: a direct equity investment in an industrial enterprise in the private sector (P.T. Kratama Belindo Internasional in Indonesia for \$400,000); an equity line to a DFI in a South Pacific DMC (Fiji Development Bank for \$250,000); and an equity line to a private commercial bank (Siam Commercial Bank in Thailand for \$2 million). During the year, the Bank also approved an equity line for \$1 million to Bank Pembangunan Indonesia in Indonesia. The Bank expects to encourage additional domestic resource mobilization in the capital markets of its DMCs through its equity support to these enterprises.

The Bank continued its program of providing technical assistance on a regional basis for strengthening the management and project analysis capacities of DFIs in its DMCs; two such grants were approved in 1985. Improving the performance of these DFIs will help the Bank be more effective in reaching small and medium-scale industries in its DMCs. The Bank also used its regional technical assistance facility for two studies — on equipment leasing and on venture capital financing in selected DMCs — and to sponsor a symposium on capital market development in the Asia-Pacific region (held in Manila in January 1986). These were intended to identify measures which the Bank could consider in its efforts to deepen and diversify the range of financial services available to private enterprises in its DMCs. On a national basis, the Bank extended a technical assistance grant to Thailand to explore the possibility of establishing a credit guarantee facility to encourage institutional lending to small private enterprises and to Pakistan to study the means for developing small-scale private industry there.

## **Future Directions**

The operational approach following the review of the Bank's strategy for assistance to the private sector is broader in scope and more intensive in implementation than past Bank efforts. Its principal elements are as follows:

- (i) increased financial and technical assistance to private enterprises from Bank resources and through catalyzing the flow of resources from other external sources;
- (ii) policy dialogue with DMCs on private sector development;
- (iii) strengthening financial institutions and capital markets in DMCs; and
- (iv) assistance for DMCs which decide to privatize public sector enterprises if this is financially feasible and technically and economically sound.

The Bank intends to be pragmatic and flexible in implementing this approach. It will take account of the respective roles of the public and private sectors of the DMCs, their attitudes and policies toward the private sector, and the relative capabilities, initiative and dynamism of the private sector itself. However, in general, the Bank's concern is that the DMCs' commercial enterprises, both public and private, should become more market-oriented, rather than remain protected by high import tariffs or saddled with avoidable social costs as a result of government regulation and intervention.

In future, Bank assistance to the private sector will rely mainly on a more intensive application of its traditional financial and technical assistance instruments. However, in 1985, the Board of Directors decided to introduce several new policies and operational approaches (see following sections) which will be more responsive to the requirements of private enterprise in DMCs as well as more supportive of DMC efforts to enhance the role of private enterprise in their economies.

## **Lending Without Government Guarantee**

Hitherto, the Bank has required the relevant DMC government to be either the borrower or guarantor for its loans. This policy has restricted the Bank's efforts to assist the private sector, particularly in those DMCs where the government does not guarantee loans to private entities. Therefore, the Board of Directors decided in late 1985 that the Bank should provide loans without government guarantee. Initially, the amounts of such loans will be modest: up to a total of \$75 million from OCR and \$25 million from ADF resources during the first two years of operations, with individual loans generally ranging from \$5 million to \$30 million. Project selection will be based upon the same rigorous analysis that is applied to all Bank loans. The terms of loans under this facility will be near to those for loans from commercial sources and are intended to finance only a portion of the total project costs (total Bank assistance up to a maximum of 25 per cent is envisaged). The loans will be suitably secured to

reduce the risk involved and to protect the Bank's investment. Under this facility the Bank will be directly involved with private enterprises, as long as the respective government does not object. This new policy should broaden the appeal of the Bank's existing equity financing facility, enabling the Bank to package equity participation with term-lending, diversify its channels of lending to the private sector, and broaden its efforts to serve as a financial catalyst.

## **Institutional Development of the Financial System**

Most DMCs need to devote greater attention to the development of their financial systems if the requirements of an expanded private sector are to be met in future years. The Bank will support the DMCs' efforts by (i) making financial resources available to suitable institutions through its line of credit and equity investment facilities, supported by technical assistance for institution building; (ii) providing technical assistance to securities market institutions, as well as to the government regulatory and promotional agencies, for institution building and policy studies; and (iii) engaging DMC governments in policy dialogue aimed at promoting financial and capital market development.

## **Assistance for Privatization**

The Bank is prepared to assist DMCs in their efforts to privatize enterprises, including financial institutions, which are at present owned or controlled by the public sector. However, the Bank must necessarily be selective in offering financial assistance for such activities because of high associated risks. The Bank is also prepared to provide policy advice and technical assistance, if required, to support the privatization of public enterprises.

In its support for privatization, the Bank will not (i) simply turn a public monopoly into a private one; (ii) give undue benefits to specific enterprises which might tend to inhibit competition; or (iii) give an advantage to any particular group of entrepreneurs. Privatization of DMCs' industries requires political initiative, full government support and availability of local entrepreneurs and capital, as well as concerted efforts from both the DMC governments and the private sector.

## **Bank Institutional Arrangements**

The Bank decided to establish a Private Sector Division within its Industry and Development Banks Department in early 1986 in order to carry out its new private sector strategy. This Division will be the focal point for the Bank's private sector activities in the DMCs. Its principal functions include the promotion of private sector development in those countries, the identification of areas and opportunities for Bank involvement in this sector and the overall coordination of Bank assistance to private enterprises. In carrying out its functions, the new Division will draw on the specialized sectoral expertise in other departments and offices within the Bank.



RICE DRYING in the sun near Pokhara, Nepal. The Hill Irrigation Projects, supported with Bank loans totalling \$31.7 million, are aimed at helping smallholder farmers through intensified agricultural production, improved access, reduced erosion damage and increased energy and fodder supplies.

# BANK OPERATIONS

## Loan and Equity Operations

THE Bank's lending in 1985 was lower than originally envisaged and the actual level in 1984. Loan approvals totalled \$1,908 million compared with \$2,234 million in 1984. Loans from ordinary capital resources (OCR) amounted to \$1,271 million, a nominal decrease of 18 per cent over the corresponding figure of \$1,551 million in 1984. Loans from the Asian Development Fund (ADF), amounting to \$637 million, decreased by 6.8 per cent in nominal terms from the 1984 figure of \$684 million.

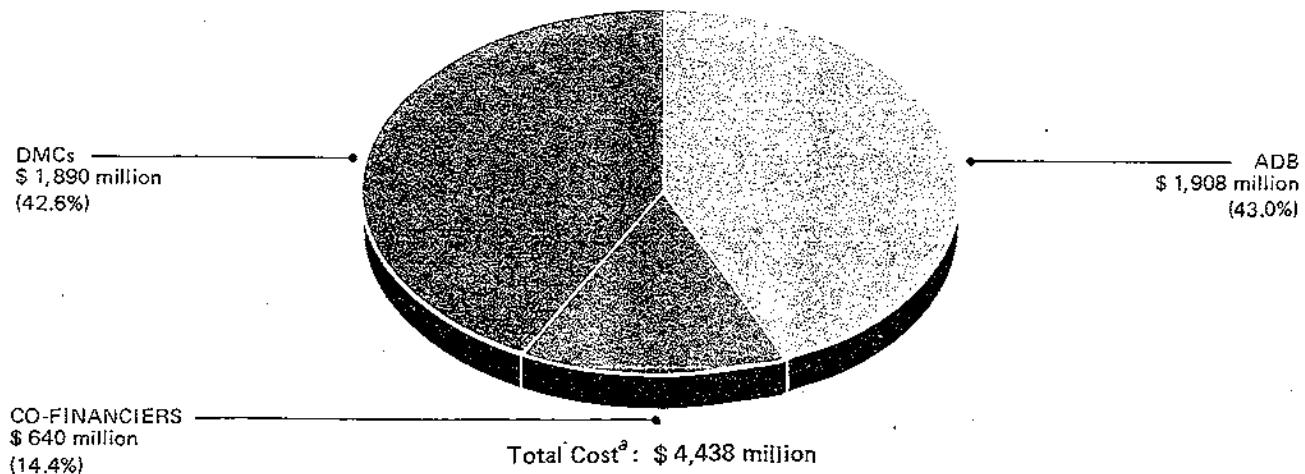
The dip in lending levels may be generally attributed to adjustments in the Bank's developing member countries (DMCs) to mitigate the effects of external debt burdens, domestic resource constraints and economic slowdown. This has meant that a number of countries have refrained from

making borrowing commitments, while Bank lending to some others is encumbered by such factors as economic restructuring, economic constraints and/or delays in resolving policy-related issues.

In 1985, its third year of equity operations, the Bank approved three lines of equity totalling \$3.25 million — Fiji Development Bank (\$0.25 million), Bank Pembangunan Indonesia (\$1 million) and Siam Commercial Bank, Thailand (\$2 million) to facilitate the Bank's equity investments in relatively smaller private enterprises. One equity investment of \$0.4 million was made in P.T. Kratama Belindo International in Indonesia.

Forty-eight loans were approved during the year for 46 projects in 13 DMCs, compared with the 1984 total of 49 loans for 47 projects in 18 DMCs. "Blended" loans financed from both OCR and ADF were provided to two of the 1985 projects — the Second Development Financing loan in Pakistan and

Projects Approved in 1985: Total Cost and Sources of Finance



<sup>a</sup> Total cost of program and sector loans and credit lines is estimated from previous Bank experience.

the Second Rural Health Services Project in Papua New Guinea.

The average size of loans also decreased in 1985 to \$39.8 million from \$45.6 million in 1984, reflecting, in part, the postponement of some large-sized projects in the energy sector. The average size of OCR loans decreased to \$50.8 million in 1985 from \$59.8 million in 1984, while the average size of ADF loans decreased to \$27.7 million from \$29.7 million in the previous year.

Five DMCs received loans exclusively from OCR: Indonesia (\$500.7 million), Thailand (\$168.9 million), Republic of Korea (\$167 million), Malaysia (\$132.4 million) and Fiji (\$7 million). Two DMCs received loans from both OCR and ADF: Pakistan with \$571.6 million (\$278.8 million from OCR and \$292.8 million from ADF) and Papua New Guinea with \$24.9 million (\$16.4 million from OCR and \$8.5 million from ADF). Loans were provided exclusively from ADF to six DMCs: Bangladesh (\$212.3 million), Nepal (\$58 million), Sri Lanka (\$54.4 million), Bhutan (\$3.5 million), Vanuatu (\$3 million) and Western Samoa (\$4.4 million).

Concomitant with the dip in overall lending was a decrease in the amount of co-financing by official and commercial sources in Bank-assisted projects to \$640 million in 1985 from \$1,163 million in 1984. In addition to the lower level of borrowing by member countries, the need to seek co-financiers' resources was affected by the smaller size of projects.

The total estimated cost of projects approved during the year — including loans for credit lines, program and sector loans — was \$4.4 billion, of which 43 per cent was accounted for by Bank financing, 42.6 per cent was to be provided by borrowing DMCs and 14.4 per cent was to be provided by co-financiers.

In 1985, local cost financing amounted to \$299.9 million for 23 projects in nine DMCs. Of this, \$79.9 million was from OCR and \$220 million from ADF, representing 6.3 per cent and 34.5 per cent, respectively, of OCR and ADF loans approved during the year.

By the end of 1985, the Bank's cumulative lending had reached \$17.5 billion for 704 projects in 27 DMCs, of which loans amounting to \$11.9 billion were from OCR and \$5.5 billion were from ADF. Of this total, about \$1.3 billion was provided for local cost financing.

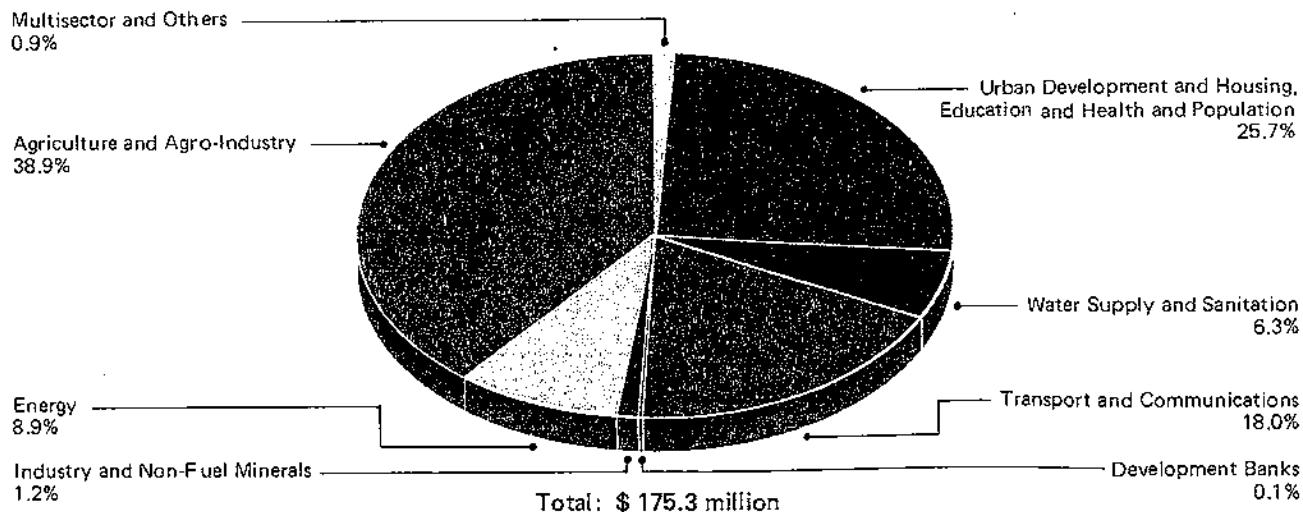
## Technical Assistance

### The Role of Technical Assistance and Its Funding

Technical assistance is an important area of Bank activity. Technical assistance operations play a vital role in the transfer of resources and technology to DMCs by assisting them to design, formulate, implement and operate development projects as well as ensuring the efficiency and success of their implementation and performance. Technical assistance is also used to enhance the capabilities of DMCs to formulate economic development policies, strategies, programs and plans to improve the allocation of scarce domestic and external resources. The Bank has also provided technical assistance to enable DMCs to address sectoral and project-related policy issues.

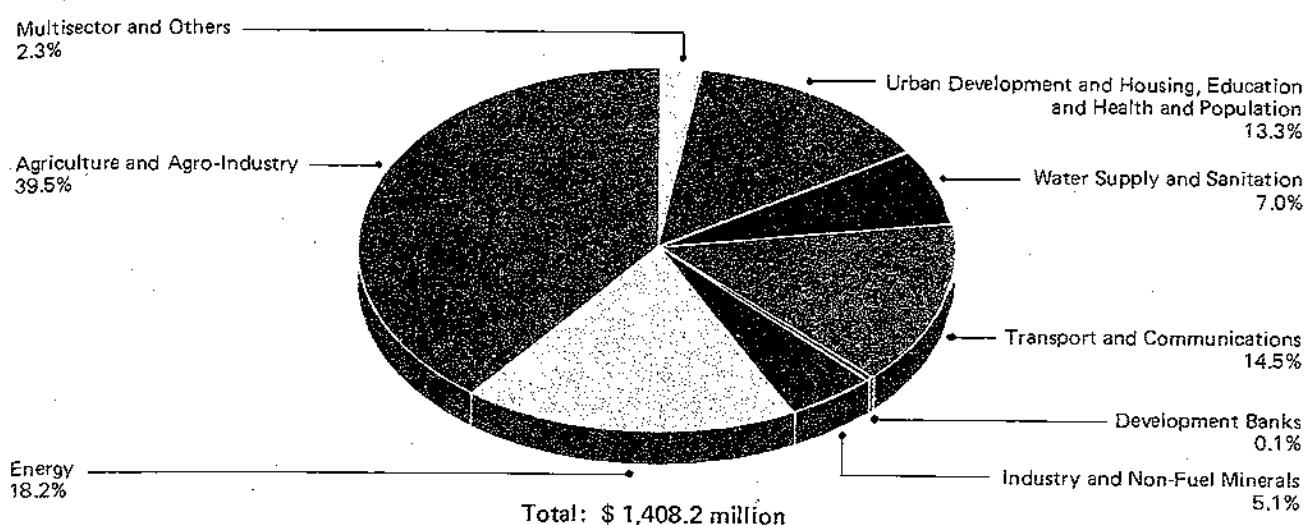
The Bank finances its technical assistance activities through grants and loans and through combinations of both. The sources of funds available for grant-financed technical assistance activities comprise: (i) voluntary contributions to the Technical Assistance Special Fund (TASF) from both developed and developing member countries; (ii) grant funds provided by other multilateral and bilateral sources under co-financing and exclusive financing arrangements; and (iii) income from the Bank's ordinary capital resources (OCR). Loan-financed technical assistance has been funded from the Bank's OCR and ADF resources and from other multilateral and bilateral sources under co-financing and exclusive financing arrangements.

Technical Assistance By Sector: 1985<sup>a</sup>



<sup>a</sup> Excludes regional activities.

### Technical Assistance By Sector: 1967-1985<sup>a</sup>



<sup>a</sup> Excludes regional activities.

### Total Volume of Technical Assistance

As of 31 December 1985, the Bank had provided technical assistance for 1,202 projects in 27 DMCs, totalling \$1.4 billion. About 78 per cent of that assistance was financed by Bank loans, 7 per cent by Bank grants, and the remaining 15 per cent from other sources.

The Bank acts as executing agency for most technical assistance projects financed from other sources. In 1985, these included the United Nations Development Programme (UNDP), the International Fund for Agricultural Development (IFAD), and the Governments of Finland and Switzerland. For the preparation of agricultural projects, the Bank also cooperates with the Food and Agriculture Organization/Investment Centre (FAO/IC) (see table on this page).

At end 1985, Group A (low-income) DMCs had received 39 per cent of the cumulative amount of technical assistance, Group B (middle-income) 52 per cent and Group C (higher-income) 9 per cent. Of the grant-financed technical assistance, Group A DMCs received 63 per cent, Group B 30 per cent and Group C 7 per cent. Of the loan-financed technical assistance, Group A DMCs received 36 per cent, Group B 55 per cent and Group C 9 per cent. Among Group A DMCs, the seven least-developed (Afghanistan, Bangladesh, Bhutan, Lao PDR, Maldives, Nepal and Western Samoa) received 22 per cent of the total amount of technical assistance provided. Group A DMCs in the South Pacific (Cook Islands, Kiribati, Solomon Islands, Tonga and Vanuatu) received one per cent of the total. The share of Group A DMCs has increased from about 19 per cent during 1967-71 to about 40 per cent during 1981-85. The share of Group B DMCs has remained constant at about 50 per cent, while the share of Group C DMCs has declined to about 10 per cent during 1981-85 from 29 per cent during 1967-71.

Of the total amount of technical assistance provided during 1967-85, 40 per cent went to the agriculture and agro-industry sector, 18 per cent to the energy sector, 20 per cent

to the social infrastructure sector, 15 per cent to the transport and communications sector, 5 per cent to the industry and non-fuel minerals sector including the development finance institutions (DFIs), and 2 per cent to the multisector and others. The share of the agriculture and agro-industry sector declined to 38 per cent during 1981-85 from 53 per cent during 1967-71. Over the same periods, the share of the energy sector increased to 19 per cent from 7 per cent, the share of the transport and communications sector declined sharply to 11 per cent from 33 per cent, and the share of the industry and non-fuel minerals sector (including DFIs) stayed steady at 4 per cent.

### GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS FUNDED FROM OTHER SOURCES,<sup>a</sup> 1985 (amounts in \$ thousand)

Agency	No. of Projects	Amount
United Nations Development Programme	9	11,555.0
Switzerland	4	1,653.0
International Fund for Agricultural Development	1	100.0
Finland	1	850.0
<b>TOTAL</b>	<b>15</b>	<b>14,158.0<sup>b</sup></b>

<sup>a</sup> With the Bank acting as Executing Agency.

<sup>b</sup> In addition, FAO/IC and the International Irrigation Management Institute (IIMI) provided \$96,200 and \$50,000, respectively, for two projects under cost-sharing arrangements.

## **Grant-Financed Technical Assistance**

In 1985, the Bank approved technical assistance grants (funded by the Bank and other sources) amounting to \$34 million for 112 projects, including regional activities, compared with \$22 million for 109 projects in 1984. This brought the cumulative total to \$203 million. The increase in 1985 was due to higher utilization of external resources in the funding of relatively large technical assistance projects for institution building and project implementation. Of the 1985 total, 31 per cent was provided for project preparation, 53 per cent for advisory and operational purposes and 16 per cent for regional activities.

During 1985, 70 per cent of the total amount of technical assistance grants to DMCs went to countries fully eligible for ADF loans — Bangladesh, Bhutan, Burma, Maldives, Nepal, Pakistan, Solomon Islands, Sri Lanka, Vanuatu and Western Samoa — which received a total of \$19.6 million. The rest went to Fiji, Indonesia, Republic of Korea, Malaysia, Papua New Guinea, Philippines and Thailand, which together received \$8.5 million.

The agriculture and agro-industry sector retained the largest share of the total amount of grant-financed technical assistance: 63 per cent in 1985 compared with 46 per cent the previous year. The social infrastructure sector accounted for 11 per cent of the total amount, followed by the transport and communications sector with 10 per cent, energy with 8 per cent, and industry and non-fuel minerals with 4 per cent.

Included in the total technical assistance amount were technical assistance grant components amounting to \$11.7 million approved in conjunction with 17 Bank loan projects, of which \$2.2 million was for the preparation of projects and \$9.5 million for advisory and project implementation purposes.

By the end of 1985, 296 Bank loan projects amounting to \$7.8 billion had resulted from earlier project preparatory technical assistance grants totalling \$45 million (the total amount of project preparatory technical assistance approved was \$218 million). This highlights the importance of technical assistance to the Bank's overall lending program. In 1985 alone, 31 Bank loan projects totalling \$1,156 million resulted from previous Bank technical assistance, of which \$645 million came from OCR and \$511 million from ADF, representing 51 per cent and 80 per cent, respectively, of the year's total loan approvals from these sources.

Regional technical assistance grants totalling \$5.5 million were provided for 32 projects compared with \$3.6 million for 25 projects in 1984. During the year, 36 per cent of the total amount for regional activities was provided for regional studies and workshops, 29 per cent for conferences and seminars, 18 per cent for training and 17 per cent for research and other activities.

During 1985, 102 grant-financed technical assistance projects were completed bringing the total number of such projects completed to 544.

## **Loan-Financed Technical Assistance**

At end 1985, loan-financed technical assistance amounting to \$1.2 billion had been provided for 563 projects. Of this total 59 per cent was funded from OCR, representing 6 per cent of cumulative OCR lending, 31 per cent from ADF, representing 7 per cent of cumulative ADF lending, and the

balance from other sources. Of the total amount of loan-financed technical assistance about \$128 million was provided as separate technical assistance loans for project preparation activities. Some \$46 million was provided from project loan financing during project implementation for advisory activities such as institutional strengthening and training. About \$1.1 billion, or 86 per cent of the total, was provided from project loan funds for project implementation activities, mainly consultant services to assist in the implementation, operation and management of a project. Such services included evaluation of bids, construction supervision, training of local personnel and the improvement of the implementation capability of project entities.

In 1985, the Bank approved two technical assistance loans for project preparation activities: one for the Central Java Groundwater Irrigation Development Project in Indonesia for \$12.2 million and the other for the Sarawak Agricultural Development Study in Malaysia for \$1.78 million. As of the end of 1985, the Bank had approved a total of 54 technical assistance loans totalling \$128 million for 12 DMCs. Indonesia has been the largest recipient of such technical assistance loans accounting for 58 per cent of approvals.

In 1985, about \$133 million was provided from project loans for project implementation and advisory technical assistance activities. This represents an increase of 58 per cent over loan funds provided during 1984 for the same activities, due largely to an increase in the amount of advisory and project implementation technical assistance undertaken in project loans provided to the social infrastructure sector.

During 1985, Group A DMCs received about 38 per cent of the total amount of loan-financed technical assistance compared with 45 per cent during 1984. Group B DMCs received 57 per cent of the total loan-financed technical assistance compared with 52 per cent in 1984 and Group C DMCs received 5 per cent in 1985, compared with 3 per cent in 1984.

During 1985, 36 per cent of the total amount of loan-financed technical assistance was provided to the social infrastructure sector, compared with 9 per cent in 1984. The agriculture sector accounted for 34 per cent of the total amount, followed by transport and communications with 20 per cent, energy with 9 per cent and the industry and non-fuel minerals sector and the multisector with less than 1 per cent each.

## **Training Activities**

Reflecting the Bank's recognition of the crucial role that efficient manpower and institutions play in project implementation, nearly half of all the projects for which the Bank approved loans in 1985 incorporated some form of educational or training activity. In addition, Bank training activities included institution building under advisory or operational technical assistance grants, general training under regional technical assistance grants, and on-the-job training for DMC officials seconded to the Bank.

On a sectoral basis, all nine irrigation and rural development projects supported by Bank loans in 1985 included provision for training. In Malaysia, for example, an important part of the Bank-financed Kalaka-Saribas Integrated Agricultural Development Project was the provision of institutional support to the Sarawak Land Consolidation and Rehabilitation Authority. Similarly, in Nepal, a key component of the Seti Zone Rural Development Project was a program to strengthen

agricultural support services in four hill districts. Bank lending for these nine projects amounted to \$345 million, of which about \$11 million was for training.

Six of the Bank's eight projects for agricultural development also contained training components. In Indonesia, a program to bolster the institutional capabilities of government agencies in the collection, collation and interchange of information on land use was a crucial part of the Land Resource Evaluation and Planning Project. In Bangladesh, an important part of the Bank-financed Livestock Project was the strengthening of field services, including village-level support services, training programs and the institutional capabilities of the Directorate of Livestock Services. Bank lending for these six projects amounted to \$128 million, of which about \$30 million was for training.

Four out of ten Bank-supported social infrastructure projects in 1985 contained training inputs, including a \$37.9 million loan to upgrade the University of Sriwijaya in Indonesia and a \$28.8 million loan to Pakistan to improve the quality of the country's science education. Two health-related projects also included training provisions. In Indonesia, training programs were provided in a Health and Population Project and health worker training and education was an important part of the Second Rural Health Services Project in Papua New Guinea. Bank lending for these four projects amounted to \$122 million, of which about \$85 million was for training. In addition, a multiproject loan approved to Western Samoa in 1985 included a subproject to strengthen the extension service of the Department of Agriculture, Forestry and Fisheries.

*TWO ASPECTS of bridge construction at Songkhla lake, Thailand. The Bank-financed Songkhla and Phuket Ports Project, which the Bank is supporting with a \$71.4 million loan, will enable Songkhla and Phuket ports to handle increasing traffic volume and foster greater economic and social development in the southern region of the country.*

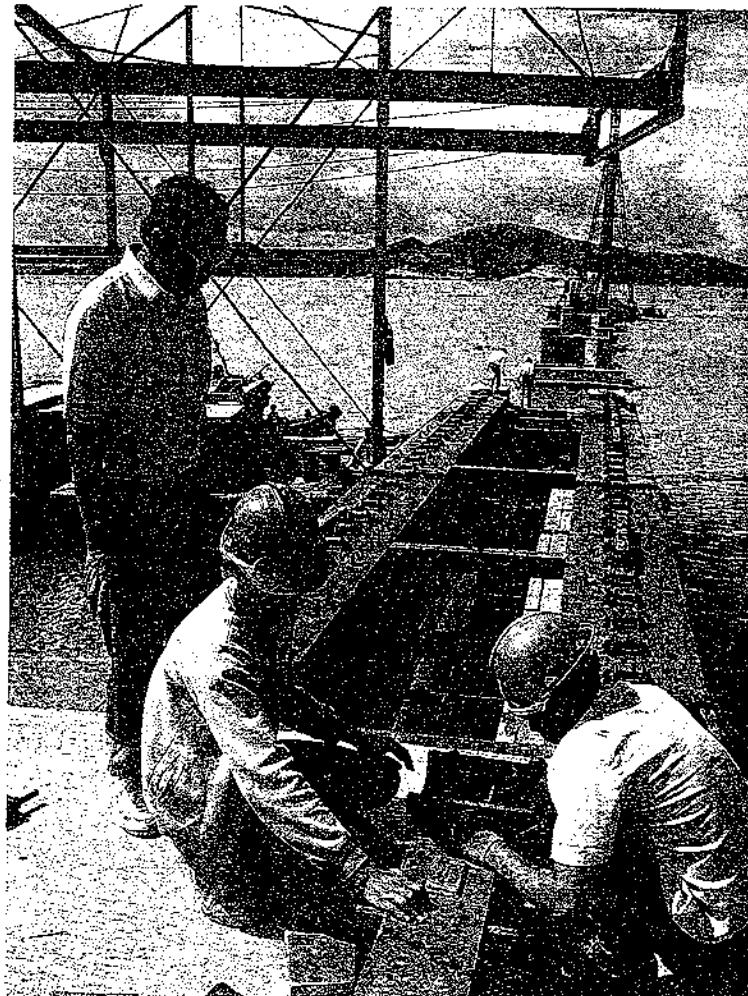
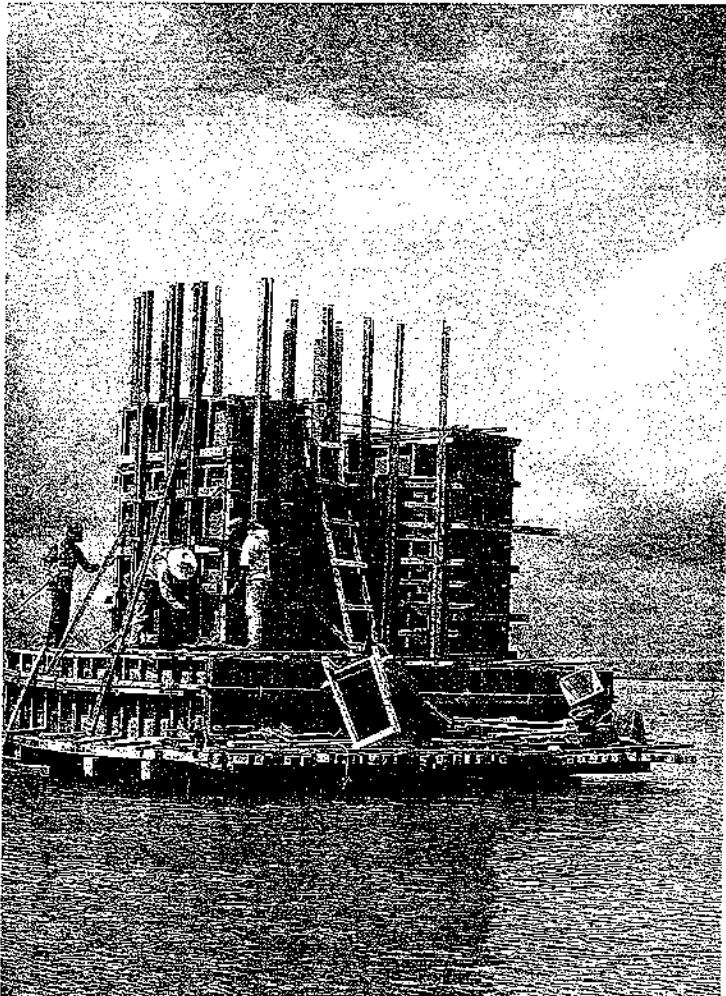
The Bank approved technical assistance amounting to \$275,000 for institution building in two DMCs. In Sri Lanka, technical assistance was approved in conjunction with a loan for the Trunk Roads Improvement Project to strengthen the capability of the Ministry of Highways, with particular reference to maintenance planning. In Bhutan, Bank technical assistance for a Road Construction and Training Project included a provision to train personnel in mechanized road construction and equipment management.

On a regional basis, the Bank continued to extend technical assistance to develop the skills of DFI personnel. At management level, the Bank organized a Regional Program on Management Development for DFIs in Asia which was held in Baguio, Philippines, in November. Earlier in the year, the Bank formalized a program to strengthen in-house training for four selected DFIs from Pakistan, Solomon Islands, Sri Lanka and Western Samoa.

In 1985, the Bank also provided on-the-job training under its secondment program to five officials from its DMCs. Four other DMC officials received short-term familiarization with the Bank's activities through its attachment program.

## Sectoral Review

There was a marked change in the sectoral composition of Bank lending in 1985. Whereas energy together with agriculture and agro-industry were the leading sectors in 1984 — together accounting for 68 per cent of loan approvals at 34.3 per cent and 33.9 per cent, respectively — the energy



sector accounted for only 12.8 per cent of total loan approvals in 1985, and agriculture and agro-industry, while retaining the lead share, declined to 29.3 per cent. Social infrastructure, on the other hand, rose to 28.5 per cent of total loan approvals in 1985, the second largest share, from 10.7 per cent in 1984.

Lending to agriculture and agro-industry (which covers irrigation and rural development, fisheries, livestock, agricultural credit and support services, forestry, fertilizer and agro-processing) declined to \$559 million in 1985 from a record \$758 million in 1984. This was due to several factors influencing the Bank's overall level of lending and does not reflect a lowering in priority or emphasis to the sector.

With the decrease in the price of rice, a major crop in Asia, coupled with the attainment of the self sufficiency threshold in several DMCs, greater attention is being paid by the Bank and the DMCs to appropriate strategies for effective irrigation management and crop diversification.

To tackle the important technical and policy questions relating to the implementation of Irrigation Investment programs for diversified agricultural production, major studies are being conducted on food demand/supply and irrigation management in the Philippines and Indonesia in cooperation with the International Irrigation Management Institute (IIMI) and the International Food Policy Research Institute (IFPRI). Three regional technical assistance grants were approved for other new areas of study: irrigation service fees, rainfed agriculture and rural employment. Other studies aimed at more effective dialogue and resolution of constraints on development in the agriculture and agro-industry sector included completion of a fisheries sector review for Thailand, agriculture sector studies for Western Samoa and Fiji and an irrigation planning study for Bhutan.

A special feature of the Bank's operations in 1985 in this sector was the involvement of commercial banks in channelling agricultural credits in Bangladesh and Indonesia.

In recent years, many DMCs have undertaken major investments in reforestation and the development of community forestry where resources are owned or managed by small

farmers and the benefits accrue to the community. This reflects a growing concern with environmental considerations as well as continued awareness of the importance of ensuring sufficient supplies of timber and fuelwood in the long term. Two forestry projects were approved in 1985, one in Indonesia for the first time, and another in Nepal.

The second largest share of Bank lending in 1985 went to the social infrastructure sector. Its share of total Bank lending increased substantially to \$544 million in 1985 from \$240 million in 1984.

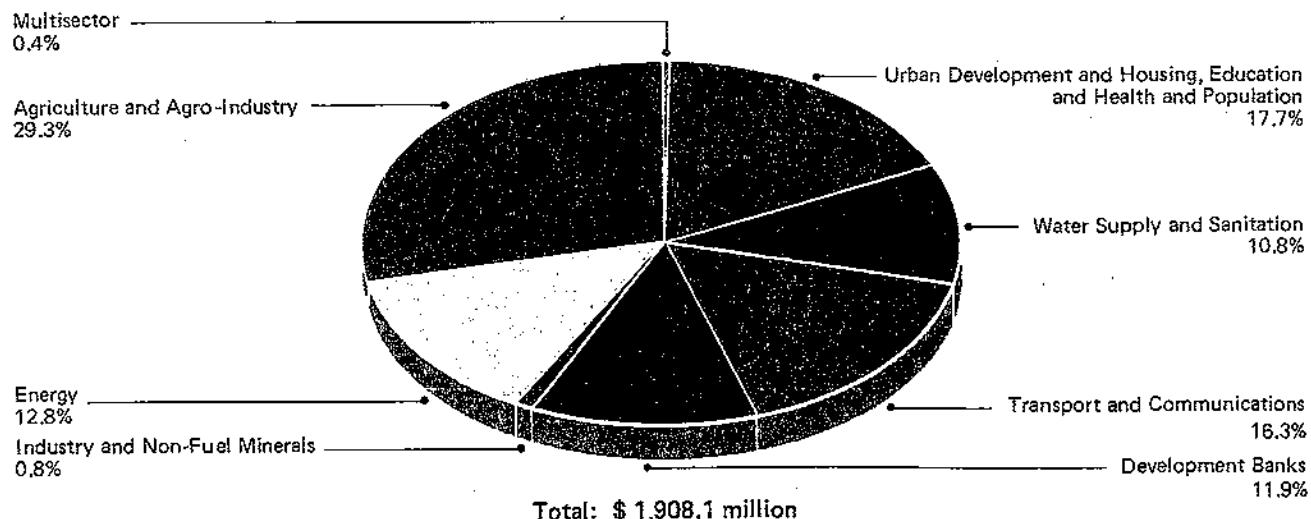
This increase was due to the approval in 1985 of some relatively large projects which could not be processed fully in 1984. A total of \$215.4 million was lent for three projects in the urban development and housing subsector in Indonesia, Malaysia and Thailand. These projects were aimed at upgrading infrastructure and providing facilities for low-cost housing. Increasingly, this assistance is being provided not only in main urban centers but also in secondary cities including small towns and regional development areas.

Of special note was the loan of \$132.4 million for the Second Bandung Urban Development Project in Indonesia. The Project will complement and extend coverage of water supply, drainage, sewerage and solid waste systems developed under earlier Bank assistance. Of the technical assistance approvals, the Urban Development Policy and Program Study in Malaysia was significant because it will not only help the Government to establish a comprehensive urban development policy, but also to formulate an appropriate medium and long-term investment program.

In water supply and sanitation, the emphasis is increasingly on the rehabilitation of existing facilities to reduce water losses and on the introduction of low-cost sanitation facilities. During 1985, the Bank approved loans to Indonesia, Republic of Korea and Thailand for water supply and sanitation projects.

In education, the shift in some DMCs continued from more narrowly defined vocational courses to include involvement in science education as a broader basis for development. In this context, the Science Education for Secondary Schools

#### Loan Approvals By Sector: 1985



sector loan will improve the quality and relevance of science education in secondary schools throughout Pakistan. In line with a growing emphasis on country studies geared to the manpower requirements of individual DMCs, one of the technical assistance projects approved in education was for preparing a master plan for accounting and audit education in Sri Lanka.

In 1985, the Bank also continued to provide assistance to improve health facilities and moderate population growth in its DMCs, and approved projects in this subsector for Indonesia and Papua New Guinea. Technical assistance activities included the approval of a regional seminar on the use of rural health services and preparation of a Health Services Development Project in Malaysia. Increasingly, the emphasis of Bank lending in this sector is on measures to improve the delivery of health care and family planning services that have been established. Improving the financing of health services is an important aspect of this.

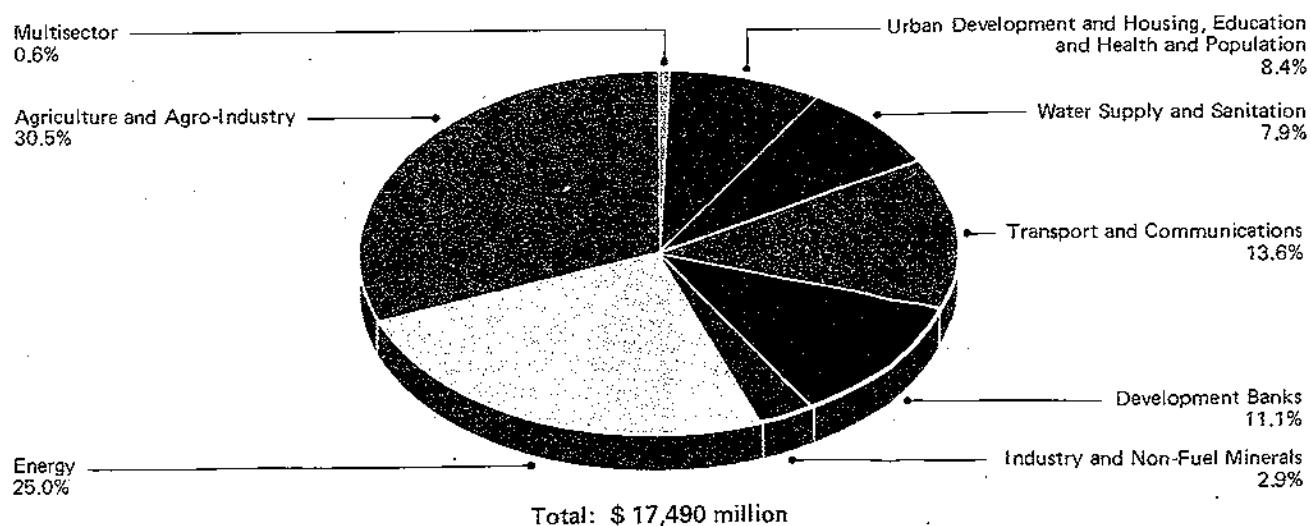
Lending to the transport and communications sector declined to \$310 million in 1985 from \$381 million in 1984. Focusing increasingly on provincial and rural roads systems now that the major trunk road systems have been largely completed in most DMCs, the Bank in 1985 approved loans for the improvement of rural/feeder roads in Bangladesh, Indonesia and Pakistan as well as for trunk roads in Sri Lanka. In view of the importance of inter-island communications between the South Pacific DMCs, the Bank assisted the development of port facilities in Papua New Guinea and Vanuatu. Financial assistance was also approved to support telecommunications facilities in Pakistan. Technical assistance continued to emphasize assistance to infrastructure maintenance. In this connection, a seminar on railway track maintenance and monitoring techniques was held.

There was a substantial decline in assistance to the energy sector during 1985. Loans amounted to \$245 million compared with \$767 million in 1984. This reflected lower-than-anticipated load growth in the power subsector due to reduced GDP growth rates in certain DMCs and unresolved

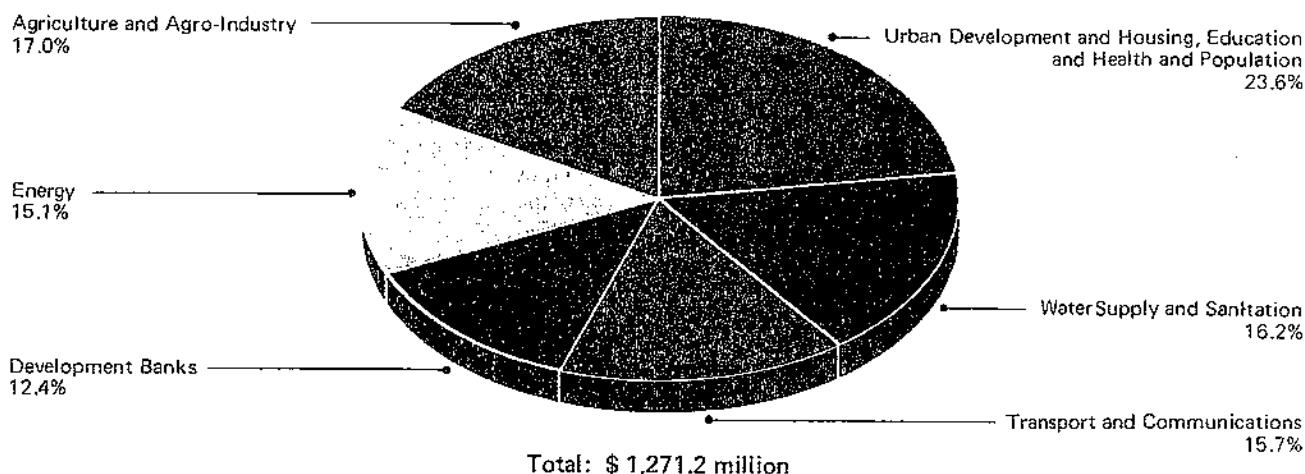
policy issues with some executing agencies. The reduction in power sector investment was particularly pronounced in the middle-income DMCs which receive Bank assistance from ordinary capital resources. Many of them have revised downwards their energy sector investment needs. Recognizing this, the Bank initiated a review of investment needs of the power subsector over the period 1986-90. This will provide the Bank with an assessment of the emerging changes in power sector priorities and plans, and assist in the planning of an assistance program for the next few years which will seek to strengthen and improve the operations of existing facilities as well as the creation of additional capacity to meet forecast demand, taking into account the recent decline in oil prices.

Within the industry and development banks sector, weaker economic growth led to a decline in direct lending, although indirect lending through development finance institutions (DFIs) increased. Total lending to this sector amounted to \$243 million compared with \$54 million in 1984. Credit lines to DFIs remained the primary mode of the Bank's support to the private sector (for further information, see pages 21-23). While they will continue to play an important role in this area, the Bank is also seeking to diversify its institutional channels and to devote increased attention to the development and diversification of the financial sector and capital markets in its DMCs through appropriate policy reform and institution building. Despite the decline in direct lending, the Bank continued to contribute to industrial development programs in its DMCs by providing assistance for the development of industrial institutions which would result in improved technology, increased productivity and in the promotion and development of viable industries. Assistance to the development of basic industries, including institutional strengthening, is likely to continue, with particular attention being given to institutions involved in small and medium-scale industries, mineral resources development and industrial research programs.

#### Loan Approvals By Sector: 1968-1985



### Ordinary Loan Approvals By Sector: 1985



## Co-Financing

The Bank's co-financing decreased in 1985. A total of 23 projects were co-financed, with co-financiers contributing \$640 million and the Bank \$1,024 million to these projects. This compared with \$1,163 million provided by co-financiers and \$1,460 million provided by the Bank for 23 projects in 1984. As of the end of 1985, 197 Bank projects had involved co-financing, with co-financiers providing about \$5.3 billion and the Bank \$7 billion.

The Bank's co-financing performance relates directly to its overall lending performance. By its very nature, co-financing is intended to mobilize additional resources, both from official and private sources, to supplement as well as complement the Bank's resources in its lending operations. In this regard, 1985 was a difficult year for co-financing operations.

The slower economic growth experienced by most borrowing member countries, combined with domestic resource constraints and heavier debt-service burdens contributed to lower demand for external resources for project financing, including those of the Bank, and, consequently, for co-financing to undertake development activities. This was particularly true in the case of co-financing with private sources where measures undertaken to mitigate the effects of external debts in many of the traditional middle-income borrowing countries considerably reduced the demand for such co-financing.

Another factor, partly attributable to lower economic activity, was the sectoral shift in the Bank's lending program. In previous years, the energy sector provided the most opportunities for mobilization of additional resources, both from private as well as official sources. In 1985, however, the Bank's lending to this sector fell considerably in line with the current decline in energy costs as well as reduced energy demand in most countries. In 1985, the Bank approved five projects in the energy sector with Bank loans totalling \$245 million. Of these, only two projects involved co-financing,

with co-financiers contributing \$82 million and Bank loans totalling \$160 million. By contrast, the Bank approved \$767 million for ten projects in the energy sector in 1984, and co-financing was arranged for eight projects totalling \$456 million while Bank loans totalled \$649 million for these co-financed projects.

In view of these developments, the Bank in 1985 laid more emphasis on the promotion of official sources to complement its lending program. These resources generally introduced additional concessionality to the co-financed projects which, in turn, mitigated the debt service burden on these projects. In some cases, this permitted expansion of the project scope; for example, the Science Education for Secondary Schools sector in Pakistan and the Multiprojects in Bhutan and Vanuatu.

Another important aspect of co-financing activity in 1985 was the arrangement of a number of technical assistance grants. Of the 112 technical assistance projects totalling \$33.6 million approved in 1985, \$14.2 million for 15 such projects was financed by external sources. The United Nations Development Programme (UNDP) financed nine projects totalling \$11.6 million in Bangladesh, Burma, Nepal, Pakistan and Western Samoa, compared with seven projects for \$2.9 million in 1984. In addition, the International Fund for Agricultural Development (IFAD) and the Governments of Finland and Switzerland financed \$2.6 million for six technical assistance projects.

