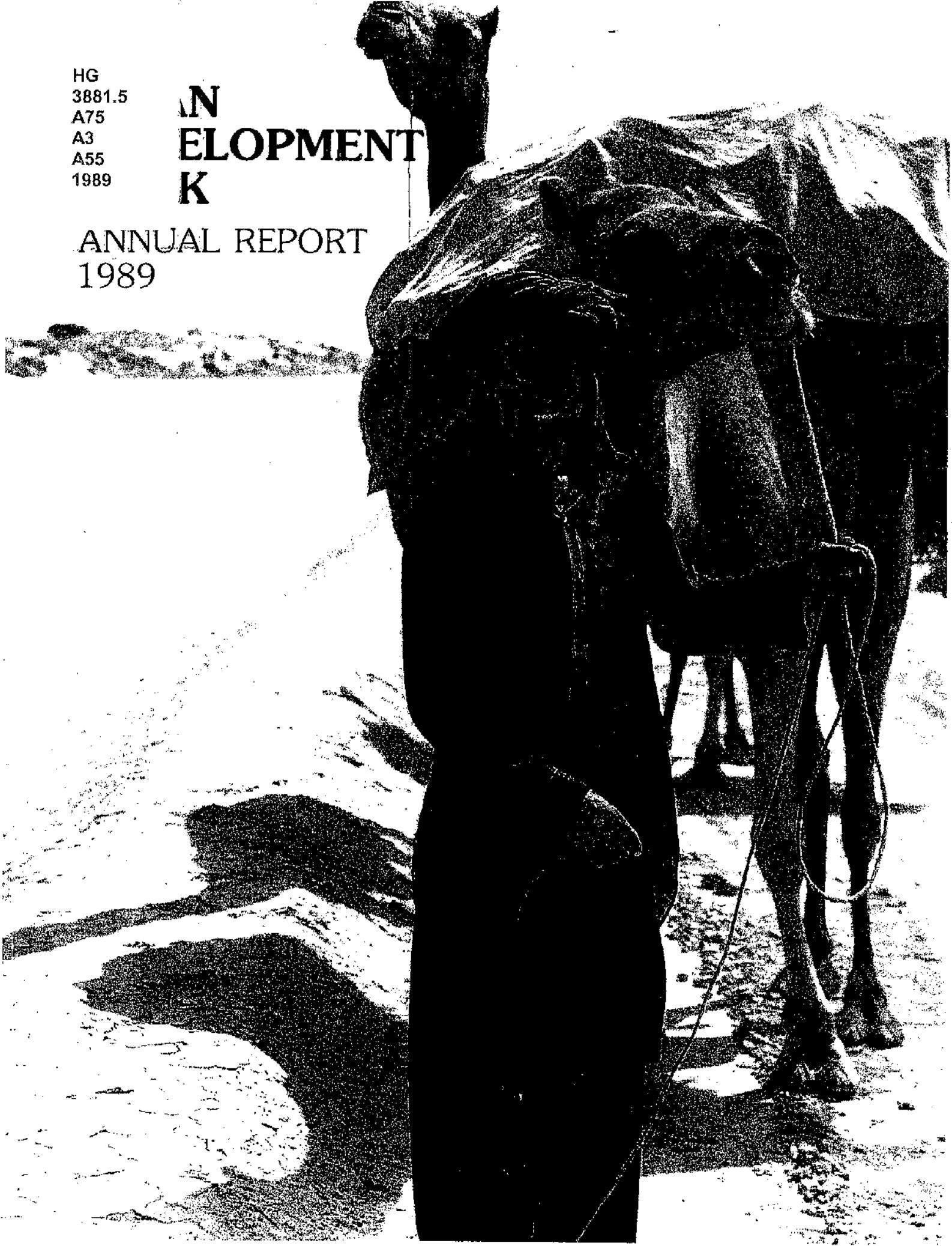


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**ANNUAL REPORT
1989**



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

The financial resources of the Bank consist of ordinary capital resources, comprising subscribed capital, reserves and funds raised through borrowings; and Special Funds, comprising contributions made by member countries, accumulated net income and amounts previously set aside from the paid-in capital. Loans from ordinary capital resources, which account for 66 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 1989 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, energy, development finance institutions, transport and communications, and social infrastructure. Most Bank financing is designed to support specific projects. 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 26 departments and offices — including Resident Offices in: (i) Dhaka, Bangladesh; (ii) Jakarta, Indonesia; (iii) Islamabad, Pakistan; and (iv) Kathmandu, Nepal and a Regional Office in Port Vila, Vanuatu — dealing with various operational, financial, administrative and general support functions. At the end of 1989, the Bank had 604 professional staff.

* The term "country," as used in the context of the Bank, refers to members of the Bank and does not imply any view on the part of the Bank as to their sovereignty or independent status.

LIST OF MEMBER COUNTRIES WITH CAPITAL STOCK AND VOTING POWER¹
31 December 1989

MEMBERS	SUBSCRIBED CAPITAL		VOTING POWER		MEMBERS	SUBSCRIBED CAPITAL		VOTING POWER						
	Per Cent of Total	Per Cent of Total	Per Cent of Total	Per Cent of Total		Per Cent of Total	Per Cent of Total	Per Cent of Total	Per Cent of Total					
REGIONAL														
Afghanistan	0.074	0.485			Tonga	0.004	0.429							
Australia	6.365	5.517			Vanuatu	0.007	0.431							
Bangladesh	1.123	1.324			Viet Nam, Soc. Rep. of	0.375	0.726							
Bhutan	0.007	0.431			Western Samoa	0.004	0.428							
Cambodia	0.055	0.169			Total Regional	63.563	64.459							
China, People's Rep. of	7.088	6.096												
Cook Islands	0.003	0.428			NON-REGIONAL									
Fiji	0.075	0.485			Austria	0.374	0.725							
Hong Kong	0.599	0.905			Belgium	0.374	0.725							
India	6.964	5.996			Canada	5.754	5.028							
Indonesia	5.990	5.218			Denmark	0.374	0.725							
Japan	14.976	12.406			Finland	0.374	0.725							
Kiribati	0.004	0.429			France	2.560	2.174							
Korea, Rep. of	5.541	4.858			Germany, Fed. Rep. of	4.758	4.232							
Lao PDR	0.015	0.438			Italy	1.988	2.016							
Malaysia	2.995	2.822			Netherlands	1.128	1.328							
Maldives	0.004	0.429			Norway	0.374	0.725							
Myanmar	0.599	0.905			Spain	0.374	0.725							
Nepal	0.162	0.555			Sweden	0.150	0.545							
New Zealand	1.680	1.777			Switzerland	0.642	0.939							
Pakistan	2.306	2.342			United Kingdom	2.247	2.223							
Papua New Guinea	0.103	0.508			United States	14.976	12.406							
Philippines	2.621	2.522			Total Non-Regional	36.447	35.541							
Singapore	0.374	0.725												
Solomon Islands	0.007	0.431			TOTAL	100.000	100.000							
Si Lanka	0.688	0.986												
Taipei, China	1.198	1.384												
Thailand	1.498	1.624												

¹ For Table with fuller details, see page 118.

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ASIAN DEVELOPMENT BANK

ANNUAL REPORT 1989



A PAKISTANI farmer leads his camels along the main irrigation canal constructed under the Chashma Right Bank Irrigation Project which stretches from North West Frontier Province to Punjab Province. The Bank has supported the project with three loans totalling \$119.5 million and is considering financing a third and final stage.

BANK HIGHLIGHTS, 1966-1989

Loans, Equity Operations and Technical Assistance

- * The Bank has committed a total of \$29 billion in loans for 942 projects, including investment operations with private sector entities.
- * Under the Bank's private sector operations, which began in 1983, the Bank's cumulative commitments have amounted to \$391 million for 45 projects. Of this amount, \$107 million was for equity investments and lines of equity, \$36 million for equity underwritings, \$181 million for Bank loans and \$67 million for complementary loans.
- * Technical assistance, in grants and loans, has amounted to \$2.1 billion. Of this amount, \$279 million was provided for project preparation technical assistance which has so far resulted in 401 Bank loan projects totalling \$12.5 billion; \$1.5 billion was provided for project implementation technical assistance; \$281 million for advisory technical assistance and \$67 million for regional technical assistance.

Resource Mobilization

- * Authorized capital stood at the equivalent of \$22.1 billion as of 31 December 1989.
- * A total of \$9.2 billion has been borrowed from international capital markets for lending from ordinary capital resources.
- * About \$13 billion has been mobilized in Asian Development Fund contributions for concessional lending to poorer DMCs, and about \$173.2 million in Technical Assistance Special Fund contributions for financing technical assistance grants.

Sectoral Activities

- * Agriculture and Agro-Industry: 146 irrigation and area development projects benefiting about 23.7 million people; 77 fisheries, livestock and forestry projects; 83 projects for industrial crops, agro-industry and support services; and eight fertilizer projects.
- * Energy: 158 projects including 137 power projects for the creation of 16 million kW of generation capacity of which nearly 80 per cent will be based on indigenous resources, and for about 85,000 km of transmission-distribution circuits. Non-power energy projects provided for expanded production of natural gas and coal, rehabilitation of refineries and distribution networks for gas.
- * Development Banks: 108 credit lines totalling \$3,769 million to 53 financial intermediaries in 22 DMCs, which have been used so far to create 16,500 subloans to small and medium-scale enterprises.
- * Transport and Communications: 42 projects in the ports and shipping sector for the construction, rehabilitation, modernization and expansion of ports to increase cargo-handling capacity by about 55 million tons a year; 72 projects for the rehabilitation, maintenance and construction of primary, secondary and feeder roads; five railway projects to increase freight capacity by about 24 million tons; and 11 telecommunication projects to improve and extend services particularly to rural communities.
- * Social Infrastructure: 64 water supply and sanitation projects benefiting over 78 million people; establishment and development, as well as rehabilitation and expansion, of primary, secondary and tertiary level education and training institutions directly benefitting over 2 million students and about 145,000 teaching and administrative staff per annum, and the provision of 140 non-project related scholarships for nationals of the Bank's DMCs; 20 projects providing physical and institutional support for housing and/or a variety of urban infrastructure facilities covering components such as sites and services, slum upgrading, water supply, sewerage, drainage, solid waste management, flood control and urban transportation; and 17 health and population projects, providing physical and institutional support such as establishment or upgrading of rural health facilities and referral hospitals, health manpower development, production of essential drugs, improvement of storage and distribution of medical and family planning supplies, repair and maintenance of equipment, and provision of better malaria control measures.

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In order to achieve greater efficiency in the Bank's operations, a capital expenditure budget was approved for further expansion of the office computerization and automation program through 1991.

The Board reviewed procurement procedures to streamline loan administration and speed up project implementation while maintaining transparency and fairness in its procurement.

Administration

Together with its review of personnel policies, the Board examined a number of the features of the staff benefits package. The rental subsidy scheme for professional staff was revised to bring it nearly in line with market conditions in Manila. A new group medical insurance scheme was also adopted for both professional and supporting staff, which covered retirees as well. The Board approved a 7.7 per cent salary increase for professional staff while supporting staff salaries were raised by 5 per cent and an additional year-end bonus of a month's salary was introduced. A structural revision of professional staff compensation is under ex-

amination in the context of the staff compensation system of the World Bank.

A realignment of the functions of the Industry and Development Banks Department, Agriculture Departments East and West and the Economics Office was approved to rechannel resources to emerging key areas, and to better utilize resources through a consolidation of agriculture sector operations. The Bank reorganized its private sector activities within a new Private Sector Department and upgraded its Environment Unit to a Division with Board endorsement. Following Board approval, new Resident Offices were opened in Islamabad, Pakistan and Kathmandu, Nepal.

Committees

The Board approved the Budget for 1990 based upon the report of the Budget Review Committee. Membership of the Budget Review Committee is shown in Appendix 5. The 1990 Administrative Budget is for expenditure of \$120 million, which represents a nominal increase of 12.9 per cent over the 1989 figure and a 9.7 per cent increase over the original 1989 Budget.



EXAMINING yarn at a private sector textile mill in Bangladesh which the Bank supported with a \$2.5 million loan and in which it has made an equity investment.

The Audit Committee reviewed the Bank's 1988 Financial Statements with outside auditors and staff. It also looked at the implementation of the Internal Audit Office's 1988 work program, and reviewed the proposed program for 1989. Membership of the Audit Committee is shown in Appendix 5.

Directors' Visits

Two groups of Directors visited Thailand and Malaysia in February and Indonesia in October to see the Bank's operations at first hand and to have a dialogue on policy issues with the relevant authorities.

THE BOARD OF DIRECTORS

(As of 31 December 1989)

President and Chairman of the Board of Directors

Kimimasa Tarumizu

Directors	Alternate Directors
K. D. Adhikary	Anthony Tan Song Chuan
Aitezazuddin Ahmad	Joker P. Arroyo
D. Bandyopadhyay	Quazi Azher Ali
Heinz Bühler	Nicholas Bailey
Che Peiqin	Wei Benhua
Sofjan Djajawinata	Cliff F. Sproule
Victor H. Frank, Jr.	William R. Thomson
Jean-Marc Métivier	Gerben de Jong
Shoji Mori	Satoshi Hashimoto
Michel Rougé	Luis López
Ilyung-Sup Shim	G. Cumaranatunge
Kenneth Waller	Derek Rooken-Smith

THE RECORD

(amounts in \$ million)

	1966-1985	1986	1987	1988	1989	1966-1989 ^a
OPERATIONAL ACTIVITIES						
TOTAL LENDING (Amount)	17,390.1	1,999.0 ^b	2,438.5	3,145.6	3,623.6	28,596.7
Number of Projects ^c	701	47 ^b	48	56	60	906
OCR Loans (Amount)	11,848.6	1,363.2 ^b	1,480.9	2,062.2	2,260.3	19,015.1
Number of Loans	425	26	22	29	34	536
Disbursements	5,480.2	611.8	692.8	957.4	1,346.5	9,088.7
ADF Loans (Amount)	5,541.5	635.8	955.1	1,083.4	1,363.3	9,581.6
Number of Loans	346	25	29	32	35	468
Disbursements	1,972.0	412.4	538.6	691.7	888.4	4,503.1
A. Government and Government-Guaranteed Loans (Amount)	17,390.1	1,992.5	2,418.0	3,087.6	3,527.9	28,416.0
Number of Projects ^c	701	45	45	52	51	888
OCR Loans (Amount)	11,848.6	1,356.7	1,462.9	2,004.2	2,170.6	18,842.9
Number of Loans	425	24	20	25	25	519
Disbursements	5,480.2	611.8	689.0	952.1	1,312.0	9,045.1
ADF Loans (Amount)	5,541.5	635.8	955.1	1,083.4	1,357.3	9,573.1
Number of Loans	346	25	29	32	33	465
Disbursements	1,972.0	412.4	538.6	691.7	886.4	4,501.1
B. Private Sector Loans (Amount)	—	6.5 ^b	20.5	58.0	95.7	180.7
Number of Projects	—	2 ^b	3	4	9	18
Disbursements	—	—	3.8	5.3	36.5	45.6
OCR Loans (Amount)	—	6.5 ^b	18.0	58.0	89.7	172.2
Number of Loans	—	2 ^b	2	4	9	17
Disbursements	—	—	3.8	5.3	34.5	43.6
ADF Loans (Amount)	—	—	2.5	—	6.0	8.5
Number of Loans	—	—	1	—	2	3
Disbursements	—	—	—	—	2.0	2.0
EQUITY INVESTMENTS						
Amount	6.8 ^b	6.0 ^b	22.6	15.7 ^b	56.4	107.4
Number of Investments	6 ^b	3 ^b	7	7 ^b	14	36
EQUITY UNDERWRITING						
Amount	—	—	5.0	20.0	11.2	36.2
Number of Commitments	—	—	1	2	2	5
TECHNICAL ASSISTANCE^d						
Amount	1,427.1	128.4	143.1	169.5	239.2	2,107.3
Number of Projects	1,398	162	158	206	241	2,144
RESOURCES						
Ordinary Capital Resources						
Authorized Capital (at end of period)	16,222	19,663	22,987	22,642	22,111	22,111
Subscribed Capital (at end of period)	15,970	19,476	22,770	21,645	21,138	21,138
Borrowings (gross)	6,748	813	537	435	645	9,177
Outstanding Debt (at end of period)	5,569	7,135	8,475	7,347	6,872	6,872
Ordinary Reserve (at end of period)	1,158.5	1,372.9	1,601.5	1,929.0	2,314.9	2,314.9
Special Reserve (at end of period)	176.5	176.5	176.5	176.5	176.5	176.5
Gross Income	3,863.4	875.0	976.1	1,023.2	1,036.3	7,774.0
Net Income after Appropriation of Commissions to Special Reserve	1,394.2	287.1	306.9	374.2	435.3	2,797.7
Special Funds Resources						
Asian Development Fund:						
Total Resources (at end of period)	6,081.5	7,764.5	10,200.9	11,532.5	12,214.9	12,214.9
Technical Assistance Special Fund:						
Contributions (at end of period)	76.0	81.9	151.4	174.9	173.2	173.2
Japan Special Fund:						
Contributions (at end of period)	—	—	—	35.8	86.6	86.6

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

^b Amounts and numbers adjusted to exclude withdrawals and cancellations.

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

^d Comprising technical assistance grants and loans funded by the Bank and other sources. Regional technical assistance included.

THE BANK IN 1989

DURING 1989, Bank lending and investment operations rose 16 per cent to \$3,680 million. Lending commitments, including private sector loans, rose 15 per cent to \$3,624 million. Equity investments (including a line of equity) more than tripled to \$56 million. Two underwriting commitments amounting to \$11 million were approved.

The increased volume was largely due to significant lending to Bangladesh, India, Indonesia, Pakistan and Philippines and a rise in sector loans.

Loans from ordinary capital resources (OCR) rose by 9.6 per cent to \$2,260 million from \$2,062 million in 1988. Loans from the Asian Development Fund (ADF) increased by 25.8 per cent to \$1,363 million from \$1,083 million in 1988.

The Bank approved seven sector loans amounting to \$694 million, compared with seven sector loans totalling \$434 million in 1988, and five program loans totalling \$275 million, compared with six program loans amounting to \$660 million a year earlier.

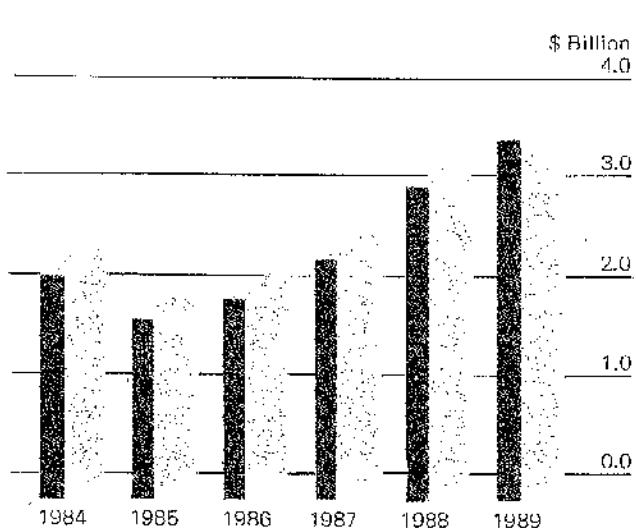
The Bank also greatly expanded private sector activities, approving assistance totalling \$868 million in 1989. Loans to private sector enterprises, through development finance institutions (DFIs) and under government guarantee,

rose to \$705 million for five projects from \$393 million for five projects in 1988. The Bank also approved investments (loans, equity investments, lines of equity and equity underwritings), without government guarantee, totalling \$163 million for 17 projects. This assistance comprised loans of \$96 million and equity facilities of \$67 million, including \$35 million for the Asian Finance and Investment Corporation Ltd., a new regional institution designed to channel funds to private enterprises in the region.

Technical assistance grants (including regional activities) approved by the Bank, and funded by the Bank and other sources, increased by 37 per cent to \$81 million. The rise was largely due to increased funding from the Japan Special Fund.

During the year, 69 loans were approved for 60 projects in 15 DMCs. This compares with 61 loans for 56 projects in 18 DMCs in 1988. The average loan size rose to about \$53 million from \$52 million the year earlier. The size of individual loans ranged from \$3 million for a private

Loan Approvals



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, when 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 the IMF. For a more detailed discussion, see OCR-7, Notes to Financial Statements of Ordinary Capital Resources.

OTHER BANK HIGHLIGHTS OF THE YEAR

* The Twenty-Second Annual Meeting of the Board of Governors was held in Beijing, People's Republic of China, from 4 to 6 May.

* The Bank lowered its variable lending rate to 6.42 per cent per annum from 6.53 per cent per annum on 1 January and to 6.37 per cent per annum on 1 July.¹

* The Bank opened new Resident Offices in Islamabad, Pakistan, in July and Kathmandu, Nepal, in November.

* Total loan disbursements reached a record \$2,235 million, a 35 per cent rise which reflected increases in both OCR and ADF disbursements.

* The Bank formalized its policy on rehabilitation assistance after disasters to its developing member countries (DMCs).

* The Bank hosted the 10th Meeting of the Committee of International Development Institutions on the Environment in Manila and co-sponsored a Consultative

Meeting on Environmental Conservation and Management in Nepal.

* An united grant fund of \$10 million equivalent was made available for technical assistance projects under an agreement between the Bank and France.

* The Bank launched the *Asian Development Outlook*, the first of an annual publication series on the economic performance and prospects of the Bank's DMCs.

* The Bank held a regional seminar on "Women and Water," which focused on the role of women in shallow well water supply.

* The Bank was host to visits by Bangladesh President Hussain Muhammad Ershad in October and Western Samoan Prime Minister Tofilau Eti Alesana in November.

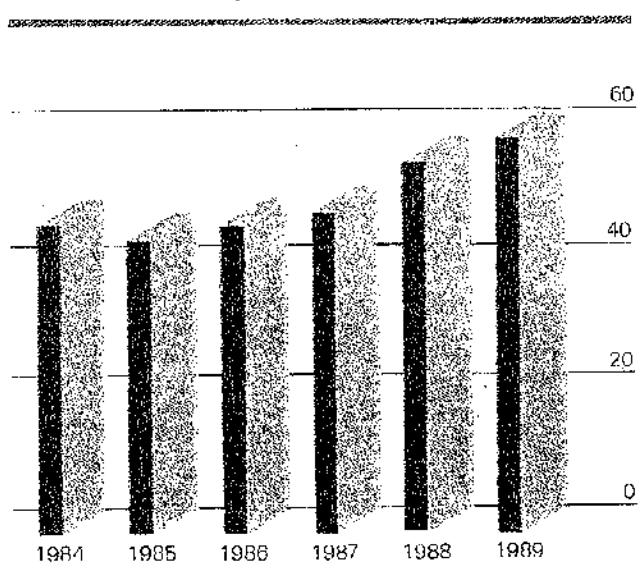
* The Bank borrowed \$644.5 million in the capital markets of Federal Republic of Germany, Japan and Switzerland and in the Eurodollar capital market.

¹ On 1 January 1990, the rate was further reduced to 6.33 per cent per annum, the lowest since the start of the Bank's operations.

sector leasing assistance loan in Bangladesh to \$250 million for a development financing loan in Pakistan.

Co-financing rose by 64 per cent to \$1,273 million. Official sources of co-financing rose 46 per cent to \$995 million although their share of total co-financing fell to 78 per cent from 88 per cent in 1988. Co-financing from commercial sources nearly tripled to \$278 million. In the private sector, co-financing amounting to \$62 million was provided under the Bank's Complementary Financing Scheme.

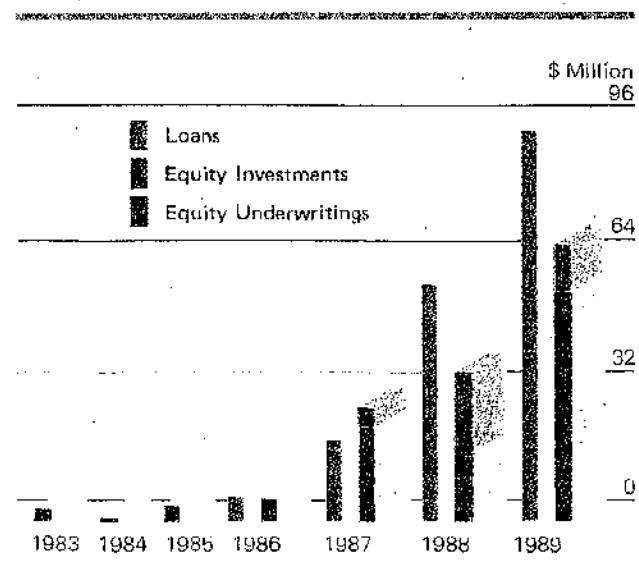
Number of Loan Projects



On a sectoral basis, lending for social infrastructure rose to \$757 million from \$445 million in 1988 and its share of total lending increased to 21 per cent from 14 per cent in 1988. The increase in volume was due to the greater emphasis placed by DMCs on urban infrastructure and education systems and by the growing need to address poverty alleviation issues.

Loans to agriculture and agro-industry rose to \$846 million from \$674 million and the sector's share of total lending increased to 23 per cent from 21 per cent in 1988.

**Amount of Private Sector Loans,
Equity Investments and Underwritings**





AN ENERGY audit team working at a refinery under the Bank-assisted Industry Energy Conservation Program in the People's Republic of China.

Lending to the *energy* sector rose to \$605 million from \$567 million while its share of total lending fell to 17 per cent from 18 per cent a year earlier.

The *industry and non-fuel minerals* sector saw lending fall to \$761 million from \$826 million and its share of total lending drop to 21 per cent from 26 per cent in 1988.

Lending for *transport and communications* declined to \$586 million from \$630 million and the sector's share of total lending fell to 16 per cent from 20 per cent a year earlier.

Multisector loans rose to \$69 million from \$3.3 million in 1988.

Technical assistance (grant and loan-financed) rose to \$239 million for 241 projects from \$170 million for 206 projects in 1988.

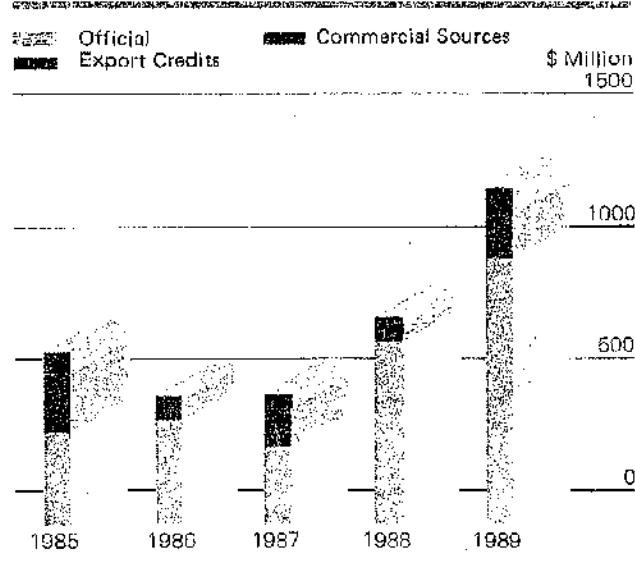
During 1989, the net transfer of resources (disbursements minus capital repayments and prepayments, payments of interest and other charges plus equity investments)

to DMCs rose 56 per cent to \$879 million. This was mainly due to a significant improvement in loan disbursements and equity investments.

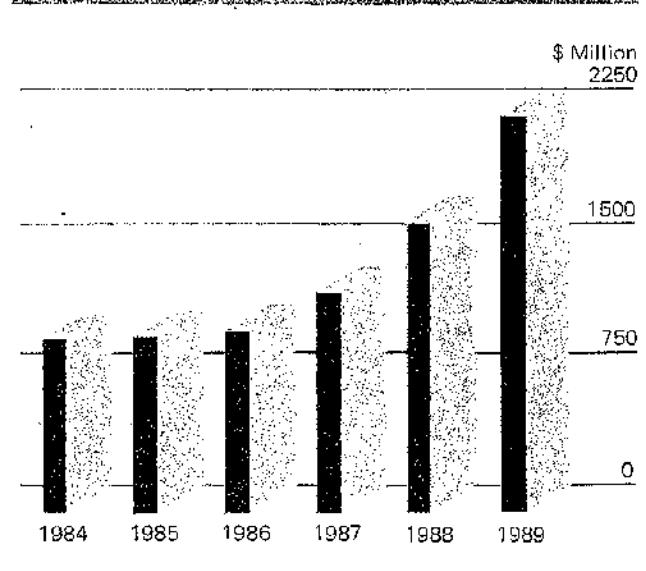
Loan disbursements rose by 35 per cent to \$2,235 million, OCR disbursements grew by 41 per cent to \$1,347 million and ADI¹ disbursements by 28 per cent to \$888 million.

The significant increase in loan disbursement was made possible by the DMCs' efforts to speed up project implementation and undertake policy reforms to improve economic efficiency and resource allocation. Program loans played a significant role in the increased disbursements. Program loan disbursements rose by 136 per cent to \$451 million from \$191 million in 1988, accounting for 44 per cent of the increase in total disbursements. Project loan disbursements increased by 22 per cent to \$1,784 million from \$1,458 million, accounting for 56 per cent of the increase in total disbursements.

Co-Financing Arrangements



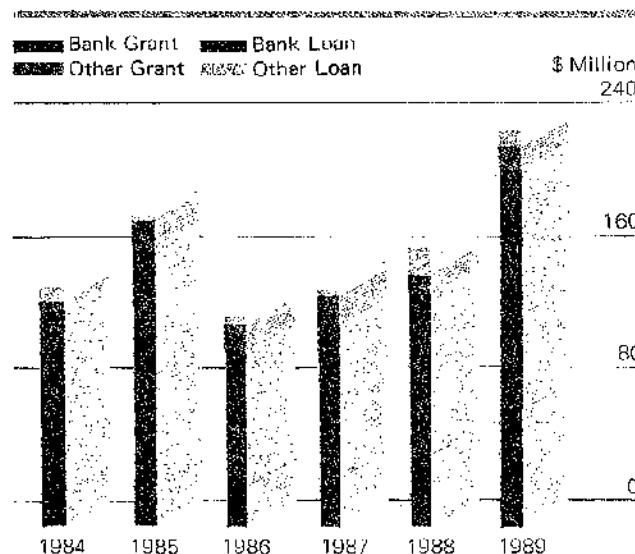
Loan Disbursements



On its part, the Bank continued to streamline project administration procedures and organization and maintained close coordination with borrowers through its Resident Offices. To facilitate the flow of loan funds, it made use of imprest accounts, the statement of expenditure mechanism and retroactive financing, sent regular projects review and country disbursement missions and continued to organize seminars on procurement, disbursement and project implementation.

During 1989, 87 projects were completed, bringing the total number of projects completed to 536 out of 906

Technical Assistance Approvals (Grant and Loan Financed)^a



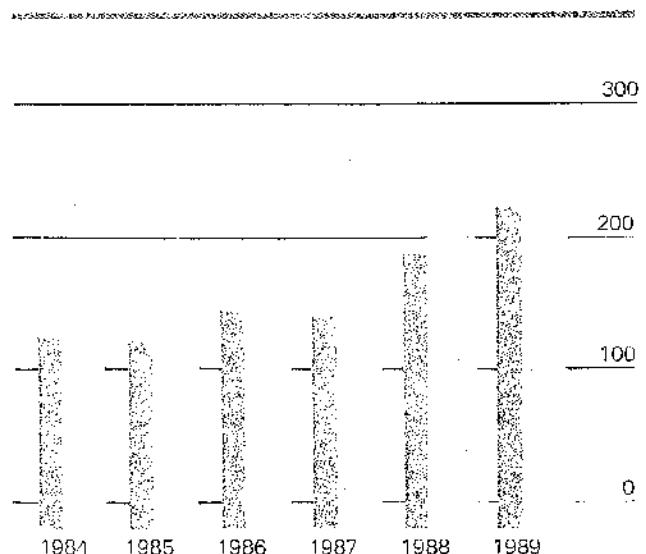
approved by the end of the year.

On 31 December 1989, the Bank's authorized capital stock amounted to \$22,111 million (SDR16,825.2 million). The subscribed capital stock stood at \$21,137.6 million (SDR16,084.5 million).

During 1989, the Bank made five borrowings equivalent in total to \$644.5 million in the capital markets of Federal Republic of Germany, Japan and Switzerland and in the Eurodollar capital market.

The average original life of the year's borrowings, weighted by amount, was 9.80 years, compared with 9.65

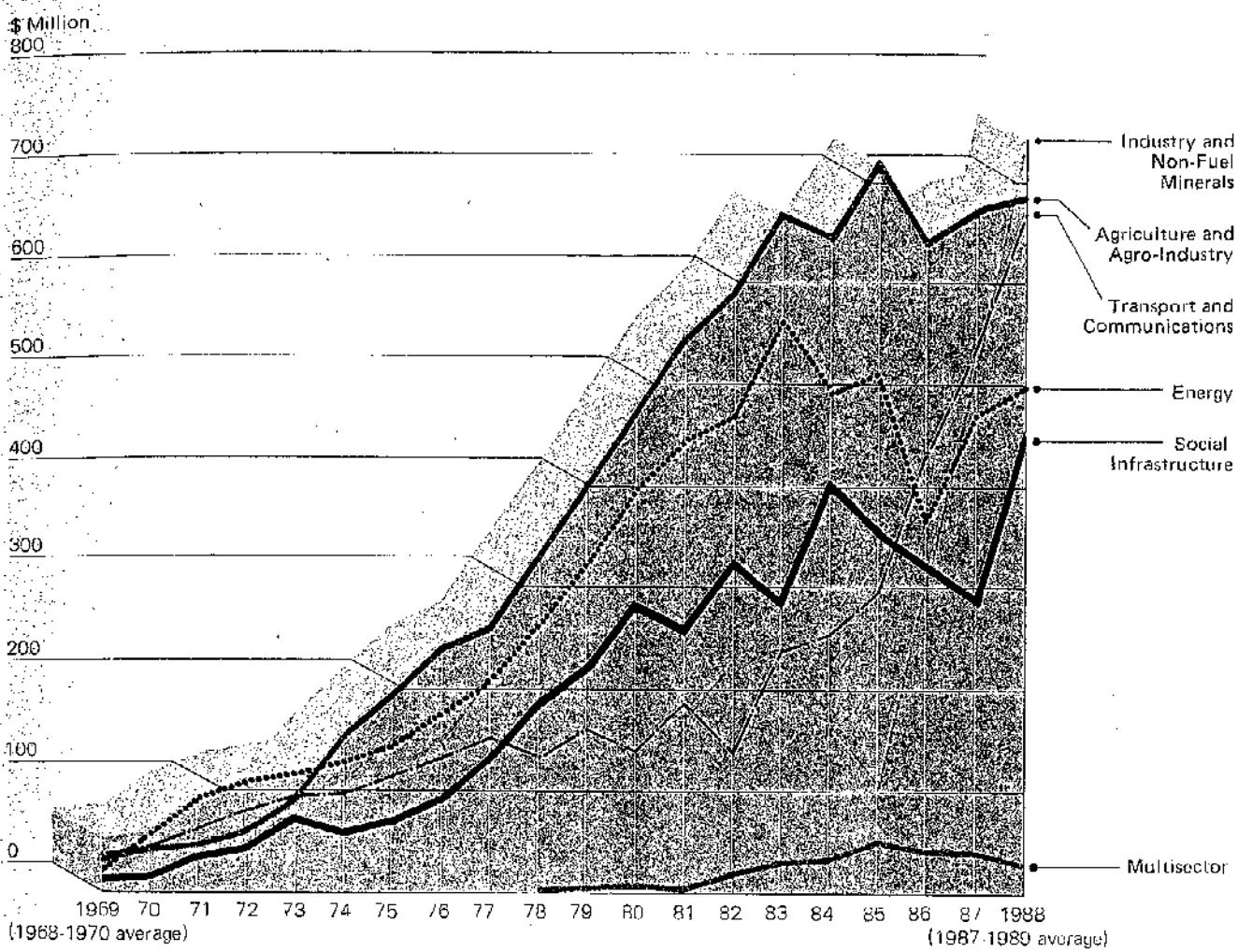
Number of Technical Assistance Projects (Grant and Loan Financed)^a



^a Includes regional activities.

^a Includes regional activities.

Loan Approvals By Sector: Three-Year Moving Averages, 1968-1970 – 1987-1989



years in 1988, and the average life of outstanding borrowings at the end of 1989 was 7.45 years.

The Bank's 1989 borrowing and liability management programs had the net effect of increasing liquidity by \$140.2 million.

In December 1989, a further \$1,308 million of con-

tributions to the current ADF replenishment (ADF V) became available to the Bank for lending commitments.

ADF V is intended to finance the Bank's concessional lending program over the four-year period 1987-1990. Negotiations with ADF donor countries on a further ADF replenishment (ADF VI) are expected to commence in 1990.



CHECKING equipment in a telecommunications manufacturing facility in Gujarat, India. The project is one of many private sector enterprises assisted through a \$100 million Bank line of credit to the Industrial Credit and Investment Corporation of India.

ECONOMIC DEVELOPMENTS

FOR the world economy, 1989 was a relatively good year. However, after two years of very rapid growth in 1987 and 1988, there were signs that economic expansion in the industrialized countries was moderating to more sustainable levels. The general tightening of monetary conditions, begun in 1988, largely succeeded in reducing the risk of a significant acceleration of inflation. The prospects for the current expansion continuing for the next few years have brightened.

Economic growth in the developing world was also slower, and the average growth rate for the Bank's developing member countries (DMCs) fell sharply from the record level of the previous year. Still, the DMCs continued to do much better than the rest of the developing world and the GDP growth rate for developing Asia was almost twice that of other regions.

The decline in the DMCs' growth rate was in part the result of macroeconomic policies adopted to slow down overheated economies and reduce the inflationary pressures that had been building up. Despite this, the average inflation rate continued to increase. Most of the DMCs also continued to follow economic policies of financial and trade liberalization, industrial deregulation and expansion in the role of the private sector, thus laying the basis for continued strong economic performance in the nineties.

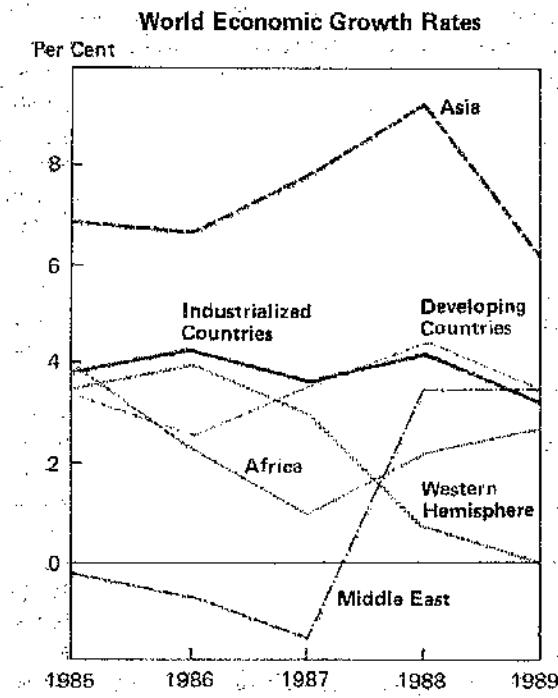
The International Setting

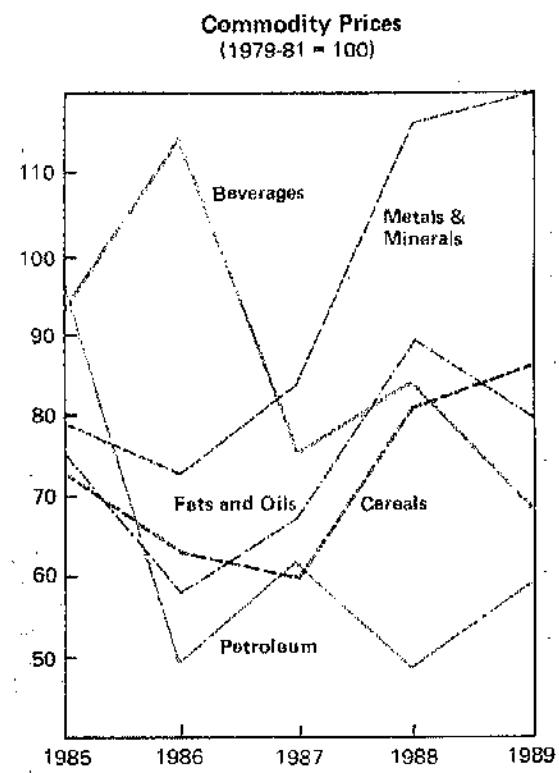
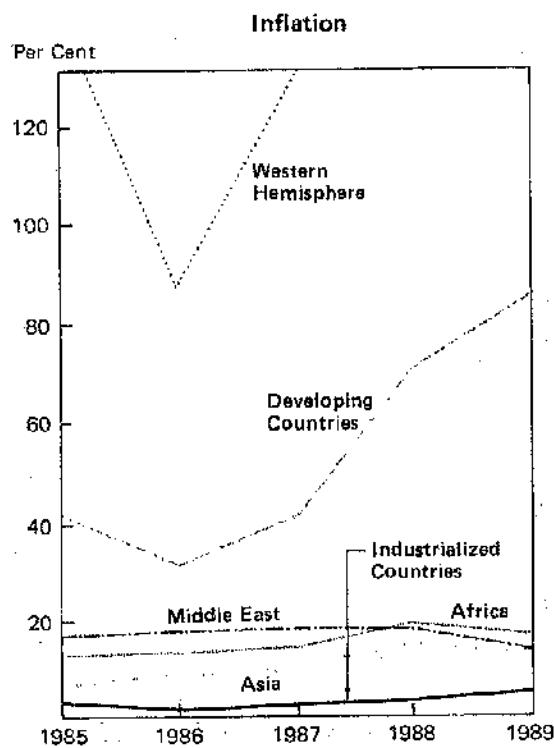
In 1989, world output increased by 3.1 per cent compared to 4 per cent in 1988. Expansion in the volume of world trade, although slower than the extraordinarily rapid increase of 9 per cent in 1988, continued at a healthy rate of over 6.9 per cent. The buoyancy of international trade results in part from the strength of global investment, which generally has a higher import content than other components of demand, and from the emergence of capacity constraints in some countries. Import growth remained strong in Japan while United States and Federal Republic of Germany led the expansion in exports.

International economic cooperation has been strengthened progressively over a wide range of issues and

policy areas in the second half of the 1980s. In turn, intensified policy coordination among the major industrialized countries on macroeconomic issues has helped sustain the current expansion for such a long period. However, it has been less successful in significantly reducing the large internal and external imbalances that have existed since the mid-1980s.

Despite some progress in recent years, external debt remains a major problem for many developing countries. The problem of excessive commercial debt is primarily located in Latin America, where reschedulings have been necessary on a regular basis in recent years. In Asia, only the Philippines has needed to reschedule its commercial debt since the general onslaught of the debt crisis in 1982. Rescheduling of official debt of many African, Latin





American and a few Asian countries has also occurred during the same period. Despite several initiatives, including debt-for-equity swaps and the aforementioned reschedulings, progress in debt reduction has been modest except in a few cases, such as Chile, where the Government has been able to undertake major restructurings. In a further effort to achieve progress, the United States, in May 1989, proposed to strengthen the debt strategy by providing financial support for debtor countries' efforts to reform their economies and achieve lasting growth. These proposals, which for the first time involved official funds, including assistance from the International Monetary Fund and the World Bank, increased the emphasis on debt and debt-service reduction as a complement to new lending by commercial banks and stressed investment and flight capital repatriation as important sources of capital. The Philippines was the second case following Mexico of a completed deal to reduce outstanding debt through an officially-sanctioned program.

In spite of rapid growth in the volume of world trade, protectionist pressures have remained strong in the industrialized countries. It is, therefore, encouraging that some positive results were achieved at the Mid-Term Review of the Uruguay Round, which was begun in Montreal in December 1988 and completed in Geneva in April 1989. These included agreements on procedural issues in all negotiating groups and comprehensive guidelines for the negotiation of a framework regarding the progressive liberalization of trade in services. The Review also requires industrialized countries to impose a short-term freeze on

domestic and export support and on production levels in the agriculture sector. The long-term objective is to provide for substantial and progressive reductions in agricultural support and protection over an agreed period of time.

Economic Situation in Industrialized Countries

The current expansion in the industrialized countries that began late in 1982 is now one of the longest on record. In 1989, however, there was some moderation in the pace of expansion with the aggregate GNP growth rate slowing to 3.5 per cent from 4.4 per cent in 1988. In the United States, the slowdown was the most pronounced as GNP growth fell to 2.9 per cent from 4.4 per cent in 1988. This resulted from a significant deceleration in expansion of domestic demand following the tightening of monetary conditions since the beginning of 1988. In Japan, growth remained strong with only slight moderation to 4.9 per cent from 5.7 per cent in 1988. Expansion in domestic demand remained the driving force as the contribution of the external sector continued to be negative. In the European Community, growth slowed to 3.4 per cent from 3.7 per cent in 1988 as a result of a weakening of consumption, while business investment remained strong. However, in the Federal Republic of Germany, GNP growth accelerated to 4 per cent from 3.6 per cent in 1988 despite a significant slowdown in the expansion of domestic demand. This was the result of rapid growth in net exports and was responsible for a substantial increase in the Federal Republic of

Germany's current account surplus in 1989.

Growth in business investment, which has been an important feature of the recent growth performance of most industrialized countries, slowed down significantly in the United States but remained strong in most of the other countries, particularly Japan and Federal Republic of Germany. The long period of sustained growth during the 1980s has raised resource utilization to very high levels. In the manufacturing sector, rates of capacity utilization in all major countries have risen to their highest levels since the previous cyclical peak in 1979-1980. Labor market conditions also have tightened markedly and unemployment rates in United States and Japan are relatively low. Unemployment has clearly begun to fall in the Federal Republic of Germany, but there has been relatively little progress in the rest of continental Europe.

Consumer prices in all major industrialized countries picked up sharply in late 1988, but the firm anti-inflationary stance of monetary policy in most countries prevented inflation from getting out of hand. Consequently, there was a relatively moderate increase in the inflation rate to 4.5 per cent from 3.3 per cent in 1988. Short-term interest rates, which started to move up in mid-1988, were on the average more than a percentage point higher in 1989. In the United States, interest rates had begun to decline in June 1989 as the Federal Reserve attempted to stimulate the sluggish economy, but in most of Europe and Japan interest rates continued to rise throughout 1989.

The combined current account deficit of the industrialized countries increased to \$77.6 billion from \$54.4 billion in 1988. This was primarily because of higher deficits in Canada, Spain and United Kingdom, and a smaller surplus in Japan.

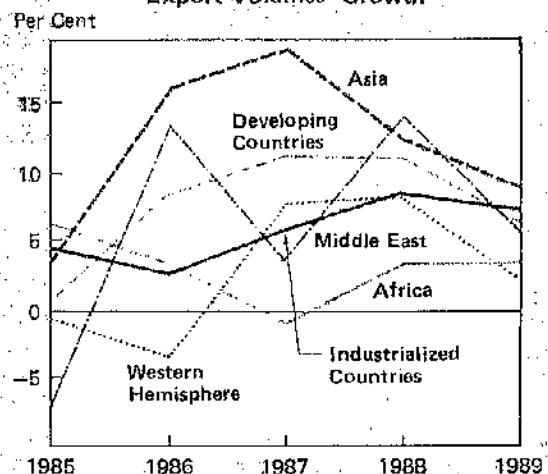
It is expected that the current expansion will be sustained at an acceptable pace through 1990 and possibly beyond. At the same time, inflationary pressures should diminish gradually. However, the prospect of sizeable and persistent current account imbalances among the three largest industrialized countries continues to cause concern in the medium-term.

Economic Situation in Developing Countries

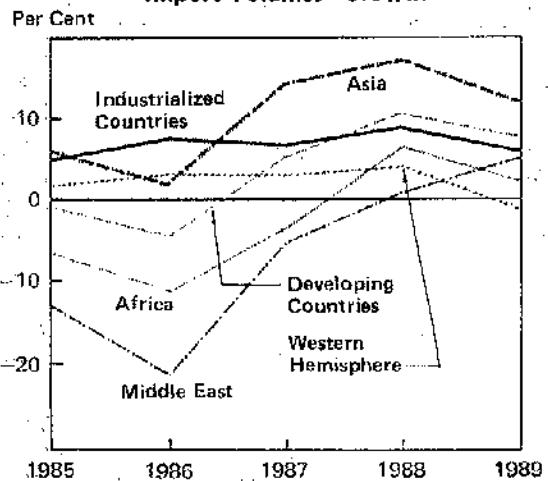
Output growth in the developing countries taken as a group slowed to 3.2 per cent from 4.2 per cent in 1988. This was the result of two factors. First, increasing inflationary pressures in 1988 led to a tightening of financial policies and the adoption of other macroeconomic policies aimed at restricting domestic demand in a number of countries. Second, external conditions have deteriorated somewhat as a result of the rise in world interest rates, the weakening of non-fuel commodity prices and the slower, albeit still rapid, growth of export markets.

For many developing countries in the Western Hemisphere, because of their heavy debt exposure, the recent changes in the external environment, especially rising interest rates, have been particularly unfavorable. As a result, their real GDP was approximately unchanged in 1989,

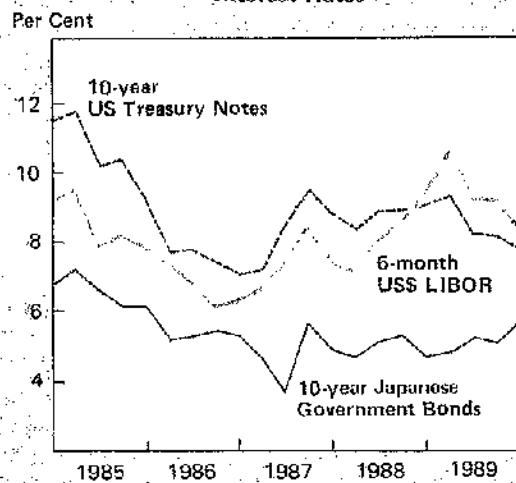
Export Volumes - Growth



Import Volumes - Growth



Interest Rates



Economic Indicators of Developing World and DMCs

Indicator	Developing World			DMCs		
	1987	1988	1989	1987	1988	1989
GDP Growth Rate (%)	3.6	4.2	3.2	8.4	9.4	5.3
Inflation Rate (%)	41.6	70.8	85.5	6.7	10.7	11.0
Current Account (\$ billion)	4.1	-9.1	-7.3	22.9	13.0	0.5
Exports (Growth Rate: %)	22.3	13.9	11.3	31.4	23.3	12.9
Imports (Growth Rate: %)	14.2	17.4	11.2	23.9	28.6	17.2
External Debt Outstanding (\$ billion) ^a	1,200.2	1,197.2	1,193.7	308.6	313.4	321.6
Debt-Service Ratio (as percentage of exports of goods and services) ^a	19.8	19.9	17.0	25.5	20.6	18.4

^a Data for DMCs does not include Hong Kong, Singapore or Taipei, China.

Sources: IMF, *World Economic Outlook*, October 1989 and ADB Staff estimates.

which implies a further decline in per capita incomes in the region. On average, output growth in sub-Saharan Africa improved modestly in 1989. However, this rise in output will barely match the increase in population, implying little, if any, recovery in per capita output. In the Middle East, on the average, real GDP grew at about the same rate as in 1988, while output expanded by only 1.9 per cent in European developing countries.

The total outstanding external debt of the developing world declined modestly to \$1,194 billion in 1989. The lower level of external debt, and the continued growth of exports from developing countries, sustained the decline in the aggregate ratio of debt to exports that had commenced in 1987. This ratio declined to 126 per cent from 140 per cent in 1988. The debt-service ratio was also lower at 17 per cent compared to 19.9 per cent in 1988.

Overview of Developing Member Countries

There was some deceleration in the growth performance of DMCs in 1989 and their aggregate GDP increased by 5.3 per cent compared to the record 9.4 per cent in 1988. The People's Republic of China and India, which had enjoyed exceptionally high growth rates in 1988, registered significantly lower economic growth in 1989 and this partially accounts for the lower average growth in the DMCs. Domestic policies aimed at controlling the overheating of

the economies in many DMCs also contributed to slower growth in the region.

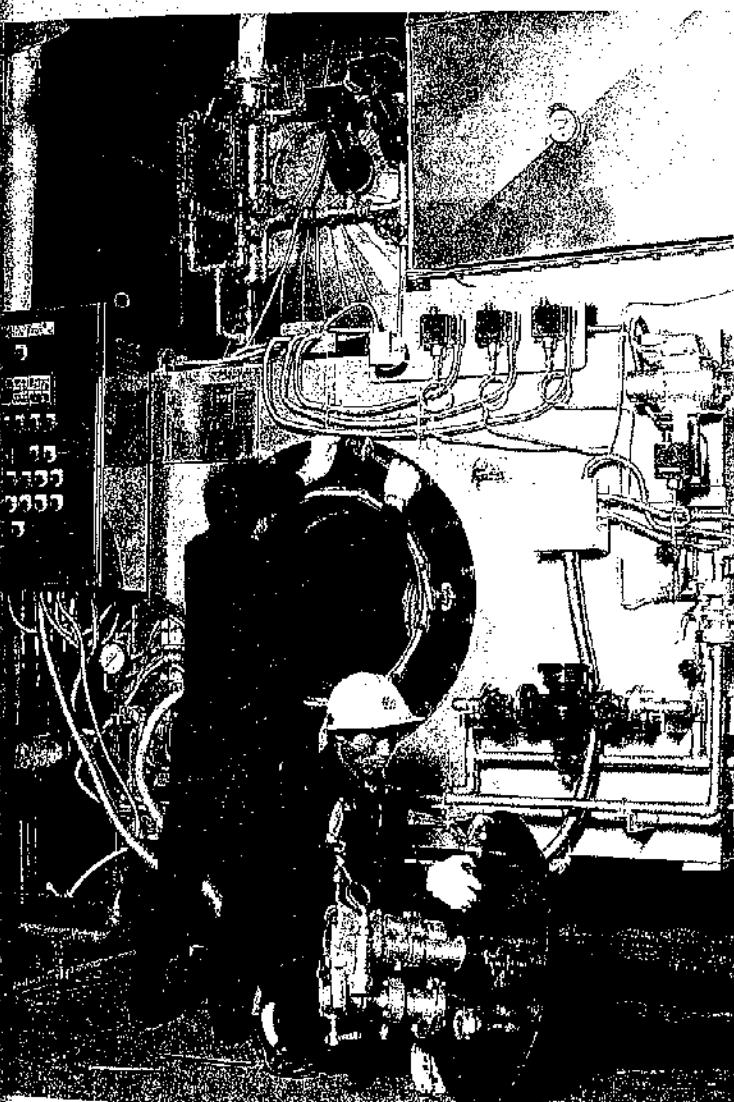
Rapid economic growth for two or three successive years in the newly industrializing economies (NIEs) and the Southeast Asian countries has led to increasing strain on infrastructure, created shortages of labor and led to a gradual rise in wages and inflation. Among the NIEs, in Hong Kong, Republic of Korea and Taipei, China, infrastructure bottlenecks are severe. In the Southeast Asian countries, while Thailand has the most strained infrastructure, other countries are also facing constraints. The Philippines is facing major electricity and transportation shortages, while constraints in the areas of port capacity, transport and communications are appearing in Malaysia and Indonesia.

Although domestic demand is becoming an increasingly important component of growth, exports remain a major determinant of growth in many DMCs. Consequently, softening of commodity prices and reduced demand for manufactured goods in the industrialized countries also contributed to the less robust growth of the DMCs. Import demand for DMCs' exports registered lower growth in 1989 because of a significant slowdown in the expansion of domestic demand in the United States and continuing protectionist pressures in the industrialized countries. However, in contrast to their earlier sensitivity to developments in the Western economies, the DMCs are drawing more economic strength from within the Asian and Pacific region. First, domestic demand is generating a larger share of

economic growth in most of the DMCs. Second, the importance of Japan and the NIEs as providers of capital investment and importers of regional products, is increasing. Intra-regional trade and investments in the Asian and Pacific region have grown rapidly during the past two or three years, making this region the fastest growing trading area in the world.

At the sectoral level, most DMCs maintained fairly high rates of agricultural growth, the important exception being Bangladesh which was affected by natural calamities. In many DMCs, the manufacturing sector continued to be vibrant, spurred primarily by industrial deregulation policies and inflows of foreign direct investment. However, civil strife and political disputes had an adverse impact particularly on the industrial growth of several South Asian countries and the People's Republic of China.

Despite the slowdown in growth, DMCs continued to be the fastest growing sub-region in the global economy.



ENGINEERS at work at the Republic of Korea's Southern Seoul District Heating Project which was supported by a Bank loan of \$32 million.

Thailand's economy led the region, and possibly the world, with a second straight year of double-digit growth. Indonesia, which had experienced relatively slow growth since 1982, entered the ranks of the fast growing countries in 1989, primarily due to successful policy reforms and inflows of foreign investment.

The average inflation rate of the DMCs, which reached a double-digit figure in 1988, increased further in 1989 to 11 per cent. People's Republic of China, Hong Kong and most of the South Asian countries registered double-digit inflation in 1989 due to a combination of cost-push and demand-pull pressures. Curbing inflation and inflationary expectations remains a major policy objective in these DMCs as well as others which have seen their export competitiveness gradually erode because of rising inflation and increasing wages.

The growth of aggregate exports of the DMCs dropped to 12.9 per cent from 23.3 per cent in 1988. Export growth slowed significantly in almost all countries except India, Indonesia, Malaysia, Taipei, China and Viet Nam. Import growth also declined, but not by as much as exports. As a result, in all countries, except Hong Kong and Taipei, China, either the current account surplus declined or the deficit widened. The external debt situation of the DMCs, however, continued to remain relatively comfortable in 1989.

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

Newly Industrializing Economies

Growth Slackening But is Still Robust

In 1989, economic growth in most of the newly industrializing economies (NIEs) decelerated significantly, and their aggregate GDP growth rate declined to 6.2 per cent from 9.4 per cent in 1988. Individual economic performance, however, diverged widely. While growth in Hong Kong and Republic of Korea was only about half that of 1988 — 2.5 per cent and 5.9 per cent, respectively — Singapore registered 9.2 per cent growth in GDP — only a marginal deceleration — and Taipei, China grew at a rate of 7.7 per cent which was slightly higher than in 1988.

The slowdown in Hong Kong can be attributed to a significant deceleration in export growth and a softening in the domestic demand; the latter was largely a result of a loss in business confidence following the economic and political disruptions in the People's Republic of China. On the other hand, the decline in the GDP growth rate of the Republic of Korea resulted from a virtual stagnation in exports and disruptions in industrial production because of labor unrest.

In 1989, with the exception of Hong Kong, the main source of growth in the NIEs was domestic demand. In Republic of Korea and Taipei, China, some deceleration in investment activity was more than offset by an

unprecedented consumer boom which resulted from large wage increases accorded since 1987. In Singapore, while consumer spending remained high, investment demand, mainly in the construction and services sectors, strengthened considerably in 1989.

Strong domestic demand pushed up inflation in the NIEs to an average of 5.8 per cent, 1 per cent higher than in 1988. Inflation showed little sign of abating in Hong Kong as prices for food imported from the People's Republic of China continued to rise. In Taipei, China, inflation more than tripled while in Singapore it almost doubled. However, inflation rates remain relatively low in both countries. In the Republic of Korea, inflation declined as a result of strict anti-inflationary policies followed during most of the year.

Export Growth Slows

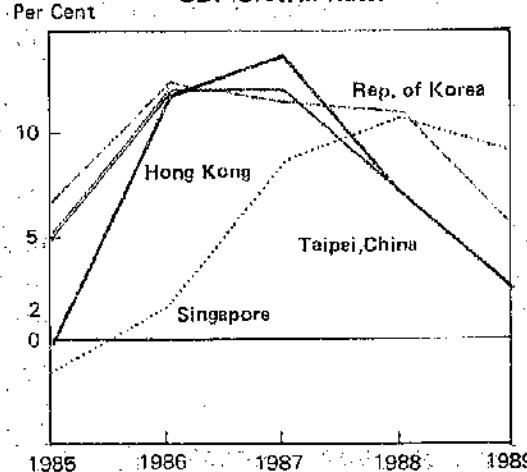
The NIEs experienced a significant deceleration in their export growth in 1989. The slowdown was particularly marked for the Republic of Korea as its exports in dollar terms expanded at a meager rate of 2.4 per cent, sharply down from 29 per cent growth in 1988. Large wage increases in manufacturing following similar increases in 1987 and 1988, production disruptions due to strikes, and the continued appreciation of the Korean won in real terms (by 28 per cent since 1987) combined with a slowdown in world demand to cause a sharp reduction in Korean exports.

In spite of falling external demand, in particular for electronics goods, and a continued appreciation of the New Taiwan (N.T.) dollar — by 12 per cent in real terms in 1989 — the exports of Taipei, China maintained a more satisfactory record, growing at a rate of 12.3 per cent compared with 13.2 per cent in 1988. However, there was a sharp deceleration in export growth in Hong Kong — to 18 per cent from 30.4 per cent in 1988 — and Singapore — to 13.7 per cent from 39.3 per cent in 1988. This deceleration resulted from a slackening of demand in most of their major overseas markets and an appreciation of their currencies in real terms.

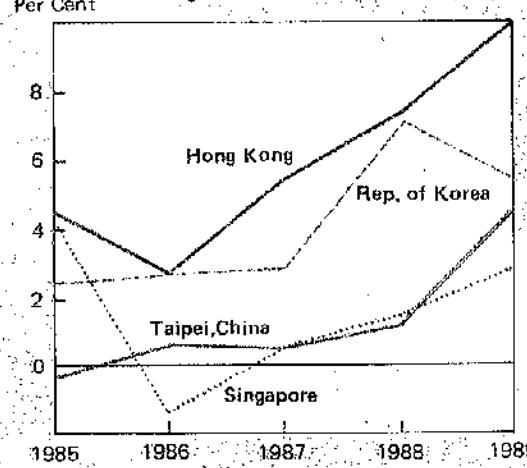
Responding to slower economic growth, merchandise imports of the NIEs increased by 15.3 per cent in 1989, substantially below the exceptional growth of 32.6 per cent in 1988. In Republic of Korea and Taipei, China, the decrease in the rate of growth of imports occurred in spite of strong domestic demand and continued liberalization of trade. The Republic of Korea's current account surplus fell sharply to \$4.8 billion, about one third its value in 1988. By contrast, the current account surplus of Taipei, China increased by about 31 per cent to \$13.3 billion. The current account surplus of Hong Kong also increased significantly. Both Republic of Korea and Taipei, China, particularly the latter, continued to step up their foreign investments in 1989, mainly in Southeast Asian countries. The Republic of Korea has accelerated its external debt repayments as well so that, by the early 1990s, it is expected to become a net creditor country. Net capital inflows to Singapore continued to rise as foreign investments increased rapidly. Foreign exchange reserves in all NIEs increased in 1989.

The Newly Industrializing Economies

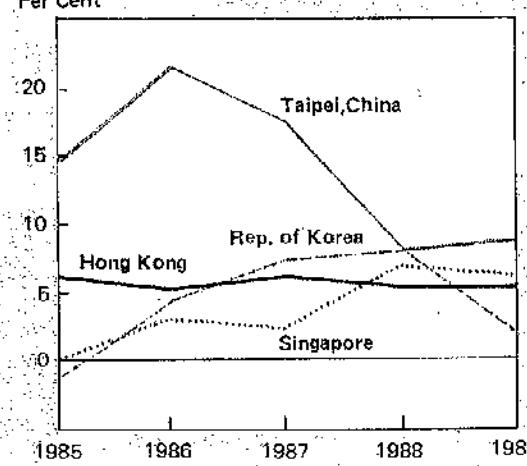
GDP Growth Rates



Changes in Consumer Prices



Current Account Balances (Per Cent of GDP)



Domestic Policies

The stance of monetary and fiscal policy remained generally restrictive in the NIEs. In Republic of Korea and Taipei, China, the objective of monetary policy was to neutralize the potentially destabilizing impact of large external surpluses feeding through domestic liquidity and leading to rapid credit growth and strong inflationary pressure. In Taipei, China, tight credit control measures were successful in lowering money supply growth to an annual rate of about 12 per cent, significantly less than the 18 per cent growth in 1988. For most part of the year, the Republic of Korea used a combination of measures but it generally relied more heavily on the massive sale of Monetary Stabilization Bonds. In the closing months of 1989, however, there was a significant monetary policy reversal, as the dramatic fall in the current account surplus, stagnating exports and the failure to revive investment raised the fear of a recession. To encourage investments for restructuring the export industry and to increase productivity to offset rapidly rising wage costs, monetary policy was substantially relaxed. The discount rate was lowered by 1 per cent and low interest loans amounting to \$1.5 billion were offered.

In all the NIEs, governments have kept a conservative fiscal stance and, as a result, have been able to run sizeable budget surpluses which partly offset the liquidity inflow from the foreign sector. In 1989, the Republic of Korea started a major tax reform which eventually will lead to a complete overhaul of its taxation system by 1991. Income and corporate taxes were revised and excise taxes and tariffs were rationalized. Measures to curb land and stock market speculation were also implemented in Taipei, China. Generally, there was a perceptible shift in budgetary and fiscal policies as social objectives, including the improvement of welfare and the distribution of income, were given higher priority.

Both Republic of Korea and Taipei, China took a wide array of measures to reduce current account surpluses and offset them by increased capital outflows. While the Korean won and N.T. dollar were allowed to appreciate further, import restrictions and tariffs were reduced substantially. The Republic of Korea reduced its average tariff rate from 18 per cent to less than 13 per cent. Taipei, China lowered tariffs by 20 to 50 per cent on over 4,700 products in 1989. Overseas travel was liberalized, as were overseas remittances.

In response to dwindling competitiveness resulting from currency appreciation and rapidly rising labor costs, capital outflows were eased considerably, mainly in the form of direct foreign investments, and encouraged through tax incentives, particularly in Republic of Korea and Singapore. Taipei, China has become the second most important foreign investor in Southeast Asia, with direct investment amounting to about \$6 billion in 1989, compared with \$3.2 billion in 1988. The Republic of Korea also stepped up the relocation of labor-intensive industries, such as garments and footwear, to lower-cost countries in Southeast Asia. Hong Kong, which had directed its foreign investment mainly to

the People's Republic of China, has increasingly turned to Southeast Asia for investment opportunities as a result of the uncertainty presently looming over economic reforms in the People's Republic of China.

At the same time, to accelerate the restructuring of their industries and attract investments in high technology, the NIEs have raised incentives for foreign investors. The Republic of Korea has raised the automatic approval limit of a capital investment to \$100 million from \$3 million previously. Singapore has continued to improve tax incentives with regard to high technology industries. In Republic of Korea and Taipei, China, the deregulation of the domestic financial market has been pursued further and there has been progress in the liberalization of the capital account. Foreign securities firms have been allowed to participate more in the markets of Republic of Korea and Taipei, China and the size of the Korea Fund has been increased. In both Republic of Korea and Taipei, China, international convertible bond issues by the private sector have been encouraged. In Taipei, China, the foreign exchange market has been deregulated further while the Republic of Korea announced it would overhaul its foreign exchange-rate system.

Southeast Asian Countries

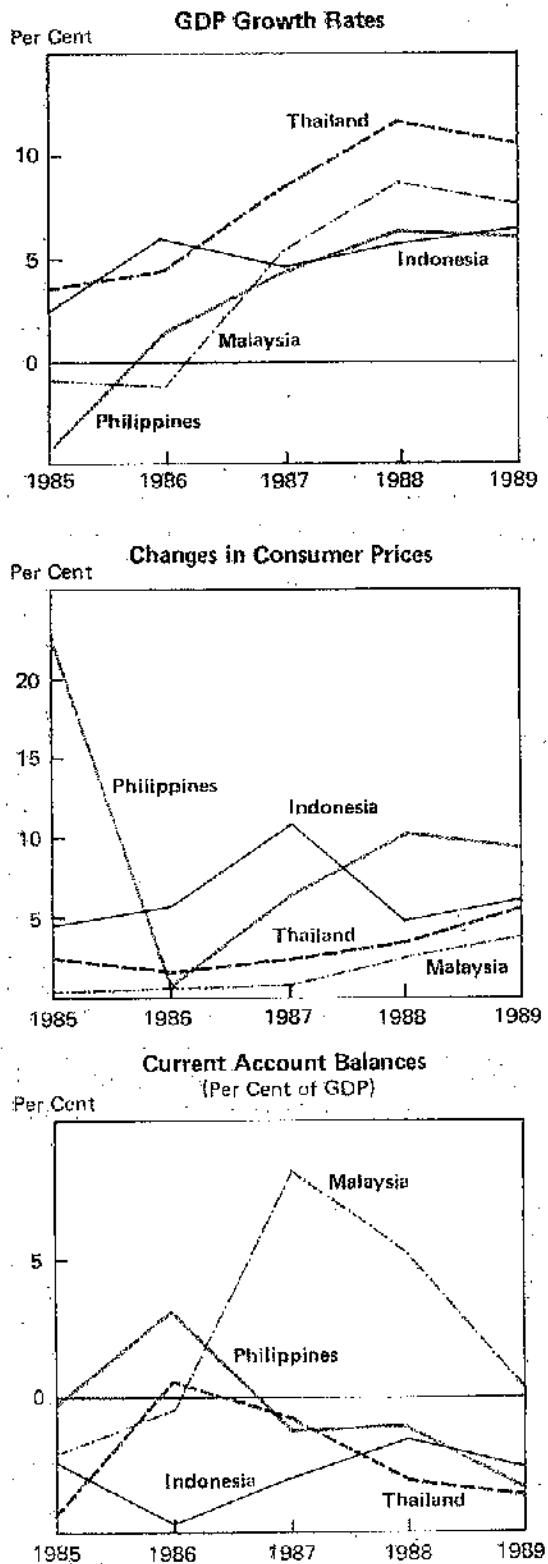
Sustained Growth

The economies of Southeast Asia experienced sustained growth in 1989 with aggregate GDP expanding by 7.7 per cent — only marginally below the rate in 1988. Such an achievement is remarkable as it occurred while the expansion of world trade slowed and growth in industrialized countries decelerated.

The growth rate of Thailand — 10.8 per cent — was particularly impressive as it represented double-digit expansion for the second consecutive year. While firm agricultural prices, particularly for rice, maize and sugar, and successful crop diversification helped to achieve a 4 per cent growth in the agriculture sector, industry continued to expand at a brisk 15 per cent. The construction sector grew by 18 per cent, about 4 per cent higher than in 1988, as private construction expanded unabated and work on major public infrastructure projects was started. Rapid growth, however, further strained an already inadequate physical infrastructure and shortages of skilled, technical and managerial manpower emerged, putting upward pressure on certain categories of wages.