Despite the quantitative decrease in co-financing last year, the quality of co-financed resources generally improved due to the mobilization of highly concessional resources from a wider range of co-financiers. Co-financing continued to be arranged with multilateral agencies like the World Bank Group, UNDP, OPEC Fund for International Development and IFAD. These agencies contributed \$136 million for 12 projects, compared with \$383 million in 1984 for nine projects. In 1985, ten bilateral sources — Canada, Denmark, Federal Republic of Germany, Finland, France, Italy, Japan, Netherlands, Norway and Switzerland — provided \$198 million for ten projects. In 1984, eight bilateral sources pro-

vided \$348 million for 13 projects.

Co-financing with commercial/export credit sources decreased to \$305 million for five projects in 1985 from \$432 million for seven projects in 1984. Combined with the cautious attitude of a number of traditional middle-income borrowers like Indonesia, Malaysia and Thailand in respect of commercial borrowings, the reduction in the Bank's lending to self-liquidating projects, such as those in the energy sector or credit lines to DFIs, placed limitations on opportunities for co-financing from this source. Export credits were arranged for power and gas projects in Pakistan, blended with official development assistance. The Bank also arranged its third complementary loan with commercial banks for retroactive financing of a component in a hydropower project in Pakistan approved in 1984.

## Development Resource Center Activities

The Bank has been mandated by its Charter to contribute to the process of economic development in its developing member countries. The primary instrument for this purpose was to be the channelling of capital resources and technical assistance mainly for development projects in the DMCs.

However, the full development impact of such activities and the ability to utilize more assistance effectively depends on an appropriate institutional and policy framework in the DMCs concerned. Consequently, the Bank has been strengthening its role as a development institution rather than operating purely as a development finance institution. Thus, in addition to providing capital and technical assistance, it has become a "Development Resource Center" whose task is to provide information and advice on the varied problems of development, to disseminate information on economic conditions in the region and to assist in strengthening institutions and policies in the DMCs.

With a view to understanding better the development problems and potential in the DMCs and to improving the effectiveness of Bank operations, policy dialogue between the

Bank and the DMCs continued during 1985. Bank personnel had wide-ranging and frank discussions with DMC policymakers. As required, these discussions covered the entire economy or were confined to particular sectors or projects.

The experience with policy dialogue has been rewarding. It has provided an opportunity for the DMCs to communicate their needs, aspirations and problems to the Bank. It has also enabled the Bank to increase its knowledge and awareness of development problems and prospects in the DMCs and thereby to enhance the effectiveness of its own operations.

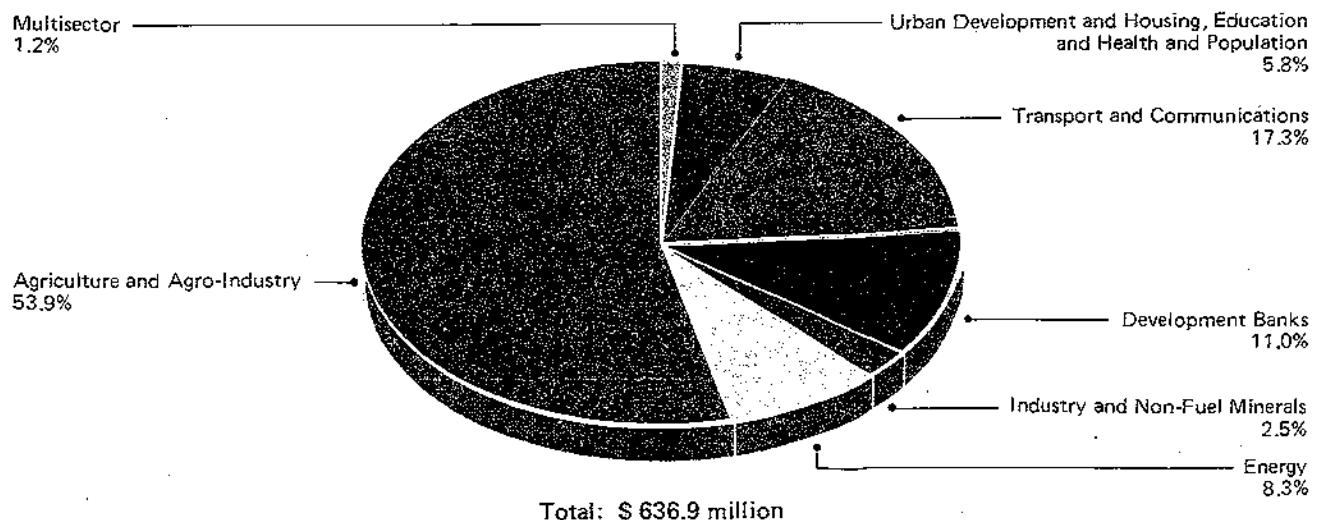
In addition to the knowledge and experience that has been continuously built up through project-financing activities, the Bank has been strengthening its research activities in areas of importance to development in particular DMCs and to the region. A number of sectoral studies were undertaken during the year. For example, as part of the ongoing education sector policy study, the country study on Nepal was completed while the country study on Pakistan was initiated.

Agriculture and irrigation are major areas of Bank operations. Because of the relatively long time lags in such projects and the complex problems that such projects raise, the Bank undertook a number of sectoral studies to delineate more clearly problems and to identify more effective policy responses. They included an Irrigation Sector Review, the Regional Study on Irrigation Service Fees and the Regional Seminar on Rural Development. The proceedings of the Regional Workshop on Livestock Production Management were published as also was the study on "Agriculture in Asia, its Performance and Prospects: The Role of ADB in its Development".

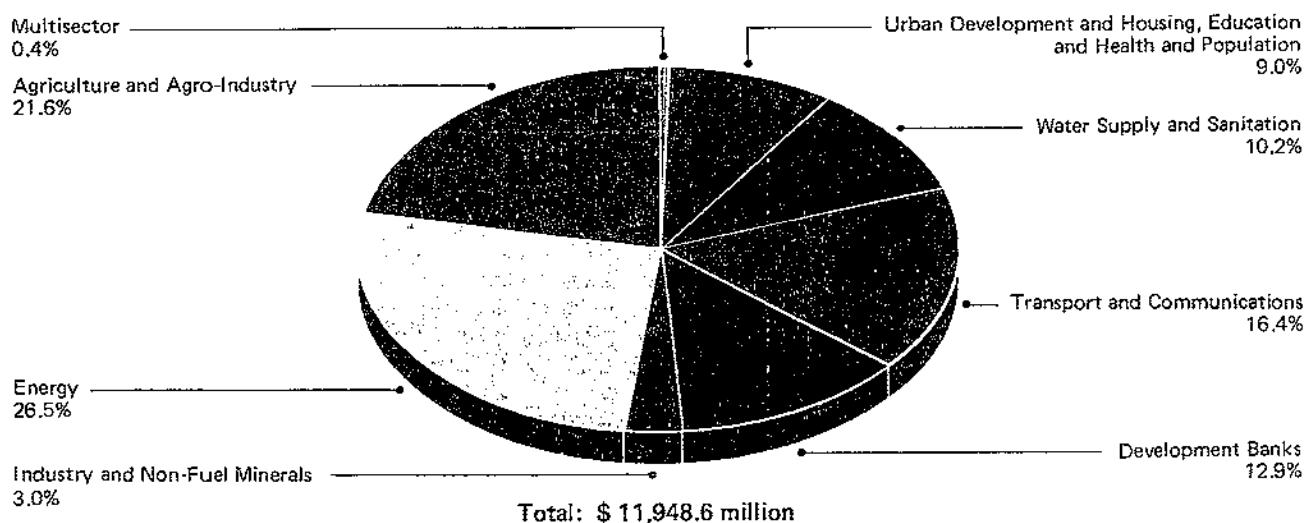
In other sectors, Bank studies covered Leasing in Selected DMCs, Venture Capital Financing in Selected DMCs, Regional Electricity Demand Analysis and Improving the Efficiency of Power System Operation in DMCs.

At the national level, the Bank approved technical assistance for the Sarawak Agricultural Development Study, the Study of Irrigation Management in Indonesia, agriculture sector studies in Nepal and Western Samoa, livestock

Asian Development Fund Loan Approvals By Sector: 1985



## Ordinary Loan Approvals By Sector: 1968-1985



subsector studies in Indonesia and Papua New Guinea, a fisheries sector study in Thailand and a Master Plan for Forestry Development in Nepal.

The Bank continued in 1985 its research and consultations with DMCs on domestic resource mobilization problems and possibilities.

Given the important role of appropriate capital markets in the process of domestic resource mobilization and utilization, the Study of Capital Markets in Selected DMCs was completed during the year and its findings were discussed by experts from the Bank's member countries during a regional symposium held in Manila in early 1986. Similarly, the Bank hosted a conference on "Privatization: Policies, Methods and Procedures" which was attended by experts, senior officials from the DMCs and representatives of the private sector. Other seminars and training programs covered Use of Consultants, Sail-Motor Propulsion, Strengthening In-House Training in Selected DFIs and Management Development for DFIs in Asia.

Research also continued into economic conditions at the national, regional and international levels. As well as providing data and analysis to support Bank operations, the results of the research were disseminated to a wider audience through Bank publications such as Key Indicators of DMCs of ADB, Statistical Report Series, Economic Report Series and Bank Staff Papers (see page 156 for a listing of major Bank publications).

Collaborative research with national institutions was further advanced during 1985 with the initiation of the analysis of Trade Barriers to the Exports of DMCs and the Study of Informal Credit Markets in selected DMCs.

Regular collaborative training programs and seminars were continued during the year with the Asian Productivity Organization/ADB Training Course in Project Feasibility Appraisal and Implementation, the Pacific Trade and Development (PAFTAD) Conference in its 15th session on Industrial Policies for Pacific Economic Growth and the Asian-Pacific Bankers Club in the Seminar on the Analysis of Country Risk. The Bank also collaborated with ESCAP in a Symposium on

Regional Financial Cooperation and a Regional Seminar on Railway Track Maintenance and Monitoring Techniques.

Since 1983, the ADB Development Round Table (DRT) has been convened annually on development issues of important and topical interest to policymakers in the DMCs. This major Development Resource Center activity of the Bank was continued in 1985 with the convening of the DRT on the Role of the Private Sector in Development.

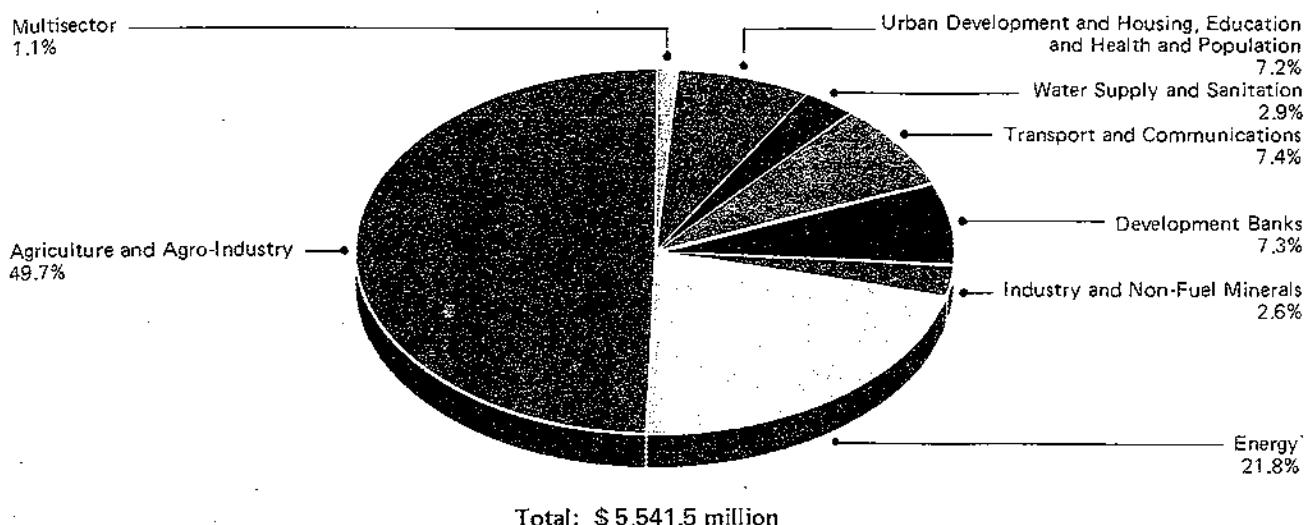
## Benefits to the Poor

Large income disparities and high levels of absolute poverty persist in many of the Bank's DMCs. The benefits of economic growth, which has been rapid in several of the countries where large-scale poverty remains, have not reached large segments of the population, particularly those living in rural areas.

The reasons for this vary from country to country but at least four factors appear to be commonly shared. First, the poor have very limited access both to productivity-raising techniques and equipment as well as to the education and training needed to make use of them. Second, physical infrastructure (for example, transportation, communications and power) remains inadequate in many regions. Third, population growth places continued pressure on distribution of land, leading to progressively smaller holdings, growing numbers of tenant farmers, and increased landlessness. Fourth, other sectors of economic activity have not created a sufficient number of productive employment opportunities to absorb labor from the agriculture sector.

The Bank recognizes that its efforts to maximize economic growth through the most efficient use of resources must be supplemented by other measures designed to reach the poor directly if progress in alleviating poverty is to be achieved. One important prerequisite is to expand and improve its own understanding of who the poor are, what their needs are, and what impact Bank operations have on them. The Bank has taken several steps in this direction in past years, for exam-

## Asian Development Fund Loan Approvals By Sector: 1968–1985



ple, by sponsoring workshops on issues related to rural development and rural employment and by setting up its Project Benefit Monitoring and Evaluation (PBME) system (see page 62 for a review of PBME activities in 1985). The Bank also seeks to take direct action to alleviate poverty by selecting projects or project components for financing in a broad range of sectors which are designed to raise the productivity and incomes of the poor and by financing projects which are aimed at improving their quality of life by providing access to health facilities, education and improved physical amenities such as water supply and housing. A review of the Bank's operations in 1985 which are intended to have a direct impact on poverty alleviation follows.

Increased productivity and higher incomes for small farmers and landless peasants are among the anticipated benefits in six Bank projects approved in 1985. The Seti Zone Rural Development Project in Nepal and Chirang Hill Irrigation Project in Bhutan both specifically address smallholder on-farm development. The Cotton Development Project in Nepal and two livestock development projects, one each in Nepal and Bangladesh, are likewise designed to benefit small farmers. In Pakistan, the Gujranwala Agricultural Development Project includes an agricultural credit component directed at landless peasants. These projects will assist the poor by introducing new farming technologies, by improving the availability of productivity-improving inputs, and by diversifying the sources of their income through new crops, or through new activities such as livestock.

Fuelwood remains the single most important energy source for the poor in rural and, in many cases, urban areas. DMCs have also become increasingly aware of the importance of their forest resources for generating off-farm employment for the rural poor as well as for industrial uses. For these reasons, as well as to help DMCs conserve their natural resources, the Bank in 1985 approved two new loans for forestry development, one of which will also significantly increase fuelwood supplies for both urban and rural consumers as well as stop land erosion.

Both rural and urban poor will benefit from Bank loans for

health and water supply projects. The Rural Health Project in Papua New Guinea and a large portion of the Health and Population Project in Indonesia will help extend health services and improve access to medical facilities for the rural poor in those two countries. A water supply project in deprived areas of Bangkok in Thailand and another in small towns in Indonesia will help increase the availability of fresh



drinking water and reduce the incidence of water-borne diseases among the poor.

The Bank has increasingly sought to help the small farmer and small-scale entrepreneur with credit channelled through development finance institutions or other suitable intermediaries. Such Bank lending is of direct assistance to the poor since the recipients of credit through such schemes help reduce rural and urban unemployment and underemployment. Bank credit lines for lending to rural and agro-based industries in Bangladesh and to the fisheries sector in Indonesia are expected to generate significant employment opportunities for low-income semi-skilled and unskilled workers.

Bank assistance for infrastructure development in the poorer regions of its DMCs can also provide benefits to the poor, albeit of a more indirect kind. In 1985, for example, the Bank approved a loan for the development of farm-to-market roads in Pakistan, for feeder roads in Bangladesh and for upgrading trunk roads in Sri Lanka. These projects will provide improved access to markets for agricultural produce. In addition, rural populations will become more mobile, have easier access to health and education facilities, and will be better able to respond to employment opportunities through improved transportation.

## Women in Development

Recent experience suggests that development assistance efforts could do more to provide women with opportunities to develop their potential as contributors to economic and social progress and to improve their share of the benefits of development in terms of increased income, expanded employment, better educational opportunities and access to various social amenities.

Against this background, the Board of Directors in July 1985 approved a policy paper on the Role of Women in Development. The paper was a first step in developing a policy aimed at ensuring that specific consideration is given to the role and needs of women in all relevant aspects of the Bank's lending and technical assistance operations. In developing this policy, the Bank acknowledges that from an operational point of view its effectiveness in assisting DMCs to achieve such important objectives as increased income and production, alleviation of poverty, the development of a healthier and better educated labor force, and the reduction of population growth could be limited if it does not adequately address the factors that limit the role of women in development. In addition, the viability and soundness of projects might be affected if adequate attention is not given to the role of women in projects where women are potential contributors or beneficiaries. It is also acknowledged that the social and cultural factors which influence the role and needs of women vary substantially among countries. Consequently, the scope and thrust of activities to implement the evolving policy will be designed to suit individual DMCs and their development objectives and priorities.

The framework of implementation is aimed at developing capabilities of the various units of the Bank to consider the role and needs of women in all relevant facets of its operations. Responsibility for coordinating and monitoring the implementation of the policy has been delegated to the Irrigation and Rural Development Department.

The Bank will integrate consideration of the role and needs of women into its normal lending and technical assistance



operations. The experience of other organizations has demonstrated that this approach is most effective in facilitating the participation of women in economic development as well as in enhancing the overall economic development impact of projects. This approach is also compatible with the need to develop systematically the Bank's capabilities.

As of the end of 1985, designated staff in relevant departments/offices had completed the first phase of the implementation program. This consisted of preparing draft work programs which will be undertaken during 1986 to develop the necessary capabilities and procedures. These covered country programming, the preparation and implementation of projects in several subsectors, the modification of social and economic indicators and an assessment of development finance institutions and agricultural development banks.

## Environmental Activities

In the Asia-Pacific region, the demand for natural resources — for goods and services — is expected to increase dramatically during the remainder of the century. This is due to accelerating population and economic growth and more capital and technology-intensive production. Unless the adverse environmental impacts anticipated with these ac-

tivities are controlled, the region's capability to maintain the productivity of its natural resources, assimilate wastes and combat disease will greatly decline.

Underlying such problems are strong political, economic and social factors which often limit opportunities to find or implement more beneficial methods of using natural resources. Economic pressures force many developing nations to exploit rapidly their natural wealth at the expense of future needs. Monitoring needs exceed the regulatory capacities of governmental and traditional institutions. And cultural values and popular attitudes discourage, or are inhospitable to, resource management. Nonetheless, it is now widely realized that the constraints on effective resource management are the same as those on economic and social progress.

The Bank sees its role as supplementing and supporting DMCs to manage their natural resources more effectively and help ensure sustainable development. Indeed, for some time the Bank's assistance in environmental planning and management has included projects such as water supply, sewerage, reforestation and area development. However, more recently, greater attention has been given to environmental aspects in project identification, design, preparation and evaluation procedures. The Bank has also increased its financing of projects which address environmental improvement. Efforts are being made to enhance the environmental awareness and expertise of Bank staff.

While these activities are helpful, the Bank is now making its environmental assistance more substantive and effective. For example, few DMC government institutions are able to implement effective environmental policies and procedures. Environmental impact assessment studies, integrated regional development planning and environmental management projects are important, but they alone cannot promote the necessary environmental management capability. A more fundamental, direct vehicle is called for: one that will assist developing countries improve their national policies and strengthen their institutional and scientific capabilities.

In this respect, the Bank intends to promote environmental awareness among executing agency staff through regional seminars and liaison missions. It will also emphasize developing DMC institutional capacity to plan and manage environmental resources by providing technical assistance for strengthening environmental legislation, undertaking studies and training and equipping executing agency staff.

The preparation of environmental sector reports for inclusion in country sector strategy studies will also help to promote the integration of environmental planning and management in the Bank's economic development activities. These reports are aimed at delineating planning and management needs, development programs and potential projects with which to correct critical cases of loss or degradation of environmental and natural resources. Moreover, development policies and procedures and legal and institutional arrangements affecting or likely to affect natural resources

management, environmental quality and the prospects for sustainable development are examined and evaluated. This helps to define the Bank's role in fostering sound environmental planning and management practices, particularly with respect to economic development programs and projects and environmental and natural resources projects per se.

## Inter-Agency Cooperation

To ensure that its assistance is coordinated with that of other agencies, the Bank maintains regular contact with other institutions, both multilateral and bilateral, involved in the socio-economic progress of the Asia-Pacific region.

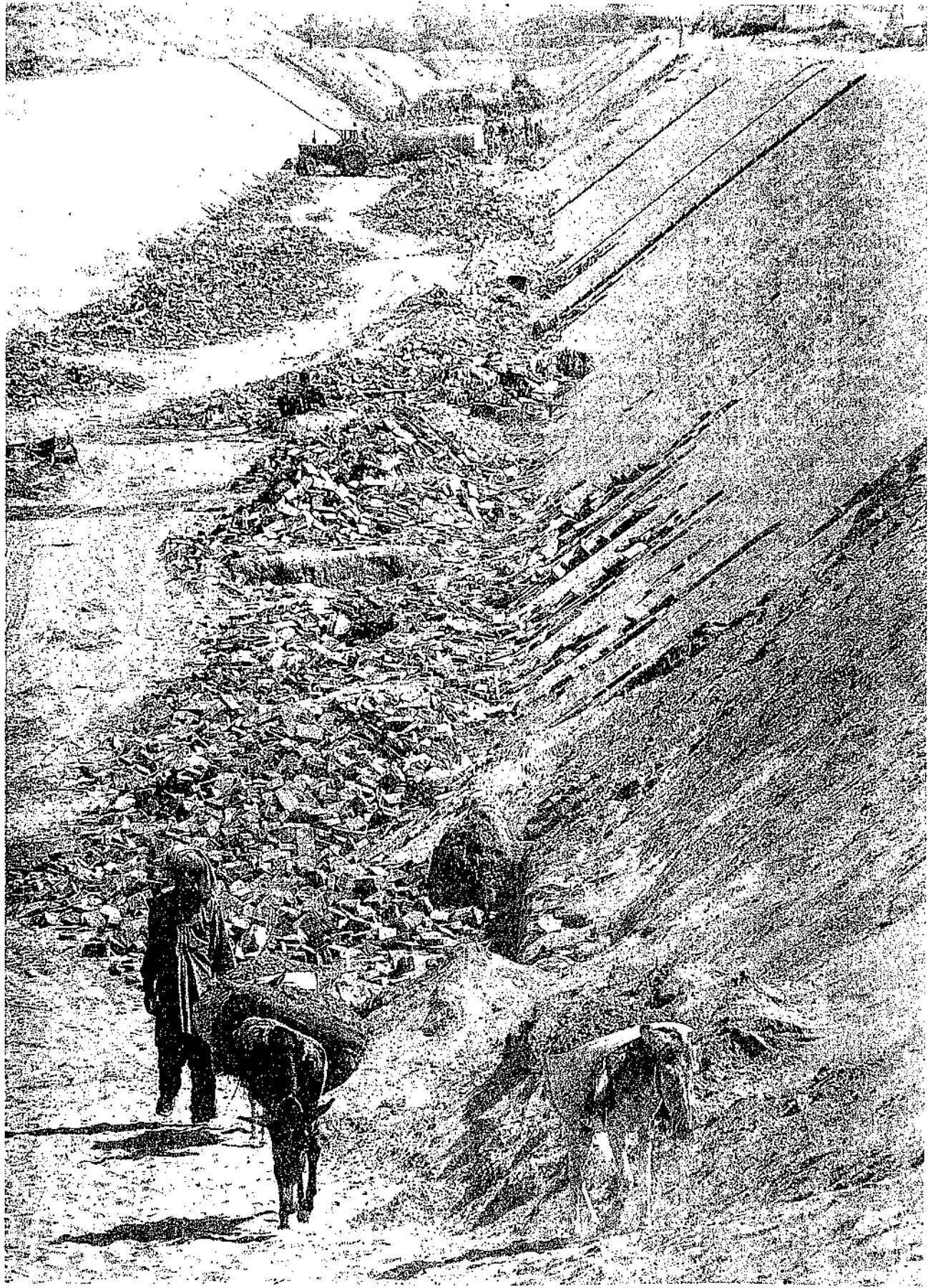
The President of the Bank hosted the meeting of the heads of multilateral financial institutions and attended the Development Committee Meeting. Both meetings took place in Seoul, Republic of Korea, in October.

Regular consultations are held with the World Bank Group: thus, a one-day consultation reviewing cooperation and coordination between the two institutions was held in Bangkok following the Bank's 1985 Annual Meeting. Bank staff also regularly visit World Bank offices in the Bank's DMCs. Operational programs, sector issues and coordination have regularly been discussed, particularly with World Bank staff in Bangkok, Dhaka, Islamabad, Jakarta, Kathmandu and Manila.

The United Nations Development Programme (UNDP) is an important source of grant assistance for the Bank's program. The Bank has traditionally been represented at UNDP's Governing Council Meeting and Inter-Agency Consultative Meeting. At the latter, lending programs were reviewed for co-financing opportunities. As well, Bank staff regularly visit resident representatives to apprise them of potential projects and update them on the progress of UNDP-financed operations executed by the Bank. In addition, the Bank cooperated with the International Fund for Agricultural Development (IFAD) on two projects, the first appraising and administering a project in Nepal and the second appraising and subsequently co-financing a project in Pakistan. The Bank also arranged one project in Pakistan for co-financing with the OPEC Fund for International Development.

The Bank participates regularly in aid group meetings, where donor institutions meet with government representatives to discuss such matters as economic and social developments in the DMCs, external financing needs and aid coordination. In 1985, the Bank participated in aid-group meetings for Bangladesh, Indonesia, Nepal, Pakistan, Philippines and Sri Lanka; and donors' meetings for Kiribati and Western Samoa. The Bank also attended the India Consortium Meeting as an observer, and participated in a conference hosted by the World Bank to discuss the Republic of Korea's forthcoming Sixth Five-Year Plan (1987-1991).

Frequent discussions were held with individual bilateral donors, and in this respect the Bank's Bangladesh Resident Office (BRO) and the South Pacific Regional Office (SPRO) played a key role.



IRRIGATION CANAL under construction at the Chashma Right Bank Irrigation Project in Pakistan. Supported by the Bank with a \$31.5 million concessional loan and technical assistance, this Project is designed to bring gravity irrigation to about 230,000 ha. at completion and increase the food production of about 27,000 farm families.

# COUNTRY ACTIVITIES

## Bangladesh

**Operational Strategy:** The Bank's operational strategy for Bangladesh focuses on the development of selected sectors and subsectors which are accorded high priority within the framework and objectives of the country's development plans as well as the Bank's lending policies. The broad objectives of the strategy are: (i) increased agricultural production and increased agro-industrial activity; (ii) development of indigenous energy resources to reduce reliance on imported commercial energy; (iii) selected improvement of social conditions, particularly in areas of population control, health and education; and (iv) development/improvement of key infrastructure facilities.

In the agriculture sector, the emphasis is on increasing foodgrain production, broadening the production base through crop diversification and strengthening linkages between agriculture and agro-industry. Selective assistance is also sought for non-crop projects such as fisheries and livestock. In energy, the Bank is concentrating on the development of gas wells, selected gas transmission and distribution programs, as well as power generation, transmission and distribution. The Bank has also encouraged adequate energy pricing for the better utilization of energy resources and improved mobilization of domestic resources. In social development, the Bank's assistance is basically through financing selected education projects as well as water supply and health and family planning projects. Bank assistance in these socially-oriented sectors has been limited, however, due to the limited absorptive capacity of executing agencies and to the high local currency cost contents of these projects. In development of infrastructure, the Bank seeks to support the programs for rehabilitation of rural roads, inland waterways and railways, improvement of facilities and construction of road networks.

The implementation of the Bank's operational strategy is facilitated by the Bangladesh Resident Office (BRO) which continues to play an important role in government liaison, aid coordination, country programming activities, and project formulation, review and implementation. In 1985, the Resident Director attended the Bangladesh Aid Consortium Meeting in Paris and chaired a number of donor coordination meetings in Dhaka. Staff of BRO also regularly attended local consultative group meetings.

**Loans and Technical Assistance:** In 1985, the Bank approved six loans amounting to \$212.3 million for six projects in Bangladesh from ADF, compared with four loans for \$306.8 million approved in 1984. Local currency financing of \$59.8 million was provided for three projects, equivalent to 28.2 per cent of total lending to Bangladesh in 1985. Co-financing with UNDP and the Government of France amounted to \$10.5 million in four projects. A program loan of \$39 million for provision of fertilizer was also approved. Of the six projects approved, three were in the agriculture sector and one each in the power, transport and industry sectors.

In the agriculture sector, the Second Livestock Development Project will assist the Government in increasing food production and improving rural incomes through the expansion of veterinary services and on-farm livestock nutrition. Provision of fertilizer under the Fourth Crop Intensification Program loan will help increase incremental output by about

Cumulative Bank Lending to Bangladesh

(As of 31 December 1985)

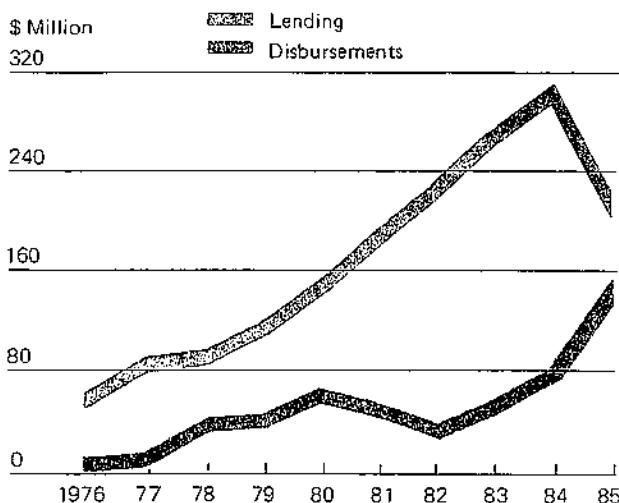
Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	32	906.88	49.3
Energy	13	539.35	29.3
Transport and Communications	6	148.80	8.1
Development Banks	6	107.60	5.9
Education	3	56.50	3.1
Health and Population	2	43.10	2.3
Industry and Non-Fuel Minerals	2	22.00	1.2
Water Supply and Sanitation	1	14.40	0.8
Total	65 <sup>a</sup>	1,838.63	100.0

<sup>a</sup> In addition, the Bank approved a \$17 million Special Assistance loan for Selected Bank-financed Projects in 1983.

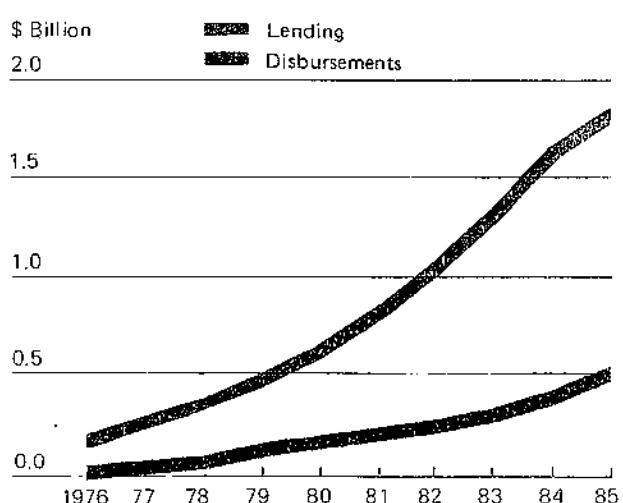
### Bangladesh: Lending and Disbursements

Source: Bank of Bangladesh, Annual Report, 1985.

Annual, 1976-1985



Cumulative, to End of 1985



1.6 million metric tons. A loan for the Rural and Agro-Based Industries Credit Project supports the Government's objectives of raising agricultural production, rural incomes and employment through increased private sector investments in rural and agro-based industries. In the transport sector, the Feeder Roads Project will help provide year-round reliable transport through 310 km. of rural roads located in the northern part of the country.

Of the nine technical assistance grants approved in 1985 for an amount of \$7.5 million, two were advisory and operational and seven were project preparatory. Five of the technical assistance projects were in the agriculture sector, two in the power sector and one each in the gas and transport sectors.

As of 31 December 1985, the Bank had approved 66 loans to Bangladesh amounting to \$1,838.6 million for 60 projects. Of this amount, \$11.4 million was from OCR and \$1,827.2 million from ADF. The Bank had also provided technical assistance amounting to \$34.3 million for 79 projects, of which 35 had resulted in Bank loans amounting to \$1,169 million. The Bank had extended six program loans amounting to \$163.3 million and three sector loans for \$207 million to Bangladesh. Of total Bank lending to the country, agriculture and agro-industry received the largest share (49.3 per cent), followed by energy (29.3 per cent), transport and communications (8.1 per cent), industry including development banks (7.1 per cent), education (3.1 per cent), public health (2.3 per cent) and water supply (0.8 per cent).

**Project Implementation:** Of the 66 loans (including one Special Assistance loan) made to Bangladesh as of 31 December 1985, 20 had been completely disbursed and 46 were under administration, of which five were awaiting loan effectiveness. Disbursements totalled \$145.5 million during 1985, a significant improvement over the \$77.7 million in 1984. Three loans were closed during the year. Cumulative disbursements of Bank loans at the end of December 1985

amounted to \$524.4 million or 32.1 per cent of the total amount of effective loans.

Current implementation problems and issues as discussed during the two Country Project Review meetings conducted in Bangladesh in 1985 include inadequate provision of local counterpart funds which was partly due to categorization of some projects as non-core projects in the Annual Development Program, import and shipping restrictions applied to ongoing Bank-financed projects, a general ban on procurement of vehicles, and delays in submission of progress reports and audited financial statements. In discussions between the Country Project Review Missions and key government officials, the latter promised to take up these matters with the concerned agencies and there is a strong possibility that these issues will be resolved satisfactorily.

The Government has already adopted major policy decisions and initiated a number of measures leading to greater delegation of authority to field offices, simplification of procedures for loan approval, operation and maintenance requirements including recruitment of adequate staff and their training, and higher compensation for government personnel. These steps are expected to mitigate substantially the previously recurrent problems of insufficient delegation, frequent changes of project staff, lengthy procedures for contract approval and lack of adequate incentives for government personnel.

### Bhutan

**Operational Strategy:** In Bhutan's present stage of development and given the country's economic potential, the long-term objectives of Bank lending and technical assistance operations are to help increase agricultural productivity, promote the development of physical and social infrastructure and assist the process of economic diversification through development of its natural resources and ex-

Cumulative Bank Lending to Bhutan

(As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Multisector	2	12.40	78.1
Agriculture and Agro-Industry	1	3.48	21.9
Total	3	15.88	100.0

port base. The Bank will also emphasize institution building in order to strengthen the planning, project implementation and monitoring capacity of the Government.

**Loans and Technical Assistance:** In 1985, the Bank provided a loan of \$3.48 million from ADF for the Chirang Hill Irrigation Project. This compared with \$7.4 million approved in 1984. The Chirang Hill Irrigation Project, the first project loan to Bhutan after two multiproject loans approved in 1983 and 1984, respectively, is aimed at improving agricultural output and rural incomes while reversing the current process of watershed degradation in the project area.

During the year, the Bank also approved five technical assistance projects totalling \$1.5 million, of which two were for project preparation (Road Construction and Training and Highland Livestock Development) and the other three for advisory and operational purposes (Manpower Development and Training, Planning and Development of Integrated Rural Service Centers, and the Food Corporation of Bhutan). The Government of Switzerland co-financed \$350,000 on a grant basis for the Manpower Development and Training Project. To date, Bank lending to Bhutan amounts to \$15.9 million in three loans and technical assistance amounts to \$2.9 million for 13 projects.

**Project Implementation:** Implementation of the First and Second Multiproject loans is progressing satisfactorily. However, there have been some delays due to the unfamiliarity of government officials with Bank procedures. This is expected to be a major constraint on project implementation in Bhutan for the near future but the Bank is addressing the problem by providing technical assistance for project planning and implementation, and by including government officials in Bank-sponsored training programs. The Chirang Hill Irrigation Project, approved in September 1985, is still at the inception stage. The first disbursements to Bhutan, totalling \$1.6 million, were made in 1985.

## Burma

**Operational Strategy:** The Bank's lending program in Burma supports the objectives and priorities of the country's Fourth Four-Year Plan (1982/83-1985/86). The main strategy of the Plan is to consolidate gains achieved in earlier plans with an emphasis on agriculture, the main vehicle for transforming the economy. The Bank endorses the Government's strategy of increasing investment for post-harvest activities for paddy and rice as well as intensified production and qualitative improvements in non-paddy crops. The Bank



FEMALE laborer at the Bank-assisted Sedawgyi Multi-Purpose Dam and Irrigation Project in Burma which was designed to increase the incomes of 33,000 households in the area and provide newly-irrigated land for the settlement of an additional 3,600 farm families.

continues to support other selected areas in such sectors as industry, energy, transportation and water supply. Socially-oriented projects will be supported where urgently required facilities either do not exist or are being operated beyond their useful life. Institution building is also stressed, to ease institutional and manpower constraints on Burma's capacity to absorb development assistance.

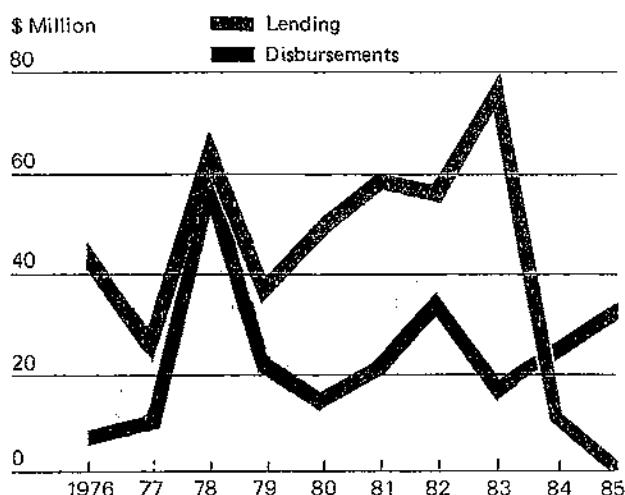
**Loans and Technical Assistance:** No loans were approved for Burma in 1985. Substantial preparatory activities related to the processing of a proposed Edible Oil Project were, however, carried out during the year.<sup>1</sup> In 1985, the Bank approved a technical assistance grant to prepare a Small-Scale Irrigation Sector loan. In addition, technical assistance was approved for the preparation of the Provincial and Small Towns Water Supply Project. This grant was financed by UNDP, with the Bank acting as Executing Agency.

As of the end of 1985, the Bank had provided 31 loans to Burma totalling \$495.9 million including two loans, amounting to \$6.6 million, from OCR and 29 loans, amounting to

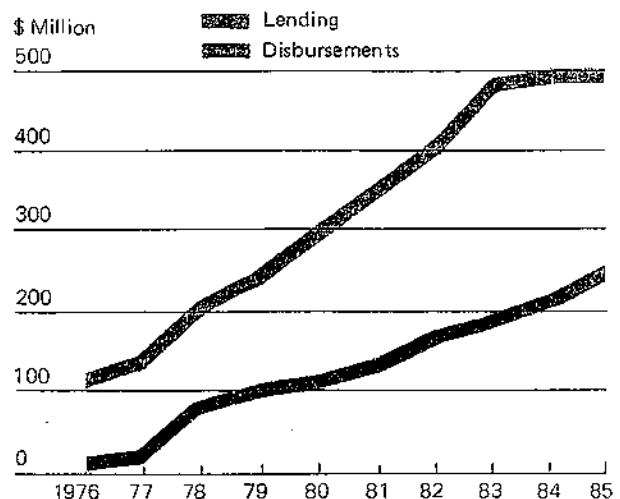
<sup>1</sup> This project was approved by the Board of Directors in February 1986.

## Burma: Lending and Disbursements

Annual, 1976-1985



Cumulative, to End of 1985



Cumulative Bank Lending to Burma  
(As of 31 December, 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	14	281.10	56.7
Health and Population	2	63.10	12.7
Transport and Communications	2	42.50	8.6
Water Supply and Sanitation	4	35.96	7.3
Energy	5	31.80	6.4
Industry and Non-Fuel Minerals	2	21.40	4.3
Development Banks	2	20.00	4.0
Total	31	495.86	100.0

\$489.3 million, from ADF. Technical assistance totalling \$8.6 million had been provided for 32 projects, of which 14 resulted in Bank loans amounting to \$351.9 million. The agriculture sector accounted for 57 per cent of total cumulative Bank lending to Burma.

**Project Implementation:** Of the 31 loans approved for Burma by the end of 1985, ten had been completely disbursed and 21 were under administration. Disbursements totalled \$33 million during 1985, compared with \$25.1 million in 1984. Cumulative disbursements of Bank loans at the end of 1985 amounted to \$245 million or 50.9 per cent of the total amount of effective loans.

A promising development in the implementation of Bank-financed projects has been the assurance given by the Government that vital raw materials such as cement, diesel fuel and steel bars would be provided in sufficient quantities to enable projects to be executed on schedule.

## Fiji

**Operational Strategy:** The Bank's operational strategy in Fiji supports the Government's principal long-term objectives, as enunciated in its recently-released Ninth Development Plan, of economic growth and employment generation. This will be achieved by focusing Bank lending and technical assistance activities on increasing productivity and diversifying the country's economic base as well as by developing supportive infrastructure for agriculture and manufacturing. The strategy also emphasizes supporting the role of the private sector in economic development. Sectorally, Bank assistance will be directed at improving productivity and diversifying the agricultural base at a level compatible with the sector's absorptive capacity; developing/improving road and marine transportation facilities; energy development; and lending to the private sector directly or indirectly through development finance institutions.

**Loans and Technical Assistance:** In 1985, the Bank approved a loan of \$7 million to the Fiji Development Bank (FDB) to finance development projects primarily in the private sector. The Bank loan will be utilized mainly for extending subloans for projects in the industrial and service sectors. The Project will be co-financed by IBRD in the amount of \$6.5 million. In addition, the Bank approved an equity line of \$250,000 to supplement FDB's equity investment fund for financing equity investments in industrial and service sector enterprises. The Bank also approved a technical

Cumulative Bank Lending to Fiji

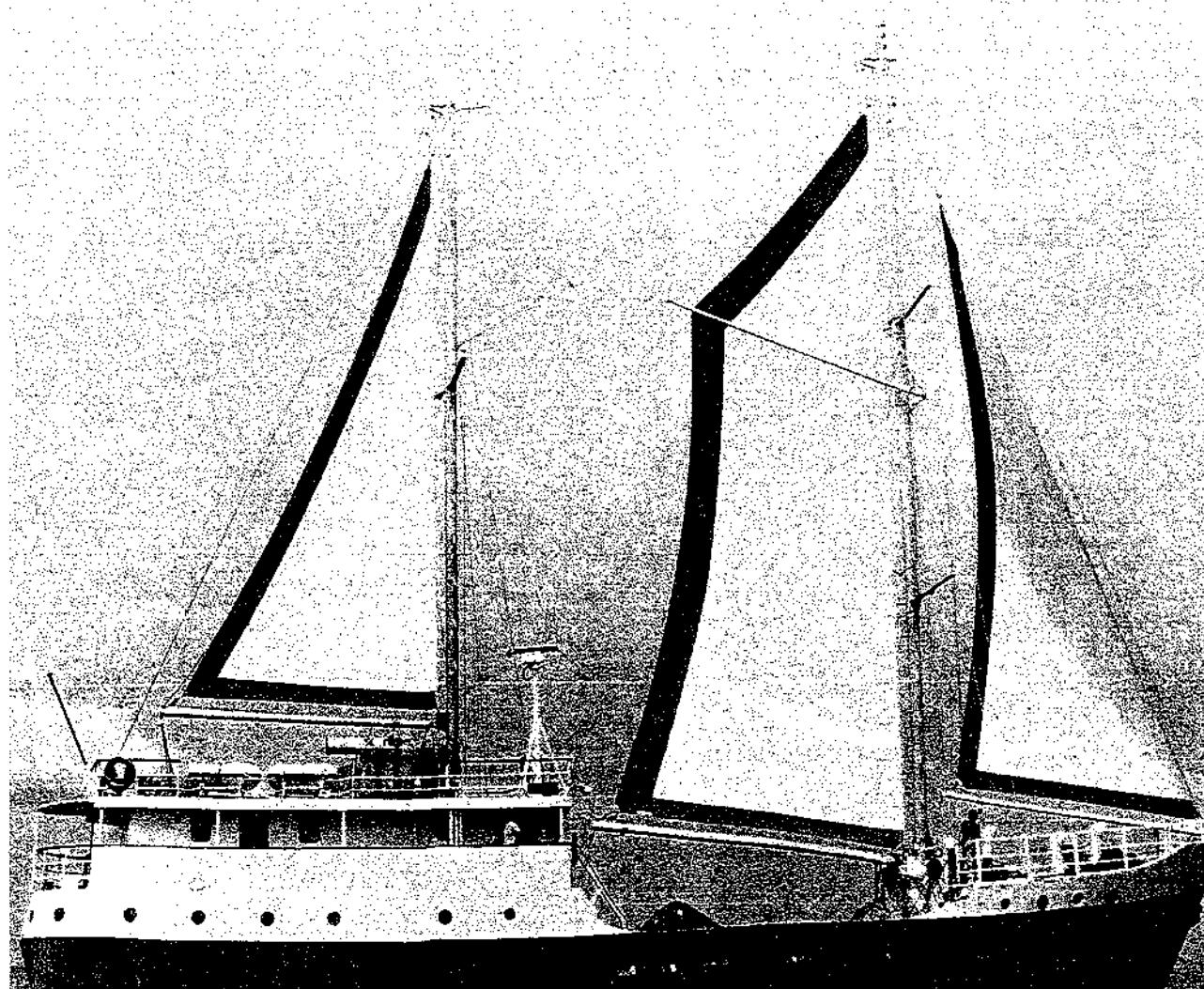
(As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	3	36.90	65.8
Development Banks	2	9.00	16.0
Transport and Communications	1	7.00	12.5
Agriculture and Agro-Industry	1	3.20	5.7
Total	7	<u>56.10</u>	<u>100.0</u>

assistance grant for \$150,000 to prepare a proposed Road Upgrading Project.

As of the end of 1985, the Bank had approved seven loans amounting to \$56.1 million for seven projects. The energy sector accounted for two-thirds of cumulative Bank lending to the country. In addition, technical assistance totalling \$1.94 million was provided for 14 projects, of which seven were for project preparation and seven were advisory and operational in nature.

A CARGO-PASSENGER vessel retrofitted with sails in an experimental sail-motor propulsion project to save fuel which was funded and carried out under a Bank technical assistance in cooperation with the Government of Fiji.



**Project implementation:** Of the seven loans approved to Fiji, three had been completely disbursed and four were under administration as of the end of 1985, of which one was awaiting loan effectivity. Disbursements totalled \$1.4 million during 1985, compared with \$7.9 million in 1984. Cumulative disbursements of Bank loans at the end of 1985 amounted to \$41.9 million or 85.5 per cent of the total amount of effective loans.