In Malaysia, growth was about 1 per cent less than in 1988 but was still strong at 7.6 per cent. Manufacturing remained the most dynamic sector, expanding at a rate of 13 per cent, while the construction sector continued its rapid recovery as demand for housing strengthened and major public sector projects were undertaken. The mining and services sectors expanded at about the same rate as in 1988, but agricultural growth decelerated to 3.1 per cent as output of rubber and sawnlogs contracted while that of cocoa and palm oil expanded at a slower rate.

The Southeast Asian Economies



The economic recovery of the Philippines slowed somewhat in 1989 and GDP growth declined to 6 per cent from 6.2 per cent in 1988. The agriculture sector expanded somewhat faster than in the previous year, with rice, sugar, coconut and fisheries production increasing strongly. Growth in the manufacturing sector decelerated to about 7 per cent as both domestic demand, mainly consumption, and external demand weakened. Reflecting strong investment activity, particularly in the private sector, the growth of the construction sector accelerated.

Indonesia, expanding by 6.5 per cent, was one of the few countries in Asia to experience an improvement in economic growth in 1989. The oil and gas sectors recovered as output and prices increased and agricultural growth was sustained with rice output at a record level. The manufacturing sector, responding to rapid non-oil export growth, expanded by about 12 per cent. The services sector also gained momentum, mainly as a result of deregulation and reforms aimed at increasing efficiency.

In Lao PDR, GDP growth increased to 4 per cent from 2.1 per cent in 1988. The improvement was largely the result of favorable weather which helped to raise the agricultural sector growth rate to 3.5 per cent from minus 1 per cent in 1988. Industry sector performance also improved while strong growth was maintained in construction and commerce.

In 1989, Viet Nam's GDP growth decelerated to an estimated 3.2 per cent from 5.8 per cent in 1988. The slowdown was due largely to the poor performance of state industrial enterprises which had difficulties in adjusting to the newly-introduced 'self-financing' system. Agriculture, on the other hand, grew by 5.6 per cent, reflecting a brisk 10 per cent increase in foodgrain production.

Generally, strong demand pressures accelerated inflation in Southeast Asia, the average rate rising to 6.1 per cent from 5.1 per cent in 1988. Strong demand and resulting rapid economic growth since 1988 have continued to strain resources in several sectors of the Thai economy. In addition, agricultural prices, particularly for food, have been rising and inflation, estimated at 5.8 per cent for 1989, has become a matter of concern. In Malaysia, higher food prices and increases in import costs due to the lagged effect of some depreciation of the ringgit, fueled inflation to about 3 per cent. In Indonesia, upward price pressures have followed the extension, in January 1989, of value-added tax to most services, some indirect tax increases and strong investment demand. The Consumer Price Index rose by about 6 per cent in 1989.

Inflation has become a serious problem in the Philippines as well where it has reached 9.6 per cent. Fast growth in liquidity, substantial increases in minimum wages outpacing productivity growth, a gradual depreciation of the peso as well as a general rise in food prices are considered the main factors. In Lao PDR, inflation increased further to 60 per cent from 33 per cent in 1988 due to a substantial depreciation of the currency and a large increase in the money supply. A conspicuous exception to this trend was Viet Nam, where the 300 to 500 per cent inflation which



RICE STRAW (left) is turned into paper products (right) under a training project at the International Rice Research Institute in the Philippines which the Bank is supporting with a technical assistance grant.

had plagued the economy since 1986 was brought down to 35 per cent in 1989.

Exports Remain Buoyant

Export growth in the Southeast Asian countries remained buoyant in 1989. On aggregate, the growth rate of merchandise exports moderated slightly to 19.3 per cent from 20.7 per cent in 1988. Individually, Thailand's performance was remarkable as, for the fourth consecutive year, its exports expanded at an annual rate of well over 25 per cent – 28.4 per cent to be exact. External demand remained strong and export-oriented foreign investments implemented in 1987 and 1988 considerably expanded the export base.

Exports from Malaysia grew at a rate of 21.4 per cent, faster than in 1988. While oil exports performed better and agricultural exports declined as a result of a softening of prices for agricultural raw materials, exports of manufactured goods grew by 35.5 per cent and continued to strengthen. The erosion of export competitiveness in the NIEs and the provision of generous foreign investment

incentives partly explain the strong performance of Malaysian manufactured exports. While the export growth in the Philippines, because of capacity constraints and real exchange rate appreciation, slowed to 11.7 per cent – about half the 1988 rate – the pace accelerated to 12.9 per cent in Indonesia. As prices improved, earnings from oil and gas exports increased more rapidly and exports of manufactured goods, led by textiles and plywood, continued their upward trend. In Viet Nam, exports grew by 30 per cent in 1989, reflecting the 1.4 million tons of rice exports which made Viet Nam the third largest exporter of rice in the world.

In Thailand, import growth, which had been almost 50 per cent in 1988, decelerated to 41 per cent in 1989. However, in all other Southeast Asian countries, import growth increased markedly in 1989. Responding to strong consumption and investment demand, the imports of Malaysia grew particularly fast at a rate of 37.2 per cent, compared with 28.3 per cent in 1988. In the Philippines, import liberalization, implemented as part of the structural adjustment program, firm investment demand and real exchange rate appreciation led to a rapid increase in imports. The trade account thus deteriorated sharply, the

current account deficit nearly quadrupled to \$1.4 billion and the foreign exchange reserves declined significantly.

The sharp acceleration in imports reduced Malaysia's trade surplus by more than 20 per cent and slashed the current account surplus to \$100 million from \$1.8 billion in 1988. In both Indonesia and Thailand, current account deficits widened slightly in 1989, amounting respectively to 2.4 and 3.2 per cent of GDP. In Thailand, continued rapid growth in tourism receipts contained the current account deficit in spite of a large trade deficit. For Indonesia, the large deficit on the invisible balance, which more than offset the trade surplus, increased marginally in 1989 as interest payments on foreign debt stabilized. The external debt situation of Malaysia and Thailand remained very comfortable. Although it increased only marginally in 1989, the external debt of Indonesia is very high, as is the case of the Philippines. In 1989, Indonesia experienced a decline in its debt-service ratio although it still remained high at an estimated 36 per cent of exports of goods and services.

Domestic Policies

Fiscal policy has generally remained cautious in Southeast Asian countries. In Indonesia and Thailand, budgets continued to be conservative. For fiscal year 1989, Thailand posted a sizeable budget surplus primarily because tax revenues increased rapidly despite an income tax cut in January 1989. Expenditures also rose more slowly as the implementation of large public investment programs fell behind schedule. The Indonesian budgetary position improved in 1989 as a result of increased oil revenues and measures taken at the end of 1988 to broaden the tax base and raise tax rates. Although there was a 15 per cent increase in civil service salaries and debt service payments continued to rise, current expenditures were contained partly through the reduction of public subsidies. This allowed for the expansion of development expenditures to meet the infrastructure requirements of the faster growing economy.

Malaysia maintained a cautious fiscal stance. As revenues, particularly tax and oil revenues, increased rapidly and the Government maintained strict control on the growth of current expenditure, the government savings performance improved sharply. However, as the pace of implementation of large infrastructure projects was accelerated, the overall deficit of the public sector widened significantly to about 6 per cent from 3.9 per cent of GNP in 1988. In the Philippines, although revenue collection was above target in 1989, the budget came under severe pressure, mainly because of a rapid increase in capital expenditures and the burden of debt service payments on current expenditures. The deterioration in the budget deficit required a significant amount of domestic borrowing which put upward pressure on interest rates and had a crowding-out effect on the private sector.

In Lao PDR, an increase in the fiscal deficit and a rising inflation rate remained the major concerns of the Government. In August, major tax reforms were introduced to increase revenues, simplify the tax system and eliminate

distortions. The changes included the replacement of a variable profit tax and other special taxes with a flat tax on profits, the introduction of a broad-based business turnover tax and an extension of the resource tax to cover all minerals, forest products and livestock. During 1989, Viet Nam accelerated the implementation of market-oriented policy reforms in a wide range of areas. These reforms have had a significant beneficial effect on the economy in the form of a dramatically lower inflation rate, increased private sector financial savings and higher foodgrain production.

Monetary policies were generally accommodating in the Southeast Asian countries as substantial capital inflows occurred and were only partially neutralized. However, as inflationary pressures increased, there was a tightening of monetary policies in most countries. In Malaysia, there was an overhang of liquidity from the large current account surplus of 1988, which was further exacerbated in 1989 by large capital inflows related to foreign investments. To neutralize some of the excess liquidity, the Central Bank raised the reserve requirements of commercial banks in May 1989. This was followed by a general though marginal upward trend in interest rates. Similarly, in the Philippines, a sharp growth in domestic liquidity, which added to inflationary pressure, was curbed by a tightening of monetary policy through open market operations and an increase in reserve requirements on long-term deposits. Interest rates increased, affecting investment activity adversely. In Thailand, however, authorities have allowed liquidity to expand rapidly by not sterilizing large capital inflows and have been reluctant to raise interest rates.

Indonesia also has relaxed its tight monetary stance by lowering reserve requirements and the discount rate, and by lifting some of the restrictions on foreign borrowing by commercial banks. The Indonesian economy benefited from a major package of financial sector and capital market reforms introduced at the end of 1988 and broadened in 1989. Since the introduction of the reforms, the pace of activity in the capital market has increased rapidly. Several joint venture banks have been established, foreign banks have opened offices outside Jakarta and the private domestic banking sector has expanded considerably.

Other Southeast Asian countries have also introduced financial reforms to increase the mobilization of financial resources and raise investment incentives. In Thailand, for instance, the interest rate ceiling on time deposits exceeding one year has been lifted while the withholding tax on such deposits has largely been eliminated. Income tax on interest paid for long-term foreign loans has also been abolished. Malaysia introduced the Banking and Financial Institution Act 1989 which streamlined laws on banking and finance and simplified existing regulations. In addition, financial reforms, including the establishment of a secondary market for government securities and the development of a corporate bond market, were implemented to broaden and deepen the capital market and improve its efficiency. In the Philippines, financial liberalization has been emphasized under the updated medium-term development plan.

In 1989, all countries continued to pursue tax and tariff

reforms aimed at deregulating their economies, enhancing the role of the private sector, reducing tariff protection and increasing competitiveness. Indonesia and Philippines, in particular, intensified efforts in these directions. Both countries also undertook reforms to revitalize the important agriculture sector.

Economic cooperation within ASEAN was stepped up in 1989 and is directed at maintaining the impetus provided by the Third Meeting of ASEAN Heads of Government held in Manila in 1987. While a revision of import and export procedures was underway to facilitate the expansion of the ASEAN Preferential Trading Arrangement (PTA), progress was made with respect to the ASEAN Reinsurance Corporation, which was established at the end of 1988. Cooperation in several other industrial areas was expanded through ASEAN industrial complementation projects and ASEAN industrial joint ventures. The PTA was extended to another 335 items in 1989 and over 2,848 items have been identified for preferential margins.

South Asian Countries

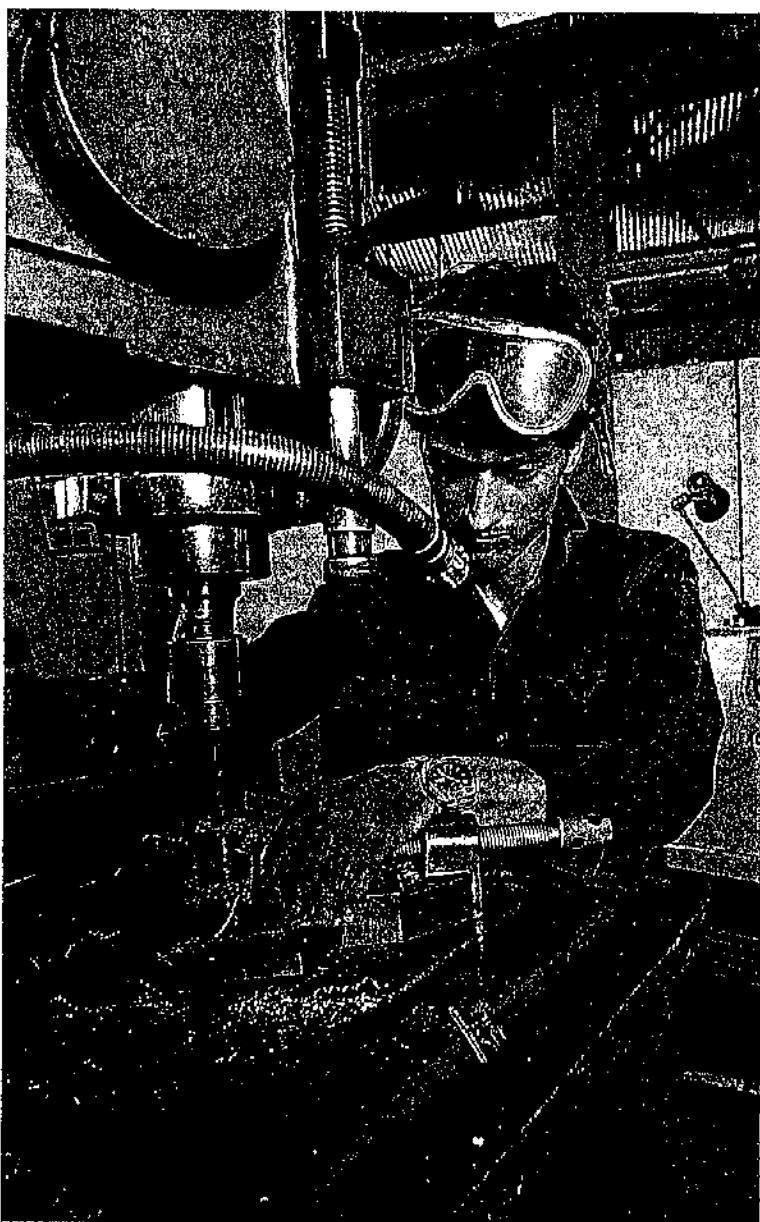
A Difficult Year

Growth of GDP slowed down in most South Asian countries as their governments attempted to dampen domestic demand to bring growing budgetary deficits and inflation under control. In some countries, this was compounded by natural disasters, internal disturbances and political disputes. In India, after a record GDP growth of 9.5 per cent in 1988, the rate declined to 4.5 per cent in 1989. This was somewhat lower than the rate of recent years partly because agricultural production settled back to its long-term growth trend of about 2 per cent, after the very large increase in 1988, which had reflected the rebound from the severe drought in 1987. Another factor was a deceleration in industrial growth to about 6 per cent, caused partly by a shortage of foreign exchange which constrained the importation of industrial inputs. In Pakistan, the GDP growth rate declined to 5.6 per cent from 7 per cent in 1988, despite the agriculture sector recovering and growing by 6.1 per cent. The manufacturing and construction sectors declined significantly, being most directly affected by civil disturbances, energy shortages and the Government's efforts at controlling domestic demand.

The remaining South Asian countries experienced stagnation or decline in per capita incomes in 1989. The Bangladesh economy was once again disrupted by floods, cyclones and a severe drought and the 2.4 per cent GDP growth was about the same as in 1988. In Sri Lanka, civil strife, floods and drought further reduced the already low GDP growth rate to 2 per cent from 2.8 per cent in 1988. In Nepal, because of the disruption in trade and transit relations with India, following the lapse of the bilateral treaties in March 1989, non-agricultural production was severely affected. As a result, despite a healthy 6.8 per cent increase in agricultural production in 1989, GDP growth

declined to 1.5 per cent from 9.7 per cent in 1988. In Myanmar, because of political problems, raw material and capital shortages and high rates of inflation, the economy remained under pressure. However, the GDP growth rate improved to 3.4 per cent from 0.2 per cent in 1988.

In most South Asian countries efforts to reduce inflationary pressures at best succeeded in stabilizing the rate of inflation in 1989. However, in Pakistan the inflation rate increased to 10.4 per cent from 8.8 per cent in 1988, although the budget deficit was reduced to 7 per cent of GDP from 8.6 per cent in 1988. In India, also, there was an acceleration in inflation, reflecting both slower output growth and faster monetary expansion. The inflation rate in all South Asian countries remains high - generally between



POWER drilling in Nepal under the Vocational Education Project which is assisted by a Bank concessional loan of \$4.2 million.

8 and 12 per cent — and in one case, Myanmar, it is in excess of 50 per cent. Efforts to reduce budgetary deficits and maintain tight money policies will have to be continued for the next few years if these rates are to be brought down to more acceptable levels.

Widening External Deficits

In all South Asian countries, the deficit on current account tended to widen, although export performance differed significantly from country to country. India maintained its healthy export growth rate of about 15.1 per cent for the third year but, because of recent import liberalization policies, imports increased by 12.3 per cent resulting in a deterioration in the trade balance. To cover the imbalance, India was forced to run down its foreign exchange reserves. There was a sharp slowdown in export growth in Bangladesh, Nepal and Pakistan. Both Bangladesh and Pakistan, besides the supply side factor discussed above, were affected by the decline in international prices of major exports, and even a substantial decline in the growth rate of imports was not sufficient to prevent a worsening of the balance on their current accounts. In Nepal, the lapse of trade and transit treaties with India was the primary factor. In Sri Lanka, exports stagnated compared to a 5.7 per cent increase in 1988; import growth was also lower and tourist earnings were adversely affected by the civil strife in the country. Consequently, the current account deficit increased to 7.6 per cent of GDP.

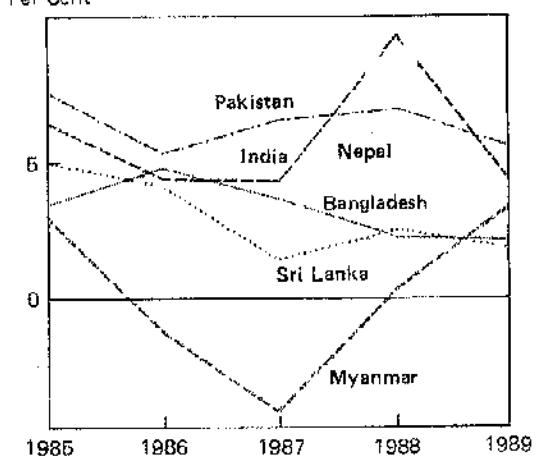
Domestic Policies

In most South Asian countries, a reduction in the large budget deficits remained the dominant fiscal concern. In India, in order to generate additional revenue, discourage luxury consumption and promote savings, a surcharge on high-income taxpayers, an expenditure tax on luxury goods and other revenue raising measures were introduced and a new household savings scheme with fiscal incentives was launched. In Pakistan, the coverage of sales tax on locally manufactured goods was increased as a first step toward the introduction of a general sales tax, and the coverage of excise tax was expanded. To control current expenditures, the provincial governments were advised that in future the federal government would only cover the amount previously agreed upon of the provincial deficit and that expenditures in excess of that would have to be met by provincial governments from their own resources.

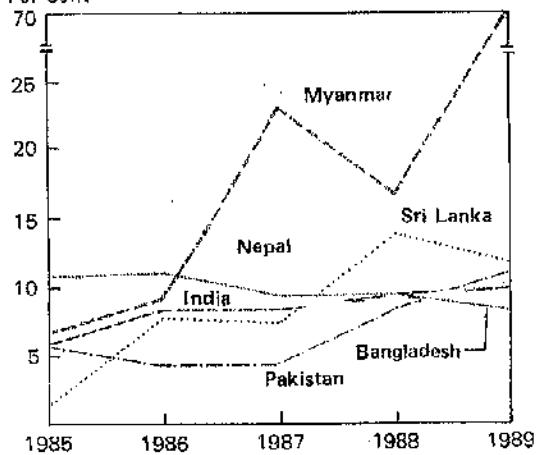
Sri Lanka increased fertilizer and wheat prices by 35 and 20 per cent respectively to reduce subsidies and introduced a 20 per cent across the board cut in non-wage non-interest recurrent expenditure. To raise additional revenues, Sri Lanka introduced a withholding tax on interest on government securities and a surcharge on income and wealth tax, and the Business Turnover Tax and a number of indirect taxes were also increased. Myanmar was able to generate additional revenues through the revision of income taxes, an increase in sales tax and license fees and the

The South Asian Economies

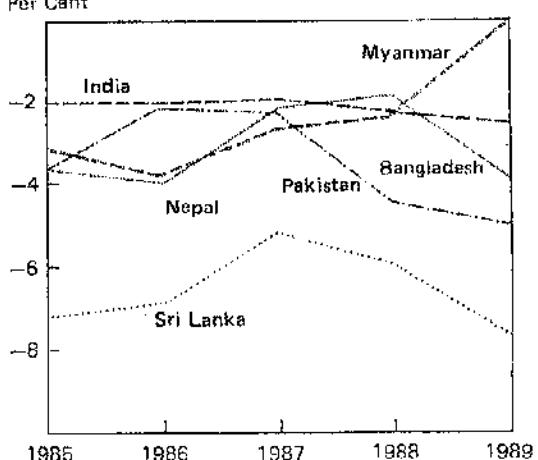
GDP Growth Rates



Changes in Consumer Prices



Current Account Balances (Per Cent of GDP)



regularization of previously illicit border trade.

In most South Asian countries monetary policies were tightened to combat inflationary pressures. In India, to curb excessive liquidity expansion, the cash-reserve ratio was increased, the amount of export credit refinance provided by the Reserve Bank of India was reduced and the interest rate charged on it was increased. Nevertheless, monetary growth accelerated slightly from 1988, reflecting mainly Central Bank financing of the Government's deficit. In Pakistan, the growth in money supply was kept well below the rate of expansion of nominal output. In Sri Lanka, the Central Bank discount rate was raised to 14 per cent from 10 per cent and the rate on bank deposits and other key interest rates were also increased by between 2 and 8 per cent.

In Pakistan, a new industrial policy was announced which further deregulated the sector. The upper limit for projects not requiring government sanction was raised to Rs1 billion from Rs700 million and it was decided that only those foreign-sponsored projects would require approval which had a majority foreign equity share. For projects requiring approval, the cumbersome sanctioning procedures and multiple sanctioning layers were replaced by a high-powered Board of Investment headed by the Prime Minister. In Bangladesh, an influential Board of Investment headed by the President was set up to act as a one-stop approval agency. In Sri Lanka, the Government's privatization program began in June with the offering of shares of United Motors for public subscription.

In India, further financial sector reforms were introduced to improve efficiency, increase the flexibility of the interest rate structure and reflect market forces to a greater degree. Rates on short-term deposits were increased, Certificates of Deposit with market-determined interest rates were introduced, interest rates on short-term interbank loans were deregulated, and fixed bank lending rates were replaced by competitively determined rates, subject to a certain minimum level. Bangladesh established the Bank of Small Industries and Commerce with 70 per cent private shareholding which, according to its charter, would lend 50 per cent of its funds to small industrial units. In Pakistan, several private entrepreneurs received permission to set up investment banks and one bank had a successful public share offering and was likely to start operating in early 1990.

Most South Asian countries, despite increasing deficits on the current account, continued to pursue policies of import liberalization while relying on active exchange rate policies to deal with external imbalances. In Bangladesh, a new two-year import policy was announced under which the banned and restricted lists were combined into a single control list and a large number of items were moved on to the free list. A number of export promotion measures were also implemented, such as the expansion of the bonded warehouse scheme and an increased allocation of foreign exchange to exporters. Pakistan also introduced a number of trade liberalization and tariff rationalization measures. These included a substantial reduction in the number of items on the negative and restricted lists, a reduction in the

maximum tariff rate to 125 per cent from 150 per cent and the restructuring of tariffs so that, in general, raw materials would be subject to tariffs of 20 to 25 per cent and intermediate goods to tariffs of 30 to 80 per cent.

In India, import duties on some machinery and raw materials for 'high-tech' and agro-processing industries were reduced but otherwise it was a period of consolidation following several years of liberalization efforts. In order to minimize the impact of the current trade and transit difficulties, in May the Government of Nepal announced a 22-point economic program which included measures for liberalization of imports, a reduction in tariffs, an expansion in the duty drawback scheme and cash subsidies for exports. In Sri Lanka, the government monopoly on rice imports was removed. However, because of balance-of-payment considerations, some restrictions were placed on the import of a number of luxury items in June.

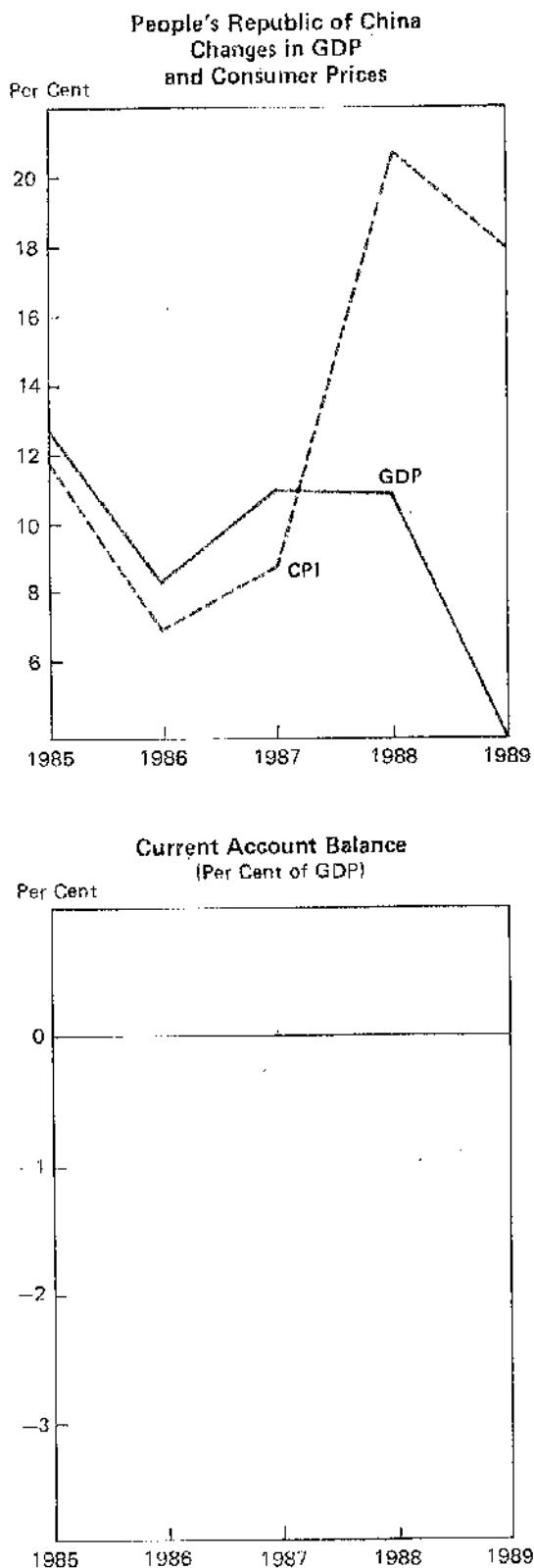
In Sri Lanka, producer incentives were improved by the removal of the sales tax on tea and subsidies on fertilizer and wheat were reduced. In Bangladesh, action was taken for liberalized importation and distribution of minor irrigation equipment as well as for distribution of fertilizers. In Myanmar, the procurement price of paddy was increased and farmers were allowed greater flexibility in the production and marketing of crops.

People's Republic of China

A Sharp Slowdown in Growth

After two years of double-digit growth, the overheated Chinese economy cooled considerably in 1989. While market tension and inflation pressures eased, owing to the slowdown in the economy, the GNP growth rate deteriorated faster than expected and production costs increased sharply. The GNP growth rate was 3.9 per cent in 1989 compared with 11.2 per cent in 1988. Although inflation for 1989 was high at 18 per cent, the trend of inflation decelerated month by month, and prices in December 1989 were only 6.4 per cent higher than those in the corresponding month in 1988. The industry sector led the slowdown in the economy. The growth rate of industrial output declined sharply to 8.3 per cent from 20.8 per cent in 1988. Sluggish industrial growth not only reduced aggregate demand and pressures on transportation, energy and raw materials but also resulted in higher unemployment. The agriculture sector, however, had a relatively better performance, with the sector growth rate at 3.3 per cent being marginally higher than in 1988.

The deficit on the external account increased sharply in the first half of 1989 but it improved in the second half of 1989 as a result of a policy of tight control over imports. Exports rose by 12 per cent and imports by 11.1 per cent, while the trade deficit was \$5.5 billion compared with \$5.3 billion in 1988. Tourism income, which grew by over 20 per cent in the past three years, dropped sharply after June 1989. The higher current account deficit and slow



foreign investment inflow caused a reduction in foreign reserves to \$14.2 billion in December 1989 from \$17.5 billion in January 1989. Total external debt reached \$44 billion, 16 per cent of which was short term debt, while the debt-service ratio increased to 12.2 per cent.

Domestic Policies

Record high inflation led the Government to adopt a comprehensive austerity program in the last quarter of 1988 which it continued into 1989. In November 1989, the Government decided that the austerity program would continue for the next two years or more. The purpose of the program was to improve the economic environment and restore economic order while maintaining sustainable economic growth — a GNP growth rate of 5 to 6 per cent and inflation below 10 per cent.

Under the austerity program, the fiscal policy was aimed at cutting administrative spending and increasing taxes to reduce the budgetary deficit. A contractionary monetary policy was also followed, with the People's Bank of China, the country's central bank, setting loan quotas for commercial banks and selling bonds to the public to reduce money supply. In addition, a successful savings program, which guaranteed an interest rate higher than the inflation rate, absorbed more than 80 per cent of the new deposits. Although the unexpected negative industrial growth in October led the monetary authority to loosen partially the credit squeeze in the last quarter, the overall level of money supply remained tight. The central administration reasserted control over investment and a large-scale investment cutback was carried out. It was estimated that fixed capital investment in 1989 was 10 per cent lower than the 1988 level. The investment structure was also adjusted to emphasize the energy, transportation, raw materials production and agriculture sectors.

With regard to industrial policy, the Government re-emphasized the role of large and medium-sized state-owned enterprises and discouraged the private and collective small town and village enterprises, particularly those that were energy or raw material intensive. Furthermore, enterprises involved in energy, transport and raw material production and projects involving foreign investment were given preferential treatment and received priority in obtaining new loans.

Policy adjustments were also made in the agriculture sector, which is considered to be one of the most important areas deserving high priority during the current program for rectifying the economic order and improving the economic environment. Consequently, in 1989 the declining trend in agricultural investments was reversed and increased funds were allocated to agriculture by the state and local governments. The additional funds, in the form of loans and grants, were devoted to grain and cotton production as well as to land improvement, irrigation and water conservation projects. Furthermore, to stimulate farmers' efforts in production, the State increased the procurement prices of grain, cotton and oil-bearing crops.

Although current measures to check inflation are basically dependent on direct administrative controls on prices, the Government has contemplated an adjustment of the price system. The double-track price system, under which there is a low state price for goods produced and distributed under quotas set by the state plan and a high market price for items produced in excess of the quotas, will be gradually converted to a one-price system. Experience showed that the double-track price system provided substantial opportunities for windfall gains. Selected price adjustments were undertaken in 1989 with careful consideration regarding the stability of the overall price level. The procurement prices of grain and cotton were raised. Fares for transportation by air, rail and ship were increased to better reflect the operating costs. The success of these adjustments encouraged the Chinese Government to pursue further price reforms to rationalize the price structure. A plan to adjust the prices of energy, transport, grain and cash crops was approved at the end of 1989.

Following the huge trade deficit in the first half of 1989, the importation of luxury goods was prohibited and overall imports were placed under tight control. Foreign borrowing was also regulated in an attempt to keep the debt-service ratio below 20 per cent. The number of government entities authorized to borrow funds from abroad was reduced sharply. On the other hand, foreign investments were encouraged and the legal rights of investors were protected. In December 1989, the Government devalued the currency by 21.2 per cent. The devaluation should not only promote exports and dampen imports but also encourage tourism and foreign investment. However, it is also possible that the devaluation could give rise to inflationary pressure as enterprises raise prices to reflect the higher costs of imported goods.

South Pacific DMCs

Mixed Growth Performance

South Pacific DMCs (SPDMCs) experienced diverse economic performance in 1989. Fiji's GDP, recovering from two years of negative or zero growth, expanded by 12.1 per cent. The agriculture sector, dominated by sugar cane production, grew briskly at a rate of 12.8 per cent and the manufacturing sector, led by garments, expanded at a rate of 19.7 per cent. The tourism industry also continued its recovery. At the same time, Papua New Guinea's economy stagnated as the mining sector, which accounts for 20 per cent of GDP, suffered a sharp setback following the closure in May 1989 of the large Bougainville copper mine. Excluding mining, the GDP increased at a rate of about 2 per cent, largely as a result of a declining trend in agricultural output, and per capita income continued to stagnate.

Economic activity in Tonga and Western Samoa, which experienced negative growth in 1988, recovered in 1989. Improved performance in the agriculture and fishery sectors in Tonga led to GDP growth of 3 per cent. In Western Samoa, improved production in agriculture and manufac-

ting resulted in some increase in economic activity. The economy of Solomon Islands, which recovered from cyclone damage and grew at a rate of 4.3 per cent in 1988, slowed down in 1989 in spite of continued rapid growth in the fishery sector. Cook Islands and Vanuatu recovered slowly from cyclone damage in the last two years but both countries benefited from sustained growth in the tourism industry. In Kiribati, real GDP growth, which averaged 1.4 per cent over the period 1981-1988, continued to fluctuate widely. The growth rate moderated considerably in 1989 as copra prices fell by nearly 10 per cent.

Inflation, which in SPDMCs largely reflects increases in import prices and availability of local food supply, generally eased in 1989. As agricultural supply conditions improved following drought in 1988, inflation fell markedly in Fiji to a rate of 6.5 per cent. With a decline in food prices, inflation fell dramatically in Western Samoa to 6.5 per cent. In Solomon Islands, because of the improved supply position,



TECHNICIAN checks generators in Western Samoa under the Power Project which the Bank supported with a concessional loan of \$2.3 million.

inflation declined to 10.8 per cent from 17.1 per cent in 1988. In Papua New Guinea, inflation was 6 per cent, reflecting some increase in import prices and in custom and excise duties.

The export performances of most SPDMCs deteriorated significantly in 1989 as prices for primary commodities, which account for the bulk of exports, fell. Prices for coffee, cocoa, palm oil, coconut oil and copra declined by 10 to 15 per cent in 1989. By contrast, the price of sugar, which represents 40 per cent of the exports of Fiji, increased by nearly 20 per cent as world sugar stocks reached their lowest levels in nearly a decade. The fall in copper and gold prices affected Fiji and Papua New Guinea. In the case of Papua New Guinea, the closure since May 1989 of its largest copper mine, which accounts for about 35 per cent of its total exports, dramatically affected its export performance and balance-of-payment situation. The SPDMCs are extremely import-dependent and trade balances have generally deteriorated. Though tourist receipts increased rapidly for Cook Islands, Fiji, Tonga and Vanuatu, current accounts deteriorated in most SPDMCs. Additionally, as export growth slowed down, debt-service ratios increased from the 1988 levels.

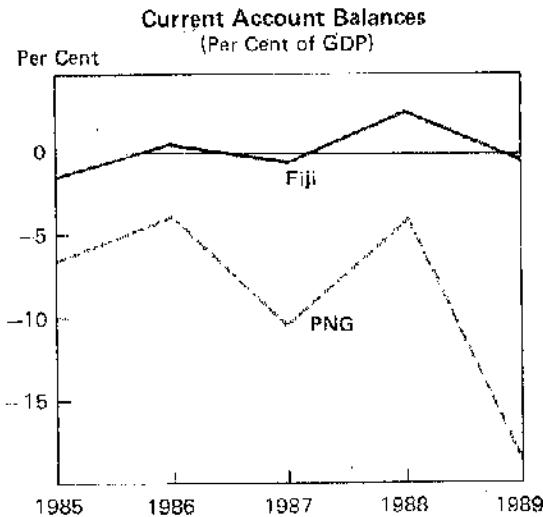
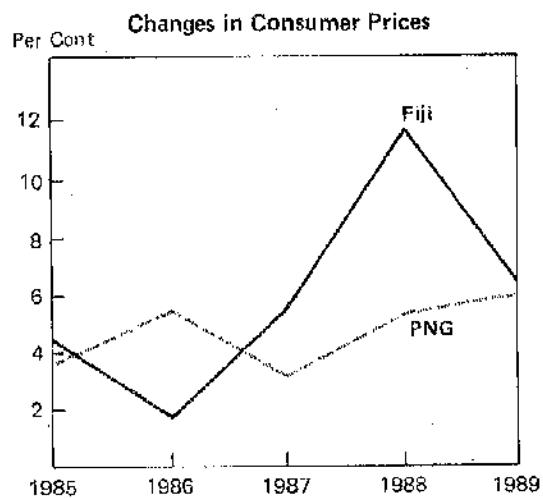
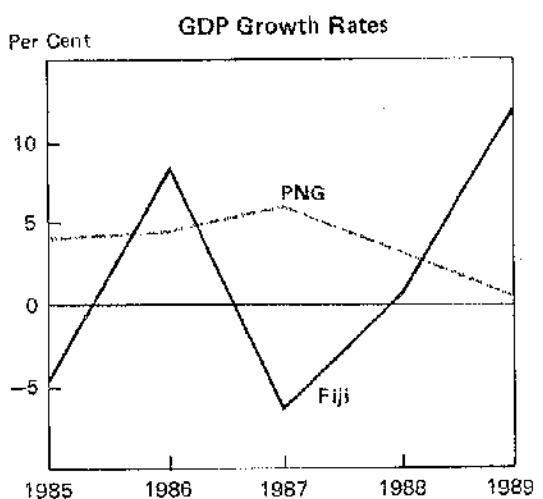
Domestic Policies

In Papua New Guinea, monetary and fiscal policies were tightened significantly in 1989 to maintain a manageable balance of payments, preserve foreign exchange reserves and limit the budget deficit in the wake of a sharp fall in government revenues following the closure of the Bougainville mine. To stimulate non-mining investment, the 1989 budget initiated a tax reform aimed at reducing personal and corporate taxes on the small formal sector of the economy and broadening the tax base by increasing the role of indirect taxation. Some new taxes, such as on the exports of logs, were introduced to encourage local processing while tariffs on industrial and agricultural inputs were lowered.

To encourage export manufacturing, Fiji established a Tax Free Zone/Tax Free Factory scheme in 1988 in order to attract foreign investment. The scheme was extended in 1989 and has proved successful, as evidenced by the rapid development of garment, footwear and furniture-making industries. In addition, the tariff structure was simplified and tariff codes were harmonized. Quantitative import restrictions were partly lifted and protection for import substituting industries was significantly lowered.

In Vanuatu, the Government's budgetary situation has been very precarious in recent years with a continuing deficit at about 5 per cent of GDP. As the economy stagnated, significant expenditure cuts had to be implemented in the 1989 budget. The second National Development Plan, launched in 1989, emphasizes manpower development, the expansion of the role of the private sector in development and the attraction of foreign investment, mainly in the tourism sector. In Tonga, an important step towards mobilizing domestic financial resources was taken by establishing a National Reserve Bank in June 1989. The Bank introduced

Selected South Pacific Economies



important monetary reforms, in particular by establishing a market-determined interest rate regime.

Fiji continued to emphasize agricultural diversification and the expansion of agro-industries. Public investments were directed at infrastructure, extension, training, research and support services in the agriculture sector. Subsidies in agriculture are being eliminated progressively. In Papua New Guinea, as a result of persistent weak export prices, the stabilization funds for coffee and cocoa were depleted in 1989. A new support scheme for coffee and cocoa was implemented. The scheme emphasizes efficient production and seeks to intensify and expand extension services and research. Crop diversification was also encouraged.

Outlook for 1990

Prospects for the world economy heading for a "soft-landing" improved significantly in 1989. World economic growth remained relatively robust in 1989. Forecasts for 1990 indicate a further moderate slowdown in the world economy to about 2.9 per cent GDP growth, only marginally lower than the 3.1 per cent recorded in 1989. In the industrialized countries, GDP growth is forecast at 2.9 per cent, about half a per cent lower than in 1989. In developing countries, growth on aggregate is, however, expected to accelerate to over 4 per cent. World trade is estimated to expand in volume by about 6 per cent, 1 per cent below the 1989 performance. With few exceptions, such as for sugar, prices of primary commodities will weaken further in 1990. The inflation outlook for industrialized countries improved somewhat at the end of 1989 so that a significant tightening of monetary policies is not expected in 1990. International interest rates might thus soften slightly in 1990, a welcome prospect for heavily indebted developing countries. Although it will continue to deteriorate, the external economic environment for Asian developing countries is expected to remain relatively favorable.

The dramatic changes in Eastern Europe and the Soviet Union are likely to have a significant impact on the medium-term development of the world economy. Although the changes are too recent and far-reaching to permit a comprehensive analysis of their implications at this stage, there is a possibility that the positive effects of these developments on the growth of the world market would ultimately outweigh any negative consequences which may occur in the short run. There is some concern in the developing countries that these changes may result in reduced financial flows. Similarly, there is concern that the progress of economic integration in Western Europe might also have an effect on trade flows. However, the DMCs, because of their pragmatic and flexible economic policies, are in a relatively favorable position, compared to other developing countries, to adjust to any changing situation.

The NIEs, particularly Republic of Korea and Taipei, China, adjusted in 1989 to a more sustainable long-term growth path. Both economies will pursue further their structural transformation in 1990 in line with their rapidly shifting international comparative advantage. Sustained growth at over 6 per cent is projected as domestic demand continues to complement export growth. While consumer spending will decelerate, investment activity is expected to strengthen significantly in Republic of Korea and Taipei, China in 1990. In Hong Kong, growth is expected to remain low if business confidence remains weak. Slower expansion in world demand and bottlenecks such as labor shortages are projected to induce some slowdown in Singapore's economy with GDP forecast to grow by about 6 per cent.

In Southeast Asia, the growth performance of Malaysia and particularly Thailand, despite some signs of overheating, is expected to remain well above the regional average. The prospects for the Philippine economy are uncertain as the balance of payments is under heavy pressure. Inflation continued to accelerate and political events eroded confidence in the economy. As domestic demand slows down, growth in the economy will decelerate compared with 1989. Prospects for Indonesia remain good although the economy might lose momentum in 1990. GDP growth is forecast at over 6 per cent.

For South Asia, the outlook is mixed. However, economic performance in all countries, except Nepal, should improve over 1989. For South Asia as a whole, despite a negative growth projection for Nepal in 1990, growth should rise to 5.2 per cent from 4.4 per cent in 1989. Agricultural production continues to increase and this should help sustain overall growth. Industrial growth should also be higher in 1990 as exports and domestic demand continue to rise at a good rate.

In the People's Republic of China, the projection is for 5.5 per cent growth in 1990 which, though better than 1989, is substantially lower than in the recent past, and exports are expected to pick up slowly. Much depends, however, on the success in dealing with the inflation problem. If inflation continues to abate, controls on credit and foreign exchange transactions could be eased. Also, with less pressures from the demand side, it would be possible to reduce subsidies and thus improve the budgetary position as well as encourage a more efficient allocation of resources. This could provide the basis for a return to moderately high growth in future years.

The prospects for economic growth in several South Pacific DMCs suffered a severe setback because of extensive cyclone damage in the beginning of 1990. While in Fiji growth is projected to be moderate in 1990, Papua New Guinea is likely to experience a decline in per capita income because of the continued closure of the Bougainville copper mine.



GARMENT-MAKING in a factory at Bulacan, Philippines, under the Bank-assisted NGO-Microcredit Project which is aimed at creating jobs, particularly in the rural areas.

COOPERATION WITH NGOs

New Approaches in Development Thinking

As the awareness grows that development is a participatory exercise — be it the alleviation of poverty, the provision of social services, the development of local institutions and self-help groups, the improvement of the natural environment or policy discussion on development issues — and that project benefits are not always easily sustainable without involving beneficiaries, the Bank as well as other development financing institutions have been searching for new mechanisms to deliver their services.

One such mechanism is to involve non-governmental organizations (NGOs) in project design, implementation and evaluation. It reflects the general belief that such organizations have, for certain types of projects, a comparative advantage over government aid agencies. For their part, NGOs, which are private, voluntary and non-profit organizations that aim to improve the quality of life and the standards of living of the people, recognize that there are certain areas in which they can cooperate with government aid agencies and provide their special know-how and experience without giving up their independence.

The 1980s saw a trend toward participatory approaches among a number of developing member countries (DMCs). This was partly in response to implementation problems that crept into official programs designed without consultation with beneficiaries. Also, because of the financial constraints that cropped up in the 1980s, governments nowadays often expect communities to help pay for services. That makes more obvious the need to ask communities what they want. The Bank has contributed to this worldwide change in development thinking, arguing that continued efforts to promote growth should be complemented by focused efforts to reduce poverty. Thus, there is now an increasing emphasis on targeting project benefits to well-defined groups which are actively involved in project design, implementation and evaluation. Popular participation in development decision-making has become a desirable objective.

Some DMCs have attempted to improve the direct distribution of benefits to the poor by specifically targeting

programs at them, by decentralizing rural administration and by accordng high priority to sectors and activities which can offer immediate productivity gains or essential services to the poor. However, many of these initiatives have been beset with difficulties. As the Bank's Sector Paper on Rural Development points out, although several DMCs have decentralized their rural development planning procedures in order to establish closer links with local communities, manpower constraints have inhibited their efforts.¹ Government agencies often do not have people with enough motivation, training and ability to assist local communities to articulate their needs and develop a coherent focus for a rural development program. Besides, as the Bank's Sector Paper also notes, the poor are not represented on local planning bodies and, therefore, DMCs have particular difficulties in involving the poorest communities in rural development planning. Motivated as they are and being closer to the communities they serve, NGOs can be a useful link in the development process. A coherent and systematic approach to involve intermediaries like NGOs between the government and self-help groups is, therefore, essential if the poor are to take advantage of government programs.

Comparative Advantages and Limitations of NGOs

It is, however, difficult to make a comprehensive assessment of the overall role and contribution of NGOs to socio economic development. For one thing, the operations of NGOs are diverse in nature. For another, there are not enough relevant data on their activities. Still, within these limitations, there are major comparative advantages to be derived from working with NGOs. Mostly, they derive their success not from their association with any political grouping but from the vision of their individual leaders and the dedication of their self-motivated staff. They are involved at the grassroots level and are familiar with the specific needs of the poor. They are committed to the betterment of the neediest, the protection of the environment, the welfare of

¹ Asian Development Bank, *Sector Paper on Rural Development* (1988).

MAIN OBJECTIVES OF THE BANK'S POLICY

The main objectives of the Bank's cooperation with NGOs in its operational activities are to assist the poor in improving their living standards effectively, and to support improved natural resource management and conservation in the DMCs. In July 1987, a policy framework for cooperation with NGOs was established and approved by the Board of Directors. In August 1988, a task force on the Bank's role in poverty alleviation recognized that, for the Bank to be effective in implementing its objective, it would be necessary to utilize channels and mechanisms for transferring resources and technical assistance directly to the poor.

Within this policy framework, the Bank cooperates selectively with NGOs which are well-established and have experience in socio-economic activities. Such cooperation is based on the merits of individual cases, with prior concurrence of DMC governments.

There are a number of sectors and subsectors where the Bank can work together with NGOs. Among them are agriculture and rural development; social infrastructure; urban development; water supply and sanitation; health and population; education and training; small-scale industry and, of course, environmental protection in specific geographical regions, which has become a major concern for the Bank. So far, on the project level, the Bank's cooperation with NGOs has concentrated on agriculture/rural development, irrigation, health, micro/cottage industries and environmental protection.

There are several ways the Bank can cooperate with NGOs. It can work with them as sources of information, as consultants or contractors, as executing or operating agencies or as co-financiers.

Where NGOs have been active at the grassroots and have gained development experience, the Bank can draw on their knowledge and expertise to identify, prepare and

appraise its projects; monitor and evaluate benefits; and facilitate its post-evaluation work.

Applying the usual Bank procedures, NGOs can also be recruited as consultants, either directly or in collaboration with other consultants and executing agencies because of their particular familiarity with local conditions. Moreover, with the governments' concurrence, they can be used as executing agencies for certain components of Bank-financed loan and technical assistance projects.

NGOs may also be co-financiers of Bank-financed loan and technical assistance projects, though amounts would generally be modest. NGO financing could certainly complement and enhance the effectiveness of the Bank's assistance. They can either put up cash or, which is mostly the case, provide the necessary training and advisory assistance. However, since the development approach of NGOs and their criteria and procedures for procurement of goods and services could differ from those of the Bank, parallel financing arrangements would normally be the most appropriate involvement for NGOs.

The Bank continues to identify NGOs which might be interested in cooperating with it. It maintains proper records and information about such NGOs and their activities. In order to enhance NGOs' understanding of the Bank's operational policies, strategies and procedures, it keeps NGOs regularly informed on projects under consideration in the various DMCs. It also discusses with executing agencies possible areas of cooperation with NGOs and encourages contacts between them. It consults and, where appropriate, coordinates with other major bilateral and multilateral aid agencies (especially the World Bank) on how to cooperate more closely with NGOs. In addition, it organizes symposia/conferences where NGOs and DMC governments exchange views on development and environmental issues.

the community. They emphasize self-help and self-reliance. In their operations, they have no bureaucracy to contend with and so can be flexible and innovative. They work directly to develop skills through training and other technical assistance programs; support institution-building; and help design, prepare and implement development activities.

It is important to note that NGOs have their limitations, too. They are small in size and scope, and, thus, can have only a limited impact. Frequently, they lack a broader

economic and social perspective. Their financial and technical resources are not large either. They are loosely structured, sometimes without real accountability. And they are often weak (or excessively flexible) in management and planning. To achieve the optimum balance between, for example, flexibility and planning capacity requires a high level of experience and maturity. It is thus not surprising that the number of efficient and effective development NGOs is still relatively small.

Government Policies and Relations with NGOs

At times, the relationship between NGOs and DMC governments poses legal and administrative problems. While some NGOs have a legal status, others are less formally organized. In the absence of specific policies or guidelines, their cooperation with governments depends on the relationship they have with particular government ministries and agencies. It is also recognized that a close embrace of NGOs by governments would be detrimental to some of their comparative advantages.

Occasionally, there could be NGOs who would take their concern for particular causes almost to the point of being biased, ignoring the broader socio-economic considerations of the government. When such a conflict of purpose and priority arises, cooperation with NGOs is not going to be easy.

Nevertheless, NGO involvement in government projects has increased in recent years. Sometimes, governments use them as sources for information on local conditions and as vehicles to deliver inputs, offer extension services and provide training. Likewise, NGOs in some DMCs have sought to coordinate their activities in consultation with governments so as to avoid fragmentation and duplication of effort.

A few DMC governments, in cooperation with NGOs, have themselves directly sought to develop self-help groups to improve the distribution of inputs and services. Some have acted to boost manpower and strengthen skills at the grassroots level. Others, such as the Philippines, have recognized the need to actively encourage the development of NGOs and use them as the final link between government services and beneficiaries, either formally or informally.

In general, the degree to which a DMC is concerned about increasing beneficiary participation in rural development projects and poverty alleviation will influence the degree to which the Government is prepared to encourage the development of NGOs and collaborate with them. This, in turn, will affect the degree to which the Bank can look to NGOs to address the question of increased beneficiary participation in development projects. This will also, naturally, influence the nature of Bank loans and technical assistance projects to improve such participation.

Status of Bank's Efforts

Between 1987 and 1989, the Bank participated in various symposia/conferences which were organized by NGOs or which addressed NGO issues. These symposia and conferences presented an excellent opportunity for the Bank to explain its new policy measures to a large number of NGOs and DMC governments. The Bank also kept in close contact with the newly-created NGO Division at UNDP as well as with the World Bank's NGO team.

Besides, the Bank commissioned a study on cooperation with NGOs in agriculture and rural development, which

identified, assessed and suggested working arrangements with specific NGOs in seven DMCs (Bangladesh, India, Indonesia, Nepal, Pakistan, Philippines and Sri Lanka).¹

Since the policy framework for cooperation with NGOs became effective in 1987 (see box story on opposite page), a number of loans and technical assistance projects involving NGOs have been approved. The Chitral Area Development Project in Pakistan, approved in 1987, was designed on the basis of close collaboration and cooperation with the Aga Khan Rural Support Programme, an NGO with considerable expertise in the project area. Another example of Bank-NGO cooperation is provided by a technical assistance grant to Indonesia, which seeks to study how to improve the efficiency of irrigation and management systems in selected areas of West Java and West Sumatra. The Bank has joined the Ford Foundation and the International Irrigation Management Institute (IIM) in sharing the cost of the study. In the Philippines, in conjunction with the Sorsogon Integrated Area Development Project, the Bank agreed in 1988 to provide an advisory technical assistance grant for establishing a pilot community organization program. Through an NGO, the program will mobilize community groups in Sorsogon engaged in economic activities in key sectors, namely, non-irrigated food crops, tree crops, fisheries, small-scale agro-processing and general services. In 1988, the Bank extended a loan to the Philippines for the NGO-Microcredit Project, which is currently being implemented. This was the Bank's first practical step in directly involving NGOs to support beneficiary groups at the grassroots level. This pilot project will finance micro-enterprises and cottage industries using NGOs as credit intermediaries as well as providers of technical assistance. Along with the loan, the Bank provided an advisory technical assistance to strengthen about 30 NGOs expected to be accredited under the project. The Fisheries Sector Program loan to the Philippines supports a community-based coastal zone management program to be implemented in 12 major areas of the country, with NGOs serving as field-level project managers. In 1989, the Bank approved the Low-Income Upland Communities Project in the Philippines, in which NGOs have also been given an important role in community-based resource regeneration activities associated with a watershed management project in Mindoro.

Cooperation of environmental NGOs is of particular importance to the Bank. In 1988, in a pioneering initiative, the senior management of the Bank held an informal meeting with representatives of selected environmental NGOs to exchange views on the Bank's environmental policies and programs and discuss how environmental NGOs could help address environmental and natural resources concerns in the DMCs. During the ninth meeting of the Committee of International Development Institutions on the Environment (CIDIE) in Washington, D.C., also in 1988, a presentation was made on the ADB study on cooperative arrangements with environmental NGOs. The presentation dealt with the

¹ Asian Development Bank, *Cooperation with NGOs in Agriculture and Rural Development* (1989).

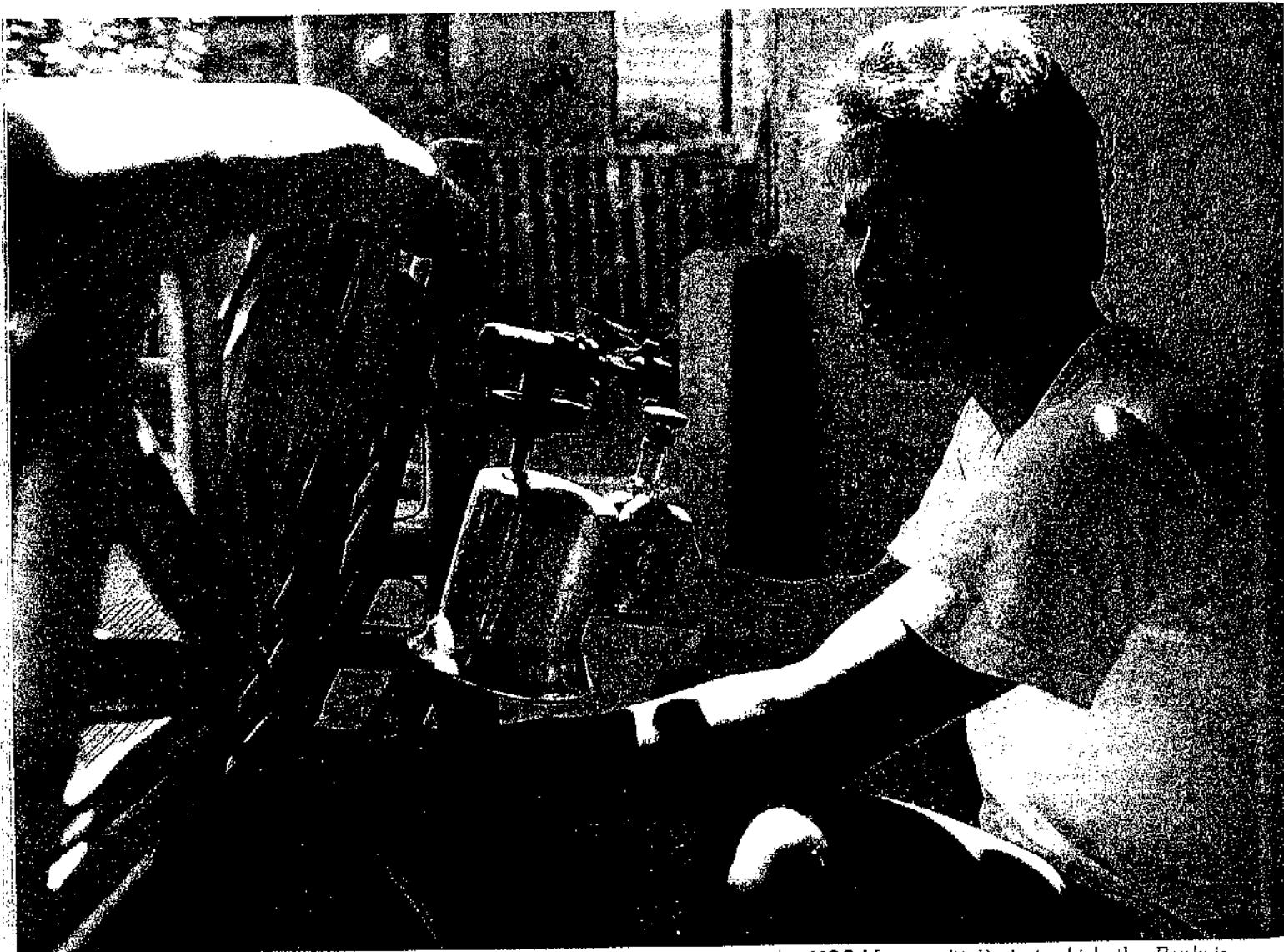
overall context of such collaboration, the opportunities for getting DMC governments to agree with these new arrangements and various ideas on how to broaden the basis of cooperation. The country-by-country assessment was undertaken in close collaboration with recognized national NGO network bodies and in consultation with donor country governments. Its results were further discussed at the ADB-NGO consultative meeting in 1989, held in conjunction with the tenth meeting of the CIDIE in Manila.

Subsequently, the services of environmental NGOs were built into several projects, including urban infrastructure development in Dhaka, Bangladesh; institution-building for environmental management in Nepal and the forestry and fishery sector program loans and the low-income upland communities project in the Philippines. The Bank's concern was also reflected in the technical assistance it provided for an environmental improvement study in the Manila metropolitan region.

The Bank will continue to pay increasing attention to improving formal and informal links with NGOs, particularly indigenous NGOs in DMCs, to address environmental concerns in Bank-supported activities. In this regard, results of an ongoing study on institutional strengthening of indigenous NGOs, in connection with the tenth meeting of CIDIE, will provide the modalities for future cooperation.

Outlook

Although substantial progress has been made so far in intensifying the Bank's cooperation with NGOs, much remains to be done. The effort to promote a better understanding between the Bank and NGOs through symposia and conferences could be further intensified at the DMC level, since NGOs can perform a useful role as development and environment educators. The Bank has benefited from



BAMBOO furniture craftsman at Pampanga, Philippines, under the NGO-Microcredit Project which the Bank is supporting with an \$8 million loan.

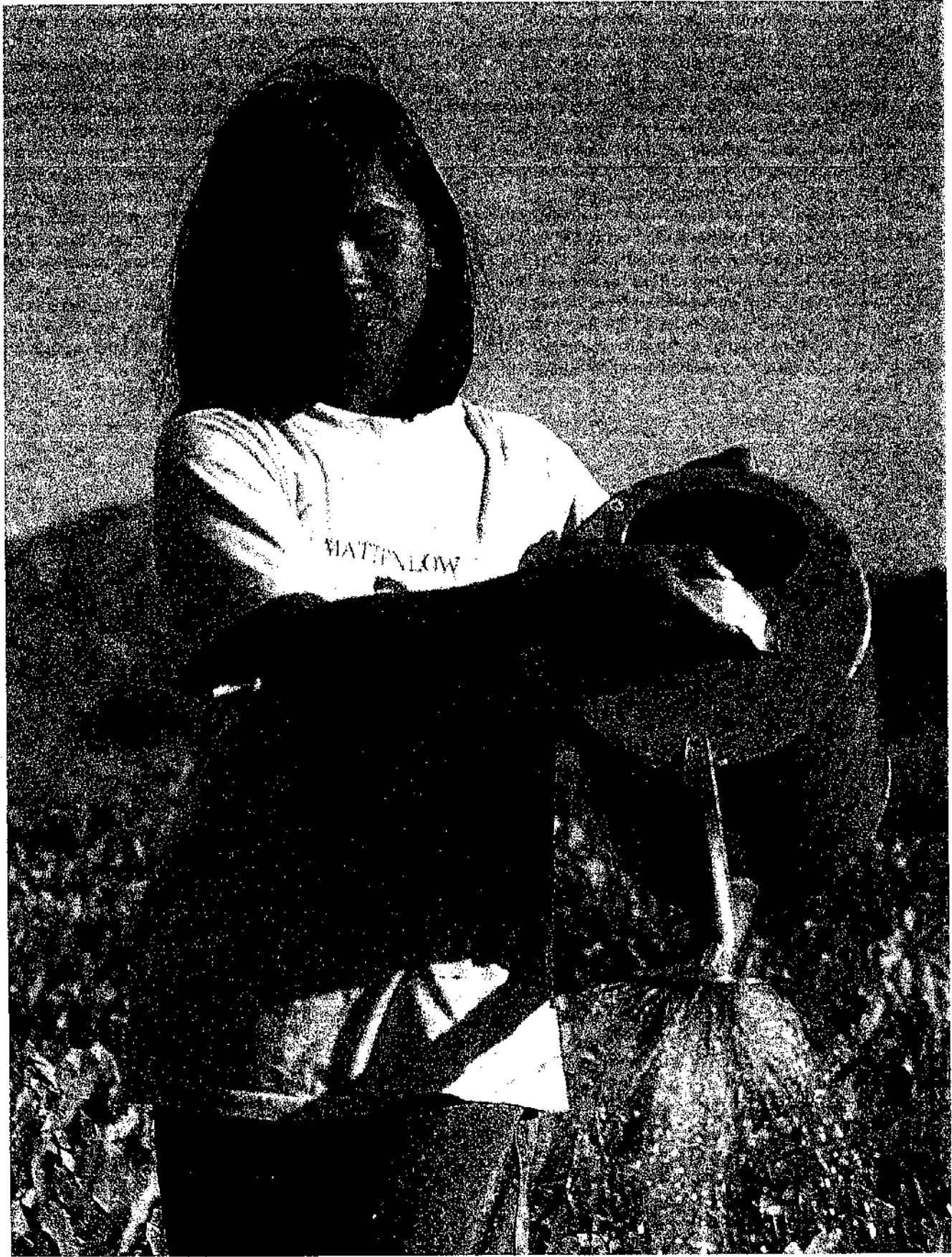
its 1988 meetings with selected environmental NGOs in Washington, D.C., and the 1989 Bank-NGO Consultative Meeting in Manila, which provided an excellent forum to further improve the Bank's understanding of environmental issues. Simultaneously, contacts with NGOs in the donor countries could be expanded. In spite of the recognition that such NGOs could help educate public opinion in their countries about the problems of the DMCs, little effort was made in the past to foster relationships with them.

Experience has also shown that the participation of NGOs on the project level has so far been rather limited and only in a few countries, such as Indonesia, Pakistan and Philippines. Also, the involvement has been largely confined to the agriculture and rural development sector, which raises a question of geographical and sectoral balance. However, with the emphasis shifting to poverty alleviation and the related need to design and implement beneficiary-oriented,

grassroot-level projects, a substantial expansion in the role of NGOs can be expected.

The experience gained by the Bank in cooperating with NGOs points to some other issues which are likely to emerge in the near future. By expanding its operational cooperation with NGOs, the Bank has realized more clearly the need to proceed in conformity with relevant government policies on the matter. In this context, the Bank will seek to play a catalytic role in promoting the relationship between NGOs and DMC governments and facilitating a more intensive dialogue between them on issues such as poverty alleviation, popular participation, environment and women in development.

The Bank's cooperation with NGOs is still in the early stages of development and some more experience needs to be gained before the effectiveness of this strategy can be properly evaluated.



WATERING hybrid guava-and-apple tree seedlings at Nueva Ecija, Philippines, under the Forestry Sector Program which the Bank is supporting with \$122 million in loans and technical assistance.

PROGRAM LENDING

The Need

PROGRAM lending, one of the special topics for this Annual Report, is a lending modality that seeks to improve the policy, institutional and investment environment in a country so as to accelerate economic development. Loans are disbursed quickly and help to meet the short-term costs of policy adjustments before long-term benefits are realized. Thus, program lending has a broader perspective than project lending. Although the Bank's projects have long reflected an understanding of the influence of policies and institutions in realizing project objectives, the issues involved in project lending are mainly project-specific. The sector loans of the Bank, which finance a variety of specified projects within a subsector, are associated often with institutional change and policy strengthening within the subsector. But neither project nor sector loans can readily tackle fundamental policy constraints and opportunities that are sectorwide in nature, or bear upon links between particular sectors and the macroeconomy. Program lending has been designed particularly to meet these wider needs.

The Asian Record

The chapter on Economic Developments outlines the notable economic progress attained by the Bank's DMCs. With an average GDP growth of more than 6.5 per cent in the 1980s, their performance is the most impressive among developing country groups over the past decade. Implementation of appropriate and effective policies has been an important factor in this achievement. Three features of economic management merit particular mention:

First, sensible use of fiscal and monetary instruments has, in many countries, provided the stable macroeconomic environment that is essential for development. Although their macroeconomic performance has varied, the DMCs by and large have understood well that growth is jeopardized when budgets and external accounts are chronically imbalanced and inflation is excessive.

Second, there has been a growing appreciation of the

role that competitive markets and the private sector can play in promoting growth. In varying degree, governments have increasingly come to see their role as the providers of infrastructure and a stable macroeconomic environment, while establishing a structure of incentives for private investment which facilitates resource mobilization and increases the efficiency with which resources are allocated and used.

Third, export development has become a primary objective in many DMCs and has led to a shift away from the import substitution strategy that previously characterized the policies of many countries. The Asian region provides the best examples of how exports can sustain high growth and service foreign debt while subjecting producers to efficiency tests more rigorous than those available in domestic markets. Exports thus serve both primary objectives: they generate capital and increase the productivity of its use.

These concerns have led to a redefinition of the macro and microeconomic policies and restructuring of institutions of earlier decades. While there are important differences in the circumstances of individual DMCs and the pace and extent of change, certain common elements in the adjustment process can be identified.

On the microeconomic side, these new policies have made production structures more competitive. The measures employed include lower levels of protection against imports; progressive deregulation of investment approval, capacity limits and price controls; and a contraction of public regulation of agricultural prices and markets. These measures are designed to create an investment pattern more consistent with comparative advantage. Together with flexible exchange rate management and more focused financial support, they are also meant to help increase export earnings and establish a more diversified export base.

Reforms have been undertaken in the financial sector with a view to increasing domestic savings and allocating credit more efficiently among alternative investment uses. In some countries, governmental intervention in regulating interest rates and allocating credit has been reduced. In some others, efforts are underway to develop a wide variety of financial and capital market instruments in a competitive environment which rewards intermediate efficiency.

PROGRAM LOANS

Country	Program	Amount (in \$ million)			Date of Approval
		OCR	ADF	Total	
Indonesia	Non-Oil Export Promotion Program	75.0	75.0	150.0	17 Dec. 1987
Philippines	Forestry Sector Program	60.0	60.0	120.0	28 June 1988
Bangladesh	Industrial Program	—	65.0	65.0	30 June 1988
Fiji	Agriculture Diversification Program	20.0	—	20.0	29 Sept. 1988
Nepal	Agriculture Program	—	55.0	55.0	24 Nov. 1988
Pakistan	Industrial Sector Program	100.0	100.0	200.0	13 Dec. 1988
Indonesia	Financial Sector Program	150.0	50.0	200.0	20 Dec. 1988
Lao PDR	Agriculture Program	—	20.0	20.0	3 Aug. 1989
Philippines	Fisheries Sector Program	30.0	50.0	80.0	28 Sept. 1989
Sri Lanka	Agriculture Program	—	80.0	80.0	28 Nov. 1989
Western Samoa	Agriculture Development Program	—	15.0	15.0	28 Nov. 1989
Papua New Guinea	Agriculture Sector Program	24.0	56.0	80.0	12 Dec. 1989
TOTAL.		459.0	626.0	1,085.0	

An important feature of the new approach to development has been a trend towards a smaller public role in the direct provision of goods and services. Privatizing public enterprises or restructuring them on a commercial basis have become desirable objectives for some countries. Governments nonetheless consider they have a role to play, mainly by providing physical and social infrastructure and, in some cases, essential goods and public services. They remain the principal source of agricultural support services and irrigation. They also have a large involvement in the provision of energy, transport and communications, water supply, health and education.

Important shifts have often occurred in their approach to these services. For example, while health services and education, in particular, continue to receive substantial public subsidies, reflecting their importance, increasingly, governments are seeking to lower costs through efficiency

measures, and to recover costs tempered by beneficiaries' ability to pay. In other public services, the trend towards self-financing of expenditures is strong.

The Challenge

Despite the progress achieved so far, most Asian economies are still in a transitional phase between policies that were dominant in the 1970s and adjustments that began to be made in the 1980s. This partly reflects difficulties in overcoming past rigidities and barriers to change. Structural adjustments are meant to have clear positive effects on resource allocation. Although these effects will, in the medium term, have a positive global impact and lead to a net gain in benefits, there will be activities (such as inefficient industries) which will be adversely affected and so will seek

to resist change. Governments also seek to minimize the social costs of adjustment by shielding vulnerable social groups, for example, from sharp increases in the prices of essential commodities and services.

While rapid adjustment is sometimes necessary and can work, Asian governments have generally sought to avoid its destabilizing effects in the short term by managing policy change in an incremental and orderly way. The methodical pace is also influenced by the long time frame and evolutionary character of broad-based reform programs, particularly in their institutional aspects. Improving the efficiency of agricultural support services, or creating public confidence in capital market institutions, are cases in point.

Thus, while considerable progress has been made, much remains to be done. Many of the Bank's DMCs have shown an impressive competence in managing structural change while maintaining stability and economic growth. They continue, however, to require external assistance in two ways.

First, they require assistance, financial or otherwise, in varying degree, in preparing adjustment programs in both policy and institutional aspects. The Bank's role is to provide advice at the sectoral level. In this regard, the Bank has acquired considerable intra-regional experience and continues to build upon its capability to analyze policy issues and balance country circumstances with the wider lessons on development that have been learnt internationally. Governments, however, are better able to assess the domestic acceptability of policy redirections and the pace and extent of change. They have a better feel for the country context through which general economic concepts must be intermediated. The reform programs supported by the Bank have benefited from this two-way interaction.

Second, DMCs require financial support to sustain the short-term costs that adjustment programs tend to entail. This is most evident in the strain on budgets and external accounts that liberalization of market restrictions can cause since revenues may fall, budget deficits increase, and imports rise before the new set of price and market relationships begins to work. Equally, adjustments may entail transitional output losses as factors of production are reallocated across sectors in response to the same stimuli. In view of these effects, external financial support is often an essential requirement for adjustment in the DMCs.

Policy Dialogue under Program Lending

Program lending with policy dialogue has emerged as the Bank's response to the DMCs' need for support in preparing and financing their adjustment programs. Although program lending has been among the Bank's lending instruments since 1978, it acquired its present policy-based character only in November 1987 following substantial revisions in its content.

The Bank has generally tried, in its lending operations, to support the emergence of a favorable policy outlook. Policy dialogue has also tended to focus on the degree of

change and its timing. This accords well with the very nature of policy dialogue, which cannot progress unless there is common ground.

The purpose of policy dialogue between the Bank and a DMC is to discuss and develop a policy framework appropriate for Bank support. Policy conditionality cannot be used to essentially change the character or the acceptable speed of reform, but it can establish interim goals and a timetable for implementation. A subsequent portion of the Bank's funds may only be released after these interim goals are substantially achieved. Reforms, however, to be successful, must have broad-based support within the DMC and therefore cannot be, or be seen to be, imposed from outside. The aim of the Bank, in keeping with the injunction in its Charter to achieve the most effective utilization of resources, is to suggest policies which it believes would be conducive to economy and efficiency. At the same time, the Bank, in proposing policy changes, takes into account the realities in the DMCs and the constraints and imperatives facing them. Hence, the Bank's role is to engage in a genuine two-way dialogue, assess recent policy reforms, and agree on a broad and practicable program of future reforms. If the past policy reforms and those proposed for the future provide an adequate basis, the Bank extends its support.

Other Features of Program Lending

Broad-based structural adjustment programs have both macroeconomic and sectoral aspects, and the connections between macro and sectoral issues must be reflected in the designing of sector programs. Fiscal and monetary measures like tariff rationalization, exchange rate movement and interest rate adjustment can have a profound impact on incentives as well as sector-level instruments like deregulation. In keeping with its mandate, the Bank focuses on the sectoral aspects of adjustment and therefore works closely with Bretton Woods institutions as well as governments. Equally important is coordination with major bilateral donor countries, since such countries are leading players in the sectors supported by the Bank.

Program loans are designed to improve a sector's performance over the medium term, thereby contributing to faster economic development. The three major determinants of sector performance are sector policies (particularly those bearing on incentives), the adequacy of institutions to sustain sector objectives, and the level and composition of sector expenditures, both capital and recurrent. These provide a three-cornered framework within which the requirements for sector development are considered.

Policy dialogue is intended to ensure that the rationale underlying existing policy, investment plans, and institutional arrangements are fully understood by both the Bank and the DMC concerned, as well as the implications of proposed changes. If the government's proposed sectoral policy reforms, investment plans, and institutional developments are deemed appropriate for Bank support, they are formalized as a government policy statement in a letter from an

appropriate government official to the President of the Bank. This procedure has been found to appropriately reflect the broad thrust of policy reforms.

Considering the medium-term nature of sector development and the phasing which the policy adjustment process requires, sector programs are normally implemented in distinct stages. The Bank, in most cases, releases program loans in two tranches, so that it can monitor the program and expedite its implementation. The release of the second tranche is determined by the degree to which agreed objectives are attained. Occasionally, however, the key measures required are implemented by the borrowing DMC before the loan is approved. In such cases, the Bank's loan can be made available in a single tranche.

While the focus of programs supported by the Bank is on medium-term sector objectives, loan proceeds are disbursed against sector import needs. Eligible imports are specified on the basis of either a positive list or, if the sector relates to the entire economy, a negative list.

Loan proceeds are usually allocated by the borrowing government to importers against the deposit of equivalent amounts by them in the local currency. The latter accrue to the government's account. These resources in local currency, or counterpart funds, may be dedicated for specific development purposes in the sector supported by the Bank's program. The Bank has been careful in its use of this facility. Dedication is normally related to development expenditures that are consistent with program objectives and should be compatible with sound overall budget management.

In contrast with project loans, program loans are typically disbursed against a wide range of commodities spread over the full spectrum of sector import requirements. The range of importers, both private and public, is proportionately large. Procurement procedures have been designed to reflect these characteristics and take account of the quick-disbursing nature of program lending, while ensuring that economy and efficiency requirements are met. The Bank's policy enables the bulk of procurement under program loans to be governed by normal commercial practice in the private sector and government guidelines for the public sector. International competitive bidding is required only above a threshold set case by case in light of relevant country factors.

These procedures, together with retroactive financing (normally permitted for procurement made up to 180 days prior to loan effectiveness) have enabled rapid disbursement of the Bank's loans. Of the total amount of the seven program loans approved from December 1987 to July 1989, 76 per cent was disbursed within a year of their becoming effective. This compared with 50 per cent over the first year in the case of the seven fastest disbursing project loans in the same countries during the 1980s.

Bank's Record

Since November 1987, when the revised policy came into effect, the Bank has provided 12 program loans in the amount of \$1.085 billion, compared with 17 such loans for \$580 million in the 10 preceding years (1978-1987). Salient features of loans made up to 31 December 1989 are provided in the accompanying table. As primarily a project financing institution, the Bank has set a ceiling on program lending at 15 per cent of its total lending as a three-year average centered on the current year. The Bank is likely to hit this ceiling in the near future.

The sharp rise in program lending is a measure of the DMCs' response to it as a lending instrument. It also reflects the degree to which the two-way nature of policy dialogue has been accommodated in program agendas. The Bank has supported important policy shifts intended to improve incentives and efficiency. At the same time, the pace of reform

DISCUSSING reforestation work progress at Nueva Ecija, Philippines, under the Bank-assisted Forestry Sector Program aimed at restoring the country's ravaged forest cover.

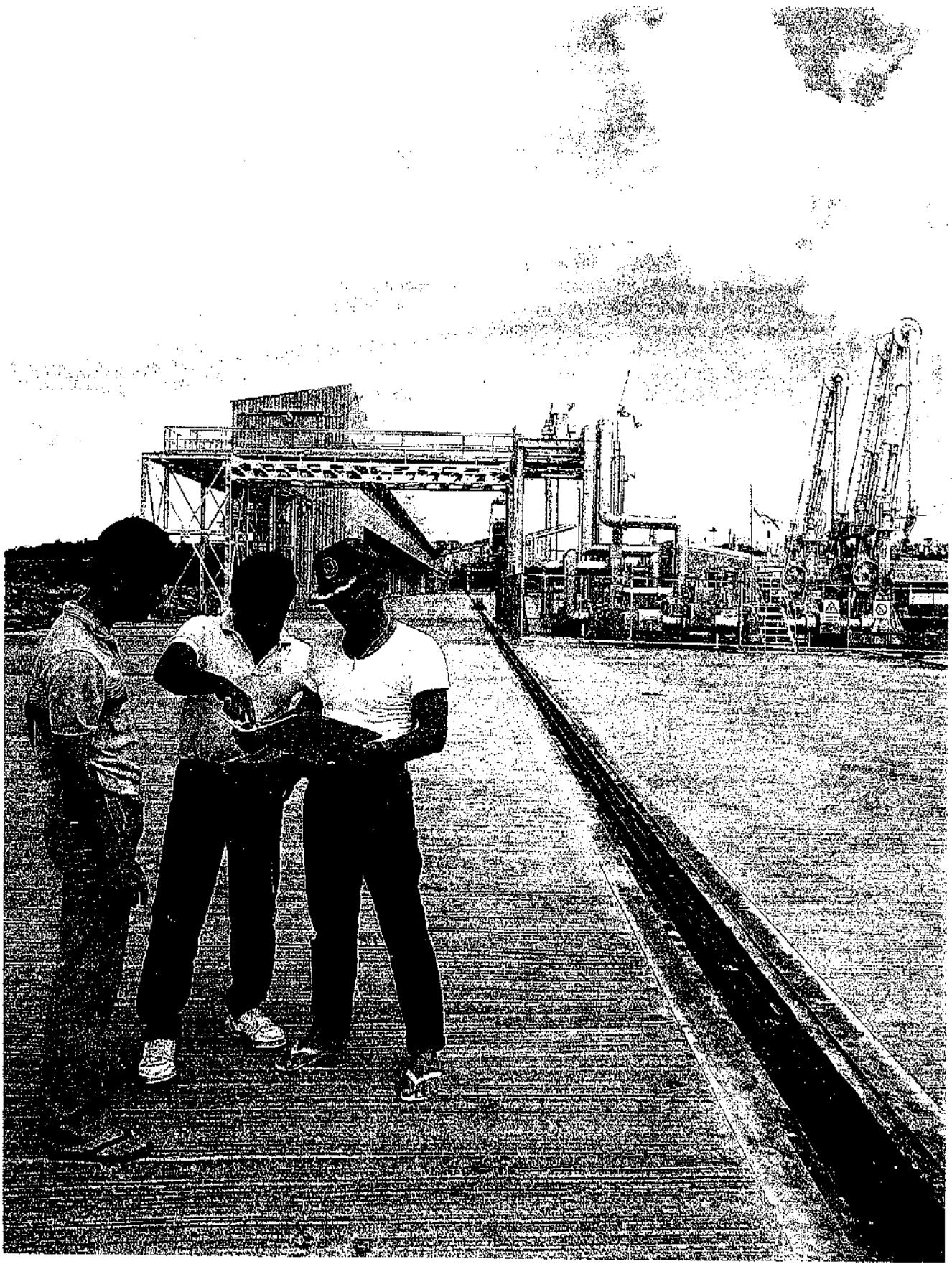
has been methodical and orderly, and has occurred in increments that match DMC perceptions of their capacity to absorb change. The level of government commitment has accordingly been high.

Conclusion

The special features of program lending have enabled the Bank's operations to acquire a wider scope than would be possible through project lending alone, and thereby to better support development in DMCs. Most Asian economies are undertaking wide-ranging adjustments in the policies and institutions through which they seek to accelerate growth, and Bank support in the preparation and

financing of reform programs in a number of its DMCs has been an essential element in the adjustment process. By analyzing sectors, identifying constraints and formulating adjustment measures, the Bank has come closer to an understanding of the policy and institutional underpinnings on which, ultimately, the viability of its projects turns. Policy dialogue rests on a strong foundation, combining the Bank's perspectives with an appreciation of the realities with which governments contend.

Program lending, in its present form, is relatively new for the Bank. The Bank will evaluate its impact carefully, together with recipient governments, with a view to refining its features and enhancing its effectiveness. In the coming years, the Bank intends to maintain the important role that program lending has come to play in its operations.



THE Bintulu Deepwater Port Project in Sarawak, East Malaysia, supported by a \$53.8 million Bank loan, was designed to facilitate exports of general commercial cargo and liquefied natural gas.

BANK OPERATIONS

Loan and Equity Operations

BANK lending in 1989 was made up of project, program and sector loans, credit lines through development finance institutions (DFIs) and agricultural credit.

Including private sector loans, Bank lending in 1989 amounted to \$3,624 million, an increase of 15 per cent over the previous year. Loans from ordinary capital resources (OCR) rose 9.6 per cent to \$2,260 million. Loans from the Asian Development Fund (ADF) increased 25.8 per cent to \$1,363 million.

In addition, the Bank approved 14 equity operations comprising 13 direct investments (\$54 million) and one line

of equity (\$2 million), totalling \$56 million. Two underwriting commitments for a total of \$11 million were also approved.

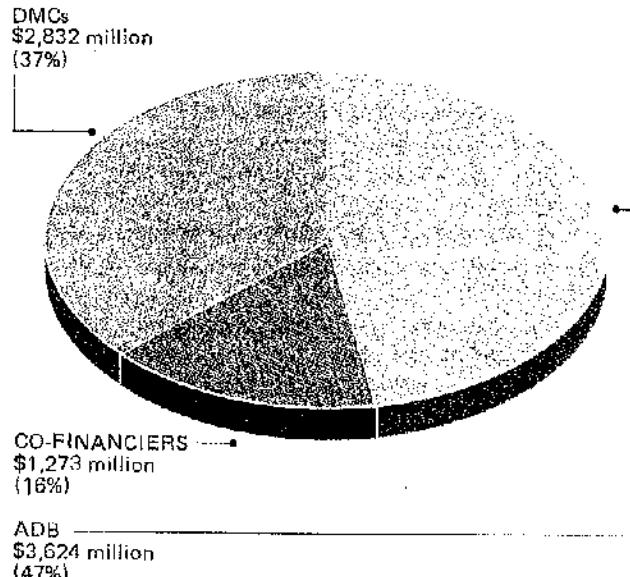
During the year, 69 loans were approved for 60 projects in 15 developing member countries (DMCs). This compared with 61 loans and 56 projects in 18 DMCs a year earlier. The average size of loans increased to about \$53 million from \$52 million in 1988.

Loans financed exclusively from OCR were provided to People's Republic of China, Fiji, India, Malaysia and Thailand. Blended loans from OCR and ADF were approved for Indonesia, Pakistan, Papua New Guinea and Philippines. DMCs which received loans exclusively from ADF were

Projects Approved in 1989: Total Cost and Sources of Finance

	Number of Projects	Amount (\$ million)
LENDING		
Project Loans	42	1,945.0
Program Loans	5	275.0
Sector Loans	7	693.6
Credit Lines	5	705.0
TA Loans	1	5.0
INVESTMENT^a		
Direct Investment	13	54.4
Lines of Equity	1	2.0
TOTAL	74	3,680.0

^a Excluding equity underwriting operations.



Total Cost^b: \$7,729 million

^b Total cost of program and sector loans and credit lines is an estimate.

Bangladesh, Lao PDR, Nepal, Sri Lanka, Tonga and Western Samoa.

Co-financing rose to \$1,273 million from \$774 million in 1988 and the number of projects involving co-financing increased to 26 from 17 in the same period. Official sources of co-financing rose 46 per cent to \$995 million and their share of total co-financing decreased to 78 per cent from 88 per cent in 1988. Co-financing from commercial sources increased to \$278 million from \$94 million in 1988, or 22 per cent of the total compared with 12 per cent. In the private sector, co-financing totalling \$62 million was provided under the Bank's Complementary Financing Scheme.

Projects approved during 1989 - including credit lines, program and sector loans - had an estimated total cost of \$7.7 billion, of which 37 per cent was to be provided by borrowing DMCs and 16 per cent by co-financiers.

Local cost financing in 1989 amounted to \$812 million for 31 projects in 10 DMCs. OCR provided \$276 million of this amount, and ADF \$536 million, representing 12 per cent and 39 per cent, respectively, of OCR and ADF loans approved. A year earlier, OCR had provided \$226 million of local cost financing and ADF \$338 million, representing 11 per cent and 31 per cent, respectively, of OCR and ADF loans approved.

The Bank's cumulative public and private sector lending by the end of 1989 had reached \$28.6 billion for 906 projects in 29 DMCs, of which \$19 billion was from OCR and \$9.6 billion from ADF. The Bank's equity operations, which began in 1983, had reached a cumulative total of \$144 million for investments and underwritings by the end of 1989.

The Bank's Role in Resource Transfers

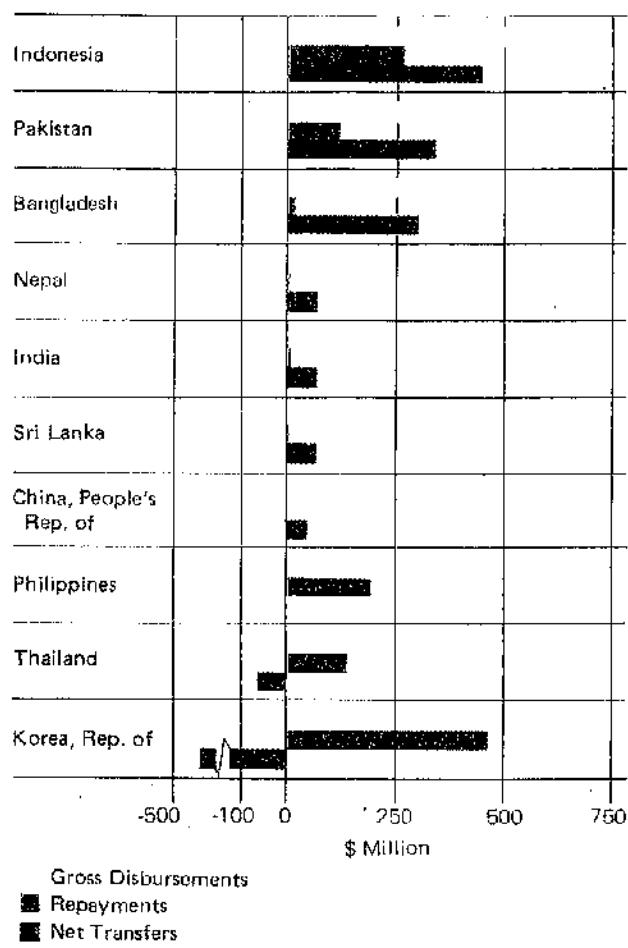
Resource flows from the Bank and other multilateral development institutions have become an important source of external funds for DMCs, given constraints on, and fluctuations from, other sources. Bilateral official flows have been constrained by budgetary considerations of major donors and flows from private sources have fluctuated greatly since 1982.

Although flows from the Bank are small relative to the total net flow to DMCs, they have made additional development finance available for the region. The Bank has also been a catalyst in mobilizing a larger inflow of external resources to DMCs.

The Bank's net transfer of resources (disbursements minus capital repayments and prepayments, payments of interest and other charges plus equity investments) to the DMCs rose 56 per cent to \$879 million in 1989. The increase was due to a significant improvement in loan disbursements and equity investments.

Loan disbursements and equity investments rose by 37 per cent to a record \$2,278 million. Several factors contributed to this. First, there were large undisbursed OCR

1989 Net Transfer of ADB Resources to Selected DMCs



loans at the beginning of 1989 as a result of a continuous increase in commitments in recent years. In addition, a number of loans approved in earlier years reached the stage of peak disbursement. Secondly, the Bank introduced a wide range of measures to improve project administration and facilitate loan disbursement in line with the recommendations of the Committee on Speeding Up Project Administration. Greater authority has been given to the executing agencies with respect to project implementation and loan administration. This includes high thresholds for international shopping and direct purchase. Thirdly, the project implementation capabilities of executing agencies have been improved through the Bank's technical assistance for staff training and country procurement and disbursement seminars. Fourthly, the Resident and Regional Offices played an important role in improving project administration and implementation. Finally, there was a sharp increase in the outflow of quick-disbursing program loans which follow more flexible procurement and disbursement procedures than project loans. Disbursements under program loans rose

to \$451 million in 1989 from \$191 million a year earlier.

The aggregate net transfer of resources from the ADF increased by 30 per cent to \$804 million. This was largely due to the substantial increase in disbursements and a small amount of principal repayments and service charges arising from the high grant element of ADF loans.

The net transfer of OCR resources, negative since 1986, was reversed in 1989 with a positive net transfer of \$75 million compared with a negative transfer of \$53 million a year earlier.

The Bank's transfer of resources varied from country to country. Most ADF-recipient DMCs registered a positive net transfer of ADF resources in 1989 as a consequence of the increase in the level of disbursements. The major recipients of ADF resources were Bangladesh, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka and, to a lesser extent, Lao PDR and Myanmar. Of these, Indonesia, Pakistan, Papua New Guinea and Philippines have access to both ADF and OCR resources.

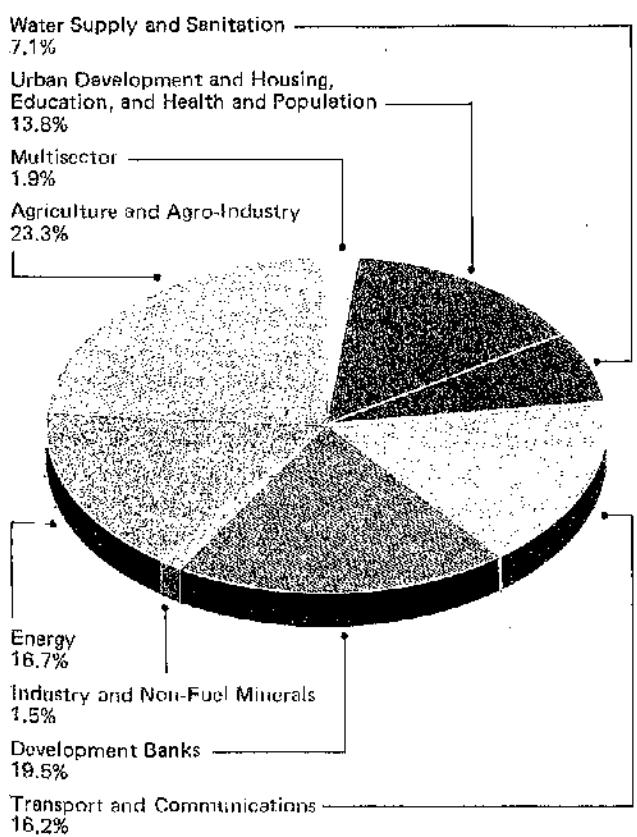
There was a significant increase in net transfers of ADF resources to Lao PDR, Nepal and Sri Lanka due to the quick disbursement of agriculture program loans. In contrast, the

net transfer of ADF resources to Myanmar fell because the active loans have only small balances remaining for disbursement. In the past five years, Myanmar borrowed from the Bank only in 1986.

The DMCs experiencing negative transfers of OCR resources in 1989 were, in descending order: Republic of Korea; Thailand; Malaysia; Philippines; Singapore; Fiji; and Taipei, China. The newly industrializing economies (NIEs) — including Republic of Korea; Singapore; and Taipei, China — have graduated from a dependence on official financial resources and are in the net repayments phase.¹ In Malaysia and Thailand, OCR disbursements did not match principal repayments and payments of interest. In addition, they made advance repayments to the Bank. The negative transfer of OCR resources to the Philippines declined in 1989 and was offset entirely by the positive transfer of ADF resources. Five OCR-recipient DMCs, namely People's Republic of China, India, Indonesia, Pakistan and Papua New Guinea, continued to have positive net transfers of OCR resources. The

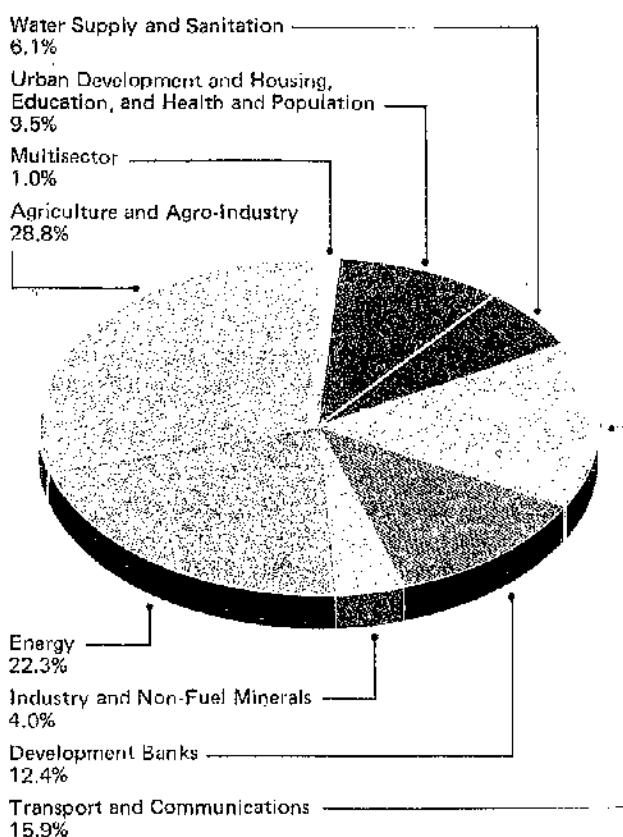
¹ Hong Kong had completed its principal repayments and interest payments on Bank loans in 1988.

Loan Approvals By Sector: 1989



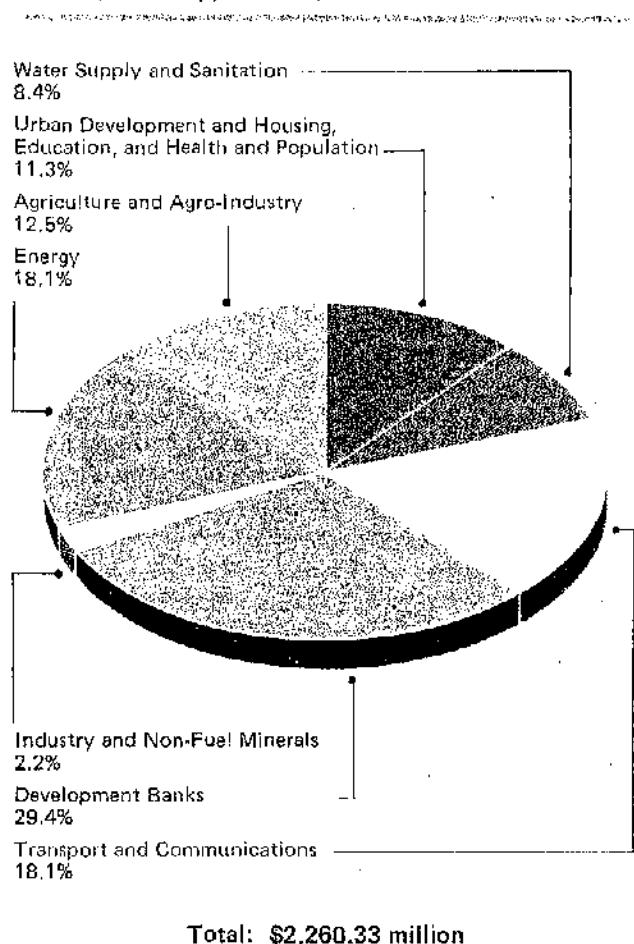
Total: \$3,623.59 million

Loan Approvals By Sector: 1968-1989

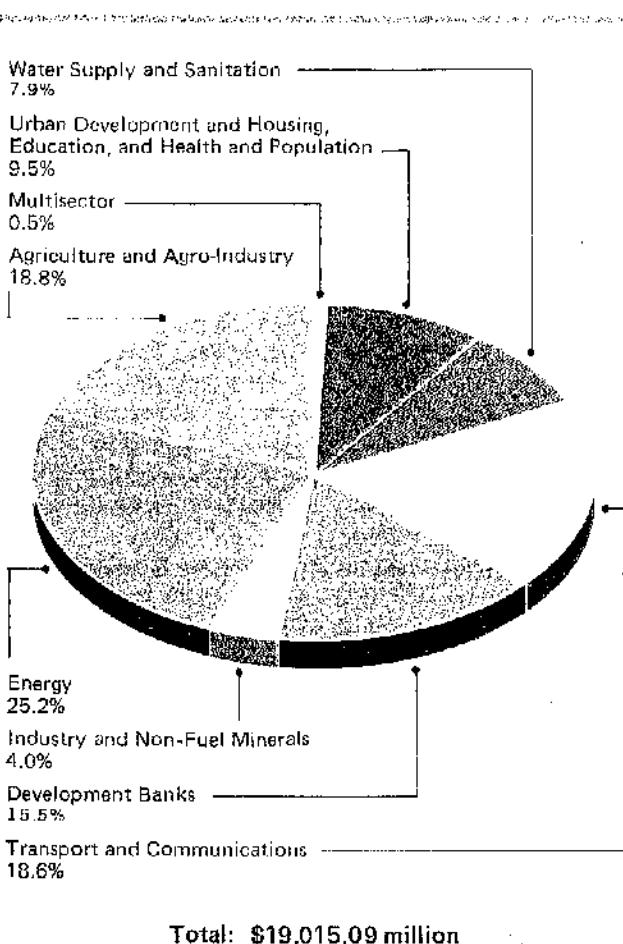


Total: \$28,596.65 million

Ordinary Loan Approvals By Sector: 1989



Ordinary Loan Approvals By Sector: 1968-1989



Bank began lending to India and People's Republic of China in 1986 and 1987, respectively, and most loans are not yet due for repayments.

Sectoral Review

In recent years, with the formulation of the Bank's country strategies, Bank lending has been increasingly focused on areas in which its resources can be utilized with maximum effectiveness. Of necessity, sectoral priorities vary from country to country and, over the years, within individual DMCs. The sectoral distribution of Bank loans is more often the outcome of the combined effect of individual country programs than of a pre-determined allocation. Thus, trends in this regard are difficult to forecast.

Similarly, the use of the Bank's loan modalities in individual sectors can vary. During 1989, for example, all program lending happened to take place in the agriculture sector, whereas in the previous year such loans were spread

across the industrial, financial and agriculture sectors. Of seven sector loans in 1989, four went to social infrastructure and the rest to the highways subsector and to the energy sector. The previous year, three of the seven sector loans were for the energy sector with the remainder going to agriculture, social infrastructure and the highways subsector.

The following sectoral review of Bank lending in 1989 is made in the light of the above clarifications.

Agriculture and agro-industry remains the most important sector of Bank operations, accounting for 29 per cent of cumulative Bank lending and 48 per cent of its grant-financed technical assistance. The sector's share of total lending in 1989 rose to over 23 per cent, from 21 per cent in 1988. In terms of volume, 21 loans totalling \$846 million for 18 projects and programs were approved, a 26 per cent increase over \$674 million in 1988.

As in the past, Bank lending in 1989 supported the region's growth in agricultural production, rural employment and farm incomes. However, the focus of such lending is shifting increasingly to agricultural diversification, poverty

alleviation and environmental protection. Thus, the agriculture sector portfolio in 1989 included loans and technical assistance projects for food and secondary crops, fisheries including aquaculture, livestock, horticulture, community forestry, irrigation maintenance and rehabilitation, flood protection, land use and watershed management.

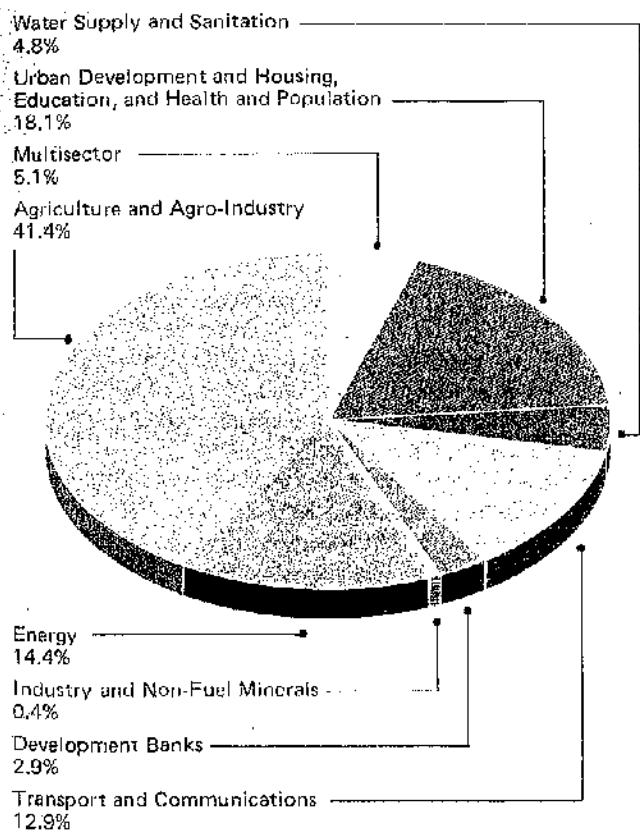
In order to enhance the efficiency and effectiveness of agricultural operations, DMCs have been addressing the policy and institutional constraints affecting this sector, as well as the structure of producer incentives. The Bank supported these efforts with program loans totalling \$275 million (or 32.5 per cent of total lending to the sector) for five programs in Lao PDR, Papua New Guinea, Philippines, Sri Lanka and Western Samoa. The loans enabled the Bank and the borrowers to initiate important policy reforms and to improve sector capabilities, while the quick-disbursing nature of the loans helped to alleviate foreign exchange problems. Complementing the program loans were 13 technical assistance projects totalling \$3.7 million. These were designed to strengthen sector institutions and the manage-

ment capabilities of executing agencies, and to carry out studies and research.

The program loans to Lao PDR, Papua New Guinea and Western Samoa were intended to increase agricultural productivity and reform and strengthen institutions. The agriculture program loan to Sri Lanka supported the Government's agriculture sector development program and policy reforms aimed at achieving more self-reliance in food production, increased export crop production and the promotion of agro-industry. The Fisheries Sector Program in the Philippines was designed to regenerate coastal fisheries resources, provide incentives for offshore fishing, reduce post-harvest losses and strengthen support services.

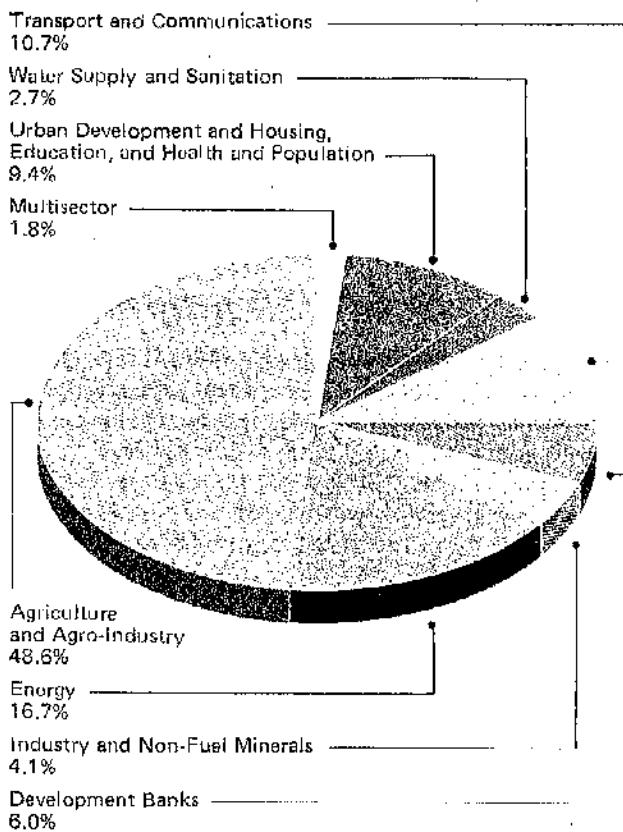
The Bank continues to give priority to developing and rehabilitating irrigation facilities to achieve higher agricultural productivity. Four loans were approved for three irrigation and rural development projects in Indonesia, Malaysia and Pakistan, accounting for 32 per cent of total lending to the sector. The loan to Pakistan was to mitigate flood damages, while the construction and rehabilitation of flood

Asian Development Fund Loan Approvals By Sector: 1989

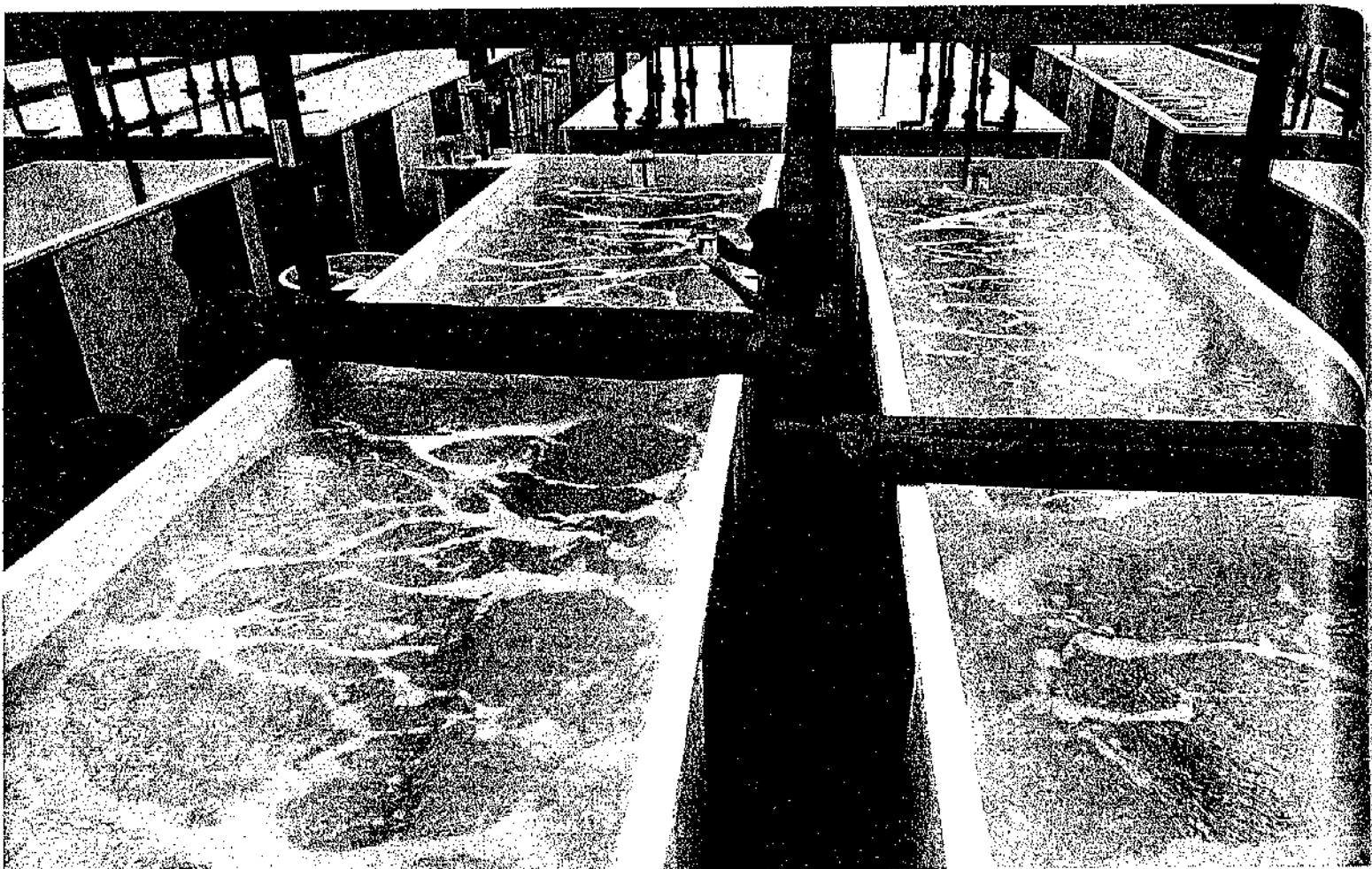


Total: \$1,363.26 million

Asian Development Fund Loan Approvals By Sector: 1968-1989



Total: \$9,581.56 million



SHRIMP hatcheries in Indonesia set up under the Brackishwater Aquaculture Development Project which the Bank has supported with a \$23 million loan.

control facilities were included as components of the other projects.

The Bank provided some loans for forestry in line with its focus on the environment and on poverty alleviation. One loan to Bangladesh was aimed at increasing biomass fuel production and enhancing institutional capability for implementing a nationwide social forestry program. A Philippine project targeted low-income upland communities as the beneficiaries in the rehabilitation and reforestation of eight major watersheds. One loan to Indonesia, however, was designed to enhance forest produce.

Agricultural diversification in DMCs is another major concern of the Bank. Thus, loans to Pakistan and Indonesia financed the development of livestock and brackishwater aquaculture, respectively. A Bangladesh project involved horticulture development, while another in Nepal was aimed at developing secondary crops. A loan to Sri Lanka was to revitalize livestock, fisheries and other agricultural activities in areas affected by internal disturbances.

Technical assistance projects approved during the year were closely related to the sectoral objectives of productivity and sustainability. Advisory technical assistance projects

included such fields as forestry sector master plans, pricing and distribution policies while the multisectoral technical assistance program loan to Papua New Guinea was aimed at helping the Government to identify and prepare high-priority projects in important sectors, including agriculture. The Bank also continued to support agricultural research activities through collaboration with regional and international agricultural research centers.

Lending for the industry and non-fuel minerals sector (including development banks) fell by 8 per cent to \$761 million. The focus of Bank lending was on providing credit to small-scale and medium-scale enterprises, assisting better absorption of a growing labor force and a more balanced dispersal of industry. The Bank has also stepped up its direct assistance to private sector projects, as these have proven to be among the most dynamic elements in DMC economies.

The bulk of Bank financing to this sector comprised five credit lines to DFIs totalling \$705 million (or 19.5 per cent of total lending compared with 13 per cent in 1988). These loans to DFIs in India, Indonesia, Pakistan, Philippines and Tonga were intended to help finance small-scale and

medium-scale industrial projects. As in the past, Bank assistance to DFIs should prove an effective means of supporting industrial ventures that are not large enough to be dealt with directly by the Bank. At the same time, the credit lines should strengthen the financial sectors of the DMCs by helping DFIs broaden their resource base. Associated technical assistance will improve portfolio management and upgrade systems for project appraisal and accountability.

In line with the increased focus on private sector operations, the Bank in 1989 provided loans to eight private sector projects in this sector, totalling \$86 million (up from three such projects amounting to \$34 million in 1988). The Bank assisted manufacturing ventures for fertilizer (Pakistan), cement (Pakistan) and textiles (India, Nepal and Pakistan). The Bank was also active in assisting firms that provide financial services to broaden and deepen the financial sectors of DMCs. More than one third of the private sector lending in this sector went to leasing companies (in Bangladesh, Indonesia and Pakistan), a relatively new activity in DMCs. Bank support in these cases involved not only financial resources but also advisory services.

In addition, technical assistance projects totalling \$6.7 million were approved.

The Bank's growing emphasis on issues pertaining to living standards and to poverty alleviation contributed to a substantial increase in lending for *social infrastructure*. While the number of projects rose to 12 in 1989 from eight a year earlier, the volume of lending rose by 70 per cent to \$757 million as a result of lending to larger DMCs. Consequently, the sector's share of total lending increased to 21 per cent in 1989 from 14 per cent in 1988. Unlike the previous year, when five out of eight projects were for the education subsector, in 1989 the Bank's social sector lending was more evenly distributed with four projects each in water supply and sanitation, and in urban development and housing; three projects in education; and one in health and population. In the *water supply and sanitation* subsector, the Bank approved five loans for four projects amounting to \$256 million. These included two water supply projects for Metro Manila, Philippines, a \$130 million loan for increased supply and a \$26.4 million loan to reduce system losses; a \$14.4 million sector loan to Nepal to supply water to about 85 rural communities and to extend supplies for six urban centers; and an \$85 million blended loan to Pakistan to improve and expand sewerage facilities in Karachi. Ten technical assistance grants amounting to \$3 million were also approved for this subsector.

In the *urban development and housing* subsector, the Bank approved five loans for four projects totalling \$220 million. Three of these projects were for urban development (in Bangladesh, Indonesia and Pakistan) and one for low-income housing in Fiji. The Fiji project provided, for the first time, funds for a housing finance institution. Thirteen technical assistance projects totalling \$5.2 million were approved for wide-ranging institutional and project-preparatory support. In addition, an urban sector profile was completed for the Philippines.

In the *education* subsector, the Bank approved three loan projects totalling \$176 million in 1989. The Second Vocational Education Project in Indonesia and the Technical Education and Vocational Training in Nepal are aimed at improving the quality and efficiency of vocational and technical education. The Primary Education (Girls) Sector Project in Pakistan is designed to increase educational opportunities for girls, in line with the Bank's stress on women in development activities. Eleven technical assistance projects totalling \$2.4 million were approved. In addition, placement of scholars during the academic year 1989-1990 continued both for the Japan-ADB Scholarship Program, financed by the Government of Japan for postgraduate studies in development-related fields, and for the ADB-financed program to award short-term scholarships for skills upgrading in the South Pacific and other small DMCs.

In the *health and population* subsector, one sector loan of \$105 million for Malaysia and four technical assistance projects amounting to \$1.6 million were approved. In addition, a contribution was made to a regional seminar on health insurance. A health and population sector profile for Bangladesh was also completed.

Bank assistance to the *energy* sector during the year was focused on the utilization by DMCs of indigenous and, wherever possible, renewable sources of power generation. A loan to India financed a thermal power project based on domestic coal reserves, while projects in Papua New Guinea and Philippines were designed to develop hydro and geothermal energy, respectively. Other objectives of Bank loans to this sector were to help DMCs enhance the efficiency of energy delivery networks, reduce losses in energy distribution and upgrade the maintenance and operations of energy facilities. For the first time, the Bank financed a private sector project for power generation (in the Philippines), which also included the Bank's first equity investment in the energy sector. In addition, a special assistance loan to Nepal financed storage and distribution facilities for oil products.

Total Bank lending for the energy sector rose to \$605 million for six projects from \$567 million in 1988. However, the sector's share of total lending declined to 16.7 per cent from 18 per cent.

Fourteen technical assistance grants totalling \$4.24 million were approved for this sector. These included projects to evaluate environmental concerns in energy development in the region, promote energy cooperation and strengthen power planning capabilities in the region. One project was to help India prepare an environmental management plan for a coal fired power plant.

Lending to the *transport and communications* sector fell to \$586 million from \$630 million and its share of total lending dropped to 16 per cent from 20 per cent in 1988. As in the previous year, well over half this assistance was provided for five projects in the *highways* subsector. The emphasis was on road improvements and rehabilitation to meet the substantial traffic growth that has occurred in many DMCs. Two sector loans — one to Indonesia and the other to Thailand — were provided during the year while a loan

to Bangladesh for flood damage restoration included a roads component. The Bank also completed a transport sector profile of Pakistan during the year.

In addition to the project loans, the Bank approved 14 technical assistance projects amounting to \$4.7 million for project preparation, maintenance and institution-building. To ensure adequate future maintenance of roads and the efficient allocation of resources in this subsector, the Bank has also had extensive policy dialogue with the DMC agencies concerned on such matters as the pricing of transport infrastructure and services, and the financing of road construction and maintenance budgets.

In the *ports, railways and telecommunications* subsector, the Bank approved four loans totalling \$187 million. In the *telecommunications* subsector, the Bank approved a \$118 million loan to India to provide modern plant and machinery for the local manufacture of improved cables. The Bank also approved a \$7.4 million loan to Western Samoa for the rehabilitation and expansion of its telecommunications network.

In the *railways* subsector, a \$39.7 million loan was approved for the construction of the Shanxi-Xiaoliu railway project in the People's Republic of China.

In the *ports* subsector, the Bank approved a \$22 million loan to Indonesia to rehabilitate port facilities in Kalimantan and Sulawesi.

In addition, 10 technical assistance projects totalling \$2.8 million were approved for the *ports, railways and telecommunications* subsector.

Technical Assistance

Role of Technical Assistance and Its Funding

Technical assistance activities, which are an integral part of country programming exercises, play an increasingly important role in Bank operations. A principal function of technical assistance is to facilitate the transfer of resources and technology to the DMCs by helping them identify, design, formulate, implement and operate development programs and projects. Technical assistance is also used to enhance DMC capability to formulate strategies, policies, programs and plans to improve the allocation of scarce domestic and external resources.

Although technical assistance operations will continue to support these traditional functions, more emphasis will also be placed on other areas. These include institutional development; sectoral and issues-oriented studies; the needs of the less and least-developed DMCs and the small island DMCs; support for the Bank's evolving operational strategy; the Bank's role as a regional Development Resource Center; and efforts to improve regional cooperation.

Technical assistance activities are financed by the Bank through grants, loans or a combination of both. Funding for grant-financed technical assistance activities comes from voluntary contributions to the Technical Assistance Special Fund (TASF) from both developed and developing member

countries; allocations to TASF from ADF V; income from OCR operations; the Japan Special Fund (JSF); and grants from other multilateral and bilateral sources under co-financing and exclusive financing arrangements.

Funding for loan-financed technical assistance comes from OCR and ADF, together with other multilateral and bilateral sources under co-financing or exclusive financing arrangements.

By the end of 1989, a total of \$2,107 million in technical assistance loans and grants had been provided for 2,144 projects, including regional projects. Of this amount, \$420 million had been grant-financed and \$1,687 million loan-financed.

The importance of technical assistance to the Bank's overall lending program is highlighted by the fact that, in 1989, 27 Bank loan projects totalling \$1.5 billion resulted from technical assistance. Of this amount, about \$834 million was from OCR and \$692 million was from ADF, representing 37 per cent and 51 per cent, respectively, of OCR and ADF loans approved.

Cumulatively, by the end of 1989, the Bank had provided project preparatory technical assistance totalling \$279 million, resulting in 401 Bank loan projects amounting to \$12.5 billion and involving an estimated total investment cost of \$31 billion. Also by the end of the year, the Bank had approved \$1.8 billion for advisory and project implementation technical assistance and \$67 million in grants for regional activities.

Grant-Financed Technical Assistance

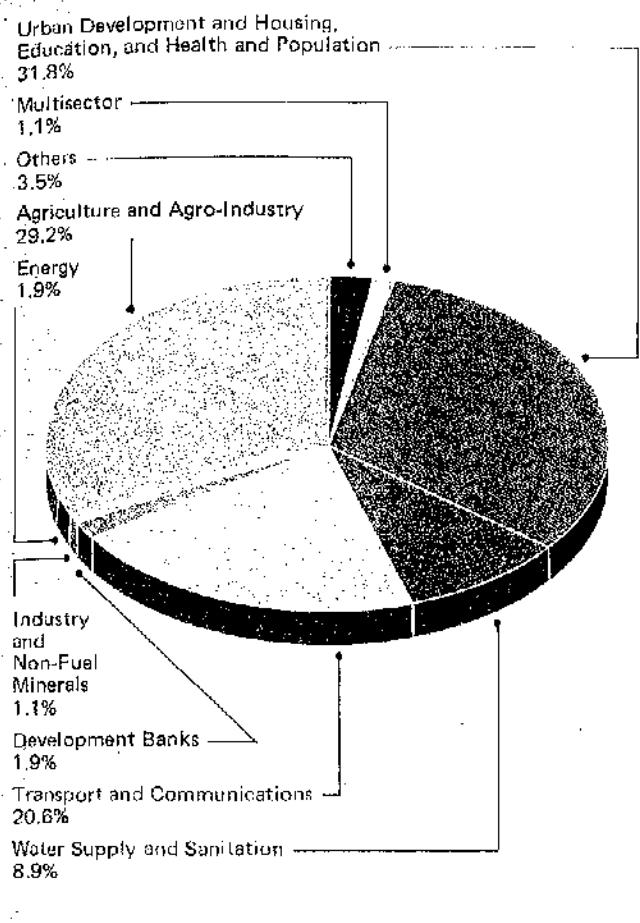
Technical assistance grants approved by the Bank (funded by the Bank and other sources) totalled \$81 million for 235 projects, including regional activities, in 1989. This compared with \$59 million for 187 projects approved in 1988 and brought the cumulative total to \$420 million. Of the 1989 total, 65 per cent was provided for advisory and project implementation purposes, 19 per cent for project preparation and 16 per cent for regional activities.

Fifty-eight per cent, or \$39.5 million, of the total amount of technical assistance grants to DMCs went to countries fully eligible for ADF loans, an increase from 44 per cent in 1988. The increase was mainly due to the significant increase of technical assistance grants to countries such as Bangladesh, Lao PDR, Nepal, Sri Lanka and Western Samoa.

Regional technical assistance grants amounted to \$12.6 million for 50 projects, up from \$9.6 million for 44 projects in 1988. During the year, 21.5 per cent of the total amount of regional activities went to training; 30.8 per cent to studies and workshops; 24.3 per cent to research; 20.5 per cent to conferences and seminars; and 2.9 per cent to other activities.

Sectorally, agriculture and agro-industry retained the largest share of grant-financed technical assistance with 44 per cent, maintaining the same share as a year earlier. This was followed by social infrastructure with 16 per cent and others with 12 per cent, compared with 16 per cent and

Technical Assistance By Sector: 1989^a



^a Excludes regional activities.

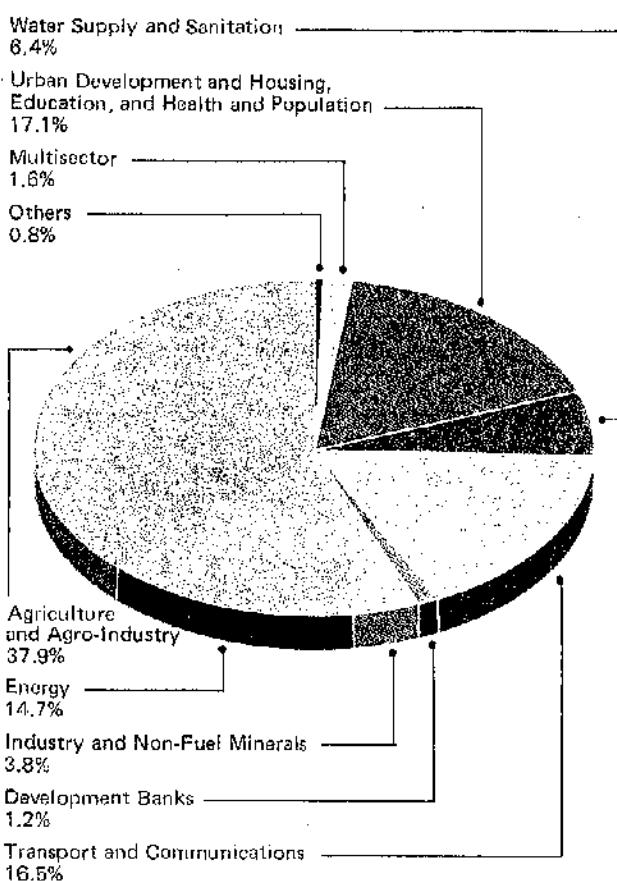
4 per cent, respectively, a year earlier. Transport and communications accounted for 11 per cent, a decrease from 16 per cent in 1988. Industry and non-fuel minerals accounted for 10 per cent, a decrease from 13 per cent the previous year. Energy accounted for 6 per cent, a decrease from 7 per cent in 1988.

The Bank acts as executing agency for technical assistance financed from other bilateral and multilateral sources. In 1989, such projects were financed by agencies including the Danish International Development Agency, the Finnish International Development Agency, the United Nations Development Programme and the Governments of Norway and Switzerland.

Loan-Financed Technical Assistance

During 1989, technical assistance components of loans totalled \$158 million, an increase of 43 per cent over the previous year. A total of \$154 million, or 97 per cent, was provided for advisory and project implementation purposes

Technical Assistance By Sector: 1967-1989^b



^b Excludes regional activities.

while 3 per cent was for project preparation.

Group A (low-income) DMCs received about 34 per cent of the total amount of loan-financed technical assistance approved in 1989 compared with 41 per cent during 1988. Group B (middle-income) DMCs received 56 per cent in 1989 compared with 58 per cent in 1988 and Group C (higher-income) DMCs received 9 per cent in 1989 compared with 1 per cent in 1988.

The sectoral distribution of the total amount of loan-financed technical assistance approved in 1989 included 51 per cent to social infrastructure, followed by 25 per cent to transport and communications, 23 per cent to agriculture and the remainder to energy and multisector.

Japan Special Fund

In 1989, the Government of Japan contributed the equivalent of \$50.8 million (net of translation adjustments) to the Japan Special Fund (JSF), an important source of the Bank's technical assistance funding.

The JSF was established in 1988 after the Bank entered into a financial arrangement with Japan and agreed to administer the fund.

The objective of the JSF is to help DMCs restructure their economies and broaden their scope of new investment opportunities, assisting the recycling of funds to DMCs. The JSF supports DMC efforts towards industrialization, natural and human resources development and technology transfer.

The fund is used to finance or co-finance technical assistance projects, on a grant basis, whether in the public or private sector, including project preparation, advisory services and regional activities; and, in special cases and on a grant basis, technical assistance components of public sector development projects financed under loans from the Bank.

Grant-Financed Technical Assistance Approvals Funded from Other Sources,^a 1989
(amounts in \$ thousand)

Agency	Number of Projects	Amount
United Nations Development Programme	8	10,075.0
Switzerland	1	550.0
Finnish International Development Agency	2	574.0
Danish International Development Agency	1	140.0
Norway	3	662.0
Netherlands	1	595.0
Sweden	1	100.0
TOTAL	14^b	12,696.0

a With the Bank acting as Executing Agency.

b A project financed by more than one source is counted as one.

Other Sources of Technical Assistance Grants

As in previous years, the Bank was able to secure funding from other sources to supplement its grant resources (mainly Technical Assistance Special Fund and OCR income) for technical assistance operations. Such financing – either on an exclusive or co-financed basis – was provided for technical assistance activities in which the Bank acted as the executing agency. The United Nations Development Programme was an important source of funds, providing \$10.1 million for eight technical assistance projects, compared with \$9.2 million for 12 projects a year earlier. Other

sources included bilateral agencies such as the Danish International Development Agency, the Finnish International Development Agency and the Governments of Netherlands, Norway, Sweden and Switzerland. Such financing is available on an *ad hoc* basis and depends on the agencies' or governments' interest in the areas covered by the Bank technical assistance.

In 1989, such financing amounted to \$12.7 million, or 16 per cent of all technical assistance grants approved during the year, compared with \$12.3 million, or 21 per cent, in 1988. Of this, \$7.4 million for six projects was provided on an exclusive financing basis and \$5.3 million for eight projects was for co-financing with the Bank or the Japan Special Fund.

Also during the year, an untied French fund of \$10 million was established to finance technical assistance operations of the Bank. A similar fund, to be financed by the Finnish Government, was under discussion.¹

Education, Training and Institutional Development

The Bank has assisted its DMCs establish effective and efficient education systems for almost two decades. In 1988, the Bank established a new education sector policy under which, as described in the sector paper *Education and Development in Asia and the Pacific*, education is viewed as both a human need and a human right as well as a component of socio-economic development.

The new education sector policy goes beyond a narrow rationale based on manpower requirements to a broader approach responsive to the demand for general literacy and education and to the need for specialized manpower.

This was reflected in the Primary Education (Girls) Sector Project approved during the year for Pakistan. The project supports the Government's goal of increasing educational opportunities for girls and is the Bank's first venture at this level of education.

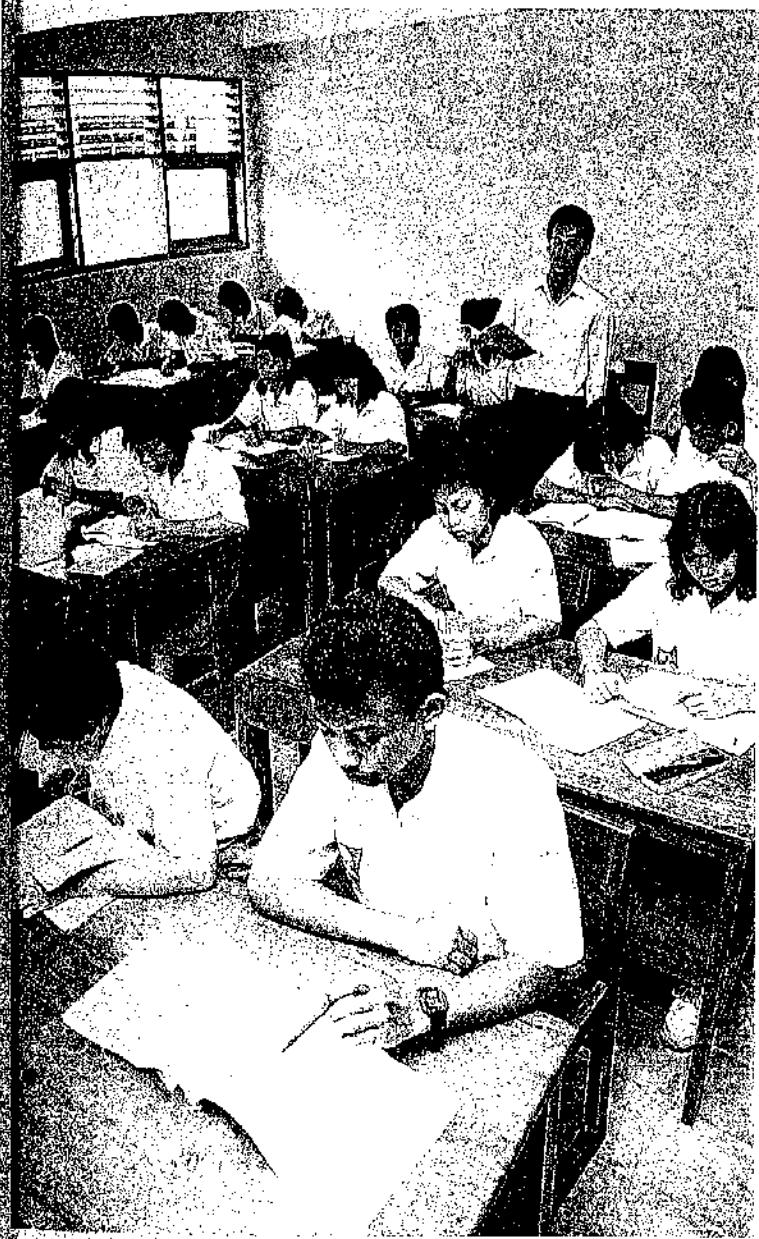
The other two projects approved in 1989, the Second Vocational Education Project in Indonesia and the Technical Education and Vocational Training in Nepal, are designed to help the governments improve the quality and efficiency of vocational and technical education.

Cumulatively, Bank loans to the education subsector had reached \$1.2 billion for 39 projects as of end-1989.

Some of the 11 technical assistance grants, totalling \$2.4 million, approved for the education subsector during the year also mirrored the new policy direction. Examples include the Non-Formal Education Project in the Philippines and the Open University Project in Bangladesh.

Four technical assistance grants, including three regional projects, were to assist DMCs formulate policies and strategies for the education and training subsector. Examples include the Education Sector Study in Lao PDR

¹ This was approved by the Board in January 1990.



CLASSROOM activity at a school in Jakarta, Indonesia, under the Vocational Education Project which the Bank has supported with a \$40 million loan.

to help the Government formulate an education master plan and the Round Table Conference of South Asian Member Countries on Distance Education held in Pakistan.

Cumulatively, the Bank had provided technical assistance grants totalling \$15.3 million for 68 projects in the education subsector by end-1989.

During the year, the Bank also provided financing amounting to more than \$30 million for education and training components of projects in other sectors.

For example, in the agriculture sector, training components amounted to \$7.7 million for the Agricultural Rehabilitation Project in Sri Lanka and \$6.7 million and \$5.4 million, respectively, for the Second Brackishwater

Aquaculture Development Project and the Nusa Tenggara Agriculture Development Project, both in Indonesia.

In the power sector, the Bank provided technical assistance totalling \$85,000 and \$198,000, respectively, to train staff under the Rayalseema Thermal Power Project in India and at the Electricité du Laos in Lao PDR.

For institutional-strengthening purposes, the Bank provided technical assistance grants of \$290,000 and \$328,000 to the Development Bank of Fiji and the Development Bank of Tonga, respectively.

The Bank provided seven other technical assistance grants, two of them regional in scope, to train DMC officials in different fields. These included four grants for training in the management of foreign aid and domestic resources.

Scholarship Programs

During its second year of implementation (1989/1990), the Japan-ADB Scholarship Program financed by the Government of Japan saw 60 new scholarships awarded and 41 scholarships renewed. The scholars came from 13 DMCs. The Government of Japan provided \$1.4 million, double the amount provided during the first year. Eleven regional institutions known for their research and teaching capability in management and technology are participating in the program. These are the Asian Institute of Management and the International Rice Research Institute in the Philippines; the Asian Institute of Technology in Thailand; the East-West Center in Hawaii; the Lahore University of Management Sciences in Pakistan; the International University of Japan and the University of Tokyo in Japan; the University of Sydney in Australia; the Indian Institute of Technology in Delhi; the National University of Singapore; and the University of Hong Kong.

The ADB-financed Scholarship Program for Smaller DMCs, a \$300,000 regional technical assistance, sponsored short-term training courses for 31 government-nominated individuals from 11 DMCs. These are Bhutan, Lao PDR, Maldives and the eight South Pacific DMCs of Cook Islands, Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Vanuatu and Western Samoa.

Country Strategies and Policy Dialogue

The Bank continued to emphasize country strategy studies as the basis for its operations during the year. The strategy studies examine the DMCs' economic and social situation and provide a framework for Bank assistance. They also take into account concerns such as poverty alleviation, environmental protection and the role of women in development.

New country strategy studies were completed during the year for Bangladesh, Indonesia, Papua New Guinea and Western Samoa and were started and are ongoing for Bhutan, People's Republic of China, Fiji, India, Pakistan, Solomon Islands and Tonga. In 1990, it is intended to carry out a strategy study for Lao PDR and revise the study on

Malaysia. Work will continue on strategy studies for some of the smaller South Pacific DMCs.

An important aspect of country strategy is policy dialogue, which enables the Bank to improve its operations and the policy environment in the DMCs. During 1989, policy issues were discussed mainly in the financial, agriculture and energy sectors. The improvement of financial management, including cost-recovery schemes, was emphasized in policy dialogue.

The financial sector program loan provided to Indonesia in 1988 has resulted in successful policy reform packages in the banking system and securities market. A similar policy reform-based program is under consideration for the Philippines. In the agriculture sector, discussions centered on the food crops area in Indonesia, the Agriculture Sector Program in Papua New Guinea and the Agriculture Development Program in Western Samoa. In Fiji, the dialogue included the abolition of agricultural input subsidies, the introduction of production and export incentives and the strengthening of sector institutions. In Pakistan's energy sector, a key issue under discussion is the mobilization of additional resources through appropriate pricing and load management techniques.

Private Sector Assistance Activities

In the past, Bank assistance to the private sector was provided, under government guarantee, through credit lines

to development finance institutions (DFIs) and sector and program loans to the industrial and financial sectors. These continue to be important for the Bank.

Several DMC governments, faced with resource constraints and to speed up economic development, gave a larger role to the private sector by liberalizing their economies and financial systems and by opening up new areas of investment. The Bank has responded, since 1982, with a program of direct assistance, without government guarantee, to the private sector. This program has gained momentum in the past three years and is expected to play an increasingly significant role in future.

The Bank supports private sector enterprises in three main ways. It offers credit lines under government guarantee and through local DFIs. It makes direct investments by way of equity and debt instruments without government guarantee. The Bank also gives technical assistance to governments to develop capital market and industrial policies and to strengthen capital market institutions. Technical assistance is also provided on request to help governments in their privatization efforts.

In 1989, Bank lending to private sector enterprises, under government guarantee and through DFIs, rose 80 per cent to \$705 million for five projects from \$392.5 million, also for five projects, a year earlier.

A \$100 million credit line for the Philippines is designed to develop small-scale and medium-scale industries. This project also includes a technical assistance grant to strengthen the participating financial institutions and to

ADB INVESTMENTS BY INDUSTRIAL SECTOR^a
(Amount in \$ million)

	1989		Cumulative	
	Number	Amount	Number	Amount
Financing, Insurance, Real Estate & Business Services				
Financial Institutions (including three investment funds and two venture capital companies)	8	55.43	16	97.73
Insurance	0	0	1	0.33
Real Estate and Business Services (including leasing)	4	46.13	10	69.87
Manufacturing Sector				
Food, beverages and tobacco	0	0	1	1.98
Textile, wearing apparel and leather	6	11.00	9	39.03
Paper, paper products, printing and publishing	1	0.24	1	0.24
Chemicals, petroleum, coal, rubber and plastic products	6	60.30	9	68.22
Non-metallic mineral products, other than petroleum and coal	2	32.94	3	33.44
Basic metal industries	1	0.18	2	15.18
Fabricated metal products, machinery and equipment	5	1.03	10	2.43
Others:				
Telecommunications	0	0	1	24.00
Electricity, Gas & Steam	1	21.10	1	21.10
Totals	34	228.35	64	373.55 ^b

^a Investments comprise loans, equity investments, equity underwritings and complementary loans.

^b This does not match the total of \$391 million of approved investments as some lines of equity have not yet been fully utilized.



A WHITE cement plant in Rajasthan, India, is a private sector enterprise supported by the Bank through a line of credit to the Industrial Credit and Investment Corporation of India.

improve small-scale and medium-scale industries policy.

A \$200 million loan to Indonesia is aimed at furthering reforms supported by earlier Bank program loans to promote non-oil exports and to develop the financial sector. It will also support the Government's objectives of increasing exports, creating employment opportunities and encouraging the private sector.

The Pakistan project, supported by a \$250 million Bank loan, a \$50 million complementary loan and a technical assistance grant, is designed to establish and expand industrial projects and to support government reforms in the financial sector. The latter include the privatization of two DFIs, the introduction of market-oriented interest rates on foreign currency credit lines and approval for two DFIs to raise domestic currency resources directly from the market. Under the technical assistance, advisory services will be provided for institution building and for a study of Pakistan's mutual funds industry. This should help develop a more

efficient capital market and facilitate access to larger amounts of long-term investment funds for private industries.

In India, a \$150 million loan was given to a DFI for onlending to modernize and upgrade small and medium-scale industries.

In Tonga, \$5 million was provided to Tonga Development Bank for onlending to private sector enterprises.

In 1989, under the Bank's program for financing private enterprises without government guarantee, the Board approved 17 projects amounting to an investment of \$163 million. This covers equity facilities -- investments, lines of equity and underwritings -- amounting to \$67 million for 15 projects (including \$35 million for the Asian Finance and Investment Corporation Ltd. or AFIC) and Bank loans totalling \$96 million for nine projects. In addition, the Bank mobilized complementary loans amounting to \$62 million for five projects. This compares with the invest-

ment total of \$94 million for 12 projects in 1988, of which \$36 million was for equity facilities and \$58 million for loans.

The 1989 projects were approved for Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan and Philippines. Investment, leasing and venture capital companies were among the financial institutions which received assistance. The manufacturing industries assisted involved synthetic fibers, textiles, fertilizers, cement and power generation.

The Bank supported the combined project of the \$60 million Indonesia Investment Fund and P.T. Indonesia Securities Company with an underwriting of \$6 million and an equity investment of \$1.2 million, respectively. The project is aimed at strengthening the institutional and professional base of the Indonesian securities industry, increasing overseas investor awareness of opportunities in that country and mobilizing long-term investment funds for Indonesia. It will also support new capital market instruments and companies which are candidates for stock exchange listing.

The largest investments in productive enterprises were made in Pakistan. They were \$50 million to expand a urea plant owned by Fauji Fertilizer Co. Ltd. and \$33 million for a new grey cement plant to be established by Pioneer Cement Ltd. Both are examples of expanding private participation in Pakistan's industrialization. Both involved substantial complementary loans, illustrating a trend which may grow.