Implementation of Bank-financed projects has generally been satisfactory although occasional delays have been experienced in the recruitment of consultants and acquisition of land for project use. Improvement in coordination among agencies involved in the implementation of projects is also required. A temporary freeze on wages and recruitment of new staff was in force in 1985 and unless lifted soon may adversely affect project implementation. Another problem is the lack of familiarity of local project staff with the Bank's procedures for withdrawal of funds. However, this is being addressed through briefings provided by Bank missions.

### Hong Kong

**Project Implementation:** Of the five loans approved to Hong Kong, one has been repaid, three had been completely disbursed and one was under administration at the end of 1985. Disbursements totalled \$1.1 million during the year, compared with \$3.1 million in 1984. Cumulative

disbursements of Bank loans at the end of 1985 totalled \$94.1 million or 97 per cent of the total amount of effective loans.

With the successful completion of the Bank-financed portion of the Second Sha Tin Urban Development Project, all Bank projects in Hong Kong have been completed. It is expected that the loan for the Second Sha Tin Urban Development Project will be completely disbursed and closed by June 1986.

## India

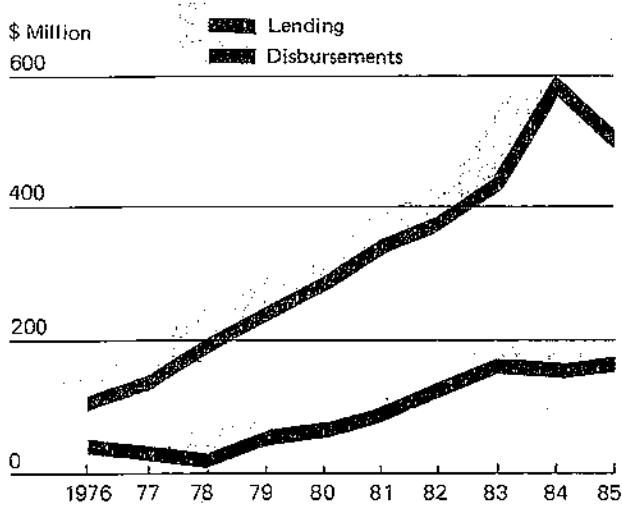
In 1985, Bank staff visited India to discuss with appropriate government agencies and officials the commencement of Bank lending to India. Areas where Bank assistance would be of priority tentatively include industry, power and ports.

## Indonesia

**Operational Strategy:** The Bank's operational strategy in Indonesia is directed at supporting priority projects in agriculture, energy and education, including manpower development. Bank strategy in the agriculture sector is aimed mainly at supporting the Government's efforts to diversify the agricultural base and optimize resource use. In the energy sector, the Bank's strategy supports the Government's plan to reduce the country's dependence on oil as a source of energy by developing non-oil and renewable resources and improving energy demand management and conservation. Bank assistance to education and institutional development in Indonesia is of special significance in view of the severely limited availability of trained and skilled manpower. On a selective basis, Bank assistance is extended to support physical infrastructure, such as ports and roads, and social infrastructure projects in urban development, water supply and health and population.

## Indonesia: Lending and Disbursements

### Annual, 1976-1985

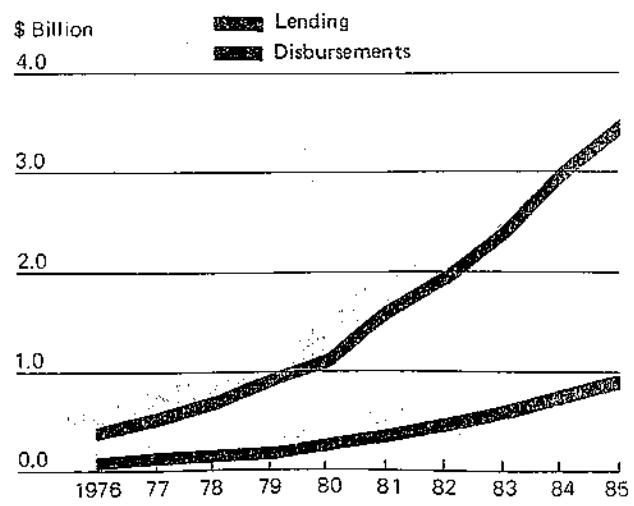


### Cumulative Bank Lending to Indonesia (As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	52	1,293.82	37.4
Energy	18	647.05	18.7
Transport and Communications	16	583.86	16.9
Education	9	344.40	10.0
Urban Development	5	241.85	7.0
Water Supply and Sanitation	5	127.20	3.7
Industry and Non-Fuel Minerals	4	119.70	3.5
Health and Population	1	41.60	1.2
Development Banks	1	30.00	0.9
Others	1	25.00	0.7
<b>Total</b>	<b>112</b>	<b>3,453.98</b>	<b>100.0</b>

**Loans and Technical Assistance:** Bank lending to Indonesia totalled \$500.7 million from OCR in 1985, compared with \$587 million in 1984. A total of nine loans were approved in 1985, including one technical assistance loan. Local cost financing accounted for \$64.5 million, or about 13 per cent, of Bank lending to the country during the year. One project involved co-financing totalling \$6 million with the Government of the Netherlands. Another project involved co-financing amounting to \$2 million under an umbrella arrangement with the Government of Finland.

### Cumulative, to End of 1985





CATTLE being transported in South Kalimantan, Indonesia — an aspect of a livestock development project supported by the Bank with a \$20.5 million loan. The main objectives of this Project are to increase the number of cattle and supply breeding and draft animals to transmigrants and smallholders.

Agriculture accounted for 26 per cent of the Bank's lending to Indonesia during 1985. The four loans in the agriculture sector helped finance irrigation, forestry, land resource evaluation and planning and fisheries sector projects. One road project in the transport sector will augment intra-island transport links. A health and population project will improve the delivery of health care services and clinical family planning methods in selected provinces. An education project, for the University of Sriwijaya, will help ease constraints in trained manpower. An urban development project will improve the living conditions of low-income groups in Bandung and a water supply project will benefit people living in about 125 subdistrict capitals.

In 1985, the Bank also provided \$1.4 million in technical assistance for six projects, compared with \$1.7 million for nine projects in 1984. Project preparatory technical assistance totalled \$1.1 million for five projects and advisory and operational technical assistance amounted to \$350,000 for one project. Four of the projects were in the agriculture sector (two in irrigation and one each in forestry and cash crops) and one each for transport and education projects.

As of the end of 1985, the Bank had approved 112 loans totalling \$3,454 million to Indonesia for 107 projects. Of these loans, 89, amounting to \$3,291.7 million, were from OCR and

23, amounting to \$162.3 million, were from ADF. The Bank had also provided technical assistance totalling more than \$20.5 million for 105 projects, of which 61 have resulted in Bank loans amounting to \$2,206 million. Bank lending activities have generally followed the Bank's operational strategy in Indonesia and the country's development priorities as embodied in successive national development plans, with agriculture accounting for 37 per cent of cumulative Bank lending, followed by energy development with 19 per cent.

**Project Implementation:** Of the 112 loans made to Indonesia, 40 had been completely disbursed and 72 were under administration at the end of 1985, of which six were awaiting loan effectivity. Disbursements totalled \$167.5 million during the year, compared with \$160.3 million in 1984. Seven loans were closed during the year.

Cumulative disbursements of Bank loans at the end of 1985 totalled \$949.7 million, or 33.3 per cent of the total amount of effective loans. The pace of implementation of Bank-assisted projects has been slow. This has been a matter of concern to the Government and the Bank, and the Government has adopted measures intended to overcome the constraints to project implementation such as (i) defining clearly the responsibilities for approval of procurement contracts, budget releases and letters of credit, (ii) introducing greater flexibility in the application of Government's policy regarding use of local products and services, and (iii) resolving problems relating to consultants' billing rates and tax levies.

## Korea, Republic of

**Operational Strategy:** The Bank's operational strategy for the Republic of Korea, in conformity with the Government's priorities and strategies, focuses on social development, structural adjustment in the energy sector, and industrial development and restructuring through private sector initiatives. The Bank will also give due consideration to physical infrastructure bottlenecks impeding the achievement of these objectives. Bank assistance to social infrastructure projects will help promote a more equitable distribution of the benefits of economic growth. In the energy sector, Bank assistance will emphasize energy rationalization and development of domestic resources to help reduce the country's high dependence on imported energy. In the areas of industrial restructuring, the Bank's operational strategy continues to envisage support to development finance institutions that traditionally finance private sector industrial units. Small and medium-scale industries and science and technology, including research and development and manpower development, will receive special attention in view of their importance in the industrial restructuring process. Assistance to physical infrastructure will contribute to balanced regional development besides supporting industrial restructuring objectives and will focus on the development of roads and ports.

**Loans and Technical Assistance:** In 1985, the Bank approved three loans totalling \$167 million from OCR to the Republic of Korea, compared with four loans amounting to \$174 million in 1984.

In the energy sector, the Southern Seoul District Heating Project was the first of its kind to be considered for Bank financing. The innovative approach to the conservation and utilization of heretofore wasted heat energy from a thermal



*FEED for livestock is bagged at a livestock feedmill factory in the Republic of Korea. A \$13 million Bank loan helped construct four such feedmills, each with a production capacity of 300 mt. per day.*

power plant is envisaged to have wider applications in the country as well as in other DMCs. The Third Sewage Treatment Project was the Bank's first social infrastructure project in which the private sector will play a major role in project financing. In the development finance institution (DFI) sector, the sixth loan to the Korea Long Term Credit Bank (KLB) marked a significant increase in the level of co-financing associated with DFI lending in the Republic of Korea, with co-financing totalling \$70 million.

The Bank's technical assistance program in the Republic of Korea in 1985 consisted of two project preparatory grants (Third Sewage Treatment and Sewage Treatment Sector) for a total amount of \$143,000.

By the end of 1985, the Bank had approved 74 loans totalling \$2,116.5 million to the Republic of Korea. Of these, 73 loans (\$2,112.8 million) were from OCR and one (\$3.7 million) from ADF. The Bank's first equity investment in the country, amounting to \$0.96 million equivalent, was approved in December 1983. The Bank has also provided 28 technical assistance grants totalling \$4.1 million comprising five for advisory and operational purposes (\$1.4 million) and 23 for the preparation of projects (\$2.6 million), 16 of which have resulted to date in 21 investment Bank loans amounting to \$715.6 million.

In addition, co-financing, already induced or expected to

be induced, in an amount of \$402 million has been arranged. Of the Bank's total lending, two-thirds has been in sectors directly supporting the country's industrialization efforts — industry, development banks, energy and transport. In lending through DFIs, there has been a shift to a more balanced allocation of funds for the support of small and medium-scale industries. In recent years, the Government has also increased investment in the social infrastructure sector. This change in emphasis is reflected in the Bank's lending since 1977, during which period over one-third of its assistance has been for social infrastructure. While this assistance has also had an industry-supportive aspect, a major objective has been to improve the quality of life commensurate with the country's rapid material development. There has also been a rise in Bank lending to the energy sector in response to increased energy consumption levels and the country's dearth of indigenous fuels.

**Project Implementation:** Of the 74 loans approved to the Republic of Korea, 48 had been completely disbursed, two were cancelled and 24 were under administration, including three that were awaiting effectiveness. Disbursements totalled \$124.2 million during 1985, compared with \$136.5 million in 1984. Seven loans were closed during the year. Cumulative disbursements of Bank loans at the end of 1985 totalled \$1,321.1 million or 74.8 per cent of the total amount of effective loans.

Overall, the progress of Bank-financed projects in the Republic of Korea has been satisfactory and no serious problems were encountered in 1985. However, some difficulties were experienced in the provision of local currency financing, particularly in projects implemented by local governments. Utilization of DFI credits was also slow due to lower demand for foreign currency loans brought about by the slack in economic activity, competition from commercial banks, and the relaxation of government policy allowing conversion of Won into foreign currency for the importation of materials and equipment by the industrial sector.

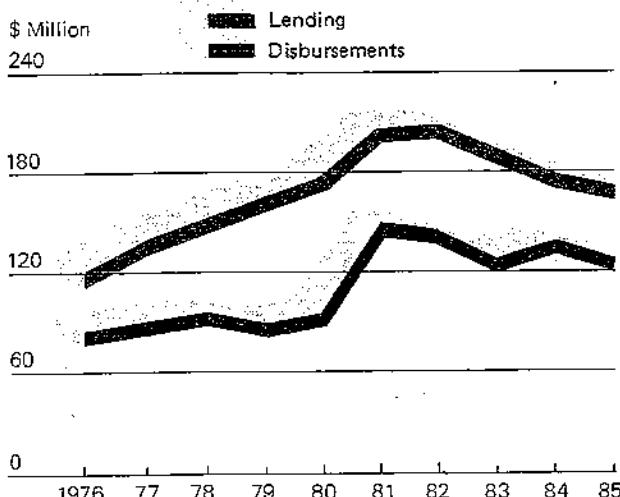
During 1985, the Bank initiated discussions on measures to improve project accounting and auditing procedures in government agencies involved in project implementation.

**Cumulative Bank Lending to Republic of Korea**  
(As of 31 December 1985)

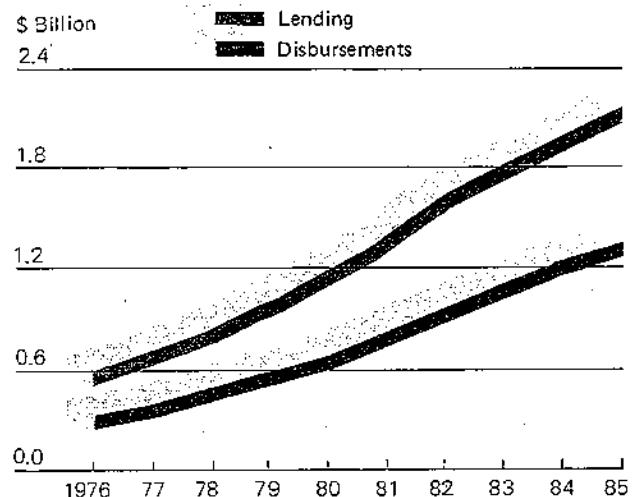
Sector	Number of Loans	Amount of Loans (\$ million)	%
Development Banks	21	795.00	37.6
Water Supply and Sanitation	15	434.60	20.5
Transport and Communications	9	259.55	12.3
Energy	10	234.38	11.1
Agriculture and Agro-Industry	8	163.80	7.7
Industry and Non-Fuel Minerals	8	135.50	6.4
Urban Development	2	90.00	4.2
Education	1	3.70	0.2
Total	74	2,116.53	100.0

## Republic of Korea: Lending and Disbursements

Annual, 1976-1985



Cumulative, to End of 1985



## Lao PDR

**Operational Strategy:** The Bank's operational strategy in Lao PDR is aimed at (i) generating much-needed foreign exchange by developing the country's export potential; and (ii) better integrating the economy and stimulating production in rural areas by providing basic infrastructure facilities. To achieve these objectives, support is channelled toward developing hydropower resources and power transmission, forestry and wood processing and road transport.

**Loans and Technical Assistance:** No loans or technical assistance were approved by the Bank to Lao PDR in 1985. Substantial work was undertaken during the year, however, on the proposed Xeset Hydropower Construction Project with the near completion of the Bank's engineering loan extended for the project in 1984.

As of the end of 1985, the Bank had provided 12 loans for 11 projects amounting to \$60.1 million in Lao PDR, all from

ADF. Technical assistance totalling \$6 million had been provided for 22 projects, of which seven have resulted in Bank loans amounting to \$53.5 million. The sectoral distribution of cumulative Bank lending reflected the emphasis given to developing forest-based industries for export, stimulating activities in rural areas and developing energy resources for both domestic use and export.

**Project Implementation:** Of the 12 loans approved to Lao PDR, five had been completely disbursed and seven were under administration at the end of 1985. Disbursements totalled \$4.3 million during 1985, compared with \$2 million in 1984. Cumulative disbursements of Bank loans at the end of 1985 amounted to \$28.8 million or 53.3 per cent of the total amount of effective loans.

Although ongoing Bank-financed projects in Lao PDR are generally progressing satisfactorily, manpower and institutional constraints have hamstrung the country's capability to implement development projects. To help alleviate this problem, the Bank has provided a technical assistance grant under which the Government established the Project Implementation Advisory Services Unit (PIASU) to assist executing agencies in the implementation of Bank-financed projects. Also, under the same technical assistance, three Lao government officials who will manage the PIASU underwent training in the Bank for two months.

Cumulative Bank Lending to Lao PDR  
(As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	5	29.82	49.6
Energy	5	16.32	27.1
Transport and Communications	1	8.00	13.3
Water Supply and Sanitation	1	6.00	10.0
Total	12	60.14	100.0

## Malaysia

**Operational Strategy:** In Malaysia, the Bank's operational strategy supports the main objective of the New Economic Policy — fostering structural change by redressing economic and social imbalances. Two areas of prime importance are alleviating poverty and developing energy. The Bank has adopted a multifaceted approach to help meet the challenge of poverty alleviation through assistance to agriculture,

regional development, manpower development and social infrastructure. In agriculture, the Bank is guided by the objectives of the National Agricultural Policy to improve farm productivity and diversify the income of farmers; regional development has a focus on relatively poor areas; manpower development is supported through rehabilitating and expanding technical and vocational education institutions; and basic needs of the poor are provided through social infrastructure facilities. In the energy sector, exploiting the country's considerable natural gas reserves, developing hydroelectric power, and broadly diversifying energy sources remain the highest priorities of the Government and are supported by the Bank. Another important area is the development of ports to facilitate exports. The Bank's future strategy will assist, at the Government's initiative, plans to develop the private sector through equity participation and/or financing of private industries, either directly or through development finance institutions.

**Loans and Technical Assistance:** Bank lending to Malaysia amounted to \$132.4 million from OCR in 1985, compared with \$159.9 million approved in 1984. A total of four loans (including one sector loan and one technical assistance loan for \$1.8 million) were approved, three in the agriculture sector for integrated agricultural development and one for regional development. This pattern is consistent with the Bank's overall lending strategy in Malaysia.

Nine technical assistance grants totalling \$2.1 million were approved in 1985, compared with five grants totalling \$1.1 million in 1984. Advisory and operational technical assistance amounted to \$885,000 for three projects. Three projects were in the agriculture sector, two for urban and regional development and one each for energy, water supply, health and environmental improvement.

As of the end of 1985, the Bank had approved 59 loans totalling \$1,177 million for 57 projects, all but one of them from ADF. In addition, technical assistance totalling \$6.2

#### Cumulative Bank Lending to Malaysia

(As of 31 December 1985)

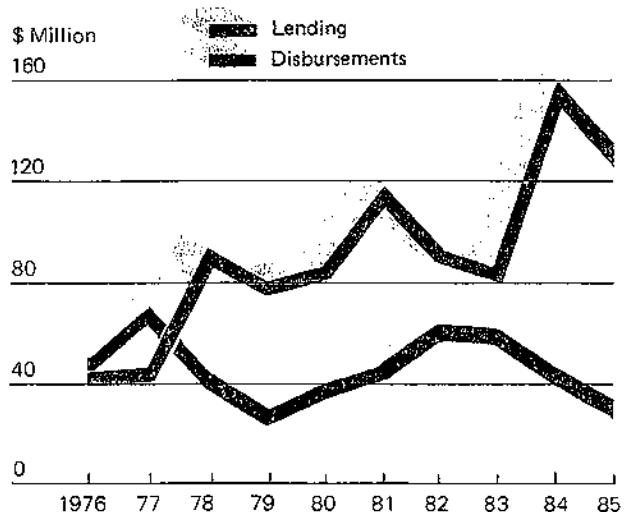
Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	19	380.66	32.3
Transport and Communications	15	255.14	21.7
Energy	9	217.50	18.5
Water Supply and Sanitation	9	114.11	9.7
Urban Development	3	91.20	7.7
Education	2	78.00	6.6
Health and Population	1	28.80	2.2
Development Banks	1	15.00	1.3
Total	59	1,177.41	100.0

million was provided for 29 projects, of which eight have resulted in Bank loans amounting to \$230.9 million. The sectoral distribution of cumulative Bank lending to Malaysia partly reflects the past emphasis on physical infrastructure development and, partly, the more recent thrust in agriculture and social infrastructure development. Consequently, the portfolio of Bank-assisted projects in Malaysia is spread relatively evenly among the different sectors.

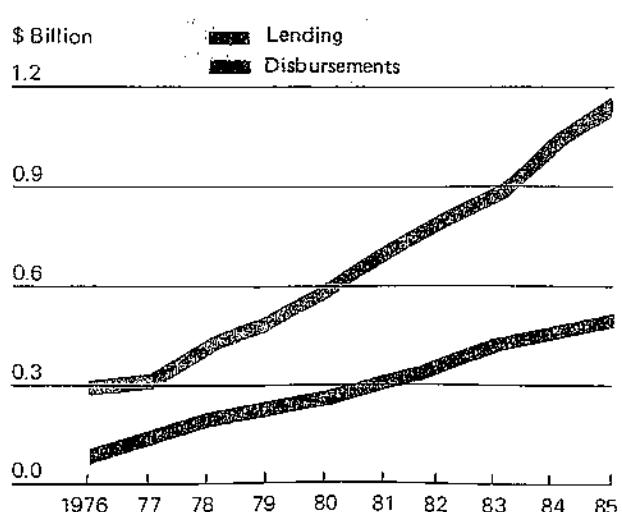
**Project Implementation:** Of the 59 loans approved to Malaysia, 35 had been completely disbursed, one was cancelled and 23 were under administration at the end of 1985, including three loans that were awaiting effectivity.

#### Malaysia: Lending and Disbursements

##### Annual, 1976-1985



##### Cumulative, to End of 1985





*FARMER clearing paddy at the Besut Agricultural Development Project in Trengganu state, Malaysia. This Bank-assisted Project is designed to develop irrigation, drainage, roads and agricultural extension facilities.*

Disbursements totalled \$31.2 million, compared to \$44.4 million in 1984. Four loans were closed during the year. Cumulative disbursements of Bank loans at the end of December 1985 totalled \$509.6 million or 50.6 per cent of the total amount of effective loans.

Implementation of Bank-financed projects in Malaysia has been generally satisfactory. However, cutbacks in budgetary allocations in 1983 and 1984 for the Government's public investment program caused a slowdown in developmental expenditures and this affected Bank-financed projects. The situation improved somewhat in 1985 and allocations provided in the 1986 budget are now considered adequate. Partly because of budgetary constraints, and partly due to the slow pace of contract awards and delays in submission of withdrawal applications, the disbursement total was less in 1985 than in 1984. This matter has been discussed with Malaysian authorities and remedial measures are being taken by the Government. Several important projects, including the Batang Ai and Trengganu Hydropower projects and the two water projects covering the states of Johore, Kelantan, Perak and Trengganu were substantially completed in 1985.

## Maldives

**Operational Strategy:** The Bank's assistance program in Maldives has focused on transport, communications and power infrastructure to support the directly productive investments Maldives has made with other assistance. This emphasis is expected to continue.

**Loans and Technical Assistance:** In 1985, the Bank provided a technical assistance grant of \$0.2 million to review the technical and financial operation of inter-island vessels.

The Bank has so far provided two loans, both from ADF, to Maldives for the development of inter-island transport (\$1 million in 1981) and a multiproject loan (\$2.4 million in 1984) for five subprojects supporting ports, communications and power infrastructure. In addition, the Bank has provided three technical assistance grants to prepare a feasibility study for the inter-island project, to assist the Government in identifying and planning priority development projects, and to prepare subprojects under the multiproject loan.

**Project Implementation:** Disbursements totalled \$0.08 million during 1985, compared with \$0.03 million in 1984. Cumulative disbursements of Bank loans at the end of 1985 amounted to \$0.8 million or 23.9 per cent of the total amount of effective loans.

## Nepal

**Operational Strategy:** The Bank's operational strategy in Nepal focuses on agriculture and is designed to enhance agricultural productivity, increase food intake and diversify agricultural products. This general objective is pursued through broadly-based strengthening of the agriculture sector and crop intensification aimed at significantly increasing productivity. Particular emphasis is placed on constructing irrigation facilities, developing rural infrastructure including electrification, providing agricultural inputs and agricultural credit and reversing ecological deterioration. At this stage of Nepal's development, Bank lending to the non-agricultural sectors basically supports the development of agriculture in a way that ensures satisfactory linkage with other sectors while assisting the long-term diversification of the economy.

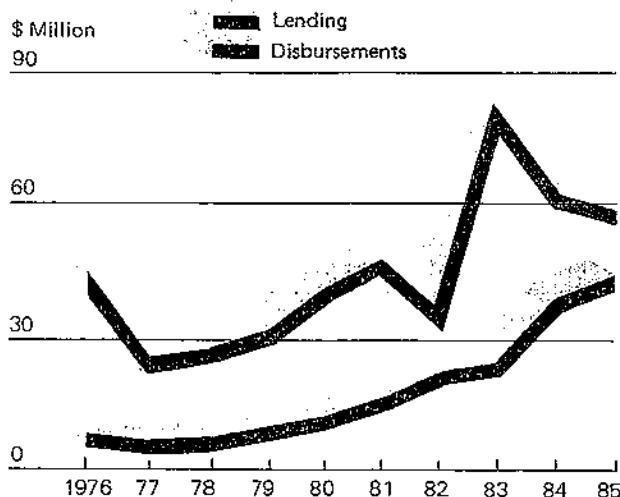
**Loans and Technical Assistance:** Bank lending to Nepal amounted to \$58 million for four loans from ADF in 1985, compared with \$60.7 million approved in 1984. The loans approved in 1985 were all in the agriculture sector and included local cost financing of \$25.9 million. The projects were designed to increase cotton production in three Terai districts; to increase rural incomes and raise nutritional levels through livestock development; to provide access road and basic agricultural support services to the remote Seti Zone; and to develop cost-effective large-scale forestry plantation in order to produce fuelwood for the domestic markets.

The Bank also approved seven technical assistance projects amounting to \$5.1 million in 1985. Of these, \$3 million was provided by UNDP for two projects (Cotton Development and Second Livestock Development), \$0.85 million by the Government of Finland for the Master Plan for Forestry Development Project and \$0.1 million by IFAD for the Second Small Farmers Development Project. In addition to these co-financed technical assistance projects, the Bank provided funds for the preparation of the East Rapti Irrigation and Hill Fruit Development Projects and one advisory technical assistance for the Third Forestry Development Project.

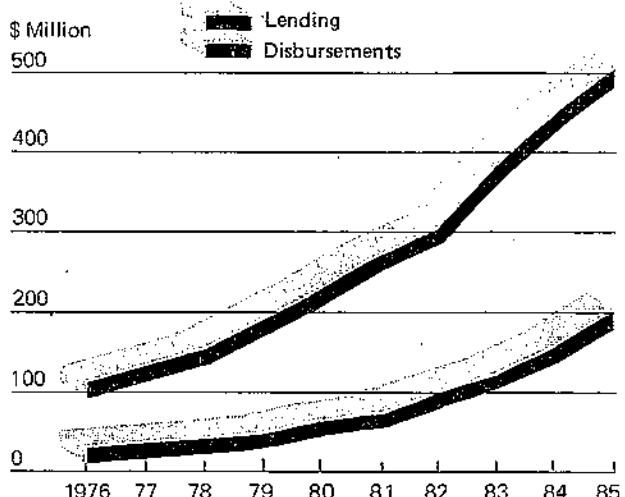
As of end-December 1985, the Bank had approved 48 loans totalling \$498.3 million for 40 projects in Nepal. With one exception, all loans were from ADF. In addition, technical assistance amounting to \$26.2 million for 70 projects had been provided or administered by the Bank. Of the 37 project preparatory technical assistance projects, 23 had resulted

## Nepal: Lending and Disbursements

Annual, 1976-1985



Cumulative, to End of 1985



In Bank loans for projects totalling \$343.7 million. The Bank's cumulative lending to Nepal has been mainly directed to the agriculture and energy sectors which together account for about 74 per cent of the Bank's total loan portfolio.

**Project Implementation:** In Nepal, of the 48 loans approved, 13 had been completely disbursed and 35 were under administration as of the end of 1985, including five that were awaiting loan effectivity. Disbursements totalled \$43.3 million during 1985, compared with \$37.3 million in 1984. Cumulative disbursements of Bank loans at the end of December 1985 totalled \$193.6 million or 47.3 per cent of the total amount of effective loans.

Implementation of most of the Bank-assisted projects in Nepal is generally lagging behind schedule. This is due to deficiencies in project preparation work, followed by delays

in project start-up, in recruitment of consultants, and in initiating and processing procurement activities and civil works. Scarcity of experienced technical staff, inadequate managerial capabilities, frequent transfers of project staff and prolonged administrative procedures are also causing delays in project implementation in Nepal.

At the request of the Government, the Bank in 1985 started holding Country Project Review meetings with senior government officials on a bi-annual basis. Such meetings focus on country-specific implementation problems and constraints related to Bank-assisted projects in Nepal. It has been agreed that audited financial statements required to be submitted to the Bank will be provided by the Office of the Auditor General as soon as they have been considered by Parliament.

## Pakistan

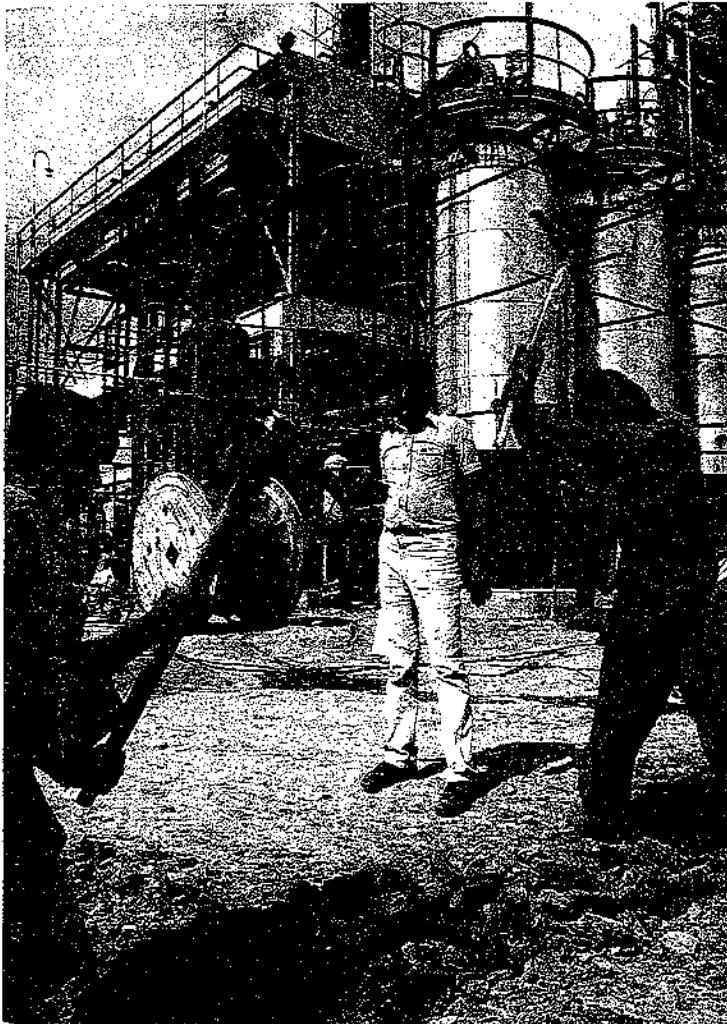
**Operational Strategy:** The Bank's operational strategy, as recommended in the recently-completed Pakistan Strategy Study — *Strategies for Economic Growth and Development - The Bank's Role in Pakistan* (July 1985) — envisages that the main goals for Bank assistance in Pakistan should be balanced growth and improved equity, to be achieved through activities designed to promote appropriate structural change, improve economic efficiency and strengthen development institutions. The Bank's primary commitments in Pakistan should remain with agriculture, energy and industry. The further development of social and other infrastructure, however, should also merit Bank attention as improvements in these sectors are a precondition for sustained long-term overall economic growth and structural change.

The major focus of Bank assistance in agriculture will be toward increasing the productivity and output of the major crops, with diversification and minor crops to be supported as a secondary and longer-term objective. The Bank's involvement in the energy sector will focus on a program of gradual

Cumulative Bank Lending to Nepal (As of 31 December 1985)			
Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	29	264.21	53.0
Energy	8	103.40	20.8
Transport and Communications	6	59.41	11.9
Industry and Non-Fuel Minerals	2	49.50	9.9
Education	2	12.20	2.5
Water Supply and Sanitation	1	9.60	1.9
<b>Total</b>	<b>48</b>	<b>498.32</b>	<b>100.0</b>

diversification. While maintaining a continuing interest in the power sector, with particular emphasis on acting as a catalyst to mobilize co-financing for the sector and on improving operational efficiency, increased attention will be given to assisting the Government in finding ways to moderate energy usage and to increase the supply of indigenous energy resources. In the industrial sector, the Government plans to bring about a transformation through policies of deregulation, tariff reforms and privatization. In this context, the Bank's support during the transition period will be of considerable importance. Traditional lending through the DFIs will be continued; however, the Bank should seek new areas and develop diversified modalities such as equity investment, leasing, direct lending to private industry and industrial parks development. Bank assistance to the social sectors will be increased from the past low levels, with an emphasis on education, primary health care and improvement of the environment in major urban centers.

**Loans and Technical Assistance:** In 1985, Bank lending to Pakistan amounted to \$571.6 million (\$292.8 million from ADF and \$278.8 million from OCR) for nine projects, compared with \$347 million (\$209.8 million from ADF and \$137.2 million from OCR) for four projects in 1984. Local cost financ-



WORK in progress at an oilfield, one of several industrial projects in Pakistan assisted by the Bank through the National Development Finance Corporation.

#### Cumulative Bank Lending to Pakistan

(As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	28	1,047.67	39.0
Agriculture and Agro-Industry	22	754.95	28.1
Development Banks	15	457.00	17.0
Transport and Communications	5	176.60	6.6
Industry and Non-Fuel Minerals	3	95.80	3.6
Water Supply and Sanitation	2	61.50	2.3
Education	3	59.80	2.2
Health and Population	2	31.00	1.2
Total	80	2,684.12	100.0

ing accounted for \$123.8 million, or 21.7 per cent, of total Bank lending to Pakistan during the year. Six of the nine projects approved in 1985 involved co-financing totalling \$432.1 million with various donors including the World Bank, the OPEC Fund, Canada, Federal Republic of Germany, Italy, the Overseas Economic Cooperation Fund of Japan, IFAD, UNDP and the Government of Switzerland.

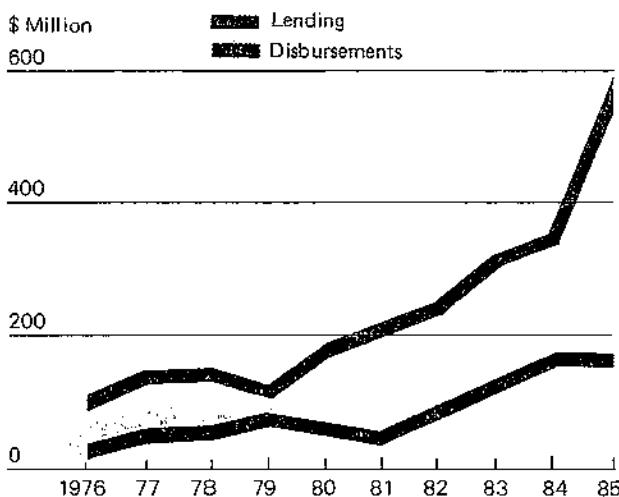
Agriculture accounted for 32.2 per cent of the Bank's lending to Pakistan during 1985. The three loans in the agriculture sector helped finance surface water development including rehabilitation of irrigation infrastructure and development of small dams. In the energy sector, which accounted for 28 per cent of lending to Pakistan in 1985, one project was designed to help ease the severe power shortage situation in the country by a further expansion of hydroelectric capacity at Tarbela Dam and one was for the development of natural gas. The Bank also provided its first loan for the upgrading of farm-to-market roads. A telecommunications project will help finance a significant portion of the Government's telecommunications expansion plan. In education, Bank assistance was provided to improve the quality of the country's science education program. The Bank's eleventh loan through DFIs will provide foreign exchange resources to five participating financing institutions for sublending to industrial projects sponsored by the private sector.

The Bank approved eight technical assistance projects to Pakistan in 1985 totalling \$2.7 million (of which \$1.3 million was financed by UNDP) compared with \$2.2 million for nine projects in 1984. Project preparatory technical assistance amounted to \$0.7 million for four projects and advisory and operational technical assistance amounted to nearly \$2 million for four projects. There were two projects each in the energy, agriculture and industry sectors and one each in transport and telecommunications.

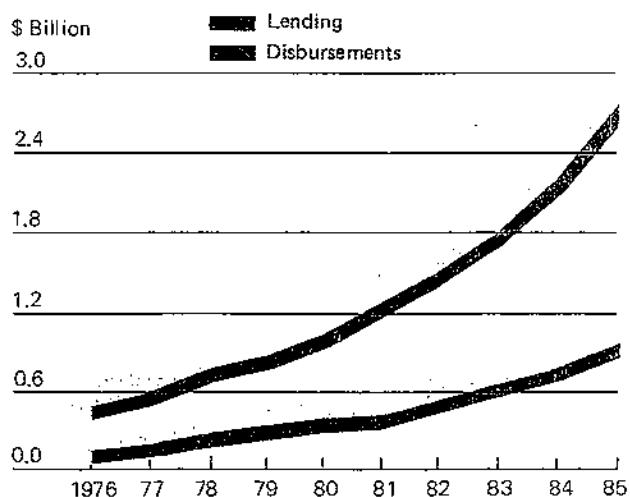
The Bank has so far provided 80 loans totalling \$2,684.1 million for 62 projects in Pakistan. Of these, 45 loans amounting to \$1,528.9 million (57 per cent) were from ADF and 35 loans amounting to \$1,155.2 million (43 per cent) from OCR. Technical assistance totalling \$10.7 million has been provided for 47 projects, of which 17 have resulted in Bank loans amounting to \$713.9 million. Bank lending has emphasized

## Pakistan: Lending and Disbursements

Annual, 1976-1985



Cumulative, to End of 1985



the energy sector, which accounts for 39 per cent of total cumulative lending to Pakistan followed by the agriculture and agro-Industry sector with 28 per cent, and the Industry (including development banks) and non-fuel minerals sector which accounts for 21 per cent.

**Project Implementation:** Of the 80 loans approved to Pakistan, 31 had been completely disbursed and 49 were under administration at the end of 1985, of which 11 were awaiting loan effectivity. Disbursements totalled \$163.3 million during 1985, compared with \$163.1 million in 1984. Five loans were closed during the year. Cumulative disbursements of Bank loans at the end of December 1985 amounted to \$940.2 million or 48 per cent of the total amount of effective loans.

Delays in the implementation of Bank-financed projects have been experienced particularly in the agriculture, irrigation, water supply and social infrastructure sectors. These delays have been due mainly to internal government procedures for project approvals which are related to overall planning and budgetary requirements. Since 1983, the Government and the Bank have been holding semi-annual Country Project Review meetings to discuss implementation problems at the highest administrative level. The meetings, which are accorded a very high priority by the Government, are chaired by a senior official of the Ministry of Finance and Economic Affairs and include representatives of project executing agencies. In the 1985 meetings, a number of procedural matters were resolved. This is expected to expedite the implementation of projects.

## Papua New Guinea

**Operational Strategy:** Within the framework of the Government's development objectives of stimulating economic growth and maximizing income-earning oppor-

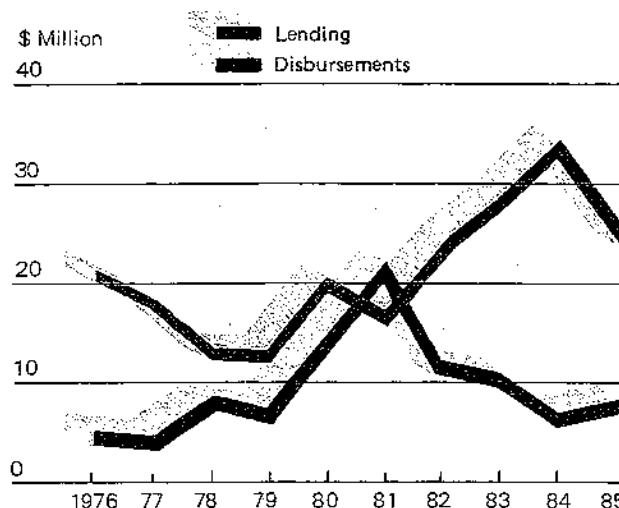
tunities, the Bank's operational strategy in PNG is geared primarily towards: (i) building up and expanding the country's agricultural base to provide development impetus and enhance the generation of more employment opportunities; (ii) developing essential physical infrastructure to support development of priority sectors and social infrastructure through improvement in the provision of health services, human resource development and strengthening institutional capacities; and (iii) helping develop the country's indigenous energy resources.

**Loans and Technical Assistance:** In 1985, the Bank provided three loans for two projects amounting to \$24.9 million to PNG (of which \$16.4 million was from OCR and \$8.5 million from ADF) compared with \$33.2 million approved in 1984. A loan for the Ports Development Project will be used to provide adequate and efficient port facilities at four ports in the country to help meet the requirements of domestic and overseas trade. The Second Rural Health Services Project is aimed at improving the delivery of health and health-related services in 13 of the country's 19 provinces not covered under the Bank's First Rural Health Services Project approved in 1982. The 1985 technical assistance program to PNG totalled \$1.2 million for five projects — four advisory and one project preparatory. Sectorally, three projects were in the agriculture sector, one in the water supply sector and one in the ports and shipping sector.

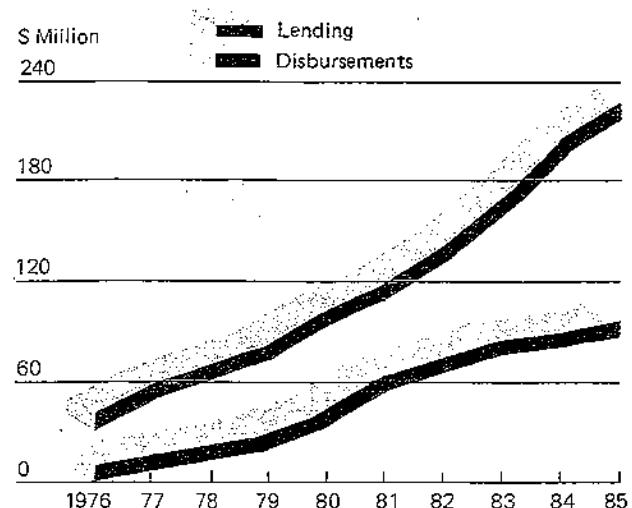
As of the end of 1985, the Bank had approved 23 loans to PNG totalling \$223 million for 18 projects. Of these loans, ten amounting to \$103.6 million were from OCR and 13 amounting to \$119.4 million from ADF. Technical assistance totalling \$5.2 million had been provided for 29 projects of which six had resulted in Bank loans amounting to \$79.6 million. The transport and communications sector has accounted for about 46 per cent of total cumulative Bank lending to PNG, followed by health with 12 per cent and by agriculture with 10 per cent.

## Papua New Guinea: Lending and Disbursements

Annual, 1976-1985



Cumulative, to End of 1985



**Project Implementation:** At the end of 1985, of the 23 loans approved to Papua New Guinea, eight had been completely disbursed and 15 were under administration, of which three were awaiting loan effectivity. Disbursements totalled \$8.3 million during 1985, compared with \$5.6 million in 1984. Cumulative disbursements of Bank loans at the end of December 1985 amounted to \$93.8 million or 47.3 per cent of the total amount of effective loans.

Among the problems encountered in Bank-financed projects in Papua New Guinea are delays in the recruitment of consultants, lack of effective coordination among the principal departments involved in implementation (the Departments of Finance and Planning, Works and Lands and the State Solicitor's Office), shortage of qualified personnel in

key sections such as the Contract Management Section of the Department of Works, and, in some executing agencies, unfamiliarity with the Bank's procurement policies and withdrawal procedures. Measures to address these problems have been discussed with the Government and the concerned executing agencies.

## Philippines

**Operational Strategy:** Since the emergence of the economic crisis in 1983, Bank operations in the Philippines have been adapted to assist the country in a period of extreme economic uncertainty and difficulty and severe resource constraints. This situation continued during 1985. The Bank's operational strategy in the Philippines in the short-term, therefore, focuses on the completion of ongoing projects which have high rates of return; the rehabilitation/improvement of existing infrastructure facilities; and on high-priority new projects characterized by short gestation periods, minimum local currency requirements and favorable balance-of-payments impact. At the same time, the Bank will continue to provide support, when circumstances permit, for selected "conventional" projects which have a longer-term developmental impact and a social equity dimension built into them.<sup>1</sup>

**Loans and Technical Assistance:** Due to a continuing severe shortage of counterpart funds and consequent slowdown in the implementation and loan disbursements for nearly all of the Bank's ongoing projects in the country, no new loans were provided to the Philippines in 1985. In response to these circumstances, the Bank established a

Cumulative Bank Lending to Papua New Guinea  
(As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Transport and Communications	8	102.05	45.7
Health and Population	3	25.90	11.6
Agriculture and Agro-Industry	2	22.74	10.2
Development Banks	3	22.50	10.1
Water Supply and Sanitation	2	18.90	8.5
Education	2	16.00	7.2
Energy	3	14.95	6.7
<b>Total</b>	<b>23</b>	<b>223.04</b>	<b>100.0</b>

<sup>1</sup> With the advent of the new Government in February 1986, there will be a need to reassess the Bank's operational strategy in the Philippines in line with the new Government's plans and priorities.

**Cumulative Bank Lending to Philippines**

(As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	29	714.64	33.9
Energy	14	566.35	26.8
Transport and Communications	14	296.85	14.1
Development Banks	10	245.00	11.6
Water Supply and Sanitation	6	245.20	11.6
Education	2	43.00	2.0
<b>Total</b>	<b>75<sup>a</sup></b>	<b>2,111.04</b>	<b>100.0</b>

<sup>a</sup> In addition, the Bank approved a \$28.7 million Special Assistance loan for Selected Bank-financed Projects in 1983.

special monitoring facility to assess continually disbursement progress and work closely with the Government on the Public Investment Program which detailed funding allocations for all ongoing foreign-assisted projects in the country. Numerous contacts were maintained throughout the year between the Bank and various levels of Government in an effort to expedite actual disbursements on Bank-assisted projects. The Bank also worked with the Government to identify possible cancellations of ongoing project components which no longer had high development priority, to help relieve the Government of unnecessary loan commitment charges.

The technical assistance program in 1985 comprised six projects for \$1.3 million, of which three were to prepare projects and three were for institutional strengthening and ad-

visory purposes. Three projects were in fisheries and livestock, and one each in integrated area development, rural water supply and the energy sector.

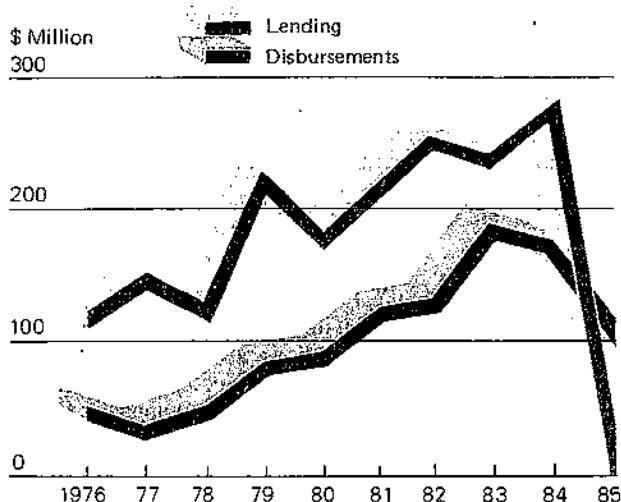
As of the end of 1985, the Bank had approved 76 loans to the country totalling \$2,111 million for 70 projects including an agricultural inputs program loan. Of these loans, 68 amounting to \$2,031.7 million were from OIC and eight amounting to \$79.3 million were from ADF. In addition, technical assistance totalling \$15.7 million had been provided for 71 projects, of which 27 have resulted in Bank loans amounting to \$928.1 million. Bank lending to the Philippines has emphasized the agriculture and agro-industry sector, which accounts for 33.9 per cent of total cumulative lending to the country, and the energy sector, which accounts for 26.8 per cent.