In the Philippines, the Bank supported the country's first private sector venture in the power generation sector. Hopewell Energy (Philippines) Corporation will operate the scheme under the BOT (build, operate, transfer) concept for 12 years before handing it over to the National Power Corporation. Bank assistance consists of a loan, equity investment and complementary loan totalling \$21 million.

In Nepal, the Bank approved its first investment without government guarantee with a \$4 million equity and loan to Jyoti Spinning Mills Ltd. to set up a modern cotton spinning mill.

The Bank also approved a \$2 million line of equity for Southern Bank Bhd., its first in Malaysia. In India, a \$5.9 million loan was given to Indian Acrylics Ltd., in which the Bank also took a \$2.24 million equity position. There was also an \$800,000 equity assistance to Credit Capital Venture Fund, the first Indian private sector venture capital fund.

Regionally, the Bank made two key investments during the year. In the financial sector, the Bank made an equity investment of \$35 million in AFIC, a new regional investment company created by the Bank and other private financial institutions from within and outside the region. The Bank's participation is intended to help AFIC mobilize additional equity and borrowings and channel these into private enterprises in the region. AFIC is an independent private sector entity which should complement the Bank's support for private enterprise. AFIC will provide loans, equity investments, syndication of financial packages, underwriting, guarantees, leasing, administration of trust funds, and business advisory services.

The Bank also approved an equity investment and underwriting commitment of \$10.4 million in the Asian

Convertibles and Income Fund (ACIF), a regional unit trust. ACIF is designed to diversify the financial instruments available in DMC capital markets and to make these markets better known in capital-surplus countries. The Bank also approved technical assistance designed to increase understanding of convertible securities among DMC capital market regulators and in financial institutions and businesses.

By the end of 1989, five regional investment facilities had been approved for \$72.4 million. Disbursements amounted to \$34.9 million during the year, and disbursements were completed for one investment. The regional portfolio held at the end of 1989 comprised two investments for a total of \$39.9 million in two companies which had begun commercial operations.

During the year, the Bank approved 18 technical assistance projects totalling \$4.2 million to strengthen financial intermediaries and to enhance the capability of DMCs to formulate and implement economic development strategies, policies and programs.

Two grants went to Lao PDR to restructure the monetary and banking system and to review the financial sector and one to Fiji to strengthen its development bank. Assistance was approved to establish credit rating agencies in Malaysia and Thailand. Support was provided together with loans and credit lines for government agencies and institutions in Pakistan, Philippines and Tonga. A regional technical assistance was provided to develop and diversify financial instruments related to the ACIF investment project.

The Bank continued its policy of providing training to staff of DMC financial institutions. It arranged regional seminars on investment banking and a seminar on project appraisal aimed at the South Pacific.

Rehabilitation Assistance

Faced with increasingly disruptive effects of natural and man-made disasters on economic development in the DMCs, the Board in 1989 formalized a policy on rehabilitation assistance. The need for a rapid response is stressed to minimize interruptions. Rehabilitation projects will be focused on re-establishing services in key infrastructure sectors. Close coordination of rehabilitation efforts will be sought on national and international levels. This policy decision was followed by a technical assistance grant for a regional study to promote disaster prevention, mitigation and preparedness as an integral part of development planning in the DMCs.

ADF Eligibility and Access

The Board decided that the access of People's Republic of China and India to ADF V resources should be further reviewed, considering the availability of ADF resources after meeting the requirements of traditional borrowers as well as those of Indonesia and Philippines. In addition to the



CARRYING boulders to build a dyke near Comilla in Bangladesh under the Flood Rehabilitation Program. The Bank has assisted the country's rehabilitation efforts with four loans totalling \$174.3 million.

\$500 million allocated in 1988 to Indonesia and Philippines for the ADF V period (1987-1990), in 1989 these countries were allowed temporary and limited access to ADF V resources in the amount of \$400 million.

Co-Financing

The number of projects which were co-financed rose to 26 in 1989 from 17 a year earlier. In terms of financial volume, contributions of co-financiers rose 64 per cent to \$1,273 million, with the Bank's contribution increasing to \$1,648 million from \$842 million in the same period. Official sources of co-financing increased to \$995 million for 22 projects from \$680 million in 1988 for 15 projects, but their share of total co-financing fell to 78 per cent from 88 per cent. Co-financing from commercial sources increased to \$278 million for six projects from \$94 million in 1988 for three projects, or to 22 per cent of the total compared with 12 per cent a year earlier.¹ As of the end of 1989, 285 Bank projects had involved co-financing since Bank operations began in 1967, with co-financiers providing approximately \$8.4 billion and the Bank \$11.5 billion.

Domestic resource constraints and debt-service burdens continued to have a restraining effect on commercial co-financing activities in the public sector. In addition, international commercial banks have been actively reducing their exposure to developing countries, especially in the public sector. However, projects which are traditionally attractive to commercial co-financiers – such as those relating to power and energy, industry and financial service institutions – were commercially co-financed in 1989, five of which were in the private sector. In the public sector, where most of the co-financing came from official sources, there were seven co-financed projects in the agriculture and agro-industry sector, five in the transport and communications sector, four in the social infrastructure sector, two in the development banks and industrial sectors, one in the energy sector, one involving additional co-financing for 11 ongoing Bank-assisted projects in various sectors and one involving a financial sector program loan, which was commercially co-financed. Given the DMCs' increasing emphasis on involving the private sector to generate economic growth, the Bank expects co-financing arrangements in this sector to increase significantly over the next few years. The Bank's commitment to assisting private sector development in the DMCs was reflected in 1989 by the close relationship with the Asian Finance and Investment Corporation Ltd. (AFIC). In 1989, under the Bank's Complementary Financing Scheme (CFS), AFIC co-financed four projects with contributions amounting to \$39 million.

¹ Total number of projects does not necessarily add up arising from the same project being co-financed by more than one source of co-financing.

Bilateral sources such as the Overseas Economic Cooperation Fund of Japan, the untied yen facility channelled through the Export-Import Bank of Japan and the Governments of Switzerland and United Kingdom continued to be tapped for co-financing, providing \$651 million for 15 projects. Multilateral sources — the International Finance Corporation, the Islamic Development Bank, the International Telecommunications Union, the OPEC Fund for International Development, the United Nations Development Programme and the World Bank — provided \$314 million for 12 projects.

With continuing economic growth expected in the DMCs during 1990s, co-financing from export credit and commercial sources should increase, especially since new private sector projects and energy, power and industrial public sector projects have been identified. These trends are reflected in the Bank's more active role in offering flexible co-financing schemes and financial structuring for private and public sector projects in DMCs. This should help to overcome the concerns of commercial co-financiers about asset quality.

The use of the Bank's CFS will continue to be the primary modality in commercial co-financing arrangements in both the public and private sectors. The benefits of the CFS to both DMCs and participating co-financiers are well demonstrated and the scheme is finding increasing acceptance. It also opened up new sources of financing in 1989 through the first participation in the scheme by a non-financial commercial institution in a private sector project in Pakistan. This should open up business opportunities for DMCs with the international business community.

Guarantee Operations

The Bank's guarantee facility was used for the first time during the year in Indonesia and the results were successful and beneficial to both the borrower and participating co-financiers. Guarantee operations can be used in parallel with co-financing arrangements or in conjunction with the Bank's Complementary Financing Scheme (CFS). Discussions with commercial co-financiers and market reaction indicate that co-financing with the Bank's guarantee offers DMCs better terms, particularly longer maturities, than commercial institutions. Where CFS is used with guarantee operations, maturity periods have been extended beyond the normal market even before the Bank guarantee has been applied, thus further leveraging the use of the guarantee. Such co-financing will help ease DMC debt-service profiles in their commercial borrowings.

Economics and Development Resource Center Activities

The Economics and Development Resource Center (EDRC) serves a number of functions. EDRC undertakes research on problems and policies of economic develop-

ment, particularly on macroeconomic issues, as well as topics related to project and sector work and issues concerning methodologies for the economic evaluation of projects. EDRC is also responsible for the collection of socio-economic data and the development and maintenance of a Bankwide data base. EDRC further serves as the focal point for the Bank's regional Development Resource Center activities, organizing seminars and workshops to discuss development issues and making a major contribution to the Bank's publications effort.

In addition to carrying out project-specific and methodological research during the year, the Bank provided technical assistance to support research into several policy-related issues of regional and country-specific importance.

EDRC organized three Round Table meetings during the year, bringing together DMC officials from various sectors, including government, and Bank staff to address special issues. These were the *Round Table on Development Strategies* in January, the *Round Table on the Role of Newly Industrializing Economies in Asian Development* in March and the *Development Round Table on the Socioeconomic Policies for Poverty Alleviation* in October.

During 1989, the Bank published several new titles. These may be found at the back of this Report under the list of *Major ADB Publications*. The *Asian Development Outlook*, the first of an annual report series, was launched during the year. The publication provides a broad view of economic progress in the Bank's major DMCs and an analysis of short term and medium-term economic prospects.

During the year, the Bank initiated the Special Secondment Scheme for mid-level DMC officials to undergo training at the Bank.

The Bank also sponsored two lectures under its Distinguished Speaker series.

Environmental Planning and Management

Recognizing the importance of the environmental dimension in socio-economic development, the Bank upgraded the Environment Unit to Division status, effective from April 1989. The move included provision for additional staff.

The Bank introduced several initiatives during the year to strengthen its environmental and natural resources planning and management activities. These included integrating environmental considerations into program lending and country programming exercises; supporting the implementation of the World Commission on Environment and Development's (Brundtland Commission) recommendations in selected DMCs; enhancing the environmental dimension of traditional sectoral projects through piggy-backed technical assistance grants; and supporting global issues such as biodiversity and climate change.

The Bank now integrates environmental considerations into all its programs and projects. Environmental issues are



SOIL erosion is a common environmental problem in the Philippines. The Bank-assisted Forestry Sector Program includes planting soil-binding trees on mountain slopes.

taken into account at every stage of a project cycle from identification and formulation through to implementation, completion and post-evaluation.

For the future, the Bank is seeking to strengthen the integration of environmental considerations into country economic and sector work; develop programs for implementing minimum quality criteria for ecologically-sensitive areas; implement the Brundtland Commission study; incorporate environmental risk assessment into project appraisal; apply the geographic information system to the management of environmental and natural resources; and further address environmental issues relating to energy development. In addition, the Bank seeks to strengthen environmental and related line agencies, continue its ac-

tivities as a resource center and further develop strategies for biodiversity management in selected Asian countries.

During the year, specific attention was paid to strengthen environmental considerations in Bank loan projects, particularly in sector and development finance institution projects.

Technical assistance projects which were piggy-backed onto loans in 1989 were usually focused on institutional-strengthening and providing a suitable policy environment. Projects to strengthen institutions and/or establish environmental units in ministries or departments have been completed in, or are planned for, Bangladesh, Fiji, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Vanuatu and Western Samoa.

Regarding the dissemination of information, the Bank has increased awareness of environmental considerations internally through project-by-project contact and informal discussions and in 1989 held in-house seminars and workshops on environmental techniques and analysis in Bank projects. A computerized information retrieval system was initiated during the year for country environmental and natural resources profiles, generic guidelines, environmental and pollution control documents and references.

Externally, the Bank continues to keep finance ministries and national environmental protection agencies informed of proposed projects which have major environmental concerns. Policy dialogue was initiated with DMCs to explore environmental projects for financing and to integrate environmental considerations into sector lending strategy exercises.

The Bank strengthened ties with numerous bilateral and multilateral organizations dealing with environmental issues during the year.

One important technical assistance grant approved in 1989 was for a regional study aimed at translating the recommendations of the Brundtland Commission into country-specific programs for DMCs. Country studies will be carried out in Indonesia, Republic of Korea, Malaysia, Nepal, Pakistan, Philippines and Sri Lanka and related Bank policies will be reviewed.

In recognition of the important role of environmental NGOs in socio-economic development, a meeting was held in June between selected environmental NGOs and Bank staff to promote greater involvement of environmental NGOs in DMCs. NGOs are increasingly used in Bank projects (for further elaboration on the role of NGOs, refer to the earlier theme chapter on Cooperation with NGOs). The Bank also hosted the Tenth Meeting of the Committee of International Development Institutions on the Environment in June.

Women in Development

Since the Board's approval of a policy paper on The Role of Women in Development in 1985, the Bank has sought to increase efforts to provide women with opportunities to develop their potential and to improve their share

of the benefits of development such as better educational and employment opportunities

During 1989, the Bank incorporated women in development (WID) considerations into the formulation and implementation of some projects. Steps were taken to ensure that women receive tangible benefits, including training, extension services and employment opportunities, in a number of projects.

During the year, the Bank approved its first loan which exclusively targeted women as beneficiaries. The Primary Education (Girls) Sector Project in Pakistan will finance the construction of physical infrastructure, training of female teachers and innovative activities to tackle socio-cultural constraints against girls' school enrolment and attendance. Under the Fisheries Sector Program in the Philippines, also approved during the year, the counterpart fund was earmarked for providing training, extension and livelihood development programs for women and for establishing a related database. Women will also be the major beneficiaries of the Low-Income Upland Communities Project in the Philippines.

According to Bank WID policy, the role and needs of women should be taken into account at every stage of the project cycle, especially during feasibility studies. In 1989, consultants examined project-specific WID issues and, based on their findings, some projects will be aimed at providing women with benefits such as credit, education and income-generating schemes.

The Bank focused on women as exclusive beneficiaries in a regional activity when it organized a seminar on "Women and Water" during the year. Women's agencies, rather than water agencies, participated in the seminar. Pilot self-help family water supply and sanitation projects are expected to result from the seminar's findings and recommendations.

Another regional technical assistance grant approved in 1989 was designed to improve management and employment skills of women through training programs organized by grassroots NGOs.

WID considerations were incorporated into the Bank's poverty alleviation projects and its sectoral and operational strategies during the year. WID Country Briefing Papers were also prepared for Bhutan, Malaysia and Pakistan to help staff identify and incorporate WID issues into country operations.

The Bank held the first in-house training seminar to promote staff awareness of WID considerations in 1989.

Poverty Alleviation

After the Governors called for a sharper focus on poverty alleviation at the Bank's Twenty-First Annual Meeting in 1988, the Bank established an internal Task Force on poverty alleviation. The Task Force recommended that the Bank, as well as continuing its traditional growth-oriented projects which eventually benefit the poor, should also adopt specifically poverty-oriented projects. These are defined as

projects which have a direct positive impact on the poor such as increasing income and employment opportunities, meeting basic needs and enhancing the quality of life.

The Task Force suggested a dual approach to the problem. On one hand, the Bank should pay more attention to poverty issues during the formulation and implementation of traditional projects. On the other hand, the Bank should supplement this approach with projects specifically designed to alleviate poverty. These include social infrastructure and environmental projects as well as those designed to increase incomes through self-employment (especially through mini-development finance institution credits) and wage employment (for example, public works programs). The Task Force also suggested that the Bank should provide greater support to DMC programs and policies for poverty alleviation, including sector development/adjustment programs for sectors such as health and education.

Recognizing the differences between poverty alleviation projects and traditional projects, the Bank has adopted a cautious approach, conducting talks with governments, NGOs and other grassroots organizations, and noting the experience of bilateral and other multilateral donor agencies.

During 1989, the Bank took several steps to enhance its poverty alleviation efforts. Principally, it identified projects and project components which directly address the needs of poor beneficiaries. In the agriculture and rural development sectors, the Bank approved four projects which are aimed at increasing the incomes of the poor and helping them form and strengthen self-help groups. These are the Second Brackishwater Aquaculture Development Project in Indonesia, the Semarak Rural Development Project in Malaysia and the Fisheries Sector Program loan and the Low-Income Upland Communities Project, both in the Philippines.

The projects are aimed at reducing rural or urban poverty by introducing policy measures and providing infrastructure facilities and production support services to create income-generating activities for target groups. All are located in less developed areas.

The projects are intended to ensure that benefits reach specific groups such as small-scale farmers, landless laborers, poor fishermen, upland tribal communities, urban poor and destitute women. Organizing communities, forming and strengthening self-help groups, developing cooperatives, resource management and the provision of basic social services are important elements in the Bank's integrated approach. Most projects contain a mini-credit component for establishing and running cottage industries, micro-enterprises or other livelihood projects. These require modest capital infusion and technology, rely on local raw materials and are labor-intensive. They also involve NGO participation.

In the infrastructure sector, three loans were approved which would meet the specific needs of the poor and require substantial grassroots participation during implementation. These are the Second Water Supply Sector Project in Nepal and the Primary Education (Girls) Sector Project and the Second Urban Development Project, both in Pakistan. In

another loan, for the Angat Water Supply Optimization Project in the Philippines, there is a component to provide standpipes for squatter areas in Metro Manila.

The Bank also approved a number of technical assistance projects during the year to help prepare proposed projects dealing with women's employment, primary education and health and family planning in Bangladesh, small-scale farmers' development in Nepal and smallholders' development in the Philippines.

In addition, the Bank is focusing on poverty issues in its economic and sector work and in its training program. More attention is being given to identifying such issues and discussing them with government officials. The Bank organized in October the Seventh Round Table at Beijing with the theme "Socio-Economic Policies for Poverty Alleviation." This provided a better understanding of the causes of poverty in the region and of how to improve the capabilities of DMC officials in adopting poverty alleviation policies and strategies and in avoiding the negative social consequences of the adjustment process. The Bank also initiated a regional technical assistance project on "Priority Issues and Policy Measures to Alleviate Poverty" which will analyze rural poverty in Asia.

Aid Coordination

The Bank actively seeks to cooperate with bilateral and multilateral aid agencies in its DMCs to pool resources, expertise and experiences and to ensure that activities are complementary.

The Eleventh ADB-World Bank Coordination Meeting was organized to coincide with the Bank's Twenty-Second Annual Meeting in Beijing in May. The President attended the Development Committee Meeting and Heads of Multilateral Financial Institutions Meeting in Washington, D.C. in September.

The United Nations Development Programme (UNDP) continued to be an important source of grant assistance for the Bank's lending and technical assistance operations. The Bank was represented at the UNDP Governing Council Meeting and Inter-Agency Consultative Meeting.

The Bank continued to take part in a number of aid group meetings where aid agencies meet with government representatives to discuss economic and social developments in DMCs, external financing and coordination. In addition, the Bank's Resident Offices in Bangladesh and Indonesia and Regional Office in Vanuatu participated in meetings with various aid agencies to exchange views on programs and coordinate project-related activities. In the South Pacific, the Bank also has a cooperative arrangement with the World Bank for project co-financing.

The Bank's establishment of new Resident Offices in Pakistan and Nepal in 1989 is expected to strengthen aid coordination efforts in these countries.

Annual consultations continued during the year with concerned bilateral and multilateral institutions and governments.

The Bank's Role in the 1990s

To prepare itself for the coming decade, the Bank had commissioned a study of its future operational strategies and policies in the light of the evolving requirements of its DMCs. The study was undertaken by an external Panel of eminent experts, assisted by two senior consultants. During the course of their work, Panel members met with the Governors and exchanged views with the Board, management and staff. The Panel Report, *The Asian Development Bank In the 1990s*, was presented to the Bank in January 1989 and was extensively discussed during the year.

The Panel's recommendations covered the range of Bank activities and emphasized both priorities and operational policy modifications. The priorities included social infrastructure (expanding Bank lending to the social sector, especially for public health and education); poverty alleviation (giving emphasis to social infrastructure investments which have a direct impact on living standards of the poor, examining the impact of all projects on the poor, and paying special attention to the employment aspect); and protection of the environment (minimizing environmental risks in all projects, undertaking projects to directly improve the environment and assisting DMCs in environmental policy formulation). The Panel also recommended that the Bank take a much more active role in helping to promote the private sector, directly and indirectly, in those DMCs that wish to do this. To increase the Bank's competence in this area, the Panel suggested the establishment of an affiliate on the lines of the International Finance Corporation of the World Bank group or the creation of a separate department within the Bank for private sector operations. Broadening and strengthening of the Bank's policy dialogue with DMCs was another priority. The operational policy modifications recommended by the Panel related to improvements in project appraisal and implementation techniques; Bank operations in the field of population through public education and health projects; technical assistance in support of new priorities; extension of eligibility of DMCs to the Bank's ADF resources; active participation in donor coordination; expansion of the Bank's co-financing activities; financial innovations in Bank operations; need to intensify Bank efforts to foster regional cooperation; and Bank assistance to micro DMCs. The Panel noted that the benefit of its recommendations would be enhanced by an increase in ADF resources in the 1990s and that a significant reorganization of the Bank's structure and a strengthening of staff may also be required.

The Report was examined by Governors at the Bank's Twenty-Second Annual Meeting in May. The Report was also considered by the Board of Directors at an informal session in March and later in a series of seminars in May and June.

The Board endorsed the Panel's recommendations in broad terms. It instructed the management to prepare detailed recommendations on several issues covered, including health and population, the Bank's environmental activities and its private sector operations.



WORKING on a transmission line under the Sixth Power (Sector Loan) Project in Bangladesh. The Bank has assisted the power sector with 10 loans totalling \$511.7 million.

COUNTRY ACTIVITIES

Introduction

WITH the aim of employing its limited resources in sectors and activities which best serve the needs of its developing member countries (DMCs),¹ the Bank continued in 1989 to develop country studies with medium-term operational strategies for assistance. In addition, major policy issues are frequently the basis of policy dialogue between DMCs and the Bank and such discussions can contribute to appropriate policy development.

Bangladesh

Operational Strategy: The Bank's operational strategy for Bangladesh, which was revised by the Board in 1989, follows a multi-sectoral approach covering agriculture, energy, industry, transport and social services. The main emphasis is on agriculture, which is the crucial element for growth and poverty alleviation, followed by industry, which is expected to stimulate other productive sectors. The Bank's program also supports major policy and institutional reforms and looks at environmental issues and the role of women in development. This sectoral approach is consistent with the Government's Third Five-Year Plan (FY1986-1990), the thrust of which is being carried forward into the Fourth Five-Year Plan (FY1991-1995).

In the Bank's program for Bangladesh, agriculture, including forestry, has the highest priority. The objective is to increase food and non-food crop production through expanded and improved irrigation facilities, inputs and support services, including credit. Employment generating schemes are being promoted and small and cottage industries are encouraged to alleviate rural poverty. In the industrial sector, the primary concern is to promote private investments through development financing institutions (DFIs), and program lending is emphasized to support policy reforms.

With regard to energy and transportation, projects to utilize natural gas and newly-discovered coal resources will continue to receive assistance, as will projects to generate, transmit and distribute power. Bangladesh's existing transport infrastructure -- comprising roads, railways and bridges -- is considered inadequate and the Bank will continue to assist its improvement.

Responding quickly to mitigate human distress resulting from natural disasters remains another Bank priority in Bangladesh. In the social sectors, the primary aim is to develop human resources through better education and rural training facilities, provide safe drinking water, improve sanitation and upgrade the environment.

Policy Dialogue: The Bank is concerned that development programs in Bangladesh should not entail costly subsidies, explicit or implicit. The objective is adequate pricing and payment for government goods and services which

Cumulative Bank Lending to Bangladesh

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	43	1,275.54	45.6
Energy	15	778.35	27.8
Transport and Communications	9	406.30	14.5
Development Banks	6	107.60	3.9
Industry and Non-Fuel Minerals	5	92.50	3.3
Education	3	56.50	2.0
Health and Population	2	43.10	1.5
Urban Development	1	24.20	0.9
Water Supply and Sanitation	1	14.40	0.5
Total	85	2,798.49	100.0

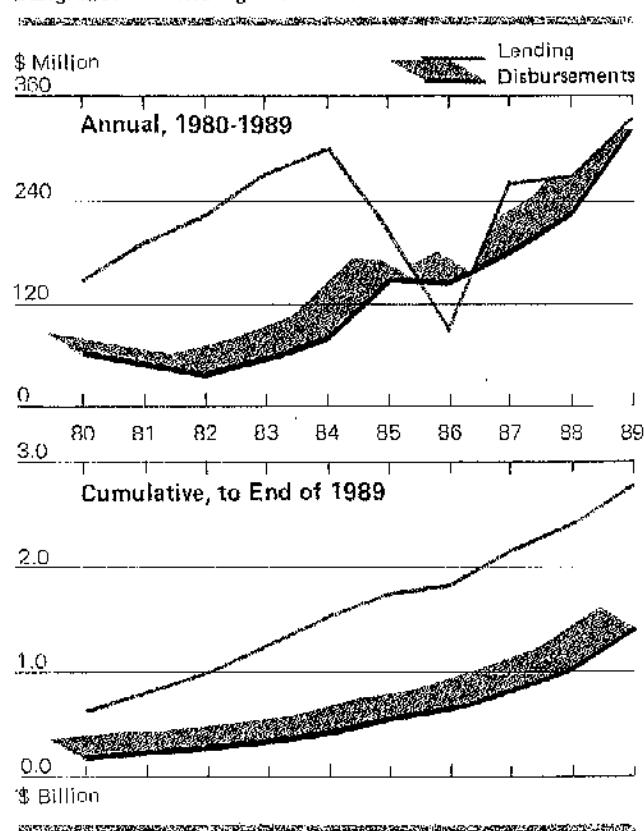
¹ Afghanistan, Cambodia and Viet Nam are not included in this section as no commitments or disbursements took place during the year.

would assist domestic resource mobilization. The Bank is also seeking to enhance the efficiency of the economic system, enlarging the scope of market forces and the private sector. Likewise, the organization and implementation of development projects and improved utilization of existing capacity are emphasized. Other issues being pursued by the Bank include the need to revitalize the rural credit subsector; deregulate the irrigation subsector; improve the implementation, and reduce the backlog, of ongoing water resource development schemes; and formulate and implement an institutional financial system for the maintenance of rural infrastructure. In the transport sector, the major issues being addressed include the respective roles of roads, railways and inland waterways; structural reforms to generate internal resources to maintain and manage transport systems; and the formulation of rational pricing policies to promote faster growth.

Loans and Technical Assistance: Bank lending to Bangladesh in 1989 amounted to \$338 million for six loans, all from the Asian Development Fund (ADF). Two projects were in agriculture and one each in energy, transport, industry and non-fuel minerals, and urban development. This compared with \$268 million for six projects in 1988. Five projects received local currency financing, which totalled \$136.14 million. Co-financing totalled \$103 million.

In the agriculture sector, the Upazila Afforestation and

Bangladesh: Lending and Disbursements



Nursery Development Project will increase the production of biomass fuel and enhance the institutional capability of the Department of Forestry and Upazila agencies to implement a self-sustaining nationwide forestry program. The project is designed to benefit underprivileged communities in rural areas who would receive access to land through controlled farming as well as most of the final products grown under the project. The Horticulture Development Project is to enhance the know-how and institutional capability for horticultural research and extension, improve research and facilities, and organize producers in groups to make the delivery/extension of services more cost-effective.

The Dhaka Urban Infrastructure Improvement Project will benefit several hundred thousand low-income dwellers in Mirpur, a suburb of Dhaka, through improved municipal services such as water supply, sanitation, solid waste management, road and street lighting, and market and community centers. The project is also designed to develop about 40 hectares for some 5,000 fully-serviced residential plots and 700 small-scale commercial and industrial plots.

The Eighth Power Project will provide additional power transmission and distribution facilities in the Greater Dhaka area to meet the expected load growth up to 1994, improving the security of the power supply systems and the operational and financial efficiency of the executing agency.

The Second Flood Damage Restoration Project (Roads and Railways) will speed up the repair and reconstruction of high-priority roads and railways systems damaged by the 1988 floods.

Fifteen technical assistance grants amounting to \$8.4 million were approved in 1989. Five of them were advisory in nature while the rest were for project preparation.

As of the end of 1989, the Bank had approved 85 loans to Bangladesh, amounting to \$2,798 million for 77 projects. Of this amount, \$11.4 million was from ordinary capital resources (OCR) and \$2,787 million from ADF. In the same period, \$55 million had been approved in technical assistance for 112 projects, of which 42 had resulted in Bank loans.

Project Implementation: Of the 85 loans approved for Bangladesh as of end-1989, 36 had been closed and 49 were under administration. By year-end, one loan had not yet become effective. Contracts worth \$296 million were awarded during the year, bringing the cumulative total to \$1,567 million. This was 57 per cent of the net effective loan amount. Disbursements totalled \$322 million, against \$226 million in 1988. This brought the cumulative amount of disbursements to \$1,392 million, or 50 per cent of the total net effective loan amount.

The strong growth in disbursements in recent years reflects the closer attention paid by the Government and executing agencies to project implementation. Earlier government actions in streamlining procedures for releasing local funds, adopting imprest accounts for suitable projects and giving officers of externally-funded projects more authority greatly helped to improve the absorption of Bank loans.

The Bangladesh Resident Office in Dhaka continued to work closely with the Government and its executing agencies. The constant information flow helped both sides take timely corrective actions. The Bank continued to undertake country projects review missions to discuss implementation problems and cross-sectoral issues. A procurement seminar was held to strengthen project implementation efforts.

Private Sector Investment Management: Two investments (loan and equity) totalling \$7 million had been approved for Bangladesh by the end of 1989. Disbursements amounted to \$2.9 million during the year. The portfolio at the end of 1989 comprised two investments of \$3.3 million.

Bhutan

Operational Strategy: The long-term objectives of the Bank's lending and technical assistance operations in

Bhutan are to help improve the capacity of key ministries and development institutions, develop physical and social infrastructure, gradually develop the subsistence agriculture system into a market-oriented production system and encourage selected export-oriented industries using indigenous raw materials. A country strategy for Bhutan is expected to be completed in 1990.

Policy Dialogue: Discussions were mainly concerned with institutional changes in the Ministry of Agriculture and the Department of Trade and Industry, which were the focus of technical assistance projects that were substantially completed during the year. A forestry sector meeting in Thimphu looked at donor coordination and sector status, on which the Bank's forestry master plan will be based. Future policy dialogue will address trade issues and the industrial policy framework to promote export performance.

Loans and Technical Assistance: There were no new loans in 1989 but two technical assistance projects



WOOD processing is one of several private sector activities under the Bhutan Development Finance Corporation Project which the Bank is supporting with a \$2.5 million concessional loan.

Cumulative Bank Lending to Bhutan

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Multisector	2	12.40	39.2
Agriculture and Agro-Industry	2	7.78	24.6
Transport and Communications	1	4.50	14.2
Water Supply and Sanitation	1	3.30	10.4
Development Banks	1	2.50	7.9
Industry and Non-Fuel Minerals	1	1.15	3.7
Total	8	31.63	100.0

totalling \$400,000 were approved. To date, the Bank has provided Bhutan with \$31.6 million in eight loans and \$9.3 million in technical assistance for 30 projects. A country strategy study for Bhutan is expected to be finalized in 1990.

Project Implementation: All the eight loans to Bhutan approved as of end-1989 were under administration. Contracts worth \$1.5 million had been awarded during the year, bringing the cumulative total to \$14.6 million, which was 41 per cent of the net effective loan amount. Disbursements totalled \$3.1 million, against \$3.5 million in 1988. The cumulative amount of disbursements stood at \$12.8 million, or 36 per cent of the total net effective loan amount.

Project implementation in 1989 was characterized by a slow start in some recent projects and continuing delays in some of the older ones. This resulted in a lower volume of contracts awarded and a slower pace of disbursements than in 1988. Government officials' unfamiliarity with Bank procedures and a shortage of qualified manpower were the major constraints. The Bank continued to address the problem through technical assistance projects.

China, People's Republic of

Operational Strategy: The thrust of the Bank's strategy is to support the key sectors that will help the People's Republic of China (PRC) achieve its long-term objective of quadrupling the gross value of its industrial and agricultural output and thereby raise the living standards of its people.

The strategy takes into consideration the size of the country, the terms of the Bank's lending and the Government's development objectives and priorities. Since 1987, it has emphasized the improvement of infrastructure, the development of energy resources and the upgrading of industries producing scarce raw materials. Assistance to manufacturing, in particular, has been designed to modernize and

expand the production capacities of key raw material industries. The effort in the infrastructure area has been to remove bottlenecks and particularly to improve the operational and administrative efficiency of the power and transport sectors. In addition, through its technical assistance program, the Bank seeks to upgrade the technical and administrative skills of major institutions and agencies engaged in the country's development tasks. Geographically, the Bank will focus on the eastern region while considering high-priority projects in other regions on a case-by-case basis.

Policy Dialogue: The Bank's policy dialogue in the PRC has so far been conducted mainly in relation to project specific assistance. The idea is to better apprise the Government of the development perspectives relating to particular sectors and thus accelerate policy reforms and institutional improvements. In the industrial sector, issues relating to the efficiency and productivity of various enterprises, the pricing policy on their inputs and outputs, and generally the upgrading of industry were addressed. Pricing issues also marked discussions on the development of physical infrastructure, mainly to allow for optimal planning and capacity usage. In the energy sector, rationalization of tariffs was sought in order to keep energy projects viable and encourage energy conservation.

Loans and Technical Assistance: The Bank approved a \$39.7 million loan from OCR for the Shanxi-Xiaoliu Railway Project in January 1989. This brought its cumulative lending to the PRC to \$456 million.

By the end of 1989, loan negotiations had been completed for five projects totalling \$423 million. Two were for the industrial sector to step up steel and acrylic fiber production, two were credit lines for agribusiness and industrial enterprises and one was for a railway project in Guangdong.

Six technical assistance projects totalling \$3.6 million were approved. Three project preparatory technical assistance grants were for the development of water resources

Cumulative Bank Lending to the People's Republic of China

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Development Banks	2	200.0	43.9
Industry and Non-Fuel Minerals	2	133.3	29.2
Agriculture and Agro-Industry	1	49.6	10.9
Transport and Communications	1	39.7	8.7
Energy	1	33.3	7.3
Total	7	455.9	100.0

in Hainan, a fertilizer sector study and the review of the design of Shanghai's Nanpu Bridge. The other three grants were for the institutional strengthening of provincial railway operations, a study of Beijing-Tianjin water resources and for the China Finance Publishing House. As of the end of 1989, technical assistance totalled \$8.4 million for 22 projects.

Project Implementation: All seven loans approved for the PRC by the end of 1989 were under administration. Contract awards amounted to \$83 million, bringing the cumulative value of awards to \$108 million, or 27 per cent of the net effective loan amount. Disbursements increased to \$52 million from \$3 million in 1988, and cumulative disbursements stood at \$55 million, or 14 per cent of the total amount of net effective loans.

All projects are in the initial stage of implementation. A country procurement seminar was held to enhance the project implementation capabilities of executing agencies.

Private Sector Investment Management: One line of equity had been approved in the PRC as of the end of 1989.

Fiji

Operational Strategy: The Government's economic program is aimed at restoring private sector confidence and competitiveness and re-establishing growth, particularly in the agriculture sector. The objectives are to achieve real economic expansion, generate job opportunities for the growing labor force and promote a more equitable distribution of development benefits. The Government's strategy is to stabilize the economy and encourage the private sector. It intends to implement this through incentives and a countercyclical budgetary policy; agricultural diversification, export-oriented industrialization and tourism; increased external competitiveness of the economy; and macro and sector policy adjustments to speed up economic transformation. Social programs are focused on providing welfare assistance to the more disadvantaged sections of the community through target-oriented initiatives.

The Bank supports efforts to revitalize the economy, consolidate economic recovery in the short term and broaden the long-term base of the economy, particularly through strengthening the external sector. An equally important objective is to achieve a wider spread of the benefits of development and to expand employment and income opportunities. An underlying aim is to help strengthen institutions and improve human resources. Within this context, continuing assistance to the agriculture sector, particularly for smallholder development and agricultural diversification, is emphasized. The tourism sector is important in broadening the country's economic base. Manufacturing is a key sector in increasing exports and in the structural transformation of the economy. Resource-based processing industries, for example, sugar, coconut oil and

Cumulative Bank Lending to Fiji

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	3	36.90	35.8
Agriculture and Agro-Industry	3	27.60	26.8
Transport and Communications	2	20.00	19.4
Urban Development and Housing	1	9.60	9.3
Development Banks	2	9.00	8.7
Total	11	103.10	100.0

sawmilling, have strong linkages to other sectors. Upgraded physical infrastructure will be needed to support the directly productive sectors.

Policy Dialogue: Before the Agriculture Diversification Program (ADP), policy dialogue had been conducted within the framework of processing and implementing specific development projects. It had been narrowly focused and of limited effect. The ADP provided a vehicle for intensive dialogue on a wide range of issues affecting agriculture. Government strategy was particularly directed toward encouraging a greater degree of private sector activity. The agreed program, among other things, called for the abolition of subsidies on agricultural inputs; the introduction of production, taxation and export incentives; and the strengthening of principal sector institutions. In parallel, the Government agreed to take stronger measures to protect the environment and to promote industrial investment. All these policy measures have been fully implemented.

Loans and Technical Assistance: One loan, for \$9.6 million, was approved in 1989 and this generated co-financing to the extent of \$18 million. It brought the cumulative total to \$103 million for 11 loans by end-1989. In earlier years, the Bank had emphasized the power sub-sector, which received three loans between 1972 and 1981. Subsequently, agriculture and rural development came into focus and received two loans. The objective was to diversify agriculture, primarily by providing basic infrastructure and support services. In 1988 came the Agriculture Diversification Program, which has effected important policy measures, encouraged institutional changes and provided financial support to the Government's investment programs during a time of severe budgetary constraint. The Bank has also assisted the transport and communications sector with port and road development loans, and helped strengthen the country's credit system through loans to the Fiji Development Bank.

Technical assistance totalling \$2.2 million for nine projects was provided in 1989. In all, the Bank had provided



DRILLING water wells in Fiji under the Bank-assisted Sigatoka Valley Rural Development Project aimed at benefiting around 700 farm families.

30 technical assistance grants to Fiji, amounting to \$6.1 million, by the end of the year. Eleven were for project preparation, the rest being advisory and operational in nature.

Project Implementation: Of 11 loans to Fiji, seven had been closed by the end of 1989 and four were under administration. Contract awards during 1989 totalled \$7 million, bringing the cumulative value of contracts awarded to \$83 million, or 95 per cent of the net effective loan amount. Disbursements totalled \$1.3 million in 1989, bringing cumulative disbursements to \$70 million, or 81 per cent of the net effective loan amount.

The implementation of projects has been generally satisfactory. The two agriculture sector projects were adversely affected during 1987 and 1988 by the sharp decline in government revenues and ensuing budgetary reductions. But the Agriculture Diversification Program loan generated counterpart funds for both projects and their implementation accelerated considerably from early 1989.

India

Operational Strategy: The Bank's role in India's development process is to provide well directed and sustained financial assistance in consonance with the Government's objectives, priorities and programs. The Bank's operational strategy focuses on India's rapid industrialization, one of the Government's most important objectives. Assistance is aimed at improving the structure of the industry sector and productive efficiency to increase industry's share of GDP, export earnings and employment. Priority is being given to industries that can play a major role in modernizing the industry sector and in stimulating growth in other sectors, with an emphasis on the development of private sector manufacturing. Support for manufacturing is being channelled mainly through development finance institutions as well as equity investment and direct lending to the private sector.

Assistance is directed also at removing infrastructure bottlenecks particularly in sectors such as power, transport

and telecommunications, affecting industrial development.

Policy Dialogue: The Bank's dialogue with India mainly concerned the Government's continuing policy of industrial deregulation and trade reform. The Bank has expressed the view that industrial deregulation should be expedited and licensing and other restrictions reduced. Trade reform, it feels, should include a movement away from quantitative import restrictions.

Dialogue also took place on power and finance sector issues, for which the Bank had earlier prepared sector profiles. These discussions provided each side with the opportunity to understand the other's development perspective. A sector study on ports and shipping was ongoing during the year and is expected to lead to similar opportunities for dialogue.

Loans and Technical Assistance: In 1989, the Bank provided four loans to India from OCR, including one loan to the private sector without government guarantee, totalling \$504 million. This brought cumulative lending since 1986 to \$1,645 million. One loan of \$118 million was provided to strengthen the efficiency of telecommunications equipment manufacturing. Another, for \$150 million, was made to a DFI for onlending to medium-scale industrial enterprises in the private sector for modernizing/expanding their facilities. A loan of \$230 million was approved for the power sector to help develop additional thermal generating capacity in Andhra Pradesh. A loan of \$5.9 million was made to a private company for acrylic fiber development. This was in addition to an equity investment of \$2.24 million. Finally, an equity investment of \$800,000 was made in the Credit Capital Venture Fund.

Nine technical assistance projects totalling \$3.3 million were approved during 1989. Two, related to the road improvement project approved in 1988, were for pavement management and expressway system planning. Three were piggy-backed on the 1989 telecommunications project and included a management training program, a telephone cable specifications study and an industrial engineering standards study. Technical assistance was also provided to prepare a

Cumulative Bank Lending to India

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Transport and Communications	5	728.6	44.3
Energy	3	540.0	32.8
Development Banks	3	350.0	21.3
Industry and Non-Fuel Minerals	3	25.9	1.6
Total	14	1,644.5	100.0

power sector loan and for a second road improvement project. The two other technical assistance projects were to study environment management related to coal-fired power generation and to improve the operations of a power utility.

Project Implementation: By end-1989, the Bank had approved 14 loans for India, inclusive of private sector activities. All of them were under administration. Contracts awarded during the year amounted to \$76.4 million, bringing the total value of awards to \$243 million. This was 19 per cent of the cumulative net effective loan amount. With \$81 million disbursed during 1989, an increase of 44 per cent from 1988, total disbursements amounted to \$149 million at year-end, or 12 per cent of the total amount of net effective loans.

The growth rate of disbursements remained strong in 1989, reflecting the Government's continuing effort to speed up project implementation.

Private Sector Investment Management: Five investment facilities had been approved for India by year-end, totalling \$45 million. Disbursements during the year amounted to \$13 million and were completed for two investments. The portfolio at year-end comprised four investments for a total of \$16 million, two in companies that had begun commercial operations.

Indonesia

Operational Strategy: The Bank's operational strategy for Indonesia was revised due to recent economic developments and Repelita V, which covers the five-year period beginning 1 April 1989. The adjustment and development objectives of Repelita V are considered compatible with the country's economic circumstances and are realistic and achievable. In support of Repelita V, Bank programs and projects will be designed to promote non-oil/liquefied natural gas exports; mobilize domestic resources; generate employment; develop basic needs and human resources; increase private sector participation; and improve the efficiency of existing investments while optimizing resource utilization. The Bank will take into account the role of other donors in order to maximize benefits and avoid duplication within particular sectors.

Policy Dialogue: Policy dialogue concentrated on financial sector reforms, capital market development and food crop sector policy reforms. Within the financial sector, the Bank supported a major program of reforms under the Financial Sector Program loan approved in November 1988. These reforms included financial deregulation with increased freedom to open new banks and branches of existing banks, to offer new financial services and to borrow abroad. Concurrently, central banking supervision was strengthened with limits on lending to principal customers and on foreign borrowing relative to bank capital. In September, the second disbursement under that loan was made

after substantial progress in the program's implementation. Piggy-backed on this loan were technical assistance grants that provided the required technical support for the expansion of the capital markets. Several policy-related missions discussed appropriate reforms in the agriculture sector, particularly in the food crops area, to maintain self-sufficiency while promoting diversification and increasing the efficiency of resource utilization. These and other areas of policy reforms will continue to receive the Bank's financial support in the future.

Loans and Technical Assistance: The Bank approved 13 loans for nine projects for Indonesia, totalling \$772 million, against over \$580 million in 1988. Two projects were co-financed to the extent of \$63 million. Private sector loans amounted to \$20 million, up from \$15 million in 1988. In addition, two equity investments amounting to \$1.5 million and underwriting of \$6 million

were approved during the year. The Bank also provided a guarantee in an amount equivalent to \$19 million to extend the term of a \$50 million private co-financing loan for the Financial Sector Program.

By sector, agriculture accounted for \$190 million, or 25 per cent of the total. This included projects in agriculture development, aquaculture and reforestation. Industry accounted for \$220 million, or 29 per cent, in the form of a development finance loan, primarily channelled through private sector financial institutions, for industrial investments in the private sector. Transport and communications received \$142 million, or 18 per cent of the total, for the development of roads and ports. Social infrastructure received \$220 million, or 29 per cent of the total, to boost vocational education and to develop secondary cities.

The private sector loans were mainly to support the development of the leasing industry. Co-financing of \$7 million for one private sector loan was arranged under the



CARRYING home the harvest in Central Java, Indonesia, where the Bank-assisted Wadaslintang Multipurpose Project has increased crop production through year-round irrigation, drainage and flood control.

Bank's Complementary Financing Scheme. Also notable were the underwriting commitment of \$6 million for the Indonesia Investment Fund and the \$1.2 million equity investment in the Indonesia Securities Company.

In 1989, the Bank approved 17 technical assistance projects amounting to \$5.3 million, compared with 23 projects totalling \$6.5 million in 1988. Project preparatory technical assistance amounted to \$1.7 million for six projects, while advisory and operational technical assistance totalled \$3.6 million for 11 projects.

Six projects were in the agriculture sector, five in transportation and communications, three in industry and two in social infrastructure.

Project Implementation: Of the 147 loans approved for Indonesia as of end-1989, including private sector loans but excluding equity investment, 78 had been closed and 69 were under administration, of which seven were waiting to become effective. Contract awards amounted to \$668 million, bringing the cumulative total to \$3,029 million, or 62 per cent of the net effective loan amount. Disbursements totalled \$711 million, against \$530 million in 1988. These included \$197 million from program loans and \$106 million from sector loans. Cumulative disbursements rose to \$2,750 million, or 56 per cent of the total net effective loan amount.

The rate of disbursements remained strong. The Government helped by deciding to adopt imprest accounts for suitable projects. It also further simplified the process of recruiting consultants and took steps to speed up the auditing process.

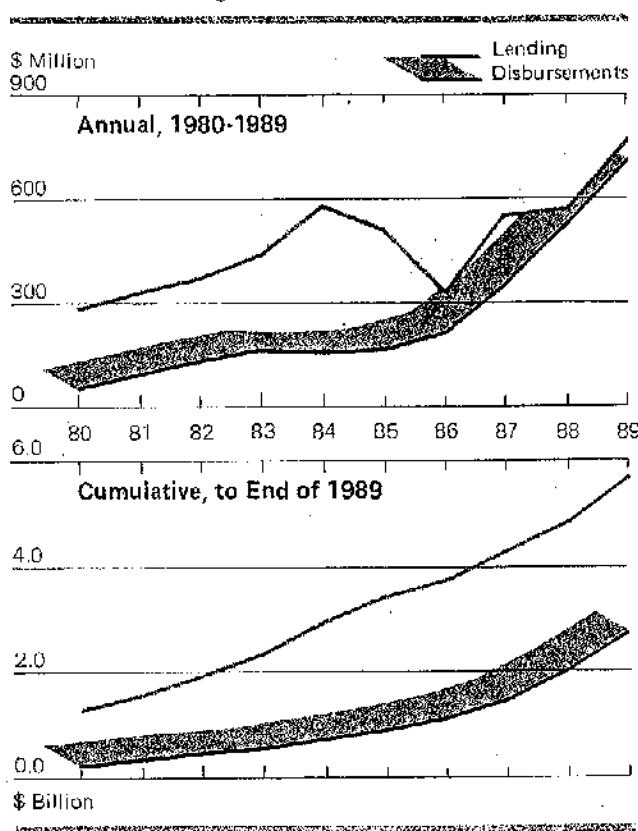
The Indonesia Resident Office continued to cooperate closely with the Government and the executing agencies. Its monthly project implementation status reports kept the

Cumulative Bank Lending to Indonesia

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	63	1,900.62	33.3
Transport and Communications	20	915.86	16.1
Energy	19	743.05	13.0
Education	15	577.35	10.1
Urban Development	8	536.85	9.4
Development Banks	5	490.00	8.6
Industry and Non Fuel Minerals	9	304.70	5.3
Water Supply and Sanitation	5	127.20	2.2
Health and Population	2	80.90	1.4
Multisector	1	25.00	0.4
Total	147	5,701.53	100.0

Indonesia: Lending and Disbursements



officials of BAPPENAS, the central planning agency, well informed. In addition, the Bank continued to undertake semi-annual projects review missions to examine strategic implementation issues.

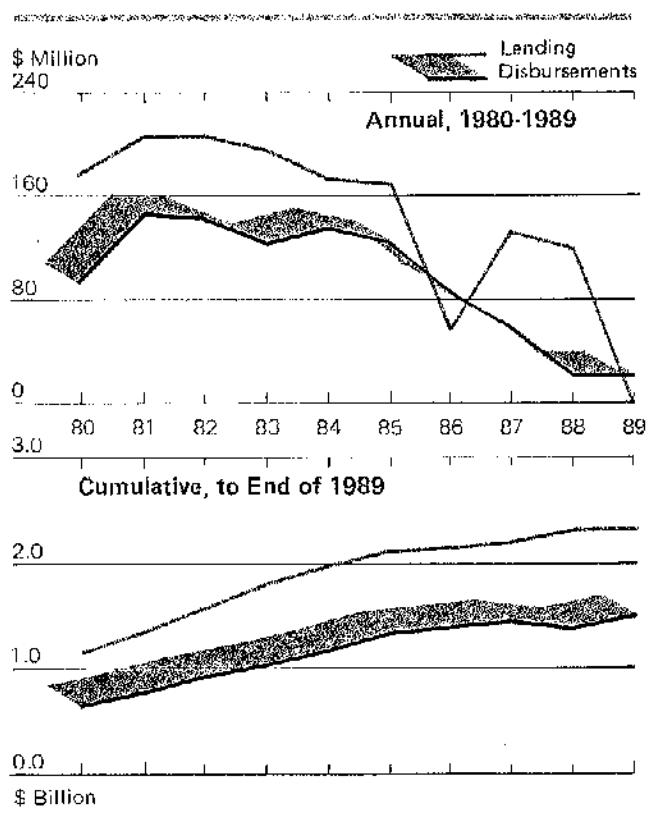
Private Sector Investment Management: Eight investment facilities amounting to \$58 million had been approved by the end of the year, mainly in the areas of financial services and basic metals. Disbursements had been completed for three investments. The portfolio comprised four investments totalling \$12 million, including three in companies which had begun commercial operation.

Korea, Republic of

Operational Strategy: The Republic of Korea's demand for external assistance has dropped in recent years and the Government decided to cease borrowing from the Bank, effective 1989.

Project Implementation: Of the 79 loans approved to the Republic of Korea, 71 had been closed and eight were under administration at the end of 1989. Contract awards amounted to \$36 million, bringing the cumulative contract awards to \$1,658 million or 90 per cent of the net effective loan amount. Disbursements totalled \$24 million in 1989 compared with \$25 million in 1988. Cumulative disburse-

Republic of Korea: Lending and Disbursements



ments of Bank loans amounted to \$1,512 million, or 82 per cent of the cumulative net effective loan amount.

Implementation of projects, mainly in the water supply and road sectors, proceeded smoothly although some delays were encountered.

Private Sector Investment Management: By the end of 1989, three investment facilities (equity investments and lines of equity) totalling \$9 million had been approved for the Republic of Korea. Disbursements amounted to \$150,000 during the year and were completed for two investments. The portfolio at the end of 1989 comprised six equity investments totalling \$7.8 million. These companies had begun commercial operations.

Lao PDR

Operational Strategy: The main objectives of the Bank's operational strategy for Lao PDR are to help increase and diversify the economy's productive base, especially in export-oriented activities; to develop key physical infrastructure facilities to sustain the productive sectors; to support policy changes and institutional reforms to improve economic management and mobilize domestic and foreign exchange resources; and to promote manpower development and training.

In line with these objectives, Bank assistance is concentrated on power generation and transmission, road

Cumulative Bank Lending to Lao PDR

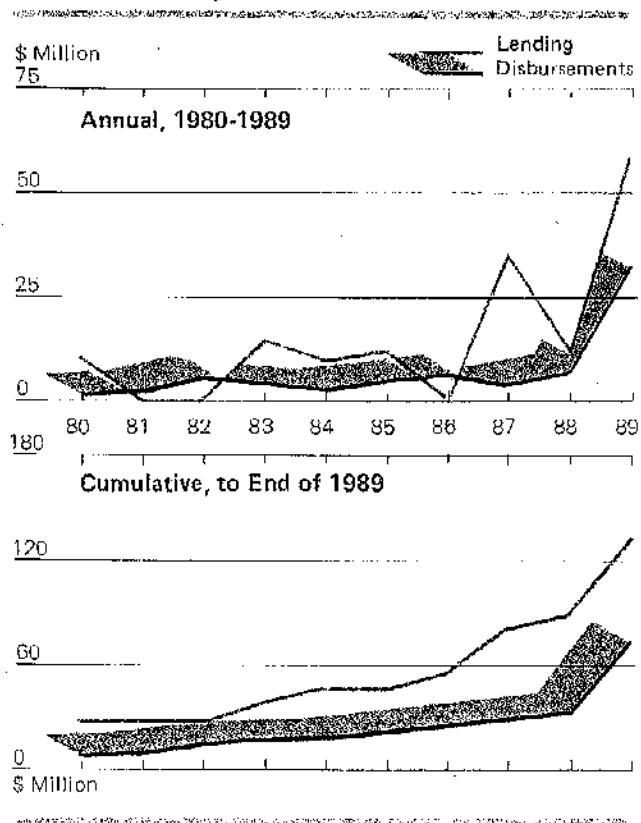
(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Transport and Communications	4	78.00	44.2
Agriculture and Agro-Industry	6	49.82	28.2
Energy	7	42.82	24.2
Water Supply and Sanitation	1	6.00	3.4
Total	18	176.64	100.0

development, agriculture (including forestry), financial sector development, mining and education.

Policy Dialogue: During the year, policy dialogue centered on the Bank's First Agriculture Program loan. The main issues included further decontrol of agricultural commodities exports, the strengthening of extension and research services, sector investment allocations and cost recovery. Policy discussions also covered processing of the Fourth Road Improvement Project, mainly in relation to raising sector revenues and inward expenditures on operation and maintenance. The Bank also stressed financial sector issues and collaborated with the International

Lao PDR: Lending and Disbursements





NEW BAILEY bridge provided under the Vientiane Plain Road Improvement Project in Lao PDR. The Bank has supported the country's road subsector with four loans totalling \$78 million.

Monetary Fund during the implementation of its technical assistance for restructuring the monetary and banking system.

Loans and Technical Assistance: The Bank made two loans to Lao PDR in 1989, amounting to \$59 million, from the ADF. This compared with \$11 million for one project in 1988. One loan of \$20 million was for a program to improve the economic and institutional environment for increasing and diversifying agricultural production. The other loan, for \$39 million, was for the Fourth Road Improvement Project and involved co-financing of \$300,000.

Twenty technical assistance projects totalling \$6.9 million were approved, compared with two for \$362,000 in 1988. Two projects are being financed in the total amount of \$1.7 million by the United Nations Development Programme (UNDP) with the Bank acting as the executing agency.

Project Implementation: Of the 18 loans to Lao PDR as of end-1989, eight had been closed and 10 were under administration, of which one was waiting to become effective. During the year, contracts worth \$8.7 million were awarded, bringing the cumulative total of contracts awarded to \$80.2 million, or 59 per cent of the net effective loan amount. Disbursements during the year totalled \$31.3 mil-

lion, compared with \$5.8 million in 1988, with cumulative disbursements standing at \$75 million, or 55 per cent of the net effective loan amount. Three power and two road projects are being implemented smoothly. The Agricultural Support Facilities Project was completed during the year, while the implementation of other projects was improved.

Malaysia

Operational Strategy: The Bank reformulated its operational strategy for Malaysia in 1987 after the Government's policy responses to the recession of the mid-1980s. The strategy is aimed at promoting structural adjustment and growth through increased productivity and efficiency, while enhancing the role of the private sector. It is designed to support programs and policies to restructure, diversify and strengthen the productive base of the most important sectors, particularly manufacturing and agriculture. The Bank will also support activities to alleviate poverty, both rural and urban, reflecting the Government's own concerns and adhering to the objectives of its New Economic Policy (NEP).

Accordingly, the Bank will assist projects that strengthen the manufacturing industry, directly or indirectly, by upgrading, rehabilitating and adding to the infrastructure and by developing the human resource base. The role of the

private sector will be emphasized.

In the agriculture sector, the Bank will support afforestation and the maintenance of natural forests. To promote rural development, it will seek to improve the productivity of smallholder cultivators by encouraging crop diversification and production of cash crops and through innovative marketing schemes.

Social and physical infrastructure will be supported to ensure that growth does not falter on account of bottlenecks. Projects will be selected to maintain a balance between new construction and rehabilitation. In all sectors, environmental aspects will be given due attention.

Loans and Technical Assistance: The Bank provided two loans, totalling \$138 million. One was for a health project to strengthen the delivery of health services. The other was a rural development project designed to mitigate floods and improve drainage and irrigation facilities.

Eight technical assistance grants were approved, totalling \$2.4 million, compared with seven totalling \$1.6 million in 1988. Of these, four were to prepare projects in the agriculture, energy and financial sectors. Four advisory technical assistance grants amounting to \$1.5 million were given for projects in the environmental and health sectors.

The Bank provided Malaysia with 66 loans for 64 projects as of end-1989, amounting to \$1,533 million. All but one were from OCR. Technical assistance totalled \$12.4 million. Lending activity has covered the spectrum of the country's development effort, with emphasis on physical infrastructure, rural development, agriculture and vocational education.

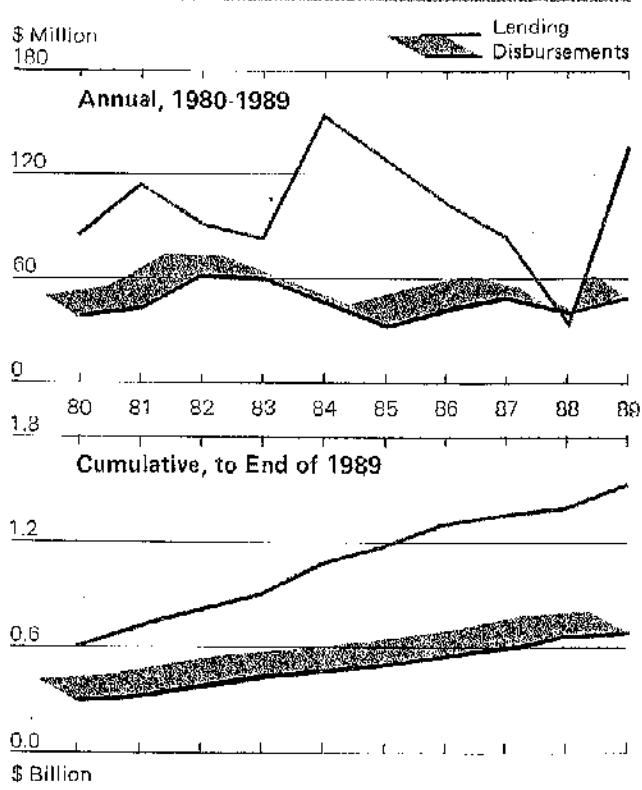
Project Implementation: By year-end, 47 of the 66 loans to Malaysia had been closed and 19 were under administration, including two waiting to become effective.

Cumulative Bank Lending to Malaysia

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	22	456.86	29.8
Energy	10	272.00	17.7
Transport and Communications	15	255.14	16.7
Health and Population	3	181.53	11.8
Education	3	116.80	9.6
Water Supply and Sanitation	9	114.11	7.4
Urban Development	3	91.20	6.0
Development Banks	1	15.00	1.0
Total	66	1,532.64	100.0

Malaysia: Lending and Disbursements



Contract awards for the year amounted to \$68 million, and the cumulative total of contract awards came to \$781 million, or 75 per cent of the net effective loan amount. Disbursements totalled \$50 million, against \$40 million in 1988. Cumulative disbursements stood at \$689 million, or 67 per cent of the net effective loan amount.

Projects were generally implemented without serious problems, although there were delays in some cases.

Private Sector Investment Management: In 1989, the Bank approved its first private sector operation in Malaysia in the form of a \$2 million line of equity. However, no investment proposal under the facility had been received by year-end.

Maldives

Operational Strategy: The Bank's assistance program in Maldives has focused on power, transport and communications to support the directly productive investments made by the Government and the private sector.

This emphasis is expected to continue but, over the longer term, projects aimed at export development or efficient import-substitution will also be considered.

Loans and Technical Assistance: The Bank did not provide any loan or technical assistance in 1989. For small

Cumulative Bank Lending to Maldives
(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Transport and Communications	2	7.40	46.6
Energy	1	6.10	38.4
Multisector	1	2.38	15.0
Total	4	15.88	100.0

economies like Maldives, because the absorptive capacity is small, loans are normally provided once every two or three years.

Previously, the Bank had provided four loans, all from ADF, to develop interisland transport; a multiproject for five subprojects in the supporting ports, communications and power infrastructure; a power system development project to augment generation and improve distribution in Male'; and a port development project in Male' to alleviate congestion.

In addition, the Bank had provided eight technical assistance grants totalling \$1.8 million. Three were used to

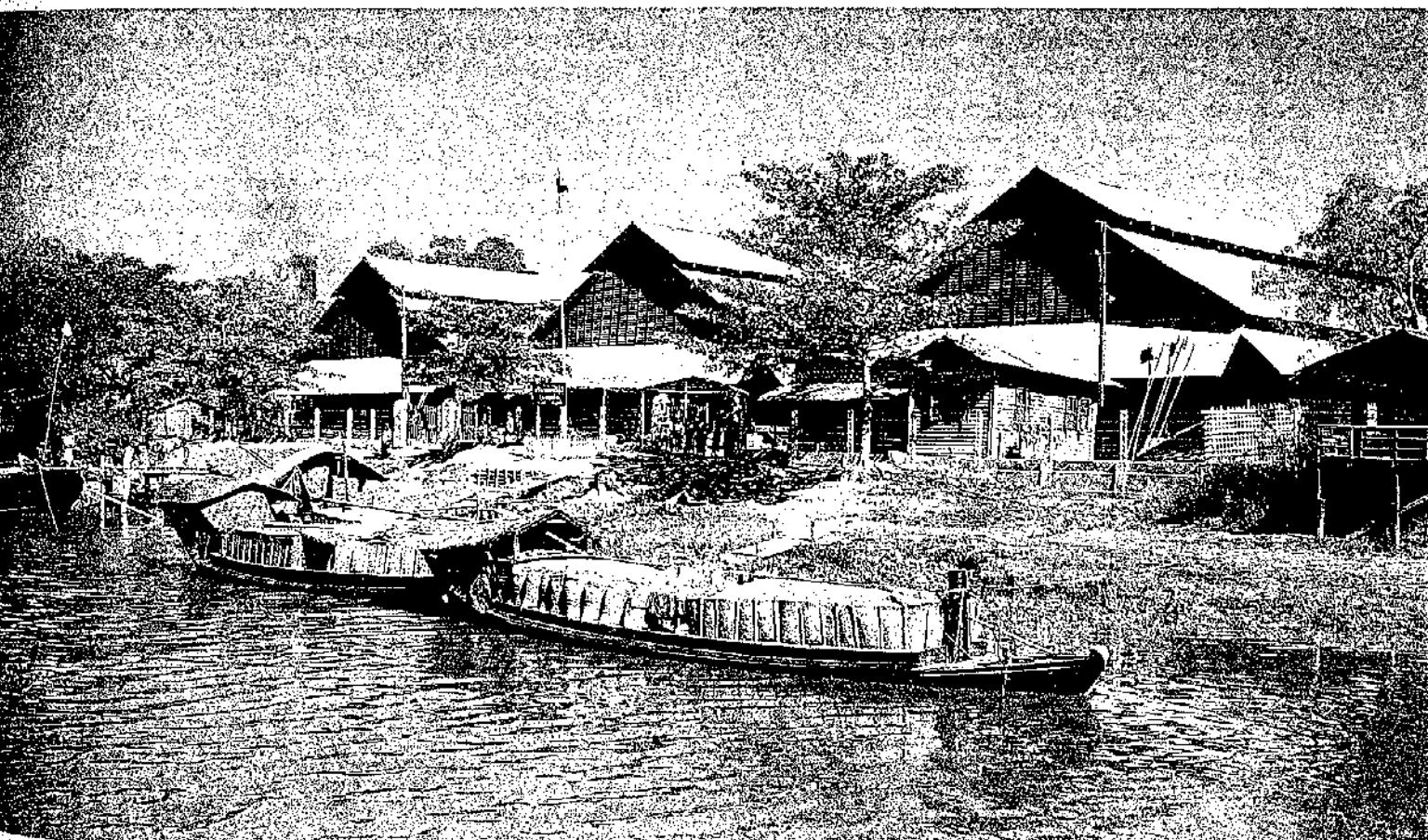
prepare loan projects and five to assist the Government in identifying and planning priority investment projects, to prepare subprojects under the multiproject loan, to review interisland transport operations and to support the institutional development of the Maldives Electricity Board.

Project Implementation: Of the four loans to Maldives as of end-1989, two had been closed and two were ongoing. Contract awards in 1989 totalled \$2.4 million, bringing cumulative contract awards to \$5.9 million, or 36 per cent of the net effective loans. Disbursements totalled \$646,000 compared with \$886,000 in 1988. Cumulative disbursements amounted to \$3.9 million, or 24 per cent of the net effective loan amount.

The Male' Port Development Project became effective in November, after a delay of nine months. The Bank held a seminar for government officials to improve understanding of the project implementation procedures.

Myanmar

Operational Strategy: The Bank's operational strategy for Myanmar includes the promotion of export-oriented activities to alleviate acute foreign exchange



FERRYING rice in Myanmar under the Rice Processing Industries Project which the Bank supported with a concessional loan of \$6.5 million.

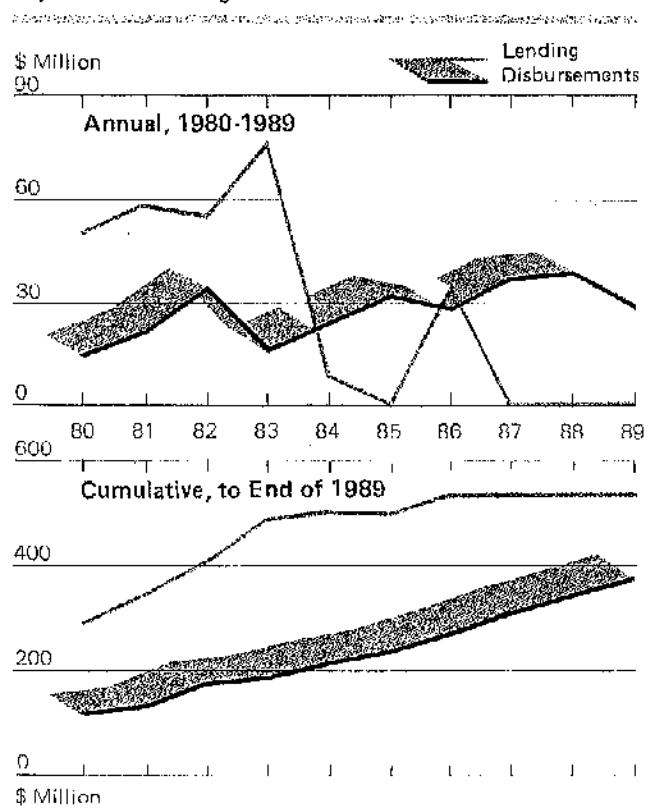
Cumulative Bank Lending to Myanmar
(As of 31 December 1989)

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

shortages and provide a motive force for diversification and growth and the expansion of physical and social infrastructure to underpin future developments in all sectors.

Policy Dialogue: Within the context of economic reforms announced by the Government, the Bank, in cooperation with the International Monetary Fund and the

Myanmar: Lending and Disbursements



World Bank, reviewed and discussed with government officials major macroeconomic and sectoral policy issues related to economic restructuring.

Loans and Technical Assistance: No new loan or technical assistance was provided to Myanmar in 1989.

Project Implementation: Of the 32 loans approved as of end-1989, 23 had been closed and nine were under administration. Contract awards during the year amounted to \$12.3 million, bringing the cumulative value of contracts awarded to \$403 million, or 77 per cent of the net effective loan amount. Disbursements totalled \$30 million, against \$39 million in 1988. Cumulative disbursements stood at \$380 million, or 73 per cent of the total net effective loan amount.

Disbursements slowed considerably during the year. There were 16 loan administration missions in 1989, and contract awards and disbursements were closely monitored.

Nepal

Operational Strategy: The Bank's strategy for Nepal focuses on improving production and productivity in agriculture; reducing environmental degradation, particularly deforestation which undermines farm productivity; enhancing the role of industry, particularly the private sector; and developing physical and social infrastructure.

Policy Dialogue: Policy dialogue was focused on the implementation of the Forestry Master Plan, designed, among other things, to help restore balance in the fragile mountain ecosystem. Other environmental issues were addressed during a Consultative Meeting on Environmental Conservation and Management held in Kathmandu in December 1989. While processing the Seventh Power Project, the Bank held discussions on energy pricing and institutional improvements to the Nepal Electricity Authority.

Cumulative Bank Lending to Nepal

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	37	469.20	54.4
Transport and Communications	10	157.66	18.3
Energy	9	134.90	15.6
Industry and Non-Fuel Minerals	3	52.50	6.1
Education	3	24.00	2.8
Water Supply and Sanitation	2	24.00	2.8
Total	64	862.26	100.0

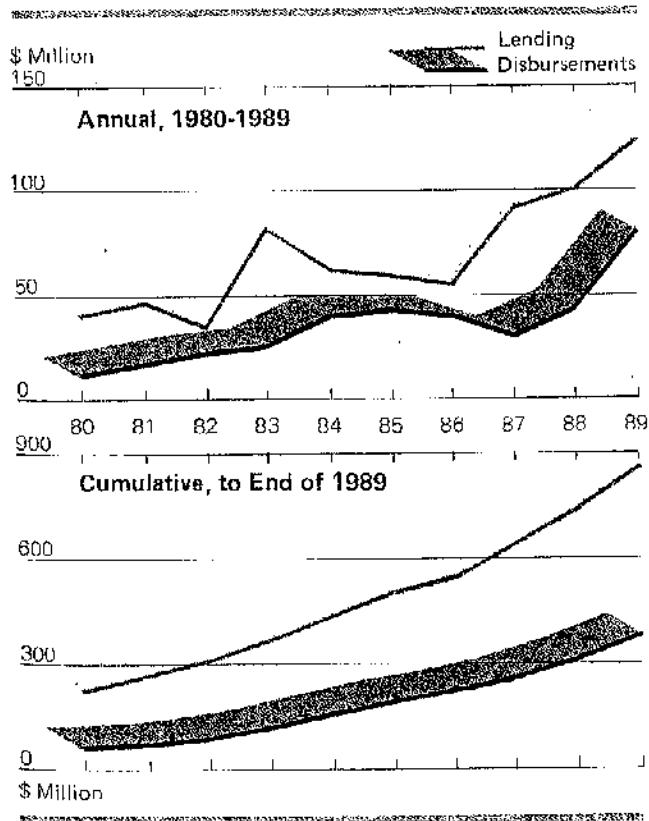
Through its ongoing technical assistance for program budgeting and project monitoring, the Bank supports Nepal in improving its management of the development process.

Loans and Technical Assistance: Bank lending in 1989 amounted to \$122 million, compared with \$99 million in 1988. It consisted of six loans, including a special assistance program and the Bank's first private sector loan to Nepal, for activities in the agriculture, education, energy, industry, transportation and water supply sectors. Co-financing to the extent of \$8 million was involved in one project. There were 15 technical assistance projects amounting to \$8.3 million. All but two were advisory technical assistance, including a follow-up project to install a program budgeting and project monitoring system in the Ministry of Finance and extend it to line ministries.

As at the end of 1989, the Bank had approved 64 loans to Nepal totalling \$862 million for 54 projects. The cumulative total of technical assistance amounted to \$47 million for 115 projects. Fifty-one of these projects were for project preparation, resulting in Bank loans totalling \$580 million.

Project Implementation: Of the 64 loans approved for Nepal as of end-1989, 30 had been closed and 34 were under administration, including four waiting to become effective. Four loans were closed in 1989. Contract awards totalled \$63 million, bringing cumulative contract awards to \$425 million, or 55 per cent of the net effective loan

Nepal: Lending and Disbursements



amount. Disbursements totalled \$81 million, compared with \$42 million in 1988. Cumulative disbursements stood at \$382 million, or 50 per cent of the net effective loan amount.

The most significant development affecting the Bank's operations in Nepal during 1989 was the expiry on 23 March of the country's trade and transit treaties with India. This affected bilateral trade between the two countries. Ongoing projects were affected by the shortage of vital goods, including petroleum products and other commodities previously available under quota arrangements from India.

The Government's budgetary difficulties also affected project implementation by delaying the release of local funds. Disbursements, however, increased by a significant 91.3 per cent in 1989, mainly because of the disbursement of the first tranche of the agricultural program loan and closer attention paid by the authorities to implementation. A procurement seminar was held in Kathmandu to further strengthen the implementation process.

A Resident Office was established in Kathmandu in December to coordinate with, and advise, the Government on matters relating to project implementation. Its efforts were supported by regular review missions which discussed overall implementation issues.

Private Sector Investment Management: The Bank approved its first private sector investment in Nepal in 1989 – a \$4 million loan and equity facility for a spinning mill project. Disbursements from the investment have yet to be made.

Pakistan

Operational Strategy: The Bank's operational strategy for Pakistan was recently revised, paying special attention to macroeconomic imbalances, particularly the budget and external payments gaps. Five major themes are underscored. These are export growth and conservation of foreign exchange; domestic resource mobilization; increased private sector participation; improvement of the efficiency of existing investments and the optimization of resource allocation; and the satisfaction of basic needs, poverty alleviation and human resource development.

In agriculture, the main concern is to boost productivity and manage scarce financial resources prudently. The Bank seeks to phase out fertilizer subsidies and to achieve progress towards the full recovery of operation and maintenance costs of provincial irrigation systems. In the industrial sector, policy programs will be focused on improving competitiveness and expanding the export base, substituting imports more efficiently, and shedding the import bias which had earlier been inherent in the industrial sector. In the financial area, efforts for policy reforms, including exchange rate policy and tariff rationalization, will be continued. The increased participation of the private sector will continue to be supported. In the power sector, a key objective is to mobilize additional resources to meet investment needs, and

restrain demand growth through pricing mechanisms and better load management. Continued monitoring of gas prices and consumer demand through gas conservation need to be maintained. Constraints in the social sectors are the high local currency content of social projects, a shortage of budget funds for development and recurrent expenditure and the general weakness of the concerned institutions. Institutional development in all sectors will continue to be the goal of advisory technical assistance.

Policy Dialogue: The Bank has been particularly active in supporting the growth of private enterprise in Pakistan, through both loans and direct equity investments. It has had an intensive dialogue with the Government in this respect, based on its program loan for the industrial sector as well as its third and fourth loans for development financing. The objective is not only to develop a deregulatory policy environment for rapid, industry-led and export-oriented economic growth, but also assist in implementing the privatization policy of the Government, rationalize the working of development financing institutions, and promote a secondary market for fixed-income securities.

In the agriculture sector, discussions have been undertaken on the mobilization of financial resources from the sector and the enhancement of agricultural productivity. In the energy sector, the Bank has coordinated with other aid agencies in addressing policy issues, and in the area of infrastructure, economic tariffs for key urban services and better operational efficiency have been stressed.

Loans and Technical Assistance: The Bank approved 13 loans for 11 projects totalling \$724 million to Pakistan in 1989, including \$54 million to the private sector. This compared with \$649 million approved for eight

Cumulative Bank Lending to Pakistan

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	38	1,579.85	30.7
Energy	34	1,480.02	28.8
Development Banks	21	977.00	19.0
Industry, and Non-Fuel Minerals	10	321.40	6.3
Transport and Communications	6	282.60	5.5
Water Supply and Sanitation	4	146.50	2.9
Education	4	124.00	2.4
Urban Development	2	121.20	2.3
Health and Population	3	61.40	1.2
Multisector	1	44.00	0.9
Total	123	5,137.97	100.0

projects in 1988. Of the total, \$386 million came from the ADF and \$338 million from OCR. Local cost financing accounted for \$281 million, or 39 per cent. Seven projects, including three in the private sector, were co-financed from various sources.

The Flood Damage Restoration Project will help the Government rebuild the social and economic infrastructure destroyed by severe floods in 1988. The Livestock Development Project is intended to increase livestock production to boost rural employment and incomes. The Swabi Salinity Control and Reclamation Project will help overcome a crop water shortage, increase cropping intensities and eliminate waterlogging and salinity problems. The Primary Education (Girls) Sector Project will enhance the quality, efficiency and accessibility of primary education in general, and of girls' primary education in particular, in less developed rural areas. The Fourth Development Financing Project will provide foreign currency resources to the participating financial institutions to finance the import of goods and services for private sector industrial projects. The Karachi Sewerage Project is designed to improve and expand existing sewerage facilities in the city. The Second Urban Development Project is aimed at revamping urban services in Peshawar and six secondary cities of the Northwest Frontier Province.

Sixteen technical assistance projects were approved, totalling \$7.7 million, against \$6.7 million for 19 projects in 1988. Most of these projects were advisory and operational in nature.

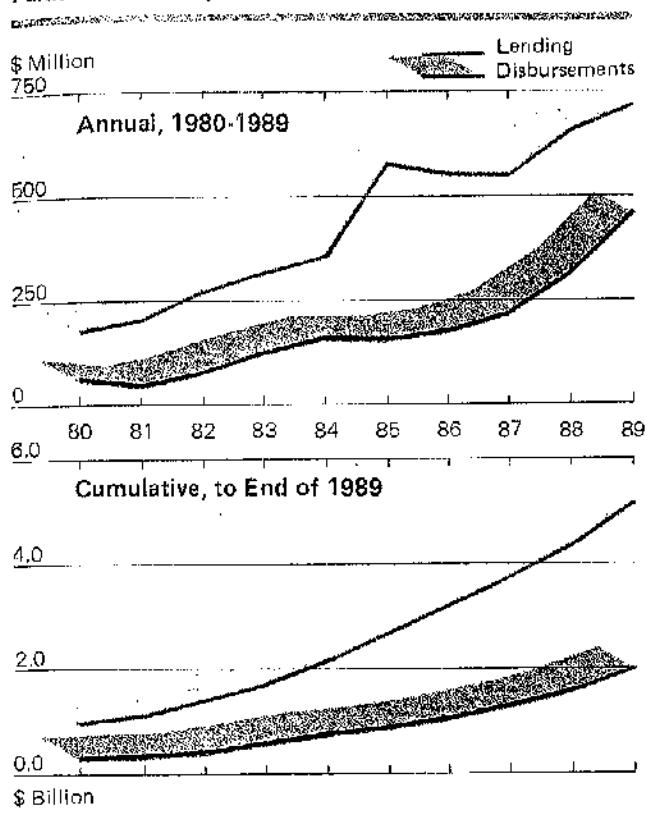
As of end 1989, Pakistan received 123 loans totalling \$5,138 million for 98 projects. Of these, 68 loans amounting to \$2,786 million (54 per cent) were from the ADF and 55 amounting to \$2,352 million (46 per cent) from OCR. There were 107 technical assistance projects totalling \$33.1 million, of which 35 resulted in 38 Bank loans involving \$1,657 million. Agriculture accounted for 31 per cent of total cumulative lending, followed by energy with 29 per cent and industry, non-fuel minerals and development banks with 25 per cent.

Project Implementation: Of the 123 loans approved for Pakistan by end 1989, 55 had been closed and 68 were under administration, including 13 waiting to be effective. Contract awards during the year totalled \$392 million, bringing the cumulative award figure to \$2,276 million, or 56 per cent of the net effective loan amount. Disbursements totalled \$461 million, compared with \$310 million in 1988, and included \$100 million on account of program loans and \$13 million for sector loans. Cumulative disbursements stood at \$2,097 million, or 51 per cent of the total amount of net effective loans.

The Government's awareness of the importance of effective project implementation and consequent favorable impact on disbursements is underlined by its decision to undertake a study, under a Bank technical assistance project, of government procedures and requirements.

The Bank's establishment of a Resident Office in Islamabad in 1989 is providing the necessary support in this respect. Projects review meetings continued to be held on a

Pakistan: Lending and Disbursements



semi-annual basis to discuss and resolve issues affecting project performance. A seminar for chief engineers was held in Karachi to discuss the financial management of large-scale projects.

Private Sector Investment Management: By the end of 1989, 10 private sector investment facilities totalling \$133.4 million had been approved for Pakistan. This represented 34 per cent of all Bank private sector investments. The bulk of the Pakistan investments were in the chemical industry, including fertilizer (\$51 million), non-metallic minerals (\$33 million) and financial institutions and leasing companies (\$38 million). Disbursements were completed for six investments, with \$8 million given out during the year. By year-end, the portfolio comprised \$14.9 million in nine investments, including five companies which had begun commercial operation. Of the two loans involved, one was at the repayment stage.

Papua New Guinea

Operational Strategy: In line with the Government's Development Plan and Public Investment Program for 1989-1993, the Bank's operational strategy for Papua New Guinea (PNG) is geared to develop smallholder agriculture, fisheries and forestry; maintain and expand physical and social infrastructure supporting the productive sectors; broaden the industrial base through private investment in

small-scale and medium-scale agro-industries and manufacturing; and strengthen the institutional capacity to plan, implement and monitor programs and projects and to coordinate aid.

Policy Dialogue: Based on the processing of the Agriculture Sector Program Loan, the Bank has conducted a wide-ranging policy dialogue with the Government on its agriculture export development program with the objective of removing constraints on tree-crop production. The issues involve the exchange rate, wages, taxation and land policies, agricultural price support and institutional reforms concerning agricultural extension, research, training and human resources development. As a result, the Government has introduced or improved tax incentives for growers and exporters of agricultural commodities and abolished subsidies, and has agreed to reform commodity stabilization funds, agriculture credit and investment laws and regulations.

Loans and Technical Assistance: In 1989, Bank lending to PNG amounted to \$93.4 million, \$61 million from the ADF and \$32.4 million from OCR. The Agriculture Sector Program loan, which was co-financed to the extent of \$20 million, will help to rehabilitate, expand and diversify the agriculture sector, the mainstay of the economy. The Multisectoral Technical Assistance Program will assist the preparation of priority projects in important sectors, improving the country's capacity to absorb external assistance. The Divine Hydropower Project is intended to displace high-cost imported diesel-based power generation with lower-cost indigenous renewable hydropower. Ten technical assistance projects totalling \$2.9 million were approved.

By the end of 1989, the Bank had approved 32 loans to PNG totalling \$376 million for 24 projects and programs. Of these, 15 amounting to \$175 million came from OCR.

Cumulative Bank Lending to Papua New Guinea
(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	8	142.64	37.9
Transport and Communications	8	102.05	27.1
Energy	5	43.03	11.5
Health and Population	3	26.90	6.9
Development Banks	3	22.50	6.0
Water Supply and Sanitation	2	18.90	5.0
Education	2	16.00	4.3
Multisector	1	5.00	1.3
Total	32	376.02	100.0

and 17 totalling \$201 million from the ADF. A total of about \$10.3 million in technical assistance had been approved for 48 projects, of which 10 resulted in Bank loans amounting to \$136 million. Agriculture and agro-industry accounted for about 38 per cent of total loans, followed by transport and communications with 27 per cent and energy with 12 per cent.

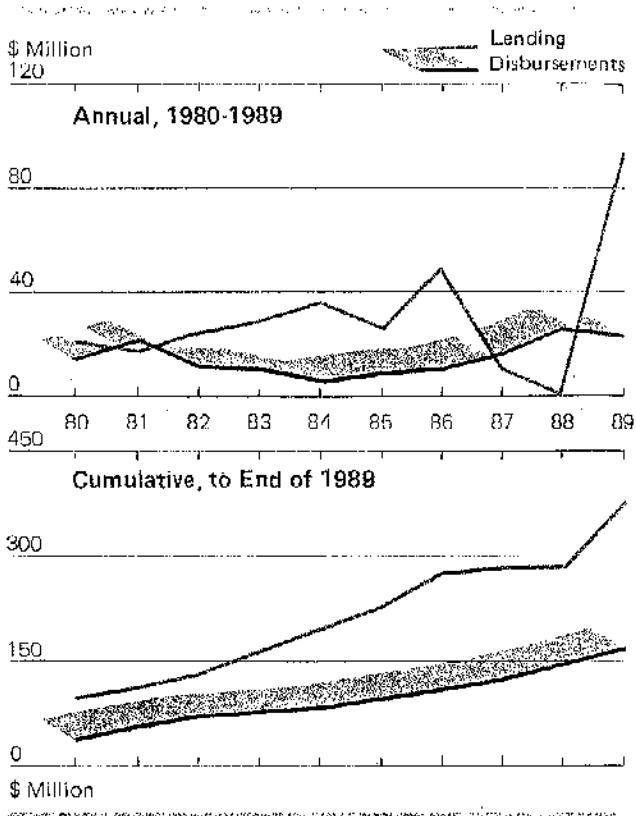
Project Implementation: Of the 32 approved loans, 18 had been closed by year-end and 14 were under administration, including two waiting to become effective. A total of \$32 million worth of contracts were awarded, bringing the cumulative total to \$207 million, which was 58 per cent of the net effective loan amount. Disbursements amounted to \$24 million, against \$26 million in 1988, with the cumulative total standing at \$169 million, or 47 per cent of all net effective loans.

Although project implementation improved, there still were problems like delays in loan signing (Parliament has to



SPRAYING rubber and other crops at Cape Rodney, Papua New Guinea, under the West New Britain Smallholder Development Project which the Bank has supported with a loan of \$15 million.

Papua New Guinea: Lending and Disbursements



approve loans before they can be signed) and in loan effectiveness caused by difficulties in acquiring land or getting agreement from various institutions. There were also delays in the recruitment of project staff and consultants and in submitting audited financial statements.

Philippines

Operational Strategy: In consonance with the Government's Medium-Term Development Plan, the Bank's operational strategy continues to be focused on poverty alleviation, employment generation, particularly in rural areas, and balanced regional development, in view of the wide disparities in income and quality of life prevailing in the different regions. In response to the over-exploitation of natural resources, more attention is being given under the strategy to the renewal and management of natural resources and to environmental improvement.

In implementing the strategy, three main considerations have been emphasized. First, policy-based program and sector lending modalities have provided the country with quick-disbursing assistance to support a weak balance of payments. They have also provided opportunities for linking policy and institutional reforms in priority sectors with Bank assistance. Secondly, in support of equity objectives, priority has been given to the provision of basic social services such as education, health, water supply and sewerage. Thirdly,

Cumulative Bank Lending to the Philippines

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	37	970.84	28.4
Energy	18	948.35	27.8
Transport and Communications	17	446.35	13.1
Water Supply and Sanitation	9	425.60	12.5
Development Banks	12	345.00	10.1
Multisector	1	146.70	4.3
Education	4	128.86	3.8
Total	101	3,411.70	100.0

the Bank continues to support rehabilitation and efficiency improvements in public infrastructure while providing institutional support to the executing agencies involved in carrying out operations and maintenance activities in such strategic sectors as irrigation, power, roads, ports and water supply.

As the economy stabilizes, more attention will be given to the efficiency aspects of investment and to the need to augment capacity in such basic infrastructure as power, telecommunications and roads.

Policy Dialogue: During 1989, the Bank continued to exchange views with the Government on a wide-ranging set of policy issues both in the context of project processing and in more general forums. As in the earlier Bank-assisted Forestry Sector Program, the Fisheries Sector Program approved in 1989 has as its twin objectives the improvement of efficiency in resource use and the enhancement of social equity. The program will involve NGOs in the implementation process and seek a number of major policy and institutional reforms relating to resource sustainability, coastal zone management, environmental rehabilitation and the strengthening and enforcement of fishery laws.

Continuing the policy dialogue held under the Fourteenth Power (Sector) Loan, discussions under the Fifteenth Power (Sector) Project have covered tariff policies, systems losses and the collection of overdue accounts. Performance covenants relating to these issues have been included in the power project loan agreement and assurances have been received from the Government and the National Power Corporation that negotiated targets will be met. Where appropriate, the Bank will also support private initiative in the power sector in line with its overall Bankwide strategy to encourage build-operate transfer (BOT) type projects. Performance issues relating to non-revenue water, improvement in billing performance and the collection of overdue

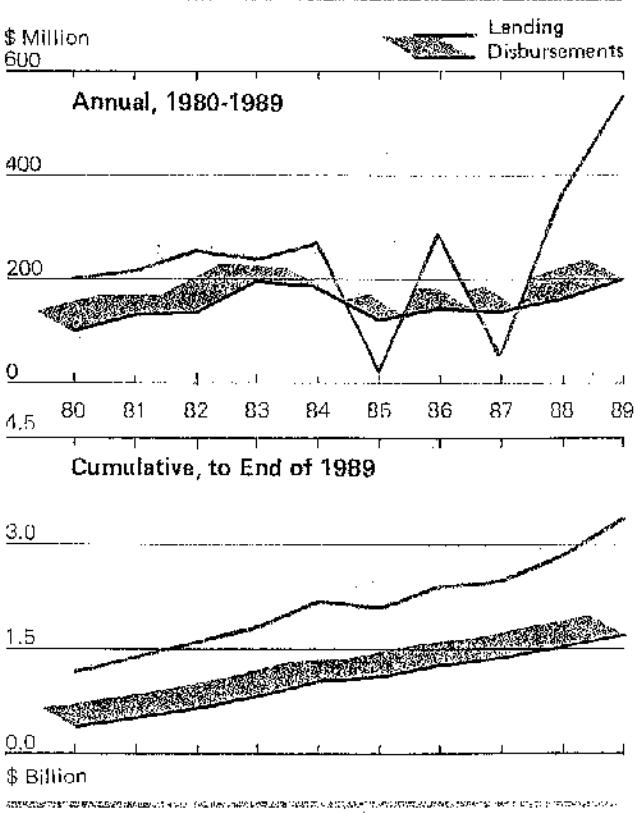
accounts were again the subject of discussion under the Second Manila Water Supply Rehabilitation Project and the Angat Water Supply Optimization Project. A technical assistance grant was provided to the Metropolitan Waterworks and Sewerage System (MWSS) to help streamline administrative operations.

Loans and Technical Assistance: In 1989, Bank lending to the Philippines reached a historical high of \$558 million (\$421 million from OCR and \$137 million from the ADF) for eight projects. This compared with \$382 million for seven projects in 1988. Three projects involved co-financing, including \$120 million for the Angat Water Supply Optimization Project and \$70 million for the Fisheries Sector Program.

The Bank's lending program covered several subsectors including small and medium industries (SMI), urban water supply, fisheries, power and rural development. The SMI project is designed to develop SMIs in the private sector by providing the financial sector with long-term resources for meeting the investment fund requirements of SMIs over the medium term. Two loans were provided for Metro Manila water supply development. These were a second loan to rehabilitate the MWSS distribution network and reduce non-revenue water and a loan to optimize water supply resources for the Manila Metropolitan Area.

The Fisheries Sector Program involves policy and institutional reforms relating to the sustainable development and more efficient resource management of the sector. The

Philippines: Lending and Disbursements



loan proceeds will finance the importation of essential goods for the sector while ensuring the availability of resources to expand and accelerate the Government's fisheries development program.

The power project is aimed at supporting geothermal and diesel power generation, interisland transmission line connections and the improvement of the operations and maintenance capability of the National Power Corporation. Two loans were also provided for rural development projects, including livelihood, infrastructure and social services support for low-income upland communities on the island of Mindoro and infrastructure restoration assistance in response to severe typhoon damage, in the Bicol and Southern Tagalog regions.

The Bank also approved 22 technical assistance projects amounting to \$7 million. Project preparatory technical assistance amounted to \$2.5 million for nine projects and operational advisory technical assistance totalled \$4.5 million for 13 projects. Ten projects were in the agriculture sector, four each in industry (including development banks) and social infrastructure, and one each in energy and ports. In addition, two technical assistance projects were provided to government agencies for increasing administrative capacity.

By the end of 1989, the Bank had approved 101 loans, including two to the private sector, totalling \$3,412 million for 90 projects. Of these, 83 loans amounting to \$2,968 million were from OCR and 18 loans amounting to \$444 million were from the ADF. Technical assistance amounting to \$39 million was provided for 131 projects, of which 38 resulted in Bank loans amounting to \$1,384 million. Agriculture accounted for 28.4 per cent of total cumulative lending to the Philippines, followed by energy with 27.8 per cent, social infrastructure with 16.3 per cent and transport and communications with 13.1 per cent.

Project Implementation: By the end of 1989, 101 loans had been approved for the Philippines, of which 61 were closed, and 40 were under administration, of which four were awaiting effectiveness. Contract awards totalled \$220 million, bringing cumulative contract awards to \$1,731 million, or 66 per cent of the net effective loan amount. Disbursements totalled \$195 million compared with \$157 million in 1988. These included \$37 million from program loans and \$19 million from sector loans. Cumulative disbursements amounted to \$1,728 million, or 66 per cent of the total amount of the net effective loans.

During 1989, the Bank provided increased assistance for institutional strengthening of government agencies involved in project development, monitoring and implementation. Technical assistance was provided to the Government for strengthening the administration of the Industrial Guarantee and Loan Fund, credit administration in the Land Bank of the Philippines and the establishment of a power sector training institute. It was also provided to upgrade the project administration capabilities of the National Irrigation Administration, MWSS and the Government's Project Facilitation Committee.

The Bank held two Country Projects Review Meetings with the Project Facilitation Committee at which cross-sectoral and project-specific implementation issues were discussed and measures for improvement agreed upon. Project implementation was one of the focal points of discussion at the Philippines Assistance Program Meeting in Tokyo in July.

Private Sector Investment Management: By the end of 1989, five investment facilities totalling \$48 million had been approved for the Philippines. This included a package amounting to \$21 million, comprising equity, loan and complementary loan in support of Hopewell Energy (Philippines) Corporation for a 200 MW gas turbine power plant to meet increasing demand on the Luzon grid. The project involved co-financing to the extent of \$10 million. The Bank also approved an equity investment of \$370,000 in the PDB Leasing Corporation.

Disbursements amounted to \$9 million during the year. The portfolio by end-1989 comprised three investments totalling \$9.4 million, all of which had begun operation.

Sri Lanka

Operational Strategy: The Bank seeks to assist Sri Lanka develop a liberalized and export-oriented economy, depending more on the private sector and able to generate domestic and external resources required for self-sustainable growth. The Bank is supporting reconstruction and rehabilitation programs in the north and east, aimed at creating productive employment.

Policy Dialogue: Discussions focused on the reduction of subsidies, use of more appropriate pricing policies

Cumulative Bank Lending to Sri Lanka

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	28	500.42	55.0
Development Banks	6	100.00	11.0
Transport and Communications	7	96.20	10.6
Energy	6	87.45	9.6
Education	3	67.10	7.4
Water Supply and Sanitation	1	30.00	3.3
Multisector	1	14.70	1.6
Health and Population	1	9.30	1.0
Industry and Non-Fuel Minerals	2	5.15	0.5
Total	55	910.32	100.0

and institutional development in the context of the Agriculture Program Loan approved in 1989. Talks also took place, under the proposed Power Systems Expansion Project, on the need to adjust power tariffs and to improve the financial viability of the Ceylon Electricity Board and the Lanka Electricity Company.

The Bank encourages financial sector reforms and the growth of the private sector in Sri Lanka. Through the Small and Medium Industries Project and the Second Development Financing Project, approved in 1987 and 1988 respectively, it has provided lines of long-term credit to a number of small and large-scale private enterprises.

Loans and Technical Assistance: In 1989, the Bank approved three ADF loans for Sri Lanka totalling \$127 million, compared with \$108 million in 1988. One of the projects involved co-financing for \$4.5 million. Local cost financing amounted to \$21 million, or 16 per cent of total Bank lending. The loan for the Agriculture Rehabilitation Project was the third in the Government's reconstruction

and rehabilitation program following a 1988 loan for emergency school restoration. One loan will support the development of smallholder tea farmers and private tea factories. Another loan will support the overall development program for the agriculture sector.

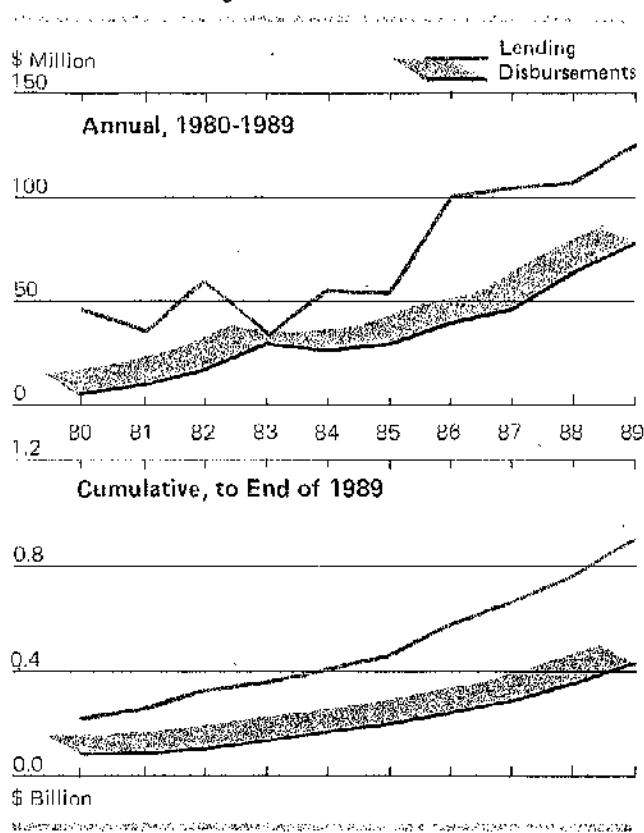
There were 11 technical assistance grants totalling \$3.4 million. Seven of the technical assistance projects were for agriculture with one each for urban development and housing, roads and water supply and the financial sector.

By the end of 1989, the Bank had approved 55 loans for Sri Lanka totalling \$910 million for 49 projects. Of these, 49 totalling \$896 million were from the ADF and six amounting to \$14 million were from OCR. Technical assistance totalling \$15 million had been provided for 74 projects, of which 28 resulted in Bank loans amounting to \$533 million. Agriculture and agro-industry accounted for 55 per cent of total Bank lending, followed by development banks (including industry and non-fuel minerals) with 11.5 per cent, transport and communications with 10.6 per cent and energy with 9.6 per cent.



LIVESTOCK farming in Sri Lanka under the Anuradhapura Dry Zone Agriculture Project which was assisted by a Bank concessional loan of \$15 million.

Sri Lanka: Lending and Disbursements



Project Implementation: Of the 55 loans, 26 had been closed, and 29 were under administration by the end of 1989, including one waiting to become effective. Contract awards totalled \$56 million, bringing cumulative contract awards to \$462 million, or 52 per cent of the net effective loan amount. Disbursements totalled \$77 million, against \$65 million in 1988. Cumulative disbursements of Bank loans amounted to \$428 million, or 48 per cent of the total amount of all net effective loans.

In 1989, project implementation was affected by security problems and shortages of local counterpart funds and construction materials. A country projects review mission in April discussed these and other problems. As a result, the Bank's imprest fund accounts started to be used more extensively to ease the liquidity problems of executing agencies.

Private Sector Investment Management: A \$330,000 investment had been approved to help establish an insurance company in the private sector, which has begun commercial operation.

Thailand

Operational Strategy: Bank operations in Thailand are aimed at achieving developmental impact through efficient resource use, equity and structural change. The

strategy is to support the Government's Sixth National Economic and Social Development Plan (1987-1991) and the required structural adjustments, consistent with its self-imposed cap on foreign borrowing. The program will be focused on multisectoral involvement with public investment programs in the context of a rapidly-growing and modernizing economy and will be carried out in the context of public sector reforms and changes in economic policy, including deregulation. The public infrastructure sector, coming under increasing strain from the current rapid economic growth, will be the subject of special attention. Particular efforts will be made to upgrade and modernize the capabilities of concerned agencies. Support to the power sector will be continued to improve the distribution system and ensure better power utilization. The transport sector has also been identified as a key area with large resource requirements and the Bank has been providing support for its continued development. The operational program is also focused on social infrastructure, particularly in respect of water supply and sewerage.

Policy Dialogue: The Bank's policy dialogue in Thailand is focused on strengthening the performance of state enterprises as part of the wider effort to restructure the economy. Through a combination of advisory technical assistance and appropriate loan covenants, the Bank has sought the improvement of the managerial efficiency of specific state enterprises and the introduction of corrective measures, such as tariff increases and debt restructuring, reduction in system losses, organizational changes and training. This approach to policy dialogue with an institution-building focus is being continued and discussions have been initiated on the delicate and intricate issue of privatization of state enterprises. The Bank also supports the Government's efforts to introduce financial sector reforms, particularly its

Cumulative Bank Lending to Thailand

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	19	872.05	45.8
Transport and Communications	8	392.10	20.6
Water Supply and Sanitation	4	221.50	11.6
Agriculture and Agro-Industry	10	159.05	8.4
Development Banks	6	140.00	7.4
Urban Development	2	58.00	3.1
Industry and Non-Fuel Minerals	1	39.00	2.0
Education	3	21.40	1.1
Total	53	1,903.10	100.0

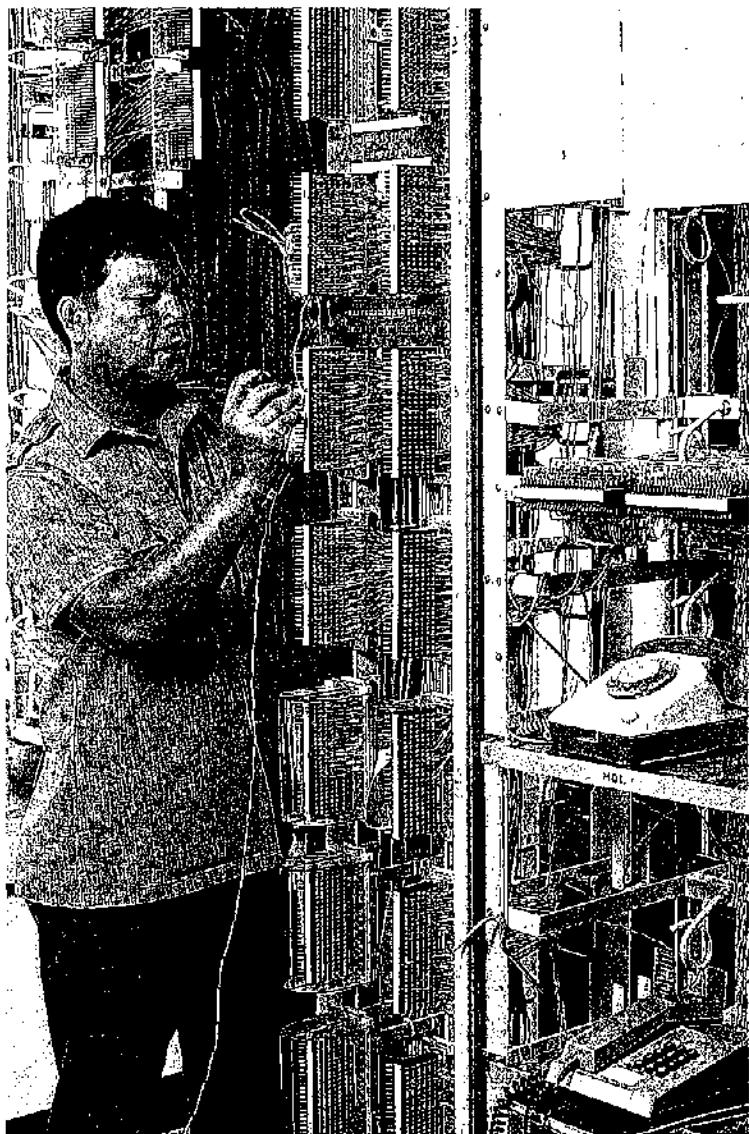
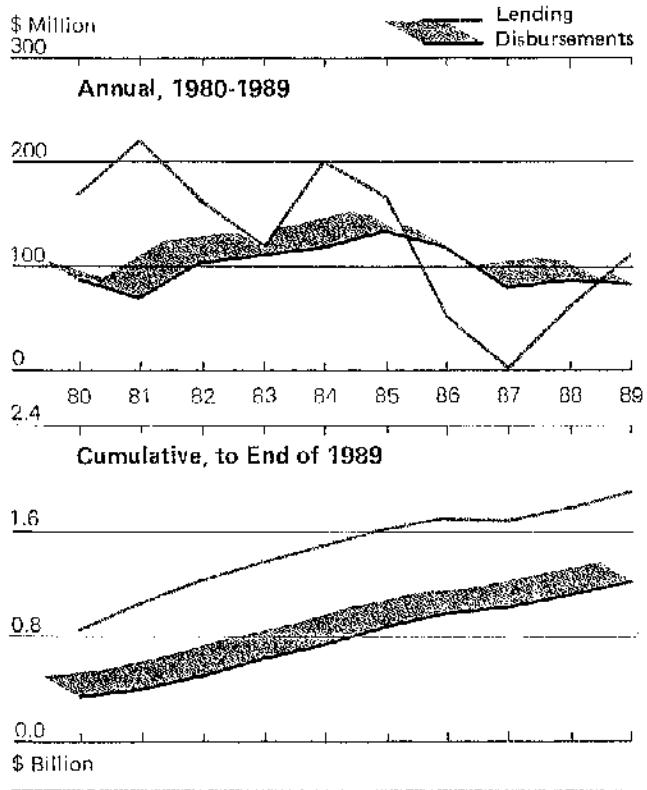
move to establish a credit rating agency to foster the growth of the domestic corporate bond market.

Loans and Technical Assistance: In 1989, the Bank provided \$110 million to the Department of Highways (DOH) under the Second Highway Sector Loan. This will help to finance a time slice of DOH's road development project under the country's Sixth Plan, which seeks to rehabilitate, strengthen, widen or upgrade highways throughout the country. This is being co-financed to the extent of \$184 million.

The Bank also approved seven technical assistance grants totalling \$2.3 million. Two project preparatory T.A. grants were for a study on Lower Chao Phya West Bank Area Development and the establishment of a credit rating agency. The other five were advisory projects concerned with road maintenance management, an accelerated water supply and sewerage program, the development of a data base for domestic consultants, a study for joint private/public power companies, and the strengthening of the Chulabhorn Research Institute program on environmental and industrial toxicology.

As of end-1989, the Bank had approved 53 loans totalling \$1,903 million for 50 projects in Thailand. Of these, 47 amounting to \$1,831 million were from OCR. The energy sector accounted for 45.8 per cent of the cumulative lending, followed by the transport and communications sector with 20.6 per cent. Technical assistance

Thailand: Lending and Disbursements



WIRING up in Thailand under the Bank-assisted Rural Telecommunications Project which is designed to provide telephone services to about 1,800 communities in 71 provinces.

totalling \$14.7 million had been provided for 60 projects, of which 11 resulted in 12 Bank loans amounting to \$455 million.

Project Implementation: Of the 53 loans approved by year-end, 41 had been closed and 12 were under administration. Contracts amounting to \$65 million were awarded during the year, bringing the cumulative value of awarded contracts to \$1.3 billion, which was 90 per cent of the net effective loan amount. Disbursements totalled \$81 million, against \$89 million in 1988, and total disbursements by the end of the year stood at \$1,226 million. This was 85 per cent of the total net effective loan amount.

The implementation of projects in the energy and water supply sectors was progressing well. Problems were

encountered in the agriculture and social infrastructure sectors, mainly due to slow inter-agency cooperation. However, the Government took appropriate measures to remedy the situation which improved during the year.

Private Sector Investment Management: Three investment facilities, totalling \$9 million, had been approved by year-end. One equity investment commitment for \$1 million was cancelled. The portfolio at the end of the year comprised four investments for a total of \$7.1 million, covering food processing, chemicals, non-metallic minerals and an investment fund. Two of the investee companies had begun commercial operation.

Smaller South Pacific Developing Member Countries¹

Operational Strategy: In the smaller South Pacific DMCs, the Bank aims at promoting economic growth by strengthening their capacity to absorb external assistance. Institution-building and the role of the private sector are also emphasized. The operational strategy seeks to diversify and increase agricultural production; develop the necessary infrastructure for productive purposes; avail of indigenous energy resources; encourage the growth of the private sector, particularly through development finance institutions (DFIs), to promote export and import substitution; and support manpower development and institution building through better recruitment and training programs. Co-financing is continuously sought to enhance the effectiveness of external aid inflows.

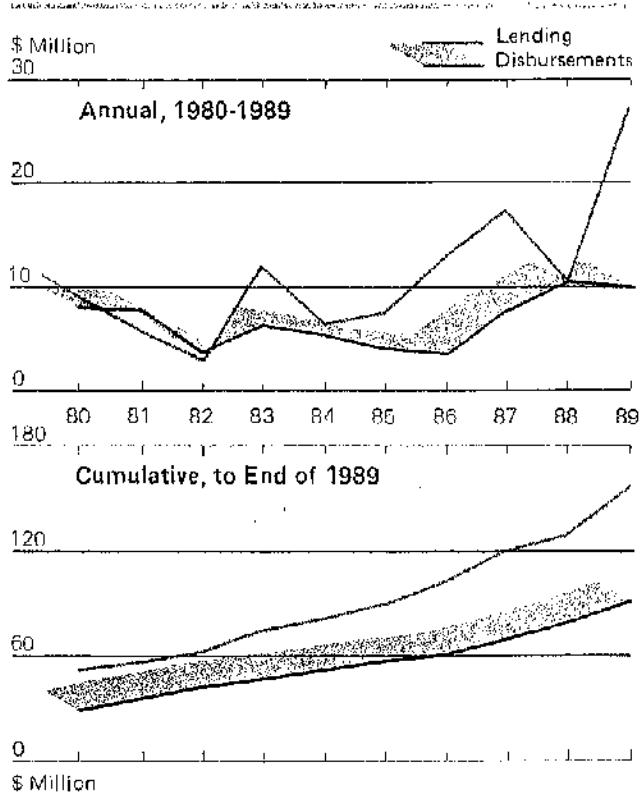
Cumulative Bank Lending to Smaller South Pacific Developing Member Countries¹

(As of 31 December 1989)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	13	54.19	34.7
Transport and Communications	11	30.34	19.4
Development Banks	11	29.00	18.5
Multisector	9	22.53	14.4
Energy	7	18.36	11.7
Water Supply and Sanitation	1	1.65	1.1
Industry and Non-Fuel Minerals	1	0.37	0.2
Total	53	156.44	100.0

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

Smaller SPDMCs: Lending and Disbursements



Policy Dialogue: During the year, the Bank undertook a major policy dialogue with Western Samoa related to its Agriculture Development Program. The objective was to address structural constraints in the economy and transform the macroeconomic policy framework into one that is more supportive of agricultural production, economic diversification, increased productivity, domestic resource mobilization, improved resource allocation between sectors, enhanced public sector efficiency and greater private sector activity. Discussions took place on the telecommunications sector, too, and related to transforming the Posts and Telecom munications Department into a commercial corporation and realigning tariffs, costs and revenues.

In Tonga, the dialogue focused on the role of the National Reserve Bank in implementing an interest rate policy by which a real, market-oriented and flexible interest rate structure could be maintained over the medium and long term.

Loans and Technical Assistance: A fourth line of credit was extended to Tonga Development Bank and two loans were approved for Western Samoa, the Second Telecommunications Project and the Agriculture Development Program loan. All three loans, amounting to \$27.4 million, were from the ADF. The development bank loan was in-line with the anticipated financing needs of existing and new industries and involved co-financing for \$3 million. The Second Telecommunications Project for Western Samoa will upgrade its telecommunications system with

modern technology. This loan also involved co-financing of \$4.7 million. The Agriculture Development Program is to support the Government's medium-term development program for agriculture and related industries.

By the end of 1989, the Bank had approved 53 loans to the six South Pacific countries, amounting to \$156.4 million. Western Samoa was the largest recipient country with 22 loans amounting to \$79 million, followed by Solomon Islands (11 loans amounting to \$38 million), Tonga (nine loans amounting to \$20 million), Vanuatu (four loans amounting to \$11 million), Cook Islands (three loans amounting to \$5 million) and Kiribati (four loans amounting to \$4 million).

Eighteen technical assistance grants were provided during the year for a total of \$4.3 million. Three were for project preparation and 15 for advisory and institutional strengthening purposes.

Project Implementation: Of the 53 loans approved for the smaller South Pacific DMCs, 38 had been closed and 15 were under administration by the end of 1989, including one waiting to become effective. Contract awards during the year totalled \$15 million bringing the cumulative total of contracts awarded to \$97 million, or 66 per cent of the total net effective loan amount. Disbursements totalled \$10.4 million in 1989, which brought cumulative disbursements to

\$90 million, or 62 per cent of the total amount of all net effective loans.

Project implementation problems in the smaller South Pacific DMCs are largely related to the geographical remoteness or the small size of the countries. In response to suggestions made during the Twenty-Second Annual Meeting of the Board of Governors in Beijing, the Bank set up an internal Task Force to review and improve its operations in the region.

The Task Force submitted its report in October 1989 and came to the conclusion that the Bank's operations in the SPDMCs should remain flexible, with a strong emphasis on technical assistance, and that its South Pacific Regional Office in Vanuatu should have greater authority in matters relating to procurement and contract approvals.

The report suggested a greater reliance on sector lending and a bigger effort to promote the private sector and financial services. Equity financing by the Bank, including small amounts of seed capital for small-scale entrepreneurs, was recommended as a useful step and micro-credit projects were seen as essential for the development of agro-industrial and service enterprises. It also proposed the establishment of special South Pacific funds administered by the Bank to channel project and technical assistance funds to the SPDMCs. The Board discussed the recommendations of the report and the issues involved are still under consideration.



RAILWAY links in People's Republic of China are a key element of the Shanxi-Xiaotu Railway Project for which the Bank has provided a loan of \$39.7 million.

PROJECT ADMINISTRATION

Project Administration

AT the end of 1989, there were 388 projects under implementation, compared with 405 in 1988. Of these, 359 were classified as "satisfactory" and 29 as "unsatisfactory". Eighty-seven projects were completed in 1989, compared with 60 in 1988, bringing the total number of completed projects to 536, or 59 per cent of the 906 projects approved as of 31 December 1989.

To help executing agencies expedite and improve the implementation of projects, the Bank fielded missions to review progress and discuss actions necessary to remedy any problems. A total of 341 project administration missions went out during the year, covering 499 projects. These missions utilized 4,133 man-days, which worked out at an average of 8.3 man-days per project.

Project implementation support to executing agencies was also provided by the Bank's resident offices in Bangladesh, Indonesia, Nepal, Pakistan and the South Pacific Regional Office in Vanuatu. The resident offices in Pakistan and Nepal were established in 1989.

The Bank pursued a country-specific approach towards improving the implementation of Bank-financed projects. Missions led by senior Bank staff form an essential part of this approach, and are intended to discuss country-specific implementation problems, cross-sectoral issues and necessary remedial measures with senior DMC officials at the national level.

Enhancing the project implementation capabilities of executing agency staff through seminars and workshops continued to be emphasized, and a number of regional seminars on project implementation management were held. The accompanying table details the Bank's seminar activities during 1989.

The Bank continued to focus on simplifying and streamlining internal procedures for project implementation. Revised guidelines were issued on how best to respond if circumstances change during project implementation, and for utilizing savings from a Bank loan to meet additional project cost; reviewing procurement actions by borrowers under local competitive bidding; handling the disbursement

of outstanding contracts after the loan closing date; and administering technical assistance projects. Also, a comprehensive review was made of the type and flow of project administration reports and documents with a view to achieving greater efficiency in project administration decisions. For the South Pacific borrowing countries, a Task Force, consisting of senior operational staff, recommended simplification of procurement procedures and delegation of greater authority to the South Pacific Regional Office in procurement matters.

A training program was instituted for appraisal mission leaders to enhance their knowledge of project implementation matters that need to be addressed during project appraisal.

The Bank continued its practice of holding business opportunity seminars for suppliers, manufacturers, contractors and consultants from its member countries. These seminars seek to make potential bidders aware of business opportunities offered under Bank financing and advise them on how to prepare substantially responsive bids and proposals. Five such seminars were conducted in 1989, one each in Indonesia, France, Netherlands, Spain and United States. Additionally, trade representatives and commercial attachés of the Bank's member countries located in Manila were briefed on business opportunities offered by Bank-financed projects and the Bank's procedures and practices in approving contract awards.

The total value of contracts awarded during the year under Bank-financed projects totalled \$2,101 million, of which \$1,387 million was from ordinary capital resources (OCR) and \$714 million was from the Asian Development Fund (ADF). This was 9 per cent above the \$1,929 million in contracts awarded in 1988 and represented a record level of performance. At the end of the year, cumulative contract awards amounted to \$14,858 million, of which \$14,023 million were for goods, related services and civil works.

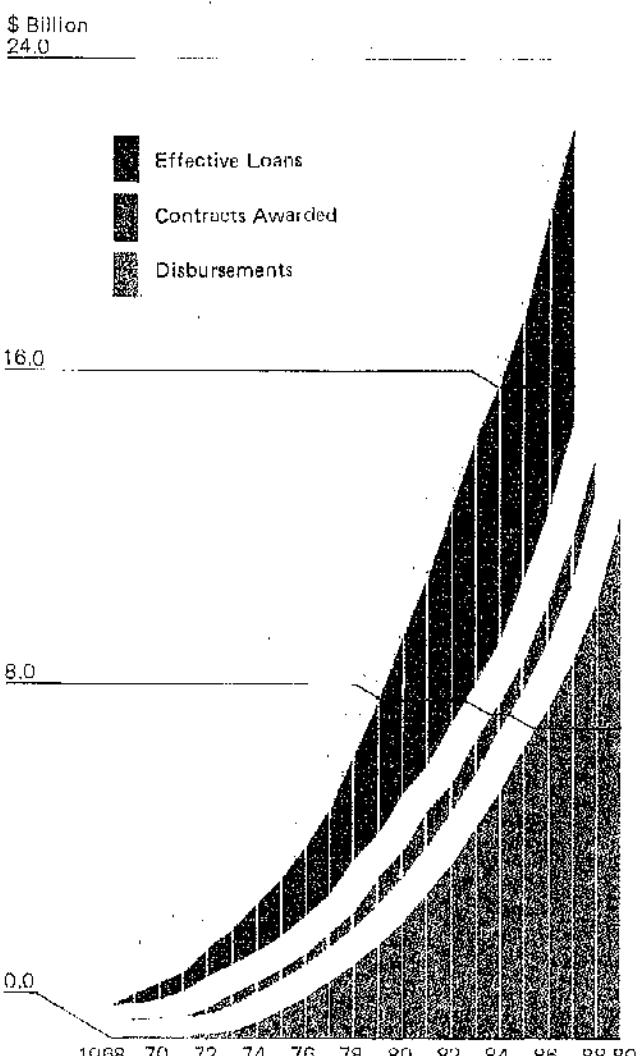
Consultancy services are an important input in project implementation. A total of 101 consulting firms and 37 individual consultants were engaged by borrowers for assisting them in project implementation. The total value of consultancy contracts under Bank-financed projects awarded during the year totalled \$68 million. At the end of

the year, the cumulative value of contract awards for consultancy services totalled \$836 million. For technical assistance projects, the Bank employed 198 consulting firms and 141 individual consultants. There was a rapid increase in technical assistance operations, partly due to the availability of resources from the Japan Special Fund (JSF). The number of technical assistance projects increased from 187 in 1988 to 235 in 1989.

The program to assist borrowing member countries in developing their own consultant capabilities continued, mainly through in-country seminars for domestic consultants. The Bank assisted the Government of Thailand in establishing a domestic consultant data base and making an inventory of such resources available within the country.

The Bank's own data bases on consulting firms (Dacon) were revised and simplified in response to the

Contracts Awarded and Disbursements to End of 1989



SEMINAR ACTIVITIES IN 1989

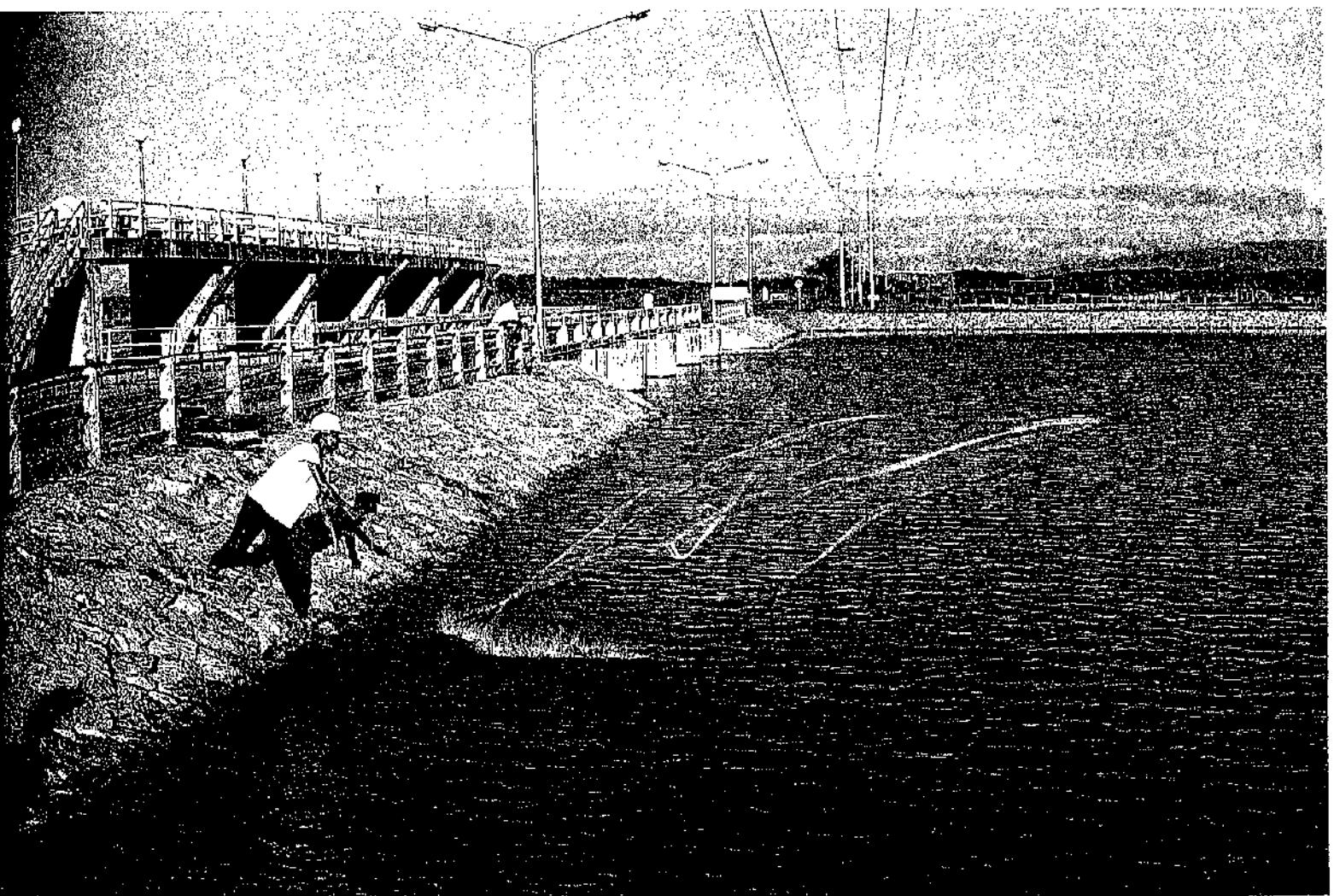
Type	Country/ City	Seminar Dates
Regional Project Implementation Management Seminar (Physical Infrastructure Sector)	Philippines/Manila	15 - 26 May
Regional Project Implementation Management Seminar (Energy, Minerals and Industry Sector)	Philippines/Manila	6 - 17 Nov.
Country Project Implementation Management Seminar (Agriculture Sector)	Pakistan/Lahore	27 - 30 Nov.
Agricultural Projects Management Workshop	Nepal/Kathmandu	12 - 17 Mar.
Agricultural Projects Management Workshop	Papua New Guinea/ Kimbe, West New Britain	28 Aug. - 1 Sept.
Agricultural Projects Management Workshop	Philippines/Davao	19 - 24 June
Country Procurement Seminar	Indonesia/Jakarta	3 - 7 Apr.
Country Procurement Seminar	Bangladesh/Dhaka	19 - 23 June
Country Procurement Seminar	Nepal/Kathmandu	7 - 11 Aug.
Country Procurement Seminar	People's Republic of China/Beijing	21 - 25 Aug.
Country Procurement Seminar	Sri Lanka/Colombo	9 - 13 Oct.

increased registration of consulting firms. Some changes were also made in the Bank's selection procedures for a more efficient selection of individual consultants under technical assistance projects and to make the selection process more transparent.

Loan Disbursements

Loan disbursements rose by \$586 million to \$2,235 million from \$1,649 million in 1988. OCR disbursements increased to \$1,347 million from \$957 million while ADF disbursements rose to \$888 million from \$692 million.

Program loans played a significant role in the improved disbursement. Program loan disbursements rose 136 per cent to \$451 million from \$191 million in 1988 and accounted for 44 per cent of the increase in total disbursements.



NETTING fish at a reservoir built in Thailand under the Bank-assisted Medium Scale Irrigation Package Project which is directly benefiting about 3,200 farm families.

Project loan disbursements rose 22 per cent to \$1,784 million from \$1,458 million in 1988 and accounted for 56 per cent of the increase in total disbursements.

The DMCs contributed to the increase in disbursements through their efforts to speed up project implementation and undertake policy reforms to improve economic efficiency and resource allocation.

On its part, the Bank continued to streamline project administration procedures and organization, and maintained close coordination with borrowers through its Resident Offices. To facilitate the flow of loan funds, it made use of imprest accounts, the statement of expenditure mechanism and retroactive financing, sent out regular projects review and country loan disbursement missions, and continued to organize procurement, disbursement and project implementation seminars.

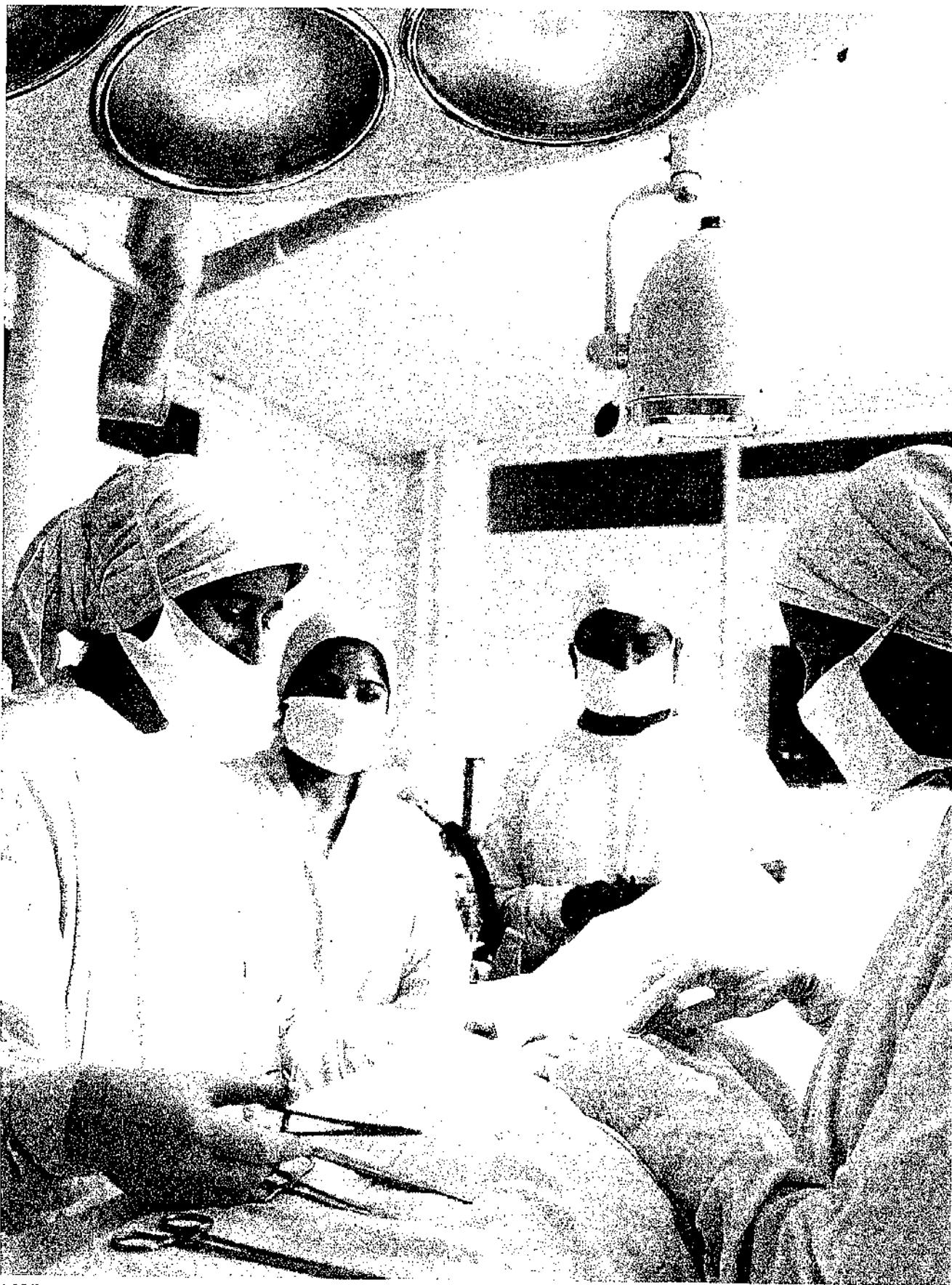
Project Benefit Monitoring and Evaluation

Important modifications were introduced during 1989 in the Bank's Project Benefit Monitoring and Evaluation (PBME) program to keep pace with new areas of operation. Components which monitor and evaluate the impact of

policy and investment activities were included in eight program loans. Efforts continued to further integrate project benefit monitoring with systems to monitor project implementation and with other management information systems of various executing agencies. In this regard, the Agriculture and Infrastructure Departments selected 23 executing agencies in eight DMCs for special attention. Six of these agencies are implementing loans in which special assistance has been provided. The need for assistance in the remaining 17 is being assessed in the preparation of several projects.

An interdepartmental task force reviewed continuing difficulties in the timely completion of PBME Review Studies for use in the assessment of project benefits in preparing Project Completion Reports. On the basis of this review, it was decided that coordination and monitoring of the arrangements to prepare these studies should be intensified. In addition, necessary technical assistance support may be provided to selected agencies.

Work was substantially completed to develop and test a computerized PBME system for development finance institutions. A framework for a monitoring system for projects in the industry and minerals sector was also developed.



MODERN operating theater facilities in Pakistan were provided under the Health and Population Project which is supported by a Bank loan of \$15 million.

POST-EVALUATION

THE post-evaluation system has evolved from simple beginnings in the 1970s to a more mature and complex operation today. Involving a broad range of activities that support development initiatives, the system is designed to review the Bank's operations with a clear objective: How to improve, qualitatively, the design, implementation and operation of development projects, and enable the Bank to better account to member governments for the effectiveness of its assistance. This continuing exercise is the function of the Post-Evaluation Office (PEO), which reports directly to the President.

During 1989, 34 projects, including two program loans, were evaluated. Thirty of these projects were assessed in depth and were covered by Project Performance Audit Reports (PPARs). For the remaining four, the Project Completion Reports (PCRs) were reviewed to ensure that they adequately fulfilled the necessary accountability and lesson-learning functions of post-evaluation.

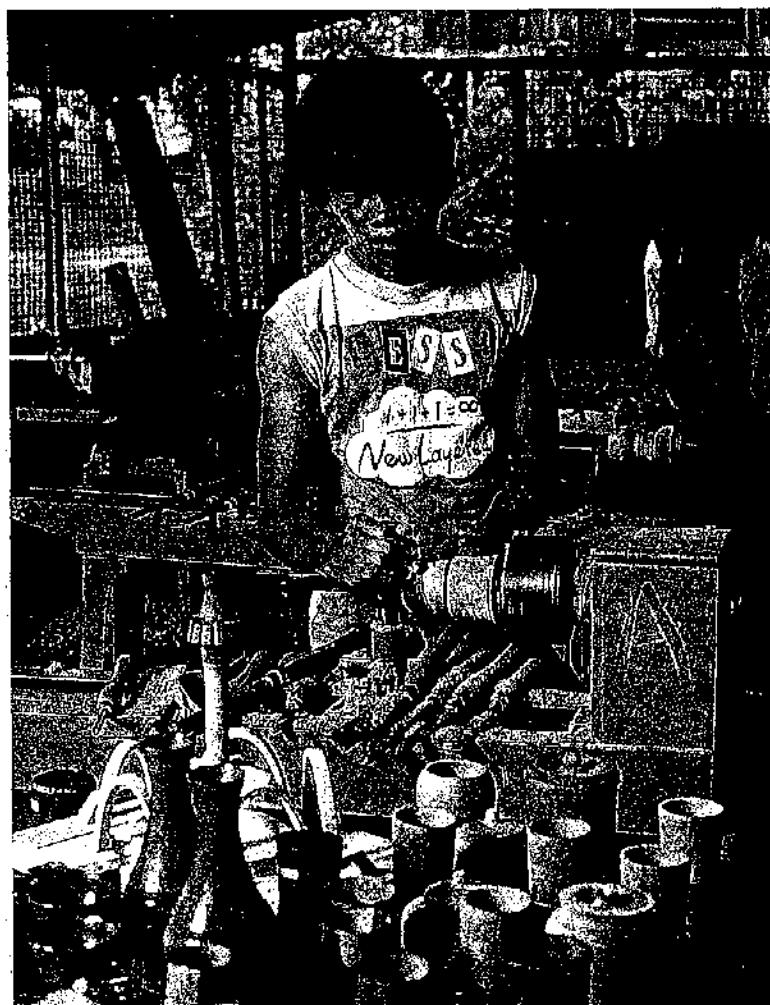
By the end of the year, PEO had prepared 298 PPARs covering 313 projects in 19 countries and all major sectors. They represented 61 per cent of completed projects for which PCRs had been prepared as of December 1988.

The 34 projects evaluated in 1989 covered 12 countries and 14 subsectors. All but one of them had been approved between 1974 and 1984, with 50 per cent of them being approved between 1979 and 1981. About 88 per cent of the projects had been completed during 1986-1988, with the remaining 12 per cent finished between 1984 and 1985.

Of the projects evaluated last year, 18 or 53 per cent, were considered successful according to PEO criteria, compared with the long-run average success rate of 67 per cent. Twelve projects, or 35 per cent, were assessed as partly successful, while four (12 per cent) were rated unsuccessful.

Several factors affected last year's results. For one thing, there were more agricultural projects/programs among the cases evaluated last year than in the year before, and agricultural projects, historically, are more difficult to implement. For another, a number of DFI projects evaluated also performed relatively poorly. A high proportion of the evaluated projects were in low-income DMCs, where infrastructure and institutions are weaker.

The period of approval of projects also affected outcomes. Projects approved in and after 1980, being better prepared and having the benefit of lessons learned from experience, performed better than those prepared and approved earlier. As high as 71 per cent of such projects



WOODCRAFT training in Malaysia is part of the Kedah Regional Development (Sector) Project which the Bank supported with a \$45 million loan.

(12 out of 17) were rated as successful. In contrast, of the 17 other evaluated projects (50 per cent of the total) approved before 1979, only 35 per cent were assessed as successful. In some cases, they had been inappropriately designed, in others the institutional infrastructure was inadequate or macroeconomic policy had not been conducive.

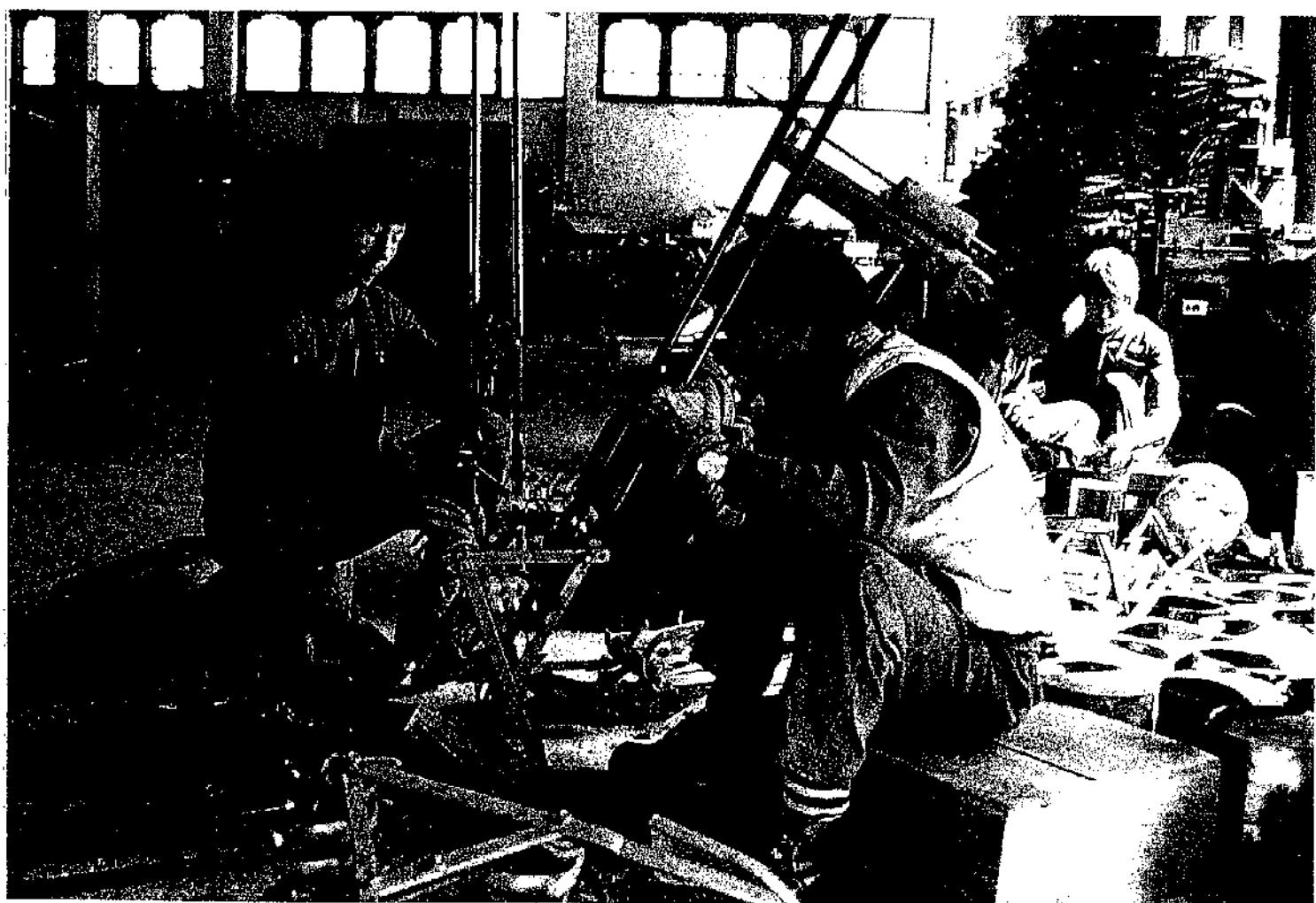
In addition to the PPARs and selective evaluation of PCRs, PEO completed two impact evaluation studies and three special studies during the year. One of the impact evaluation studies concerned the Bank's lending to DFIs in Pakistan and found that, in order to channel loans effectively to end-users, vigorous government action was required on institutional reforms. It recommended strengthening the legal system to speed up debt recovery, developing the capital market as a source of financing industrial enterprises, and improving support facilities in order to upgrade industrial technology. At the same time, the need for the DFIs to develop a comprehensive credit rating system, strengthen institutional capabilities and restore client confidence was emphasized.

The second impact evaluation study was actually a re-evaluation of the Gohor Lama Palm Oil Processing

Project in Indonesia — the first time PEO reviewed the performance of a project evaluated previously. The objective was to get some insights into the long-term sustainability of the project. At the time of the previous audit in 1983, pollution caused by untreated effluent discharged from the mill had been identified as a major problem. The re-evaluation disclosed that the project had succeeded in resolving this issue and underscored its viability.

The study suggested that the commercial and social objectives of the state-owned corporation, Perseroan Terbatas Perkebunana II (PTP II), should be clearly delineated, and concluded that fair and orderly competition between private and public sector estates should be encouraged to ensure efficient development of the oil palm subsector in Indonesia. The country's competitive exchange rate system, orchestrated by the Government, was identified as a favorable factor for the agriculture sector's performance, particularly that of the tree crops segment.

The three special country studies reviewed and consolidated the major findings of post-evaluation studies undertaken by the Bank and the World Bank in Bangladesh, Nepal and Sri Lanka.



MAKING agricultural tools is a component of the First Multiproject in Bhutan which was assisted by a Bank loan of \$5 million.



MUSTARD is intercropped with eucalyptus trees in Nepal under the Sagarmatha Forestry Development Project which the Bank is supporting with a \$4.9 million loan.