**Project Implementation:** In the Philippines, of the 76 loans (including one Special Assistance loan) approved, 32 had been completely disbursed and 44 were under administration as of the end of 1985. Disbursements totalled \$112 million during 1985, compared with \$172.3 million in 1984. Seven loans were closed during the year. Cumulative disbursements of Bank loans at the end of 1985 totalled \$1,104.2 million or 55.7 per cent of the total amount of effective loans.

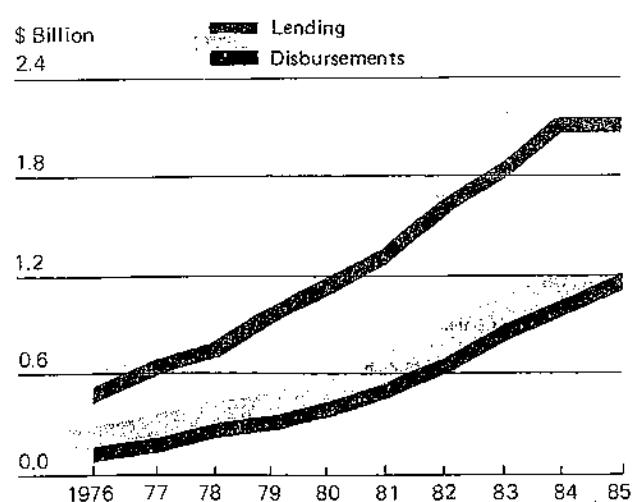
In 1985, implementation of Bank-financed projects continued to suffer from insufficient budgetary allocations. During the year, the Bank and the Government worked very closely to ensure that scarce financial resources were directed to foreign-assisted projects with the highest priority. Furthermore, the less essential components of some projects were cancelled. As a result of the close cooperation between the Government and the Bank, priority projects in the power and road sectors were provided with sufficient funds to permit moderate progress. Frequent meetings were held with officials at all levels of the Government to discuss pressing problems and issues related to project implementation. A

### Philippines: Lending and Disbursements

Annual, 1976-1985



Cumulative, to End of 1985





*CONTAINERS stacked up at Manila International Port in the Philippines. A two-phased Bank-assisted Project will help improve container handling facilities as well as prepare for the development of a domestic container terminal.*

Country Project Review Mission is scheduled to meet with senior government officials in early 1986 to review the overall situation and to work out corrective measures.

## Singapore

**Project Implementation:** With the physical completion of the Vocational and Industrial Training Project in December 1984, all 14 loans approved to Singapore had been almost completely disbursed. The Kent Ridge Hospital which was completed in 1984 became operational during 1985. Disbursements totalled \$4 million during 1985, compared with \$9 million in 1984. The cumulative disbursements of Bank loans at the end of 1985 amounted to \$142 million, or 96.5 per cent of the total amount of effective loans.

## Sri Lanka

**Operational Strategy:** The Bank's lending strategy in Sri Lanka is designed to help reverse the deterioration of capital assets and undertake structural adjustments needed to redirect the thrust of agricultural and energy development. Improving the structure of Sri Lanka's external account and supporting the transition to a market-oriented economy, which lie at the core of the Government's development strategy, provide underlying themes to the Bank's operational strategy in the country.

**Loans and Technical Assistance:** In 1985, the Bank approved three loans totalling \$54.4 million from ADF to Sri Lanka, compared with two loans totalling \$56 million in 1984. Local cost financing amounted to \$7.4 million, or 13.6 per cent of Bank lending to Sri Lanka in 1985.

Two loans approved during 1985 will assist government efforts to rehabilitate capital assets in the power distribution and trunk roads sectors, respectively, and to assist executing agencies to manage their assets more efficiently. The third, the Development Financing loan, will augment the foreign exchange resources of two DFIs (the National Development Bank of Sri Lanka and the Development Finance Corporation of Ceylon) for onlending to the private sector. This loan has also provided a vehicle for a dialogue with the Government, in coordination with IDA and the IMF, on policy change in the industry and finance sectors.

In addition, the Bank provided technical assistance for the preparation of two projects: Land Use Planning and Kirindi Oya (Phase II). Two advisory and operational technical assistance grants were also provided, one to strengthen traffic planning and regulation in the roads sector and the other to develop an accounting and audit education master plan. The technical assistance provided by the Bank totalled \$0.72 million.

As of the end of 1985, the Bank had provided 40 loans amounting to \$466.2 million for 34 projects in the country. Of these, six loans totalling \$14.1 million were from OCR and 34 loans amounting to \$452 million were from ADF. Technical assistance totalling \$6.3 million (including \$1.8 million financed by the Government of Switzerland and EEC) had been approved for 41 projects, of which 19 had resulted in Bank loans amounting to \$293.2 million. The agriculture and agro-industry sector had accounted for 64 per cent of cumulative Bank lending to Sri Lanka.

**Project Implementation:** At the end of 1985, of the 40 loans (including one Special Assistance loan) approved to Sri Lanka, 17 had been completely disbursed and 23 were under administration, of which two were awaiting loan effectiveness. Disbursements totalled \$28.9 million during 1985, compared with \$26.8 million in 1984. One loan was closed

Cumulative Bank Lending to Sri Lanka

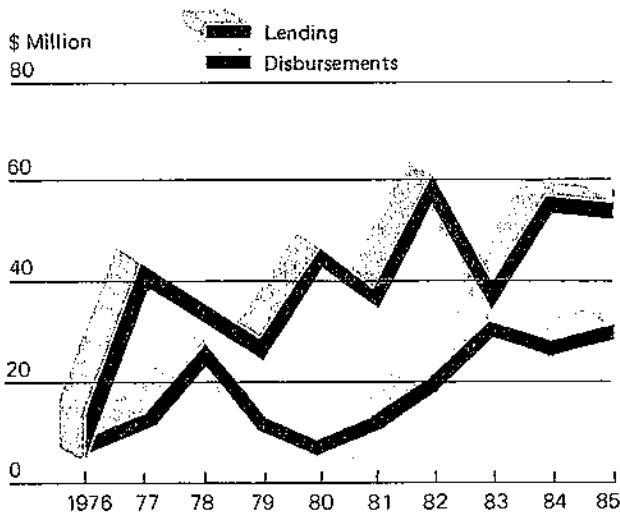
(As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	21	298.26	64.0
Energy	5	52.65	11.3
Development Banks	4	45.00	9.7
Transport and Communications	5	39.70	8.4
Education	1	16.10	3.5
Health and Population	1	9.30	2.0
Industry and Non-Fuel Minerals	2	5.15	1.1
Total	39 <sup>a</sup>	466.16	100.0

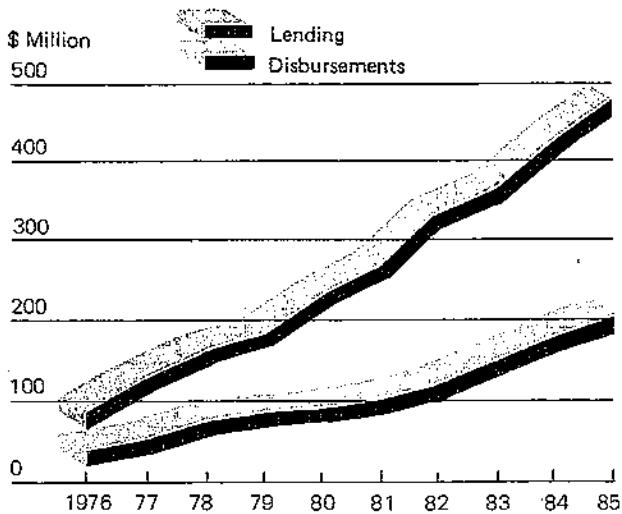
<sup>a</sup> In addition, the Bank approved a \$14.7 million Special Assistance loan for Selected Bank-financed Projects in 1983.

## Sri Lanka: Lending and Disbursements

Annual, 1976-1985



Cumulative, to End of 1985



during the year. Cumulative disbursements of Bank loans at the end of 1985 totalled \$197.3 million or 48 per cent of the total amount of effective loans.

Despite a number of delays, implementation of Bank-financed projects in Sri Lanka is generally progressing

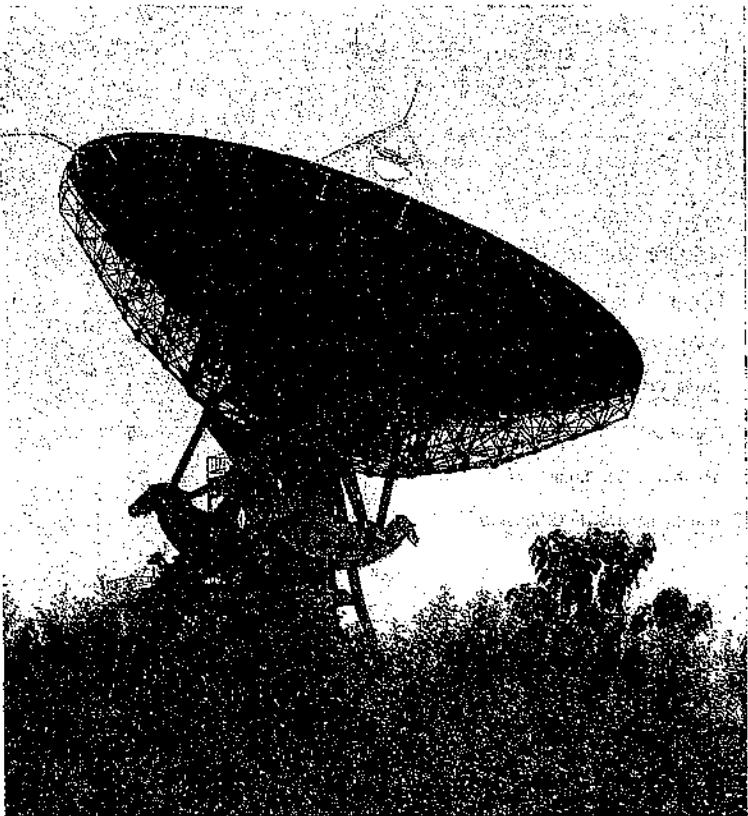
**COMMUNICATIONS** satellite earth station near Colombo, Sri Lanka, where Bank loans have helped improve the country's communications facilities.

satisfactorily. Project implementation problems and issues were extensively discussed with senior Sri Lankan government officials in the course of a Country Project Review Mission mounted in April 1985. Sri Lanka's disbursement ratios for the period 1982 to 1985 exceed the average ratios for all ADF countries in each of those four years. This is significant as only ADF disbursements have been made under loans to Sri Lanka from 1982 to 1985.

## Thailand

**Operational Strategy:** The Bank's lending strategy in Thailand is based on complementing the Government's policies and programs aimed towards achieving (i) increased efficiency in the productive sectors and supporting infrastructure; and (ii) qualitative improvements in the administrative and financial budgetary operations of the public sector. Thus, emphasis is accorded by the Bank towards provision of basic infrastructure facilities, promotion of private sector activities, and continued involvement in the energy and agriculture sectors. In infrastructure, the Bank will continue to support the development of the country's transport and communications network and water supply systems. In industry and manufacturing, the Bank supports Government efforts to stimulate a more broadly based and greater flow of capital to the private sector. In energy, the Bank will continue to provide assistance to ensure increased utilization of indigenous energy resources, particularly lignite. In agriculture, Bank assistance will emphasize programs and projects to assist the Government's efforts in redirecting the focus of agriculture towards crop diversification and export-oriented, agro-based industries.

**Loans and Technical Assistance and Equity:** Bank lending to Thailand in 1985 totalled \$168.9 million in two OCR loans for two projects, compared with \$195.2 million for two



projects in 1984. A loan for the Third Bangkok Water Supply Project will provide additional safe, piped water supply to residents as well as commercial and institutional establishments in the capital. Co-financing from Japan's Overseas Economic Cooperation Fund (OECF) amounting to \$88.6 million will cover part of the cost of the water supply project. An urban development loan for the Shelter Sector will improve the housing conditions of low-income urban dwellers. This project will be co-financed by the Government of Switzerland in the amount of \$0.58 million.

In addition, the Bank in 1985 provided technical assistance to formulate a mangrove forestry development project and to prepare projects to provide a second navigational channel for access to Bangkok Port and the next stage improvement and expansion of water supply facilities in the Bangkok metropolitan area. Advisory and operational technical assistances were also provided to: (i) assist the Industrial Finance Corporation of Thailand (IFCT) establish a small industry credit guarantee fund to promote direct lending to small-scale industries; (ii) help the National Economic and Social Development Board (NESDB) improve its system of monitoring and supervising the financial performance of state enterprises; (iii) assist the Government in developing a systematic and effective approach to land resource evaluation and planning; and (iv) assist the Board of Investment to prepare a five-year program to promote private sector investments in the chemical and engineering industries. The Bank is also acting as administrator for two advisory and operational technical assistance projects prepared by the Bank and financed by the Government of Switzerland for consultant services for the Shelter Sector loan and for the undertaking of a study on the use of mass and group media for disseminating agricultural information to farmers.

During 1985, the Bank for the first time provided a line of equity to a commercial banking institution — the Siam Commercial Bank — to augment the limited pool of available equity to support small and medium-scale enterprises. The

#### Cumulative Bank Lending to Thailand

(As of 31 December 1985)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	17	768.90	45.8
Transport and Communications	7	282.10	16.8
Water Supply and Sanitation	4	221.50	13.2
Agriculture and Agro-Industry	8	146.48	8.7
Development Banks	6	140.00	8.4
Urban Development	2	58.00	3.5
Industry and Non-Fuel Minerals	1	39.00	2.3
Education	3	21.40	1.3
Total	48	1,677.38	100.0

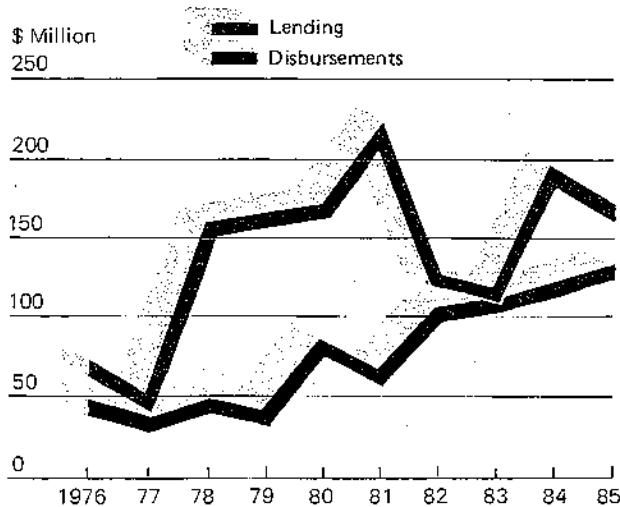
Bank's investments under the line of equity will catalyze financial resources in favor of these firms.

The Bank has to date extended 48 loans for 45 projects in Thailand totalling \$1,677.4 million, of which 42 loans amounting to \$1,605.3 million were from OCR. Technical assistance totalling \$9.7 million has been provided for 40 projects, of which seven have resulted in Bank loans amounting to \$327 million. The energy sector has accounted for 45.8 per cent of total cumulative lending to Thailand followed by the transport and communications sector with 16.8 per cent.

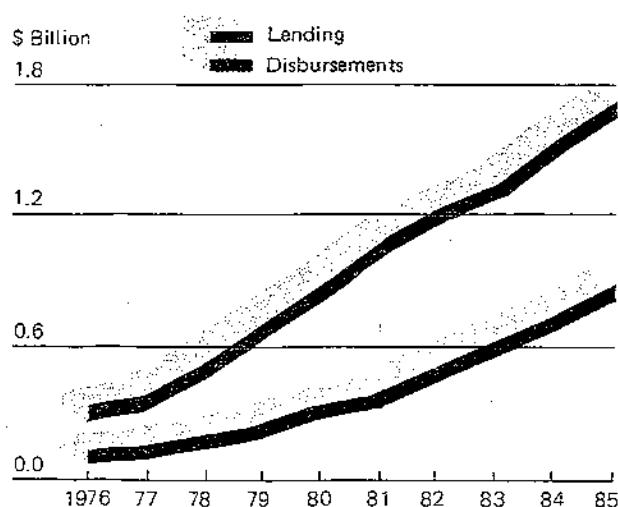
**Project Implementation:** At the end of 1985, of the 48 loans approved to Thailand, 23 had been completely dis-

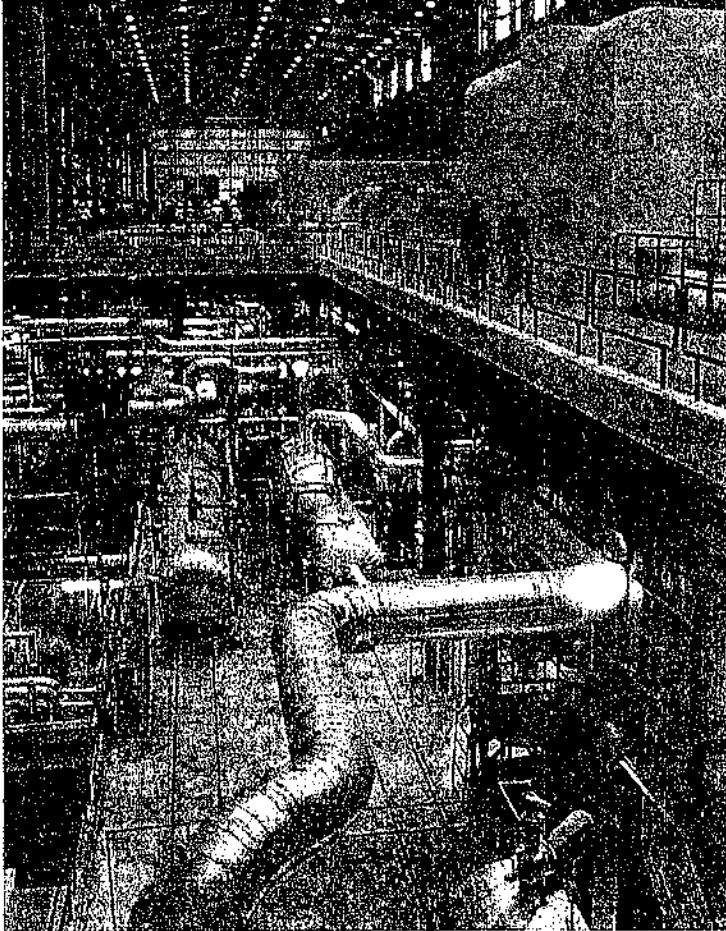
#### Thailand: Lending and Disbursements

##### Annual, 1976-1985



##### Cumulative, to End of 1985





TURBINE generators and auxiliaries inside the Mae Moh Power Station in northern Thailand. The Bank has approved loans totalling over \$310 million for this lignite-fired Project which provides the power needed for increased agricultural and industrial production.

bursed and 25 were under administration, of which one was awaiting effectivity. Disbursements totalled \$132.8 million during 1985, compared with \$122.9 million in 1984. Cumulative disbursements of Bank loans at the end of 1985 amounted to \$861.6 million or 60 per cent of the total amount of effective loans.

Bank-assisted projects in the energy, transportation, water supply and development banks sectors have been implemented successfully, as most of the executing agencies involved have extensive experience in project work. The implementation of agricultural projects, which encountered various difficulties in 1984, showed considerable improvement in 1985. Where major weaknesses in project implementation capability have been found, Bank assistance was provided by review missions which were more frequent and more intensive in 1985.

### Viet Nam, Socialist Republic of

**Project Implementation:** Of the 11 loans approved to Viet Nam, six had been closed and five were under administration at the end of 1985, of which two were awaiting loan effectivity. Disbursements totalled \$2.4 million during the year, compared with \$0.8 million in 1984. Cumulative disbursements of Bank loans at the end of 1985 amounted to \$24.5 million, or 96.4 per cent of the total amount of effective loans. A review mission for the Ho Chi Minh Water Distribution project and a project completion report mission for the Go Cong Pioneer Agricultural project visited Viet Nam in 1985.

### Smaller South Pacific Developing Member Countries<sup>1</sup>

**Operational Strategy:** Recognizing the unique characteristics of the smaller South Pacific Developing Member Countries (SPDMCs) as a group as well as individually, the Bank has adopted a flexible approach in its strategy and operating procedures to make them compatible with each country's particular needs and characteristics. In this context, the Bank has emphasized providing necessary physical and social infrastructure facilities, frequently in the form of multiproject loans covering several small projects in key sectors. Support has also been channelled through credit lines to national development banks. In addition, the Bank has focused on institution building through human resource development.

Since its establishment in 1984, the South Pacific Regional Office (SPRO) has gradually assumed the authority delegated to it: this embraces a wide range of Bank operational activities. In 1985, the SPRO started to assist in the formulation and implementation of the Bank's operational strategy for Cook Islands, Kiribati, Solomon Islands, Tonga and Vanuatu, and helped to prepare country programs for these countries. SPRO was also able to assume the administration of DFI loans for most of the smaller SPDMCs and to administer several ongoing projects in other sectors.

**Loans and Technical Assistance:** In 1985, the Bank approved one multiproject loan each to Vanuatu and Western Samoa. The aggregate total of these two loans amounted to \$7.4 million from ADF. The loan to Vanuatu, which will be co-financed by IDA in the amount of \$2 million, will help develop and/or upgrade road, wharf and school building facilities, while that for Western Samoa, which will be co-financed by IDA in the amount of \$2.5 million, will help upgrade and develop road and wharf facilities, a small

#### Cumulative Bank Lending to Smaller South Pacific

#### Developing Member Countries

(As of 31 December 1985)

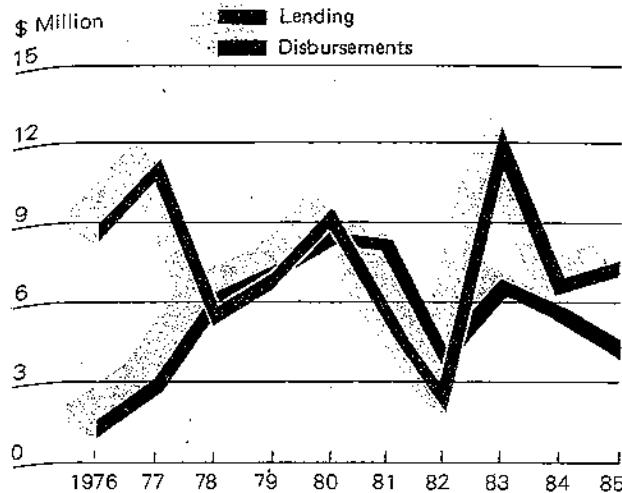
Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	10	27.89	31.8
Development Banks	11	25.00	28.5
Transport and Communications	8	13.19	15.0
Multisector	5	11.28	12.9
Energy	3	7.15	8.1
Water Supply and Sanitation	1	1.65	1.9
Health and Population	1	1.20	1.4
Industry and Non-Fuel Minerals	1	0.37	0.4
Total	40 <sup>a</sup>	87.73	100.0

<sup>a</sup> In addition, the Bank approved a \$1.55 million Special Assistance loan for Selected Bank-financed Projects in Western Samoa in 1983.

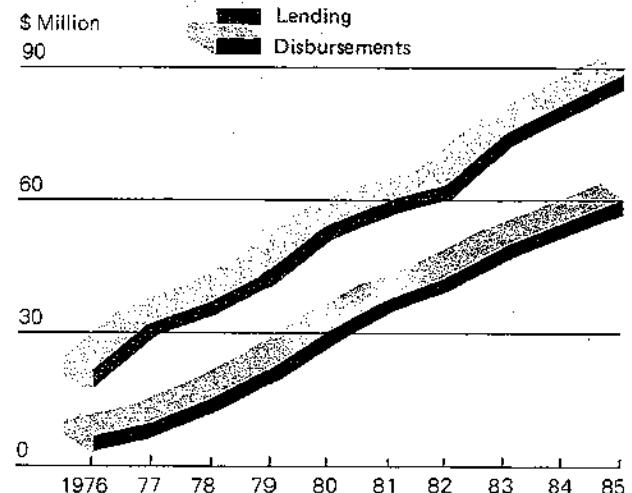
<sup>1</sup> Cook Islands, Kiribati, Solomon Islands, Tonga, Vanuatu and Western Samoa.

## Smaller SPDMCs: Lending and Disbursements

Annual, 1976-1985



Cumulative, to End of 1985



industries center and tree crops development. Kiribati, Solomon Islands, Vanuatu and Western Samoa received six technical assistance grants, of which two each were for project preparation, project implementation, and advisory purposes. The aggregate total of the Bank's technical assistance grants for these four countries amounted to \$1.13 million; in addition, \$0.25 million was provided by UNDP to co-finance the technical assistance project for Western Samoa.

At the end of 1985, the Bank had approved 41 loans amounting to \$87.7 million for 38 projects in the smaller SPDMCs. Technical assistance totalling about \$9.5 million for 65 projects, of which 16 had resulted in Bank loans amounting to \$36.9 million. The agriculture and agro-industry sector and lending through DFIs accounted for more than two-thirds of cumulative Bank lending to the smaller SPDMCs.

**Project Implementation:** Of the 41 loans (including one Special Assistance loan) approved to the smaller SPDMCs,

23 had been completely disbursed and 18 were under administration at the end of 1985, of which two were awaiting effectiveness. Disbursements totalled \$4.4 million in 1985, compared to \$5.7 million in 1984. Six loans were closed during the year. Cumulative disbursements of Bank loans totalled \$58.2 million, or 73.7 per cent of the total amount of effective loans.

Implementation of Bank-financed projects in the smaller SPDMCs is generally satisfactory, although some delays associated with the geographical remoteness and small size of these countries have occurred. Long-term problems which must continuously be addressed include land tenure issues, lack of skilled manpower to implement and manage projects, shortage of government funds for recurrent costs, and difficulties in transferring skills from expatriate project staff to national staff. The Bank aims to improve the capabilities of local staff to execute projects and has planned a training course in procurement and project implementation management in 1986 for SPDMCs.



FISH CATCH being unloaded from an Indonesian fishing boat. The Bank-financed Sumatra Fisheries Development Project, which the Bank has supported with a \$14 million loan, is aimed at increasing fish production for local consumption as well as export.

# PROJECT ADMINISTRATION AND POST-EVALUATION

## Project Administration

DURING 1985, the Bank made appropriate changes in its project administration practices and procedures in order to improve coordination and take prompt action on project administration matters. Accordingly, Project Administration Units have been established in two Projects Departments on an experimental basis. All ongoing projects are now being reviewed once a month within the Projects Departments and once a quarter by the Project Administration Committee chaired by the President. A revised project administration reporting system which makes extensive use of departmental/divisional summaries and Project Administration Committee notes enabled staff and Management to review the performance of each department/division, assess the status of implementation of every project, identify present or potential problems and issues, and formulate and consider appropriate remedial measures.

Other measures intended to strengthen the monitoring of projects include the use by Projects Departments staff of microcomputer-based project monitoring tools and the periodic review of contract awards and disbursements by the Central Projects Services Office. The Loan Financial Information System allows Bank staff to gain instantaneous access to computer-based data for project monitoring and control. With respect to development bank loans, improvements have been introduced in the evaluation of subloan applications by the adoption of a simplified format for processing, and in monitoring the performance of development banks by closely analyzing quarterly and audited reports.

There were 433 projects under implementation in 1985 compared with 412 in 1984. Of these, 376 were classified as satisfactory and 57 as unsatisfactory. There were unsatisfactory projects in 15 borrowing member countries. Countries which experienced economic difficulties in 1985 were especially hamstrung by shortages of local counterpart funds. Other problems commonly encountered included delays in procurement of goods and consultants' services, changes in scope and components of projects, difficulty in recruiting qualified project staff and in coordinating actions of multiple implementation agencies, inability to comply with loan covenants, technical problems not foreseen during project preparation, delays in construction work, cost overruns and declining profitability of some development finance institutions.

Field visits to projects and discussions with borrowers and executing agencies are vital aspects of the Bank's project administration activities. In this respect, 438 missions were dispatched in 1985.

Country Project Review Missions were held for Bangladesh, Indonesia, Nepal, Pakistan and Sri Lanka. High-level discussions were held on various problems and issues arising from policy, institutional, procedural and other government requirements which affected a broad range of projects. These missions were able to resolve implementation issues and to accelerate the award of contracts and withdrawal of loan funds. Another important function of these missions was to provide project information to the central agencies to enable them to monitor the implementation of Bank-financed projects. Other review missions examined the progress of individual projects while project inception missions provided assistance to executing agencies in carrying out initial activities for implementing projects.

In order to assist executing agencies in carrying out project activities, several publications are in advanced stages of preparation. These include the Handbook on Management of Project Implementation, Handbook on Problems in Procurement, Handbook on Use of Consultants, sample bidding documents for civil works, and supply, installation and commissioning of equipment and revised loan administration instructions. Furthermore, in order to improve the knowledge and skills of project staff, the Bank conducted two regional seminars on project implementation management, one regional seminar on procurement and five country seminars on procurement in Republic of Korea, Malaysia, Pakistan, Sri Lanka and Thailand.

Competition is the key to economic and efficient procurement. Accordingly, the Bank has taken steps to promote widespread interest in international competitive bidding. Symposia on business opportunities generated by Bank projects were conducted in several member countries. Trade delegations visiting the Bank were briefed on its lending and technical assistance operations, procurement practices and procedures, and the potential demand for goods and services. Improvements were made in the computer-based systems for registering consultants in order to expand the data base and to facilitate extraction of information on consultants.

During the year, 26 consulting firms and 28 individual consultants were engaged by borrowers for loan-financed projects while 44 consulting firms and 74 individual consultants

were employed by the Bank for technical assistance projects. The net value of contracts awarded for all projects amounted to \$979 million in 1985, of which \$523 million was for loans under ordinary resources and \$456 million for loans under the Asian Development Fund. This brought cumulative procurement to \$8,279 million, or 56 per cent of effective loans.

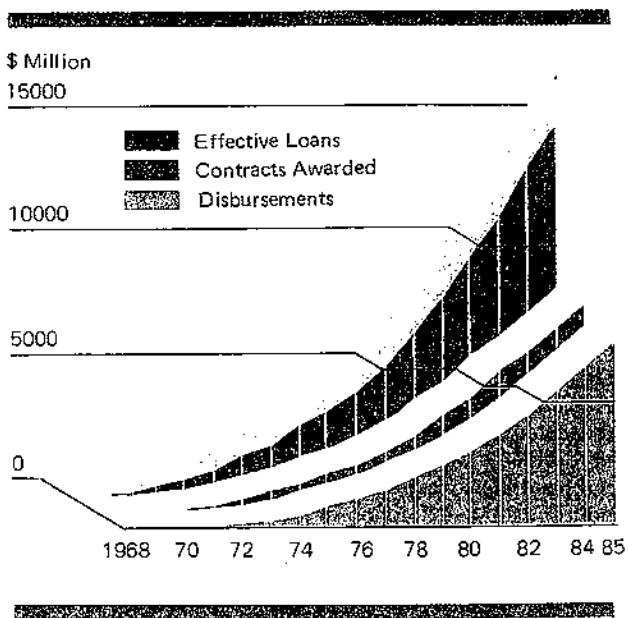
## Loan Disbursements

The Bank's loan disbursements are a major indicator of project performance and of the actual transfer of its resources to DMCs. The Bank disbursed \$1,010 million in 1985, one per cent more than in 1984. This was the second consecutive year in which loan disbursements exceeded \$1 billion.

Disbursements under ADF loans increased to \$390 million, 31 per cent above the 1984 figure of \$298 million. Countries which showed a marked increase in disbursements were Bangladesh and, to a lesser extent, Burma and Nepal. Moreover, the higher level of ADF disbursements to Pakistan which had been achieved in 1984 was maintained in 1985 and this greatly influenced the overall ADF disbursement level. Factors which contributed to increased ADF disbursements included the improved momentum in implementation of earlier ADF projects, the rise in loan commitments, as well as the particular type of projects for which ADF loans were made in recent years.

OCR disbursements during 1985 declined to \$620 million, 12 per cent lower than the 1984 figure of \$702 million. This decline reflected a slowdown in contracts awarded caused by budgetary constraints and new procedural requirements in some DMCs, the economic situation in the Philippines and a gradual deceleration of project activities in the Republic of Korea and Malaysia. Other factors affecting OCR disbursements in 1985 included a greater-than-expected level of competition and complex procurement exercises (especially relating to Bank-financed power and gas projects), the exceptionally long time required for completing evaluation of

### Contracts Awarded and Disbursements to End of 1985



bids, and savings in loan commitments due to the depressed prices of certain commodities (for example, fertilizer).

During the year, the Bank focused on formulating a better assessment of borrowers' accounting systems and streamlining disbursement procedures, thereby improving the accountability and utilization of loan funds. In this respect, the Bank's ultimate objective is better financial management and maximum effectiveness from aid provided to DMCs.

## Projects Completed

Thirty-six projects were completed in 1985, bringing the number of projects completed to 302 out of a total of 704 projects approved as of the end of the year. These completed projects were mostly approved in the latter part of the 1970s although a few were approved in the early 1980s. Despite delays in project implementation due to problems related to recruitment of consultants, procurement of goods and services and internal government procedures, the objectives of most projects were substantially achieved. The following projects were completed at lower-than-estimated total project costs: the Jute Seed and Chittagong Power Distribution Projects in Bangladesh, the Petroleum Refining Industry Program in Burma, the Third Power Project in Fiji, the Tribhuvan International Airport Project in Nepal, the Sha Tin Urban Development Project in Hong Kong, the Ujung Pandang II Power Project in Indonesia and the Surabaya Institute of Technology Project in Indonesia.

Forty Project Completion Reports (PCRs) were completed in 1985. As of the end of the year, a total of 206 PCRs had been circulated to the Board of Directors.

## Project Benefit Monitoring and Evaluation

During 1985, the Bank took steps to ensure that information about beneficiaries would be available to feasibility study teams and appraisal missions. All project preparatory technical assistance implemented by the Bank's Irrigation and Rural Development Department as well as some implemented by the Agriculture Department was so framed. While there is still room for improvement in technical content and administrative arrangements, benchmark information about beneficiaries was obtained for several projects appraised during 1985. This enabled the formulation of projects more responsive to the needs and capabilities of beneficiaries, including the Chirang Hill Irrigation Project in Bhutan and the Pat Feeder Canal Remodelling and Improvement Project in Pakistan. In addition, lessons learned from a technical assistance for Project Benefit Monitoring and Evaluation (PBME) to Indonesia which was implemented during 1985 will lead to simpler procedures for collecting information and improved project preparation and appraisal. Pilot PBME work continued on the Phitsanulok Irrigation Project in Thailand. This project has enabled the Royal Irrigation Department to develop its capabilities so that such activities can be gradually introduced on a broader scale.

Furthermore, the development of a management information system — designed to facilitate management and policy decision-making — was enhanced by the introduction of PBME arrangements in the Fourth Crop Intensification Program loan to Bangladesh. Similar modifications are expected

to be incorporated into other crop intensification program loans under consideration in other DMCs.

## Post-Evaluation

Post-evaluation of the Bank's first program loan — the Low Lift Pump Maintenance Program in Bangladesh — was among the major features of 1985. It tended to confirm that the Bank's program lending can serve as an effective instrument for ensuring fuller utilization of existing production capacity in a key sector or subsector, yielding quick and reasonably high returns on investment. However, the Bank had not taken the opportunity to utilize the Program as a vehicle for policy dialogue with the Government on sectoral and institutional issues that had significant implications on equity impact and long-term agricultural growth. It is now a requirement of program lending that policy dialogue be undertaken on institutional and policy issues relating to the longer-term operation and management of the sector concerned; key policy issues are now identified and specifically discussed at the time of appraisal of program loans.

The Bank's post-evaluation system was unchanged during the year and preparation of Project Performance Audit Reports (PPARs) continued to be the principal activity of the Post-Evaluation Office (PEO). The number of PPARs prepared rose to 33 in 1985 from 27 in 1984. These 33 PPARs covered 37 projects in ten sectors or subsectors of Bank operations in 16 DMCs. As of the end of 1985, a cumulative total of 165 PPARs covering 176 projects had been prepared.

The series of Impact Evaluation Studies on Bank assistance to the fisheries subsector was completed during the year with the issuance of a report on Pakistan and a concluding report. The latter summarized the results of the three country reports, reviewed all Bank assistance to the fisheries subsector and identified lessons of general relevance to Bank operations in marine fisheries. One finding was that, based on performance of vessels operated by the public and the private sectors, Bank assistance should be channeled mainly to the private sector.

The Seventh Review of Post-Evaluation Reports was circulated to the Board of Directors in April 1985. It reviewed findings and conclusions of 27 PPARs prepared for 30 loan projects and the results of the two special studies (one on the executing agency arrangements and the other on the effectiveness of project-related technical assistance) and the two Impact Evaluation Studies (which dealt with Bank assistance to the fisheries sectors in Sri Lanka and Indonesia) completed during 1984. In terms of overall results, 22 projects (73 per cent) were judged to have been generally successful in achieving the objectives set at the time of appraisal, while the other eight projects were considered only partly successful. As to the latter, some factors such as inadequate design and preparation could have been avoided, whereas others, such as changes in government policies and economic environment, could not have been foreseen at the time of project formulation and appraisal and were generally beyond the control of the Bank and the project entities.

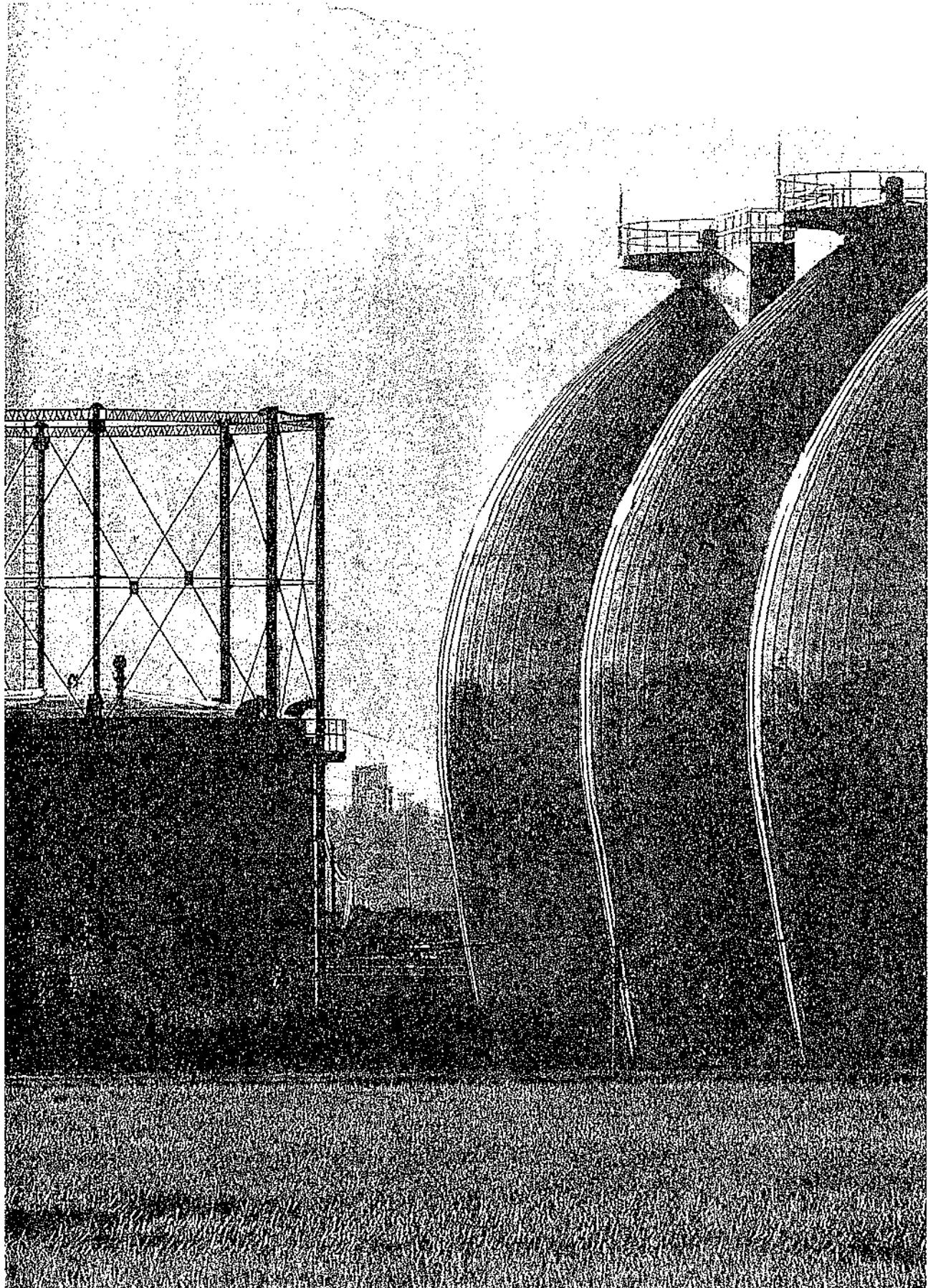
The Seventh Review presented four major points for consideration by the Board of Directors: (i) executing agency arrangements should be given greater emphasis at the time of project appraisal and during project implementation; (ii) for suitable projects, completion of detailed engineering design prior to appraisal should be encouraged; (iii) attempts should be made to improve the reliability of demand



LATEX being collected on a rubber plantation in Bangladesh. The Bank has provided \$20 million for the rehabilitation of rubber estates and the establishment of new plantations in Sylhet and Chittagong districts.

forecasting for projects in the water supply, power, road and port sectors; and (iv) the application of the marginal cost pricing principle, which is presently used in the power sector, should be encouraged in other relevant sectors such as water supply and ports. Action has been initiated within the Bank to implement these recommendations.

Timely dissemination and feedback of post-evaluation findings, particularly those related to ongoing and future Bank operations, continue to be important activities of PEO. The establishment of a computerized Post-Evaluation Information System enables PEO to furnish pertinent findings and conclusions in relation to any specific aspect of the Bank's lending operations drawn from all post-evaluation reports. To help ensure that the post-evaluation findings are appropriately taken into consideration in the Bank's lending and project administration activities, PEO continued to take an active part in the processing of new projects, and in the monitoring of ongoing projects. Appraisal reports for new projects are now required to incorporate a summary of lessons learned from similar completed Bank-assisted projects, and a description of how those lessons have been taken into account for the proposed project.



*PART* of a Bank-financed Sewage Treatment plant in Gumi City, Republic of Korea. To date, the Bank has provided a total of \$153.3 million for sewage treatment in the country.

# **ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT**

## **Variable Lending Rate System**

THE Bank's ordinary operations loans have traditionally carried interest rates fixed at the time of loan commitment for the entire life of the loan. However, in the light of capital market developments over the past decade, notably the increased volatility of interest rates which led both the World Bank (IBRD) and the Inter-American Development Bank (IDB) to review and modify their lending rate systems, a detailed examination of the Bank's lending rate system for ordinary operations loans was initiated in 1983 following the comprehensive review of the Bank's financial policies undertaken in that year. In 1984 and 1985, the Board of Directors undertook a series of studies in which consideration was given to the income risks inherent in the traditional fixed-at-commitment lending rate system as well as to a number of alternative lending rate systems. Finally, in October 1985, the Board of Directors approved the adoption of a pool-based variable lending rate system similar to that adopted by the IBRD.

The new lending rate system will apply as from 1 July 1986 to all ordinary operations loans approved on or after that date. It will also, at the option of the borrowers, apply, as from 1 July 1986, to loans approved from 24 September 1985 to 30 June 1986. Under the new system, the lending rate will not be fixed for the entire life of the loan but will be adjusted every six months, i.e., on 1 January and 1 July. The rate will be determined by adding a variable spread (initially 0.50 per cent per annum) to the average cost of a "pool" of Bank borrowings to be established on 1 July 1986. All Bank borrowings settled on or after 1 July 1986 will be added to the pool, and borrowings will be removed from the pool as and when they are redeemed.

The decision to move to a pool-based variable lending rate system is an important step towards adapting the Bank's financial structure to uncertain conditions in international financial markets and ensuring its effectiveness as a development institution in the years ahead. In addition to protecting the Bank's net income against fluctuations in interest rates, the new system will provide a high degree of borrowing flexibility that could result in lower overall borrowing costs and, consequently, lower lending rates over time.

## **Current Lending Rate**

In view of the reduction in the cost of the Bank's borrowings, the Board of Directors decided to lower the fixed lending rate on new ordinary operations loans to 9.65 per cent per annum from 10.25 per cent per annum, effective 1 July 1985. This rate will apply to all loans approved from 1 July 1985 to 30 June 1986 except that, as indicated above, in the case of loans approved from 24 September 1985 to 30 June 1986, the borrowers may choose to have the variable lending rate system applied to such loans as from 1 July 1986.

## **Borrowing Policies**

The four principal elements of the Bank's borrowing policies under the new lending rate system would be: (i) to ensure continued availability of funds; (ii) to minimize borrowing costs with a view to keeping the lending rate as low as possible; (iii) to minimize fluctuations in the lending rate over time; and (iv) to ensure a reasonable maturity relationship between the Bank's loans and borrowings.

**Ensuring Continued Availability of Funds:** In order to ensure continued availability of funds, the Bank must make a continuous and systematic effort to develop its borrowing capabilities in the major capital markets. The present policy of phasing its annual borrowings is designed to give the Bank flexibility to formulate market development strategies, to tap new sources of funds and to take advantage of favorable market conditions. The new lending rate system will provide further scope for diversification by allowing the Bank to borrow over a wider range of maturities and to use new borrowing techniques. The use of such techniques, however, will depend on specific market circumstances and the Bank's other funding objectives.

**Minimizing Borrowing Costs:** It is an important objective of the Bank to minimize the effective cost of its borrowings in order to keep its lending rate as low as possible. While the Bank's cumulative borrowings to date have been predominantly in low-coupon currencies, the Bank has also

endeavored to maintain as regular a presence as possible in high-coupon currencies. There will be no fundamental change in this approach. The new lending rate system will allow the Bank to shorten its borrowing maturities when so warranted by market conditions, thereby giving the Bank the flexibility to reduce the impact of expensive borrowings (e.g., when interest rates are high, or when yield curves are very positively sloped). In general, however, the Bank would prefer to borrow long-term fixed-rate funds when low rates of interest can be locked in.

**Minimizing Lending Rate Fluctuations:** Under the new lending rate system, changes in the average cost of the pool of outstanding Bank borrowings, on which six-monthly adjustments in the lending rate will be based, will be influenced by the size and cost of new borrowings as well as redemptions during any given six-month period. While changes in the average cost of the pool are unavoidable as the Bank passes through various stages of the interest rate cycle, it would be desirable to avoid disruptive changes and to aim for a reasonably stable lending rate over time. The Bank's funding strategy would, therefore, take this into account along with the other funding objectives.

**Ensuring Appropriate Borrowing Maturities:** It has been the Bank's policy to maintain a reasonable relationship between the maturity of its borrowings and loans. Although the new lending rate system will practically eliminate any adverse income effect of maturity mismatching, it would be prudent for the Bank to avoid any excessive use of shorter-term borrowings so as to avoid causing potentially serious lending rate fluctuations, or exposing the Bank to unnecessary liquidity risk in the event of roll-over difficulties. The Bank's maturity decisions must also take account of the existence of undisbursed balances of fixed-rate loans which will account for a substantial portion of disbursements for the next few years.

## Borrowings

During 1985, the Bank's borrowings, consisting of ten public bond issues, amounted to the equivalent of \$791.9 million, compared with the 1984 borrowing total of \$971.7 million. Details of the year's borrowings are shown in the table on page 142.

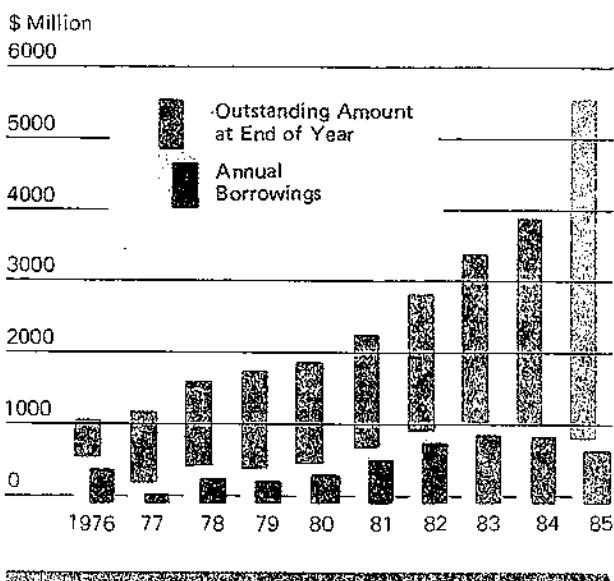
The Bank continued to borrow in the longest maturities available taking account of cost considerations. It borrowed in various currencies and markets and thereby maintained an adequate presence in the major capital markets. Its public offering of yen-denominated bonds in the New York capital market was the first-ever public bond issue denominated in a foreign national currency in that market, marking the development of a new and important source of borrowings. In two of its issues in the Swiss capital market, the Bank undertook its first floating-rate borrowings.

Yen-denominated borrowings accounted for over 43 per cent of the total amount borrowed during the year, with two public bond issues in Japan, each for ¥25 billion, in March and July, and the public offering of yen-denominated bonds in the United States for ¥35 billion.

In the German capital market, the Bank made two public bond issues, each for DM200 million, in April and September.

The Bank again made three public bond issues in the Swiss capital market. Two of the issues, in January and May, con-

## Borrowings: 1976-1985



sisted of a fixed-rate tranche of SwF100 million and a floating-rate tranche of SwF50 million, with the interest rate on the floating-rate tranche to be reset every six months at 1/8 per cent above the London Interbank Offered Rate for six-month Swiss franc deposits. This rate, for both issues, cannot be set lower than 3.5 per cent per annum or higher than 8.5 per cent per annum. The third Swiss franc issue, in November, was for SwF100 million and had a final maturity of 25 years.

In the United States, besides the yen-denominated bond issue, the Bank, in May, also made a public offering of \$100 million.

In May also, a public bond issue of f200 million with a final maturity of 15 years was floated in the Dutch capital market.

The average maturity of the year's borrowings, weighted by amount, was 12.72 years and the average life of outstanding borrowings at the end of 1985 was 8.32 years. The average cost, weighted by amount and average life of each borrowing, was 7.36 per cent per annum.

## Capitalization

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 1966. Since the coming into effect of the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) on 1 April 1978, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the value of the Bank's capital stock 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 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 1985, the rate was \$1.09842 per SDR. Further information on valuation of capital and maintenance of value is given in Notes A and E of the Notes to Financial Statements of Ordinary Capital Resources, OCR-7.

The third general capital increase (GCI III), approved by Governors' Resolution No. 158 in April 1983, consisted of an additional 754,750 shares in the Bank's authorized capital stock. At the 31 December 1985 exchange rate of \$1.09842 per SDR, the total amount authorized was \$8,290.3 million (SDR7,547.5 million). The final date specified in the Resolution for subscribing to GCI III was 31 May 1984. Since then and pursuant to the provisions of the Resolution, the Board of Directors has extended this deadline several times to enable subscriptions to be made by member countries which had not taken up their GCI III entitlements. It was envisaged that the latest deadline of 31 May 1986 would be the last. At the end of 1985, subscriptions to GCI III had been made by 37 member countries. A total of 737,877 shares had been subscribed, representing about 98 per cent of the total share entitlements of all member countries.

The Bank's authorized capital stock as of 31 December 1985 amounted to \$16,221.5 million (SDR14,768.1 million). During 1985, four member countries subscribed to GCI III, for

a total amount of \$216.6 million (SDR197.2 million). At the end of 1985, the Bank's subscribed capital stock stood at \$15,970.1 million (SDR14,539.1 million).

### Special Increases in Subscriptions

In the past few years the Bank has received a number of requests from individual member countries for special increases in their capital subscriptions. The Board of Directors agreed in 1985 as part of certain arrangements for processing these requests to recommend to the Board of Governors the approval of special increases in the capital subscriptions of Finland, France, Italy, Netherlands and Switzerland. On 30 September 1985, the Board of Governors adopted Resolution No. 174 concerning such special increases and an increase in the Bank's authorized capital stock to be made available for subscription to these special increases. The increase, which will become effective to the extent that the special subscriptions become effective, amounts to \$324.3 million (SDR295.2 million) and is divided into 29,520 shares each having a par value of \$10,000 in terms of United States dollars of the weight and fineness in effect on 31 January 1966.

*ADB President Masao Fujioka (seated second from left) signing documents in New York in September for a ¥35 billion offering of yen-denominated bonds in the United States capital market. Also seated (from left to right) are ADB Deputy Treasurer Yukiji Miyazaki, Peter T. Buchanan (President and Chief Executive Officer of The First Boston Corporation) and ADB Vice-President S. Stanley Katz.*



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

		1985		1986	
	1984 Actual	Budget	Actual	1986 Budget	
1. Gross Income	568.6	645.7	684.8	760.7	
2. Less Expenses Charged to Ordinary Capital Resources:					
a. Interest and Other Financial Expenses	318.9	382.8	377.8	468.1	
b. Administrative Expenses <sup>a</sup>	40.4	44.8	45.6	51.7	
c. Services to Member Countries	2.9	3.0	4.3	3.2	
TOTAL	362.1	430.6	427.7	523.0	
3. Net Income	206.5	215.1	257.1	237.7	
4. Appropriation of Commissions to Special Reserve	(16.0)	(9.6)	(9.2)		
5. Net Income After Appropriation of Commissions to Special Reserve	190.4	205.5	247.9	237.7	

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.

## Investments

At the end of 1985, the Bank's OCR investments were denominated in 22 currencies and amounted to the equivalent of \$3,471 million (\$2,666 million at the end of 1984), including investments in Special Reserve Fund assets. Of the total investments, 76 per cent (68 per cent at the end of 1984) 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 overall average yield on the Bank's OCR investments over the year increased to 11.03 per cent in 1985 from 10.59 per cent in 1984.

## Loan Disbursements and Repayments

Disbursements from ordinary capital resources during 1985 amounted to \$620 million, bringing cumulative disbursements from this source to \$5,480 million up to the end of 1985. Repayments during the year amounted to \$221 million from loans held by the Bank. As of end-December 1985, cumulative loan repayments reached \$1,231 million. This consisted of \$1,214 million on loans held by the Bank and \$17 million on portions sold to participants.

## Exchange Risk Pooling System

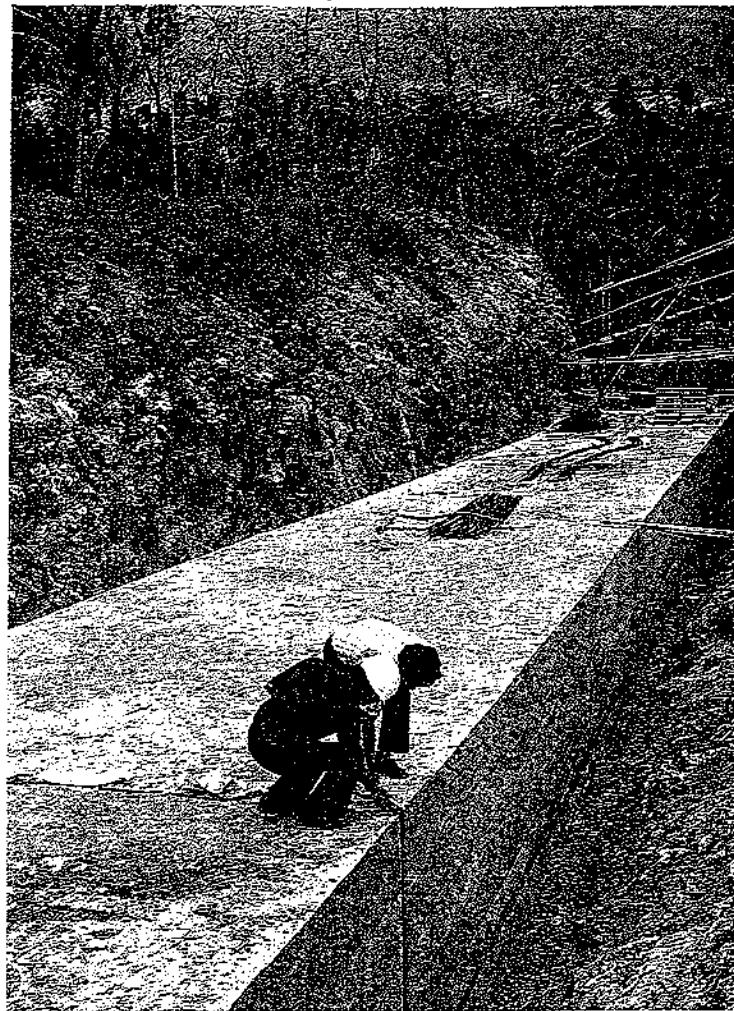
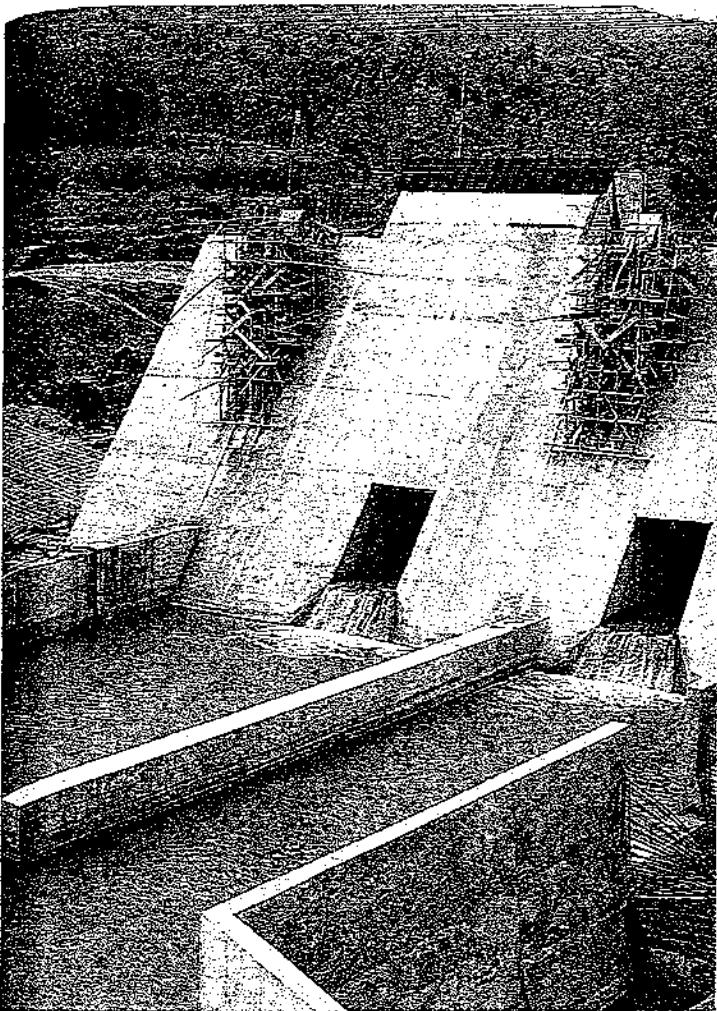
Three years after the introduction of the System on 1 January 1983, the amount of undisbursed loans covered under the System increased to \$5,377 million or 95.3 per cent of total undisbursed loans as of 31 December 1985. Loans outstanding under the System increased to \$1,355 million or 31.9 per cent of total outstanding loans as of 31 December 1985.

## Income and Expenses

The Bank's gross income in 1985, generated mainly from its loans and investments, was \$685 million, a rise of \$116 million or 20.4 per cent over gross income in 1984. Income from loans and investments rose by \$52 million and \$64 million, respectively.

Gross expenses in 1985 amounted to \$428 million, an increase of \$65 million or 18.1 per cent over total expenses in 1984. Financial expenses increased by \$59 million, administrative expenses by \$6 million and services to member countries by \$1 million.

Net income after appropriation of commissions to the Special Reserve increased to \$248 million in 1985 from \$190 million in 1984.



DIVERSION weir (left) and sealed irrigation channel (right), two aspects of the Wadaslintang Multipurpose Project in Indonesia. This Project, supported by the Bank with a \$87.7 million loan, will benefit about 90,000 smallholder farmers by providing year-round irrigation, drainage and flood control in an area with rich potential for increased rice production.

## Reserves

As of 31 December 1984, the Bank's Ordinary Reserve amounted to \$998 million. During 1985, \$190 million was added through the transfer of net income for the year ended 31 December 1984 after appropriation of commissions to Special Reserve. This, however, was partly offset by a net charge of \$30 million resulting from the restatement of the Bank's capital stock in terms of SDR. As a result, the balance of the Ordinary Reserve as of 31 December 1985 stood at

\$1,158 million.

The appropriation of commissions earned on loans during the year increased the Special Reserve from \$167 million as of 31 December 1984 to \$177 million as of 31 December 1985. In accordance with Resolution No. 163 adopted by the Board of Governors in March 1984, the commission on outstanding ordinary operations loans was reduced in 1985 to 0.25 per cent per annum, while no commission has been charged on new loans approved since the date the Resolution was adopted.



A SEWING class, part of the Community Schools Project in Bangladesh, which the Bank has assisted with a \$13.5 million concessional loan. Through non-formal education programs, this Project is expected to improve rural productivity as well as increase employment opportunities.

# **SPECIAL FUNDS: ASIAN DEVELOPMENT FUND AND TECHNICAL ASSISTANCE SPECIAL FUND**

## **Asian Development Fund**

### **Fourth ADF Replenishment (ADF V)**

THE period over which the third Asian Development Fund replenishment (ADF IV) is intended to finance the Bank's concessional lending program ends in 1986. Accordingly, in 1985, the Board of Directors commenced an examination of the need for a further ADF replenishment. This action was noted with approval in Board of Governors' Resolution No. 172. Discussions were then initiated with ADF donor countries on a fourth ADF replenishment (ADF V) to finance the concessional lending program over the four-year period 1987-90. At meetings in Rome and Tokyo, donors reaffirmed their strong support for ADF as a vehicle for concessional lending to the Bank's poorer member countries. They exchanged views on a number of policy matters, the possible amount of ADF V, burden-sharing and other replenishment issues. They also decided that a further donors' meeting be held in Vancouver, Canada, in February 1986.

### **Progress of Earlier ADF Replenishments**

The third Asian Development Fund replenishment (ADF IV) was authorized by Governors' Resolution No. 154 in July 1982. At the exchange rates specified in the Resolution, the total amount authorized was \$3,214 million.

Canada and the United States have both deposited qualified contribution commitments to ADF IV, whereby, as permitted in the Resolution, payment of their contribution instalments is subject to budgetary appropriations. Under the ADF IV "trigger" arrangements, the release of the second, third and fourth tranches of the unqualified contributions for loan commitments is subject to the availability of the first, second and remaining two tranches, respectively, of the qualified contributions. The arrangements envisaged that the third tranches of the unqualified contributions would be released on 1 January 1985. While Canada made available its first and second tranches in full in 1983 and 1984, respectively, the United States, by the end of 1984, had made available its first tranche and only \$67 million, or 51.54 per cent, of its second tranche.

With the United States, in February 1985, indicating its intention as regards making up the shortfall in its second tranche, the third tranches of the unqualified ADF IV contributions, pursuant to the Resolution, were released to the Bank for loan commitments to the extent of 51.54 per cent. Subsequently, ten donor countries released the third tranche balances of their unqualified contributions on a voluntary basis. The full third tranche of Canada's qualified contribution became available in July.

In August, the United States made available the \$63 million balance of its ADF IV second tranche. This triggered the release of the third tranche balances previously withheld by nine donors.

Also in August, the United States made available the outstanding balance of \$28.2 million of its ADF II contribution. The full amount of all ADF II contribution commitments, totalling \$761 million (at 30 June 1975 exchange rates), had accordingly been made available to the Bank.

Following the adoption on 30 September of Governors' Resolution No. 174 on special capital increases (see page 67), France advised the Bank that it would make an additional ADF IV contribution of \$15 million equivalent (at the Resolution No. 154 exchange rates). The additional contribution would be paid to the Bank in 1986 along with the first instalment payment for the special increase in France's capital subscription.

At the end of 1985, legislative procedures to enable the United States' ADF IV third tranche of \$130 million to be made available had not been completed.<sup>1</sup>

### **Availability and Utilization of ADF Resources**

In view of a shortage in ADF resources at the end of 1984, about \$65 million of the provision for exchange rate fluctuations had been used for loan commitments, while loans amounting to a total of about \$83 million had been approved subject to the condition that they would not be signed until sufficient resources became available. These loans were signed following the release of the unqualified ADF IV third tranches to the extent of 51.54 per cent in February 1985. Ad-

<sup>1</sup> \$95.7 million of the United States' third tranche became available in February 1986.

**INCOME AND EXPENSES AND ACCUMULATED NET INCOME — ASIAN DEVELOPMENT FUND**  
(amounts in \$ million)

	1984	1985
1. Gross Income	52.1	56.4
2. Administrative Expenses	(34.4)	(36.2)
3. Net Income	17.7	20.2
4. Accumulated Net Income at Beginning of the Year	171.5	189.2
5. Accumulated Net Income at End of the Year	189.2	209.4

ditions to contributed resources during 1985 (at 31 December 1985 exchange rates) consisted of \$61 million for Canada's ADF IV third tranche, \$63 million for the balance of the United States' ADF IV second tranche, \$28 million for the balance of the United States' ADF II contribution, and \$595 million for the third tranches of the unqualified ADF IV contributions (including the 51.54 per cent released in February). A further \$20 million accrued to ADF by way of net income. After allowing for changes in value in terms of the United States dollar, total ADF resources during 1985 increased by \$1,466 million to \$6,081 million, as shown in the table on page 143. ADF loan approvals during the year totalled SDR603 million, or

*LOW-COST housing at Bang Plee (left) and freshwater prawns from an aquaculture farm (right) — two projects in Thailand assisted by loans from the Bank's Asian Development Fund.*



the equivalent of \$637 million at the exchange rates applicable at the time of loan approval. After taking account of repayments, cancellations and exchange rate adjustments, cumulative net loan commitments increased to \$5,455 million at 31 December 1985, leaving a balance of uncommitted resources at that date of \$626 million. After allowing for a provision of about \$295 million for exchange rate fluctuations, the net amount available for further loan commitments was about \$331 million.

Disbursements from ADF resources during 1985 amounted to \$390 million, bringing total cumulative disbursements to \$1,972 million. ADF loan repayments during the year and cumulative repayments up to 31 December 1985 amounted to \$16 million and \$92 million, respectively.

#### **ADF Income and Expenses**

ADF net income for 1985 amounted to \$20 million, bringing accumulated net income at the end of the year to \$209 million.

At the end of 1985, the Bank's investments of ADF resources were denominated in 22 currencies and amounted to the equivalent of \$441 million (\$320.4 million at the end of 1984). Of the total investments, 36.6 per cent (27.5 per cent at the end of 1984) 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 9.75 per cent, compared with 9.58 per cent in 1984.



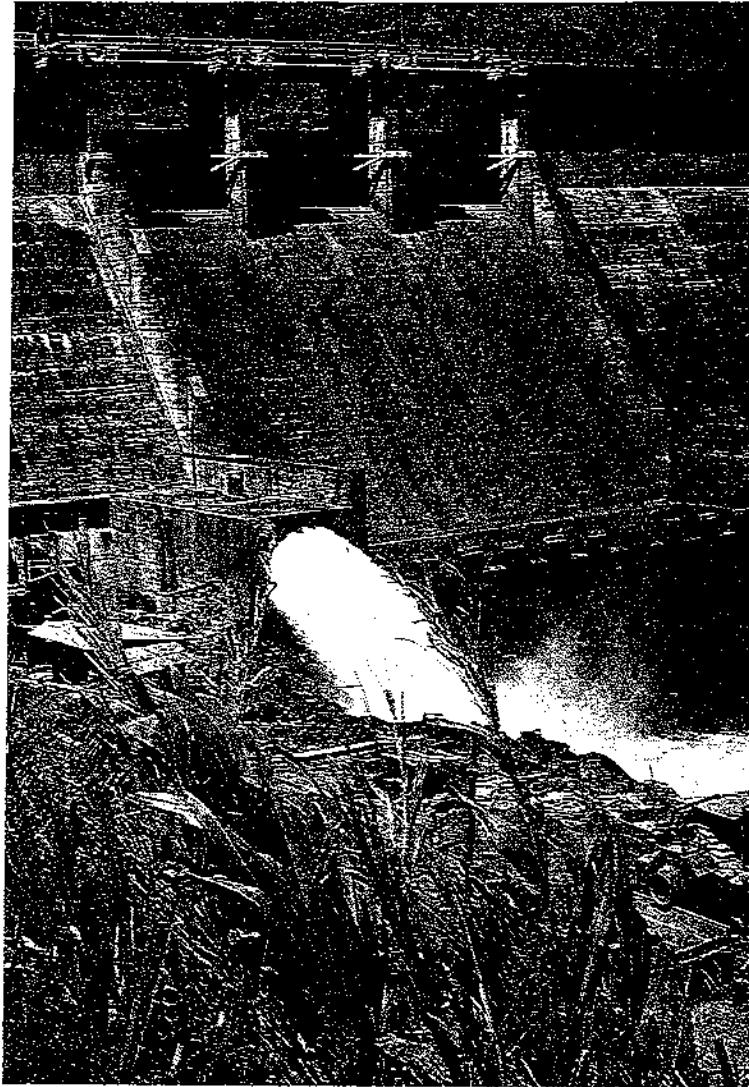
## Technical Assistance Special Fund

In 1985, nine member countries made additional contributions to the Technical Assistance Special Fund (TASF) totalling \$5.8 million. The contributions received were as follows:

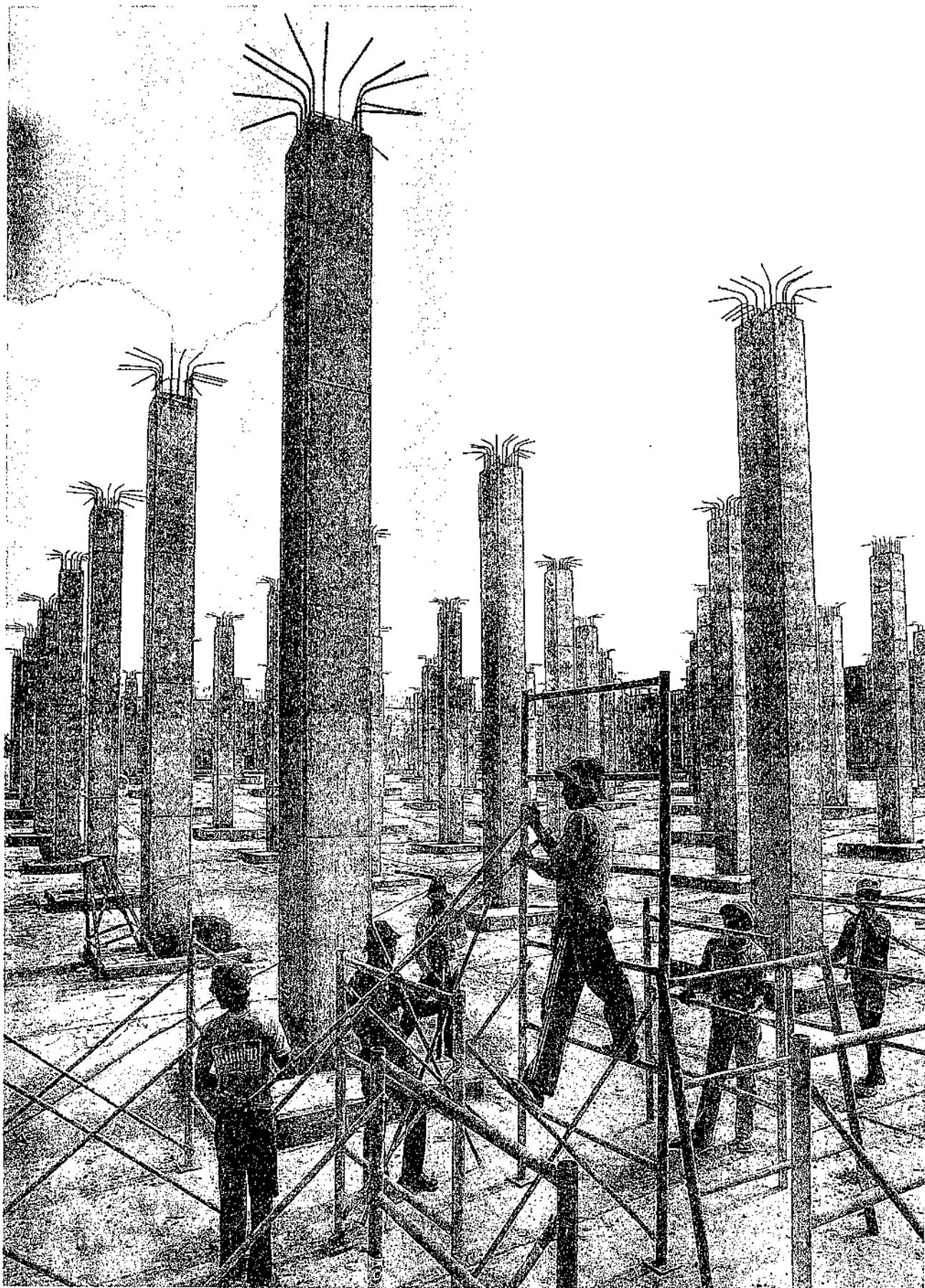
Member Country		Amount	US\$ Equivalent (As of 31 December 1985)
France	FF	5,875,000	763,043
India	Rs	3,500,000	270,000
Japan	¥	606,000,000	3,022,444
Korea, Rep. of	US\$	150,000	150,000
New Zealand	NZ\$	75,000	37,463
Norway	NKr	5,000,000	659,413
Pakistan	PRs	942,000	58,760
Sweden	Skr	3,000,000	394,865
United Kingdom	£	280,000	404,460

The contributions from the Republic of Korea and New Zealand are fully untied and may be used to finance the costs of services and facilities from all member countries. The contributions from France, Japan and United Kingdom are available to finance the costs of services and facilities from the respective contributor country, all developing member countries (DMCs) and other developed member countries which contribute on a similarly untied basis. The contributions from India, Norway, Pakistan and Sweden are available to finance the costs of services and facilities from the respective contributor country and all DMCs. Also, in the use of the contributions from Norway and Sweden, priority should, whenever possible, be given to their application for projects in the least developed member countries.

As of 31 December 1985, total contributions to TASF amounted to the equivalent of \$76 million, of which \$67.7 million had been utilized by the Bank.



SPILLWAY of the Bowatenna Dam in Sri Lanka, supported with a \$8 million concessional loan from the Bank.



WATER RESERVOIR under construction in the Philippines, part of the Manila Water Supply Project so far assisted by the Bank with three loans totalling \$139.6 million. The Project is aimed at improving and expanding the water supply system in the Metropolitan area, benefiting about 6.6 million people.

# **ADMINISTRATION**

## **Staff**

THE Bank's staff at the end of 1985 totalled 1,553 from 36 member countries: 581 professional staff and 972 supporting staff. During the year, there were 47 professional staff appointments and 36 terminations of appointment. Among supporting staff, 68 were appointed and 37 resigned.

The successful recruitment efforts of 1984 were generally repeated in 1985; at the end of the year, about 97 per cent of professional staff positions had been filled.

The Young Professionals Program saw its second intake in 1985 when six young professionals joined the Bank. Five more were selected in the last quarter of 1985 and are expected to take up their appointments early in 1986. This latter group will replace the 1984 intake who will progress to regular professional staff positions in 1986.

The Bank's training and development programs have been strengthened and expanded in specific areas to meet the developmental and operational needs of staff. In-house courses and seminars on loan administration, project management, financial management, language and communication skills and personal computers for professional staff have received particular attention. For supporting staff, the focus has been placed on courses in staff orientation, loan administration, work planning and work simplification. Self-instruction facilities have been expanded and many professional and supporting staff have availed themselves of various video and audio programs available at the Learning Centre. On a selective basis, Bank staff have also attended external training programs.

Staff salaries and benefits were reviewed during the year to take into account developments in the compensation of international and local comparator organizations and relevant cost-of-living indicators. The Board of Directors approved a general salary increase of 18 per cent for supporting staff, effective 1 August 1985; this supplanted an earlier interim salary supplement of 10-14 per cent which had been approved, effective 1 May 1985. There were no changes in the salary structure of professional staff. However, the Board of Directors approved certain changes in professional staff benefits.

## **Organization**

A working paper setting out the various considerations in establishing Bank resident offices was considered by the

Board of Directors in March 1985. It was suggested that specific proposals for prospective resident offices in DMCs and an office for financial operations in another time zone should in due course be put forward.

The South Pacific Regional Office, established in Vanuatu in July 1984, has progressively assumed more of its delegated operational functions and responsibilities. Initially, the Office has focused on developing ties and close working relationships with the South Pacific developing member countries and their agencies, on familiarizing itself with the special problems of conducting the Bank's operations in those countries, and on developing the procedural arrangements for co-ordinating various activities between the Office and Headquarters units. In December 1985, special attention was given to detailed co-ordinating arrangements and delineation of work between the Office and Headquarters units on its 1986 work program.

During 1985, the Bank decided to establish a new Private Sector Division in early 1986 within the Industry and Development Banks Department (see page 23).

## **Internal Audit**

Internal auditing provides Management with independent and objective evaluation of the adequacy and effectiveness of controls, systems and procedures in the financial, accounting, administrative, data processing and other functions of the Bank. The Internal Audit Office (IAO) reports to the President and the Audit Committee of the Board (ACB).

During 1985, IAO reviewed systems and procedures relating to financial, accounting, general administrative matters and project loan administration. Visits to certain borrowing countries were undertaken to review audit-related issues. IAO participated in the development of a number of computer systems and sub-systems developed by the Office of Computer Services and took part in the signing off of these systems. In working with the Bank's external auditors, the IAO provided integrated assistance to cover in rotation portions of their overall audit coverage. IAO also played an active role in preparing for the audit of consultants' contracts, in drafting procedures on certain administrative and financial matters and participated in various Bank committees.

The results of audits and recommendations were conveyed to Management and Heads of Departments and Offices concerned for information and appropriate action. The format and contents of the six-monthly Audit Recommendations Im-

plementation Report was revised to facilitate focussing on the most important issues. This report serves as a means of informing Management, the ACB and Bank staff of the continuous efforts made by concerned Departments/Offices to enhance internal controls, economy and efficiency in the Bank's operations in general.

### Computer and Office Automation Systems

During 1985, computer-based information and office systems were expanded to support Bank operations. As of December 1985, 110 computer terminals and 127 microcomputers, including word processors and portable microcomputers, were in use in the Bank. Data base applications developed or enhanced in 1985 included loan financial information, technical assistance information, staff benefit administration, Bank procurement administration, investments portfolio, member country subscriptions, depository bank liability, automated check printing and travel advance voucherizing systems. A microcomputer-based payroll system was implemented.

### Office Accommodation

Several projects covering office accommodation and facilities which were begun in 1984 were completed during the year, including the Bank's Telecommunications Project. These measures provided the office space and facilities required until early 1986 when the Bank relocates to its new Headquarters building; they also facilitated implementation of the office automation program through the planned location of self-contained departmental information centers.

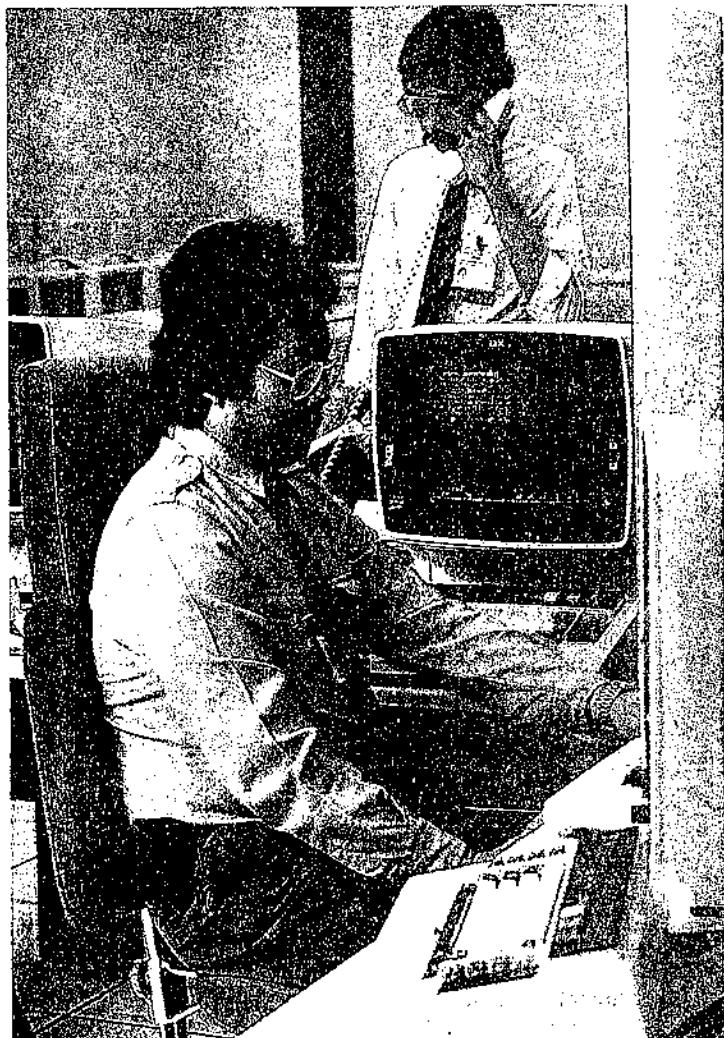
A capital expenditure project for upgrading and improving facilities was also approved by the Board of Directors during the year at a cost of \$564,000. Implementation of this project — which is aimed at strengthening safety and energy conservation measures as well as improving office facilities — began in the latter part of 1985. It is expected to be completed in 1986.

### New Headquarters Building

During 1985, bulk excavation at the new Headquarters site in Ortigas Commercial Center was completed. A Supplementary Agreement to the Headquarters Agreement was entered into between the Bank and the Philippine Government to deal with various issues related to the Project. The Main Building Contract was awarded to Hyundai Engineering and Construction Company Limited, Republic of Korea. Consultants completed evaluation of bids received for various nominated sub-contracts and Bank approval of the nomination of subcontractors was in progress. Competitive prices were received for all the bid packages. Bids for the Telecommunications Nominated Subcontract were expected during the first quarter of 1986. The Project is expected to be completed by early 1988.

### Budget

Internal Administrative Expenses for 1985 amounted to \$80.1 million against the original Budget of \$87.9 million, representing 91 per cent utilization of the latter. The difference of \$7.8 million against the Budget is due mainly to savings in staff salaries, benefits, relocation, business travel,



COMPUTER operators in the Bank's computer center. Computer-based information and office systems are being steadily expanded to support Bank operations.

other administrative expenses and non-use of the general contingency.

The Administrative Budget for 1986, which was approved by the Board of Directors in December 1985, is summarized in Appendix 1. It provides for Internal Administrative Expenses in 1986 amounting to \$89.3 million, an increase of \$9.2 million over actual expenses in 1985. The increase is largely attributable to: (i) the full-year effect of the past year's staff increase and to additional supporting staff required for 1986; (ii) salary improvements for supporting staff and benefits improvements for professional and supporting staff approved in 1985 and further improvements subject to consideration in 1986; (iii) consultant services required for the Bank's work in 1986; (iv) higher overheads, mainly in contractual services and depreciation; (v) past and prospective price escalation; and (vi) provision for general contingency.

Commitments for Services to Member Countries in 1985 amounted to \$19.4 million representing 72 per cent utilization of the original Budget of \$27 million and an increase of 9 per cent over actual commitments of \$17.9 million in 1984. Provision is made in 1986 for new commitments amounting to \$24 million, representing an increase of 23 per cent over the actual commitments in 1985.

# **FINANCIAL STATEMENTS AND OPINIONS OF INDEPENDENT AUDITORS**

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**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 (OCR):

- OCR-1 Balance Sheet, 31 December 1985 and 31 December 1984
- OCR-2 Statement of Income and Expenses for the Years Ended  
31 December 1985 and 31 December 1984
- OCR-3 Statement of Changes in Financial Position for the Years  
Ended 31 December 1985 and 31 December 1984
- OCR-4 Summary Statement of Loans, 31 December 1985  
and 31 December 1984
- OCR-5 Summary Statement of Borrowings, 31 December 1985  
and 31 December 1984
- OCR-6 Statement of Subscriptions to Capital Stock and Voting  
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- OCR-7 Notes to Financial Statements, 31 December 1985  
and 31 December 1984

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 1985 and 31 December 1984 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**

11 March 1986

# ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## BALANCE SHEET

31 December 1985 and 31 December 1984

Expressed in Thousands of United States Dollars (Note A)

	ASSETS	
	1985	1984 <sup>1</sup>
CASH IN BANKS (Note B)	\$ 120,644	\$ 83,829
INVESTMENTS (Notes C and G)		
Government and government guaranteed obligations — amortized cost (Face amounts \$2,646,608—1985, \$1,823,361—1984)	\$2,639,086	\$1,807,919
Time deposits and other obligations of banks	<u>832,155</u>	<u>3,471,241</u>
LOANS OUTSTANDING (OCR-4) (Note A)	4,539,133	3,286,683
EQUITY INVESTMENTS — at cost	1,030	906
ACCRUED INCOME		
On investments	65,310	60,234
On loans	<u>116,333</u>	<u>181,643</u>
AMOUNTS RECEIVABLE FROM MEMBERS		
Non-negotiable, non-interest-bearing demand obligations (Notes B and D)	363,604	353,135
Amounts required to maintain value of currency holdings (Note E)	1,375	1,356
Subscription instalments (Note D)	<u>13,938</u>	<u>378,917</u>
OTHER ASSETS		
Notional amounts required to maintain value of currency holdings (Note E)	184,453	126,592
Unamortized issuance costs of borrowings	71,584	64,769
Property, furniture and equipment (net of accumulated depreciation of \$2,636—1985, \$1,645—1984) (Note A)	29,852	21,796
Administration charge receivable from the Asian Development Fund (Note F)	10,144	6,889
Miscellaneous	<u>25,007</u>	<u>321,040</u>
TOTALS	\$9,013,648	\$6,770,783

See notes to financial statements (OCR-7).

<sup>1</sup> Reclassified to conform to 1985 classification.

## LIABILITIES, CAPITAL AND RESERVES

	1985		1984	
<b>BORROWINGS</b>				
Principal amounts outstanding (OCR-5)	\$ 5,569,465		\$ 3,892,577	
Less — unamortized discounts and premiums on interest-bearing bonds and notes	30,441	\$5,539,024	24,213	\$3,868,364
<b>ACCRUED INTEREST ON BORROWINGS</b>		157,459		105,874
<b>ACCOUNTS PAYABLE AND OTHER LIABILITIES</b>				
Notional amounts required to maintain value of currency holdings (Note E)	99,003		113,202	
Miscellaneous	41,196	140,199	18,571	131,773
<b>CAPITAL AND RESERVES (SDRs in thousands)</b>				
<b>Capital Stock (OCR-6) (Note D)</b>				
Authorized				
(SDR 14,768,070)				
Subscribed				
(SDR 14,539,140 — 1985, SDR 14,341,960 — 1984)	15,970,082		14,058,061	
Less — "callable" shares subscribed	14,036,127		12,341,908	
"Paid-in" shares subscribed	1,933,955		1,716,153	
Less — subscription instalments not due	187,922		239,032	
Subscription instalments matured	1,746,033		1,477,121	
Less — capital transferred to the Asian Development Fund (Note H)	52,295		46,667	
	1,693,738		1,430,454	
Advance payments on subscriptions (Note D)	1,693		1,360	
Accumulated translation adjustments (Note A)	(101,445)		(122,621)	
Ordinary Reserve (Note I)	1,158,540		997,809	
Special Reserve (Note G)	176,547		167,349	
Net income after appropriation of commissions to Special Reserve for the years ended 31 December 1985 and 31 December 1984 (OCR-2) (Note I)	247,893	3,176,966	190,421	2,664,772
<b>TOTALS</b>		\$9,013,648		\$6,770,783

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1985 and 31 December 1984

Expressed in Thousands of United States Dollars (Note A)

	1 9 8 5	1 9 8 4
<b>INCOME</b>		
From loans:		
Interest	\$307,204	\$250,951
Commissions	9,198	16,047
Commitment charge	34,393	31,235
From investments (Note C)	327,930	264,349
From other sources — net (Note F)	<u>6,043</u>	<u>5,970</u>
<b>GROSS INCOME</b>	<b>\$684,768</b>	<b>\$568,552</b>
<b>EXPENSES</b>		
Interest and other financial expenses (Notes A and F)	377,771	318,881
Administrative expenses (Notes F and J)	45,568	40,350
Services to member countries (Note K)	<u>4,338</u>	<u>2,853</u>
<b>GROSS EXPENSES</b>	<b><u>427,677</u></b>	<b><u>362,084</u></b>
<b>NET INCOME</b>	<b>257,091</b>	<b>206,468</b>
<b>APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note G)</b>	<b>(9,198)</b>	<b>(16,047)</b>
<b>NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note I)</b>	<b>\$247,893</b>	<b>\$190,421</b>

See notes to financial statements (OCR-7).

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1985 and 31 December 1984

Expressed in Thousands of United States Dollars (Note A)

	1985	1984 <sup>1</sup>
<b>FUNDS WERE PROVIDED BY</b>		
Operations:		
Net income	\$ 257,091	\$206,468
Items not requiring or providing current funds:		
Accrued interest and other expenses	54,431	6,820
Accrued income including interest and commitment charges added to loans	(69,063)	(52,768)
Administration charge (Note F)	(36,141)	(34,372)
Commissions (transferred to Special Reserve)	(9,198)	(16,047)
Other — net	<u>43,955</u>	<u>30,739</u>
Funds provided by operations	241,075	140,840
Borrowings:		
Net proceeds of new borrowings	\$ 796,061	\$ 925,789
Increase (decrease) in borrowings as a result of currency revaluations	967,426	(405,043)
Bonds purchased for redemption and borrowings redeemed	<u>(137,136)</u>	<u>(118,043)</u>
Capital:	74,242	91,950
Matured subscriptions		
Increase (decrease) in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as the unit of value	181,360	(101,577)
Demand obligations of members encashed	31,499	32,037
Net maintenance of value adjustments	(72,079)	6,569
Demand obligations of members received	(34,932)	(47,664)
Decrease (increase) in capital set-aside and transferred to Asian Development Fund due to substitution of the SDR for the 1966 dollar as the unit of value	<u>(5,628)</u>	<u>174,462</u>
Administration charge collected	32,886	3,178
Net translation adjustments	21,176	(15,507)
Increase in Special Reserve	9,198	39,176
Other-net	<u>22,268</u>	<u>(45,764)</u>
Totals	2,127,416	526,426
<b>FUNDS WERE UTILIZED FOR</b>		
Loans:		
Loans disbursed	591,527	673,859
Increase (decrease) in loans disbursed and outstanding as a result of currency revaluations	834,300	(347,989)
Loans collected	<u>(202,177)</u>	<u>(173,172)</u>
Net charge (credit) to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as the unit of value	29,690	152,698
Increase (decrease) in other assets as a result of currency revaluations	12,506	(16,110)
Property, furniture and equipment acquired	9,047	(18,801)
Totals	1,274,893	7,754
<b>INCREASE IN CASH IN BANKS AND INVESTMENTS</b>		
	\$ 852,523	\$400,885

See notes to financial statements (OCR-7).

1 Reclassified to conform to 1985 classification.

**ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES**

**SUMMARY STATEMENT OF LOANS<sup>1</sup>**

**31 December 1985 and 31 December 1984**

Expressed in Thousands of United States Dollars (Note A)

Borrowers/Guarantors <sup>2</sup>	Principal Amounts	Loans Not Yet Effective	Refundings and Cancellations
Bangladesh	\$ 11,400	\$ —	\$ 2,082
Burma	6,600	—	—
Fiji	56,100	7,000	112
Hong Kong	101,500	—	4,503
Indonesia	3,291,700	399,200	193,884
Korea, Republic of	2,112,830	167,000	184,126
Malaysia	1,174,108	87,380	83,150
Nepal	2,000	—	—
Pakistan	1,155,170	278,800	63,074
Papua New Guinea	103,600	16,400	572
Philippines	2,031,740	—	128,802
Singapore	178,080	—	33,856
Sri Lanka	14,135	—	931
Taipei, China	100,390	—	9,252
Thailand	1,605,280	122,600	117,463
Viet Nam	3,930	—	2,389
Adjustments in United States dollar equivalents of loans outstanding	—	—	—
<b>TOTALS — 31 December 1985</b>	<b>\$11,948,563</b>	<b>\$1,078,380</b>	<b>\$824,196</b>
<b>TOTALS — 31 December 1984</b>	<b>\$10,677,383</b>	<b>\$1,104,650</b>	<b>\$518,349</b>

**MATURITY OF EFFECTIVE LOANS**

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1986	\$249,915	1995	2,244,254
1987	288,963	2000	2,510,971
1988	337,292	2005	1,753,358
1989	367,989	2010	636,653
1990	402,837	2015	45,922
		Undetermined	266,826 <sup>4</sup>
		Total	\$9,104,980

See notes to financial statements (OCR-7).

- 1 The interest rates (including commission where applicable) charged on loans approved in the first half and second half of 1985 are 10.25% per annum and 9.65% per annum, respectively (10.50% and 10.25% — 1984). The interest rates (including commission where applicable) 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 These amounts represent adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.
- 4 Represents prepayments, cancellations and translation adjustments which have not been allocated to specific maturities.

Payments Received		Effective Loans	Undisbursed Balances of Effective Loans	Outstanding Balances
On Loans Held by Bank	For Loans Sold			
\$ 6,148	\$ —	\$ 3,170	\$ —	\$ 3,170
1,145	—	5,455	73	5,382
5,930	—	43,058	7,090	35,968
44,333	3,859	48,805	2,866	45,939
76,993	—	2,621,623	1,876,972	744,651
426,142	3,456	1,332,106	444,167	887,939
94,315	2,140	907,123	497,309	409,814
2,000	—	—	—	—
126,835	—	686,461	298,532	387,929
1,808	—	84,820	57,554	27,266
158,435	423	1,744,080	836,036	908,044
65,610	2,830	75,784	5,203	70,581
12,606	—	598	—	598
61,419	2,800	26,919	—	26,919
129,498	1,711	1,234,008	540,045	693,963
378	—	1,163	—	1,163
		289,807 <sup>3</sup>		289,807 <sup>3</sup>
<u>\$1,213,595</u>	<u>\$17,219</u>	<u>\$9,104,980</u>	<u>\$4,565,847</u>	<u>\$4,539,133</u>
<u>\$ 992,783</u>	<u>\$17,219</u>	<u>\$7,481,254</u>	<u>\$4,194,571</u>	<u>\$3,286,683</u>

#### SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1985	1984	Currency	1985	1984
Australian dollar	\$ 25,383	\$ 37,002	Luxembourg franc	—	50
Austrian schilling	30,623	33,234	Malaysian ringgit	32,243	34,532
Belgian franc	282	313	Netherlands guilder	17,122	18,624
Canadian dollar	2,680	3,994	New Zealand dollar	6,902	6,089
Danish krone	64	138	Norwegian krone	1,815	2,989
Deutsche mark	1,084,277	965,570	Pound sterling	2,701	3,141
French franc	689	1,884	Singapore dollar	1,969	2,349
Hong Kong dollar	2,056	2,117	Swedish krona	667	1,614
Italian lira	43	134	Swiss franc	1,062,549	921,857
Japanese yen	1,702,387	1,506,476	United States dollar	273,723	306,444
Kuwaiti dinar	1,151	1,260	Adjustments in United States dollar equivalents of loans outstanding	289,807 <sup>3</sup>	(563,128) <sup>3</sup>
			Totals	<u>\$4,539,133</u>	<u>\$3,286,683</u>

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF BORROWINGS

**31 December 1985 and 31 December 1984**

Expressed in Thousands of United States Dollars (Note A)

Currency	Balance 31 December 1984	Changes During the Year Ended 31 December 1985		
		Borrowings	Repayments and Sinking Fund and Other Purchases	Translation and Other <sup>1</sup> Adjustments
Austrian schilling	\$ 22,676	\$ —	\$ —	\$ 6,176
Deutsche mark	770,330	133,833	32,335	235,310
Italian lira	1,550	—	582	224
Japanese yen	1,477,200	362,975	30,600	431,822
Kuwaiti dinar	45,045 <sup>3</sup>	—	4,295	2,480
Luxembourg franc	1,902	—	771	328
Netherlands guilder	183,125	58,030	—	65,483
Pound sterling	114,204	—	282	28,361
Swiss franc	664,844	157,838	3,733	197,242
United States dollar	<u>611,701<sup>1,3</sup></u>	<u>100,000</u>	<u>64,538</u>	<u>33,922</u>
Principal amounts outstanding	3,892,577	812,676	137,136	1,001,348
Less — unamortized discounts and premiums on interest- bearing bonds and notes	<u>24,213</u>	<u>6,228</u>	<u>—</u>	<u>—</u>
<b>TOTALS</b>	<b><u>\$3,868,364</u></b>	<b><u>\$806,448</u></b>	<b><u>\$137,136</u></b>	<b><u>\$1,001,348</u></b>
			<b>MATURITY OF</b>	
		<b>Twelve Months</b>		
		<b>Ending 31 December</b>	<b>1 9 8 5</b>	<b>1 9 8 4</b>
		1985		\$121,961
		1986	\$347,704 <sup>4</sup>	158,017
		1987	65,941	53,959
		1988	300,050	240,766
		1989	304,836	243,715
		1990	400,354	

See notes to financial statements (OCR-7).

- 1 Balance outstanding at 31 December 1985 includes the total amount of \$283,053 (\$249,131 — 1984) for the Ten-Year Zero Coupon Notes of 1982 and the Twenty-Year Zero Coupon Bonds of 1984 (principal amounts at maturity, \$400,000 and \$1,000,000, respectively); 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.

Balance 31 December 1985	Weighted Average Effective Interest Rates <sup>2,3</sup>			Due for Redemption
	1985	1984		
\$ 28,852	8.18%	8.18%		1986-1993
1,107,138	8.16	8.29		1986-1997
1,192	7.22	7.22		1986-1987
2,241,397	7.73	7.93		1986-2000
43,230 <sup>3</sup>	12.59	12.59		1986-1991
1,459	6.64	6.64		1986-1987
306,638	8.93	9.32		1988-2000
142,283	11.76	11.76		1986-2009
1,016,191	6.14	6.22		1986-2010
<u>681,085<sup>1,3</sup></u>	<u>10.98</u>	<u>10.74</u>		<u>1986-2004</u>
 5,569,465	 8.13	 8.37		
 <u>30,441</u>	 <u>8.13</u>	 <u>8.37</u>		
 <u>\$5,539,024</u>	 <u>8.13</u>	 <u>8.37</u>		

**BORROWINGS OUTSTANDING**

Five Years	1985	1984
Ending 31 December		
1995/1994	3,038,624	2,325,387
2000/1999	1,018,716	770,363
2005/2004	1,026,968	1,022,302
2010/2009	183,219	106,976
<b>Totals</b>	<b>\$6,686,412</b>	<b>\$5,043,446</b>

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

Currency	Amount Swapped Out	Amount Swapped In	Effective Interest Rates	
			Before Swapping	After Swapping
Kuwaiti dinar	KD 15 million	\$50,836	11.43%	12.59%
United States dollar	\$34,657	SwF 183.1 million	11.97	5.83

4 Including Twenty-Year Japanese Yen borrowings made in 1979 and 1980 amounting to ¥35 billion (equivalent to \$174,584) to be prepaid in March 1986 under call rights exercised by the Bank in December 1985.

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

31 December 1985

Expressed in Thousands of United States Dollars (Note A)

MEMBERS <sup>3</sup>	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Per Cent of Total	Par Value of Shares			Number of Votes	Per Cent of Total
			Total	Callable	Paid-in		
<b>REGIONAL</b>							
Afghanistan <sup>1</sup>	1,195	0.062	\$ 13,126	\$ 8,930	\$ 4,196	9,272	0.510
Australia	102,370	7.041	1,124,452	989,446	135,006	110,447	6.077
Bangladesh	18,064	1.242	198,419	174,594	23,825	26,141	1.438
Bhutan <sup>1</sup>	110	0.008	1,208	978	230	8,187	0.450
Burma	9,635	0.663	105,833	93,124	12,709	17,712	0.975
Cambodia <sup>1</sup>	875	0.060	9,611	6,536	3,075	8,952	0.493
Cook Islands	47	0.003	516	461	55	8,124	0.447
Fiji	1,203	0.083	13,214	11,621	1,593	9,280	0.511
Hong Kong <sup>1</sup>	4,700	0.323	51,626	41,630	9,996	12,777	0.703
India	112,005	7.704	1,230,285	1,082,581	147,704	120,082	6.607
Indonesia	96,350	6.627	1,058,328	931,274	127,054	104,427	5.746
Japan	240,875	16.567	2,645,819	2,328,167	317,652	248,952	13.698
Kiribati	71	0.005	780	681	99	8,148	0.448
Korea, Rep. of	89,123	6.130	978,945	861,425	117,520	97,200	5.348
Laos <sup>1</sup>	246	0.017	2,702	2,175	527	8,323	0.458
Malaysia	48,175	3.313	529,164	465,631	63,533	56,252	3.095
Maldives	71	0.005	780	681	99	8,148	0.448
Nepal	2,601	0.179	28,570	25,132	3,438	10,678	0.588
New Zealand	27,170	1.869	298,441	262,610	35,831	35,247	1.939
Pakistan	38,540	2.651	423,331	372,507	50,824	46,617	2.565
Papua New Guinea	1,660	0.114	18,234	16,059	2,175	9,737	0.536
Philippines	42,152	2.899	463,006	407,426	55,580	50,229	2.764
Singapore	6,020	0.414	66,125	58,183	7,942	14,097	0.776
Solomon Islands <sup>1</sup>	58	0.004	637	516	121	8,135	0.448
Sri Lanka	10,260	0.706	112,698	99,166	13,532	18,337	1.009
Taipei, China	19,270	1.325	211,665	186,259	25,406	27,347	1.505
Thailand	24,087	1.657	264,576	232,810	31,766	32,164	1.770
Tonga	71	0.005	780	681	99	8,148	0.448
Vanuatu	118	0.008	1,296	1,142	154	8,195	0.451
Viet Nam <sup>1</sup>	6,038	0.416	66,323	52,439	13,884	14,115	0.777
Western Samoa <sup>1</sup>	58	0.004	637	516	121	8,135	0.448
<b>Total Regional</b>	<b>903,218</b>	<b>62.123</b>	<b>9,921,127</b>	<b>8,715,381</b>	<b>1,205,746</b>	<b>1,153,605</b>	<b>63.476</b>
<b>NON-REGIONAL</b>							
Austria	6,020	0.414	66,125	58,183	7,942	14,097	0.776
Belgium	6,020	0.414	66,125	58,183	7,942	14,097	0.776
Canada	92,543	6.365	1,016,511	894,476	122,035	100,620	5.537
Denmark	6,020	0.414	66,125	58,183	7,942	14,097	0.776
Finland <sup>2</sup>	2,408	0.166	26,450	22,287	4,163	10,485	0.577
France <sup>2</sup>	30,108	2.071	330,712	291,005	39,707	38,185	2.101
Germany, Fed. Rep. of	76,534	5.264	840,665	739,731	100,934	84,611	4.665
Italy <sup>2</sup>	24,087	1.657	264,576	232,810	31,766	32,164	1.770
Netherlands <sup>2</sup>	13,247	0.911	145,508	128,043	17,465	21,324	1.173
Norway	6,020	0.414	66,125	58,183	7,942	14,097	0.776
Sweden	2,408	0.166	26,450	22,287	4,163	10,485	0.577
Switzerland <sup>2</sup>	8,275	0.569	90,894	79,976	10,918	16,352	0.900
United Kingdom	36,131	2.485	396,870	349,232	47,638	44,208	2.432
United States <sup>4</sup>	240,875	16.567	2,645,819	2,328,167	317,652	248,952	13.698
<b>Total Non-Regional</b>	<b>550,696</b>	<b>37.877</b>	<b>6,048,955</b>	<b>5,320,746</b>	<b>728,209</b>	<b>663,774</b>	<b>36.524</b>
<b>TOTALS</b>	<b>1,453,914</b>	<b>100.000</b>	<b>\$15,970,082</b>	<b>\$14,036,127</b>	<b>\$1,933,955</b>	<b>1,817,379</b>	<b>100.000</b>

See notes to financial statements (OCR-7).

- These members have not yet subscribed to their full entitlements under the third general capital increase approved by the Board of Governors in 1983. Each of these members is entitled to subscribe to 105% of the number of shares currently subscribed by it, with 5% of the subscription being paid-in shares and the remainder being callable shares. Instruments of subscriptions are to be submitted by 31 May 1988.
- On 30 September 1985, the Board of Governors approved a special increase in the Bank's authorized capital stock by 29,520 shares to be effective to the extent that the special subscriptions become effective. Such shares are for additional subscription by Finland, France, Italy, the Netherlands and Switzerland.
- Spain became a member of the Bank on 14 February 1986, subscribing to 6,020 shares. The People's Republic of China became a member on 10 March 1986, subscribing to 114,000 newly authorized shares.
- As \$1,842 of the third instalment due from the United States under the Bank's third general capital increase has not been paid, their subscribed capital was reduced by 3,435 shares from 20 February 1986. That subscribed capital will be restored upon payment of the outstanding instalment before the due date of the final instalment on 19 December 1987.

# ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## NOTES TO FINANCIAL STATEMENTS

31 December 1985 and 31 December 1984

CONTINUED

### NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Functional Currencies and Reporting Currency

The currencies of members are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

#### Valuation of Capital Stock

The capital stock is defined in Article 4, paragraph 1 of the Articles of Agreement Establishing the Bank (the Charter) "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar) and the value of each share is defined as 10,000 1966 dollars. The capital stock had historically been translated into the current United States dollar (the Bank's unit of account) on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the capital stock has been valued for purposes of these financial statements in terms of the Special Drawing Right (SDR) at the value in current United States dollars as computed by the IMF, with each share valued at SDR 10,000.

As of 31 December 1985, the value of the SDR in terms of the current United States dollar was \$1.09842 (\$0.980205 — 1984) giving a value for each share of the Bank's capital equivalent to \$10,984.20 (\$9,802.05 — 1984). However, the Bank could decide to fix the value of each share at \$12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold. If the capital stock as of 31 December 1985 had been valued in terms of \$12,063.50 per share, the net maintenance of value obligations would have been \$205,333,000 (\$284,925,000 — 1984) receivable from members instead of \$86,825,000 (\$14,746,000 — 1984) receivable from members.

#### Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments other than those relating to maintenance of value of currency holdings (see

Notes E and I), 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.

#### Loans

The Bank's loans have been made to or guaranteed by members or their governments and have maturities ranging between 10 and 30 years. The Bank requires its borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies which it has disbursed. The Bank has not suffered any loan losses to date and follows a policy of not taking part in debt rescheduling agreements.

#### 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 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 Metropolitan Manila at the original cost of \$9,555,000 and has awarded a contract for the construction of a new headquarters building. Other costs capitalized in connection with this project, including interest (see Note F), totalled \$16,462,000 as of 31 December 1985 (\$9,066,000 — 1984). Outstanding commitments related to the project aggregate approximately \$85,000,000.

### NOTE B — RESTRICTIONS ON USE OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i) of the Charter, the use by the Bank or by any recipient from the Bank of certain assets may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 27 members, cash in banks and demand obligations totalling \$39,504,000 (\$37,459,000 — 1984) and \$227,098,000 (\$218,439,000 — 1984), respectively, may be, but are not currently so restricted.

# ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## NOTES TO FINANCIAL STATEMENTS

31 December 1985 and 31 December 1984

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, the use by the Bank or by any recipient from the Bank of certain assets has been restricted by two members to payments for goods or services produced in their territories. Cash in banks and demand obligations totalling \$74,000 (\$43,000 — 1984), and \$3,919,000 (\$4,438,000 — 1984), respectively, have been so restricted.

### NOTE C — INVESTMENTS

As of 31 December 1985, the market value of investments was \$3,523,513,000 (\$2,674,367,000 — 1984), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$1,155,566,000 (\$1,267,852,000 — 1984). During the year ended 31 December 1985, sales of investments resulted in a net gain of \$41,257,000 (\$10,241,000 — 1984). 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 beginning and end of each quarter, including realized gains and losses, was 11.03% (10.59% — 1984).

### NOTE D — CAPITAL STOCK

The authorized capital stock of the Bank consists of 1,476,807 shares, of which 1,453,914 shares (1,434,196 — 1984) have been subscribed by members. Of the subscribed shares, 1,277,847 (1,259,115 — 1984) are "callable" and 176,067 (176,081 — 1984) are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings or on guarantees. The "paid-in" share capital is payable or has been paid in instalments, partly in convertible currencies and partly in the currency of the subscribing member. In accordance with Article 6, paragraph 3, of the Charter, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations.

As of 31 December 1985, all matured instalments amounting to \$1,746,033,000 (\$1,477,121,000 — 1984) were received except \$13,938,000 (\$295,000 — 1984). Instalments not due aggregating \$187,922,000 (\$239,032,000 — 1984) are receivable as follows:

	1985	1984
1985		\$78,578,000
1986	\$90,704,000	78,526,000
1987	90,693,000	78,517,000
1988	6,525,000	3,411,000

Payments in respect of capital subscription instalments in advance of due dates are shown in the balance sheet

(under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

### NOTE 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 Charter 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.

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 1985 consisting of receivables of \$184,453,000 (\$126,592,000 — 1984) and payables of \$99,003,000 (\$113,202,000 — 1984) represent (a) the net decrease of \$203,958,000 (\$283,569,000 — 1984) 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 1985 offset by (b) the decrease of \$118,508,000 (\$270,179,000 — 1984) 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 \$333,094,000 (\$286,815,000 — 1984). Of this amount \$1,608,000 (\$1,103,000 — 1984) were capitalized as a part of the cost of the new headquarters building.

Administrative expenses (other than those appertaining directly to ordinary operations and special operations) for the year ended 31 December 1985 have been apportioned between ordinary capital resources and the Asian Develop-

ment Fund according to the number of loans approved for the year. Of the total administrative expenses of \$81,709,000 (\$74,722,000 — 1984), \$36,141,000 (\$34,372,000 — 1984) has accordingly been charged to the Asian Development Fund.

#### NOTE G — SPECIAL RESERVE

In accordance with Articles 16 and 17 of the Charter, the Bank charges a commission calculated at 1/4 % (1% — before 1984; 1/2 % — 1984) per annum on the outstanding amount of loans made by it from the ordinary capital resources prior to 28 March 1984 and an amount equivalent to such commissions is appropriated to a Special Reserve. The commission charged on such loans will be discontinued after 1985. All amounts previously intended as commission but no longer chargeable as such will continue to be levied as interest and will be accounted for as such by the Bank. Special Reserve assets consist of government and government guaranteed obligations and are included under the heading "INVESTMENTS".

#### NOTE H — CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) 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 \$52,295,000 as of 31 December 1985 (\$46,667,000 — 1984) expressed in terms of the SDR on the basis of \$1.09842 (\$0.980205 — 1984) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar — see Note A), were allocated and transferred to the Asian Development Fund.

#### NOTE I — ORDINARY RESERVE AND NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE

Under the provisions of Article 40 of the Charter, 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 1984 was allocated to the Ordinary Reserve.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note A) resulted in a net charge of \$29,690,000 to the Ordinary Reserve during the year ended 31 December 1985 (net credit of \$16,110,000 — 1984). That

charge (credit — 1984) is the increase (decrease — 1984) in the value of the matured and paid capital subscriptions caused by the change during the period in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

#### NOTE 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.

Participants are required to contribute 9 1/3% of their remuneration to the Plan and may also make voluntary contributions. The Bank has contributed amounts equal to 18 2/3% of the participants' remuneration. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions. For the year ended 31 December 1985, the amount contributed by the Bank was \$6,821,000 (\$6,377,000 — 1984).

The actuarial present value of vested and non-vested accumulated plan benefits as of 30 September 1985, the date of the last actuarial valuation, totalled \$50,445,000 (\$44,387,000 — 1984) and \$3,624,000 (\$3,602,000 — 1984), respectively. Net assets available for benefits totalled \$88,992,000 as of 30 September 1985 (\$70,834,000 — 1984). The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8%.

#### NOTE K — SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$32,376,000 as of 31 December 1985 (\$27,178,000 — 1984). Ordinary capital resources income is used for these commitments if Technical Assistance Special Fund resources are not available. When technical assistance provided as a grant leads to a Bank loan, the amount of the grant exceeding \$150,000 will be refinanced under the loan. Refinanced amounts are charged to loans and credited to income of ordinary capital resources. No amounts were refinanced during the year ended 31 December 1985 (\$5,000 — 1984).

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**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 (ADF):

ADF-1 Balance Sheet, 31 December 1985 and  
31 December 1984

ADF-2 Statement of Income and Expenses and Accumulated  
Net Income for the Years Ended 31 December 1985  
and 31 December 1984

ADF-3 Statement of Changes In Financial Position for the Years  
Ended 31 December 1985 and 31 December 1984

ADF-4 Summary Statement of Loans, 31 December 1985 and  
31 December 1984

ADF-5 Statement of Resources, 31 December 1985

ADF-6 Notes to Financial Statements, 31 December 1985 and  
31 December 1984

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 1985 and 31 December 1984 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

11 March 1986

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

## BALANCE SHEET

31 December 1985 and 31 December 1984

Expressed in Thousands of United States Dollars (Note B)

ASSETS	1985	1984
CASH IN BANKS	\$ 8,356	\$ 7,722
INVESTMENTS (Note C)		
Government and government guaranteed obligations —		
amortized cost (Face amounts \$163,818 — 1985, \$89,813 — 1984)	\$ 161,394	\$ 88,122
Time deposits and other obligations of banks	<u>279,591</u>	<u>232,265</u>
LOANS OUTSTANDING (ADF-4)	2,000,070	1,366,199
ACCRUED INCOME		
On investments	4,815	3,594
On loans	<u>6,680</u>	<u>4,484</u>
NOTES OF CONTRIBUTOR(S)		
Non-negotiable, non-interest-bearing notes	3,618,824	2,906,612
AMOUNTS RECEIVABLE FROM CONTRIBUTOR(S) (ADF-5)	10,937	13,707
ACCOUNTS RECEIVABLE	6,303	4,649
TOTALS	\$6,096,970	\$4,627,354
<hr/>		
<b>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</b>		
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note D)	\$ 10,144	\$ 6,889
ACCOUNTS PAYABLE	4,343	4,872
UNEXPENDED BALANCES AND CAPITAL		
Amounts available for loan commitments (ADF-5)		
Contributed Resources	\$5,822,605	\$4,409,735
Set-Aside Resources (Note E)	52,295	46,667
Other Resources	<u>5,080</u>	<u>5,080</u>
	5,879,980	4,461,482
Advance payment on contributions (ADF-5)	996	476
Accumulated translation adjustments (Note B)	(7,933)	(35,554)
Accumulated net income (ADF-2)	<u>209,440</u>	<u>189,189</u>
TOTALS	\$6,096,970	\$4,627,354

See notes to financial statements (ADF-6).

**ASIAN DEVELOPMENT BANK -- ASIAN DEVELOPMENT FUND****STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME****For the Years Ended 31 December 1985 and 31 December 1984**

Expressed in Thousands of United States Dollars (Note B)

	<u>1985</u>	<u>1984</u>
<b>INCOME</b>		
From investments (Note C)	\$ 38,043	\$ 36,911
From loans	18,072	15,034
From other sources — net	366	111
<b>GROSS INCOME</b>	<u>56,481</u>	<u>52,056</u>
<b>EXPENSES</b>		
Administrative expenses (Note D)	36,230	34,383
<b>NET INCOME</b>	20,251	17,673
<b>ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR</b>	189,189	171,516
<b>ACCUMULATED NET INCOME AT END OF THE YEAR</b>	<b>\$209,440</b>	<b>\$189,189</b>

See notes to financial statements (ADF-6).

**ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**For the Years Ended 31 December 1985 and 31 December 1984**

**Expressed in Thousands of United States Dollars (Note B)**

	1985	1984
<b>FUNDS WERE PROVIDED BY</b>		
Operations:		
Net Income	\$ 20,251	\$ 17,673
Items not requiring or providing current funds:		
Administration charge (Note D)	36,141	34,372
Decrease (increase) in accrued income including interest added to loans	(3,709)	36
Funds provided by operations	<u>52,683</u>	<u>52,081</u>
Contributions:		
Contributions drawn	\$ 672,850	\$ 745,832
Increase (decrease) in contributions drawn as a result of currency valuations	743,310	(339,328)
Notes of contributors encashed	417,145	235,843
Notes of contributors received	(672,935)	(752,475)
Decrease (increase) in notes of contributors as a result of currency revaluations	<u>(456,422)</u>	<u>703,948</u>
Net translation adjustments	27,621	228,326
Increase (decrease) in Set-Aside Resources due to substitution of the SDR for the 1966 dollar as the unit of value	5,628	118,198
Totals	<u>789,880</u>	<u>(16,288)</u>
		(3,178)
		<u>150,813</u>
<b>FUNDS WERE UTILIZED FOR</b>		
Loans:		
Loans disbursed	389,546	298,254
Increase (decrease) in loans disbursed and outstanding as a result of currency revaluations	258,240	(96,596)
Loans collected	<u>(14,207)</u>	<u>633,579</u>
Administration charge paid	32,886	39,176
Other-net	2,183	(10)
Totals	<u>668,648</u>	<u>229,123</u>
<b>INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS</b>		
	\$121,232	\$ (78,310)

See notes to financial statements (ADF-6).

**ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND**

**SUMMARY STATEMENT OF LOANS<sup>1</sup>**

**31 December 1985 and 31 December 1984**

Expressed in Thousands of United States Dollars (Note B)

Borrowers	Principal Amounts	Loans Not Yet Effective	Refundings and Cancellations
Afghanistan	\$ 95,100	\$ 20,100	\$ 949
Bangladesh	1,862,243	177,687	60,292
Bhutan	17,025	—	—
Burma	493,506	—	18,406
Cambodia	1,670	—	—
Cook Islands	2,500	—	—
Indonesia	162,280	—	7,171
Kiribati	2,347	—	1,234
Korea, Republic of	3,700	—	102
Laos	61,386	—	7,357
Malaysia	3,300	—	—
Maldives	3,512	—	—
Nepal	508,388	93,553	7,335
Pakistan	1,520,966	314,986	44,903
Papua New Guinea	121,918	9,189	797
Philippines	79,300	—	405
Singapore	3,000	—	—
Solomon Islands	25,024	—	193
Sri Lanka	460,621	43,471	18,998
Thailand	72,100	—	28
Tonga	8,162	—	55
Vanuatu	5,215	3,100	—
Viet Nam	40,670	13,000	3,751
Western Samoa	45,457	4,547	675
<b>Adjustments in United States dollar equivalents of loans outstanding</b>			
<b>TOTALS — 31 December 1985</b>	<b>\$5,599,390</b>	<b>\$679,633</b>	<b>\$172,651</b>
<b>TOTALS — 31 December 1984</b>	<b>\$4,834,169</b>	<b>\$783,149</b>	<b>\$ 77,978</b>
<b>MATURITY OF EFFECTIVE LOANS</b>			
Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1986	\$25,917	1995	412,428
1987	26,899	2000	594,589
1988	34,149	2005	788,471
1989	42,445	2010	883,656
1990	50,406	2015	867,441
		2020	683,833
		2025	243,818
		Undetermined	121,142 <sup>4</sup>
		Total	\$4,775,194

See notes to financial statements (ADF-5).

<sup>1</sup> 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 whereas loans negotiated before that date were denominated in current United States dollars for the same purpose. 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.

Payments Received	Effective Loans	Undisbursed Balances of Effective Loans	Outstanding Balances
\$ 2,055	\$ 71,996	\$ 46,154	\$ 25,842
5,278	1,618,986	1,109,180	509,806
—	17,025	15,446	1,579
929	474,171	236,655	237,516
—	1,670	1,027 <sup>2</sup>	643
—	2,500	387	2,113
24,254	130,855	27,091	103,764
—	1,113	537	576
1,968	1,630	—	1,930
2,617	51,412	25,257	26,155
1,340	1,980	—	1,960
—	3,512	2,672	840
14,655	392,845	215,880	176,965
10,619	1,150,458	735,677	414,781
7,314	104,618	47,160	57,458
3,121	75,774	41,642	34,132
856	2,144	—	2,144
—	24,831	9,829	15,002
10,809	387,343	214,029	173,314
273	71,799	35,623	36,176
246	7,861	1,349	6,512
—	2,115	1,499	616
3,217	20,702	918	19,784
2,476	37,759	7,112	30,647
	120,115 <sup>3</sup>		120,115 <sup>3</sup>
<u>\$92,027</u>	<u>\$4,775,194</u>	<u>\$2,775,124</u>	<u>\$2,000,070</u>
<u>\$75,625</u>	<u>\$3,757,097</u>	<u>\$2,390,898</u>	<u>\$1,366,199</u>

## SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1985	1984	Currency	1985	1984
Australian dollar	\$ 65,576	\$56,717	Japanese yen	893,604	719,909
Austrian schilling	7,634	5,843	Netherlands guilder	36,018	29,584
Belgian franc	13,406	12,212	New Zealand dollar	5,512	5,712
Canadian dollar	106,584	84,003	Norwegian krone	8,231	7,090
Danish krone	10,508	9,010	Pound sterling	65,933	54,146
Deutsche mark	130,996	115,335	Swedish krona	8,481	7,217
Finnish markka	5,551	5,047	Swiss franc	26,147	24,496
French franc	22,600	16,566	United States dollar	438,810	319,488
Italian lira	34,364	34,145	Adjustments in United States dollar equivalents of loans outstanding	120,115 <sup>3</sup>	(140,320) <sup>3</sup>
			Totals	<u>\$2,000,070</u>	<u>\$1,366,199</u>

<sup>2</sup> Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursement of the loan.

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

<sup>4</sup> 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 1985

Expressed in Thousands of United States Dollars (Note B)

	Cumulative Amounts Committed <sup>1</sup>	Amounts Not Yet Available for Loan Com- mitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
<b>CONTRIBUTED RESOURCES</b>					
Australia	\$ 249,712	\$ 36,144	\$ 213,568	\$ 213,568	\$ —
Austria	50,575	7,132	43,443	43,443	—
Belgium	45,524	5,950	39,574	39,574	—
Canada	466,099	61,223	404,876	404,876	—
Denmark	43,659	6,291	37,368	37,368	—
Finland	35,071	5,359	29,712	28,968	744
France	201,430	34,268	167,162	167,162	—
Germany, Fed. Rep. of	441,526	50,968	390,558	380,365	10,193
Hong Kong	1,000	250	750	750	—
Indonesia	3,000	750	2,260	2,260	—
Italy	159,498	25,447	134,051	134,051	—
Japan	3,176,326	353,430	2,822,896	2,822,896	—
Korea, Republic of	3,500	875	2,625	2,625	—
Netherlands	139,618	18,130	121,488	121,488	—
New Zealand	10,520	996	9,524	9,524 <sup>2</sup>	—
Norway	36,998	4,907	32,091	32,091	—
Sweden	54,798	8,300	46,498	46,498	—
Switzerland	81,203	9,583	71,620	71,620	—
Taipei, China	2,000	500	1,500	1,500	—
United Kingdom	242,032	25,981	216,051	216,051	—
United States	1,295,000 <sup>3</sup>	260,000	1,035,000	1,035,000	—
Totals	6,739,089	916,484	5,822,605	5,811,668	10,937
SET-ASIDE RESOURCES (Note E)	52,295	—	52,295	52,295	—
OTHER RESOURCES	5,080	—	5,080	5,080	—
<b>TOTALS</b>	<b>\$6,796,464</b>	<b>\$916,484</b>	<b>\$5,879,980</b>	<b>\$5,869,043</b>	<b>\$10,937</b>

See notes to financial statements (ADF-6).

<sup>1</sup> No amounts were committed during 1985.<sup>2</sup> Excluding \$996 equivalent representing advance payment from New Zealand on account of its contribution to the third ADF replenishment (ADF IV) as this amount was not available for loan commitments as of 31 December 1985.<sup>3</sup> Including \$260,000 representing the last two tranches of the United States' contribution to ADF IV for which the necessary internal procedures had not been completed as of 31 December 1985.

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

### NOTES TO FINANCIAL STATEMENTS

31 December 1985 and 31 December 1984

CONTINUED

#### NOTE A — GENERAL

The Asian Development Fund (the Fund) was established on 28 June 1974 to streamline special operations of the Bank.

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 B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Functional Currencies and Reporting Currency

The currencies of contributing members are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

##### Translation of Currencies

Assets, liabilities and contributions committed are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to contributions are offset by increases or decreases in the contribution accounts. Translation adjustments relating to capital set-aside (see Note E) are recorded as receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in income.

#### Loans

Concessional loans of the Fund have been extended to certain developing member countries, bear only a service charge and generally require repayment over a 40-year period. The Fund requires Borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed. The Fund has not suffered any loan losses to date and follows a policy of not taking part in debt rescheduling agreements.

#### Contributions

Contributions by member countries are included in the financial statements as amounts committed from the date instruments of Contribution are deposited and related formalities are completed.

#### NOTE C — INVESTMENTS

As of 31 December 1985, the market value of investments was \$442,822,000 (\$321,676,000 — 1984), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$350,667,000 (\$262,690,000 — 1984). During the year ended 31 December 1985, sales of investments resulted in a net gain of \$1,534,000 (\$534,000 — 1984). 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 beginning and end of each quarter, including realized gains and losses, was 9.75% (9.58% — 1984).

#### NOTE D — ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge from Ordinary Capital Resources amounting to \$36,141,000 (\$34,372,000 — 1984). The charge represents an apportion-

**ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND****NOTES TO FINANCIAL STATEMENTS****31 December 1985 and 31 December 1984**

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ment of all administrative expenses of the Bank (other than those appertaining directly to ordinary operations and special operations) based on the number of loans approved for the year.

**NOTE E — SET-ASIDE RESOURCES**

Pursuant to the provisions of Article 19, paragraph 1(l) of the Articles of Agreement Establishing the Bank, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973, to be used as part of the Special Funds of the Bank. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

The capital stock of the Bank is defined in Article 4, paragraph 1 "in terms of United States dollars of the weight and

fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1985, the value of the SDR in terms of the current United States dollar was \$1.09842 (\$0.980205 — 1984). On this basis, Set-Aside Resources amounted to \$52,295,000 (\$46,667,000 — 1984). If the capital stock of the Bank as of 31 December 1985 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

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**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 — Technical Assistance Special Fund (TASF):

TASF-1 Balance Sheet, 31 December 1985 and 31 December 1984

TASF-2 Statement of Operations and Unexpended Balances for the Years Ended 31 December 1985 and 31 December 1984

TASF-3 Statement of Changes In Financial Position for the Years Ended 31 December 1985 and 31 December 1984

TASF-4 Statement of Contributed Resources, 31 December 1985

TASF-5 Summary Statement of Services to Member Countries for the Year Ended 31 December 1985

TASF-6 Notes to Financial Statements, 31 December 1985 and 31 December 1984

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 1985 and 31 December 1984 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**

11 March 1986

## ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

## BALANCE SHEET

31 December 1985 and 31 December 1984

Expressed in Thousands of United States Dollars (Note A)

	1985	1984
<b><u>ASSETS</u></b>		
CASH IN BANKS	\$ 3,757	\$ 1,680
<b>INVESTMENTS (Note B)</b>		
Government and government guaranteed obligations—amortized cost (Face amounts \$3,050 —1985, \$5,455—1984)	3,033	5,389
Time deposits and other obligations of banks	11,197	8,030
ACCURED INCOME	151	142
AMOUNTS RECEIVABLE FROM CONTRIBUTORs (TASF-4)	1,021	2,727
OTHER ASSETS	1,986	1,768
<b>TOTALS</b>	<b>\$21,145</b>	<b>\$19,736</b>
<b><u>LIABILITIES AND UNEXPENDED BALANCES</u></b>		
ACCOUNTS PAYABLE	\$12,878	\$10,689
UNEXPENDED BALANCES (TASF-2) (Note C)	8,267	9,047
<b>TOTALS</b>	<b>\$21,145</b>	<b>\$19,736</b>

See notes to financial statements (TASF-6).

**ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND**

**STATEMENT OF OPERATIONS AND UNEXPENDED BALANCES**

**For the Years Ended 31 December 1985 and 31 December 1984**

Expressed in Thousands of United States Dollars (Note A)

	1985	1984
CONTRIBUTIONS COMMITTED (TASF-4)	\$ 5,760	\$ 6,421
INCOME		
From investments (Note B)	\$ 961	\$ 1,019
From other sources — net (Note D)	351	236
<b>Totals</b>	7,072	7,676
EXPENSES		
Services to member countries (TASF-5) (Note D)	10,143	11,178
Administrative expenses	16	676
<b>EXPENSES IN EXCESS OF CONTRIBUTIONS AND INCOME</b>	(3,087)	(4,178)
EXCHANGE GAIN (LOSS) — net (Note A)	2,307	(1,106)
DECREASE IN UNEXPENDED BALANCES	(780)	(5,284)
UNEXPENDED BALANCES AT BEGINNING OF THE YEAR	9,047	14,331
UNEXPENDED BALANCES AT END OF THE YEAR	\$ 8,267	\$ 9,047

See notes to financial statements (TASF-6).

## ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1985 and 31 December 1984

Expressed in Thousands of United States Dollars (Note A)

	<u>1985</u>	<u>1984</u>
<b>FUNDS WERE PROVIDED BY</b>		
Contributions:		
Contributions drawn	\$ 7,154	\$ 5,131
Increase (decrease) in contributions drawn as a result of currency valuations	1,342	(619)
	<u>8,496</u>	<u>4,512</u>
Increase in accounts payable to Ordinary Capital Resources	2,850	3,786
<b>Totals</b>	<b><u>11,346</u></b>	<b><u>8,298</u></b>
<b>FUNDS WERE UTILIZED FOR</b>		
Operations:		
Decrease in unexpended balances	780	5,284
Items not providing or (requiring) current funds:		
Accrued contributions committed	6,790	5,702
Accrued income	9	92
Accrued expenses	<u>661</u>	<u>(2,246)</u>
Funds utilized for operations	8,240	8,832
Other-net	218	27
<b>Totals</b>	<b>8,458</b>	<b>8,859</b>
<b>INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS</b>	<b>\$ 2,888</b>	<b>\$ (561)</b>

See notes to financial statements (TASF-6).

## ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

### STATEMENT OF CONTRIBUTED RESOURCES

**31 December 1985**

Expressed in Thousands of United States Dollars (Note A)

Contributors	Contributions Committed During 1985	Cumulative Contributions Committed	Cumulative Amounts Received	Amounts Receivable
Australia	\$ —	\$ 2,484	\$ 2,484	\$ —
Austria	—	122	122	—
Bangladesh	—	47	47	—
Belgium	—	1,141	1,141	—
Canada	—	3,346	3,346	—
Denmark	—	1,958	1,958	—
Finland	—	237	237	—
France	763	1,591	1,591	—
Germany, Federal Republic of	—	3,051	3,051	—
Hong Kong	—	100	100	—
India	270	1,523	1,391	132
Indonesia	—	250	250	—
Italy	—	774	774	—
Japan	3,022	43,060	43,060	—
Korea, Republic of	150	1,450	1,450	—
Malaysia	—	935	771	164
Netherlands	—	1,268	1,149	119
New Zealand	37	1,054	1,017	37
Norway	660	2,335	2,335	—
Pakistan	59	503	503	—
Singapore	—	100	100	—
Sri Lanka	—	6	6	—
Sweden	395	777	382	395
Switzerland	—	1,035	1,035	—
Taipei, China	—	200	200	—
United Kingdom	404	5,137	4,963	174
United States	—	1,500	1,500	—
<b>Totals</b>	<b>5,760</b>	<b>75,984</b>	<b>74,963</b>	<b>1,021</b>
Transfer to the Asian Development Fund	—	(400)	(400)	—
<b>TOTALS</b>	<b>\$5,760</b>	<b>\$75,584</b>	<b>\$74,563</b>	<b>\$1,021</b>

See notes to financial statements (TASF-6).

## ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

## SUMMARY STATEMENT OF SERVICES TO MEMBER COUNTRIES

For the Year Ended 31 December 1985

Expressed in Thousands of United States Dollars (Note A)

RECIPIENTS	Project Preparation	Project Implementation/ Advisory	Total
Bangladesh	\$ 509	\$ 377	\$ 886
Bhutan	190	37	227
Burma	59	133	192
Cook Islands	—	2	2
Fiji	125	141	266
Indonesia	1,270	513	1,783
Kiribati	37	69	106
Korea, Republic of	69	313	382
Laos	150	—	150
Malaysia	629	290	919
Maldives	—	34	34
Nepal	276	234	510
Pakistan	690	128	818
Papua New Guinea	184	519	703
Philippines	247	1,118	1,366
Solomon Islands	5	24	29
Sri Lanka	318	32	350
Thailand	25	525	550
Tonga	—	68	68
Vanuatu	—	208	208
Western Samoa	143	64	207
<b>Totals</b>	<b>\$4,926</b>	<b>\$4,829</b>	<b>9,755</b>
Regional Activities			388
<b>TOTAL</b>			<b>\$10,143</b>

See notes to financial statements (TASF-6).

## ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 1985 and 31 December 1984**

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#### **NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Functional Currency and Reporting Currency**

The functional currency of the Technical Assistance Special Fund (TASF) is deemed, as a matter of convenience, to be the same as the reporting currency, the United States dollar. The financial statements of TASF are expressed in thousands of current United States dollars.

##### **Translation of Currencies**

Assets, liabilities and unexpended balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. As to contributions committed, the used portions have been translated at the applicable exchange rates as of the respective dates of use whereas the unused portions are translated at the applicable exchange rates as of the end of a reporting period. Income and expense amounts in currencies other than United States dollars are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

##### **Contributions**

Contributions by member countries are included in the financial statements as amounts committed from the date contribution agreements become effective.

#### **NOTE B — INVESTMENTS**

As of 31 December 1985, the market value of investments was \$14,311,000 (\$13,515,000 — 1984), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$11,255,000 (\$11,054,000 — 1984). During the years ended 31 December 1985 and 31 December 1984, there was no material gain or loss from sale of investments. 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 beginning and end of each quarter was 7.66% (7.57% — 1984).

#### **NOTE C — FUNDING**

Since 1967, contributions have been made by 27 member countries. Contributions in earlier years were restricted in one form or another but there has been a trend in recent years towards contributions being made in a substantially or wholly unrestricted manner.

#### **NOTE D — SERVICES TO MEMBER COUNTRIES**

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$32,376,000 as of 31 December 1985 (\$27,178,000 — 1984). Technical Assistance Special Fund resources are used for these commitments where available and any balance is financed from Ordinary Capital Resources income. When technical assistance provided as a grant leads to a Bank loan, the amount of the grant exceeding \$150,000 will be refinanced under the loan. Refinanced amounts of \$350,000 were charged to loans and credited to income from other sources of the TASF during the year ended 31 December 1985 (\$232,000 — 1984).



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## ECONOMIC DATA OF DMCs

TABLE 1  
ESTIMATED RATE OF REAL GDP GROWTH, 1970-1985 AND PER CAPITA GNP OF SELECTED DMCs, 1984

Country	Rate of Real GDP Growth (%)				Per Capita GNP <sup>a</sup> In Current \$
	Average Annual Growth Rate (1)	1983 (2)	1984 (3)	1985 <sup>b</sup> (4)	
Bangladesh <sup>c</sup>	5.6 (1973-83)	3.6	4.3	3.1	130
Burma <sup>d</sup>	4.2 (1970-83)	4.8	6.6	6.9	180
Fiji	2.0 (1977-83)	-4.4	9.4	-1.7	1,840
Hong Kong	8.7 (1970-83)	6.5	9.3	0.8	6,300
India <sup>d</sup>	3.9 (1970-83)	7.7	3.7	4.5	260
Indonesia	7.1 (1971-83)	4.2	5.8	2.9	540
Korea, Rep. of Malaysia	8.4 (1970-83)	9.5	7.9	5.2	2,090
	7.7 (1971-83)	6.3	7.6	2.8	1,990
Nepal <sup>c</sup>	2.1 (1975-83)	-1.4	7.4	2.8	160
Pakistan <sup>c</sup>	5.0 (1970-83)	6.9	4.3	8.2	380
Papua New Guinea	1.8 (1977-83)	1.0	2.2	3.0	760
Philippines	5.4 (1970-83)	1.0	-4.5	-3.7	660
Singapore	8.9 (1970-83)	7.9	8.2	-1.8	7,260
Sri Lanka	5.4 (1970-83)	4.8	5.0	5.4	360
Taipei, China	8.7 (1970-83)	7.7	9.6	4.1	3,050
Thailand	6.7 (1970-83)	5.8	6.2	4.0	850
Average <sup>e</sup>		6.7	6.6	3.6	

a World Bank Atlas Methodology, 1982-84 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 in 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 1984.

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

TABLE 2  
OIL PRODUCTION AND IMPORTS OF SELECTED DMCs, 1983-1985

Country	Crude Petroleum Production ('000 mt)				Petroleum & Petroleum Products Imports (\$ million)			
	1983	1984	1985 <sup>a</sup>	% Increase 1985/84	1983	1984	1985 <sup>a</sup>	% Increase 1985/84
Bangladesh	—	—	—	—	409	391	401	2.6
Burma	1,389	1,607	1,708	6.3	...	...	...	...
Fiji	—	—	—	—	110	99	100	1.0
Hong Kong	—	—	—	—	1,389	1,320	1,115	-15.5
India	25,148	27,933	29,892	7.0	4,718	5,375	4,224	-21.4
Indonesia	67,006	65,146	67,068	3.0	4,146	2,678	...	...
Korea, Rep. of	—	—	—	—	6,195	6,414	6,160	-4.0
Malaysia	18,373	21,395	20,651	-3.5	1,829	1,477	1,271	-13.9
Nepal	—	—	—	—	48	45	51	13.3
Pakistan	647	667	1,301	95.0	1,565	1,422	1,436	1.0
Papua New Guinea	—	—	—	—	201	175	...	...
Philippines	671	531	472	-11.1	2,123	1,652	1,277	-22.7
Singapore	—	—	—	—	8,801	7,946	7,666	-3.5
Solomon Islands	—	—	—	—	16	15	13	-14.7
Sri Lanka	—	—	—	—	469	420	404	-3.8
Taipei, China	135	136	118	-13.2	4,121	4,269	3,758	-12.0
Thailand	684	1,289	2,034	57.8	2,481	2,431	2,111	-13.2
Tonga	—	—	—	—	6	6	...	...
Vanuatu	—	—	—	—	6	6	6	—
Western Samoa	—	—	—	—	8	8	8	—
<b>TOTAL (Reporting)</b>	<b>114,053</b>	<b>118,704</b>	<b>123,244</b>	<b>3.8</b>	<b>38,641</b>	<b>36,149</b>	<b>32,577<sup>b</sup></b>	<b>-9.9</b>

... denotes data not available.

— denotes magnitude zero.

a Preliminary estimates.

b Estimate based on all countries.

Sources: UN, *Monthly Bulletin of Statistics*, November 1985 and country sources.

TABLE 3  
CHANGES IN CONSUMER PRICES IN SELECTED DMCs, 1983-1985<sup>a</sup>  
(Per cent)

Country	1983	1984	1985 <sup>b</sup>
Bangladesh	6.9	9.9	11.8
Burma	5.6	4.8	7.1
Cook Islands	7.5	11.9	10.8
Fiji <sup>c</sup>	6.8	5.3	4.4
Hong Kong	9.9	8.2	3.2
India <sup>c</sup>	12.5	5.2	7.1
Indonesia	10.7	11.7	4.4
Kiribati	6.3	5.4	5.0
Korea, Rep. of	3.5	2.3	2.5
Malaysia	3.7	3.9	0.5
Nepal	12.3	5.4	4.0
Pakistan <sup>c</sup>	7.4	7.1	7.0
Papua New Guinea	9.9	7.1	2.8
Philippines	10.8	49.3	20.7
Singapore	1.2	2.6	0.5
Solomon Islands	6.7	11.1	9.7
Sri Lanka	14.0	16.6	1.5
Taipei, China <sup>c</sup>	1.4	-0.1	-0.2
Thailand	3.4	0.9	2.4
Tonga	9.8	0.1	...
Vanuatu	1.7	5.5	5.4
Western Samoa	16.4	11.9	9.1
<b>Weighted Average<sup>d</sup></b>	<b>8.1</b>	<b>7.6</b>	<b>5.2</b>

... denotes data not available.

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

b Preliminary estimates.

c Data refer to average of all cities.

d Weights are proportional to GNP in US dollars in 1984.

Sources: IMF, *International Financial Statistics*, February 1986 and country sources.

TABLE 4  
FOREIGN TRADE OF SELECTED DMCs, 1982-1985  
(\$ million)

Country	Exports (fob)				Imports (cif)				Balance of Trade			
	1982	1983	1984	1985 <sup>a</sup>	1982	1983	1984	1985 <sup>a</sup>	1982	1983	1984	1985 <sup>a</sup>
Bangladesh	567	735	799	993	1,771	1,848	1,726	2,407	-1,204	-1,113	-927	-1,414
Burma	391	426	435	526	814	648	672	688	-423	-222	-237	-162
Cook Islands	4	3	4	4	20	23	21	21	-16	-20	-17	-17
Fiji	287	241	259	229	510	485	450	441	-223	-244	-191	-212
Hong Kong	20,979	22,095	28,324	30,183	23,533	24,122	28,571	29,704	-2,554	-2,027	-247	479
India	9,108	9,547	9,722	8,700	14,787	15,245	14,380	14,800	-5,679	-5,698	-4,658	-6,100
Indonesia	22,329	21,146	21,888	18,459	16,859	16,354	13,882	13,919	5,470	4,792	8,006	4,540
Kiribati	2	4	11	4	23	20	21	18	-21	-16	-10	-14
Korea, Rep. of	21,853	24,445	29,245	30,273	24,251	26,192	30,631	31,132	-2,398	-1,747	-1,386	-859
Malaysia	12,036	14,118	16,407	15,231	12,427	13,266	14,938	14,319	-391	852	1,469	912
Maldives	10	13	23	24	39	52	67	66	-29	-39	-44	-42
Nepal	113	78	104	157	372	434	396	438	-259	-356	-292	-281
Pakistan	2,252	2,644	2,669	2,457	5,022	5,197	6,518	6,531	-2,770	-2,553	-3,849	-4,074
Papua New Guinea	774	818	901	892	1,173	1,127	1,115	...	-399	-309	-214	...
Philippines	5,021	5,005	5,391	4,600	8,263	7,979	6,428	5,177	-3,242	-2,974	-1,037	-577
Singapore	20,782	21,842	24,068	22,601	28,152	28,160	28,660	26,042	-7,370	-6,318	-4,592	-3,441
Solomon Islands	58	62	93	71	59	62	66	68	-1	0	27	3
Sri Lanka	1,015	1,070	1,462	1,303	1,772	1,786	1,887	2,013	-757	-716	-425	-710
Taipei, China	22,204	25,122	30,456	30,717	18,888	20,287	21,959	20,107	3,316	4,835	8,497	10,610
Thailand	6,945	6,368	7,337	7,011	8,549	10,287	10,263	9,383	-1,604	-3,919	-2,926	-2,372
Tonga	4	7	12	...	42	46	55	...	-38	-39	-43	...
Vanuatu	23	30	43	30	59	63	67	63	-36	-33	-24	-33
Viet Nam, Soc. Rep. of	475	538	595	665	1,115	1,240	1,470	1,500	-640	-702	-875	-835
Western Samoa	13	18	20	22	50	46	50	55	-37	-28	-30	-33
<b>TOTAL</b>	<b>147,245</b>	<b>156,375</b>	<b>180,268</b>	<b>175,163<sup>b</sup></b>	<b>168,550</b>	<b>174,969</b>	<b>184,293</b>	<b>180,035<sup>b</sup></b>	<b>-21,305</b>	<b>-18,594</b>	<b>-4,025</b>	<b>-4,872<sup>b</sup></b>

... denotes data not available.

a Preliminary estimates.

b Estimate based on all countries.

Sources: IMF, *International Financial Statistics*, February 1986 and country sources.

TABLE 5  
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs, 1982-1985

Country	International Reserves <sup>a</sup> (\$ million)				Ratio to Imports <sup>b</sup> (Months)			
	1982	1983	1984	1985 <sup>c</sup>	1982	1983	1984	1985 <sup>c</sup>
Bangladesh	207.1	541.6	405.7	298.6	1.4	3.5	2.8	1.5
Burma	114.0	98.6	70.7	56.7	1.7	1.8	1.3	1.0
Fiji	127.4	116.2	117.8	138.5	3.0	2.9	3.1	3.8
India	4,549.0	5,152.0	6,026.0	6,573.0	3.7	4.1	5.0	5.3
Indonesia	4,196.0	4,814.0	5,720.0	5,874.0	3.0	3.5	4.9	5.1
Kiribati <sup>d</sup>	80.0	87.0	73.5	93.7	41.7	52.2	42.0	62.5
Korea, Rep. of <sup>e</sup>	6,965.9	6,888.8	7,629.2	7,704.7	3.4	3.2	3.0	3.0
Malaysia	3,858.0	3,869.0	3,803.0	4,865.0	3.7	3.5	3.1	4.1
Nepal	205.6	139.7	88.4	53.0	6.6	3.9	2.7	1.5
Pakistan	1,526.0	2,729.0	1,668.0	1,416.0	3.6	6.3	3.1	2.6
Papua New Guinea	467.4	463.3	435.1	406.3	4.8	4.9	4.7	...
Philippines	1,711.0	864.0	890.0	1,116.0	2.5	1.3	1.7	2.6
Singapore	8,479.8	9,264.2	10,416.0	11,023.0	3.6	3.9	4.4	5.1
Solomon Islands	37.2	47.3	60.6	36.5	7.6	9.2	11.0	6.5
Sri Lanka	364.0	308.0	522.0	462.0	2.5	2.1	3.3	2.8
Taipei, China	9,061.9	12,540.2	15,817.0	22,742.0	5.8	7.4	8.6	13.6
Thailand	2,652.0	2,556.0	2,689.0	3,003.0	3.7	3.0	3.1	3.8
Tonga <sup>d</sup>	13.3	12.0	16.2	15.5	3.8	3.1	3.5	...
Western Samoa	3.5	7.2	10.6	10.7	0.8	1.9	2.5	2.3
<b>T O T A L</b>	<b>44,619.1</b>	<b>50,498.1</b>	<b>56,458.8</b>	<b>65,888.2</b>	<b>3.7</b>	<b>4.1</b>	<b>4.4</b>	<b>5.3</b>

... denotes data not available.

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 Singapore is as of August; Bangladesh, India and Tonga are as of September; Pakistan is as of October; and Fiji, Korea, Rep. of and Malaysia are as of November.

d Foreign exchange holdings only.

e Includes commercial banks' foreign assets, which constitute 60%, 66%, 64% and 63% of total international reserves for 1982 to 1985, respectively.

Sources: IMF, *International Financial Statistics*, February 1986 and country sources.

**TABLE 6**  
**DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCE GAP**  
**AS PERCENTAGE OF GDP OF SELECTED DMCs, 1982-1984**  
(Per cent)

Country	Gross Domestic Savings as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Bangladesh (FY)	2.0	0.3	2.9	10.4	10.3	11.0	8.4	10.0	8.1
Burma (FY)	15.1	14.0	14.8	22.2	17.6	18.5	7.1	3.7	3.7
Hong Kong	28.1	24.9	28.5	31.7	26.9	24.1	3.5	1.9	-4.4
India (FY)	22.6	22.1	22.1	24.2	23.4	23.4	1.6	1.3	1.3
Korea, Rep. of	24.0	26.3	29.2	26.4	27.2	29.0	2.4	0.9	-0.2
Malaysia	28.7	31.1	35.5	37.4	36.3	33.5	8.7	5.2	-2.1
Nepal (FY)	9.2	9.1	10.4	16.9	20.1	18.2	7.7	11.0	7.8
Pakistan (FY)	5.9	5.5	6.2	16.9	17.3	16.8	11.0	11.8	10.6
Papua New Guinea	15.5	17.9	18.6	32.2	32.0	25.5	16.7	14.1	6.9
Philippines	22.6	22.3	19.7	28.3	27.1	18.4	5.8	4.9	-1.3
Singapore	42.2	44.6	45.6	46.6	46.5	48.0	4.4	1.9	2.4
Sri Lanka	10.1	11.2	20.5	29.3	26.7	24.4	19.2	15.5	4.0
Taipei, China	30.4	32.0	33.0	25.2	23.0	21.5	-5.3	-9.0	-11.6
Thailand	18.4	15.9	19.1	21.0	23.0	23.9	2.6	7.1	4.8

Sources: Country sources.

TABLE 7  
TOTAL NET FLOWS OF RESOURCES TO DMCs, 1982-1984  
(\$ million)

Country	Concessional Flows (ODA)			Non-Concessional Flows <sup>a</sup>			Total Flows		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Afghanistan	9.3	13.5	7.0	3.0	-0.3	-1.1	12.3	13.2	5.9
Bangladesh	1,346.1	1,071.1	1,201.7	9.8	39.5	25.9	1,355.9	1,110.6	1,227.6
Bhutan	11.3	13.0	17.9	—	—	—	11.3	13.0	17.9
Burma	318.9	302.0	274.8	99.1	-4.7	50.8	418.0	297.3	325.6
Cambodia	43.9	36.7	16.9	-0.2	—	-2.1	43.7	36.7	14.8
Cook Islands	10.4	9.3	8.1	1.7	2.0	-0.5	12.1	11.3	7.6
Fiji	35.4	32.8	31.3	40.2	32.5	0.1	75.6	65.3	31.4
Hong Kong	7.9	8.8	13.7	1,175.2	1,092.1	1,240.3	1,183.1	1,100.9	1,254.0
India	1,544.7	1,725.0	1,546.5	625.1	507.2	485.8	2,169.8	2,232.2	2,032.3
Indonesia	906.3	750.7	673.4	1,964.3	2,369.3	2,597.3	2,870.6	3,120.0	3,270.7
Kiribati	15.1	16.8	11.9	0.1	-0.1	-0.5	15.2	16.7	11.4
Korea, Rep. of	34.0	8.0	-36.7	1,482.0	1,292.7	2,004.9	1,516.0	1,300.7	1,968.2
Lao PDR	38.3	29.7	34.1	-0.2	0.4	1.1	38.1	30.1	36.2
Malaysia	135.3	176.9	326.6	698.5	1,573.4	955.0	833.8	1,750.3	1,281.6
Maldives	5.4	11.0	5.6	3.6	-2.0	-0.1	9.0	9.0	5.5
Nepal	200.5	200.8	198.3	-1.2	-3.3	3.2	199.3	197.5	201.5
Pakistan	850.3	668.6	697.5	279.2	27.7	-32.0	1,129.5	696.3	665.5
Papua New Guinea	310.7	332.8	321.8	289.9	242.0	157.7	600.6	574.8	479.5
Philippines	333.4	429.3	396.9	611.3	1,112.9	509.3	944.7	1,542.2	906.2
Singapore	20.5	14.6	41.0	893.8	177.3	1,042.3	914.3	191.9	1,083.3
Solomon Islands	28.4	27.5	19.4	0.1	3.3	6.1	28.5	30.8	25.5
Sri Lanka	415.5	474.0	467.7	57.6	61.4	170.0	473.1	535.4	637.7
Taipei, China	-6.4	8.2	5.4	434.0	-56.4	-79.1	427.6	-48.2	-73.7
Thailand	388.9	432.0	475.0	849.3	845.3	968.7	1,238.2	1,277.3	1,443.7
Tonga	17.4	18.0	15.7	—	—	—	17.4	18.0	15.7
Vanuatu	26.0	27.0	24.5	6.1	7.7	20.7	32.1	34.7	45.2
Viet Nam, Soc. Rep. of	135.5	106.2	108.8	2.3	-28.9	—	137.8	77.3	108.8
Western Samoa	22.8	26.8	20.2	-0.2	4.3	-6.6	22.6	31.1	13.6
<b>TOTAL</b>	<b>7,205.8</b>	<b>6,971.1</b>	<b>6,925.0</b>	<b>9,524.4</b>	<b>9,295.3</b>	<b>10,117.2</b>	<b>16,730.2</b>	<b>16,266.4</b>	<b>17,042.2</b>

— denotes magnitude zero.

<sup>a</sup> Including bilateral and multilateral non-concessional flows and private flows.

Source: OECD, *Geographical Distribution of Financial Flows to Developing Countries, 1981/1984*.

**TABLE 8**  
**EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO**  
**OF SELECTED DMCs, 1982-1984**  
 (\$ million)

Country	Debt Outstanding <sup>a</sup>			Service Payments			Debt Service Ratio <sup>b</sup> (%)		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Bangladesh	4,448.7	4,888.9	5,154.4	123.8	135.1	172.2	12.2	13.8	14.1
Burma	1,958.3	2,219.5	2,219.3	120.1	149.7	158.3	23.2	33.8	36.9
Fiji	265.5	291.6	289.6	34.2	37.7	51.6	6.3	7.4	9.8
Hong Kong	267.3	223.4	270.4	48.6	47.9	52.9	0.2 <sup>c</sup>	0.2 <sup>c</sup>	0.2 <sup>c</sup>
India	19,506.8	21,234.0	22,403.1	1,152.3	1,290.7	1,461.1	9.0	10.0	11.1
Indonesia	18,515.0	21,689.5	22,882.8	2,246.6	2,550.8	3,247.2	10.6	12.8	14.7
Korea, Rep. of	20,070.2	22,161.5	24,642.1	3,715.4	3,945.1	4,558.7	13.1	13.0	13.5
Malaysia	8,063.8	10,781.9	11,846.0	793.2	953.4	1,472.5	5.5	5.9	7.7
Maldives	42.1	46.5	50.5	1.6	4.3	10.5	2.0	5.5	12.5
Nepal	296.7	360.0	426.5	6.0	8.0	10.1	2.3	2.9	3.4
Pakistan	9,661.0	9,715.1	9,952.9	575.5	1,065.6	931.1	17.6	28.0	25.6
Papua New Guinea	748.0	911.2	925.2	94.5	106.9	133.1	10.2	11.1	12.9
Philippines	8,851.7	10,400.5	11,175.7	1,052.5	1,266.0	1,134.4	13.1	15.6	14.1
Singapore	1,460.1	1,514.9	1,910.9	235.8	411.3	322.3	0.8	1.3	1.0
Solomon Islands	16.0	21.4	25.8	0.1	0.1	0.5	0.1	0.1	0.4
Sri Lanka	1,953.9	2,214.0	2,420.3	142.3	166.9	201.5	10.6	11.9	11.2
Taipei, China	5,661.1	6,289.8	5,534.5	1,121.0	1,183.0	1,542.0	4.7	4.3	4.7
Thailand	6,137.8	7,002.3	7,567.8	784.6	939.1	1,248.7	8.9	11.2	13.0
Vanuatu	4.1	3.6	5.2	0.5	0.6	0.6	0.8	0.8	0.7
Western Samoa	60.4	60.5	61.1	2.9	3.7	3.8	15.4	15.4	14.3
<b>TOTAL</b>	<b>107,988.5</b>	<b>122,030.1</b>	<b>129,764.1</b>	<b>12,251.5</b>	<b>14,265.9</b>	<b>16,713.1</b>	<b>6.9</b>	<b>7.7</b>	<b>8.0</b>

a Disbursed only.

b Debt service payments as a percentage of exports of goods and all services including workers' remittances.

c Merchandise exports was used in computing the ratio.

Sources: World Bank, *World Debt Tables*, 1985-1986 edition and country sources.

## BANK OPERATIONAL DATA

### LOAN APPROVALS IN 1985 AND TOTAL PROJECT COSTS (amounts in \$ million)

Country/Project	Ordinary Capital Resources	Asian Development Fund	Total Project Cost <sup>a</sup>
<b>BANGLADESH</b>			
Second Livestock Development	—	39.00	48.80
Seventh Power	—	40.50	66.00
Feeder Roads Improvement	—	58.00	72.60
Chhatak Cement Plant Expansion	—	16.80	27.73
Fourth Crop Intensification Program	—	39.00	—
Rural and Agro-Based Industries Credit	—	20.00	—
<b>BHUTAN</b>			
Chirang Hill Irrigation	—	3.48	4.35
<b>FJJI</b>			
Second Fiji Development Bank	7.00	—	—
<b>INDONESIA</b>			
University of Sriwijaya	37.90	—	60.40
IKK Water Supply Sector	40.20	—	—
Land Resource Evaluation and Planning	23.40	—	34.89
Eighth Road	120.00	—	201.00
Fisheries Industries Credit	65.00	—	—
Health and Population	41.60	—	70.01
Second Bandung Urban Development	132.40	—	228.33
Central Java Groundwater Irrigation Development	12.20	—	18.10
Forestry Development	28.00	—	46.70
<b>KOREA, REPUBLIC OF</b>			
Third Sewage Treatment	35.00	—	175.98
Southern Seoul District Heating	32.00	—	77.36
Sixth Korea Long Term Credit Bank	100.00	—	—
<b>MALAYSIA</b>			
Kedah Regional Development (Sector)	45.00	—	—
Kalaka-Saribas Integrated Agricultural Development	42.60	—	87.40
Sarawak Agricultural Development Study	1.78	—	2.13
Perlis Agricultural Development	43.00	—	76.00

a Total project cost excludes cost of program and sector loans and credit lines.

<b>Country/Project</b>	<b>Ordinary Capital Resources</b>	<b>Asian Development Fund</b>	<b>Total Project Cost<sup>a</sup></b>
<b>NEPAL</b>			
Second Livestock Development	—	14.00	17.50
Seti Zone Rural Development	—	20.00	25.00
Cotton Development	—	14.00	19.34
Third Forestry Development	—	10.00	12.56
<b>PAKISTAN</b>			
Gujranwala Agricultural Development	—	28.00	45.94
Small Dams	—	39.00	48.82
Science Education for Secondary Schools Sector	—	28.80	—
Tarbela Units 13 and 14 and 500 KV Transmission	117.80	—	367.58
Second Telecommunications	69.00	—	304.00
Second Pirkoh Gas Development	42.00	—	97.80
Farm-to-Market Roads	—	30.00	44.00
Pat Feeder Canal Rehabilitation and Improvement	—	117.00	182.30
Second Development Financing	50.00	50.00	—
<b>PAPUA NEW GUINEA</b>			
Ports Development	11.00	—	15.34
Second Rural Health Services	5.40	8.50	19.96
<b>SRI LANKA</b>			
Secondary Towns Power Distribution	—	12.40	17.60
Trunk Roads Improvement	—	22.00	27.50
Development Financing	—	20.00	—
<b>THAILAND</b>			
Shelter Sector	38.00	—	—
Third Bangkok Water Supply	130.90	—	353.00
<b>VANUATU</b>			
Multiproject Loan	—	3.00	6.40
<b>WESTERN SAMOA</b>			
Multiproject Loan	—	4.40	9.75
<b>GRAND TOTAL</b>	1,271.18	636.88	2,912.17

**LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1984, 1985, 1968-1985**  
 (amounts in \$ million)

Country	1984			1985			1968-1985			
	OCR	ADF	Total	OCR	ADF	Total	OCR	ADF	Total	%
Afghanistan	—	—	—	—	—	—	—	95.10	95.10	0.54
Bangladesh	—	306.80	306.80	—	212.30	212.30	11.40	1,827.23	1,838.63	10.51
Bhutan	—	7.40	7.40	—	3.48	3.48	—	15.88	15.88	0.09
Burma	—	10.00	10.00	—	—	—	6.60	489.26	495.86	2.83
Cambodia	—	—	—	—	—	—	—	1.67	1.67	0.01
Cook Islands	—	—	—	—	—	—	—	2.50	2.50	0.01
Fiji	3.20	—	3.20	7.00	—	7.00	56.10	—	56.10	0.32
Hong Kong	—	—	—	—	—	—	101.50	—	101.50	0.58
Indonesia	587.00	—	587.00	500.70	—	500.70	3,291.70	162.28	3,453.98	19.75
Kiribati	—	0.55	0.55	—	—	—	—	2.30	2.30	0.01
Korea, Rep. of	174.00	—	174.00	167.00	—	167.00	2,112.83	3.70	2,116.53	12.10
Lao PDR	—	9.00	9.00	—	—	—	—	60.14	60.14	0.34
Malaysia	159.90	—	159.90	132.38	—	132.38	1,174.11	3.30	1,177.41	6.73
Maldives	—	2.38	2.38	—	—	—	—	3.38	3.38	0.02
Nepal	—	60.70	60.70	—	58.00	58.00	2.00	496.32	498.32	2.85
Pakistan	137.20	209.80	347.00	278.80	292.80	571.60	1,155.17	1,528.96	2,684.12	15.35
Papua New Guinea	18.25	15.00	33.25	16.40	8.50	24.90	103.60	119.44	223.04	1.28
Philippines	275.90	—	275.90	—	—	—	2,031.74	79.30	2,111.04	12.07
Singapore	—	—	—	—	—	—	178.08	3.00	181.08	1.04
Solomon Islands	—	2.00	2.00	—	—	—	—	24.60	24.60	0.14
Sri Lanka	—	56.00	56.00	—	54.40	54.40	14.13	452.03	466.16	2.67
Taipei, China	—	—	—	—	—	—	100.39	—	100.39	0.57
Thailand	195.20	—	195.20	168.90	—	168.90	1,605.28	72.10	1,677.38	9.59
Tonga	—	—	—	—	—	—	—	8.25	8.25	0.05
Vanuatu	—	—	—	—	3.00	3.00	—	5.10	5.10	0.03
Viet Nam, Soc. Rep. of	—	—	—	—	—	—	3.93	40.67	44.60	0.26
Western Samoa	—	4.00	4.00	—	4.40	4.40	—	44.98	44.98	0.26
<b>TOTAL</b>	<b>1,550.65</b>	<b>683.63</b>	<b>2,234.28</b>	<b>1,271.18</b>	<b>636.88</b>	<b>1,908.06</b>	<b>11,948.58</b>	<b>5,541.48</b>	<b>17,490.04</b>	<b>100.00</b>

**CO-FINANCING ARRANGEMENTS, 1985**  
(amounts in \$ million)

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	ADF		
Bangladesh Krishi Bank <sup>a</sup>	Bangladesh	—	40.00	0.30	UNDP
Second Livestock Development	Bangladesh	—	39.00	3.50	UNDP
Secondary Science Education Sector <sup>b</sup>	Bangladesh	—	37.00	3.00	UNDP
Chhatak Cement Plant Expansion	Bangladesh	—	15.80	3.74	France
Second Multiproject <sup>b</sup>	Bhutan	—	7.40	1.00 1.45	Norway Denmark
Second Fiji Development Bank	Fiji	7.00	—	6.50	IBRD
Second Bandung Urban Development	Indonesia	132.40	—	6.01	Netherlands
Forestry Development	Indonesia	28.00	—	2.00 <sup>c</sup>	Finland
Sixth Korea Long Term Credit Bank	Korea, Rep. of	100.00	—	70.00	Commercial Banks <sup>d</sup>
Second Livestock Development	Nepal	—	14.00	1.60	UNDP
Third Forestry Development	Nepal	—	10.00	0.32 <sup>e</sup>	UNDP
Cotton Development	Nepal	—	14.00	1.40	UNDP
Tarbela Hydropower Extension (Units 11 & 12) <sup>b</sup>	Pakistan	137.20	31.80	13.38 <sup>e</sup>	Commercial Banks
Gujranwala Agricultural Development	Pakistan	—	28.00	8.50	IFAD
Pat Feeder Canal Rehabilitation and Improvement	Pakistan	—	117.00	30.00	OECF, Japan
Second Telecommunications	Pakistan	69.00	—	100.00 12.00 1.60 192.90	IBRD OECF, Japan UNDP Suppliers' Credit
Science Education for Secondary Schools Sector	Pakistan	—	28.80	5.00	OPEC Fund
Second Pirkoh Gas Development	Pakistan	42.00	—	5.00 6.50	Italy Export Credit (Italy)
Tarbela Units 13 & 14 and 500 kV Transmission	Pakistan	117.80	—	22.60 38.60 9.40	Mixed Credit (Canada) Federal Republic of Germany Switzerland
Shelter Sector	Thailand	38.00	—	0.58	Switzerland
Third Bangkok Water Supply	Thailand	130.90	—	88.60	OECF, Japan
Multiproject Loan	Vanuatu	—	3.00	2.00	IDA
Multiproject Loan	Western Samoa	—	4.40	2.50	IDA
<b>TOTAL</b>		<b>802.30</b>	<b>390.20</b>	<b>639.98</b>	

a Bank loan was approved in 1983.

b Bank loan was approved in 1984.

c Co-financing has been agreed in principle. When the final decision is made, the corresponding amount will be cancelled from the Bank loan.

d To be financed by a syndicate of banks (Chase Manhattan Bank, Industrial Bank of Japan, Standard Chartered Bank and the Yasuda Trust and Finance).

e Additional co-financing.

**LOAN APPROVALS BY SECTOR, 1984, 1985, 1968-1985**  
 (amounts in \$ million)

Sector	1984						
	OCR		ADF		TOTAL		
	No.	Amount	No.	Amount	No. <sup>a</sup>	Amount	%
Agriculture and Agro-Industry	10	509.00	7	249.00	17	758.00	33.93
Energy	6	482.00	5	284.70	10	766.70	34.31
Industry and Non-Fuel Minerals	1	40.00	2	14.00	3	54.00	2.42
Transport and Communications	5	317.65	4	63.55	8	381.20	17.06
Social Infrastructure	3	177.00	3	62.60	6	239.60	10.72
Multisector	1	25.00	2	9.78	3	34.78	1.56
<b>TOTAL</b>	<b>26</b>	<b>1,550.65</b>	<b>23</b>	<b>683.63</b>	<b>47</b>	<b>2,234.28</b>	<b>100.00</b>

<sup>a</sup> A project which is financed from both sources is counted as one project.

1985						1968-1985							
OCR		ADF		TOTAL		OCR		ADF		TOTAL			
No.	Amount	No.	Amount	No. <sup>a</sup>	Amount	%	No.	Amount	No.	Amount	No. <sup>a</sup>	Amount	%
7	215.98	11	343.48	18	559.46	29.32	103	2,581.61	163	2,751.57	246	5,333.18	30.49
3	191.80	2	52.90	5	244.70	12.82	90	3,164.15	59	1,208.14	128	4,372.29	25.00
3	157.00	3	85.80	5	242.80	12.73	75	1,896.57	39	551.27	106	2,447.84	14.00
3	200.00	3	110.00	6	310.00	16.25	78	1,957.43	37	410.42	105	2,367.85	13.54
9	506.40	2	37.30	10	543.70	28.49	78	2,297.11	38	559.56	109	2,856.67	16.33
—	—	2	7.40	2	7.40	0.39	2	51.70	12	60.51	10	112.21	0.64
25	1,271.18	23	636.88	46	1,908.06	100.00	426	11,948.57	348	5,541.47	704	17,490.04	100.00

**LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 — 1983-1985**  
 (amounts in \$ million)

	Total Lending <sup>a</sup>	Agriculture and Agro-Industry	Energy	Industry and Non-Fuel Minerals	Transport and Communications	Social Infrastructure	Multisector
<b>Average during</b>							
1968-1970	128.44	25.02	15.38	49.34	30.87	7.83	0.00
1969-1971	199.25	40.80	50.56	56.32	43.20	8.37	0.00
1970-1972	271.92	42.65	89.90	51.72	58.42	29.23	0.00
1971-1973	330.53	52.17	106.38	52.58	78.92	40.49	0.00
1972-1974	428.42	80.37	114.44	81.77	91.35	60.49	0.00
1973-1975	543.16	151.38	125.11	113.93	98.02	56.72	0.00
1974-1976	661.30	193.57	141.17	151.57	109.87	65.12	0.00
1975-1977	774.22	236.23	170.47	152.12	131.38	84.02	0.00
1976-1978	940.36	257.86	202.50	203.32	150.23	126.45	0.00
1977-1979	1,098.92	328.09	264.03	191.56	132.98	181.87	0.40
1978-1980	1,282.01	396.74	318.98	190.83	158.78	215.95	0.73
1979-1981	1,454.96	473.69	395.94	169.13	136.88	278.02	1.29
1980-1982	1,598.97	543.60	443.08	171.63	184.41	255.35	0.89
1981-1983	1,751.46	583.77	465.85	227.57	131.77	319.90	22.61
1982-1984	1,937.03	655.90	561.38	173.23	234.70	278.17	33.64
1983-1985	2,011.85	635.29	487.38	199.27	252.23	401.57	36.11
<b>Cumulative (1968-1985)</b>	<b>17,490.04</b>	<b>5,333.18</b>	<b>4,372.29</b>	<b>2,447.84</b>	<b>2,367.85</b>	<b>2,856.67</b>	<b>112.21</b>
<b>Percentage Distribution</b>							
1968-1970	100.00	19.48	11.98	38.41	24.03	6.10	0.00
1969-1971	100.00	20.48	25.37	28.27	21.68	4.20	0.00
1970-1972	100.00	15.69	33.06	19.02	21.48	10.75	0.00
1971-1973	100.00	15.78	32.18	15.91	23.88	12.25	0.00
1972-1974	100.00	18.76	26.71	19.09	21.32	14.12	0.00
1973-1975	100.00	27.87	23.03	20.98	17.68	10.44	0.00
1974-1976	100.00	29.27	21.35	22.92	16.61	9.85	0.00
1975-1977	100.00	30.51	22.02	19.65	16.97	10.85	0.00
1976-1978	100.00	27.42	21.53	21.62	15.98	13.45	0.00
1977-1979	100.00	29.85	24.03	17.43	12.10	16.55	0.04
1978-1980	100.00	30.95	24.88	14.88	12.39	16.84	0.06
1979-1981	100.00	32.56	27.21	11.62	9.41	19.11	0.09
1980-1982	100.00	34.00	27.71	10.73	11.53	15.97	0.06
1981-1983	100.00	33.33	26.60	12.99	7.52	18.27	1.29
1982-1984	100.00	33.86	28.98	8.94	12.12	14.36	1.74
1983-1985	100.00	31.58	24.23	9.90	12.54	19.96	1.79
<b>Cumulative (1968-1985)</b>	<b>100.00</b>	<b>30.49</b>	<b>25.00</b>	<b>14.00</b>	<b>13.54</b>	<b>16.33</b>	<b>0.64</b>

<sup>a</sup> Total lending may not tally due to rounding.

**CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS,<sup>a</sup> 1968—1985**  
 (amounts in \$ million)

Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No. <sup>b</sup>	Amount <sup>c</sup>	Amount	Percentage of Cumulative Effective Loans	Amount <sup>d</sup>	Percentage of Cumulative Effective Loans
1968	4	20	4.5 <sup>e</sup>	22	1.8	9
1969	13	67	13.5 <sup>e</sup>	20	9.3	14
1970	28	137	54.4 <sup>f</sup>	40	26.4	19
1971	67	404	115.0	28	75.1	19
1972	93	696	271.5	39	136.2	20
1973	130	998	453.2	45	282.7	28
1974	187	1,612	836.1	52	470.2	29
1975	221	2,052	1,150.2	56	832.1	40
1976	264	2,846	1,505.9	53	1,158.7	41
1977	294	3,461	1,862.0	54	1,514.9	44
1978	340	4,289	2,432.8	57	1,977.1	46
1979	391	5,274	2,941.5	56	2,463.4	47
1980	451	6,592	3,820.4	58	3,042.4	46
1981	510	7,953	4,503.6	57	3,709.5	47
1982	570	9,672	5,570.7	58	4,504.6	47
1983	621	11,100	6,296.3	57	5,441.5	49
1984	675	13,027	7,299.8	56	6,442.0	49
1985	729	14,793	8,279.0	56	7,452.1	50

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

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

c Net of cancellations and amount transferred to subsequent loans.

d Includes interest and other charges financed during construction.

e Figures for 1968 and 1969 are based on the 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.

**NUMBERS OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION,  
PCRs CIRCULATED, PROJECTS COMPLETED AND LOANS CLOSED IN 1985  
(As of 31 December 1985)**

Country	Cumulative No. of Loans Approved <sup>a</sup>	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved <sup>b</sup>	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans
Afghanistan	9	8	8	0	1
Bangladesh	66	61	60	3	2
Bhutan	3	3	3	0	0
Burma	31	31	27	2	2
Cambodia	1	1	1	0	0
Cook Islands	2	2	2	0	0
Fiji	7	6	7	0	0
Hong Kong	5	5	5	0	0
Indonesia	112	106	107	3	2
Kiribati	2	2	2	0	0
Korea, Rep. of	74	71	74	0	0
Lao PDR	12	12	11	0	1
Malaysia	59	56	57	1	1
Maldives	2	2	2	0	0
Nepal	48	43	40	1	7
Pakistan	80	69	62	14	5
Papua New Guinea	23	20	18	5	0
Philippines	76	76	70	3	2
Singapore	14	14	14	0	0
Solomon Islands	9	9	9	0	0
Sri Lanka	40	38	34	1	4
Taipei, China	12	12	12	0	0
Thailand	48	47	45	2	1
Tonga	7	7	7	0	0
Vanuatu	3	2	3	0	0
Viet Nam	11	9	9	2	0
Western Samoa	18	17	15	0	2
<b>TOTAL</b>	<b>774</b>	<b>729</b>	<b>704</b>	<b>37</b>	<b>30</b>

a Includes Special Assistance loans.

b Excludes Special Assistance loans.

c Includes projects/loans which have been approved but still awaiting effectiveness.

d Prior to 1979, PCRs were approved by Management and not circulated to the Board.

e Projects which were physically completed in 1985.

Cumulative No. of Co-Financed Projects	No. of Projects Under Administration As of 31/12/85 <sup>c</sup>	No. of Loans Under Administration As of 31/12/85 <sup>c</sup>	Cumulative No. of PCRs Circulated <sup>d</sup>	No. of Projects Completed in 1985 <sup>e</sup>	No. of Loans Closed in 1985
2	8	9	0	0	0
24	45	46	11	4	3
1	3	3	0	0	0
11	19	21	8	1	1
0	1	1	0	0	0
0	1	1	0	0	0
3	4	4	2	1	0
0	1	1	5	1	0
21	72	72	26	5	7
0	1	1	0	0	1
8	24	24	29	6	7
6	7	7	2	0	0
8	23	23	18	2	4
1	2	2	0	0	0
19	33	35	8	3	0
27	43	49	17	2	5
2	11	15	7	0	0
18	42	44	23	5	7
2	1	1	6	1	0
5	5	5	3	2	1
11	22	23	9	0	1
0	0	0	0	0	0
18	24	25	15	1	1
2	3	3	4	0	0
2	3	3	0	0	0
0	5	5	3	2	1
6	5	5	9	0	4
197	408	428	206	36	43

**AMOUNTS OF LOAN COMMITMENTS, CONTRACTS AWARDED AND DISBURSEMENTS**  
 (As of 31 December 1985)

(amounts in \$ million)

Country	Cumulative Loan Amounts Committed <sup>a</sup>	Cumulative Effective Loans	Contracts Awarded in 1985
Afghanistan	95.10	74.05	0.00
Bangladesh	1,838.63	1,633.58	174.05
Bhutan	15.88	17.03	2.97
Burma	495.86	481.70	27.60
Cambodia	1.67	1.67	0.00
Cook Islands	2.50	2.50	0.65
Fiji	56.10	48.99	1.51
Hong Kong	101.50	97.00	0.02
Indonesia	3,453.98	2,853.73	182.84
Kiribati	2.30	1.11	-1.20 <sup>d</sup>
Korea, Rep. of	2,116.53	1,765.30	60.65
Lao PDR	60.14	54.03	5.51
Malaysia	1,177.41	1,006.88	12.33
Maldives	3.38	3.51	0.02
Nepal	498.32	409.50	35.57
Pakistan	2,684.12	1,974.38	173.14
Papua New Guinea	223.04	198.56	11.41
Philippines	2,111.04	1,981.83	100.55
Singapore	181.08	147.22	4.02
Solomon Islands	24.60	24.83	2.65
Sri Lanka	466.16	411.36	37.64
Taipei, China	100.39	91.14	0.00
Thailand	1,677.38	1,437.29	142.48
Tonga	8.25	8.11	0.95
Vanuatu	5.10	2.12	0.30
Viet Nam	44.60	25.46	1.96
Western Samoa	44.98	40.24	1.51
<b>TOTAL</b>	<b>17,490.04</b>	<b>14,793.10</b>	<b>979.13</b>

a Includes Special Assistance loans.

b Figures obtained from Procurement Statistics.

c Amounts of contracts exceeded the effective loan amount.

d Represents reduction in contract amount due to partial cancellation of loan amount.

Cumulative Contracts Awarded As of 31/12/85 <sup>b</sup>	% of Cumulative Contracts Awarded to Cumulative Effective Loans	Disbursements In 1985	Cumulative Disbursements As of 31/12/85	% of Cumulative Disbursements to Cumulative Effective Loans
34.21	46.20	0.00	27.90	37.68
647.60	39.64	145.49	524.40	32.10
2.97	17.44	1.58	1.58	9.28
281.91	58.52	33.02	244.98	50.86
1.58	94.61	0.00	0.64	38.32
1.31	52.40	0.40	2.11	84.40
50.09	102.25 <sup>c</sup>	1.42	41.90	85.53
105.56	108.83 <sup>c</sup>	1.13	94.13	97.04
1,127.37	39.51	167.51	949.67	33.28
0.52	46.76	0.06	0.58	52.16
1,383.26	78.36	124.21	1,321.14	74.84
33.29	61.62	4.28	28.77	53.25
552.96	54.92	31.17	509.57	50.61
0.91	25.91	0.08	0.84	23.92
233.60	57.05	43.30	193.62	47.28
1,022.88	51.81	163.34	940.16	47.62
119.48	60.17	8.25	93.84	47.26
1,126.18	56.83	112.01	1,104.15	55.71
131.27	89.16	3.95	142.02	96.47
16.14	65.00	1.70	15.00	60.41
241.66	58.75	29.86	197.32	47.97
90.28	99.06	0.00	91.14	100.00
1,005.32	69.95	132.79	861.62	59.95
7.29	89.92	0.68	6.76	83.38
0.61	28.84	0.35	0.62	29.31
27.67	108.68 <sup>c</sup>	2.41	24.54	96.39
33.05	82.14	1.17	33.12	82.32
8,278.97	55.97	1,010.16	7,452.12	50.38

CUMULATIVE PROCUREMENT AS A RESULT OF BANK OPERATIONS  
 (As of 31 December 1985)

ORDINARY CAPITAL RESOURCES  
 (Net of Adjustments)<sup>a</sup>

(In \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total	% Distribution
Australia	74.684	1.34	7.716	2.28	82.400	1.39
Austria	54.163	0.97	1.548	0.46	55.711	0.94
Bangladesh	—	—	0.091	0.03	0.091	b
Belgium	26.611	0.48	0.474	0.14	27.085	0.46
Canada	67.972	1.22	21.595	6.37	89.567	1.51
Denmark	7.035	0.13	9.280	2.74	16.315	0.28
Finland	1.927	0.03	0.085	0.03	2.012	0.03
France	136.224	2.44	12.542	3.70	148.766	2.51
Germany, Fed. Rep. of	306.216	5.48	15.747	4.64	321.963	5.44
Hong Kong	26.872	0.48	0.491	0.14	27.363	0.46
India	50.440	0.90	3.241	0.96	53.681	0.91
Indonesia	7.876	0.14	0.882	0.26	8.758	0.15
Italy	99.839	1.79	20.605	6.08	120.444	2.03
Japan	1,566.778	28.06	40.481	11.94	1,607.259	27.14
Korea, Rep. of	352.042	6.31	11.697	3.45	363.739	6.14
Luxembourg	0.035	b	—	—	0.035	b
Malaysia	15.831	0.28	0.107	0.03	15.938	0.27
Netherlands	68.395	1.22	9.338	2.75	77.733	1.31
New Zealand	24.522	0.44	5.484	1.62	30.006	0.51
Norway	3.025	0.05	0.801	0.24	3.826	0.06
Pakistan	0.064	b	—	—	0.064	b
Papua New Guinea	0.021	b	—	—	0.021	b
Philippines	44.199	0.79	2.393	0.71	46.592	0.79
Singapore	35.468	0.64	0.786	0.23	36.254	0.61
Sri Lanka	—	—	0.055	0.02	0.055	b
Sweden	29.613	0.53	0.085	0.03	29.698	0.50
Switzerland	90.779	1.63	18.603	5.49	109.382	1.85
Taipei, China	87.332	1.56	7.936	2.34	95.268	1.61
Thailand	41.996	0.75	0.131	0.04	42.127	0.71
United Kingdom	178.716	3.20	36.126	10.65	214.842	3.63
United States	402.968	7.22	90.533	26.70	493.501	8.33
Undetermined						
Local Expenditures	171.819	3.08	6.012	1.77	177.831	3.00
Foreign Exchange Content of Contract	1,609.974	28.83	14.215	4.19	1,624.189	27.42
<b>TOTAL</b>	<b>5,583.436</b>	<b>100.00</b>	<b>339.080</b>	<b>100.00</b>	<b>5,922.516</b>	<b>100.00</b>

<sup>a</sup> Net of adjustments implies that increases in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each country.

<sup>b</sup> Procurement of less than one hundredth of one per cent.

CUMULATIVE PROCUREMENT AS A RESULT OF BANK OPERATIONS  
(As of 31 December 1985)

ASIAN DEVELOPMENT FUND  
(Net of Adjustments)<sup>a</sup>

(In \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total	% Distribution
Australia	32.281	1.46	7.090	4.73	39.371	1.67
Austria	8.147	0.37	—	—	8.147	0.35
Bangladesh	3.657	0.17	0.026	0.02	3.683	0.16
Belgium	11.103	0.50	0.075	0.05	11.178	0.47
Burma	0.004	b	—	—	0.004	b
Canada	13.457	0.61	15.804	10.54	29.261	1.24
Cook Islands	0.012	b	—	—	0.012	b
Denmark	14.447	0.65	0.258	0.17	14.705	0.62
Fiji	1.614	0.07	—	—	1.614	0.07
Finland	1.498	0.07	2.081	1.39	3.579	0.15
France	25.634	1.16	3.175	2.12	28.809	1.22
Germany, Fed. Rep. of	130.879	5.93	8.726	5.82	139.605	5.92
Hong Kong	16.820	0.76	—	—	16.820	0.71
India	144.186	6.53	14.741	9.83	158.927	6.74
Indonesia	0.235	0.01	0.589	0.39	0.824	0.03
Italy	74.926	3.40	2.724	1.82	77.650	3.30
Japan	615.896	27.91	26.564	17.71	642.460	27.26
Korea, Rep. of	105.769	4.79	2.455	1.64	108.224	4.59
Lao PDR	0.043	b	—	—	0.043	b
Malaysia	9.298	0.42	1.214	0.81	10.512	0.45
Maldives	0.012	b	—	—	0.012	b
Nepal	4.892	0.22	—	—	4.892	0.21
Netherlands	30.976	1.40	4.635	3.13	35.671	1.51
New Zealand	20.159	0.91	3.449	2.30	23.608	1.00
Norway	0.628	0.03	0.878	0.59	1.506	0.06
Pakistan	3.456	0.16	—	—	3.456	0.15
Papua New Guinea	0.025	b	—	—	0.025	b
Philippines	7.221	0.33	4.704	3.14	11.925	0.51
Singapore	38.400	1.74	0.167	0.11	38.567	1.64
Sri Lanka	0.689	0.03	0.254	0.17	0.943	0.04
Sweden	34.359	1.56	0.059	0.04	34.418	1.46
Switzerland	50.465	2.29	5.080	3.39	55.545	2.36
Taipei, China	5.191	0.24	0.088	0.06	5.279	0.22
Thailand	23.765	1.08	0.038	0.03	23.803	1.01
United Kingdom	153.738	6.97	19.065	12.71	172.803	7.33
United States	141.615	6.42	20.133	13.42	161.748	6.86
Undetermined						
Local Expenditures	159.581	7.23	1.562	1.04	161.143	6.84
Foreign Exchange Content of Contract	321.379	14.57	4.292	2.86	325.671	13.82
<b>TOTAL</b>	<b>2,206.457</b>	<b>100.00</b>	<b>149.986</b>	<b>100.00</b>	<b>2,356.443</b>	<b>100.00</b>

a Net of adjustments implies that increases in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each country.

b Procurement of less than one hundredth of one per cent.

CUMULATIVE PROCUREMENT AS A RESULT OF BANK OPERATIONS  
(As of 31 December 1985)

ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED  
(Net of Adjustments)<sup>a</sup>

(In \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total	% Distribution
Australia	106.965	1.37	14.806	3.03	121.771	1.47
Austria	62.310	0.80	1.548	0.32	63.858	0.77
Bangladesh	3.657	0.05	0.117	0.02	3.774	0.05
Belgium	37.714	0.48	0.549	0.11	38.263	0.46
Burma	0.004	b	—	—	0.004	b
Canada	81.429	1.05	37.399	7.65	118.828	1.44
Cook Islands	0.012	b	—	—	0.012	b
Denmark	21.482	0.28	9.538	1.95	31.020	0.37
Fiji	1.614	0.02	—	—	1.614	0.02
Finland	3.425	0.04	2.166	0.44	5.591	0.07
France	161.858	2.08	15.717	3.21	177.575	2.14
Germany, Fed. Rep. of	437.095	5.61	24.473	5.00	461.568	5.58
Hong Kong	43.692	0.56	0.491	0.10	44.183	0.53
India	194.626	2.50	17.982	3.68	212.608	2.57
Indonesia	8.111	0.10	1.471	0.30	9.582	0.12
Italy	174.765	2.24	23.329	4.77	198.094	2.39
Japan	2,182.674	28.02	67.045	13.71	2,249.719	27.17
Korea, Rep. of	457.811	5.88	14.152	2.89	471.963	5.70
Lao PDR	0.043	b	—	—	0.043	b
Luxembourg	0.035	b	—	—	0.035	b
Malaysia	25.129	0.32	1.321	0.27	26.450	0.32
Maldives	0.012	b	—	—	0.012	b
Nepal	4.892	0.06	—	—	4.892	0.06
Netherlands	99.371	1.28	14.033	2.87	113.404	1.37
New Zealand	44.681	0.57	8.933	1.83	53.614	0.65
Norway	3.653	0.05	1.679	0.34	5.332	0.06
Pakistan	3.520	0.05	—	—	3.520	0.04
Papua New Guinea	0.046	b	—	—	0.046	b
Philippines	51.420	0.66	7.097	1.45	58.517	0.71
Singapore	73.888	0.95	0.953	0.19	74.821	0.90
Sri Lanka	0.689	0.01	0.309	0.06	0.998	0.01
Sweden	63.972	0.82	0.144	0.03	64.116	0.77
Switzerland	141.244	1.81	23.683	4.84	164.927	1.99
Taipei, China	92.523	1.19	8.024	1.64	100.547	1.21
Thailand	65.761	0.84	0.169	0.03	65.930	0.80
United Kingdom	332.454	4.27	55.191	11.28	387.645	4.68
United States	544.583	6.99	110.666	22.63	655.249	7.91
Undetermined Local Expenditures	331.400	4.25	7.574	1.55	338.974	4.09
Foreign Exchange Content of Contract	1,931.353	24.79	18.507	3.78	1,949.860	23.55
<b>TOTAL</b>	<b>7,789.893</b>	<b>100.00</b>	<b>489.066</b>	<b>100.00</b>	<b>8,278.959</b>	<b>100.00</b>

a Net of adjustments implies that increases in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each country.

b Procurement of less than one hundredth of one per cent.

**TECHNICAL ASSISTANCE APPROVALS,<sup>a</sup> 1985**  
 (amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
<b>BANGLADESH</b>		
Khulna Coastal Embankment Rehabilitation	429.00 <sup>b</sup>	—
Bangladesh Krishi Bank	—	300.00 <sup>c</sup>
Road Improvement	1,580.00 <sup>c</sup>	—
Seventh Power	75.00	—
Second Livestock Development	—	3,500.00 <sup>c</sup>
Fourth Crop Intensification Program	70.00	—
Brahmaputra Basin Gas Transmission and Distribution	75.00	—
East Zone Thermal Power Project Study	1,355.00 <sup>c</sup>	—
Horticultural Research and Development	149.00	—
<b>BHUTAN</b>		
Road Construction and Training	75.00	—
Highland Livestock Development	235.00	—
Manpower Development and Training	—	687.00 <sup>d</sup>
Planning and Development of Integrated Rural Services Centers	—	350.00
Food Corporation of Bhutan and the Agricultural Marketing System	—	162.00
<b>BURMA</b>		
Small-Scale Irrigation Sector	150.00	—
Provincial and Small Towns Water Supply	270.00 <sup>c</sup>	—
<b>FIJI</b>		
Road Upgrading	150.00	—
<b>INDONESIA</b>		
Study of Irrigation Management	—	350.00 <sup>e</sup>
Kalimantan Transport Study	72.75	—
Second Vocational Education	250.00	—
Nucleus Estate and Smallholder Coconut/Cocoa	340.00	—
Central Java Groundwater Irrigation Development	150.00	—
Wood Centers Development	250.00	—
<b>KIRIBATI</b>		
Technical and Vocational Education	150.00	—
<b>KOREA, REPUBLIC OF</b>		
Third Sewage Treatment	68.00	—
Sewage Treatment Sector	75.00	—

<sup>a</sup> Excluding technical assistance loans and technical assistance components of project loans, which are included in the Bank's loan data.

<sup>b</sup> To be financed by the Government of Switzerland with the Bank acting as Executing Agency.

<sup>c</sup> To be financed by UNDP with the Bank acting as Executing Agency.

<sup>d</sup> Of this amount, \$350,000 is to be financed by the Government of Switzerland with the Bank acting as Executing Agency.

<sup>e</sup> In addition, the International Irrigation Management Institution (IIMI) will provide \$50,000 under a cost-sharing arrangement.

**TECHNICAL ASSISTANCE APPROVALS, 1985**  
 (amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
<b>MALAYSIA</b>		
Kelantan Regional and Township Development	300.00	—
Urban Development Policy and Program Study	—	285.00
Water Supply and Sanitation Sector Profile	75.00	—
Transmission System Reliability Improvement	75.00	—
Sarawak Agricultural Development Study	150.00	—
Institutional Strengthening of SALCRA	—	250.00
Agro-Industries Credit	345.00	—
Klang Valley Environmental Program	—	350.00
Health Services Development	220.00	—
<b>MALDIVES</b>		
Review of Interisland Transport Operations	—	200.00
<b>NEPAL</b>		
Master Plan for Forestry Development	—	1,100.00 <sup>a</sup>
Second Small Farmers Development	—	100.00 <sup>b</sup>
East Rapti Irrigation	350.00	—
Cotton Development	—	1,400.00 <sup>c</sup>
Third Forestry Development	—	300.00
Hill Fruit Development	250.00	—
Second Livestock Development	—	1,600.00 <sup>c</sup>
<b>PAKISTAN</b>		
Baluchistan Trickle Irrigation	224.80 <sup>d</sup>	—
Pakistan Engineering Company Ltd. (PECO) Rehabilitation and Expansion	163.00	—
Gas Development (Sari, Hundti and Nandpur Gas Fields)	275.00	—
Master Plan for Barani Area Development	—	1,300.00 <sup>c</sup>
Rural Telecommunications Strategy Study	—	100.00
Operational Strategy Study of PGCL	—	250.00
Rural Road Development	75.00	—
Development of Small-Scale Industries	—	330.00
<b>PAPUA NEW GUINEA</b>		
Livestock Sector Review	—	300.00
Agricultural Marketing Support Services	252.00	—
Management Information Systems Study	—	120.00
Forestry Development Study	—	350.00
Water Supply and Sewerage Systems Review	—	200.00

<sup>a</sup> Of this amount, \$850,000 is to be financed by the Government of Finland, with the Bank acting as Executing Agency.

<sup>b</sup> To be financed by IFAD with the Bank acting as Executing Agency.

<sup>c</sup> To be financed by UNDP with the Bank acting as Executing Agency.

<sup>d</sup> In addition, FAO/ILO will provide \$96,200 under a cost-sharing arrangement.

Country/Project	Project Preparatory	Advisory and Operational
PHILIPPINES		
Livestock Sector Development	350.00	—
Second Aquaculture Development	350.00	—
Smallholder Livestock Development (Supplementary)	—	57.00
Institutional Development of the National Council on Integrated Area Development (NACIAD)	—	260.00
Geothermal Steam Pricing Policy Study	—	212.00
Island Provinces Water Supply Sector	75.00	—
SOLOMON ISLANDS		
Water Supply and Sanitation	75.00	—
SRI LANKA		
Accounting and Audit Education Master Plan	—	158.00
Institutional Strengthening of MOH	—	200.00
Land Use Planning	290.00	—
Kirindi Oya (Phase II)	75.00	—
THAILAND		
Small Industry Credit Guarantee Fund	—	190.50
Shelter Sector	—	576.00 <sup>a</sup>
Monitoring and Supervising the Performance of State Enterprises	—	242.00
Mangrove Forestry Development	150.00	—
Land Resource Evaluation and Planning	—	245.00
Second Navigational Channel for Access to Bangkok Port	150.00	—
Agriculture Development Information Program	—	298.00 <sup>b</sup>
Promotion Program for Chemical and Engineering Industries	—	330.00
Fourth Bangkok Water Supply	75.00	—
VANUATU		
Appraisal of Sub-Projects Under Multiproject Loan	—	270.00
WESTERN SAMOA		
Development of National Accounts	—	250.00
Appraisal of Sub-Projects Under Multiproject Loan	—	500.00 <sup>b</sup>
Strengthening Agricultural Export Marketing	—	135.00
<b>TOTAL</b>	<b>10,313.35</b>	<b>17,807.50</b>

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

b Of this amount, \$250,000 is to be financed by UNDP with the Bank acting as Executing Agency.

**REGIONAL ACTIVITIES, 1985**

	Amount (\$ thousand)
Workshop on Statistical Development in South Pacific	70.00
ADB Development Round Table on the Role of Private	
Sector in Development	100.00
Regional Study on Irrigation Service Fees	100.00
Regional Program for Strengthening In-House Training in Selected DFIs	217.00
1985 Regional Seminars on Use of Consultants	170.00
ESCAP/ADB Symposium on Regional Financial Cooperation	100.00
Fifteenth Pacific Trade and Development (PAFTAD) Conference	20.00
ADB/ESCAP Regional Seminar on Railway Track	
Maintenance and Monitoring Techniques	59.00 <sup>a</sup>
Regional Seminar on Power System Efficiency	
Through Loss Reduction and Load Management	160.00
Study of GNP Measurement Issues in South Pacific	
Developing Member Countries	150.00
Regional Conference on Rail-Motor Propulsion	175.00
Regional Seminar on Use of Rural Health Services	125.00
Regional Program on Management Development for	
Development Finance Institutions in Asia (1985)	110.00
Study of the Development Potential of Rainfed	
Agriculture in the Asia and Pacific Region	250.00
Study of Leasing in Selected Developing Member Countries	220.00
Seminars on Development of Domestic Consultants	75.00
Regional Symposium on Environmental and Natural Resources Planning	125.00
Regional Workshop on Training for Entrepreneurship and Self-Employment	186.00
Fourth APO-ADB Training Course in Project	
Feasibility, Appraisal and Implementation	68.00
ADB Regional Symposium on Capital Market	
Development in the Asia-Pacific Region	135.00
Study of Trade Barriers to Exports of	
Developing Member Countries of the Bank	140.00
Study of Venture Capital Financing in Selected DMCs	295.00
Regional Program on Project Implementation and Supervision (1986)	130.00
Regional Electricity Demand Analysis	285.00
South Pacific Agricultural Research Cooperation	350.00
International Rice Research Institute for Strengthening Research on	
Integrated Pest Management for Deep Water Rice Farming Systems	350.00
Regional Study-Cum-Workshop on Rural Employment Creation	200.00 <sup>b</sup>
Preparation of Case Studies, Practical Exercises and Teaching	
Aids for Seminars on Procurement and Project Implementation	
Management and Revision of Bank Publications	85.00
1986 Seminars on Procurement and Uses of Consultants and	
Project Implementation Management	300.00
Regional Cooperation in Energy	300.00
Regional Study and Workshop for Improving	
Efficiency of Power System Operation in DMCs	329.00
International Rice Research Institute for Printing and	
Distribution of a Rice Abstracts Journal	110.00
<b>T O T A L</b>	<b>5,489.00</b>

a In addition, ESCAP and Austria will provide \$56,000 under a cost-sharing arrangement.

b In addition, ILO will provide \$50,000 under a cost-sharing arrangement.

**TECHNICAL ASSISTANCE APPROVALS BY SECTOR,<sup>a</sup> 1984, 1985, 1967-1985**  
 (amounts in \$ thousand)

Sector	1984			1985			1967-1985		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	37	8,436.00	45.78	39	17,603.60	62.60	349	94,776.12	54.78
Energy	11	2,258.00	12.25	7	2,317.00	8.24	92	25,132.84	14.53
Industry and Non-Fuel Minerals	7	1,260.50	6.84	4	1,013.50	3.60	60	10,568.50	6.11
Transport and Communications	12	3,344.00	18.15	10	2,722.75	9.68	88	17,843.05	10.31
Social Infrastructure	13	2,320.00	12.59	16	3,202.00	11.39	109	20,676.42	11.95
Multisector	1	215.00	1.17	2	770.00	2.74	6	1,270.00	0.73
Others	3	593.00	3.22	2	492.00	1.75	16	2,746.70	1.59
<b>TOTAL</b>	<b>84</b>	<b>18,426.50</b>	<b>100.00</b>	<b>80</b>	<b>28,120.85</b>	<b>100.00</b>	<b>720</b>	<b>173,013.63</b>	<b>100.00</b>

a. Excluding technical assistance loans and technical assistance components of project loans, which are included in the Bank's loan data.

TECHNICAL ASSISTANCE APPROVALS BY COUNTRY AND REGIONAL ACTIVITIES,<sup>a</sup> 1984, 1985, 1967-1985  
(amounts in \$ thousand)

Country	No.	1984			%
		Bank Financing	Other Sources	Total	
Afghanistan	—	—	—	—	—
Bangladesh	5	479.50	1,348.00	1,827.50	8.28
Bhutan	3	528.00	—	528.00	2.39
Burma	2	190.00	450.00	640.00	2.90
Cambodia	—	—	—	—	—
Cook Islands	—	—	—	—	—
Fiji	3	490.00	—	490.00	2.22
Indonesia	9	1,564.00	150.00 <sup>b</sup>	1,714.00	7.76
Kiribati	2	365.00	—	365.00	1.65
Korea, Republic of	4	286.00	—	286.00	1.30
Lao PDR	4	834.00	490.00	1,324.00	6.00
Malaysia	5	750.00	330.00 <sup>c</sup>	1,080.00	4.89
Maldives	1	215.00	—	215.00	0.97
Nepal	5	976.00	100.00	1,076.00	4.87
Pakistan	9	1,475.00	750.00	2,225.00	10.08
Papua New Guinea	8	1,266.00	350.00	1,616.00	7.32
Philippines	8	2,141.00	—	2,141.00	9.70
Singapore	—	—	—	—	—
Solomon Islands	—	—	—	—	—
Sri Lanka	4	595.00	—	595.00	2.70
Taipei, China	—	—	—	—	—
Thailand	6	915.00	200.00	1,115.00	5.05
Tonga	—	—	—	—	—
Vanuatu	2	274.00	—	274.00	1.24
Viet Nam, Soc. Rep. of	—	—	—	—	—
Western Samoa	4	865.00	50.00	915.00	4.15
Sub-Total	84	14,208.50	4,218.00	18,426.50	83.47
Regional	25	3,649.70	—	3,649.70	16.53
<b>TOTAL</b>	<b>109</b>	<b>17,858.20</b>	<b>4,218.00</b>	<b>22,076.20</b>	<b>100.00</b>

a Excluding technical assistance loans and technical assistance components of project loans, which are included in the Bank's loan data.

b EEC financing of the Manpower Training Project was approved in 1985 in place of Bank financing approved in 1984.

c EEC financing of the Aquaculture Development Project was approved in 1985 in place of Bank financing approved in 1984.

No.	1985			1967-1985			
	Bank Financing	Other Sources	Total	%	No.	Total Amount	%
—	—	—	—	—	15	2,465.70	1.21
9	369.00	7,164.00	7,533.00	22.41	79	34,280.32	16.89
5	1,159.00	350.00	1,509.00	4.49	13	2,885.00	1.42
—	—	—	—	—	—	—	—
2	150.00	270.00	420.00	1.25	32	8,636.00	4.25
—	—	—	—	—	2	111.00	0.05
—	—	—	—	—	2	161.00	0.08
—	—	—	—	—	—	—	—
1	150.00	—	150.00	0.45	14	1,944.00	0.96
6	1,412.75	—	1,412.75	4.20	105	20,526.27	10.11
1	150.00	—	150.00	0.45	7	1,065.00	0.52
—	—	—	—	—	—	—	—
2	143.00	—	143.00	0.43	28	4,076.30	2.01
—	—	—	—	—	22	5,963.78	2.94
9	2,050.00	—	2,050.00	6.10	29	6,167.00	3.04
—	—	—	—	—	—	—	—
1	200.00	—	200.00	0.60	4	683.00	0.34
7	1,150.00	3,950.00	5,100.00	15.17	70	26,216.70	12.92
8	1,417.60	1,300.00	2,717.60	8.09	47	10,667.60	5.26
—	—	—	—	—	—	—	—
5	1,222.00	—	1,222.00	3.64	29	5,252.60	2.59
6	1,304.00	—	1,304.00	3.88	71	15,735.40	7.75
—	—	—	—	—	2	577.42	0.28
—	—	—	—	—	—	—	—
1	75.00	—	75.00	0.22	18	2,458.34	1.21
4	723.00	—	723.00	2.15	41	6,333.50	3.12
—	—	—	—	—	1	100.00	0.05
—	—	—	—	—	—	—	—
9	1,382.50	874.00	2,256.50	6.71	40	9,734.60	4.80
—	—	—	—	—	8	1,085.00	0.53
1	270.00	—	270.00	0.80	7	1,197.00	0.59
—	—	—	—	—	—	—	—
3	635.00	250.00	885.00	2.63	11	1,110.60	0.55
—	—	—	—	—	23	3,580.50	1.76
—	—	—	—	—	—	—	—
80	13,962.85	14,158.00	28,120.85	83.67	720	173,013.63	85.23
32	5,489.00	—	5,489.00	16.33	196	29,975.93	14.77
112	19,451.85	14,158.00	33,609.85	100.00	916	202,989.56	100.00

**1985 LOANS THAT RESULTED FROM EARLIER BANK TECHNICAL ASSISTANCE**  
 (amounts in \$ million)

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Cost	Amount of Bank Financing			Amount of Co-Financing	Amount of Government Financing
				OCR	ADF	Total		
<b>BANGLADESH</b>								
Second Livestock Development	1978	0.150	48.80	—	39.00	39.00	3.50	6.30
Seventh Power	1985	0.075	66.00	—	40.50	40.50	—	25.50
Feeder Roads Improvement	1981	0.310	72.60	—	58.00	58.00	—	14.60
Fourth Crop Intensification Program	1985	0.070	—	—	39.00	39.00	—	12.50
Chhatak Cement Plant Expansion	1984	0.074	27.73	—	15.80	15.80	3.74	8.19
<b>BHUTAN</b>								
Chirang Hill Irrigation	1983	0.298	4.35	—	3.48	3.48	—	0.87
<b>FIJI</b>								
Second Fiji Development Bank	1983	0.100	—	7.00	—	7.00	6.50	—
<b>INDONESIA</b>								
University of Sriwijaya	1983	0.200	60.40	37.90	—	37.90	—	22.50
IKK Water Supply Sector	1982	0.250	—	40.20	—	40.20	—	25.80
Land Resource Evaluation and Planning	1983	0.248	34.89	23.40	—	23.40	—	11.50
Elighth Road	1982	0.150	201.00	120.00	—	120.00	—	81.00
Fisheries Industries Credit	1982	0.050	—	65.00	—	65.00	—	—
Health and Population	1983	0.250	70.01	41.60	—	41.60	—	28.40
Forestry Development	1983	0.248	46.70	28.00	—	28.00	2.00 <sup>a</sup>	18.70
Second Bandung Urban Development	1979	0.150	228.33	132.40	—	132.40	6.01	89.92
Central Java Groundwater Irrigation Development	1984	0.260	18.10	12.20	—	12.20	—	5.75
<b>KOREA, REPUBLIC OF</b>								
Third Sewage Treatment	1985	0.068	175.98	35.00	—	35.00	—	23.16

<sup>a</sup> The Government of Finland has agreed in principle to co-finance the project. When the final decision is made, the corresponding amount will be cancelled from the Bank loan.

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Cost	Amount of Bank Financing		Amount of Co.-Financing	Amount of Government Financing
				OCR	ADF		
<b>MALAYSIA</b>							
Kalaka-Saribas Integrated Agricultural Development	1982	0.830 <sup>a</sup>	87.40	42.60	—	42.60	—
Perlis Agricultural Development	1984	0.075	76.00	43.00	—	43.00	—
<b>NEPAL</b>							
Second Livestock Development	1984	0.250	17.50	—	14.00	14.00	1.60
Seti Zone Rural Development	1978	0.350	25.00	—	20.00	20.00	—
Cotton Development	1984	0.240	19.34	—	14.00	14.00	1.40
Third Forestry Development	1982	0.160	12.56	—	10.00	10.00	0.32
<b>PAKISTAN</b>							
Small Dams	1983	0.390	48.82	—	39.00	39.00	—
Farm-to-Market Roads	1984	0.165	44.00	—	30.00	30.00	—
Science Education for Secondary Schools Sector	1984	0.150	—	—	28.80	28.80	5.00
Pat Feeder Canal Rehabilitation and Improvement	1984	0.350	182.30	—	117.00	117.00	30.00
<b>PAPUA NEW GUINEA</b>							
Ports Development	1982	0.250	15.34	11.00	—	11.00	—
Second Rural Health Services	1984	0.150	19.96	5.40	8.50	13.90	—
<b>SRI LANKA</b>							
Secondary Towns Power Distribution	1983	0.250	17.60	—	12.40	12.40	—
Trunk Roads Improvement	1984	0.250	27.50	—	22.00	22.00	—
<b>TOTAL</b>		<b>6.791</b>	<b>1,648.21</b>	<b>644.70</b>	<b>511.48</b>	<b>1,156.18</b>	<b>60.07</b>
							<b>545.03</b>

a. Includes technical assistance loan.

b. In addition, equity of \$3.1 million will be provided by a joint venture company.

## FINANCIAL RESOURCES

### BORROWINGS, 1985

Country	Borrowing	Amount in Currency of Borrowing (million)	US\$ Equivalent <sup>a</sup> (million)
Germany, Federal Republic of	7.75% 12-Year Bonds due 1997	DM 200	59.1
	6.50% 10-Year Bonds due 1995	DM 200	71.9
Japan	7.30% 15-Year Bonds due 2000	¥ 25,000	96.0
	6.40% 15-Year Bonds due 2000	¥ 26,000	100.4
Netherlands	7.75% 15-Year Bonds due 2000	f 200	56.7
Switzerland	Tranche A: 5.875% 12-Year Bonds due 1997	SwF 100	37.6
	Tranche B: 15-Year Floating Rate Notes <sup>b</sup> due 2000	SwF 50	18.8
	Tranche A: 6.25% 20-Year Bonds due 2005	SwF 100	38.7
	Tranche B: 15-Year Floating Rate Notes <sup>b</sup> due 2000	SwF 50	19.3
	6.00% 25-Year Bonds due 2010	SwF 100	45.9
	10.75% 12-Year Bonds due 1997	US\$ 100	100.0
United States	6.50% 10-Year Bonds due 1995	¥ 35,000	147.4
	<b>TOTAL</b>		<b>791.9<sup>c</sup></b>

a Based on the exchange rates effective at the date of Board approval of each borrowing.

b Interest rate is set every six months at 1/8 per cent per annum above the London Interbank Offered Rate for six-month Swiss Franc deposits, subject to a minimum rate of 3½ per cent per annum and a maximum rate of 8½ per cent per annum.

c Total does not tally due to rounding.

**STATUS OF ASIAN DEVELOPMENT FUND RESOURCES**

		Change in 1985				
	Valued as of 31/12/84 US\$m.	Addition US\$m.	Exchange Rate Adjustments <sup>a</sup> US\$m.	Net Change US\$m.	Valued as of 31/12/85 US\$m.	SDRm. <sup>b</sup>
<b>Contributed Resources</b>						
Australia	215.70	40.03	(42.16)	(2.13)	213.57	194.43
Austria	28.54	5.91	8.99	14.90	43.44	39.55
Belgium	26.84	4.57	8.16	12.73	39.57	36.02
Canada	363.44	63.26	(21.82)	41.44	404.88	368.60
Denmark	24.75	4.82	7.80	12.62	37.37	34.02
Finland	20.18	4.44	5.09	9.53	29.71	27.05
France	104.76	28.53	33.87	62.40	167.16	152.18
Germany, Federal Republic of	265.19	46.53	78.84	125.37	390.56	355.57
Hong Kong	0.50	0.25	—	0.25	0.75	0.68
Indonesia	1.50	0.75	—	0.75	2.25	2.05
Italy	94.14	22.32	17.59	39.91	134.05	122.04
Japan	1,971.84	280.24	570.82	851.06	2,822.90	2,569.96
Korea, Republic of	1.75	0.88	—	0.88	2.63	2.39
Netherlands	80.72	14.13	26.64	40.77	121.49	110.60
New Zealand	8.15	1.02	0.35	1.37	9.52 <sup>c</sup>	8.67
Norway	22.68	3.98	5.43	9.41	32.09	29.21
Sweden	32.28	6.78	7.44	14.22	46.50	42.33
Switzerland	49.83	7.58	14.21	21.79	71.62	65.20
Taipei, China	1.00	0.50	—	0.50	1.50	1.37
United Kingdom	152.17	22.51	41.37	63.88	216.05	196.69
United States	943.77	91.23	—	91.23	1,035.00	942.26
<b>Total Contributed Resources</b>	<b>4,409.74</b>	<b>650.26</b>	<b>762.61</b>	<b>1,412.87</b>	<b>5,822.61</b>	<b>5,300.90</b>
<b>Additional Resources</b>						
Set-Aside Resources	46.67 <sup>d</sup>	—	5.63	5.63	52.30	47.61
Other Resources <sup>e</sup>	5.08	—	—	—	5.08	4.62
Accumulated Translation Adjustments	(35.55)	27.62	—	27.62	(7.93)	(7.22)
Accumulated Net Income	189.19	20.25	—	20.25	209.44	190.67
<b>Total Additional Resources</b>	<b>205.39</b>	<b>47.87</b>	<b>5.63</b>	<b>53.50</b>	<b>258.89</b>	<b>235.68</b>
<b>Total Resources</b>	<b>4,615.13</b>	<b>698.13</b>	<b>768.24</b>	<b>1,466.37</b>	<b>6,081.50</b>	<b>5,536.58</b>
Less: Amounts Disbursed and Outstanding	1,366.20	373.43	260.44	633.87	2,000.07	1,820.86
Less: Amounts Committed but Undisbursed:						
Denominated in US Dollars	1,894.35	(371.00)	—	(371.00)	1,523.35	1,386.86
Denominated in SDRs	1,198.19 <sup>f</sup>	570.07	163.14	733.21	1,931.40	1,758.35
<b>Total Uncommitted Resources</b>	<b>156.39</b>	<b>125.63</b>	<b>344.66</b>	<b>470.29</b>	<b>626.68</b>	<b>570.51</b>
Less: Provision for Exchange Rate Fluctuations <sup>g</sup>	221.61	73.58	—	73.58	295.19	268.74
<b>Extent to Which Provision for Exchange Rate Fluctuations Used for Loan Commitments</b>	<b>65.22</b>				—	—
<b>Net Amount Available for Loan Commitments</b>					<b>331.49</b>	<b>301.77</b>

Note: Figures may not add due to rounding.

a Relating to balances as of 31 December 1984 and additions in 1985.

b Valued at the rate of \$1.09842 as of 31 December 1985.

c Excluding \$1.00 million equivalent representing advance payment from New Zealand on account of its contribution to the third ADF replenishment (ADF IV) as this amount was not available for loan commitments as of 31 December 1985.

d Valued at the rate of \$0.980205 per SDR as of 31 December 1984.

e Amounts initially accrued or allocated to other Special Funds.

f Excluding \$81.54 million equivalent (SDR 88.16 million) representing conditional loan commitments made in December 1984.

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

**TECHNICAL ASSISTANCE SPECIAL FUND**  
 (US Dollar Equivalent)<sup>a</sup>

Contributor	Total Contributions	Amount Utilized
Australia	2,484,371	2,484,371
Austria	121,613	54,440
Bangladesh	47,352	46,056
Belgium	1,140,838	602,988
Canada	3,345,751	3,345,751
Denmark	1,958,125	1,852,747
Finland	237,201	237,201
France	1,591,367	1,322,682
Germany, Federal Republic of	3,050,922	2,610,074
Hong Kong	100,000	100,000
India	1,523,294	1,299,109
Indonesia	250,000	53,663
Italy	774,148	774,148
Japan	43,059,801	39,013,939
Korea, Republic of	1,450,000	1,192,361
Malaysia	935,146	783,779
Netherlands	1,267,942	1,153,470
New Zealand	1,054,120	1,016,657
Norway	2,334,591	1,009,803
Pakistan	502,545	493,527
Singapore	100,000	100,000
Sri Lanka	6,309	6,309
Sweden	776,936	385,269
Switzerland	1,035,043	1,035,043
Taipei, China	200,000	200,000
United Kingdom	5,136,924	5,043,851
United States	1,500,000	1,500,000
Sub-Total	75,984,339	67,717,238
Other Resources <sup>b</sup>	9,242,109	9,242,109
<b>T O T A L</b>	<b>85,226,448</b>	<b>76,959,347</b>

<sup>a</sup> 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 1985.

<sup>b</sup> Represents income, repayments and reimbursements accruing to TASF since April 1980.

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**SUMMARY OF BUDGET FOR 1986****Internal Administrative Expenses**

(amounts in \$ thousand)

	1985			1986 Budget
	Original Budget	After Transfers <sup>1</sup>	Actual <sup>2</sup>	
I. BOARD OF GOVERNORS	321	321	311	192
II. BOARD OF DIRECTORS	3,988	3,988	3,808	4,414
Salaries	2,111	2,111	2,071	2,250
Benefits	877	877	850	1,013
Relocation	372	345	286	438
Business Travel	368	368	313	382
Staff Services	260	287	286	331
III. STAFF	62,971	62,971	58,762	64,452
Salaries	36,303	36,303	35,108	37,491
Benefits	20,623	20,623	19,115	21,516
Relocation	2,062	2,062	1,393	1,638
Consultants	3,983	3,983	3,146 <sup>3</sup>	3,807
IV. BUSINESS TRAVEL AND REPRESENTATION	6,393	6,393	5,393	5,741
Business Travel	6,276	6,276	5,315	5,645
Representation	117	117	78	96
V. OTHER ADMINISTRATIVE EXPENSES	12,521	12,521	11,855	12,716
Communications	1,633	1,703	1,700	1,794
Office Occupancy	3,132	3,132	3,030	3,350
Library	222	222	221	240
Expendable Supplies	1,216	1,216	1,156	1,062
Office Equipment	1,563	1,563	1,466	1,499
Contractual Services	2,261	2,191	1,979	2,254
Insurance	377	377	322	378
Depreciation	1,641	1,641	1,567	1,864
Miscellaneous	156	156	122 <sup>4</sup>	125
Special Activity	320	320	292	150
VI. GENERAL CONTINGENCY	1,724	1,724	—	1,750
<b>TOTAL</b>	<b>87,918</b>	<b>87,918</b>	<b>80,127</b>	<b>89,265</b>

1 Transfers were made between budget items within each Budget Category without exceeding the total amount for the Category.

2 Excludes \$1,598,178 provided as an accounting requirement as of 31 December 1985 for accumulated compensated absences — \$378,443 and severance pay — \$1,219,735.

3 Includes \$1,760 from the Technical Assistance Special Fund.

4 Includes \$13,908 from the Technical Assistance Special Fund.

**Services to Member Countries**

(amounts in \$ thousand)

Financed from Bank's Own Resources	Commitments		
	1985	Actual	1986 Budget
Budget			
Project Preparatory	13,000	6,679	9,000
Advisory and Operational	8,000	7,284	8,000
Regional	6,000	5,489	7,000
<b>TOTAL</b>	<b>27,000</b>	<b>19,452</b>	<b>24,000</b>

## RESOLUTIONS OF BOARD OF GOVERNORS DURING 1985

Resolution No.	Subject	Date Adopted
167	Amendment of Section 5 of the By-Laws of the Bank (concerning the conditions of service of the President)	22 January 1985
168	Admission of Spain to Membership in the Asian Development Bank	12 February 1985
169	Procedures for the Election of Directors at the Eighteenth Annual Meeting	30 April 1985
170	Financial Statements and Opinions of Independent Auditors	2 May 1985
171	Allocation of Net Income	2 May 1985
172	Resources of the Asian Development Fund	2 May 1985
173	Place and Date of Nineteenth Annual Meeting	2 May 1985
174	Increase in Authorized Capital Stock and Special Increases in Capital Subscriptions of Certain Members	30 September 1985
175	Amendment of Resolution No. 66, As Amended by Resolution No. 155 (concerning the Board of Governors' Committee on Remuneration)	9 December 1985

## BOARD OF GOVERNORS

(As of 31 December 1985)

**Ronnie de Mel** (Sri Lanka) (Chairman)

**M. Eyskens** (Belgium) (Vice-Chairman)

**Dawa Tsering** (Bhutan) (Vice-Chairman)

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Democratic Republic of	Mohamad Kabir Minister of Finance	Abdul Ghafoor Joushan President Treasury Department
Australia	P. J. Keating Treasurer	R. B. Dun Director Australian Development Assistance Bureau
Austria	Franz Vranitzky Federal Minister of Finance	Hans Heller Director General Ministry of Finance
Bangladesh	M. Syeduzzaman Adviser to the President Incharge of the Ministry of Finance	M.K. Anwar <sup>1</sup> Secretary External Resources Division Ministry of Finance
Belgium	M. Eyskens <sup>2</sup> Minister of Finance	Rene Lauwerijns 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	Joe Clark Secretary of State for External Affairs	Bernard Drabble Associate Deputy Minister Department of Finance
Cook Islands	Sir Thomas Robert Alexander Harries Davis Prime Minister and Minister of Finance	Paul Drury Financial Secretary Ministry of Finance
Denmark	Bjoern Olsen <sup>3</sup> Ambassador, Under-Secretary of State (Development) Ministry of Foreign Affairs	Boerge Bloend Head of Department Ministry of Foreign Affairs
Fiji	Mosese Qionibaravi Deputy Prime Minister and Minister of Finance	Savenaca Siwatibau Governor Reserve Bank of Fiji

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Finland	Martti Ahtisaari Under-Secretary of State Ministry for Foreign Affairs	Kai Helenius <sup>4</sup> Director General Finnish International Development Agency Ministry for Foreign Affairs
France	Pierre Beregovoy Minister of the Economy, Finance and Budget	Daniel Lebegue Director of the Treasury Ministry of the Economy, Finance and Budget
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.A.C. Nendick <sup>5</sup> Secretary for Monetary Affairs
India	Vishwanath Pratap Singh Minister of Finance	S. Venkitaramanan <sup>6</sup> Finance Secretary Ministry of Finance Department of Economic Affairs
Indonesia	Radius Prawiro Minister of Finance	Arifin M. Siregar 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	Satoshi Sumita Governor Bank of Japan
Kiribati	Boanereke Boanereke Minister for Finance	Beniamina Tinga Secretary for Finance Ministry of Finance
Korea, Republic of	Mahn-Je Kim Minister of Finance	Chang Nak Choi Governor Bank of Korea
Lao People's Democratic Republic	Oudone Pholsena Vice-Minister of Finance	Kikham Vongsay Vice-Minister of Finance
Malaysia	Daim Bin Zainuddin Minister of Finance	Tan Sri Thong Yaw Hong Secretary General to the Treasury
Maldives	Ahmed Mujuthaba Minister of Transport and Shipping	Ismail Fathy Vice Governor Maldives Monetary Authority and Director of Dept. of Finance
Nepal	Prakash Chandra Lohani Minister for Finance and Communications	Lok Bahadur Shrestha <sup>7</sup> Finance Secretary Ministry of Finance

**BOARD OF GOVERNORS**  
 (As of 31 December 1985)

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Netherlands	H. O. Ruding Minister of Finance	E. M. Schoo Minister for Development Cooperation
New Zealand	Roger Owen Douglas Minister of Finance	Bernard Vincent Galvin Secretary to the Treasury
Norway	Odd Jostein Saether State Secretary Ministry of Development Cooperation	Bernt H. Lund <sup>8</sup> Secretary General Ministry of Development Cooperation
Pakistan	Mahbubul Haq <sup>9</sup> Minister for Finance, Planning and Economic Affairs	Ejaz Ahmad Naik Secretary General Economic Affairs Division
Papua New Guinea	Sir Julius Chan, KBE, MP <sup>10</sup> Deputy Prime Minister and Minister for Finance and Planning	J. Vulupindi <sup>11</sup> Secretary for Finance and Planning
Philippines	Cesar Virata Prime Minister and Minister of Finance	Jose B. Fernandez, Jr. Governor Central Bank of the Philippines
Singapore	Richard Hu Tsu Tau <sup>12</sup> Minister for Finance	J.Y.M. Pillay Permanent Secretary Revenue Division Ministry of Finance
Solomon Islands	George Kejona Minister of Finance	Barry Clarke <sup>13</sup> Permanent Secretary Ministry of Finance
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	Bengt Saeve-Soederberg <sup>14</sup> Under Secretary of State for International Development Cooperation Ministry for Foreign Affairs	Peder Hammarskjold <sup>15</sup> Assistant Under-Secretary for International Development Cooperation Ministry for Foreign Affairs

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Switzerland	Silvio Arioli <sup>16</sup> Ambassador, Delegate of the Federal Council for Trade Agreements	Louis Currat <sup>17</sup> Head, Financial Aid Service Swiss Development Cooperation Office
Taipei, China	Chi-Cheng Chang Governor Central Bank of China	Pei-Ying Pai Vice-Minister of Finance
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, MP Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development	H. J. Arbuthnott Under Secretary International Division Overseas Development Administration
United States	James A. Baker III <sup>18</sup> Secretary of the Treasury	W. Allen Wallis Under Secretary of State for Economic Affairs
Vanuatu	Kalpokor Kalsakau Minister of Finance	John Sethy Regenvanu Deputy Prime Minister and Minister of Home Affairs
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	Tuilaepa Sailele Minister of Finance	Kolone Va'ai Financial Secretary

1 Succeeded M. Muniruzzaman in August.  
 2 Succeeded F. Grootjans in November.  
 3 Succeeded Mogens Isaksen in September.  
 4 Succeeded Seppo Kaupila in March.  
 5 Succeeded D.W.A. Slye in November.  
 6 Succeeded P. K. Kaul in February.  
 7 Succeeded Karma Dhoj Adhikari in August.  
 8 Succeeded Borger A. Lenth in February.  
 9 Succeeded Ghulam Ishaq Khan in March.  
 10 Succeeded Philip Bouraga in December.

11 Succeeded Noreo Beangke in December.  
 Noreo Beangke succeeded John Vulupindi in January.  
 12 Succeeded Tony Tan Keng Yam in May.  
 13 Succeeded Felix P. Panjubos in July.  
 14 Succeeded Goesta Edgren in November.  
 15 Succeeded Per Jeedahl in November.  
 16 Appointed in March.  
 17 Succeeded Hans Meyer in March.  
 18 Succeeded Donald T. Regan in October.

**BOARD OF DIRECTORS AND VOTING GROUPS**  
 (As of 31 December 1985)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED <sup>1</sup>
Chandi Chanmugam <sup>2</sup> (Democratic Socialist Republic of Sri Lanka)	Ha Dan Huan <sup>3</sup> (Socialist Republic of Viet Nam)	Dem. Rep. of Afghanistan; Lao People's Dem. Rep.; Maldives; Dem. Soc. Rep. of Sri Lanka; Soc. Rep. of Viet Nam
Sofjan Djajawinata (Indonesia)	R.C.W. Hamilton (New Zealand)	Cook Islands; Fiji; Indonesia; New Zealand; Tonga; Western Samoa
Keith J. Horton-Stephens (Australia)	Ralph Hillman <sup>4</sup> (Australia)	Australia; Hong Kong; Kiribati; Solomon Islands
Takatoshi Kato <sup>5</sup> (Japan)	Yukio Saruhashi (Japan)	Japan
Tunku Abdul Malek (Malaysia)	Suwon Pasugswad <sup>6</sup> (Thailand)	Burma; Malaysia; Nepal; Singapore; Thailand
Jean-Marc Métivier <sup>7</sup> (Canada)	Palle Marker (Denmark)	Canada; Denmark; Finland; Netherlands; Norway; Sweden
Paolo Nardi (Italy)	Gino Alzetta (Belgium)	Belgium; France; Italy; Switzerland
N. M. Qureshi <sup>8</sup> (Pakistan)	A. Melchor, Jr. <sup>9</sup> (Philippines)	Pakistan; Philippines
K. V. Ramanathan <sup>10</sup> (India)	K. F. Rahman (Bangladesh)	Bangladesh; Bhutan; India
Joe O. Rogers (United States)	William R. Thomson <sup>11</sup> (United States)	United States
Hans Martin Schmid <sup>12</sup> (Federal Republic of Germany)	Gerhard Kantner <sup>13</sup> (Austria)	Austria; Federal Republic of Germany; United Kingdom
Sung-Yong Wei (Republic of Korea)	John Natera (Papua New Guinea)	Republic of Korea; Papua New Guinea; Taipei, China; Vanuatu

<sup>1</sup> In alphabetical order within each group.

<sup>2</sup> Succeeded Le Duc Van on 1 July.

<sup>3</sup> Succeeded Ronnie Weerakoon on 30 August.

<sup>4</sup> Succeeded Kai Detto on 1 February.

<sup>5</sup> Succeeded Minoru Ohashi on 16 August.

<sup>6</sup> Succeeded Kawee Keereepart on 18 September.

<sup>7</sup> Elected on 12 December to succeed Alan F. Gill, who resigned  
on 18 October. Commenced service on 11 January 1986.

<sup>8</sup> Succeeded A. Melchor, Jr. on 1 July.

<sup>9</sup> Succeeded N. M. Qureshi on 1 July.

<sup>10</sup> Succeeded G. Ramachandran on 1 July.

<sup>11</sup> Succeeded Donald R. Sherk on 5 September.

<sup>12</sup> Succeeded John Machin on 1 July.

<sup>13</sup> Succeeded Hans Martin Schmid on 1 July.

**COMMITTEES OF THE BOARD OF DIRECTORS**  
(As of 31 December 1985)

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**AUDIT COMMITTEE**

N. M. Qureshi (Chairman)

Joe O. Rogers

Hans Martin Schmid

Sung-Yong Wei

K. F. Rahman

**BUDGET REVIEW COMMITTEE**

Tunku Abdul Malek (Chairman)

Sofjan Djajawinata

Keith J. Horton-Stephens

Takatoshi Kato

William R. Thomson

**COMMITTEE ON ADMINISTRATIVE MATTERS  
RELATING TO MEMBERS OF THE BOARD**

Paolo Nardi (Chairman)<sup>1</sup>

Chandi Chanmugam<sup>1</sup>

R.C.W. Hamilton

Ralph Hillman

Yukio Saruhashi

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<sup>1</sup> Mr. Alan F. Gill (Chairman) resigned from the Committee, effective 18 October.  
Mr. Chanmugam was appointed to fill the vacancy and Mr. Nardi was designated Chairman, both effective 24 October.

**PRINCIPAL OFFICERS**  
(As of 31 December 1985)

**OFFICE OF THE PRESIDENT**

Masao Fujioka .....	President
S. Stanley Katz .....	Vice-President
Günther Schulz .....	Vice-President
M. Narasimham .....	Vice-President

**OFFICE OF THE SECRETARY**

Arun B. Adarkar .....	Secretary
Richard H. Gardner .....	Assistant Secretary

**OFFICE OF THE GENERAL COUNSEL**

Chun Pyo Jhong .....	General Counsel
Ramdass K. Keswani .....	Assistant General Counsel
Peter H. Sullivan .....	Assistant General Counsel
D. C. Amerasinghe .....	Assistant General Counsel

**COUNTRY DEPARTMENT**

Robert N. Bakley .....	Director
Klaus J.L. Hoffarth .....	Deputy Director
Sayed Baha .....	Deputy Director
Eiichi Watanabe .....	Co-Financing Manager
Grahame Muller .....	Country Manager (Afghanistan, Maldives, Pakistan and Sri Lanka)
Paul G. Krukowski .....	Country Manager (Bangladesh, Bhutan, India and Nepal)
Noritada Morita .....	Country Manager (Burma, Cambodia, Lao PDR, Thailand and Viet Nam)
Elji Kobayashi .....	Country Manager (Republic of Korea, Philippines and Taipei, China)
Sharda P. Srivastava .....	Country Manager (Hong Kong, Indonesia, Malaysia and Singapore)
Osmar R. I. Bako .....	Acting Country Manager (Cook Islands, Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Vanuatu and Western Samoa)

**DEVELOPMENT POLICY OFFICE**

S. Mahboob Alam .....	Chief
William T.C. Ho .....	Manager

**AGRICULTURE DEPARTMENT**

Soeksmono B. Martokoesomo .....	Director
E. Frank Tacke .....	Deputy Director
Musunuru S. Rao .....	Manager (Agro-industries and Forestry)
B. Dahal .....	Manager (Fisheries and Livestock)
A. I. Amlnul Islam .....	Manager (Agricultural Support Services)

**IRRIGATION AND RURAL DEVELOPMENT DEPARTMENT**

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**

S. V. S. Juneja .....	Director
Neil R. Collier .....	Deputy Director
Mahesan Ganesan .....	Manager (Airports and Highways)
Yuzo Akatsuka .....	Manager (Ports, Railways and Telecommunications)
Javier M. Gomez .....	Manager (Water Supply and Sanitation)
Mazhar Ali Khan .....	Manager (Social Infrastructure, including Health and Population and Urban Development)
Charles J. Leven .....	Manager (Education)

**INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT**

Akira Tsusaka .....	Director
Stephen Y.C. Lau .....	Deputy Director
Jayanta Madhab .....	Energy Advisor
Alberto M. Balagot .....	Manager (Industry and Minerals)
V. S. Rao .....	Manager (Power Division East)

Alan D. Burrell .....	Manager (Power Division West)
Ivan L. Zimonyi .....	Manager (Development Finance)
<b>CENTRAL PROJECTS SERVICES OFFICE</b>	
Lewis Hayashi .....	Chief
Urs Rolf Sieber .....	Manager (Consulting Services)
N. Viswanathan .....	Manager (Central Loan Administration Services)
<b>BANGLADESH RESIDENT OFFICE</b>	
Paul Koehling.....	Chief
<b>SOUTH PACIFIC REGIONAL OFFICE</b>	
Joaquin J. Gochoco .....	Chief
<b>BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT</b>	
Hiroo Fukui .....	Director
Dang Fook Lee .....	Deputy Director
John P. Kennedy .....	Manager (Personnel)
William G. Brown .....	Manager (Budget and Planning)
Phua Kok Heng .....	Acting Manager (Systems and Procedures)
<b>OFFICE OF ADMINISTRATIVE SERVICES</b>	
Pyong Whi Min .....	Chief
Ian F. Darroch .....	Manager (Building Services)
Hi Young Kim.....	Manager (General Services)
<b>SPECIAL PROJECTS OFFICE</b>	
Pradhan J. Prasad.....	Chief.
<b>CONTROLLER'S DEPARTMENT</b>	
Ronald G. Rose .....	Controller
Francis W. Mentus .....	Assistant Controller (Accounting)
Louis Wong .....	Assistant Controller (Administrative Expenses)
Bernard Donge.....	Assistant Controller (Loans)
<b>TREASURER'S DEPARTMENT</b>	
Alan F. Gill .....	Treasurer
Yukiji Miyazaki .....	Deputy Treasurer
Daud Ilyas.....	Financial Advisor
Albert L. Faber.....	Assistant Treasurer (Treasury Operations)
Hiroyuki Yamamoto .....	Assistant Treasurer (Treasury Services)
<b>ECONOMICS OFFICE</b>	
Burnham O. Campbell .....	Chief Economist
Kedar N. Kohli .....	Assistant Chief Economist
J. Malcolm Dowling, Jr. ....	Assistant Chief Economist
<b>INFORMATION OFFICE</b>	
Reynaldo D. Pacheco .....	Chief Information Officer
George V. Liu .....	Assistant Chief Information Officer
<b>OFFICE OF COMPUTER SERVICES</b>	
C. Trujillo, Jr. ....	Chief
S. Kalyanaraman .....	Assistant Chief
<b>INTERNAL AUDIT OFFICE</b>	
Shamshad Ali Khan .....	Chief
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## MAJOR ADB PUBLICATIONS

### STUDIES AND REPORTS

- Agriculture in Asia: Its Performance and Prospects,  
The Role of ADB in Its Development (Volume I & II)  
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- Asian Development Bank Economic Staff Paper Series  
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Thailand Fisheries Sector Study  
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Western Samoa Agriculture Sector Study (Volume I & II)

### INFORMATION BROCHURES AND OTHER PUBLICATIONS

- Asian Development Bank: Co-Financing 1985 with Commercial and Export Credit Sources  
Asian Development Bank: What It Is, What It Does, How It Works (English, French and German)  
Asian Development Bank: Questions and Answers (English, French, German and Japanese)  
Asian Development Bank Quarterly Review  
Asian Development Bank: Technical Assistance Activities  
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Development Finance Institutions in Asia and the Pacific: Basic Information\*  
Financial Profile, April 1985 (English, French, German and Dutch)

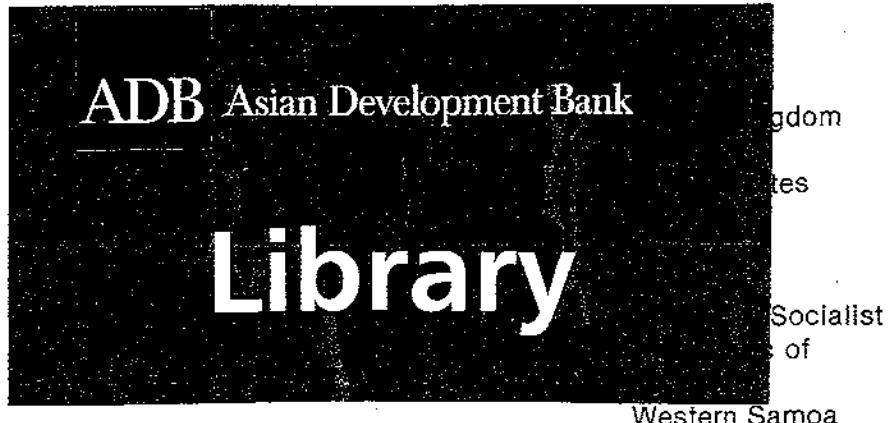
- Guidelines for Procurement under Asian Development Bank Loans  
Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers  
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Sample Bidding Documents — Procurement of Goods

\* Publications marked with an asterisk are now out of print. Copies of the other publications, however, may be obtained from the Information Office, Asian Development Bank, P.O. Box 789, Manila, Philippines. All are free of charge, except *Operational Information on Proposed Projects* (\$28.00 annual subscription), *Asian Development Review* (\$8.00 per two issues) and *Key Indicators* (\$50 annual subscription obtainable through: Macmillan Publishers Hong Kong Ltd., 19th Floor, Warwick House, Tai Kok Trading Estate, Quarry Bay, Hong Kong).



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