The Eleventh Annual Review of Post-Evaluation Reports was circulated to the Board of Directors in March 1989. The Eighth Report of Selected Post-Evaluation Findings had been circulated earlier in February. PEO's improved computerized Post-Evaluation Information System continues to be accessed by the Bank's operational departments.

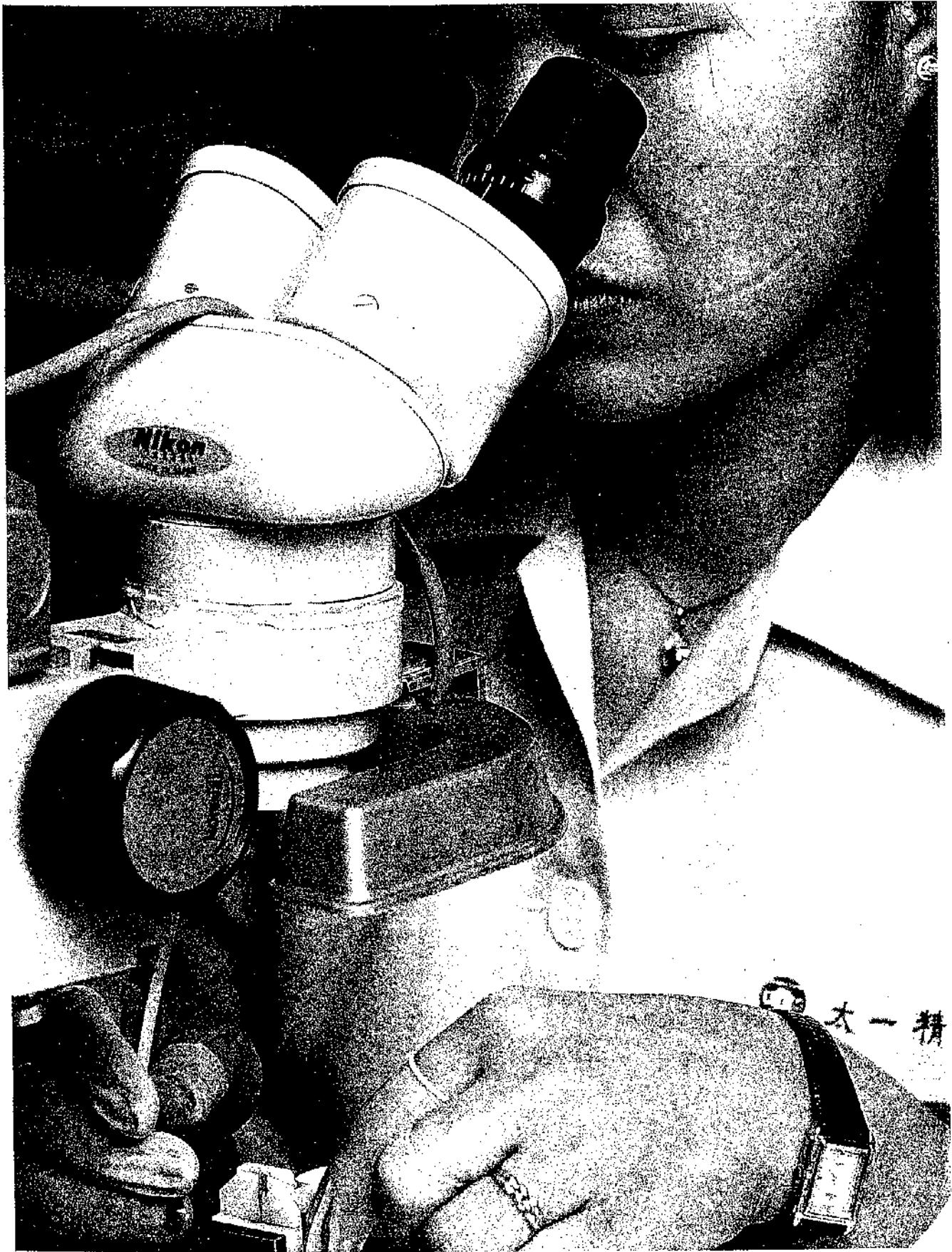
PEO continues to be actively associated with project processing by reviewing and commenting on draft Board documents as well as participating in loan processing meetings. To ensure that findings of post-evaluation studies lead



A BABY is immunized in Bangladesh under the Health and Family Planning Services Project which the Bank is assisting with a \$27.5 million loan.

to improved new projects, project appraisal takes into account the Bank's experience with completed projects.

The Bank Management and the Board's Audit Committee continue to closely monitor the post-evaluation process to see that lessons learned from the past are adequately reflected in the design of new projects and in the implementation of ongoing ones. The Audit Committee reviewed selected PCRs and PPARs during the year, as well as the Eleventh Annual Review of Post-Evaluation Reports, and was satisfied with the conduct of post-evaluation activities.



CLOSE Inspection at a Korean private sector computer manufacturing enterprise
in which the Bank has made an equity investment together with the Korea
Technology Development Corporation

ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Financial Policies

PREPARATORY work was undertaken in 1989 on certain financial policy matters relevant to the next general capital increase (GCI IV). This work will continue in 1990.

In accordance with the income policies approved by the Board in 1987, the Bank ensures that its interest coverage ratio (ICR), which measures the extent to which the Bank's financial expenses are covered by its net income, does not fall substantially below 1.25 in the long run and its long-term reserves to outstanding loans ratio (RLR) is within a range of 20 to 25 per cent. As of 31 December 1989, the ICR stood at 1.91 and the RLR at 40 per cent.

Variable Lending Rate

The Bank's pool-based variable lending rate, which is adjusted on 1 January and 1 July each year, applies to all ordinary operations loans approved after 30 June 1986 and to nearly all such loans approved between 24 September 1985 and 30 June 1986. The lending rate is determined by adding a spread (currently 0.4 per cent per annum) to the average cost of a pool of outstanding Bank borrowings. Reflecting developments in the international capital markets, the lending rate has progressively declined from its initial level of 7.65 per cent per annum set on 1 July 1986. The rate was reduced on 1 January 1989 from 6.53 per cent per annum to 6.42 per cent per annum and was further reduced on 1 July 1989 to 6.37 per cent per annum.¹

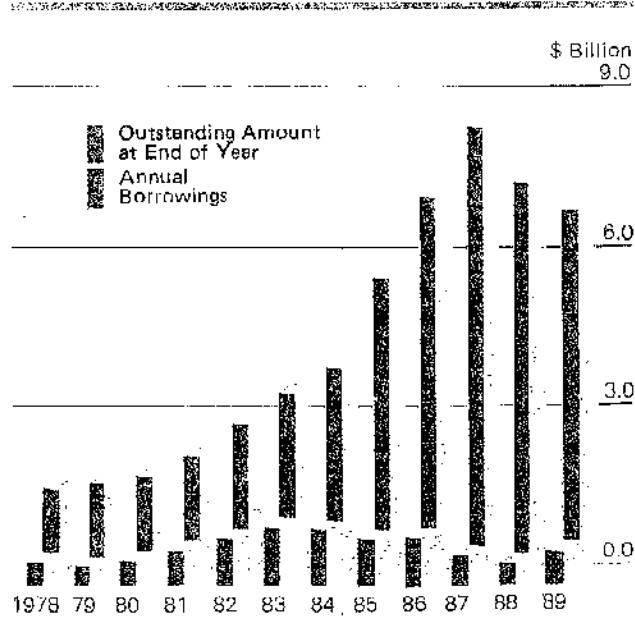
Under the old lending rate system, which applied before the variable lending rate system was introduced, rates were fixed at the time of loan approval for the entire life of the loan. As of 31 December 1989, the variable lending rate applied to \$1,373 million of disbursed and outstanding loans and to \$4,761 million of undisbursed loans, representing about 22 per cent and 82 per cent of the respective totals.

Borrowings

In 1989, the Bank undertook five borrowings amounting to \$644.5 million. The total amount of borrowings would have been larger had it not been for loan prepayments during the year.

The first two borrowings were undertaken in January in the Swiss capital market, where the Bank floated a public bond issue and made a private placement, each for SwF100 million. The yen borrowing, in March, was a public bond issue in Japan for ¥40 billion. The issue, with special settlement features, was the Bank's second such issue. The borrowing in US dollars, in April, was a public bond issue in the Eurodollar capital market amounting to \$100 million, the proceeds of which were swapped for yen under related currency liability swap transactions. The final borrowing of

Borrowings: 1978-1989



¹ The rate as from 1 January 1990 is 6.33 per cent per annum.

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

	1988 Actual	1989 Budget	1989 Actual	1990 Budget
1. Total Income	<u>1,023.2</u>	<u>966.8</u>	<u>1,036.3</u>	<u>1,037.7</u>
2. Less: Expenses Charged to Ordinary Capital Resources				
a. Interest and Other Financial Expenses	589.8	516.7	536.1	514.7
b. Administrative Expenses ^a	52.9	63.8	63.0	76.3
c. Services to Member Countries	6.3	7.0	1.9	8.5
TOTAL	649.0	587.5	601.0	599.5
3. Net Income	<u>374.2</u>	<u>379.3</u>	<u>435.3</u>	<u>438.2</u>

Note: Figures may not add due to rounding.

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

the year, in September, was a public floating rate note issue in Germany for DM200 million, which was also swapped for yen.

The average original life of the year's borrowings, weighted by amount, was 9.80 years compared with 9.65 years in 1988. At the end of 1989, the remaining average life of the Bank's outstanding borrowings, weighted by the amount of each borrowing, was 7.45 years.

The liability management program for 1989 consisted of calls on four high-coupon issues. The total amount prepaid was \$504.3 million. Consequently, the Bank's 1989 borrowing and liability management programs had the net effect of increasing liquidity by \$140.2 million.

Capitalization

The capital stock is defined in the Bank's Articles of Agreement in terms of United States dollars of the weight and fineness in effect on 31 January 1966. Since the coming into effect of the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) on 1 April 1978, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the value of the Bank's capital stock has been expressed in terms of the SDR on the basis that each share has the value of SDR10,000. The mutual obligations of each member and the Bank with respect to maintenance of the value of currency holdings have also been measured by the same standard, but settlement of such

obligations has been held in abeyance. For purposes of the financial statements, the SDR has been translated into current United States dollars at the current rate as computed by the IMF. As of 31 December 1989, the rate was \$1.31416 per SDR. Further information on the Bank's current practice regarding valuation of capital and maintenance of value is given in Notes A and F of the Notes to Financial Statements of Ordinary Capital Resources, OCR-7.

Two working papers on valuation of the Bank's capital and maintenance of value were considered by the Board in 1988. During Board discussions, a proposal to denominate the Bank's capital in terms of the current SDR was considered. A third working paper focusing on maintenance of value was submitted to the Board in September 1988 for consideration in due course.

In September 1988, the Board of Governors adopted Resolutions No. 193, 194 and 195 authorizing special increases in the capital subscriptions of Japan, Sweden and United States, to take effect in accordance with the provisions of those Resolutions. The Governors also adopted Resolution No. 192 authorizing an increase of 62,194 shares in the Bank's capital stock to be made available for these special increases. As of 31 December 1989, Japan, Sweden and United States had not subscribed to their entitlements.

At the end of 1989, the Bank's authorized capital stock amounted to \$22,111 million (SDR16,825.2 million). The subscribed capital stock stood at \$21,137.6 million (SDR16,084.5 million).

Future Resource Requirements

In May 1986, the Board of Governors adopted Resolution No. 179 requesting the Board of Directors to undertake a study of the Bank's future resource requirements for financing its ordinary operations. The study will lead to the formulation of specific proposals for a further general capital increase (GCI IV). A report providing an updated review of progress on the study was approved by the Board of Directors in March 1989 for submission to the Board of Governors. The report was considered by the Board of Governors at the 22nd Annual Meeting. In accordance with the program envisaged in the report, a working paper on the Bank's ordinary capital resources operational program for 1990-1996 was under preparation as of year-end and was expected to be considered by the Board of Directors in early 1990. A further report of the Board of Directors on the progress of the study has been submitted to the Board of Governors for consideration at the 23rd Annual Meeting. A number of papers on related matters, including a preliminary GCI IV proposal, are expected to be considered by the Board of Directors during 1990.

Investments

At the end of 1989, the Bank's OCR investments were denominated in 20 currencies and amounted to the equivalent of \$3,785 million (\$3,947 million at the end of 1988). Of the total investments, 60 per cent (compared with 57 per cent at the end of 1988) was held in securities issued or guaranteed by member governments and obligations of other multilateral development banks. The remainder was invested in deposits and other bank instruments in member countries. The realized rate of return on the Bank's OCR investments over the year was 9.39 per cent, compared with 8.11 per cent in 1988.

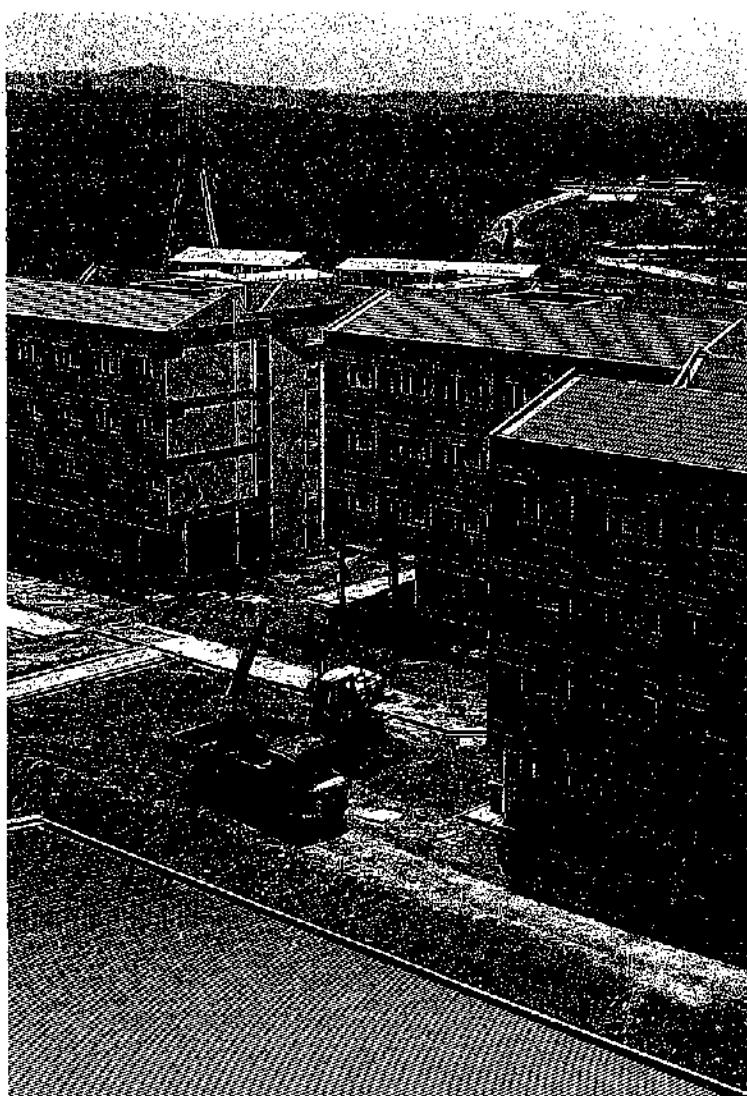
Loan Disbursements and Repayments

OCR loan disbursements in 1989 amounted to \$1,347 million, an increase of \$390 million over the previous year. Cumulative disbursements reached \$9,089 million at the end of the year. Repayments by the Bank's borrowers amounted to \$678 million, bringing cumulative loan repayments to \$2,955 million.

The Bank has no problems with arrears in its OCR loan repayments. It has not suffered any loan losses to date and follows a policy of not taking part in debt rescheduling agreements.

Income, Expenses and Reserves

The net income of the Bank in 1989 was \$435 million, an increase of 16 per cent over the preceding year. The



CAMPUS dormitories are part of the Vocational Education Project in Malaysia. Assisted by a Bank loan of \$20 million, the project is aimed at providing nine vocational schools in eight States.

gross income of \$1,036 million showed an increase of \$13 million from the year-ago level.

The improvement was accounted for by a \$40 million increase in income on investment and other sources, offset by a \$27 million decrease in income on loans.

The Bank's expenses in 1989 totalled \$601 million, showing a decrease of \$18 million, or 7 per cent, from the previous year. Financial expenses and the cost of services to member countries decreased by \$54 million and \$4 million, respectively, while administrative expenses rose by \$10 million.

In 1989, the Bank's Ordinary Reserve rose to \$2,315 million after the transfer of \$374 million net income for the year ended 31 December 1988 and the net credit of \$12 million resulting from the restatement of the Bank's capital stock in terms of the SDR.



PREPARING to weigh tea under the Third Tea Development Project in Sri Lanka.
The Bank has assisted the tea industry with four loans totalling \$43.3 million.

SPECIAL FUNDS: ASIAN DEVELOPMENT FUND, TECHNICAL ASSISTANCE SPECIAL FUND AND JAPAN SPECIAL FUND

Asian Development Fund

ADF and TASF Replenishment (ADF V)

THE current ADF and TASF replenishment (ADF V), authorized by Governors' Resolution No. 182 in October 1986, was intended to finance the Bank's concessional lending program over the four-year period 1987-1990, while \$72 million was for allocation to TASF for technical assistance to poorer developing member countries (DMCs) and for regional technical assistance. At the exchange rates specified in the Resolution, the total amount authorized was \$3.6 billion.

By the end of May 1989, all donor countries had deposited their ADF V Instruments of Contribution. The contributions of Canada and the United States are qualified, whereby, as permitted by the Resolution, all instalment payments except the first are subject to subsequent budgetary appropriations. Under the ADF V "trigger" arrangements, the availability for operational commitments of the second, third and fourth tranches of the unqualified contributions is subject to the availability of the first, second and remaining two tranches of the qualified contributions. The arrangements for ADF V envisaged that the second tranches of the unqualified contributions would be released on 1 January 1988 and the third tranches on 1 January 1989.

By the beginning of 1989, budgetary appropriations had been obtained for the first two tranches of Canada's qualified contribution, while the United States had made available \$107.5 million, representing 73.59 per cent of its first tranche. Accordingly, pursuant to the provisions of the Resolution, the second tranches of all contributions other than that of the United States were available to the Bank for operational commitments to the extent of 73.59 per cent.

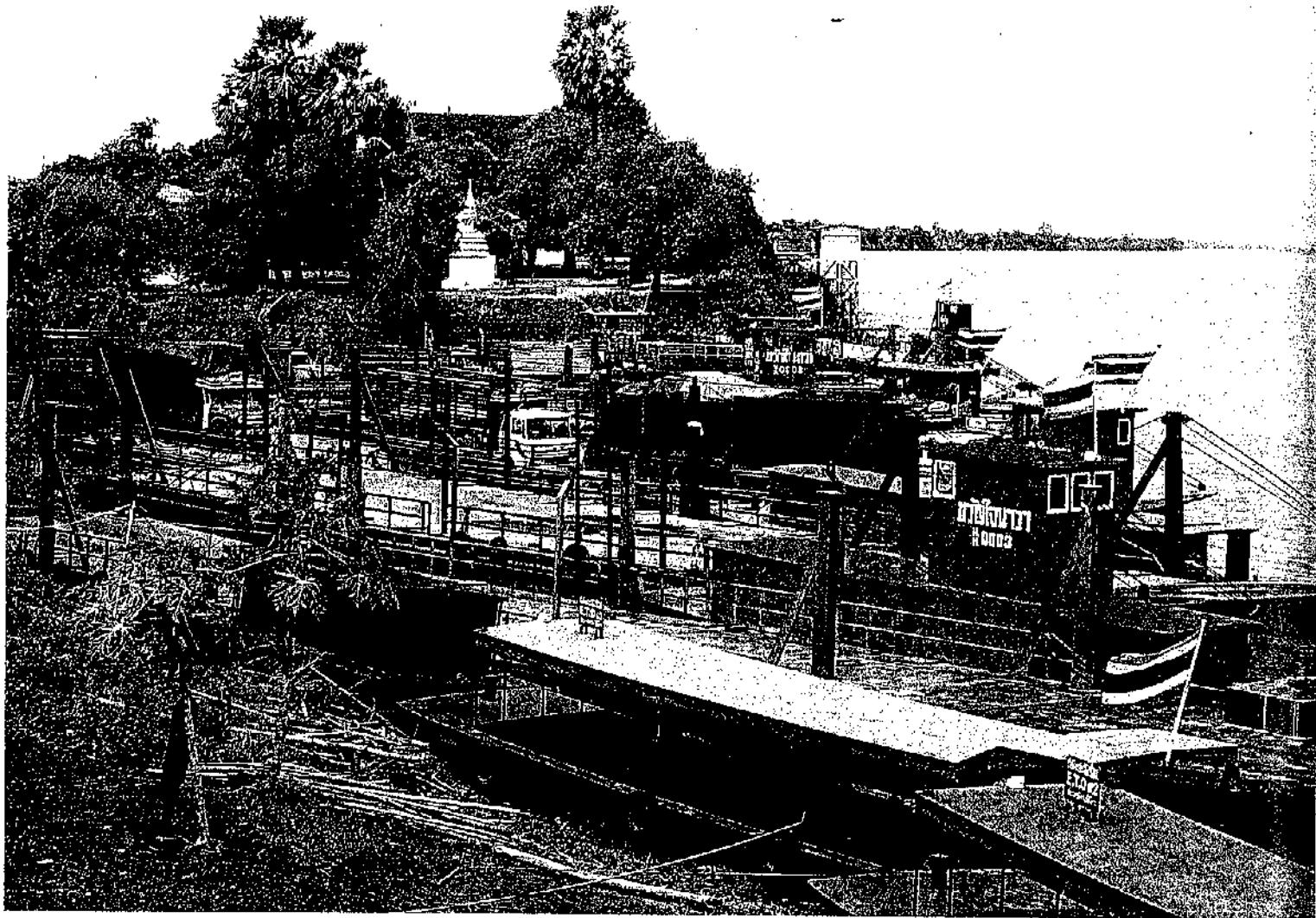
During 1989, budgetary appropriations were obtained for the full amount of Canada's third tranche. In December 1989, the United States made available a further \$175 million, consisting of \$38.6 million for the remaining balance (26.41 per cent) of its first tranche and \$136.4 million for a portion (93.38 per cent) of its second tranche. In accordance with the Resolution, this triggered the release of the remaining 26.41 per cent of the other donors' second tranches and 93.38 per cent of their third tranches.

Future Resource Requirements

The four-year period covered by ADF V is scheduled to end on 31 December 1990. Negotiations with ADF donor countries on a further ADF replenishment (ADF VI), which would be expected to provide resources for ADF lending during the period beyond 1990, would normally have commenced by the middle of 1989. However, in view of the continuing favorable exchange rates and relatively comfortable resource situation, the negotiations are now planned to commence in the first half of 1990. Work began in the latter half of 1989 on studies to determine the concessional financing needs of the Bank's low-income DMCs during the ADF VI period and the projected ADF operational program.

Availability and Utilization of ADF Resources

At the beginning of 1989, uncommitted ADF resources totalled about \$2,265 million and, after allowing for a provision of \$634 million for exchange rate fluctuations, the net resources available for loan commitments amounted to about \$1,631 million. Releases of further amounts of ADF V contributions during 1989 added about \$1,308 million to resources (at the exchange rates applicable at the time of such releases), while net income for the year added about



FERRIES on the Mekong River at Mukdahan, Thailand. The Bank is providing technical assistance to study the feasibility of a bridge across the Mekong River between northeast Thailand and the southern provinces of Lao PDR.

\$73 million. On the other hand, resources were adversely affected by depreciations of the currencies of several contributions against the US dollar. ADF loan approvals during the year totalled \$1,363 million (at the exchange rates applicable at the time of loan negotiation). After taking account of repayments, cancellations and exchange rate adjustments, total uncommitted resources declined by \$127 million to \$2,138 million. During the year, the provision for exchange rate fluctuations increased from \$634 million to \$723 million. After deduction of this latter amount, the net resources available for further loan commitments at the end of 1989 amounted to about \$1,115 million.

Disbursements from ADF resources during 1989 totalled \$888 million (\$692 million in 1988), bringing cumulative disbursements at the end of the year to \$4,503 million. ADF loan repayments during the year amounted to \$38 million, with cumulative repayments as of end-1989 amounting to \$207 million.

ADF Revenue and Expenses

The excess of revenue over expenses (net income) of ADF for 1989 amounted to \$73 million, bringing the

accumulated surplus at the end of the year to \$405 million.

Expenses, principally administration charges paid to ordinary capital resources, totalled \$45 million.

At the end of 1989, the Bank's investments of ADF resources were denominated in 18 currencies and amounted to the equivalent of \$797 million (\$607 million at the end of 1988). Of the total investments, 20 per cent (18 per cent at the end of 1988) was held in securities issued or guaranteed by member governments. The balance was invested in deposits and other bank instruments in member countries. The realized rate of return on ADF investments over the year was 9.89 per cent, compared with 7.55 per cent in 1988.

Technical Assistance Special Fund

As of 31 December 1989, an aggregate amount of \$88.9 million had been set aside and allocated to the TASF from ADF V contributions pursuant to Governors' Resolution No. 182. At the exchange rates specified in the Resolution, this amount was equivalent to \$72 million. By the end of 1989, \$45.6 million had been utilized, leaving an unutilized balance of \$43.3 million.

During the year, India, Republic of Korea and Pakistan made further direct voluntary contributions to the TASF amounting in total to the equivalent of \$501,000. Korea's contribution of \$150,000 is fully untied and may be used to finance the costs of services and facilities from all member countries. The contributions of India and Pakistan (the equivalent of \$292,000 and \$59,000, respectively) can only be used to finance the costs of services and facilities provided either by them or by other DMCs. As of end-1989, total direct voluntary contributions to the TASF amounted to the equivalent of \$84.3 million, of which \$83.6 million had been utilized.

Including income from investments and other sources, total unutilized TASF resources as of the end of 1989 amounted to the equivalent of \$50.2 million.

Japan Special Fund

The objective of the Japan Special Fund (JSF) is to help DMCs restructure their economies in the light of the changing global environment and broaden the scope for new

investment, thereby assisting the recycling of funds to DMCs. The JSF supports the DMCs' efforts towards industrialization, natural and human resources development and technology transfer. It is used to finance or co-finance: (i) technical assistance projects, on a grant basis, in both public and private sectors, including project preparation, advisory services and regional activities; (ii) private sector development projects through equity investment; and (iii) in special cases and on a grant basis, technical assistance components of Bank-financed public sector development projects.

Following the first year's provision of ¥4.5 billion (approximately \$35.8 million) in 1988, the Japanese Government contributed an additional ¥7.9 billion (approximately \$58.8 million, before translation adjustments) in 1989.

As at the end of 1989, the cumulative total contribution of ¥12.4 billion was equivalent to \$86.6 million (net of translation adjustments), of which \$9.5 million was utilized for technical assistance operations. A total income of \$3.2 million was earned from investments of undisbursed funds in 1989.



BANK President Kimimasa Tarumizu (center) during an inspection tour of the Bank's new headquarters under construction in early 1990 in Manila, Philippines.

ADMINISTRATION

New President

ON 24 November 1989, Mr. Kimimasa Tarumizu assumed office as President of the Bank succeeding Mr. Masao Fujioka, who resigned after eight years on reaching 65 years of age.

Mr. Tarumizu, who was formerly Senior Advisor to the Minister of Finance in the Government of Japan, was unanimously elected by the Board of Governors.

On 23 November, the Board of Directors expressed its appreciation of the services of Mr. Masao Fujioka, and adopted the following resolution:

"The Board of Directors

RESOLVES

To express to Mr. Masao Fujioka, at the conclusion of his service as President of the Bank and Chairman of the Board of Directors from 24 November 1981 to 23 November 1989, its deep appreciation of his distinguished leadership, of his wisdom and dedication, and of his vision of the role of the Bank in the economic and social development of the Asia and Pacific region, making it a highly respected and innovative development institution; and

To wish him and Mrs. Fujioka every happiness in the future."

Vice-Presidents

The Board of Directors, acting on the recommendation of the President, re-appointed Mr. Günther Schulz as Vice-President for a further three-year term from 1 July 1989.

Mr. Schulz was redesignated Vice-President (Finance and Administration), succeeding Mr. In Yong Chung, who took over as Vice-President (Projects). Mr. S. Stanley Katz is Vice President (Operations).

Staff

The Bank's staff at the end of 1989 totalled 1,665 from 40 of the 47 member countries: 604 professional staff and

1,061 supporting staff. During the year, there were 49 professional staff appointments and 50 terminations. Among supporting staff, 74 were appointed and 50 left the Bank.

Five young professionals joined the Bank in 1989. They will replace the 1988 intake who will progress to regular professional staff positions during 1990. It is proposed to recruit five young professionals in 1990.

During 1989, the Bank implemented a Job Rotation Scheme for selected professional staff to broaden their exposure and to enhance their development for higher responsibilities. The Bank's early separation scheme proved useful in 1989 in assisting the effective management of the institution and it was decided to continue it in 1990. A program was also initiated to promote career development for supporting staff.

The terms and conditions of service for professional staff assigned to the Bank's Resident and Regional Offices in the field were reviewed and improvements were made to establish a more standardized system of allowances and benefits consistent with the different situations in the various locations.

Based on developments in the compensation levels and practices of the Bank's comparator organizations, and also on cost-of-living considerations, salaries of professional and supporting staff were reviewed and adjusted upwards in 1989. Professional staff salaries were increased by 7.7 per cent and the rental subsidy scheme was reviewed and revised to provide greater relief from rapidly rising housing costs in Manila. Supporting staff were awarded a salary raise of 5 per cent and a year-end bonus payment of one month's salary in addition to the mid-year bonus of a similar amount. Dependency allowances of supporting staff were also increased. A new group medical insurance plan for professional and supporting staff covering both active staff and retirees was also implemented.

In light of the adoption of a new staff compensation system in the Bank's main comparator organization, the World Bank, a study has been initiated of a new professional staff salary policy and structure. It is planned that Board consideration of this will occur during 1990.

Organization

The Co-Financing and Coordination Unit was established under the direct supervision of the Vice-President (Operations) effective 1 January 1989, with responsibility, among other things, for more effective coordination and prioritization of the Bank's technical assistance activities.

For better integration, streamlining and improvement of project administration functions, the Central Projects Services Office – formerly under the Vice-President (Operations) – was organizationally grouped together with

the Projects Departments under the supervision of the Vice President (Projects), effective 1 March.

In view of the Bank's increasing role in the environmental field, the Environment Unit was upgraded into a Division with effect from 1 April. In the Budget, Personnel and Management Systems Department, the staff training function formerly in the Compensation and Training Division (BPCT) was transferred to the Human Resources Division, effective 1 April, for better integration of training with other human resource development activities. BPCT was renamed Compensation and Benefits Division.

To reflect more accurately the role and functions of the Division in its title and to emphasize the broader focus on project administration rather than merely loan administration, the Central Loan Administration Services Division of the Central Projects Services Office was renamed as the "Central Projects Administration Coordination Division," effective 22 June.

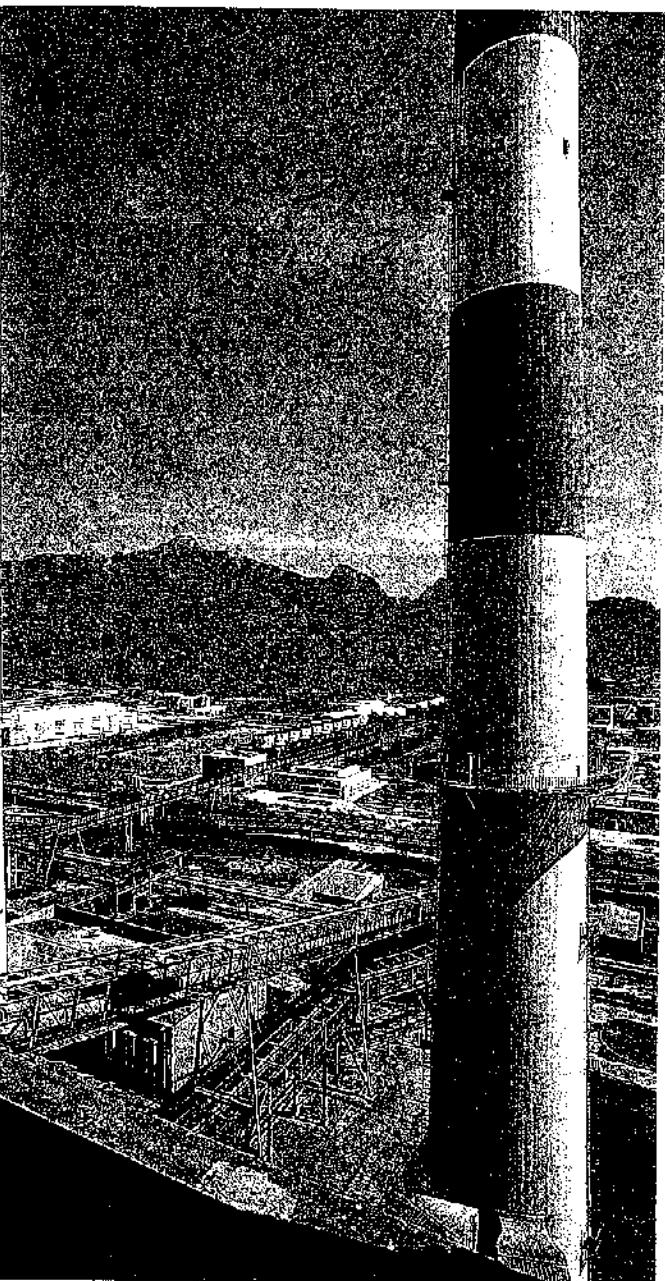
In July, the Board considered proposals for the re-alignment of the functions of the Industry and Development Banks Department (IDBD), Agriculture Department East and Agriculture Department West and the Economics Office (ECOS). Following Board consideration, the two Agriculture Departments were merged into one Agriculture Department from 1 August; IDBD was re-aligned into a Private Sector Department and an Energy and Industry Department, effective 14 August; and ECOS was redesignated as the Economics and Development Resource Center, effective 1 September.

The Pakistan Resident Office in Islamabad was formally opened on 15 July; while the Nepal Resident Office in Kathmandu was inaugurated on 15 November.

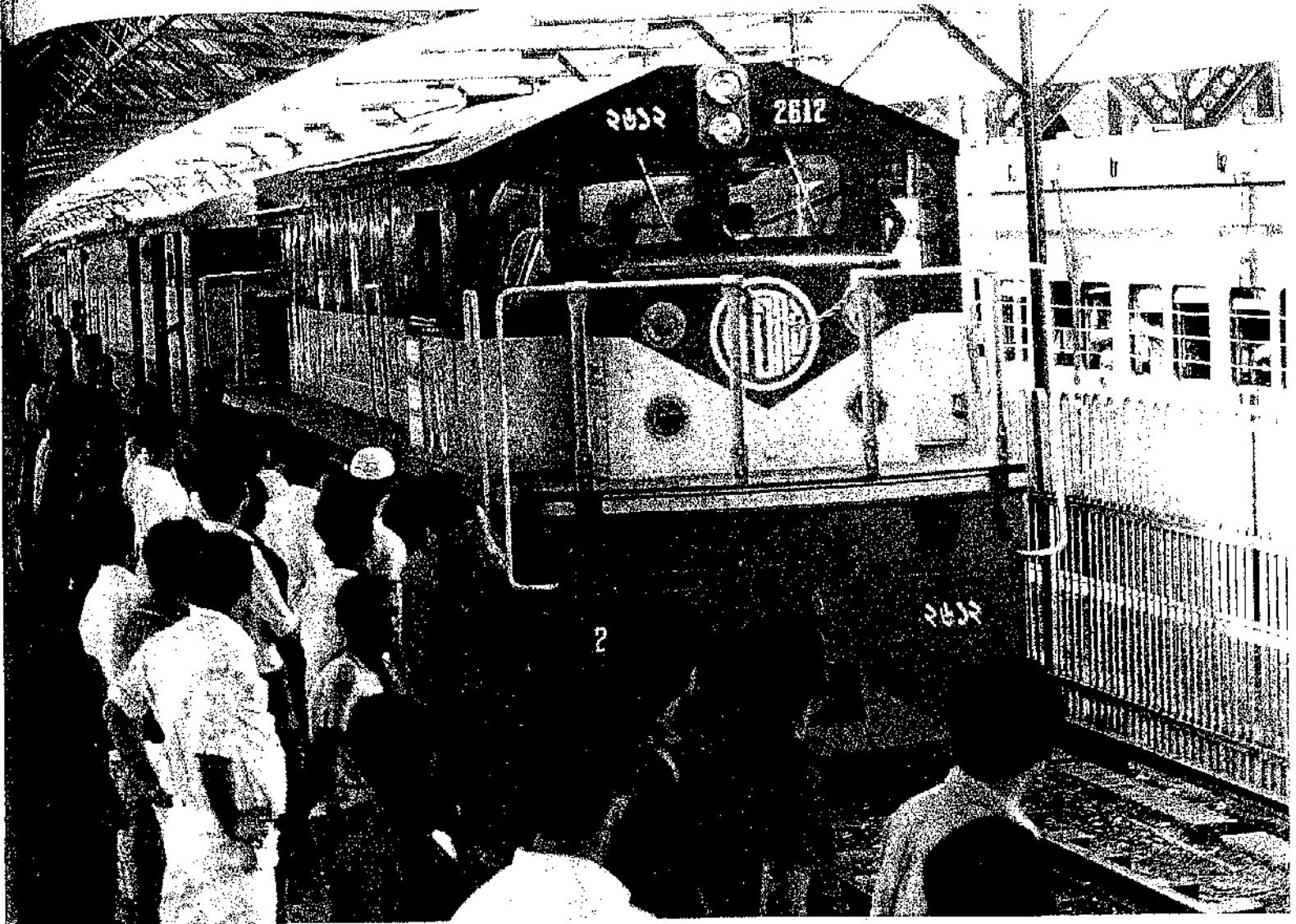
The failure of the contractors to meet deadlines further delayed the completion of the Bank's new Headquarters building in Manila. Plans to install furniture and relocate staff are set for the latter part of 1990 on the basis of the main contractor's schedule. These are, however, being kept under constant review.

Internal Audit

The Internal Audit Office (IAO) reviews the adequacy and effectiveness of controls, systems and procedures relating to financial, accounting, administrative, data processing and project administration matters. It provides an independent and objective evaluation and identifies means of improving efficiency and economy of activities and use of resources. IAO reports to the President, but its activities are also reviewed by the Audit Committee of the Board. In 1989, IAO conducted an audit of the Bangladesh Resident Office for the second time since its inception in 1982. Having, by and large, reviewed audit-related issues in the South Pacific developing member countries in 1987 and 1988, IAO conducted such reviews in Bangladesh and Malaysia in 1989 as part of its program to do the same in all the Bank's borrowing countries. In working with the Bank's external auditors, IAO provided direct and integrated



MAE MOH power station in Thailand is one of Asia's largest lignite-fuelled generating stations. The Bank has supported it with loans totalling more than \$300 million.



TRAIN in Bangladesh on the Chittagong-Dhaka line which is being rehabilitated under the Bank-assisted Railway Project.

assistance, which also included reviews of internal control questionnaires. IAO also played an active role in the audit of selected consultants' contracts. The results of IAO's audits and recommendations were conveyed to management and heads of departments and offices for information and necessary action.

The Audit Committee of the Board commended IAO for the positive role of its independent reviews and welcomed the efforts made by departments/offices concerned to implement audit recommendations to further improve the Bank's operations.

Computer and Office Automation Program

The Computer and Office Automation Program is administered by the Office of Computer Services (OCS) which provides data processing support and information

technology service to all departments and offices. The support includes developing and operating mainframe computer-based information systems used to monitor major Bank activities; account for receipts and disbursements of funds; administer personnel and other records; and account for Bank assets and property. The service includes providing microcomputer equipment, software, and system training to staff to improve their productivity and assisting the Programs and Projects Departments with computer components of loan and technical assistance projects.

In April, the Board approved a new three-year plan to enable OCS to continue to support the growing volume of Bank operations. As part of the plan, the mainframe computer was upgraded to an IBM 3090 Model 180S and its storage capacity was increased. The capacity of the data communications network was also increased to offer on-line mainframe computer access to 918 staff using 552 microcomputer and terminal workstations located in the



A CARPET manufacturer (left) discusses designs with a mobile credit officer under the credit component of the Bank-assisted Gujranwala Agricultural Development Project in Pakistan.

Headquarters building, five satellite offices, the South Pacific Regional Office and the Indonesia Resident Office.

The number of Bank microcomputer units was increased to 1,150 units during the year.

Budget

Internal Administrative Expenses for 1989 amounted to \$106.3 million against the original Budget of \$109.1 million, representing a utilization rate of 97 per cent. The under-utilization of \$3.1 million is due mainly to savings arising from lower-than-budgeted expenses for the Board of Directors, staff relocation, consultant services, business travel and other administrative expenses including the non-



LABORATORY processing at the Sabah Gas Utilization Project in East Malaysia. The Bank provided a technical assistance grant to study privatization options for the project.

use of the provision for the new Headquarters Building, but partly offset by higher-than-budgeted expenses for the Annual Meeting, staff salaries, staff benefits and representation.

A budget of \$120.1 million summarized in Appendix 1 is provided for Internal Administrative Expenses in 1990. This represents an increase of \$13.8 million or 13 per cent, over actual expenses in 1989. The increase is for: (i) the full-year effect of improvements in salaries and benefits; (ii) additional staff, consultant services, business travel and other overhead expenses in support of the Bank's operations; (iii) provisions for higher expenses related to occupancy of the new Headquarters Building; (iv) provisions for prospective price escalations; and (v) provision for general contingency.

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Deloitte & Touche



One World Trade Center
New York, New York 10048-0601

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank - Ordinary Capital Resources (OCR):

- OCR-1 Balance Sheet, 31 December 1989 and 31 December 1988
- OCR-2 Statement of Income and Expenses for the Years Ended
31 December 1989 and 31 December 1988
- OCR-3 Statement of Cash Flows for the Years Ended
31 December 1989 and 31 December 1988
- OCR-4 Summary Statement of Loans, 31 December 1989 and
31 December 1988
- OCR-5 Summary Statement of Borrowings, 31 December 1989 and
31 December 1988
- OCR-6 Statement of Subscriptions to Capital Stock and Voting
Power, 31 December 1989
- OCR-7 Notes to Financial Statements, 31 December 1989 and
31 December 1988

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank - Ordinary Capital Resources at 31 December 1989 and 31 December 1988 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche

28 February 1990

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

BALANCE SHEET

31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note A)

	A S S E T S	
	1989	1988
DUE FROM BANKS (Note B)	\$ 118,099	\$ 117,424
INVESTMENTS (Notes C and H)		
Government and government guaranteed obligations	\$2,286,838	\$2,230,259
Time deposits and other obligations of banks	<u>1,497,770</u>	<u>1,716,743</u>
LOANS OUTSTANDING (OCR-4)	7,520,930	7,523,644
EQUITY INVESTMENTS (Note A)	65,061	23,724
ACCRUED INCOME		
On Investments	57,003	72,748
On loans	<u>187,028</u>	<u>190,496</u>
RECEIVABLE FROM MEMBERS		
Non-negotiable, non-interest-bearing demand obligations (Notes B and F)	375,022	417,474
Amounts required to maintain value of currency holdings (Note F)	1,451	1,364
Subscription instalments (Note E)	<u>395</u>	<u>446</u>
OTHER ASSETS		
Notional amounts required to maintain value of currency holdings (Note F)	357,226	358,431
Unamortized issuance costs of borrowings	68,296	75,323
Property, furniture and equipment (net of accumulated depreciation of \$6,282 - 1989, \$4,482 - 1988) (Note A)	154,983	122,240
Administration charge receivable from the Asian Development Fund (Note G)	14,781	12,052
Miscellaneous	<u>38,206</u>	<u>29,712</u>
TOTALS	\$12,743,089	\$12,892,080

See notes to financial statements (OCR 7).

LIABILITIES, CAPITAL AND RESERVES

	1989	1988
BORROWINGS (OCR-5)	\$ 6,849,909	\$ 7,315,966
ACCRUED INTEREST ON BORROWINGS	173,112	186,239
ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Notional amounts required to maintain value of currency holdings (Note F)	\$ 167,822	\$ 217,932
Miscellaneous (Note D)	<u>58,644</u>	<u>104,404</u>
CAPITAL AND RESERVES		
Capital Stock (OCR-6) (Notes A and D)		
Authorized (SDR 16,825,210,000)		
Subscribed (SDR 16,084,490,000)	21,137,593	21,644,898
Less - "callable" shares subscribed	<u>18,585,692</u>	<u>19,031,751</u>
"Paid-in" shares subscribed	2,551,901	2,613,147
Less - subscription instalments not due	<u>—</u>	<u>60,953</u>
Subscription instalments matured	2,551,901	2,552,194
Less - capital transferred to the Asian Development Fund (Note I)	<u>62,567</u>	<u>64,068</u>
	2,489,334	2,488,126
Advance payments on subscriptions (Note E)	64	267
Accumulated translation adjustments (Note A)	77,552	99,389
Ordinary Reserve (Note J)	2,314,851	1,928,966
Special Reserve (Note H)	176,547	176,547
Net income (OCR-2) (Note J)	<u>435,254</u>	<u>374,244</u>
TOTALS	\$12,743,089	\$12,892,080

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note A)

	1989	1988
INCOME		
From loans:		
Interest	\$613,622	\$645,221
Commitment charge	26,823	32,024
Other	9,834	96
From investments (Note C)	381,315	340,901
From other sources - net	<u>4,665</u>	<u>5,003</u>
TOTAL INCOME	\$1,036,259	\$1,023,245
EXPENSES		
Interest and other financial expenses (Notes A and G)	536,128	589,793
Administrative expenses (Notes G and K)	63,025	52,875
Services to member countries (Note I)	<u>1,852</u>	<u>6,333</u>
TOTAL EXPENSES	601,005	649,001
NET INCOME	\$ 435,254	\$ 374,244

See notes to financial statements (OCR-7).

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note A)

	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on loans received	\$ 578,046	\$ 629,073
Interest on investments received	396,024	277,191
Interest and other financial expenses paid	(440,769)	(511,899)
Administrative expenses paid	(58,518)	(72,340)
Services to member countries paid	(3,203)	(6,171)
Other - net	(1,606)	1,888
Net Cash Provided by Operating Activities	<u>469,974</u>	<u>317,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash invested in time deposits and other obligations of banks	191,067	167,033
Sales of investment securities	14,699,835	13,315,693
Purchases of investment securities	(14,787,062)	(12,835,166)
Principal collected on loans	912,806	534,291
Loans disbursed	(1,278,295)	(900,362)
Property, furniture and equipment acquired	(34,542)	(38,101)
Purchases of equity investments	(42,921)	(15,757)
Net Cash Provided by (Used for) Investing Activities	<u>(339,112)</u>	<u>227,631</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds of new borrowings	642,433	425,615
Bonds purchased for redemption and borrowings redeemed	(842,792)	(1,087,014)
Matured subscriptions collected ¹	48,520	58,582
Demand obligations of members encashed	40,837	43,065
Net Cash Used for Financing Activities	<u>(111,002)</u>	<u>(559,782)</u>
Effect of Exchange Rate Changes on Due from Banks	(19,185)	(6,128)
Net Increase (Decrease) in Due from Banks	675	(20,537)
Due from Banks at Beginning of the Year	<u>117,424</u>	<u>137,961</u>
Due from Banks at End of the Year	<u>\$ 118,099</u>	<u>\$ 117,424</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income	\$ 435,254	\$ 374,244
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrued interest and other expenses	(11,050)	(41,173)
Accrued income including interest and commitment charges added to loans	(56,659)	(49,411)
Difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity	42,850	27,046
Depreciation and amortization	58,317	37,075
Net gain from sales of investment securities	(695)	(5,654)
Accrued administration charge (Note G)	(2,729)	(21,730) ²
Other-net	4,686	(2,655)
Net Cash Provided by Operating Activities	<u>\$ 469,974</u>	<u>\$ 317,742</u>

See notes to financial statements (OCR-7).

¹ In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to \$6,034 (\$18,690 - 1988) were received.² Includes investments amounting to \$29,180 transferred from the Asian Development Fund as settlement for administrative charge.

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF LOANS

31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note A)

Borrowers/Guarantors ¹	Loans Outstanding ²	Undisbursed Balances of Effective Loans ³	Loans Not yet Effective	Total Loans	Per Cent of Total Loans
Bangladesh	\$ 1,514	\$ —	\$ —	\$ 1,514	0.01
China, People's Republic of	54,745	348,155	46,500	449,400	3.29
Fiji	54,642	16,896	9,600	81,138	0.59
India	146,585	1,114,682	380,000	1,641,267	12.01
Indonesia	2,189,514	1,992,342	361,300	4,543,156	33.23
Korea, Republic of	339,227	331,194	20,600	691,021	5.05
Malaysia	468,792	346,089	138,200	953,081	6.97
Myanmar	4,289	—	—	4,289	0.03
Pakistan	754,313	751,444	433,500	1,939,257	14.19
Papua New Guinea	70,231	76,111	8,430	154,772	1.13
Philippines	1,191,076	647,329	300,000	2,138,405	15.64
Singapore	35,422	—	—	35,422	0.26
Taipei, China	4,945	—	—	4,945	0.04
Thailand	817,421	214,491	—	1,031,912	7.55
Viet Nam	804	—	—	804	0.01
TOTALS - 31 December 1989	6,133,520	5,838,733	1,698,130	13,670,383	100.00
Adjustments in US\$ equivalents	1,387,410 ⁴	—	—	1,387,410 ⁴	—
BALANCES - 31 December 1989	\$7,520,930	\$5,838,733	\$1,698,130	\$15,057,793	—
TOTALS - 31 December 1988	\$5,464,838	\$5,123,493	\$1,711,850	\$12,300,181	—
Adjustments in US\$ equivalents	2,058,806 ⁴	—	—	2,058,806 ⁴	—
BALANCES - 31 December 1988	\$7,523,644	\$5,123,493	\$1,711,850	\$14,358,987	—

See notes to financial statements (OCR 7).

1. Loans other than those made directly to a member or to its central bank have been guaranteed by the member with the exception of loans to the private sector amounting to \$171,275 (\$R3,481 - 1988).

2. The interest rates charged on loans outstanding range from 6.32% per annum to 11.01% per annum. Amounts outstanding on loans made under the Variable Interest Rate System totalled \$1,373,465 (\$561,476 - 1988).

MATURITY OF EFFECTIVE LOANS

<u>Twelve Months Ending 31 December</u>	<u>Amounts</u>	<u>Five Years Ending 31 December</u>	<u>Amounts</u>
1990	\$337,472	1999	3,294,493
1991	394,775	2004	3,288,535
1992	468,957	2009	2,123,391
1993	523,470	2014	981,252
1994	563,025	2016	10,390
		Undetermined	1,373,903 ⁵
		Total	\$13,359,663

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

<u>Currency</u>	<u>1989</u>	<u>1988</u>	<u>Currency</u>	<u>1989</u>	<u>1988</u>
Australian dollar	\$ 5,499	\$ 6,803	Malaysian ringgit	40,201	37,819
Austrian schilling	35,830	32,501	Netherlands guilder	307,724	245,073
Belgian franc	23,012	21,430	New Zealand dollar	6,059	5,396
Canadian dollar	515	504	Norwegian krone	1,037	1,045
Deutsche mark	1,335,434	1,379,003	Pound sterling	119	781
French franc	122	112	Singapore dollar	7,835	7,170
Hong Kong dollar	7,495	8,413	Swedish krona	147	150
Italian lira	5	—	Swiss franc	1,764,007	1,884,858
Japanese yen	3,542,187	3,683,195	Thai baht	3,946	4,017
Kuwaiti dinar	899	933	United States dollar	438,857	204,441
			Totals	\$7,520,930	\$7,523,644

3. Of the undisbursed balances, the Bank has made irrevocable commitments to disburse various amounts totalling \$218,194 (nil-1988). Certain loans to the private sector are denominated in specific currencies. The undisbursed portions of such loans are translated into United States dollars at the applicable exchange rates as of the end of the reporting period.

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

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

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF BORROWINGS

31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note A)

Currency	Balance 31 December 1988	Changes During the Year Ended 31 December 1989		
		Borrowings	Repayments and Sinking Fund and Other Purchases	Translation and Other Adjustments
Deutsche mark	\$ 1,369,994 ³	\$ 105,141	\$ 53,911	\$ 72,768
Japanese yen	3,132,555	307,574	448,580	(389,025)
Kuwaiti dinar	24,455	—	7,809	(936)
Netherlands guilder	503,856 ³	—	36,459	16,811
Pound sterling	268,711 ³	—	—	(30,294)
Swiss franc	1,087,397 ¹	126,263	211,961	(32,791)
United States dollar	<u>959,783^{1,3}</u>	<u>100,000</u>	<u>41,888</u>	<u>50,776</u>
Principal amounts outstanding	7,346,751	638,978	800,608	(312,691)
Unamortized discounts and premiums on interest-bearing bonds and notes	(30,785)	3,455	(666)	4,143
TOTALS	\$7,315,966	\$642,433	\$799,942	\$(308,548)

MATURITY OF

Twelve Months Ending 31 December	Amounts
1990	\$123,200
1991	256,613
1992	782,006
1993	508,256
1994	874,997

See notes to financial statements (OCR-7).

- 1 Balance outstanding at 31 December 1989 includes the total amount of \$475,593 (\$464,217 - 1988) for the Ten-Year US Dollar Zero Coupon Notes of 1982, the Twenty-Year US Dollar Zero Coupon Bonds of 1984 and the Thirty-Year Swiss Franc Zero Coupon Bonds of 1986 (principal amounts at maturity, \$347,650, \$765,000 and Sw F500 million, 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 1989	Weighted Average Effective Interest Rates ^{2 3}		Due for Redemption
	1989	1988	
\$1,493,992 ³	7.50%	7.63%	1991-1999
2,602,524	6.26	6.64	1990-2006
15,710	7.24	7.24	1990-1991
484,208 ³	7.85	8.01	1990-2000
238,417 ³	9.35	9.35	1997-2009
968,908 ¹	5.29	5.56	1990-2016
<u>1,068,671^{1 3}</u>	8.79	9.05	1992-2004
6,872,430	7.01	7.17	
(22,521)			
<u>\$6,849,909</u>			

BORROWINGS OUTSTANDING

Five Years Ending 31 December	Amounts
1999	2,970,533
2004	1,573,461
2009	355,759
2014	64,662
2016	<u>323,311</u>
Total	<u>\$7,832,798</u>

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

Currency	Original Amounts Swapped out	Original Amounts Swapped in	Effective Interest Rates	
			Before Swapping	After Swapping
Deutsche mark	DM200.1 million	Sw F164.4 million	8.00%	6.50%
Deutsche mark	DM200.0 million	¥ 15.3 billion	7.51	6.53
Kuwaiti dinar	KD15 million	\$50,835	12.34	12.59
Netherlands guilder	£200.1 million	Sw F145.9 million	8.01	6.14
Pound sterling	£50 million	¥ 11.7 billion	9.33	4.60
United States dollar	\$ 84,657	Sw F183.1 million	11.97	5.83
United States dollar	\$100,000	Sw F200.8 million	8.17	5.18
United States dollar	\$100,000	Sw F164.8 million	8.02	4.88
United States dollar	\$100,000	Sw F146.0 million	10.97	6.15
United States dollar	\$100,000	Sw F140.8 million	9.60	4.45
United States dollar	\$100,000	¥ 13.2 billion	9.76	5.14

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

31 December 1989

Expressed in Thousands of United States Dollars (Note A)

MEMBERS	Number of Shares	Per Cent of Total	SUBSCRIBED CAPITAL			VOTING POWER	
			Total	Par Value of Shares Callable	Paid-in	Number of Votes	Per Cent of Total
REGIONAL							
Afghanistan, Rep. of	1,195	0.074	\$ 15,704	\$ 10,684	\$ 5,020	9,750	0.485
Australia	102,370	6.365	1,345,306	1,183,782	161,524	110,925	5.517
Bangladesh	18,064	1.123	237,390	208,886	28,504	26,619	1.324
Bhutan	110	0.007	1,445	1,169	276	8,665	0.431
Cambodia	875	0.055	11,499	7,819	3,680	9,430	0.469
China, People's Rep. of	114,000	7.088	1,498,142	1,318,221	179,921	122,555	6.096
Cook Islands	47	0.003	618	552	66	8,602	0.428
Fiji	1,203	0.075	15,809	13,904	1,905	9,758	0.485
Hong Kong	9,635	0.599	126,619	111,414	15,205	18,190	0.905
India	112,005	6.964	1,471,925	1,295,210	176,715	120,560	5.996
Indonesia	96,350	5.990	1,266,193	1,114,184	152,009	104,905	5.218
Japan	240,875	14.976	3,165,483	2,785,441	380,042	249,430	12.406
Kiribati	71	0.004	933	815	118	8,626	0.429
Korea, Rep. of	89,123	5.541	1,171,219	1,030,617	140,602	97,678	4.858
Lao P.D.R.	246	0.015	3,233	2,602	631	8,801	0.438
Malaysia	48,175	2.995	633,097	557,086	76,011	56,730	2.822
Maldives	71	0.004	933	815	118	8,626	0.429
Myanmar	9,635	0.599	126,619	111,414	15,205	18,190	0.905
Nepal	2,601	0.162	34,181	30,068	4,113	11,156	0.555
New Zealand	27,170	1.689	357,057	314,189	42,868	35,725	1.777
Pakistan	38,540	2.396	506,477	445,671	60,806	47,095	2.342
Papua New Guinea	1,660	0.103	21,815	19,213	2,602	10,215	0.508
Philippines	42,152	2.621	553,945	487,448	66,497	50,707	2.522
Singapore	6,020	0.374	79,112	69,611	9,501	14,575	0.725
Solomon Islands	118	0.007	1,551	1,367	184	8,673	0.431
Sri Lanka	10,260	0.638	134,833	118,643	16,190	18,815	0.936
Taipei, China	19,270	1.198	253,239	222,842	30,397	27,825	1.384
Thailand	24,087	1.498	316,542	278,536	38,006	32,642	1.624
Tonga	71	0.004	933	815	118	8,626	0.429
Vanuatu	118	0.007	1,551	1,367	184	8,673	0.431
Viet Nam, Soc. Rep. of	6,038	0.375	79,349	62,738	16,611	14,593	0.726
Western Samoa	58	0.004	762	618	144	8,613	0.428
Total Regional	1,022,213	63.553	13,433,514	11,807,741	1,625,773	1,295,973	64.459
NON-REGIONAL							
Austria	6,020	0.374	79,112	69,611	9,501	14,575	0.725
Belgium	6,020	0.374	79,112	69,611	9,501	14,575	0.725
Canada	92,543	5.754	1,216,163	1,070,160	146,003	101,098	5.028
Denmark	6,020	0.374	79,112	69,611	9,501	14,575	0.725
Finland	6,020	0.374	79,112	69,611	9,501	14,575	0.725
France	41,178	2.560	541,145	476,173	64,972	49,733	2.474
Germany, Fed. Rep. of	76,534	4.758	1,005,780	885,021	120,759	85,089	4.232
Italy	31,975	1.988	420,203	369,752	50,451	40,530	2.016
Netherlands	18,147	1.128	238,481	209,859	28,622	26,702	1.328
Norway	6,020	0.374	79,112	69,611	9,501	14,575	0.725
Spain	6,020	0.374	79,112	69,611	9,501	14,575	0.725
Sweden	2,408	0.150	31,645	26,664	4,981	10,963	0.545
Switzerland	10,325	0.642	135,687	119,391	16,296	18,880	0.939
United Kingdom	36,131	2.247	474,820	417,824	56,996	44,686	2.223
United States	240,875	14.976	3,165,483	2,785,441	380,042	249,430	12.406
Total Non-Regional	586,236	36.447	7,704,079	6,777,951	926,128	714,561	35.541
TOTALS	1,608,449	100.000	\$21,137,593	\$18,585,692	\$2,551,901	2,010,534	100.000

See notes to financial statements (OCR-7).

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1989 and 31 December 1988

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 1989, the value of the SDR in terms of the current United States dollar was \$1.31416 (\$1.34570 - 1988) giving a value for each share of the Bank's capital equivalent to \$13,141.60 (\$13,457.00 - 1988). 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.

Translation of Currencies

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

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Loans

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

Prior to 1 July 1986, the lending rate of the Bank was based on a fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. Effective 1 July 1986, the Bank adopted a pool-based variable lending rate system for those loans approved on or after that date plus certain others at the option of the borrowers.

For loans to the private sector, interest is charged at negotiated rates.

Equity Investments

The Bank's equity investments are made in private enterprises located in developing member countries and include the Bank's investment in 1989 of \$34,984,000 in Asian Finance and Investment Corporation Ltd. (AFIC).

Equity investments are reported at cost, net of allowance for possible losses. Such allowance is determined annually based on management's evaluation of potential losses in the equity investments portfolio.

Property, Furniture and Equipment

The headquarters building of the Bank, including land, facilities and fixtures and the initial cost of necessary staff amenities and other related furnishings have been provided to the Bank by the Government of the Republic of the Philippines (Government). 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 parcels of land in Metropolitan Manila at the original cost of \$10,052,000 and has awarded a contract for the construction of a new headquarters building. Other costs capitalized in connection with this project, including interest (see Note G), totalled \$136,046,000 as of 31 December 1989 (\$105,418,000 - 1988). Outstanding commitments related to the project aggregate approximately \$26,070,000.

Under terms of an agreement with the Government, the Bank will return the present headquarters premises to the Government upon transfer to the new headquarters and the Bank will be compensated for the premises returned as determined in accordance with the agreement as supplemented by a memorandum of understanding.

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1989 and 31 December 1988

Statement of Cash Flows

For the purposes of the statement of cash flows, the Bank considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

Restatement of Certain Amounts

Certain 1988 amounts have been restated to conform to 1989 classifications.

NOTE B - RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i) of the Charter, the use by the Bank or by any recipient from the Bank of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 28 developing member countries, cash in banks and demand obligations totalling \$102,143,000 (\$100,570,000 - 1988) and \$259,017,000 (\$261,802,000 - 1988), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, two members have restricted the use by the Bank or by any recipient from the Bank of their currencies to payments for goods or services produced in their territories. Cash in banks, demand obligations and investments totalling \$67,000 (\$65,000 - 1988), \$2,772,000 (\$5,108,000 - 1988) and \$1,479,000 (nil - 1988), respectively, have been so restricted.

NOTE C - INVESTMENTS

As of 31 December 1989, the market value of investments was \$3,762,381,000 (\$3,916,518,000 - 1988), including investments not traded in the market (line deposits, etc.) which were valued at their cost or amortized cost of \$1,690,692,000 (\$1,683,598,000 - 1988). During the year ended 31 December 1989, sales of investments resulted in a net gain of \$695,000 (\$5,654,000 - 1988). 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 month, including realized gains and losses, was 9.39% (8.11% - 1988).

NOTE D - BORROWINGS AND CURRENCY SWAPS

The Bank enters into currency swap agreements in which proceeds of borrowings are converted into a different currency and simultaneously a forward exchange contract is executed providing for a schedule of future exchanges of the two currencies.

Net payables of \$15,583,000 (\$64,888,000 - 1988) resulting from exchange rate movements of outstanding swap arrangements are included in miscellaneous liabilities. Such exchange rate movements will not result in any exchange gain or loss.

NOTE E - CAPITAL STOCK

The authorized capital stock of the Bank consists of 1,682,521 shares, of which 1,608,449 shares have been subscribed by members. Of the subscribed shares, 1,414,264 are "callable" and 194,185 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 installments, 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 1989, all instalments amounting to \$2,551,901,000 (\$2,552,194,000 - 1988) have matured and were received except \$395,000 (\$446,000 - 1988).

Payments in respect of capital subscription instalments in advance of due dates are shown in the balance sheet (under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

NOTE F - MAINTENANCE OF VALUE OF CURRENCY HOLDINGS

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of its Charter and relevant resolutions of the Board of Directors. The "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of the Bank's holdings of certain member currencies.

Since 1 April 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain. The notional amounts as of 31 December 1989 consisting of receivables of \$357,226,000 (\$358,431,000 - 1988) and payables of \$167,822,000 (\$217,932,000 - 1988) consist of (a) the increase of \$216,587,000 (\$260,099,000 - 1988) in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period from 1 April 1978 to 31 December 1989 and (b) the net increase of \$27,183,000 (\$119,600,000 - 1988) in the value of such currency holdings in relation to the United States dollar during the same period.

NOTE G - INCOME AND EXPENSES

Total interest expense incurred amounted to \$431,005,000 (\$501,836,000 - 1988). Of this amount \$7,576,000 (\$5,752,000 - 1988) was capitalized as a part of the cost of the new headquarters building.

Other financial expenses include charges of \$42,850,000 (\$27,046,000 - 1988) which represent the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity and a provision of \$1,000,000 (nil - 1988) for possible losses on equity investments.

Administrative expenses (other than those appertaining directly to ordinary operations and special operations) for the year ended 31 December 1989 have been apportioned between ordinary capital resources and the Asian Development Fund according to the number of loans and equity investments approved for the year. Of the total administrative expenses of \$108,000,000 (\$98,604,000 - 1988), \$44,975,000

(\$45,729,000 - 1988) has accordingly been charged to the Asian Development Fund.

NOTE H - SPECIAL RESERVE

In accordance with Articles 16 and 17 of the Charter, the Bank charged a commission on the outstanding amount of loans made by it from the ordinary capital resources prior to 28 March 1984 and an amount equivalent to such commissions was appropriated to a Special Reserve. The commission charged on such loans was discontinued after 1985. Special Reserve assets consist of government and government guaranteed obligations and are included under the heading "INVESTMENTS".

NOTE I - CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND

Pursuant to the provisions of Article 19, paragraph 1(l) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973 to be used as a part of the Special Funds of the Bank. The resources so set aside, amounting to \$62,567,000 as of 31 December 1989 (\$64,068,000 - 1988) expressed in terms of the SDR on the basis of \$1.31416 (\$1.34570 - 1988) per SDR (\$57,431,000 in terms of \$1.20635 per 1966 dollar - see Note A), were allocated and transferred to the Asian Development Fund.

NOTE J - ORDINARY RESERVE AND NET INCOME

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. Net income for the year ended 31 December 1988 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 credit of \$11,641,000 to the Ordinary Reserve during the year ended 31 December 1989 (\$20,561,000 - 1988). That credit is the decrease in the value of the matured and paid capital subscriptions caused by the change during the period in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

NOTE K - STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of service, provided that as of such a date, the employee shall not have reached the normal retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet. The costs of administering the Plan are absorbed by the Bank, except fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

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

1989, the amount contributed by the Bank was \$8,900,000 (\$8,232,000 - 1988).

Effective 1 January 1989, the Bank adopted a method of accounting for costs of the Plan in accordance with a revised accounting standard. The change did not materially affect retirement plan expense. Plan expense for 1988 of \$8,232,000 was not affected by the change. The following presentation complies with the reporting/disclosure requirements of the revised accounting standard.

Net periodic pension cost for 1989 consisted of the following components:

Service costs-benefits earned during the year	\$ 10,783,000
Interest cost on projected benefit obligation	14,107,000
Return on Plan assets	(32,741,000)
Net amortization and deferral	<u>16,440,000</u>
Net periodic pension cost	<u>\$ 8,589,000</u>

The following table sets forth the Plan's funded status at 31 December 1989:

Actuarial present value of pension benefit obligations:

Accumulated benefit obligation, including vested benefits of \$128,750,000	<u>\$ 133,491,000</u>
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Projected benefit obligation	\$ 187,884,000
------------------------------	----------------

Fair value of Plan assets, principally marketable securities	<u>219,406,000</u>
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Excess of Plan assets over the projected benefit obligation	31,522,000
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Unrecognized net asset at transition net of amortization	(15,477,000)
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Unrecognized net gain	(15,734,000)
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Prepaid pension cost	<u>\$ 311,000</u>
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The discount rate used in determining the actuarial present value of the projected benefit obligation was 8%. The effect of projected compensation levels was calculated based on a scale that provides for a decreasing rate of salary increase depending on age, beginning with 14% at age 21 and decreasing to 5.50% at age 59. The expected long-term rate of return on assets was 8%.

NOTE L - SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$58,300,000 as of 31 December 1989 (\$40,089,000 - 1988). 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 \$250,000 will be refinanced under the loan. Refinanced amounts of \$170,000 were charged to loans and credited to income of ordinary capital resources during the year ended 31 December 1989 (\$84,000 - 1988).

NOTE M - GUARANTEES

The Bank extends guarantees for the benefit of its members which are not reflected in the financial statements. As of 31 December 1989 outstanding guarantee amounted to \$16,619,000. None of this amount was subject to call as of that date.

Deloitte & Touche



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INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank - Asian Development Fund (ADF):

- ADF-1 Balance Sheet, 31 December 1989 and 31 December 1988
- ADF-2 Statement of Operations and Accumulated Surplus
for the Years Ended 31 December 1989
and 31 December 1988
- ADF-3 Statement of Cash Flows for the Years Ended
31 December 1989 and 31 December 1988
- ADF-4 Summary Statement of Loans, 31 December 1989 and
31 December 1988
- ADF-5 Statement of Resources, 31 December 1989
- ADF-6 Notes to Financial Statements, 31 December 1989 and
31 December 1988

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank - Asian Development Fund at 31 December 1989 and 31 December 1988 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche

28 February 1990

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note B)

<u>ASSETS</u>	1989		1988	
DUE FROM BANKS	\$ 4,506		\$ 3,970	
INVESTMENTS (Note C)				
Government and government guaranteed obligations	\$ 156,091		\$ 110,683	
Time deposits and other obligations of banks	<u>640,972</u>	797,063	<u>496,664</u>	607,347
LOANS OUTSTANDING (ADF-4)		4,999,069		4,476,365
ACCRUED REVENUE				
On investments	4,744		5,515	
On loans	<u>16,485</u>	21,229	<u>14,940</u>	20,455
NOTES OF CONTRIBUTORs				
Non-negotiable, non-interest-bearing notes		6,210,582		6,649,139
RECEIVABLE FROM CONTRIBUTORs (ADF-5)		309,607		103,061
OTHER ASSETS		8,805		8,913
TOTALS		\$12,350,761		\$11,869,250

LIABILITIES, UNEXPENDED BALANCES AND CAPITAL

ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note D)	\$ 14,781	\$ 12,052
ACCOUNTS PAYABLE TO TECHNICAL ASSISTANCE SPECIAL FUND AND OTHER LIABILITIES (Note A)	20,422	42,765
UNEXPENDED BALANCES AND CAPITAL		
Amounts available for loan commitments (ADF-5)		
Contributed Resources	\$11,680,428	\$11,053,240
Set-Aside Resources (Note E)	<u>62,567</u>	<u>64,068</u>
Other Resources	<u>5,080</u>	<u>5,080</u>
	11,748,075	11,122,388
Advance payments on contributions (ADF-5)	100,711	281,936
Accumulated translation adjustments (Note B)	<u>61,583</u>	<u>77,729</u>
Accumulated surplus (ADF-2)	<u>405,189</u>	<u>332,380</u>
	12,315,558	11,814,433
TOTALS	\$12,350,761	\$11,869,250

See notes to financial statements (ADF-6).

**ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

For the Years Ended 31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note B)

	<u>1989</u>	<u>1988</u>
REVENUE		
From investments (Note C)	\$ 67,987	\$ 48,516
From loans	49,048	43,979
From other sources - net	<u>764</u>	<u>350</u>
TOTAL REVENUE	117,799	92,845
EXPENSES		
Administrative expenses (Note D)	<u>44,990</u>	<u>45,741</u>
EXCESS OF REVENUE OVER EXPENSES - NET INCOME	72,809	47,104
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR	332,380	285,276
ACCUMULATED SURPLUS AT END OF THE YEAR	\$405,189	\$332,380

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note B)

	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES		
Service charges on loans received	\$ 42,714	\$ 39,737
Interest on investments received	68,723	37,330
Cash received from other activities	764	350
Administrative expenses paid	<u>(42,261)</u>	<u>(24,011)</u>
Net Cash Provided by Operating Activities	<u>69,940</u>	<u>53,406</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash invested in time deposits and other obligations of banks	(151,040)	(3,382)
Sales of investment securities	5,014,838	3,343,871
Purchases of investment securities	(5,079,715)	(3,298,611)
Principal collected on loans	46,861	39,705
Loans disbursed	<u>(884,507)</u>	<u>(689,375)</u>
Net Cash Used for Investing Activities	<u>(1,053,563)</u>	<u>(607,792)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Demand obligations of contributors encashed	985,453	544,022
Contributions received ¹	627	621
Cash received from (paid to) Ordinary Capital Resources and others	<u>(1,290)</u>	<u>7,514</u>
Net Cash Provided by Financing Activities	<u>981,790</u>	<u>552,157</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(631)</u>	<u>478</u>
Net Increase (Decrease) in Due from Banks	536	(1,751)
Due from Banks at Beginning of the Year	<u>3,970</u>	<u>5,721</u>
Due from Banks At End of the Year	<u>\$ 4,506</u>	<u>\$ 3,970</u>
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES - NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenue over expenses - net income	\$ 72,809	\$ 47,104
Adjustments to reconcile excess of revenue over expenses - net income to net cash provided by operating activities:		
Accrued revenue on investments and loans	(1,790)	(3,328)
Accrued administrative expenses	2,729	21,730 ²
Charges capitalized on loans	(3,861)	(2,282)
Amortization and others	<u>53</u>	<u>(9,818)</u>
Net Cash Provided by Operating Activities	<u>\$ 69,940</u>	<u>\$ 53,406</u>

See notes to financial statements (ADF-6).

¹ In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to \$931,633 (\$1,248,883 - 1988) were received.

² Includes investments amounting to \$29,180 transferred to Ordinary Capital Resources as settlement for administration charge.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors ¹	Loans Outstanding ²	Undisbursed Balances of Effective Loans ³	Loans Not Yet Effective ³	Total Loans	Per Cent of Total Loans
Afghanistan	\$ 21,731	\$ 46,154	\$ 20,100	\$ 87,985	0.94
Bangladesh	1,356,190	1,381,667	23,339	2,761,196	29.46
Bhutan	12,839	22,616	—	35,455	0.38
Cambodia	643	1,027 ⁴	—	1,670	0.02
Cook Islands	2,819	2,495	—	5,314	0.06
Indonesia	249,992	132,021	51,342	433,355	4.62
Kiribati	1,882	894	—	2,776	0.03
Korea, Republic of	576	—	—	576	0.01
Lao P.D.R.	70,242	61,630	40,739	172,611	1.84
Malaysia	1,201	—	—	1,201	0.01
Maldives	3,933	12,540	—	16,473	0.18
Myanmar	360,533	142,311	—	502,844	5.36
Nepal	352,577	385,244	101,290	839,111	8.95
Pakistan	1,057,196	1,245,100	466,468	2,768,764	29.54
Papua New Guinea	80,362	111,835	5,159	197,356	2.10
Philippines	171,942	229,993	32,911	434,846	4.64
Singapore	1,360	—	—	1,360	0.01
Solomon Islands	29,022	9,385	—	38,407	0.41
Sri Lanka	391,016	459,996	22,409	873,421	9.32
Thailand	59,400	6,972	—	66,372	0.71
Tonga	9,652	3,935	5,204	18,791	0.20
Vanuatu	5,691	5,659	—	11,350	0.12
Viet Nam	20,310	—	13,000	33,310	0.35
Western Samoa	35,227	34,060	—	69,287	0.74
TOTALS - 31 December 1989	4,296,336	4,295,534	781,961	9,373,831	100.00
Adjustments in US\$ equivalents	<u>702,733⁵</u>	—	—	<u>702,733⁵</u>	
BALANCES - 31 December 1989	<u>\$4,999,069</u>	<u>\$4,295,534</u>	<u>\$781,961</u>	<u>\$10,076,564</u>	
TOTALS - 31 December 1988	\$3,445,894	\$4,105,374	\$685,664	\$ 8,236,932	
Adjustments in US\$ equivalents	<u>1,030,471⁵</u>	—	—	<u>1,030,471⁵</u>	
BALANCES - 31 December 1988	<u>\$4,476,365</u>	<u>\$4,105,374</u>	<u>\$685,664</u>	<u>\$ 9,267,403</u>	

See notes to financial statements (ADF-6).

1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member with the exception of loans to the private sector amounting to \$8,621 (\$2,624 - 1988).

2 For all Special Funds loans approved prior to 21 March 1974, the Bank charges interest (including a service fee of 3/4 of 1%) on amounts disbursed and outstanding ranging from 1% per annum to 3% per annum. For loans approved after 21 March 1974, the Bank levies a service charge on amounts disbursed and outstanding at the rate of 1% per annum.

3 Loans negotiated before 1 January 1983 were denominated in current United States dollars. Loans negotiated after that date are denominated in Special Drawing Rights (SDR) for the purpose of commitment. The undisbursed portions of such SDR loans are translated into United States dollars at the applicable exchange rates as of the end of a reporting period. Of the undisbursed balances, the Bank has made irrevocable commitments to disburse various amounts totalling \$92,993 (nil - 1988).

Maturity of Effective Loans

<u>Twelve Months Ending 31 December</u>	<u>Amounts</u>	<u>Five Years Ending 31 December</u>	<u>Amounts</u>
1990	\$51,043	1999	746,512
1991	56,269	2004	1,147,018
1992	64,258	2009	1,497,263
1993	73,622	2014	1,742,775
1994	90,000	2019	1,611,587
		2024	1,192,482
		2029	311,647
		Undetermined	<u>710,127⁶</u>
		Total	<u>\$9,294,603</u>

Summary of Currencies Receivable on Loans Outstanding

<u>Currency</u>	<u>1989</u>	<u>1988</u>	<u>Currency</u>	<u>1989</u>	<u>1988</u>
Australian dollar	\$119,510	\$109,749	Japanese yen	2,709,224	2,594,597
Austrian schilling	37,827	27,143	Netherlands guilder	89,713	80,513
Belgian franc	34,075	26,399	New Zealand dollar	6,091	5,477
Canadian dollar	300,530	228,542	Norwegian krone	17,877	13,582
Danish krone	27,905	20,698	Pound sterling	147,563	138,559
Deutsche mark	354,545	282,486	Spanish peseta	15,366	8,333
Finnish markka	20,905	15,856	Swedish krona	29,526	22,339
French franc	115,397	72,733	Swiss franc	52,863	55,082
Italian lira	93,683	61,957	United States dollar	826,439	<u>712,320</u>
			Totals	<u>\$1,999,069</u>	<u>\$4,476,365</u>

4 Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursement of the loan.

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

6 Represents translation adjustments and undisbursed amounts which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1989

Expressed in Thousands of United States Dollars (Note B)

	Amounts Committed During 1989	Cumulative Amounts Committed		Not Yet Available for Loan Commitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
		At Exchange Rates Per Resolutions	At 31 Dec. 1989 Exchange Rates				
CONTRIBUTED RESOURCES							
Australia	\$ —	\$ 700,950	\$ 609,221	\$ 86,630	\$ 522,591	\$ 522,591	\$ —
Austria	—	85,894	117,071	11,665	105,406	105,406	—
Belgium	—	89,598	102,086	10,329	91,757	91,757	—
Canada	—	857,980	917,862	96,629	821,233	821,233	—
Denmark	—	89,599	100,402	11,190	89,212	89,212	—
Finland	—	72,244	83,275	9,945	73,330	72,082	1,248
France	—	482,665	515,959	64,528	451,431	451,431	—
Germany, Fed. Rep. of	—	689,091	908,434	73,556	834,878	751,139	83,739
Hong Kong	—	1,980	1,980	267	1,713	1,414	299
Indonesia	—	4,960	4,960	533	4,427	3,828	599
Italy	—	419,850	406,989	53,400	353,589	353,589	—
Japan	—	3,891,866	6,133,981	460,868	5,673,113	5,673,113	—
Korea, Republic of	—	8,400	8,400	1,333	7,067	7,067	—
Netherlands	—	245,869	324,909	33,417	291,492	262,224	29,268
New Zealand	—	36,961	28,520	4,349	24,171	19,285	4,886
Norway	—	77,618	72,918	8,298	64,620	64,620	—
Spain	37,034	56,721	76,544	10,073	66,471	65,207	1,264
Sweden	—	129,054	124,405	15,652	108,753	108,753	—
Switzerland	—	126,362	164,577	15,108	149,469	136,238	13,231
Taipei, China	—	2,000	2,000	—	2,000	2,000	—
United Kingdom	—	463,764	418,610	40,690	377,920	377,920	—
United States	—	1,867,594	1,867,594	301,809	1,565,785	1,390,812	174,973
Totals	37,034	10,401,020	12,990,697	1,310,269	11,680,428	11,370,921¹	309,507
SET-ASIDE RESOURCES							
(Note E)	—	—	62,567	—	62,567	62,567	—
OTHER RESOURCES							
TOTALS	\$37,034	\$10,401,020	\$13,058,344	\$1,310,269	\$11,748,075	\$11,438,568	\$309,507

See notes to financial statements (ADP-6).

¹ Excludes \$100,711 equivalent representing advance payments from donor countries not available for loan commitments as of 31 December 1989.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1989 and 31 December 1988

CONTINUED

NOTE A - GENERAL

The Asian Development Fund (the Fund) was established on 28 June 1974 to carry out more effectively the special operations of the Bank by providing resources on concessional terms.

The resources of the Fund have been subsequently augmented by four replenishments, the most recent of which was in May 1987 in a total amount equivalent to US\$3,600,000,000 to cover the operational requirements for the four years ending 31 December 1990. Approximately 2% of this amount (an aggregate amount equivalent to \$72,000,000) is to be allocated to the Technical Assistance Special Fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Translation of Currencies

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

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Loans

Loans of the Fund are extended to eligible developing member countries, bear only a service charge and require repayment over periods ranging from 35 to 40 years. The Fund requires Borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed. The Fund has not suffered any loan losses to date and follows a policy of not taking part in debt rescheduling agreements.

Contributions

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

Statement of Cash Flows

For the purposes of the statement of cash flows, the Fund considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

Restatement of Certain Amounts

Certain 1988 amounts have been restated to conform to 1989 classifications.

NOTE C - INVESTMENTS

As of 31 December 1989, the market value of investments was \$796,843,000 (\$607,629,000 - 1988), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$601,637,000 (\$481,900,000 - 1988). During the year ended 31 December 1989, sales of

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1989 and 31 December 1988

Investments resulted in a net loss of \$53,000 (\$308,000 - 1988). 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 month, including realized gains and losses, was 9.89% (7.55% - 1988).

NOTE D - ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge amounting to \$44,975,000 (\$45,729,000 - 1988). The charge represents an apportionment of all administrative expenses of the Bank (other than those appertaining directly to ordinary operations and special operations) based on the number of loans and equity investments approved for the year.

NOTE E - SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1 (i) of the Articles of Agreement Establishing the Bank, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2 (a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2 (b) as of 28 April 1973, to be used as a part of the Special Funds

of the Bank. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

The capital stock of the Bank is defined in Article 4, paragraph 1 "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1989, the value of the SDR in terms of the current United States dollar was \$1.31416 (\$1.34570 - 1988). On this basis, Set Aside Resources amounted to \$62,567,000 (\$64,068,000 - 1988). If the capital stock of the Bank as of 31 December 1989 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

Deloitte & Touche



One World Trade Center
New York, New York 10048-0601

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank - Technical Assistance Special Fund (TASF):

- TASF-1 Balance Sheet, 31 December, 1989 and
31 December 1988
- TASF-2 Statement of Operations and Unexpended Balances
for the Years Ended 31 December 1989
and 31 December 1988
- TASF-3 Statement of Cash Flows for the Years Ended
31 December 1989 and 31 December 1988
- TASF-4 Statement of Contributed Resources, 31 December 1989
- TASF-5 Summary Statement of Services to Member Countries
for the Year Ended 31 December 1989
- TASF-6 Notes to Financial Statements, 31 December 1989 and
31 December 1988

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank - Technical Assistance Special Fund at 31 December 1989 and 31 December 1988 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche

28 February 1990

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

BALANCE SHEET

31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note A)

	<u>1989</u>	<u>1988</u>
<u>ASSETS</u>		
DUE FROM BANKS	\$ 4,630	\$ 912
INVESTMENTS (Note B)		
Government and government guaranteed obligations	2,981	4,529
Time deposits and other obligations of banks	29,992	17,236
ACCRUED REVENUE	193	204
RECEIVABLE FROM CONTRIBUTOR(S) (TASF-4)	8,866	19,873
ACCOUNTS RECEIVABLE FROM ASIAN DEVELOPMENT FUND AND OTHERS	23,463	40,395
TOTALS	\$70,125	\$83,149
<u>LIABILITIES AND UNEXPENDED BALANCES</u>		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES AND OTHER LIABILITIES	\$19,942	\$11,996
UNEXPENDED BALANCES (TASF-2) (Note C)	50,183	71,153
TOTALS	\$70,125	\$83,149

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 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note A)

	<u>1989</u>			<u>1988</u>
CONTRIBUTIONS COMMITTED (TASF-4)	\$ 1,221			\$26,495
REVENUE				
From investments (Note B)	\$ 3,243			\$ 1,449
From other sources - net (Note D)	<u>431</u>	<u>3,674</u>		<u>905</u>
Totals	4,895			28,849
EXPENSES				
Services to member countries (TASF-5) (Note D)	22,880			16,342
Administrative expenses	<u>7</u>	<u>22,887</u>		<u>19</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES	(17,992)			12,488
EXCHANGE LOSS - net (Note A)	<u>(2,978)</u>			<u>(3,573)</u>
INCREASE (DECREASE) IN UNEXPENDED BALANCES	(20,970)			8,915
UNEXPENDED BALANCES AT BEGINNING OF THE YEAR	71,153			62,238
UNEXPENDED BALANCES AT END OF THE YEAR	\$50,183			\$71,153

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND
STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note A)

	<u>1989</u>	<u>1988</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 28,708	\$ 22,696
Interest on investments received	2,505	1,079
Cash received from other activities	411	707
Services to member countries paid	(22,312)	(17,138)
Administrative expenses paid	(7)	(19)
Net Cash Provided by Operating Activities	<u>9,305</u>	<u>7,325</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash invested in time deposits and other obligations of banks	(12,613)	3,408
Sales of investment securities	32,486	22,123
Purchases of investment securities	(30,054)	(24,702)
Net Cash Provided by (Used for) Investing Activities	<u>(10,181)</u>	<u>829</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from (paid to) Ordinary Capital Resources and others	4,704	(9,675)
Effect of Exchange Rate Changes on Due from Banks	(110)	(513)
Net Increase (Decrease) in Due from Banks	3,718	(2,034)
Due from Banks at Beginning of the Year	<u>912</u>	<u>2,946</u>
Due from Banks at End of the Year	<u>\$ 4,630</u>	<u>\$ 912</u>
RECONCILIATION OF INCREASE (DECREASE) IN UNEXPENDED BALANCES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase (Decrease) in unexpended balances	\$(20,970)	\$ 8,915
Adjustments to reconcile increase (decrease) in unexpended balances to net cash provided by operating activities:		
Contributions receivable and translation adjustments on contributions committed	27,487	(3,799)
Accrued revenue	17	(70)
Accrued expenses	4,364	2,561
Translation adjustments	2,978	3,573
Advances for services to member countries	(3,816)	(3,555)
Amortization	(755)	(300)
Net Cash Provided by Operating Activities	<u>\$ 9,305</u>	<u>\$ 7,325</u>

See notes to financial statements (TASF 6).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND
STATEMENT OF CONTRIBUTED RESOURCES

31 December 1989

Expressed in Thousands of United States Dollars (Note A)

Contributors	Contributions Committed During 1989	Cumulative Contributions Committed	Cumulative Amounts Received	Amounts Receivable
Direct Voluntary Contributions				
Australia	\$ —	\$ 2,484	\$ 2,484	\$ —
Austria	—	153	153	—
Bangladesh	—	47	47	—
Belgium	—	1,341	1,341	—
Canada	—	3,346	3,346	—
Denmark	—	1,963	1,963	—
Finland	—	237	237	—
France	—	1,696	1,696	—
Germany, Federal Republic of	—	3,315	3,315	—
Hong Kong	—	100	100	—
India	292	2,116	1,895	221
Indonesia	—	250	250	—
Italy	—	774	774	—
Japan	—	47,712	47,712	—
Korea, Republic of	150	1,900	1,900	—
Malaysia	—	909	909	—
Netherlands	—	1,337	1,337	—
New Zealand	—	1,096	1,096	—
Norway	—	3,297	3,297	—
Pakistan	59	742	742	—
Singapore	—	100	100	—
Spain	—	190	190	—
Sri Lanka	—	6	6	—
Sweden	—	861	861	—
Switzerland	—	1,035	1,035	—
Taipei, China	—	200	200	—
United Kingdom	—	5,617	5,617	—
United States	—	<u>1,500</u>	<u>1,500</u>	—
Totals	501	84,324	84,103	221
Transfer to Asian Development Fund	—	(400)	(400)	—
First Regularized TASF Replenishment (Note C)	720	88,877	80,232	8,645
TOTALS	\$1,221	\$172,801	\$163,935	\$8,866

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 1989

Expressed in Thousands of United States Dollars (Note A)

Recipients	Project Preparation	Project Implementation/ Advisory	Totals
Bangladesh	\$ 475	\$ 294	\$ 769
Bhutan	30	654	684
China, People's Republic of	134	451	585
Cook Islands	—	49	49
Fiji	—	(9)	(9)
India	63	501	564
Indonesia	605	2,820	3,425
Kiribati	81	31	112
Korea, Republic of	—	39	39
Lao P.D.R.	372	924	1,296
Malaysia	(5)	21	16
Maldives	(9)	281	272
Myanmar	—	10	10
Nepal	157	1,283	1,440
Pakistan	468	2,155	2,623
Papua New Guinea	149	294	443
Philippines	481	1,212	1,693
Solomon Islands	(1)	456	455
Sri Lanka	44	836	880
Thailand	—	(13)	(13)
Tonga	—	252	252
Vanuatu	8	341	349
Western Samoa	(2)	231	229
Totals	\$3,050	\$13,113	16,163
Regional Activities			6,717
TOTAL			\$22,880

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1989 and 31 December 1988

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, with resulting translation adjustments included in contributions committed. Revenue and expense amounts in currencies other than United States dollars are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Contributions

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

Statement of Cash Flows

For the purposes of the statement of cash flows, the TASF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

Restatement of Certain Amounts

Certain 1988 amounts have been restated to conform to 1989 classifications.

NOTE B - INVESTMENTS

As of 31 December 1989, the market value of investments was \$32,970,000 (\$21,750,000 - 1988), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$29,992,000 (\$17,094,000 - 1988). 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 month was 9.79% (6.62% - 1988).

NOTE C - FUNDING

Since 1967, contributions have been made by 28 member countries. Contributions in earlier years were restricted in one form or another, but there has been a trend in recent years towards contributions being made in a substantially or wholly unrestricted manner.

On 1 October 1986, the Board of Governors, in authorizing a \$3,600,000,000 replenishment of the Asian Development Fund, provided for an allocation to the TASF in an aggregate amount equivalent to \$72,000,000 (First Regularized TASF Replenishment) to be used during 1987-1990 for technical assistance to poorer developing members and for regional technical assistance. This replenishment became effective in May 1987.

NOTE D - SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$58,300,000 as of 31 December 1989 (\$40,089,000 - 1988). 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 \$250,000 will be refinanced under the loan. Refinanced amounts of \$392,000 were charged to loans and credited to revenue from other sources of the TASF during the year ended 31 December 1989 (\$845,000 - 1988).

Deloitte & Touche



One World Trade Center
New York, New York 10048-0601

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank - Japan Special Fund (JSF):

- JSF-1 Balance Sheet, 31 December 1989 and
31 December 1988
- JSF-2 Statement of Operations and Unexpended Balances
for the Year Ended 31 December 1989 and the
Period 10 March 1988 (Date of Establishment)
to 31 December 1988
- JSF-3 Statement of Cash Flows for the Year Ended
31 December 1989 and the Period 10 March
1988 (Date of Establishment) to 31 December
1988
- JSF-4 Notes to Financial Statements, 31 December 1989
and 31 December 1988

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank - Japan Special Fund at 31 December 1989 and 31 December 1988 and the results of its operations and its cash flows for the year ended 31 December 1989 and the period 10 March 1988 (date of establishment) to 31 December 1988 in conformity with generally accepted accounting principles.

Deloitte & Touche
28 February 1990

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

BALANCE SHEET

31 December 1989 and 31 December 1988

Expressed in Thousands of United States Dollars (Note B)

	<u>1989</u>	<u>1988</u>
<u>ASSETS</u>		
DUE FROM BANKS	\$ 242	\$ 88
INVESTMENTS (Note C)		
Time deposits	80,941	36,063
ACCRUED REVENUE	181	93
OTHER ASSETS	3,080	422
TOTALS	\$84,444	\$36,666
<u>LIABILITIES AND UNEXPENDED BALANCES</u>		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES AND OTHER LIABILITIES	\$ 4,723	\$ 1,282
UNEXPENDED BALANCES (JSF-2)	79,721	35,384
TOTALS	\$84,444	\$36,666

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND
STATEMENT OF OPERATIONS AND UNEXPENDED BALANCES

**For the Year Ended 31 December 1989 and the Period
 10 March 1988 (Date of Establishment) to 31 December 1988**

Expressed in Thousands of United States Dollars (Note B)

	1989	1988
CONTRIBUTIONS COMMITTED	\$58,806	\$35,766
REVENUE		
From investments (Note C)	\$3,163	\$1,181
From other sources	<u>9</u>	<u>—</u>
Totals	61,978	36,947
EXPENSES		
Services to member countries (Note D)	9,023	520
Administrative expenses	<u>611</u>	<u>1,041</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	52,344	35,386
EXCHANGE LOSS - net (Note B)	<u>(50)</u>	<u>(2)</u>
INCREASE IN UNEXPENDED BALANCES BEFORE TRANSLATION ADJUSTMENTS	52,294	35,384
TRANSLATION ADJUSTMENTS	(7,957)	—
UNEXPENDED BALANCE AT BEGINNING OF THE YEAR	35,384	—
UNEXPENDED BALANCES AT END OF THE YEAR	\$79,721	\$35,384

See notes to financial statements (JSP-4).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

STATEMENT OF CASH FLOWS

**For the Year Ended 31 December 1989 and the Period
10 March 1988 (Date of Establishment) to 31 December 1988**

Expressed in Thousands of United States Dollars (Note B)

	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 58,806	\$ 35,480
Interest on investments received	3,075	1,074
Cash received from other activities	9	—
Services to member countries paid	(7,636)	(606)
Administrative expenses paid	(1,270)	(97)
Net Cash Provided by Operating Activities	<u>52,984</u>	<u>35,851</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash invested in time deposits and other obligations of banks	(52,802)	(35,735)
Effect of Exchange Rate Changes on Due from Banks	(28)	(28)
Net Increase in Due from Banks	154	88
Due from Banks at Beginning of the Year	<u>88</u>	<u>—</u>
Due from Banks at End of the Year	<u>\$ 242</u>	<u>\$ 88</u>
RECONCILIATION OF INCREASE IN UNEXPENDED BALANCES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in unexpended balances before translation adjustments	\$ 52,294	\$ 35,384
Adjustments to reconcile increase in unexpended balances to net cash provided by operating activities:		
Accrued revenue	(88)	(107)
Other assets - advances	(2,672)	(418)
Accounts payable and other liabilities	3,400	1,276
Other - net	<u>50</u>	<u>(284)</u>
Net Cash Provided by Operating Activities	<u>\$ 52,984</u>	<u>\$ 35,851</u>

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1989 and 31 December 1988

NOTE A - GENERAL

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Bank entered into a financial arrangement whereby Japan agreed to make an initial contribution and the Bank became the administrator. Its purpose is to help developing member countries of the Bank restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to developing member countries of the Bank. The Bank may invest the proceeds of JSF pending disbursement and use the income from such investments to pay for direct and identifiable costs incurred in the administration of JSF.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currency and Reporting Currency

The functional currency of JSF is the Japanese yen while the reporting currency is the United States dollar. The financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities and unexpended balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions committed have been translated at the applicable exchange rates as of the respective dates received. Revenue and expense amounts in Japanese yen are translated for each semi-monthly period 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. Exchange gains or losses on currency transactions between the Japanese yen and other currencies are charged or credited to operations.

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Contributions

Contributions by Japan are included in the financial statements as amounts committed from the date indicated by Japan that funds are expected to be made available.

Statement of Cash Flows

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

Restatement of Certain Amounts

Certain 1988 amounts have been restated to conform to 1989 classifications.

NOTE C - INVESTMENTS

As of 31 December 1989, investments consisted of time deposits not traded in the market which were valued at their cost of \$80,941,000 (\$36,063,000 - 1988). 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 month, was 5.32% (4.96% - 1988).

NOTE D - SERVICES TO MEMBER COUNTRIES

The JSF's outstanding commitments for projects and programs totalled approximately \$31,581,000 as of 31 December 1989 (\$15,975,000 - 1988).

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ECONOMIC DATA OF DMCs

TABLE 1
ESTIMATES OF REAL GDP GROWTH RATE, 1979-1989
AND PER CAPITA GNP, 1988 OF SELECTED DMCs

Country	GDP Growth Rate (%)				Per Capita GNP ^d (US \$)
	Annual Average (1979-1986) (1)	1987 (2)	1988 (3)	1989 ^b (4)	1988 (5)
NIEs	7.4	12.1	9.4	6.2	
Hong Kong	7.8	13.8	7.3	2.5	9,230
Korea, Rep. of	7.5	11.8	11.3	5.9	3,530
Singapore	6.5	8.8	11.0	9.2	9,100
Taipei, China	7.2	12.3	7.3	7.7	6,360
SOUTHEAST ASIA	4.7	5.8	8.0	7.7	
Indonesia	5.6	4.8	5.7	6.5	430
Lao PDR	6.9 ^c ^d	-2.4 ^d	2.1 ^d	4.0 ^d	180
Malaysia	5.5	5.3	8.8	7.6	1,870
Philippines	1.3	4.7	6.2	6.0	630
Thailand	5.4	8.4	12.0	10.8	1,000
Viet Nam, Soc. Rep. of ^d	5.8 ^c	2.6	5.8	3.2	200
SOUTH ASIA	4.6	4.3	8.5	4.4	
Bangladesh	3.8	4.1	2.7	2.4	170
India	4.4	4.4	9.5	4.5 ^d	330
Maldives	8.6 ^d	13.9	8.7	9.3	410
Myanmar	4.6	-4.2	0.2	3.4	280
Nepal	3.7	2.6	9.7	1.5	170
Pakistan	6.5	6.5	7.0	5.6	350
Sri Lanka	5.2	1.6	2.8	2.0	420
CHINA, PEOPLE'S REP. OF ^e	9.4	11.0	11.2	3.9	330
SOUTH PACIFIC	1.8	2.7	2.5	2.8	
Fiji	2.9	-6.3	0.4	12.1	1,540
Papua New Guinea	1.3	6.0	3.1	0.1	770
Solomon Islands	4.7	2.1	4.3	2.0 ^d	430
Western Samoa	2.3 ^c	0.8	-0.4	0.2	580
Weighted Average^f	6.8	8.4	9.4	5.3	

a World Bank data except for Taipei,China and Viet Nam.

b Preliminary estimates.

c Relates to 1982-1986 for Lao PDR, 1984-1986 for Viet Nam and 1982-1986 for Western Samoa.

d Staff estimates.

e Based on GNP.

f For 1987, weights are proportional to GDP (in US dollars) in 1987.

For 1979-86, 1988 and 1989, weights are proportional to GDP in 1988.

Data for Lao PDR and Viet Nam are not included in the averages.

Sources: Country sources.

World Bank Atlas 1989.

ADB data file.

TABLE 2
CHANGES IN CONSUMER PRICES OF DMCs, 1987-1989^a
(Per Cent)

Country	1987	1988	1989 ^b
NIEs			
Hong Kong	2.5	4.8	5.8
Korea, Rep. of	5.5	7.5	10.0
Singapore	3.3	6.9	5.6
Taipei, China ^c	0.5	1.5	2.8
	0.5	1.3	4.7
SOUTHEAST ASIA			
Indonesia	6.3	5.1	6.1
Lao PDR	10.8	4.9	6.0
Malaysia	7.0	33.0	60.0
Philippines	0.8	2.5	2.8
Thailand	6.7	10.1	9.6
Viet Nam, Soc. Rep. of	2.6	3.7	5.8
	400.0	492.0	35.0
SOUTH ASIA			
Bangladesh	8.9	9.4	11.8
India ^c	9.5	9.4	8.0
Myanmar	8.8	9.1	10.0 ^d
Nepal	23.9	16.9	70.0 ^d
Pakistan ^c	9.0	9.1	10.1
Sri Lanka	4.7	8.8	10.4
	7.7	14.0	11.6
CHINA, PEOPLE'S REP. OF ^c	8.8	20.7	18.0
SOUTH PACIFIC			
Cook Islands	4.3	7.2	6.2
Fiji ^c	10.8	8.3	2.6
Kiribati	5.7	11.8	6.5
Papua New Guinea	6.5	6.1	3.1
Solomon Islands	3.3	5.4	6.0
Tonga	6.5	17.1	10.8
Vanuatu	4.6	10.0	3.6
Western Samoa	14.8	8.5	7.8
	4.5	8.5	6.5
Weighted Average^e	6.7	10.7	11.0

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

b Preliminary estimates.

c Data refer to average of all cities.

d Staff estimates.

e For 1987, weights are proportional to GDP (in US dollars) in 1987. For 1988-89, weights are proportional to GDP in 1988 except for Cook Islands where GDP in 1987 is used. Data for Lao PDR and Viet Nam are not included in the averages.

Sources: Country sources.

IMF, *International Financial Statistics*, February 1990.

TABLE 3
TOTAL NET FLOWS OF FINANCIAL RESOURCES TO DMCs, 1985-1987^a
 (\$ million)

Country	Concessional Flows (ODA)			Non-Concessional Flows ^b			Total Flows		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
NIEs	26.1	20.5	53.3	-425.4	-1,617.1	1,364.6	-399.3	-1,596.6	1,417.9
Hong Kong	20.5	18.5	19.4	-1,226.9	-1,414.3	3,608.6	-1,206.4	-1,395.8	3,628.0
Korea, Rep. of	-8.6	-17.3	10.5	1,600.9	402.3	2,534.0	1,592.3	385.0	-2,523.5
Singapore	23.9	29.4	23.3	-291.1	-138.8	703.5	-267.2	-109.4	726.8
Taipei, China	-9.7	-10.1	0.1	-508.3	-466.3	-413.5	-518.0	-476.4	-413.4
SOUTHEAST ASIA	1,963.4	2,562.6	3,079.1	1,768.4	864.6	2,044.5	3,731.8	3,427.2	5,123.6
Cambodia	12.9	13.2	14.3	—	0.3	—	12.9	13.5	14.3
Indonesia	603.2	710.9	1,245.2	1,212.7	882.2	1,877.6	1,815.9	1,593.1	3,122.8
Lao PDR	37.0	48.2	58.9	27.1	0.2	0.1	64.1	48.4	59.0
Malaysia	229.2	192.0	363.3	3.2	-208.2	-134.6	232.4	-16.2	228.7
Philippines	486.2	955.8	774.8	148.0	135.6	89.7	634.2	1,091.4	685.1
Thailand	480.9	496.0	506.4	398.1	78.2	417.8	879.0	574.2	924.2
Viet Nam, Soc. Rep. of	114.0	146.5	116.2	-20.7	-23.7	-26.7	93.3	122.8	89.5
SOUTH ASIA	4,610.4	5,895.1	5,721.8	1,126.1	1,635.0	1,632.8	5,766.5	7,530.1	7,354.6
Afghanistan, Rep. of	16.8	2.3	45.2	-22.7	0.2	0.6	-5.9	2.5	45.8
Bangladesh	1,120.1	1,455.7	1,637.4	31.6	-27.7	-4.5	1,151.7	1,428.0	1,632.9
Bhutan	24.1	40.0	42.0	—	0.1	—	24.1	40.1	42.0
India	1,592.1	2,123.6	1,852.2	914.7	1,697.8	1,529.3	2,506.8	3,821.4	3,381.5
Maldives	9.2	16.3	19.1	0.6	-0.1	5.0	9.8	16.2	24.1
Myanmar	355.7	415.7	364.6	-34.9	-43.2	-13.9	320.8	372.5	350.7
Nepal	236.3	300.9	344.6	10.0	29.9	25.6	246.3	330.8	370.2
Pakistan	801.5	970.3	914.9	127.4	34.5	77.7	928.9	1,004.8	992.6
Sri Lanka	484.6	570.3	501.8	99.4	-56.5	13.0	584.0	513.8	514.8
CHINA, PEOPLE'S REP. OF	940.0	1,133.9	1,448.8	1,357.2	2,344.9	2,902.0	2,297.2	3,478.8	4,350.8
SOUTH PACIFIC	388.1	438.6	552.7	83.3	-109.3	19.2	471.4	329.3	533.5
Cook Islands	9.7	26.4	11.0	0.9	0.9	—	10.6	27.3	11.0
Fiji	31.9	42.5	35.7	-9.4	4.2	-14.1	22.5	46.7	21.6
Kiribati	12.0	13.4	18.4	0.0	0.4	-0.1	12.0	13.8	18.3
Papua New Guinea	258.9	263.4	322.4	72.9	-61.4	-17.4	331.8	202.0	305.0
Solomon Islands	20.8	30.1	57.0	1.2	-0.2	13.3	22.0	29.9	70.3
Tonga	13.6	15.1	21.4	0.0	—	15.3	13.6	15.1	36.7
Vanuatu	21.8	24.4	51.0	16.7	-52.8	-15.8	38.5	-28.4	35.2
Western Samoa	19.4	23.3	35.8	1.0	-0.4	-0.4	20.4	22.9	35.4
TOTAL	7,958.0	10,050.7	10,855.7	3,909.6	3,118.1	7,924.7	11,867.6	13,168.8	18,780.4

— magnitude zero.

a Net flows imply total flows minus repayments of principal.

b Including bilateral and multilateral non-concessional flows and private flows.

Source: OECD, Geographical Distribution of Financial Flows to Developing Countries, January 1989.

TABLE 4
TOTAL EXTERNAL DEBT AND DEBT-SERVICE RATIO
OF SELECTED DMCs, 1986-1988^a
(\$ million)

Country	Debt Outstanding			Service Payments			Debt-Service Ratio ^b (%)		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
NIEs	46,728	40,459	37,156	12,791	17,481	9,579	30.5	31.1	13.5
Hong Kong
Korea, Rep. of	46,728	40,459	37,156	12,791	17,481	9,579	30.5	31.1	13.5
Singapore
Taipei, China
SOUTHEAST ASIA	120,212	137,537	135,984	16,240	19,042	22,241	30.5	28.9	29.9
Indonesia	43,117	52,668	52,600	5,735	7,153	9,320	35.7	37.8	43.7
Lao PDR	597	726	824	10	13	13	12.7	14.8	16.0
Malaysia	21,939	22,680	20,541	3,809	4,775	5,568	23.6	22.7	22.8
Philippines	28,330	30,052	29,448	3,028	3,660	3,569	34.4	39.0	32.2
Thailand	18,554	20,707	20,530	3,658	3,441	3,771	30.2	20.8	21.4
Viet Nam, Soc. Rep. of	7,675	10,704	12,041
SOUTH ASIA	79,767	91,877	95,487	7,723	8,945	9,412	28.7	29.2	27.2
Bangladesh	7,865	9,718	10,219	449	565	484	28.5	28.9	23.3
India	48,351	55,325	57,513	4,848	5,762	6,401	30.0	30.3	29.2
Maldives	69	73	71	37	7	10	37.6	6.7	7.5
Myanmar	3,792	4,356	4,321	290	278	171	80.8	90.3	34.9
Nepal	741	981	1,164	33	38	44	9.9	10.7	10.9
Pakistan	14,886	16,692	17,010	1,646	1,800	1,818	25.3	26.5	24.7
Sri Lanka	4,063	4,732	5,189	420	495	484	22.1	23.1	21.7
CHINA, PEOPLE'S REP. OF	23,746	35,428	42,015	3,316	3,813	4,358	10.7	9.5	10.6
SOUTH PACIFIC	2,998	3,334	2,737	573	592	604	29.1	27.0	23.2
Fiji	441	466	467	67	67	67	12.1	12.3	11.2
Papua New Guinea	2,415	2,696	2,270	494	511	537	41.5	36.6	31.3
Solomon Islands	68	85	...	5	8	...	5.8	8.8	...
Vanuatu	9	15	...	1	1	...	1.2	1.1	...
Western Samoa	65	72	...	6	5	...	11.3	7.4	...
TOTAL	273,451	308,635	313,379	40,643	49,874	46,194	26.2	25.5	26.6

... data not available.

a Covers long and short-term debt of public and private entities in the country.

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

Sources: World Bank, *World Debt Tables*, 1989-90 edition.

Country sources.

ADB data file.

TABLE 5
EXCHANGE RATES (Year Average)
(Currency per US\$)

Country	Currency	1987	1988	1989
A. DEVELOPING MEMBER COUNTRIES				
NIEs				
Hong Kong	Dollar (HK)	7.789	7.806	7.796
Korea, Rep. of	Won	822.570	731.470	671.455
Singapore	Dollar (S)	2.106	2.012	1.950
Taipei, China	Dollar (NT)	31.845	28.589	26.242
SOUTHEAST ASIA				
Indonesia	Rupiah	1,643.800	1,685.700	1,770.080
Lao PDR	Kip ^a	350.000	450.000	689.000
Malaysia	Ringgit	2.520	2.619	2.708
Philippines	Peso	20.568	21.095	21.737
Thailand	Baht	25.723	25.294	25.700
Viet Nam, Soc. Rep. of	Dong ^a	368.000	3,000.000	3,900.000
SOUTH ASIA				
Afghanistan, Rep. of	Afghani	50.600	50.600	50.600
Bangladesh	Taka	30.950	31.733	32.270
Bhutan	Ngultrum	12.962	13.917	16.226
India	Rupee (I)	12.962	13.917	16.226
Maldives	Rufiyaa	9.223	8.785	9.041
Myanmar	Kyat	6.654	6.395	6.705
Nepal	Rupee (N)	21.819	23.289	27.188
Pakistan	Rupee (P)	17.399	18.003	20.542
Sri Lanka	Rupee (SL)	29.445	31.807	36.047
CHINA, PEOPLE'S REP. OF	Yuan	3.722	3.722	3.765
SOUTH PACIFIC				
Cook Islands	Dollar (NZ)	1.689	1.524	1.667 ^b
Fiji	Dollar (F)	1.244	1.430	1.483
Kiribati	Dollar (A)	1.427	1.275	1.259 ^b
Papua New Guinea	Kina	0.908	0.867	0.856
Solomon Islands	Dollar (SI)	2.003	2.083	2.309
Tonga	Dollar (T)	1.426	1.426	1.229 ^c
Vanuatu	Vatu	109.850	104.430	116.040
Western Samoa	Tala	2.120	2.079	2.269
B. DEVELOPED MEMBER COUNTRIES				
Australia	Dollar (A)	1.427	1.275	1.262
Austria	Schilling	12.643	12.318	13.231
Belgium	Franc (B)	37.334	36.768	39.505
Canada	Dollar (C)	1.326	1.231	1.184
Denmark	Krone	6.840	6.732	7.310
Finland	Markka	4.396	4.183	4.259
France	Franc	6.011	5.957	6.380
Germany, Fed. Rep. of	Deutsche mark	1.797	1.756	1.880
Italy	Lira	1,296.100	1,301.600	1,372.100
Japan	Yen	144.640	128.150	137.962
Netherlands	Guilder	2.026	1.977	2.121
New Zealand	Dollar (NZ)	1.689	1.524	1.671
Norway	Krone	6.738	6.517	6.904
Spain	Peseta	123.480	116.490	118.380
Sweden	Krona	6.340	6.127	6.447
Switzerland	Franc (Sw)	1.491	1.463	1.636
United Kingdom	Pound	0.610	0.561	0.610

^a End of period exchange rates.

^b Average for January-October.

^c Average for January-June.

Sources: IMF, *International Financial Statistics*, February 1990.

Country Sources.

BANK OPERATIONAL DATA

LOAN APPROVALS IN 1989 AND TOTAL PROJECT COSTS (amounts in \$ million)

Country/Project	Ordinary Capital Resources	Asian Development Fund	Total Project Cost ^a
BANGLADESH			
Dhaka Urban Infrastructure Improvement	—	24.20	29.50
Upazila Afforestation and Nursery Development	—	43.50	50.40
United Leasing Company Limited ^b	—	3.00	—
Eighth Power	—	165.00	348.70
Second Flood Damage Restoration (Roads and Railways)	—	80.00	97.00
Horticulture Development	—	22.60	32.46
CHINA, PEOPLE'S REP. OF			
Shanxi Xiaoliu Railway	39.70	—	55.04
FIJI			
Low-Income Housing Development	9.60	—	52.64
INDIA			
Indian Acrylics Limited ^b	5.90	—	86.90
Second Telecommunications	118.00	—	254.00
Industrial Finance Corporation of India	150.00	—	375.00
Rayalaseema Thermal Power	230.00	—	610.30
INDONESIA			
Ninth Port	22.00	—	41.00
Nusa Tenggara Agricultural Development	94.00	25.00	148.80
Second Brackishwater Aquaculture Development	38.00	—	63.40
Tenth Road (Sector)	120.00	—	213.00
Second Vocational Education	70.00	30.00	130.64
Leasing Assistance:			
(a) P.T. Media Sarana Interbuana Leasing ^b	5.00	—	—
(b) P.T. BBL Dharmala Leasing ^b	15.00	—	—
Development Finance	200.00	—	500.00
Secondary Cities Urban Development (Sector)	70.00	50.00	150.21
Timber Plantation	33.30	—	55.50
LAO PDR			
Agricultural Program	—	20.00	50.00
Fourth Road Improvement	—	39.00	42.80
MALAYSIA			
Third Health (Sector)	105.00	—	231.19
Semarak Rural Development	33.20	—	95.18
NEPAL			
Second Water Supply Sector	—	14.40	18.00
Secondary Crops Development	—	11.40	15.10
Technical Education and Vocational Training Development	—	11.80	21.60
Second Road Improvement	—	50.00	58.00
Special Assistance for Oil Supply	—	31.50	33.80
Jyoti Spinning Mills Limited ^b	—	3.00	16.31

a Total cost of credit lines and program loans is estimated.

b Private sector loan without government guarantee.

Country/Project	Ordinary Capital Resources	Asian Development Fund	Total Project Cost ^a
PAKISTAN			
Flood Damage Restoration	—	44.00	54.75
Pakistan Synthetics Limited ^b	4.30	—	61.80
Livestock Development	—	43.00	55.00
Swabi Salinity Control and Reclamation	—	118.00	162.03
Primary Education (Girls) Sector	—	64.20	80.52
Pioneer Cement Limited ^b	11.50	—	102.60
Fourth Development Financing	250.00	—	625.00
Fauji Fertilizer Company Limited ^b	30.00	—	330.00
Karachi Sewerage	34.00	51.00	110.20
Second Urban Development	—	66.00	104.10
Leasing Assistance:			
(a) Orient Leasing Pakistan Limited ^b	5.00	—	—
(b) Asian Leasing Corporation Limited ^b	3.00	—	—
PAPUA NEW GUINEA			
Divine Hydropower	8.43	—	12.29
Multisectoral Technical Assistance Program	—	5.00	12.50
Agriculture Sector Program	24.00	56.00	200.00
PHILIPPINES			
Small and Medium Industry	65.00	35.00	250.00
Infrastructure Restoration	—	20.00	25.00
Second Manila Water Supply Rehabilitation	26.40	—	63.29
Fisheries Sector Program	30.00	50.00	200.00
Fifteenth Power (Sector)	160.00	—	200.00
Angat Water Supply Optimization	130.00	—	363.50
Hopewell Energy (Philippines) Corporation ^b	10.00	—	45.47
Low-Income Upland Communities	—	32.00	39.60
SRI LANKA			
Smallholder Tea Development	—	25.00	57.10
Agriculture Rehabilitation	—	22.26	30.05
Agriculture Program	—	80.00	200.00
THAILAND			
Second Highway (Sector Loan)	110.00	—	416.75
TONGA			
Fourth Tonga Development Bank	—	5.00	12.50
WESTERN SAMOA			
Second Telecommunications	—	7.40	16.30
Agriculture Development Program	—	15.00	22.50
GRAND TOTAL	2,260.33	1,363.26	7,729.32

a Total cost of credit lines and program loans is estimated.

b Private sector loan without government guarantee.

LOAN APPROVALS BY SECTOR, 1988, 1989, 1968-1989^a
 (amounts in \$ million)

Sector	1988				TOTAL		
	OCR		ADF		No. ^b	Amount	%
	No.	Amount	No.	Amount			
Agriculture and Agro-Industry	6	236.60	13	437.20	18	673.80	21.42
Energy	5	510.10	3	56.90	7	567.00	18.03
Industry and Non-Fuel Minerals ^c	9	567.30	6	258.65	13	825.95	26.26
Transport and Communications	5	470.00	4	160.40	9	630.40	20.04
Social Infrastructure	4	278.15	5	166.96	8	445.11	14.15
Multisector	—	—	1	3.30	1	3.30	0.10
T O T A L	29	2,062.15	32	1,083.41	56	3,145.56	100.00

a Includes loans to private sector without government guarantee.

b A project which is financed from both sources is counted as one project.

c Includes loans to development banks.

1989								1968-1989							
OCR		ADF		TOTAL				OCR		ADF		TOTAL			
No.	Amount	No.	Amount	No. ^b	Amount	%	No.	Amount	No.	Amount	No. ^b	Amount	%		
7	282.50	14	563.76	18	846.26	23.36	129	3,573.47	218	4,652.14	314	8,225.61	28.76		
4	408.43	2	196.50	6	604.93	16.69	109	4,788.53	71	1,602.25	158	6,390.78	22.35		
11	714.70	4	46.00	12	760.70	20.99	103	3,711.57	52	972.42	140	4,683.99	16.38		
5	409.70	4	176.40	9	586.10	16.18	95	3,530.23	55	1,026.72	138	4,556.95	15.94		
7	445.00	8	311.60	12	756.60	20.88	97	3,309.59	55	1,157.02	140	4,466.61	15.62		
—	—	3	69.00	3	69.00	1.90	3	101.70	17	171.01	16	272.71	0.95		
34	2,260.33	35	1,363.26	60	3,623.59	100.00	536	19,015.09	468	9,581.56	906	28,596.65	100.00		

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1988, 1989, 1968-1989^a
 (amounts in \$ million)

Country	1988			1989			1968-1989			
	O C R	A D F	Total	O C R	A D F	Total	O C R	A D F	Total	%
Afghanistan, Rep. of	—	—	—	—	—	—	—	95.10	95.10	0.33
Bangladesh	—	267.50	267.50	—	338.30	338.30	11.40	2,787.09	2,798.49	9.79
Bhutan	—	3.65	3.65	—	—	—	—	31.63	31.63	0.11
Cambodia	—	—	—	—	—	—	—	1.67	1.67	0.01
China, People's Rep. of	282.90	—	282.90	39.70	—	39.70	455.90	—	455.90	1.59
Cook Islands	—	—	—	—	—	—	—	5.25	5.25	0.02
Fiji	33.00	—	33.00	9.60	—	9.60	103.10	—	103.10	0.36
Hong Kong	—	—	—	—	—	—	101.50	—	101.50	0.35
India	497.00	—	497.00	503.90	—	503.90	1,644.50	—	1,644.50	5.75
Indonesia	500.05	80.10	580.15	667.30	105.00	772.30	5,219.15	482.38	5,701.53	19.94
Kiribati	—	0.90	0.90	—	—	—	—	3.90	3.90	0.01
Korea, Rep. of ^b	120.60	—	120.60	—	—	—	2,319.63	3.70	2,323.33	8.12
Lao PDR	—	11.00	11.00	—	59.00	59.00	—	176.64	176.64	0.62
Malaysia	29.50	—	29.50	138.20	—	138.20	1,529.34	3.30	1,532.64	5.36
Maldives	—	6.40	6.40	—	—	—	—	15.88	15.88	0.06
Myanmar	—	—	—	—	—	—	6.60	524.26	530.86	1.86
Nepal	—	99.30	99.30	—	122.10	122.10	2.00	860.26	862.26	3.02
Pakistan	330.35	319.00	649.35	337.80	386.20	724.00	2,352.32	2,785.65	5,137.97	17.97
Papua New Guinea	—	—	—	32.43	61.00	93.43	174.68	201.34	376.02	1.31
Philippines	204.00	177.96	381.96	421.40	137.00	558.40	2,967.44	444.26	3,411.70	11.93
Singapore	—	—	—	—	—	—	178.08	3.00	181.08	0.63
Solomon Islands	—	—	—	—	—	—	—	38.11	38.11	0.13
Sri Lanka	—	108.30	108.30	—	127.26	127.26	14.13	896.19	910.32	3.18
Taipei, China	—	—	—	—	—	—	100.39	—	100.39	0.35
Thailand	64.75	—	64.75	110.00	—	110.00	1,831.00	72.10	1,903.10	6.65
Tonga	—	3.30	3.30	—	5.00	5.00	—	19.55	19.55	0.07
Vanuatu	—	—	—	—	—	—	—	10.85	10.85	0.04
Viet Nam, Soc. Rep. of	—	—	—	—	—	—	3.93	40.67	44.60	0.16
Western Samoa	—	6.00	6.00	—	22.40	22.40	—	78.78	78.78	0.28
TOTAL	2,062.15	1,083.41	3,145.56	2,260.33	1,363.26	3,623.59	19,015.09	9,581.56	28,596.65	100.00

a Includes loans to private sector without government guarantee.

b Adjusted due to the cancellation of the \$0.05 million loan to Korea for the Fifth Sewage Treatment approved in 1988.

LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 – 1987-1989
 (amounts in \$ million)

	Total Lending ^a	Agriculture and Agro-Industry	Energy	Industry and Non-Fuel Minerals	Transport and Communications	Social Infrastructure	Multi-sector
Average during							
1968-1970	128.44	25.02	15.38	49.34	30.87	7.83	0.00
1969-1971	199.25	40.80	50.56	56.32	43.20	8.37	0.00
1970-1972	271.92	42.65	89.90	51.72	58.42	29.23	0.00
1971-1973	330.53	52.17	106.38	52.58	78.92	40.49	0.00
1972-1974	428.41	80.37	114.44	81.77	91.35	60.49	0.00
1973-1975	543.15	151.38	125.11	113.93	96.02	56.72	0.00
1974-1976	661.29	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	589.95	465.85	227.23	131.77	319.90	16.76
1982-1984	1,937.03	662.09	561.38	172.90	234.70	278.17	27.79
1983-1985	1,978.52	641.47	487.38	165.60	252.23	401.57	30.26
1984-1986	2,013.77	714.10	508.75	100.60	289.98	351.94	48.39
1985-1987	2,081.84	637.76	363.75	297.77	427.53	317.31	37.72
1986-1988	2,527.67	675.87	471.19	525.48	534.33	284.45	36.35
1987-1989	3,069.23	683.02	501.21	744.05	670.12	445.80	25.02
Cumulative (1968-1989)	28,596.65	8,225.61	6,390.78	4,683.99	4,556.95	4,466.60	272.71
Percentage Distribution							
1968-1970	100	19.48	11.98	38.41	24.03	6.10	0.00
1969-1971	100	20.48	25.37	28.27	21.68	4.20	0.00
1970-1972	100	15.69	33.06	19.02	21.48	10.75	0.00
1971-1973	100	15.78	32.18	15.91	23.88	12.25	0.00
1972-1974	100	18.76	26.71	19.09	21.32	14.12	0.00
1973-1975	100	27.87	23.03	20.98	17.68	10.44	0.00
1974-1976	100	29.27	21.35	22.92	16.61	9.85	0.00
1975-1977	100	30.51	22.02	19.65	16.97	10.85	0.00
1976-1978	100	27.42	21.53	21.62	15.98	13.45	0.00
1977-1979	100	29.85	24.03	17.43	12.10	16.55	0.04
1978-1980	100	30.95	24.88	14.89	12.38	16.84	0.06
1979-1981	100	32.56	27.21	11.62	9.41	19.11	0.09
1980-1982	100	34.00	27.71	10.73	11.53	15.97	0.06
1981-1983	100	33.68	26.60	12.97	7.52	18.27	0.96
1982-1984	100	34.18	28.98	8.93	12.12	14.36	1.43
1983-1985	100	32.42	24.63	8.37	12.75	20.30	1.53
1984-1986	100	35.46	25.26	5.00	14.40	17.48	2.40
1985-1987	100	30.64	17.47	14.30	20.54	15.24	1.81
1986-1988	100	26.74	18.64	20.79	21.14	11.25	1.44
1987-1989	100	22.25	16.33	24.24	21.83	14.53	0.82
Cumulative (1968-1989)	100	28.76	22.35	16.38	15.94	15.62	0.95

^a Total column may not tally due to rounding.

CO-FINANCING ARRANGEMENTS, 1989
(amounts in \$ million)

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	ADF		
Eighth Power	Bangladesh	—	165.0	98.0	United Kingdom (ODA)
Upazila Afforestation	Bangladesh	—	43.5	1.9	UNDP
Horticulture Development	Bangladesh	—	22.6	2.8	UNDP
Low-Income Housing	Fiji	9.6	—	16.2 1.3 0.3	World Bank Japan Grant UNDP
Ninth Port	Indonesia	22.0	—	12.6	Eximbank of Japan
Financial Sector Program Loan ^a	Indonesia	150.0	50.0	50.0	CFS ^b Guarantee
Tenth Road	Indonesia	120.0	—	50.0	Eximbank of Japan
Leasing Assistance ^c	Indonesia	20.0	—	7.0	Asian Finance and Investment Corp. Ltd./CFS ^b
Local Cost Financing of ongoing ADB-assisted projects	Indonesia	—	—	77.0	Eximbank of Japan
Fourth Road Improvement	Lao PDR	—	39.0	0.8	UNDP
Technical Education and Vocational Training Dev.	Nepal	—	11.8	2.5 5.6	OPEC Fund Switzerland
Karachi Sewerage	Pakistan	34.0	51.0	53.4	United Kingdom (ODA/CDC) World Bank
Flood Damage Restoration	Pakistan	—	44.0	40.0 10.0	World Bank Islamic Dev. Bank
Swabi Salinity Control and Rehabilitation	Pakistan	—	118.0	17.0	Switzerland

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	ADF		
Pioneer Cement ^c	Pakistan	11.5	—	12.7 5.0	CFS ^b Asian Finance and Investment Corp. Ltd./CFS ^b
Dev. Finance Loan IV	Pakistan	250.0	—	50.0	Eximbank of Japan
Leasing Assistance ^b	Pakistan	8.0	—	7.0	Asian Finance and Investment Corp. Ltd./CFS ^b
Fauji Fertilizer Co. Ltd. ^c	Pakistan	30.0	—	15.0 166.0 20.0	United Kingdom (CDC) Export Credit Asian Finance and Investment Corp. Ltd./CFS ^b
Agriculture Sector Program	Papua New Guinea	24.0	56.0	20.0	OECF, Japan
Fisheries Sector	Philippines	30.0	50.0	70.0	OECF, Japan
Angat Water Supply Optimization	Philippines	130.0	—	40.0 80.0	World Bank OECF, Japan
Hopewell ^c	Philippines	10.0	—	10.0 10.0	International Finance Corp. CFS ^b
Agriculture Rehabilitation	Sri Lanka	—	22.3	4.5	Switzerland
Second Highway Sector	Thailand	110.0	—	87.0 97.0	World Bank OECF, Japan
Fourth Tonga Development Bank	Tonga	—	5.0	3.0	IDA
Second Telecommunications	Western Samoa	—	7.4	4.6 0.1	IDA International Telecommunications Union
TOTAL (26)		959.1	685.6	1,272.8	

a Bank loan was approved in 1988.

b Complementary Financing Scheme.

c Private sector loan.

PRIVATE SECTOR INVESTMENT MANAGEMENT STATUS, 1983-1989
(amounts in \$ million)

CUMULATIVE BOARD APPROVALS

Country	Number of Projects	Equity Investments and Lines of Equity ^a	Equity Underwritings	Loans	Complementary Loans	Total
Bangladesh	2	1.46	—	5.50	—	6.96
China, People's Rep. of	1	3.00	—	—	—	3.00
India	5	14.04	—	25.90	5.00	44.94
Indonesia	8	9.60	6.00	35.00	7.00	57.60
Korea, Rep. of	3	8.96	—	—	—	8.96
Malaysia	1	2.00	—	—	—	2.00
Nepal	1	1.00	—	3.00	—	4.00
Pakistan	10	12.86	—	75.80	44.70	133.36
Philippines	5	4.47	—	34.00	10.00	48.47
Sri Lanka	1	0.33	—	—	—	0.33
Thailand	3	2.52	5.00	1.46	—	8.98
Regional	5	47.24	25.20	—	—	72.44
TOTAL	45	107.48	36.20	180.66	66.70	391.04

INVESTMENTS HELD

(As of 31 December 1989)

Country	Number of Projects	Equity Investments ^b	Loans ^c	Total
Bangladesh	2	1.28	1.98	3.26
India	4	3.54	12.39	15.93
Indonesia	4	2.40	10.06	12.46
Korea, Rep. of	6	7.80	—	7.80
Pakistan	9	3.54	11.35	14.89
Philippines	3	1.45	7.95	9.39
Sri Lanka	1	0.30	—	0.30
Thailand	4	5.68	1.46	7.14
Regional	2	39.92	—	39.92
TOTAL	35	65.91	45.19	111.10

Excluding facilities cancelled/withdrawn/expired.

a Lines of Equity are administrative arrangements by which local financial institutions are appointed as the Bank's investment advisors and agents, and under which actual investments are made.

b At cost of acquisition in US dollar terms.

c Non-US dollar currencies translated at exchange rates as at time of disbursement.

PRIVATE SECTOR INVESTMENT FACILITIES APPROVED IN 1989
 (amounts in \$ million)

	Loan	Equity Investment	Underwriting	Bank Funds	Complementary Loan	Total
Bangladesh						
United Leasing Co., Ltd.	3.000	0.425	—	3.425	—	3.425
India						
Credit Capital Venture Fund (India) Ltd.	—	0.800	—	0.800	—	0.800
Indian Acrylics Ltd.	5.900	2.240	—	8.140	—	8.140
Indonesia						
Indonesia Investment Fund	—	—	6.000	6.000	—	6.000
Indonesia Securities Co.	—	1.190	—	1.190	—	1.190
Leasing Project:						
a) P.T. BBL Dharmala Leasing	15.000	—	—	15.000	5.000	20.000
b) P.T. Media Sarana Interbuana Leasing	5.000	0.339	—	5.339	2.000	7.339
Malaysia						
Southern Bank Berhad Ltd.	—	2.000 ^a	—	2.000	—	2.000
Nepal						
Jyoti Spinning Mills Ltd.	3.000	1.000	—	4.000	—	4.000
Pakistan						
Fauji Fertilizer Co., Ltd.	30.000	—	—	30.000	20.000	50.000
Leasing Project:						
a) Orient Leasing Pakistan Ltd.	5.000	—	—	5.000	5.000	10.000
b) Asian Leasing Corporation Ltd.	3.000	—	—	3.000	2.000	5.000
Pakistan Synthetics Ltd.	4.300	1.200	—	5.500	—	5.500
Pioneer Cement Ltd.	11.500	3.500	—	15.000	17.700	32.700
Philippines						
Hopewell Energy (Philippines) Corp.	10.000	1.100	—	11.100	10.000	21.100
Planters DB Leasing Corp.	—	0.370	—	0.370	—	0.370
Regional						
Asian Convertibles and Income Fund	—	5.200	5.200	10.400	—	10.400
Asian Finance and Investment Corp. Ltd.	—	35.000	—	35.000	—	35.000
Pacven Investment Ltd.	—	2.040	—	2.040	—	2.040
TOTAL	95.700	56.404	11.200	163.304	61.700	225.004

^a Line of Equity.

**NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION,
PCRs CIRCULATED, PROJECTS COMPLETED AND LOANS CLOSED IN 1989
(As of 31 December 1989)**

Country	Cumulative No. of Loans Approved ^a	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved ^b	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans
Afghanistan, Rep. of	9	8	8	—	1
Bangladesh	85	84	77	3	4
Bhutan	8	8	8	—	—
Cambodia	1	1	1	—	—
China, People's Rep. of	7	6	7	—	—
Cook Islands	3	3	3	—	—
Fiji	11	10	11	—	—
Hong Kong	5	5	5	—	—
India	14	12	14	—	—
Indonesia	147	140	133	11	2
Kiribati	4	4	4	—	—
Korea, Rep. of	79	78	79	—	—
Lao PDR	18	17	17	—	1
Malaysia	66	64	64	1	1
Maldives	4	4	4	—	—
Myanmar	32	32	28	2	2
Nepal	64	60	54	1	9
Pakistan	123	109	98	20	5
Papua New Guinea	32	30	24	8	—
Philippines	101	97	90	7	2
Singapore	14	14	14	—	—
Solomon Islands	11	11	11	—	—
Sri Lanka	55	54	49	1	4
Taipei, China	12	12	12	—	—
Thailand	53	53	50	2	1
Tonga	9	8	9	—	—
Vanuatu	4	4	4	—	—
Viet Nam, Soc. Rep. of	11	9	9	2	—
Western Samoa	22	21	19	—	2
TOTAL	1,004	958	906	58	34

a Includes Special Assistance loans, private sector loans.

b Excludes Special Assistance loans and loans withdrawn by borrowers before loan signing but includes private sector loans.

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

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

e Projects which were physically completed in 1989.

f Includes 13 inactive loans and 17 private sector loans but excludes six projects exclusively financed from other sources.

Cumulative No. of Co-Financed Projects	No. of Projects Under Administration ^c As of 31/12/89	No. of Loans Under Administration ^c As of 31/12/89	Cumulative No. of PCRs Circulated/ Prepared ^d	No. of Projects Completed in 1989 ^e	No. of Loans Closed in 1989	No. of PCRs Circulated in 1989
2	8	9	0	—	0	0
35	47	49	31	7	5	7
4	8	8	0	0	0	0
0	1	1	0	—	0	0
3	7	7	0	0	0	0
0	1	1	2	0	0	1
4	4	4	3	1	0	0
0	0	0	5	—	0	0
4	14	14	0	0	0	0
30	63	69	46	18	14	7
1	1	1	2	1	1	2
8	8	8	49	2	4	3
11	10	10	5	1	0	1
9	19	19	27	3	2	3
2	2	2	2	1	1	1
12	9	9	13	6	6	2
24	29	34	19	3	4	3
47	58	68	29	9	9	5
3	9	14	10	3	6	3
27	35	40	38	14	10	7
2	0	0	7	—	0	0
5	3	3	7	1	1	2
16	29	29	14	8	5	0
0	0	0	1	—	0	0
22	11	12	26	5	5	2
3	3	3	8	1	0	3
2	2	2	1	2	2	1
0	2	2	5	—	0	0
9	5	5	12	1	2	1
285		388^f	423	362	87	77
						54

AMOUNTS OF LOANS APPROVED, CONTRACTS AWARDED AND DISBURSEMENTS
 (As of 31 December 1989)

(amounts in \$ million)

Country	Cumulative Loan Amount Approved ^a	Cumulative Net Effective Loans ^b	Contracts Awarded in 1989 ^c
Afghanistan, Rep. of	95.10	74.05	0.00
Bangladesh	2,798.49	2,773.49	295.78
Bhutan	31.63	35.46	1.48
Cambodia	1.67	1.67	0.00
China, People's Rep. of	455.90	402.90	82.56
Cook Islands	5.25	5.31	1.00
Fiji	103.10	87.17	7.13
Hong Kong	101.50	94.50	0.00
India	1,644.50	1,264.50	76.41
Indonesia	5,701.53	4,874.15	668.10
Kiribati	3.90	2.80	0.05
Korea, Rep. of	2,323.33	1,842.77	36.16
Lao PDR	176.64	136.42	8.74
Malaysia	1,532.64	1,035.25	67.80
Maldives	15.88	16.47	2.38
Myanmar	530.86	522.07	12.23
Nepal	862.26	766.83	62.58
Pakistan	5,137.97	4,093.45	392.37
Papua New Guinea	376.02	357.35	31.72
Philippines	3,411.70	2,605.30	219.67
Singapore	181.08	144.44	0.00
Solomon Islands	38.11	38.86	5.04
Sri Lanka	910.32	887.98	56.26
Taipei, China	100.39	91.14	0.00
Thailand	1,903.10	1,447.72	65.13
Tonga	19.55	14.09	0.15
Vanuatu	10.85	11.35	5.77
Viet Nam, Soc. Rep. of	44.60	25.43	0.00
Western Samoa	78.78	74.03	2.79
T O T A L	28,596.65	23,726.95	2,101.31

^a Includes Special Assistance loans and private sector loans but excludes four loans withdrawn.

The US dollar equivalent in accordance with the exchange rate enforced within the Bank at the time of loan signing.

^b The US dollar equivalent in accordance with the exchange rate enforced within the Bank as of 31 December 1989.

^c Figures obtained from Procurement Statistics.

^d Total US dollar value of contracts exceeded total effective loans but excess was not financed by the Bank.

Cumulative Contracts Awarded As of 31/12/89 ^c	% of Cumulative Contracts Awarded to Cumulative Net Effective Loans	Disbursements in 1989	Cumulative Disbursements As of 31/12/89	% of Cumulative Disbursements to Cumulative Net Effective Loans
34.21	46.20	0.00	27.90	37.68
1,566.66	56.49	322.33	1,391.84	50.18
14.64	41.29	3.08	12.84	36.21
1.58	94.61	0.00	0.64	38.32
107.97	26.80	52.03	54.74	13.59
2.66	50.09	0.32	2.82	53.11
82.69	94.86	1.32	70.28	80.62
102.46 ^d	108.42	0.00	94.50	100.00
243.08	19.22	81.06	149.01	11.78
3,028.81	62.14	710.94	2,749.79	56.42
1.90	67.86	0.05	1.91	68.21
1,658.11	89.98	23.97	1,511.57	82.03
80.19	58.78	31.28	74.79	54.82
780.89	75.43	49.82	689.16	66.57
5.88	35.70	0.65	3.93	23.86
402.56	77.11	29.63	379.76	72.74
424.59	55.37	80.92	381.59	49.76
2,275.52	55.59	460.70	2,096.83	51.22
207.13	57.96	23.86	169.41	47.41
1,730.52	66.42	194.84	1,727.97	66.33
130.22	90.16	0.00	144.44	100.00
29.73	76.51	3.92	29.48	75.86
462.37	52.07	77.01	427.98	48.20
90.28	99.06	0.00	91.14	100.00
1,303.25	90.02	81.05	1,226.26	84.70
11.69	82.97	0.67	10.15	72.04
9.72	85.64	3.05	5.69	50.13
27.96 ^d	109.95	0.00	25.43	100.00
41.22	55.68	2.41	39.97	53.99
14,858.49	62.62	2,234.91	13,591.82	57.28

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS,^a 1968-1989
 (amounts in \$ million)

Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No. ^b	Amount ^c	Amount	Percentage of Cumulative Effective Loans	Amount ^d	Percentage of Cumulative Effective Loans
1968	4	20	4.5 ^e	23	1.8	9
1969	13	67	13.5 ^e	20	9.3	14
1970	28	137	54.4 ^f	40	26.4	19
1971	67	404	115.0	28	75.1	19
1972	93	696	271.5	39	136.2	20
1973	130	998	453.2	45	282.7	28
1974	187	1,612	836.1	52	470.2	29
1975	221	2,052	1,150.2	56	832.1	41
1976	264	2,846	1,505.9	53	1,158.7	41
1977	294	3,461	1,862.0	54	1,514.9	44
1978	340	4,289	2,432.8	57	1,977.1	46
1979	391	5,274	2,941.5	56	2,463.4	47
1980	451	6,592	3,820.4	58	3,042.4	46
1981	510	7,953	4,503.6	57	3,709.5	47
1982	570	9,672	5,570.7	58	4,504.6	47
1983	621	11,100	6,296.3	57	5,441.5	49
1984	675	13,027	7,299.8	56	6,442.0	49
1985	727 ^g	14,793	8,279.0	56	7,452.1	50
1986	771	16,135	9,443.1	59	8,476.4	53
1987	815	17,807	10,883.2	61	9,707.8	55
1988	887	20,589	12,812.4	62	11,356.9	55
1989	958	23,727	14,858.5	63	13,591.8	57

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

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

c Net of cancellations and amount transferred to subsequent loans.

d Includes interest and other charges financed during construction.

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

f Figures from 1970 onwards are based on Quarterly Procurement Statistics of the Bank.

g Number of loans adjusted from 1985 Annual Report to reflect Loan Nos. 624/G25-TON and 646/647 SOL as single loans.

CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT
 (As of 31 December 1989)

ORDINARY CAPITAL RESOURCES

(Net of Adjustments)

(amounts in \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	0.000	0.00	0.000	0.00	0.000	0.00
Australia	127.079	1.36	14.626	2.62	141.705	1.43
Austria	78.691	0.84	1.590	0.29	80.281	0.81
Bangladesh	0.108	0.00	0.091	0.02	0.199	0.00
Belgium	59.838	0.64	0.477	0.09	60.315	0.61
Bhutan	0.000	0.00	0.000	0.00	0.000	0.00
Cambodia	0.000	0.00	0.000	0.00	0.000	0.00
Canada	91.070	0.97	31.250	5.60	122.320	1.24
China, People's Rep. of	64.166	0.69	0.000	0.00	64.166	0.65
Cook Islands	0.000	0.00	0.000	0.00	0.000	0.00
Denmark	18.211	0.19	16.049	2.88	34.260	0.35
Fiji	23.248	0.25	0.000	0.00	23.248	0.23
Finland	13.108	0.14	1.151	0.21	14.259	0.14
France	176.706	1.89	20.772	3.73	197.478	1.99
Germany, Fed. Rep. of	451.378	4.83	24.114	4.32	475.492	4.80
Hong Kong	124.340	1.33	1.803	0.32	126.143	1.27
India	217.804	2.33	3.478	0.62	221.282	2.23
Indonesia	1,381.997	14.79	59.499	10.67	1,441.496	14.56
Italy	198.309	2.12	25.747	4.62	224.056	2.26
Japan	1,993.761	21.33	66.638	11.95	2,060.399	20.81
Kiribati	0.000	0.00	0.000	0.00	0.000	0.00
Korea, Rep. of	1,220.785	13.06	15.614	2.80	1,236.399	12.49
Lao PDR	0.000	0.00	0.000	0.00	0.000	0.00
Luxembourg*	0.035	0.00	0.000	0.00	0.035	0.00
Malaysia	437.121	4.68	5.520	0.99	442.641	4.47
Maldives	0.000	0.00	0.000	0.00	0.000	0.00
Myanmar	0.000	0.00	0.000	0.00	0.000	0.00
Nepal	0.000	0.00	0.000	0.00	0.000	0.00
Netherlands	84.327	0.90	20.046	3.60	104.373	1.05
New Zealand	28.901	0.31	6.347	1.14	35.248	0.36
Norway	3.132	0.03	0.823	0.15	3.955	0.04
Pakistan	177.318	1.90	0.213	0.04	177.531	1.79
Papua New Guinea	30.925	0.33	0.964	0.17	31.889	0.32
Philippines	591.174	6.33	12.317	2.21	603.491	6.09
Singapore	151.564	1.62	1.256	0.23	152.820	1.54
Solomon Islands	0.037	0.00	0.000	0.00	0.037	0.00
Spain	3.498	0.04	0.000	0.00	3.498	0.04
Sri Lanka	0.041	0.00	0.107	0.02	0.148	0.00
Sweden	48.412	0.52	1.023	0.18	49.435	0.50
Switzerland	148.035	1.58	28.786	5.16	176.821	1.79
Taipei, China	145.972	1.56	14.010	2.51	159.982	1.62
Thailand	437.519	4.68	0.951	0.17	438.470	4.43
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
United Kingdom	219.100	2.34	53.458	9.59	272.558	2.75
United States	597.163	6.39	128.844	23.11	726.007	7.33
Vanuatu	0.000	0.00	0.000	0.00	0.000	0.00
Viet Nam, Soc. Rep. of	0.368	0.00	0.000	0.00	0.368	0.00
Western Samoa	0.064	0.00	0.000	0.00	0.064	0.00
T O T A L	9,345.305	100.00	557.564	100.00	9,902.869	100.00

* While Luxembourg is not a member country of ADB, it was however an eligible source of procurement under Bank-financed/co-financed projects until June 1977.

CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT
 (As of 31 December 1989)

ASIAN DEVELOPMENT FUND
 (Net of Adjustments)

(amounts in \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	8.991	0.19	0.000	0.00	8.991	0.18
Australia	47.963	1.03	9.908	3.56	57.871	1.17
Austria	11.454	0.24	0.000	0.00	11.454	0.23
Bangladesh	432.223	9.24	3.592	1.29	435.815	8.79
Belgium	31.619	0.68	0.058	0.02	31.677	0.64
Bhutan	1.124	0.02	0.099	0.04	1.123	0.02
Cambodia	0.000	0.00	0.000	0.00	0.000	0.00
Canada	16.628	0.36	18.633	6.69	35.261	0.71
China, People's Rep. of	82.006	1.75	0.000	0.00	82.006	1.65
Cook Islands	1.069	0.02	0.000	0.00	1.069	0.02
Denmark	21.785	0.47	1.848	0.66	23.633	0.48
Fiji	1.660	0.04	0.000	0.00	1.660	0.03
Finland	6.322	0.14	2.096	0.75	8.418	0.17
France	63.837	1.36	5.209	1.87	69.046	1.39
Germany, Fed. Rep. of	211.259	4.52	12.799	4.60	224.058	4.52
Hong Kong	48.257	1.03	0.000	0.00	48.257	0.97
India	228.876	4.89	21.085	7.58	249.961	5.04
Indonesia	68.087	1.46	2.910	1.05	70.997	1.43
Italy	116.069	2.48	2.795	1.00	118.864	2.40
Japan	895.850	19.15	42.148	15.14	937.998	18.93
Kiribati	0.278	0.01	0.000	0.00	0.278	0.01
Korea, Rep. of	298.828	6.39	9.686	3.48	308.514	6.23
Lao PDR	5.188	0.11	0.072	0.03	5.260	0.11
Luxembourg	0.000	0.00	0.000	0.00	0.000	0.00
Malaysia	42.699	0.91	1.491	0.54	44.190	0.89
Maldives	0.388	0.01	0.000	0.00	0.388	0.01
Myanmar	23.003	0.49	0.000	0.00	23.003	0.46
Nepal	109.463	2.34	1.232	0.44	110.695	2.23
Netherlands	55.974	1.20	10.926	3.93	66.900	1.35
New Zealand	29.467	0.63	7.706	2.77	37.173	0.75
Norway	32.452	0.69	1.089	0.39	33.541	0.68
Pakistan	321.748	6.88	6.091	2.19	327.839	6.62
Papua New Guinea	63.546	1.36	0.831	0.30	64.377	1.30
Philippines	115.100	2.46	5.789	2.08	120.889	2.44
Singapore	144.451	3.09	0.192	0.07	144.643	2.92
Solomon Islands	13.362	0.29	0.173	0.06	13.535	0.27
Spain	3.156	0.07	0.000	0.00	3.156	0.06
Sri Lanka	150.518	3.22	1.858	0.67	152.376	3.07
Sweden	53.510	1.14	0.098	0.04	53.608	1.08
Switzerland	104.261	2.23	10.768	3.87	115.029	2.32
Taipei, China	25.413	0.54	0.088	0.03	25.501	0.51
Thailand	79.702	1.70	0.134	0.05	79.836	1.61
Tonga	5.352	0.11	0.000	0.00	5.352	0.11
United Kingdom	248.102	5.30	60.562	21.76	308.664	6.23
United States	443.625	9.48	36.260	13.03	479.885	9.68
Vanuatu	1.343	0.03	0.000	0.00	1.343	0.03
Viet Nam, Soc. Rep. of	2.341	0.05	0.000	0.00	2.341	0.05
Western Samoa	8.937	0.19	0.109	0.04	9.046	0.18
T O T A L *	4,677.286	100.00	278.335	100.00	4,955.621	100.00

* While Luxembourg is not a member country of ADB, it was however an eligible source of procurement under Bank-financed/co-financed projects until June 1977.

CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT
 (As of 31 December 1989)

ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED
 (Net of Adjustments)

(amounts in \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	8.991	0.06	0.000	0.00	8.991	0.06
Australia	175.042	1.25	24.534	2.94	199.576	1.34
Austria	90.145	0.64	1.590	0.19	91.735	0.62
Bangladesh	432.331	3.08	3.683	0.44	436.014	2.93
Belgium	91.457	0.65	0.535	0.06	91.992	0.62
Bhutan	1.124	0.01	0.099	0.01	1.223	0.01
Cambodia	0.000	0.00	0.000	0.00	0.000	0.00
Canada	107.698	0.77	49.883	5.97	157.581	1.06
China, People's Rep. of	146.172	1.04	0.000	0.00	146.172	0.98
Cook Islands	1.069	0.01	0.000	0.00	1.069	0.01
Denmark	39.996	0.29	16.805	2.01	56.801	0.38
Fiji	24.908	0.18	0.000	0.00	24.908	0.17
Finland	19.430	0.14	3.247	0.39	22.677	0.15
France	240.543	1.72	25.981	3.11	266.524	1.79
Germany, Fed. Rep. of	662.637	4.73	36.913	4.42	699.550	4.71
Hong Kong	172.597	1.23	1.803	0.22	174.400	1.17
India	446.680	3.19	24.563	2.94	471.243	3.17
Indonesia	1,450.084	10.34	68.217	8.16	1,518.301	10.22
Italy	314.378	2.24	28.542	3.41	342.920	2.31
Japan	2,889.611	20.61	108.786	13.01	2,998.397	20.18
Kiribati	0.278	0.00	0.000	0.00	0.278	0.00
Korea, Rep. of	1,519.613	10.84	25.300	3.03	1,544.913	10.40
Lao PDR	5.188	0.04	0.072	0.01	5.260	0.04
Luxembourg	0.035	0.00	0.000	0.00	0.035	0.00
Malaysia	479.820	3.42	7.011	0.84	486.831	3.28
Maldives	0.388	0.00	0.000	0.00	0.388	0.00
Myanmar	23.003	0.16	0.000	0.00	23.003	0.15
Nepal	109.463	0.78	1.232	0.15	110.695	0.74
Netherlands	140.301	1.00	30.972	3.71	171.273	1.15
New Zealand	58.368	0.42	14.053	1.68	72.421	0.49
Norway	35.584	0.25	1.912	0.23	37.496	0.25
Pakistan	499.066	3.56	6.304	0.75	505.370	3.40
Papua New Guinea	94.471	0.67	1.795	0.21	96.266	0.65
Philippines	706.274	5.04	18.106	2.17	724.380	4.88
Singapore	296.015	2.11	1.448	0.17	297.463	2.00
Solomon Islands	13.399	0.10	0.173	0.02	13.572	0.09
Spain	6.654	0.05	0.000	0.00	6.654	0.04
Sri Lanka	150.559	1.07	1.965	0.24	152.524	1.03
Sweden	101.922	0.73	1.121	0.13	103.043	0.69
Switzerland	252.296	1.80	39.554	4.73	291.850	1.96
Taipei, China	171.385	1.22	14.098	1.69	185.483	1.25
Thailand	517.221	3.69	1.085	0.13	518.306	3.49
Tonga	5.352	0.04	0.000	0.00	5.352	0.04
United Kingdom	467.202	3.33	113.735	13.61	580.937	3.91
United States	1,040.788	7.42	160.673	19.22	1,201.461	8.09
Vanuatu	1.343	0.01	0.000	0.00	1.343	0.01
Viet Nam, Soc. Rep. of	2.709	0.02	0.000	0.00	2.709	0.02
Western Samoa	9.001	0.06	0.109	0.01	9.110	0.06
T O T A L	14,022.591	100.00	835.899	100.00	14,858.490	100.00

* While Luxembourg is not a member country of ADB, it was however an eligible source of procurement under Bank-financed/co-financed projects until June 1977.

CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT IN 1989
ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED
(Net of Adjustments)

(amounts in \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	0.000	0.00	0.000	0.00	0.000	0.00
Australia	27,514	1.35	2,592	3.83	30,106	1.43
Austria	1,054	0.05	0.000	0.00	1,054	0.05
Bangladesh	144,513	7.11	0.037	0.05	144,550	6.88
Belgium	14,103	0.69	0.000	0.00	14,103	0.67
Bhutan	0.264	0.01	0.031	0.05	0.295	0.01
Cambodia	0.000	0.00	0.000	0.00	0.000	0.00
Canada	8,475	0.42	0.511	0.75	8,986	0.43
China, People's Rep. of	120,872	5.94	0.000	0.00	120,872	5.75
Cook Islands	0.022	0.00	0.000	0.00	0.022	0.00
Denmark	4,431	0.22	2,878	4.25	7,309	0.35
Fiji	0.512	0.03	0.000	0.00	0.512	0.02
Finland	9,294	0.46	0.015	0.02	9,309	0.44
France	23,470	1.15	0.036	0.05	23,506	1.12
Germany, Fed. Rep. of	33,330	1.64	3,131	4.62	36,461	1.74
Hong Kong	31,755	1.56	0.000	0.00	31,755	1.51
India	66,328	3.26	0.267	0.39	66,595	3.17
Indonesia	386,247	18.99	12,246	18.09	398,493	18.96
Italy	60,365	2.97	3,571	5.27	63,936	3.04
Japan	142,983	7.03	2,315	3.42	145,298	6.91
Kiribati	0.000	0.00	0.000	0.00	0.000	0.00
Korea, Rep. of	86,533	4.26	3,572	5.28	90,105	4.29
Lao PDR	2,670	0.13	0.000	0.00	2,670	0.13
Malaysia	84,870	4.17	0.161	0.24	85,031	4.05
Maldives	0.002	0.00	0.000	0.00	0.002	0.00
Myanmar	2,645	0.13	0.000	0.00	2,645	0.13
Nepal	20,035	0.99	0.069	0.10	20,104	0.96
Netherlands	9,647	0.47	8,806	13.01	18,453	0.88
New Zealand	9,080	0.45	0,958	1.41	10,038	0.48
Norway	0.063	0.00	0.000	0.00	0.063	0.00
Pakistan	227,050	11.16	2,976	4.40	230,026	10.95
Papua New Guinea	10,661	0.52	0.000	0.00	10,661	0.51
Philippines	97,095	4.77	4,946	7.30	102,041	4.86
Singapore	99,549	4.90	0.000	0.00	99,549	4.74
Solomon Islands	4,351	0.21	0.000	0.00	4,351	0.21
Spain	4,876	0.24	0.000	0.00	4,876	0.23
Sri Lanka	32,891	1.62	0,378	0.56	33,269	1.58
Sweden	9,086	0.45	0.000	0.00	9,086	0.43
Switzerland	46,017	2.26	1,661	2.45	47,678	2.27
Taipei, China	22,206	1.09	0,637	0.94	22,843	1.09
Thailand	34,019	1.67	0.000	0.00	34,019	1.62
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
United Kingdom	28,943	1.42	9,015	13.31	37,958	1.81
United States	124,595	6.13	6,901	10.19	131,496	6.26
Vanuatu	0.611	0.03	0.000	0.00	0.611	0.03
Viet Nam, Soc. Rep. of	0.000	0.00	0.000	0.00	0.000	0.00
Western Samoa	0.570	0.03	0.000	0.00	0.570	0.03
T O T A L	2,033,597	100.00	67,710	100.00	2,101,307	100.00

CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT
 (As of 31 December 1989)

TECHNICAL ASSISTANCE OPERATIONS

(Net of Adjustments)^a

(amounts in \$ million)

Country of Procurement	Bank's Own Resources	% Distribution	Administered Trust Funds ^b	% Distribution	Japan Special Fund	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Australia	18.780	9.35	6.318	7.23	2.041	11.25	27.139	8.86
Austria	0.114	0.06	0.000	0.00	0.000	0.00	0.114	0.04
Bangladesh	0.844	0.42	0.462	0.53	0.000	0.00	1.306	0.43
Belgium	1.131	0.56	0.270	0.31	0.000	0.00	1.401	0.46
Bhutan	0.000	0.00	0.017	0.02	0.000	0.00	0.017	0.01
Cambodia	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Canada	12.279	6.12	4.204	4.81	1.571	8.66	18.054	5.89
China, People's Rep. of	0.073	0.04	0.000	0.00	0.000	0.00	0.073	0.02
Cook Islands	0.002	0.00	0.000	0.00	0.000	0.00	0.002	0.00
Denmark	4.267	2.13	1.367	1.56	0.004	0.02	5.638	1.84
Fiji	0.161	0.08	0.000	0.00	0.000	0.00	0.161	0.05
Finland	2.049	1.02	2.493	2.85	0.195	1.08	4.787	1.55
France	4.903	2.44	5.665	6.48	2.062	11.37	12.630	4.12
Germany, Fed. Rep. of	4.988	2.48	3.194	3.65	1.982	10.93	10.164	3.32
Hong Kong	1.003	0.50	0.046	0.05	0.000	0.00	1.049	0.34
India	9.977	4.97	3.033	3.47	0.321	1.77	13.331	4.35
Indonesia	1.725	0.86	0.073	0.08	0.011	0.06	1.809	0.59
Italy	2.493	1.24	0.644	0.74	0.000	0.00	3.137	1.02
Japan	9.845	4.90	4.267	4.88	1.008	5.56	15.120	4.94
Kiribati	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Korea, Rep. of	1.815	0.90	0.961	1.10	0.000	0.00	2.776	0.91
Lao PDR	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Malaysia	1.262	0.63	0.057	0.07	0.022	0.12	1.341	0.44
Maldives	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Myanmar	0.021	0.01	0.000	0.00	0.000	0.00	0.021	0.01
Nepal	0.510	0.25	0.327	0.37	0.017	0.09	0.854	0.28
Netherlands	6.157	3.07	1.404	0.37	0.441	2.43	8.002	2.61
New Zealand	10.862	5.41	2.089	2.39	1.737	9.58	14.688	4.80
Norway	1.321	0.66	2.203	2.52	0.000	0.00	3.524	1.15
Pakistan	2.019	1.01	0.013	0.01	0.003	0.02	2.035	0.66
Papua New Guinea	0.293	0.15	0.000	0.00	0.000	0.00	0.293	0.10
Philippines	11.806	5.88	5.731	6.56	0.191	1.05	17.728	5.79
Singapore	2.190	1.09	0.000	0.00	0.000	0.00	2.190	0.71
Solomon Islands	0.012	0.01	0.000	0.00	0.000	0.00	0.012	0.00
Spain	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Sri Lanka	1.194	0.59	0.328	0.38	0.000	0.00	1.522	0.50
Sweden	1.736	0.86	0.612	0.70	0.198	1.09	2.546	0.83
Switzerland	2.408	1.20	3.069	3.51	0.000	0.00	5.477	1.79
Taipei, China	0.333	0.17	0.068	0.08	0.000	0.00	0.401	0.13
Thailand	1.126	0.56	0.326	0.37	0.560	3.09	2.012	0.66
Tonga	0.029	0.01	0.000	0.00	0.000	0.00	0.029	0.01
United Kingdom	30.890	15.39	17.394	19.90	1.775	9.79	50.059	16.34
United States	39.339	19.59	16.695	19.10	3.998	22.04	60.032	19.60
Vanuatu	0.014	0.01	0.000	0.00	0.000	0.00	0.014	0.00
Viet Nam, Soc. Rep. of	0.020	0.01	0.000	0.00	0.000	0.00	0.020	0.01
Western Samoa	0.091	0.05	0.000	0.00	0.000	0.00	0.091	0.03
International Organizations	10.689	5.32	4.067	4.65	0.000	0.00	14.756	4.82
T O T A L	200.771	100.00	87.397	100.00	18.137	100.00	306.305	100.00

a Net of adjustments implies actual expenses which may be more or less than the committed amounts.

b Trust Funds are provided by other external agencies and administered by the Bank.

CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT, 1987-1989

TECHNICAL ASSISTANCE OPERATIONS

(Net of Adjustments)^a

(amounts in \$ million)

Country of Procurement	1987		1988		1989	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Afghanistan, Rep. of	0.000	0.00	0.000	0.00	0.000	0.00
Australia	4.606	13.05	3.577	12.37	5.499	9.75
Austria	0.000	0.00	-0.001	0.00	0.049	0.09
Bangladesh	0.534	1.51	0.040	0.14	0.233	0.41
Belgium	0.000	0.00	0.299	1.03	0.202	0.36
Bhutan	0.000	0.00	0.021	0.07	-0.004	-0.01
Cambodia	0.000	0.00	0.000	0.00	0.000	0.00
Canada	0.437	1.24	2.463	8.52	3.150	5.59
China, People's Rep. of	0.005	0.01	0.047	0.16	0.015	0.03
Cook Islands	0.002	0.01	0.000	0.00	0.000	0.00
Denmark	0.696	1.97	0.084	0.29	1.102	1.95
Fiji	0.000	0.00	0.000	0.00	0.030	0.05
Finland	0.509	1.44	1.293	4.47	0.704	1.25
France	2.231	6.32	-0.053	-0.18	4.398	7.80
Germany, Fed. Rep. of	0.692	1.96	0.535	1.85	2.890	5.13
Hong Kong	0.165	0.47	0.086	0.30	0.164	0.29
India	0.735	2.08	1.410	4.88	1.458	2.59
Indonesia	0.512	1.45	0.732	2.53	0.140	0.25
Italy	0.025	0.07	0.329	1.14	0.103	0.18
Japan	0.436	1.23	1.554	5.38	1.591	2.82
Kiribati	0.000	0.00	0.000	0.00	0.000	0.00
Korea, Rep. of	0.220	0.62	0.383	1.32	0.244	0.43
Lao PDR	0.000	0.00	0.000	0.00	0.000	0.00
Malaysia	0.058	0.16	0.077	0.27	0.266	0.47
Maldives	0.000	0.00	0.000	0.00	0.000	0.00
Myanmar	0.000	0.00	-0.001	0.00	0.001	0.00
Nepal	0.197	0.56	0.044	0.15	0.346	0.61
Netherlands	1.039	2.94	1.046	3.62	0.792	1.40
New Zealand	1.928	5.46	1.541	5.33	5.452	9.67
Norway	0.257	0.73	1.663	5.75	0.119	0.21
Pakistan	0.165	0.47	0.180	0.62	0.264	0.47
Papua New Guinea	0.005	0.01	-0.033	-0.11	0.055	0.10
Philippines	2.886	8.17	1.625	5.62	3.496	6.20
Singapore	0.123	0.35	0.026	0.09	0.476	0.84
Solomon Islands	0.000	0.00	0.013	0.04	-0.001	0.00
Spain	0.000	0.00	0.000	0.00	0.000	0.00
Sri Lanka	0.105	0.30	0.105	0.36	0.128	0.23
Sweden	0.509	1.44	0.124	0.43	0.604	1.07
Switzerland	1.440	4.08	0.070	0.24	0.057	0.10
Taipei, China	0.003	0.01	0.075	0.26	0.019	0.03
Thailand	1.400	3.97	-0.897	-3.10	0.840	1.49
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
United Kingdom	4.982	14.11	3.918	13.55	8.909	15.80
United States	6.041	17.11	4.286	14.83	12.438	22.06
Vanuatu	0.000	0.00	0.000	0.00	0.014	0.02
Viet Nam, Soc. Rep. of	0.000	0.00	0.016	0.06	0.001	0.00
Western Samoa	0.077	0.22	-0.004	-0.01	0.000	0.00
International Organizations	2.284	6.47	2.233	7.73	0.133	0.24
T O T A L	35.304	100.00	28.906	100.00	56.377	100.00

^a Net of adjustments implies actual expenses which may be more or less than the committed amounts.

Note: Negative figures indicate that there was a decrease in the total value of contracts awarded during the period due to any combination of: (i) change in currency translation rates; (ii) cancellation of contract; and (iii) reduction of contract amount.

REGIONAL ACTIVITIES, 1989

	Amount (\$ thousand)
Business Opportunities Seminars in 1989	88.00
Symposium on Venture Capital Financing in Asia and Pacific (Supplementary)	15.00
1989 Seminars on Procurement and Project Implementation Management	275.00
Tenth Meeting of the Committee of International Development Institutions on the Environment	95.00
Third Fish Market Study	334.00
1989 Regional Seminars on Use of Consultants	75.00
ILO Regional Seminar on Health Insurance	30.00
Regional Workshop and Symposium on Strengthening Pesticide Regulations	250.00
ADB/JICA Training Program and Workshop in Energy Data	70.00
Second Regional Program on Investment Banking	215.00
Asian Vegetable Research and Development Center to Establish a Collaborative Vegetable Research Program in Southeast Asia	600.00
Seminar on Technical and Vocational Education	275.00
Workshops on Agricultural Projects Management	150.00
Electric Power System Expansion Planning	100.00
1989 Asian Productivity Organization (APO) Program	80.00
Round Table Conference on Distance Education for South Asian Countries	46.00
Post-Evaluation, Impact and Tracer Studies in Selected Sectors and DMCs	85.00
ADB/ADFIP Program on Project Appraisal for the Pacific Region	160.00
Special Secondment Scheme with the Bank	90.00
International Crops Research Institute for Semi-Arid Tropics for Establishment of Plant Biotechnology Research and Training Unit	1,250.00
Regional Consultation on Water Supply and Sanitation Development in the 1990s and Beyond	100.00
Study on the Impact of the People's Republic of China's Expansion of Exports of Labor Intensive Manufacturers on Other Asian Exporters	100.00
Symposium on Economic and Trade Cooperation between China and the Asian and Pacific Region	60.00
International Workshop on Urban Flood Protection and Drainage in East and Southeast Asia	66.39
Strengthening Agricultural Science and Information Services in the Bank's DMCs	180.00
Support to the Conference on "The Future of the Asia-Pacific Economies: Emerging Role of the NIEs and ASEAN"	50.00
ADB-ADFIAP-KTDC Seminar on Regional Cooperation in Technology Ventures in Small & Medium Industry	150.00
Study of Economic Policies for Sustainable Development: Implementing the Brundtland Commission Recommendations in Selected Developing Member Countries	1,340.00 ^a
Establishment of a Mountain Environment and Natural Resources Information System	595.00
Strengthening Agricultural Research Management in Asia with Special Emphasis on Improving Information Systems	480.00
Second Workshop on Asian Economic Outlook	100.00
Seminar on the Use of Financial Information by Chief Engineers for Management of Large-Scale Projects	94.00
Studying Environmental Risk Assessment in Bank Operations	85.00
Regional Preparatory Workshops for the World Conference on Education for All	250.00
Study on the Effects of Container Shipping Patterns on Port Development (Supplementary)	30.47
Seminar on Land Use Planning and Management in the Asia and Pacific Region	97.00
Audit Manpower Development in the South Pacific	300.00
7th ADB Development Round Table on "Socio-Economic Policies for Poverty Alleviation"	125.00
Strengthening Rice Crop Protection Research and Minimizing Environmental Damage in Developing Member Countries	850.00
18th Pacific Trade and Development Conference	20.00
Regional Cooperation in Minerals and Energy	350.00
Second ADB Round Table on Development Strategies	130.00
Regional Study on Disaster Mitigation	370.00
Priority Issues and Policy Measures to Alleviate Rural Poverty	450.00 ^b
Seminars on Business Opportunities in 1990/91	360.00
Regional Training to Improve the Management and Employment Skills of Women	170.00
Regional Study on Environmental Considerations in Energy Development	600.00
Study on Fish Disease and Fish Health Management	380.00
Development and Diversification of Tradeable Financial Instruments in DMCs	296.00
Regional Environmental and Natural Resource Information Center	
South Asia Cooperative Environment Programme (SACEP)	100.00
TOTAL	12,561.87^c

^a Of this amount, \$140,000 will be financed by the Government of Denmark, \$200,000 by the Government of Finland, \$300,000 by the Government of Norway, and \$100,000 by the Government of Sweden with the Bank acting as Executing Agency.

^b Of this amount, \$350,000 will be financed by the Government of Norway with the Bank acting as Executing Agency.

^c Figures do not add up due to rounding.

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, 1989
 (amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory & Operational
BANGLADESH		
Preparation of Mid-Term Technology Planning for Industrial Development	—	100.00
Institutional Strengthening of the Housing and Settlement Directorate	—	440.00 ^a
National Environmental Monitoring and Pollution Control	—	750.00 ^a
Feasibility Study for Secondary Towns Infrastructure and Services Development	350.00 ^b	—
Primary Education Sector	100.00	—
Upazila Afforestation and Nursery Development	—	1,900.00 ^b
Non-Farm Employment Creation for Rural Women	99.00	—
Rural Training	230.00 ^a	—
Second Road Improvement	550.00 ^c	—
Small and Cottage Industry Development	100.00	—
Second Coastal Embankment Rehabilitation	408.00 ^a	—
Medium Scale Irrigation, Flood Control and Drainage	150.00	—
Open University	250.00 ^b	—
Horticulture Development	—	2,765.00 ^b
Second Health and Family Planning Services	250.00	—
BHUTAN		
Technical Education and Vocational Training	100.00	—
Study on the Promotion and Development of Export-Oriented Industries	—	300.00 ^a
CHINA, PEOPLE'S REPUBLIC OF		
Developing the Institutional Capability of the Joint Railway Operating Corporation	—	450.00 ^a
Support to China Finance Publishing House	—	100.00
Fertilizer Sector Study	85.00	—
Beijing-Tianjin Water Resources Study	—	550.00 ^a
Design Review of the Nanpu Bridge	100.00	—
North Hainan Water Resources Development	2,300.00 ^a	—
COOK ISLANDS		
Improving the Mechanism for Delivering Development Finance to Private Sector	—	97.00
FJJI		
Study of Road Revenues and Expenditures	—	85.00
Road Upgrading	250.00	—
Rewa and Ba River Watershed Management (Phase I)	99.00	—
Outer Islands Agricultural Development	99.80	—
Environmental Management Planning	—	600.00 ^a
Institutional Support to the Fiji Development Bank	—	290.00
Housing Authority Manpower Training	—	202.00
Strengthening the Department of Town and Country Planning (DTCP)	—	340.00
Housing Sector Resource Mobilization Study	—	199.00
INDIA		
Pavement Management	—	490.00
Expressway System Planning	—	260.00
Power Sector Loan	50.00	—
Management Training for DOT	—	390.00
Study of DOT's Specification for PIJF Cables	—	90.00
Study of Industrial Engineering Standards and Costing Systems	—	270.00
Second Road	100.00	—
APSEB Operational Improvement Support	—	1,000.00
National Program for Environmental Management for Coal-Fired Power Generation	—	664.00
INDONESIA		
Study of Regional Development Banks	—	200.00
Study Relating to Securities Market Development	—	500.00
Water Supply and Sanitation Sector Study	—	350.00

^a To be financed from JSF.

^b To be financed by UNDP with the Bank acting as Executing Agency.

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

CONTINUED

Country/Project	Project Preparatory	Advisory & Operational
INDONESIA (cont'd.)		
Port Maintenance and Rehabilitation and Computer Operation	—	515.00
Demographic-Economic Forecasting Study for Development Planning	—	350.00
Study on Pricing and Distribution Policies for Vegetable Oil	—	350.00
Agricultural Technology Schools	362.00 ^a	—
Institutional Strengthening of Bank Umum Koperasi Indonesia	—	360.00
Study on the Development of Suppliers' and Buyers' Credits	—	50.00
Maritime Sector and Container Tariff Review	—	100.00
North Java Transport Corridor Study	250.00	—
Environmental Management of Road Projects	—	220.00
Second Land Resource Evaluation and Planning	323.00 ^b	—
Interisland Facility Development	100.00	—
Tree Crops Smallholder Development	600.00 ^b	—
Second Fisheries Industries Credit	98.00	—
Forestry Institutional Strengthening for Timber Plantation Development	—	599.00 ^b
KIRIBATI		
Accounting and Institutional Support to PUB	—	90.00
Feasibility Study of Future Power System Expansion in Tarawa	100.00	—
Interisland Transport Development Study	—	285.00
LAO PEOPLE'S DEMOCRATIC REPUBLIC		
Xieng Khouang and Sayaburi Power Transmission Study	85.00	—
Nam Ngum Hydropower Station Operational Improvement Study	—	192.00
Institutional Improvement for EdL Luang Prabang	—	198.00
Restructuring of the Monetary and Banking System	—	790.00
Education Sector Study	—	380.00
Agricultural Research	—	1,115.00 ^c
Southern Area Development Multi-Project	95.00	—
Evaluation and Promotion of Investment Proposals in the Industrial and Mining Sectors	—	100.00
Tropical Forestry Action Plan	—	75.00
Improvement of Agricultural Statistics	—	170.00
Review of Irrigation Subsector	—	132.00
Study of National Agriculture Manpower and National Extension Service	—	178.00
Study of National Crop Development and Seed/Planting Material Multiplication	—	153.00
Pesticides and Environmental Control	—	80.00
Improving the Management Efficiency of State-Owned Enterprises	—	597.00
Nam Song-Nam Leuk Hydropower Development	500.00	—
Mineral Exploration and Development Plan	—	409.00
Second Forestry Development (Institutional Support)	—	900.00 ^d
Bridge Management	—	300.00
Review of the Financial Sector	—	414.00
MALAYSIA		
Senarak Rural Development	99.00	—
Establishment of an Environmental Planning Section in the State of Selangor	—	255.00
Sahab Hydropower Options Study and Institutional Support for Strengthening the Sabah Electricity Board	550.00 ^b	—
Natural Forest Rehabilitation Study	240.00 ^b	—
Establishment of a Rating Agency	100.00	—
National Health Plan Study	—	400.00
Establishment of the National Health Security Fund	—	450.00
Environmental Impact Monitoring and Evaluation	—	350.00
NEPAI		
Master Plan for Horticulture Development	—	573.00
Strengthening the Department of Water Supply and Sewerage	—	140.00
Implementation of the Master Plan for the Forestry Sector	—	724.00 ^e

^a Of this amount, \$350,000 is to be financed from JSF and \$12,000 by the Government of Norway with the Bank acting as Executing Agency.^b To be financed from JSF.^c To be financed by UNDP with the Bank acting as Executing Agency.^d Of this amount, \$554,000 is to be financed by UNDP with the Bank acting as Executing Agency.^e Of this amount, \$374,000 is to be financed by the Government of Finland with the Bank acting as Executing Agency.

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, 1989

(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory & Operational
NEPAL (cont'd.)		
Institutional Strengthening for Environmental Management	—	520.00
Third Small Farmers Development	99.00	—
Primary Teacher Training Sector	99.80	—
Tourism Development Program	—	460.00
Special Financial Review of the Agricultural Development Bank of Nepal	—	300.00
Kathmandu Valley Urban Development Plans and Programs	—	600.00
Agriculture Research Study	—	500.00 ^a
Training on Secondary Crops Development	—	300.00
Fertilizer Sector Management Study	—	491.00 ^b
Program Budgeting, Project Monitoring and Management Information Systems, Phase III	—	2,500.00 ^c
Preparation of the Agriculture Sector Part of the Eighth Development Plan	—	93.00
Road and Road Transport Institutional Development	—	875.00 ^d
PAKISTAN		
Study on the Rationalization of Development Financing Institutions	—	259.00
Study on Development of a Secondary Market for Fixed-Income Securities	—	176.00
Second Urban Development (Supplementary)	51.00	—
Seed Industry Development	350.00 ^a	—
Joint Review of GOP Procedures Relating to Project Implementation	—	11.00
National Mineral Exploration Program	—	390.00 ^a
Forestry Sector Master Plan	—	2,400.00 ^d
Chashma Right Bank Irrigation (Stage III)	575.00 ^a	—
Institutional Development of the National Tariff Commission	—	475.00
Institutional Building of the Corporate Law Authority and Study of the Mutual Fund Industry	—	332.00 ^a
Marine Outfall Study	—	281.70
Strengthening of Billing and Collection Operations of the KWSB	—	183.70
Urban Infrastructure Needs Assessment	—	600.00 ^a
Urban Financial Management and Accounting	—	700.00 ^a
Restructuring the Investment Promotion Bureau (IPB)	—	350.00 ^a
Strengthening of Environmental Management	—	600.00 ^a
PAPUA NEW GUINEA		
Power System Planning Study	—	515.00
Road Transport Sector Profile	—	100.00
Foreign Aid Management Strengthening (Phase II)	—	388.00
Development of Industrial Standards and Quality Control	250.00 ^e	—
Review of Commodity Stabilization Fund Schemes	—	160.00
Review of Agriculture Taxation and Tariff System	—	120.00
Agriculture Credit and Rural Savings Study	—	340.00 ^a
Agriculture Sector Program Implementation and Strengthening		
DAL's Farm Management Information System	—	500.00 ^a
Urban Sector Profile	—	100.00
Improvement of National Accounts	—	460.00 ^a
PHILIPPINES		
Microenterprise Sector	—	595.00 ^e
Strengthening of KGF Administration	—	150.00 ^a
Training for Staff of Participating Financial Institutions	—	50.00 ^a
Improvement of SMI Development Policies and Programs	—	150.00 ^a
National Hospital Services Development Plan	—	470.00
Socio-Economic Study for Mindanao Smallholder Development	25.00	—
Integrated Development for Low Income Upland Communities	95.00	—
Institutional Strengthening of the Land Bank of the Philippines	—	500.00
Mineral Resources Development (Update)	75.00	—
Irrigation Systems Improvement (Detailed Engineering)	400.00 ^a	—
Power Sector Training Center	93.00	—
Institutional Strengthening of the National Irrigation Administration	—	350.00 ^a

^a To be financed from JSF.

^b To be financed by UNDP with the Bank acting as Executing Agency.

^c Of this amount, \$1,900,000 is to be financed by UNDP with the Bank acting as Executing Agency.

^d Of this amount, \$500,000 is to be financed from JSF and \$1,150,000 by UNDP with the Bank acting as Executing Agency.

^e To be financed by the Government of Netherlands with the Bank acting as Executing Agency.

Country/Project		Project Preparatory	Advisory & Operational
PHILIPPINES (cont'd.)			
Improvement of Forecasting Techniques in Development Planning Using Demographic Factors	—	225.00	
Strengthening of the Project Facilitation Committee	—	100.00	
Institutional Strengthening in the Fisheries Sector	—	900.00 ^a	
Non-Formal Education	320.00 ^a	—	
Angat Water Supply Optimization	—	300.00	
Horticulture Development	350.00 ^a	—	
Mangrove Development	600.00 ^a	—	
Agro-Forestry Research and Development	—	600.00	
Strengthening of the Dredging Capability of the Philippine Ports Authority (PPA)	—	100.00	
Urban Development	550.00 ^a	—	
SOLOMON ISLANDS			
Updating the 1986 Industrial Sites Development Study	52.00	—	
SRI LANKA			
Housing Development Finance Corporation	—	295.00	
Feasibility Study of Establishing a Venture Capital Company	75.00	—	
Institutional Strengthening of the Road Development Authority	—	575.00	
Pigeonpea Varietal Adaptation and Production Studies in Collaboration with ICRISAT	—	230.00	
Rural Water Supply and Sanitation Sector Development Planning	—	600.00 ^a	
Preparation of the Participatory Forestry	350.00 ^a	—	
Sugar Sector Rationalization Study	—	387.00 ^a	
Resource Mobilization for Sustainable Irrigation Management	—	50.00	
Second Rural Credit	245.00 ^a	—	
Agricultural Extension Rationalization	350.00 ^a	—	
Second Coconut Development	250.00	—	
THAILAND			
Road Maintenance Management	—	500.00	
Accelerated Water Supply and Sewerage Program	—	380.00 ^a	
Development of a Data Base for Domestic Consultants	—	260.00	
Study of Joint Private/Public Power Companies	—	100.00	
Strengthening the Chulabhorn Research Institute Program on Environmental and Industrial Toxicology	—	100.00	
Lower Chao Phya West Bank Area Development	750.00 ^a	—	
Establishment of a Credit Rating Agency	186.00	—	
TONGA			
Appraisal of Subprojects under Fourth Multiproject Loan	—	290.00	
Strengthening the Government Capability in Project Identification, Formulation and Preparation	—	400.00	
Tonga Development Bank	—	328.00	
Power Development	100.00	—	
VANUATU			
Environmental Legislation Review	—	75.00	
Preparation of Development Budgets and Systems	—	330.00	
WESTERN SAMOA			
Land Resource Planning	—	470.00 ^b	
Project Implementation Advisory Services	—	300.00	
Copra Pricing Study	—	24.50	
Institutional Strengthening of Posts and Telecommunications Department	—	460.00 ^a	
Implementation of the Agriculture Development Program	—	310.00 ^a	
Privatization of State-Owned Enterprises	—	365.00 ^a	
Strengthening the Operations of DAFF and the Environment Unit	—	270.00	
TOTAL	15,463.60	53,045.90	

a To be financed from JSF.

b Of this amount, \$200,000 is to be financed by UNDP with the Bank acting as Executing Agency.

**GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY COUNTRY AND REGIONAL ACTIVITIES,^a
1988, 1989, 1967-1989**
(amounts in \$ thousand)

Country	No.	1988				%
		Bank Financing	JSF Financing	Other Sources	Total	
Afghanistan, Rep. of	—	—	—	—	—	—
Bangladesh	4	1,950.00	—	2,060.00	4,010.00	6.82
Bhutan	7	1,269.00	—	420.00	1,689.00	2.87
Cambodia	—	—	—	—	—	—
China, People's Rep. of	10	1,110.00	1,831.00	418.00	3,359.00	5.71
Cook Islands	2	153.00	—	—	153.00	0.26
Fiji	5	1,066.00	475.00	—	1,541.00	2.62
India	4	645.50	—	—	645.50	1.10
Indonesia	23	3,641.00	2,907.00	—	6,548.00	11.14
Kiribati	—	—	—	—	—	—
Korea, Rep. of	1	350.00	—	—	350.00	0.59
Lao PDR	2	362.00	—	—	362.00	0.62
Malaysia	7	908.80	725.00	—	1,633.80	2.78
Maldives	1	—	480.00	—	480.00	0.82
Myanmar	—	—	—	—	—	—
Nepal	13	393.00	2,257.00	2,577.00	5,227.00	8.89
Pakistan	19	3,348.00	1,101.00	2,300.00	6,749.00	11.48
Papua New Guinea	2	—	711.00	—	711.00	1.21
Philippines	23	2,657.00	5,238.00	4,021.00	11,916.00	20.26
Singapore	—	—	—	—	—	—
Solomon Islands	4	533.40	—	—	533.40	0.91
Sri Lanka	9	1,438.00	350.00	—	1,788.00	3.04
Taipei, China	—	—	—	—	—	—
Thailand	4	450.00	320.00	40.00	810.00	1.38
Tonga	—	—	—	—	—	—
Vanuatu	2	412.00	—	—	412.00	0.70
Viet Nam, Soc. Rep. of	—	—	—	—	—	—
Western Samoa	1	270.00	—	—	270.00	0.46
Sub Total	143	20,956.70	16,395.00	11,836.00	49,187.70	83.65
Regional	44	9,043.27	100.00	472.00	9,615.27	16.35
T O T A L	187	29,999.97	16,495.00	12,308.00	58,802.97	100.00

^a Excluding technical assistance financed under loans, which are included in the Bank's loan data.

No.	1989				1967-1989			
	Bank Financing	JSF Financing	Other Sources	Total	%	No.	Total Amount	%
15	799.00	2,428.00	5,215.00	8,442.00	10.41	15	2,465.70	0.59
2	100.00	300.00	—	400.00	0.49	112	55,059.32	13.10
—	—	—	—	—	—	30	9,264.00	2.20
6	285.00	3,300.00	—	3,585.00	4.42	2	111.00	0.03
1	97.00	—	—	97.00	0.12	22	8,421.00	2.00
9	1,564.80	600.00	—	2,164.80	2.67	6	699.0	0.17
9	3,314.00	—	—	3,314.00	4.09	30	6,067.30	1.44
17	3,443.00	1,872.00	12.00	5,327.00	6.57	13	3,959.50	0.94
3	475.00	—	—	475.00	0.59	167	38,709.27	9.21
—	—	—	—	—	—	10	1,600.00	0.38
20	5,194.00	—	1,669.00	6,863.00	8.47	52	19,037.78	4.53
8	1,654.00	790.00	—	2,444.00	3.02	52	12,433.80	2.96
—	—	—	—	—	—	8	1,833.00	0.44
—	—	—	—	—	—	38	10,716.00	2.55
15	4,134.80	1,375.00	2,765.00	8,274.80	10.21	115	47,044.50	11.19
16	2,187.40	4,397.00	1,150.00	7,734.40	9.54	107	33,110.55	7.88
10	1,383.00	1,550.00	—	2,933.00	3.62	48	10,291.60	2.45
22	2,583.00	3,820.00	595.00	6,998.00	8.63	131	38,981.90	9.27
—	—	—	—	—	—	2	577.42	0.14
1	52.00	—	—	52.00	0.06	33	5,019.74	1.19
11	1,475.00	1,932.00	—	3,407.00	4.20	74	14,915.00	3.55
—	—	—	—	—	—	1	100.00	0.02
7	1,146.00	1,130.00	—	2,276.00	2.81	60	14,705.60	3.50
4	1,118.00	—	—	1,118.00	1.38	14	2,584.00	0.61
2	405.00	—	—	405.00	0.50	15	2,778.76	0.66
—	—	—	—	—	—	11	1,110.60	0.26
7	864.50	1,135.00	200.00	2,199.50	2.71	34	6,710.00	1.60
185	32,274.50	24,629.00	11,606.00	68,509.50	84.51	1,235	353,316.49	84.05
50	11,471.87	—	1,090.00	12,561.87	15.49	356	67,065.47	15.95
235	43,746.37	24,629.00	12,696.00	81,071.37	100.00	1,591	420,381.96	100.00

1989 LOANS THAT RESULTED FROM EARLIER BANK TECHNICAL ASSISTANCE
(amounts in \$ million)

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Cost	Amount of Bank Financing			Amount of Co-Financing	Amount of Government Financing
				OCR	ADF	TOTAL		
BANGLADESH								
Dhaka Urban Infrastructure Improvement	1979 ^a	0.649 ^a	29.50	—	24.20	24.20	—	5.30
	1987 ^b	0.075						
Upazila Afforestation and Nursery Development	1983	0.150	50.40	—	43.50	43.50	1.90	5.00
Horticulture Development	1985	0.149	32.46	—	22.60	22.60	2.80	7.11
INDONESIA								
Ninth Port	1982 ^b	0.150	41.00	22.00	—	22.00	12.60	6.40
	1988 ^b	0.091						
Nusa Tenggara Agricultural Development	1983 ^b	0.150	148.80	94.00	25.00	119.00	—	29.80
	1987 ^b	0.340						
Second Brackishwater Aquaculture Development	1984	0.260	63.40	38.00	—	38.00	—	1.20
Tenth Road	1985	2.480 ^b	213.00	120.00	—	120.00	50.00	42.75
Second Vocational Education	1985 ^b	0.250	130.64	70.00	30.00	100.00	—	30.72
	1988 ^b	0.100 ^c						
Secondary Cities Urban Development (Sector)	1986	5.380 ^b	150.21	70.00	50.00	120.00	—	3.90
Timber Plantation	1986	0.330	55.50	33.30	—	33.30	—	19.10
LAO PDR								
Fourth Road Improvement	1988	0.350	42.80	—	39.00	39.00	0.30	3.80
MAILAYSIA								
Third Health (Sector)	1988	0.100	231.19	105.00	—	105.00	—	126.20
Semerak Rural Development	1989	0.099	95.18	33.20	—	33.20	—	61.98
NEPAL								
Second Water Supply	1987	0.250	18.00	—	14.40	14.40	—	3.60
Secondary Crops Development	1987	0.250 ^d	15.10	—	11.40	11.40	—	0.60
Technical Education and Vocational Training Development	1983	0.150	21.60	—	11.80	11.80	8.10	1.70
Second Road Improvement	1988	0.100	58.00	—	50.00	50.00	—	8.00
PAKISTAN								
Livestock Development	1987	0.075	55.00	—	43.00	43.00	—	12.00
Swabi Salinity Control and Reclamation	1987	0.505 ^e	162.03	—	118.00	118.00	17.00	27.00
Primary Education (Girls) Sector	1987	0.150	80.52	—	64.20	64.20	—	16.30
Second Urban Development	1988 ^b	0.350	104.10	—	66.00	66.00	—	21.10
	1989 ^b	0.051						
PAPUA NEW GUINEA								
Divine Hydropower	1986	0.150	12.29	8.43	—	8.43	—	3.86
PHILIPPINES								
Angat Water Supply Optimization	1988	0.100	363.50	130.00	—	130.00	120.00	31.20
Low-Income Upland Communities	1989	0.095	39.60	—	32.00	32.00	—	—
SRI LANKA								
Smallholder Tea Development	1987	0.150	57.10	—	25.00	25.00	—	17.96
Agriculture Rehabilitation	1988	0.075	30.05	—	22.26	22.26	4.50	0.43
THAILAND								
Second Highway (Sector)	1987	0.075	416.75	110.00	—	110.00	184.00	122.75
T O T A L		13,629	2,717.72	833.93	692.36	1,526.29	401.20	609.76

^a Of this amount, \$360,132 was financed by UNDP with the Bank acting as Executing Agency.

^b Subproject of Technical Assistance Program Loan No. INO-72b.

^c Financed by JSF.

^d Of this amount, \$100,000 was financed by the Government of Switzerland with the Bank acting as Executing Agency.

^e Of this amount, \$355,000 was financed by the Government of Switzerland with the Bank acting as Executing Agency.

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY SECTOR,^a 1988, 1989, 1967-1989
 (amounts in \$ thousand)

Sector	1988			1989			1967-1989		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	46	21,507.00	43.72	65	30,019.30	43.82	529	170,753.97	48.33
Energy	10	3,663.00	7.45	14	4,237.00	6.18	142	41,431.60	11.73
Industry and Non-Fuel Minerals	32	6,461.30	13.14	28	6,748.00	9.85	138	28,230.80	7.99
Transport and Communications	17	7,710.00	15.67	24	7,415.00	10.82	161	44,858.55	12.70
Social Infrastructure	29	7,745.00	15.75	33	11,374.20	16.60	197	48,124.47	13.62
Multisector	--	—	--	3	785.00	1.15	13	2,774.00	0.78
Others	9	2,101.40	4.27	18	7,931.00	11.58	55	17,143.10	4.85
TOTAL	143	49,187.70	100.00	185	68,509.50	100.00	1,235	353,316.49	100.00

a Excluding technical assistance financed under loans which are included in the Bank's loan data.

NET TRANSFER OF RESOURCES^a TO DMCs (OCR)
 (amounts in \$ million)

DMC	1981	1982	1983	1984	1985	1986	1987	1988	1989
Bangladesh	-0.73	-1.20	-1.01	-0.96	-0.87	-0.89	-0.88	0.01	0.45
China, People's Rep. of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.57	50.38
Fiji	0.05	1.42	3.34	4.54	-2.49	-2.15	-3.42	13.71	-7.23
Hong Kong	0.53	1.97	-1.90	-7.05	-9.33	-10.87	-43.24	0.00	0.00
India	0.00	0.00	0.00	0.00	0.00	0.00	10.77	52.74	72.49
Indonesia	61.77	91.45	110.17	91.13	74.09	72.35	148.71	241.36	391.56
Korea, Rep. of	50.00	37.38	7.40	13.74	-19.76	-87.00	228.89	-169.33	-438.81
Malaysia	10.20	27.58	20.85	-0.80	-18.38	-26.39	30.22	-47.34	-50.79
Myanmar	-0.57	0.61	-0.55	-0.59	-0.60	-0.71	-0.77	-0.73	-0.76
Nepal	-0.32	-0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pakistan	-3.61	-1.54	13.26	11.43	8.54	-10.81	-20.36	20.75	139.82
Papua New Guinea	3.29	4.98	-1.26	-0.58	1.51	4.43	4.40	7.74	6.90
Philippines	73.79	61.45	113.70	84.96	6.57	-31.03	-75.89	-76.71	-41.00
Singapore	-3.84	2.35	1.85	-6.43	-11.76	-15.16	-16.46	-15.35	-13.29
Sri Lanka	-1.84	-1.79	-1.66	-1.46	-1.07	-0.64	0.00	0.30	0.00
Taipei, China	-9.17	7.68	-7.21	-6.97	-7.01	-7.55	-7.75	-7.65	-7.19
Thailand	29.94	56.67	48.27	51.96	45.46	-11.49	-86.21	80.43	-61.87
Viet Nam, Soc. Rep. of	0.81	-0.09	0.18	-0.18	-0.17	-0.10	-0.21	-0.11	0.22
Regional Equity Investments	—	—	—	—	—	—	—	5.00	34.98
TOTAL	210.30	272.03	305.09	232.74	64.74	-128.01	-350.41	-53.46	75.44

a Net transfer of resources defined as Disbursements less Repayments and Interest/Charges Received.

Note: Includes Private Sector loans and equity investments. Totals may not tally due to rounding.

NET TRANSFER OF RESOURCES^a TO DMCs (ADF)
 (amounts in \$ million)

DMC	1981	1982	1983	1984	1985	1986	1987	1988	1989
Afghanistan, Rep. of	0.68	-0.69	-0.48	-0.48	-0.09	-1.12	-1.75	-1.50	-1.34
Bangladesh	42.49	29.20	45.89	74.57	139.79	133.53	164.43	208.52	300.13
Bhutan	0.00	0.00	0.00	0.00	1.58	1.48	3.18	3.38	2.97
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cook Islands	0.56	0.26	0.77	0.09	0.39	0.17	0.14	0.00	0.29
Indonesia	-0.16	-1.32	-2.00	-0.99	2.78	-0.60	26.23	54.92	53.59
Kiribati	0.00	-0.01	0.00	0.00	0.06	0.10	0.88	0.26	0.02
Korea, Rep. of	-0.33	-0.31	-0.32	-0.31	-0.31	-0.33	-0.34	-0.34	-0.32
Lao PDR	1.09	5.04	3.78	1.48	3.61	5.02	2.11	4.77	30.22
Malaysia	-0.26	-0.25	-0.25	0.25	-0.25	-0.27	-0.28	-0.28	-0.27
Maldives	0.00	0.02	0.70	0.02	0.08	0.48	1.05	0.86	0.61
Myanmar	20.40	33.15	15.18	22.94	30.40	23.80	31.86	31.46	20.90
Nepal	13.08	18.42	21.06	34.26	39.46	30.62	23.26	35.52	73.20
Pakistan	16.49	42.31	61.26	98.88	94.68	96.59	138.31	174.05	199.28
Papua New Guinea	15.26	2.98	7.79	2.34	2.59	0.29	4.13	8.31	6.79
Philippines	1.00	3.37	5.85	1.39	1.99	27.67	32.30	31.51	41.09
Singapore	-0.26	-0.26	-0.25	-0.25	-0.25	0.28	-0.29	-0.30	-0.29
Solomon Islands	3.09	1.74	1.12	0.86	1.60	1.64	2.74	5.39	3.46
Sri Lanka	8.08	15.71	27.01	24.12	26.85	35.47	42.34	57.09	68.70
Thailand	0.25	2.98	7.14	8.61	8.82	11.17	7.45	1.99	0.09
Tonga	0.61	0.11	0.57	0.97	0.57	0.46	0.56	1.32	0.48
Vanuatu	0.00	0.00	0.00	0.27	0.34	0.22	1.02	0.74	3.02
Viet Nam, Soc. Rep. of	2.70	-0.46	0.19	-0.01	1.47	0.50	0.06	-0.23	0.00
Western Samoa	2.94	1.08	3.15	2.64	0.52	-0.14	0.93	1.04	1.25
TOTAL	127.70	153.08	198.15	271.16	356.68	366.45	480.31	618.48	803.87

a Net transfer of resources defined as Disbursements less Repayments and Interest/Charges Received.

Note: Includes Private Sector loans. Totals may not tally due to rounding.

FINANCIAL RESOURCES

BORROWINGS, 1989

Country	Borrowing	Amount in Currency of Borrowing (million)		US\$ Equivalent^a (million)
Germany, Federal Republic of	10-Year Floating Rate Notes due 1999 ^b	DM	200	102.0
Japan	5.00% 10-Year Bonds due 1999	¥	40,000	315.0
Switzerland	5.25% 10-Year Bonds due 1999	SwF	100	63.8
	5.25% 8-Year Notes due 1997	SwF	100	63.8
International	9.875% 10-Year Bonds due 1999	\$	100	100.0
TOTAL				644.5^c

^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 0.15 per cent per annum below the London Interbank Offered Rate for six-month deutsche mark deposits.

^c Total does not tally due to rounding.

STATUS OF ASIAN DEVELOPMENT FUND RESOURCES

	Change in 1989					
	Valued as of 31/12/88 US\$m.	Addition US\$m.	Exchange Rate Adjustments ^a US\$m.	Net Change US\$m.	Valued as of 31/12/89 US\$m.	SDRm. ^b
Contributed Resources^c						
Australia	458.95	95.96	(32.32)	63.64	522.59	397.66
Austria	86.79	12.30	6.32	18.62	105.41	80.21
Belgium	76.75	11.04	3.97	15.01	91.76	69.82
Canada	691.81	108.06	21.36	129.42	821.23	624.91
Denmark	73.67	11.96	3.58	15.54	89.21	67.89
Finland	60.52	10.79	2.02	12.81	73.33	55.80
France	361.98	68.75	20.70	89.45	451.43	343.51
Germany, Federal Republic of	716.47	80.98	37.43	118.41	834.88	635.29
Hong Kong	1.41	0.30	—	0.30	1.71	1.30
Indonesia	3.83	0.60	—	0.60	4.43	3.37
Italy	285.66	57.80	10.13	67.93	353.59	269.06
Japan	5,876.28	519.61	(722.78)	(203.17)	5,673.11	4,816.91
Korea, Republic of	5.57	1.50	—	1.50	7.07	5.38
Netherlands	243.28	35.60	12.61	48.21	291.49	221.81
New Zealand	20.37	4.84	(1.04)	3.80	24.17	18.39
Norway	55.68	9.03	(0.09)	8.94	64.62	49.17
Spain	38.21	25.53	2.73	28.26	66.47	50.58
Sweden	92.53	17.22	(1.00)	16.22	108.75	82.75
Switzerland	136.24	16.45	(3.22)	13.23	149.47	113.74
Taipei, China	2.00	—	—	—	2.00	1.52
United Kingdom	374.41	44.64	(41.13)	3.51	377.92	287.58
United States	1,390.81	174.97	—	174.97	1,565.78	1,191.47
Total Contributed Resources	11,053.24	1,307.93	(680.74)	627.19	11,680.43^d	8,888.13
Additional Resources						
Set-Aside Resources	64.07	—	(1.50)	(1.50)	62.57	47.61
Other Resources ^e	5.08	—	—	—	5.08	3.87
Accumulated Translation Adjustments	77.73	(16.15)	—	(16.15)	61.58	46.86
Accumulated Surplus	332.38	72.81	—	72.81	405.19	308.33
Total Additional Resources	479.26	56.66	(1.50)	55.16	534.42	406.67
Total Resources	11,532.50	1,364.59	(682.24)	682.35	12,214.85	9,294.80
Less: Amounts Disbursed and Outstanding	4,476.36	850.45	(327.74)	522.71	4,999.07	3,804.00
Amounts Committed but Undisbursed:						
Denominated in US Dollars	637.31	(207.54)	—	(207.54)	429.77	327.03
Denominated in SDRs	4,153.73	566.69	(72.69)	494.00	4,647.73	3,536.65
Total Uncommitted Resources	2,265.10	154.99	(281.81)	(126.82)	2,138.28	1,627.12
Less: Provision for Exchange Rate Fluctuations ^f	634.26	88.75	—	88.75	723.01	550.18
Net Amount Available for Loan Commitments	1,630.84	66.24	(281.81)	(215.57)	1,415.27	1,076.94

Note: Figures may not add due to rounding.

a Relating to balances as of 31 December 1988 and additions in 1989.

b Valued at the rate of \$1.31416 per SDR as of 31 December 1989.

c Amounts are adjusted for exchange rate changes and do not necessarily correspond to the initial ADF contributions of individual countries.

d Excludes advance payments totalling \$100.71 million representing amounts of ADF V contributions paid but not available as of 31 December 1989 for loan commitments.

e Amounts initially accrued or allocated to other Special Funds.

f Equivalent to the sum of Other Resources, Accumulated Translation Adjustments, Accumulated Surplus and Accumulated Loan Principal Repayments.

TECHNICAL ASSISTANCE SPECIAL FUND
 (US Dollar Equivalent)^a

Contributor	Total Contributions	Amount Utilized
Direct Voluntary Contributions		
Australia	2,484,371	2,484,371
Austria	153,150	151,194
Bangladesh	47,352	47,352
Belgium	1,341,230	960,125
Canada	3,345,751	3,345,751
Denmark	1,962,529	1,962,529
Finland	237,201	237,201
France	1,696,080	1,696,080
Germany, Fed. Rep. of	3,314,813	3,314,813
Hong Kong	100,000	100,000
India	2,116,245	2,031,226
Indonesia	250,000	250,000
Italy	774,147	774,147
Japan	47,712,083	47,529,697
Korea, Rep. of	1,900,000	1,872,171
Malaysia	909,129	909,129
Netherlands	1,337,478	1,337,478
New Zealand	1,095,632	1,095,632
Norway	3,296,395	3,222,883
Pakistan	742,038	742,038
Singapore	100,000	99,923
Spain	189,580	189,580
Sri Lanka	6,309	6,309
Sweden	861,358	861,358
Switzerland	1,035,043	1,035,043
Taipei, China	200,000	200,000
United Kingdom	5,616,741	5,616,741
United States	1,500,000	1,500,000
Sub-Total	84,324,655	83,572,771
Regularized Replenishment Contributions ^b	88,876,580	45,611,091
Other Resources ^c	19,878,451	13,713,066
T O T A L	193,079,686	142,896,928

a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on the respective dates of utilization, and the amount unutilized, translated at the exchange rates used by the Bank on 31 December 1989.

b Represents the TASF portion of contributions to the Replenishment of the Asian Development Fund and the Technical Assistance Special Fund authorized by Governors' Resolution No. 182.

c Represents income, repayments and reimbursements according to TASF since April 1980.

JAPAN SPECIAL FUNDStatement of Operations and Unexpended Balances
(amounts in \$ million)

	1988	1989	TOTAL
Contributions committed	35.8	58.8	94.6
Revenue	<u>1.2</u>	<u>3.2</u>	<u>4.4</u>
Total	37.0	62.0	99.0
Expenses	1.6	9.7	11.3
Translation Adjustments	—	<u>8.0</u>	<u>8.0</u>
Unexpended Balances at End of the Year	<u>35.4</u>	<u>44.3</u>	<u>79.7</u>

APPENDIXES

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SUMMARY OF BUDGET FOR 1990
Internal Administrative Expenses
(amounts in \$ thousand)

	1989			
	Budget	After Transfers ¹	Actual ²	1990 Budget
I. BOARD OF GOVERNORS	<u>347</u>	<u>402</u>	<u>402</u>	<u>295</u>
II. BOARD OF DIRECTORS	<u>5,284</u>	<u>5,284</u>	<u>4,760</u>	<u>5,437</u>
Salaries	2,554	2,583	2,583	2,876
Benefits	1,300	1,253	1,071	1,307
Relocation	663	663	390	393
Business Travel	356	356	287	395
Staff Services	411	429	429	466
III. STAFF	<u>80,625</u>	<u>80,625</u>	<u>80,252</u>	<u>87,910</u>
Salaries	46,903	47,419	47,419	51,010
Benefits	26,218	26,454	26,454	29,171
Relocation	1,713	1,713	1,491	1,850
Consultants	5,791	5,039	4,888	5,879
IV. BUSINESS TRAVEL & REPRESENTATION	<u>7,196</u>	<u>7,196</u>	<u>7,081</u>	<u>7,926</u>
Business Travel	7,069	7,040	6,925	7,783
Representation	127	156	156	143
V. OTHER ADMINISTRATIVE EXPENSES	<u>14,870</u>	<u>14,870</u>	<u>13,801</u>	<u>17,295</u>
Communications	2,233	2,310	2,310	2,396
Office Occupancy	2,947	2,696	2,696	3,152
Library	300	300	300	320
Expendable Supplies	1,498	1,498	1,498	1,575
Office Equipment	1,816	1,872	1,872	2,045
Contractual Services	3,113	2,935	2,882	3,268
Insurance	257	257	166	200
Depreciation	1,648	1,926	1,926	2,494
Miscellaneous	133	151	151	145
New Headquarters Building	825	825		1,700
New Field Offices	100	100	3	
VI. GENERAL CONTINGENCY	<u>1,083</u>	<u>1,028</u>		<u>1,189</u>
T O T A L	109,405	109,405	106,296	120,052

1 An amount of \$55,000 was allocated out of the General Contingency to the Budget Category BOARD OF GOVERNORS. Transfers were made between Budget Items within the other Budget Categories without exceeding the amount of each Category.

2 Excludes: (1) \$2,043,000 as provision for severance pay; (2) \$616,000 as provision for accumulated compensated absences; (3) \$15,000 as bank charges pertaining directly to ADF; and (4) an adjustment of \$311,000 on account of pension cost computed in compliance with U.S. Financial Accounting Standards (FAS)-#87. The total expenses of \$108,659,000 as shown in the financial statements (after deducting \$26,000 directly charged to the Scholarship Program) have been distributed as follows: OCR-\$63,025,000 (Ref.OCR-2), ADF-\$44,990,000 (Ref. ADF-2), TAST-\$7,000 (Ref.TAST-2), and JSF-\$611,000 (Ref.JSF-2).

3 Expenses for the New Field Offices amounting to \$73,000 were charged to the respective budget items under OTHER ADMINISTRATIVE EXPENSES.

RESOLUTIONS OF BOARD OF GOVERNORS ADOPTED DURING 1989

Resolution No.	Subject	Date Adopted
196	Procedures for the Election of Directors at the Twenty-Second Annual Meeting	5 May 1989
197	Financial Statements and Opinions of Independent Auditors	6 May 1989
198	Allocation of Net Income	6 May 1989
199	Place and Date of Forthcoming Annual Meetings 1990 and 1991	6 May 1989
200	Decisions Relating to Section 7 (B) (a) of the By-Laws	10 November 1989

BOARD OF GOVERNORS
(As of 31 December 1989)

MADHU DANDAVATE (India) (Chairman)

CARLOS SOLCHAGA CATALAN (Spain) (Vice-Chairman)

DAIM ZAINUDDIN D.H.M.S. (Malaysia) (Vice-Chairman)

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Republic of	Hamidullah Tarzi ¹	Abdul Ghafoor Joushan
Australia	P. J. Keating	R. B. Dun
Austria	Ferdinand Lacina	Othmar Haushofer
Bangladesh	A.V.M.(Retd.) A. K. Khandker	Enam Ahmed Chaudhury
Belgium	PH. Maystadt	Jan Vanormelingen
Bhutan	Dawa Tsering	Nado Rinchen
Cambodia		
Canada	Joe Clark	Frederick W. Gorbet
China, People's Republic of	Li Guixian	Qiu Qing ²
Cook Islands	G. A. Henry ³	Allstair Rutherford ⁴
Denmark	Ole Loehsmann Poulsen	Sten Lilholt
Fiji	J. N. Kamikamica	Ratu Jone Y. Kubuabola
Finland	Kai Helenius	Pasi Rutanen
France	Pierre Beregovoy	Jean-Claude Trichet
Germany, Federal Republic of	Jürgen Warnke ⁵	Eckard Pieske
Hong Kong	Piers Jacobs	D. A. C. Nendick
India	Madhu Dandavate ⁶	G. K. Arora ⁷
Indonesia	J. B. Sumarlin	Adrianus Mooy
Italy	Carlo Azeglio Ciampi	Mario Sarcinelli
Japan	Ryutaro Hashimoto ⁸	Yasushi Mieno ⁹
Kiribati	Teatao Teannaki	Baraniko Baaro ¹⁰

1 Succeeded Mohamad Kabir in May 1988.

2 Succeeded Che Peleg in April.

3 Succeeded Terpai Maoato in February.

4 Succeeded Parel Joseph in February.

5 Succeeded Hani Klein in April.

6 Succeeded S. B. Chavan in December.

7 Succeeded S. Venkateswaran in March.

8 Succeeded Tatsuo Murayama in August.

Tatsuo Murayama succeeded Noboru Takeshita in January.

9 Succeeded Satoshi Sumita in December.

10 Succeeded Benjamin Ting in August.

11 Succeeded Ismail Fathy in April.

12 Succeeded Rear Admiral Maung Maung Khin in February.

13 Succeeded Lok Behadur Shrestha in August.

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
Korea, Republic of	Kyu Sung Lee	Kun Kim
Lao People's Democratic Republic	Sisavath Sisane	Souignong Nhouyvanisvong
Malaysia	Dalm Zainuddin D.H.M.S.	Tan Sri Datuk Zain Azraai
Maldives	Ahmed Mujuthaba	Mohamed Zuhairil
Myanmar	Col. D. O. Abel ¹²	U Soe Thwin
Nepal	Bharat Bahadur Pradhan	Shashi N. Shah ¹³
Netherlands	W. Kok ¹⁴	J. P. Pronk ¹⁵
New Zealand	David Caygill	Graham Scott
Norway	Torun Dramdal ¹⁶	Bernt H. Lund
Pakistan	Ihsan Ul Haq Piracha ¹⁷	Khalid Mahmud Chima ¹⁸
Papua New Guinea	Paul Pora	Morea Vele
Philippines	Vicente R. Jayme	Jose B. Fernandez, Jr.
Singapore	Richard Hu Tsu Tau	Ngiam Tong Dow ¹⁹
Solomon Islands	Christopher C. Abe ²⁰	Mathias Pepena
Spain	Carlos Solchaga Catalán	Apolonio Ruiz Ligero
Sri Lanka	D. B. Wijetunga ²¹	R. Paskaralingam ²²
Sweden	Bengt Saeve-Soederbergh	Carl-Johan Groth
Switzerland	Pierre-Louis Girard	Louis Currat
Taipei, China	Shirley W.Y. Kuo ²³	Yu-Chi Hsueh
Thailand	Pramual Sabhavasu	Panas Simasathien
Tonga	J. C. Cocker	Baron Vaea
United Kingdom	Lynda Chalker, M.P. ²⁴	J. I. F. Buist
United States	Nicholas F. Brady	Richard T. McCormack ²⁵
Vanuatu	Sela Molisa	John Sethy Regenvanu
Viet Nam, Socialist Republic of	Cao Sy Kiem ²⁶	(Vacant) ²⁷
Western Samoa	Tuitaepa S. Malielegaoi	Kolone Va'ai

14 Succeeded H. O. Ruding in December.

15 Succeeded P. Bulkman in December.

16 Succeeded Arne Arneson in December.

17 Succeeded Mahbub-Ul-Haq in April.

18 Succeeded Izhar-Ul-Haq in December.

19 Succeeded Lee Ek Tieng in November.

20 Succeeded George Kejoea in April.

21 Succeeded M.H.M. Naina Marikar in February.

22 Succeeded Chandl Chanmugam in January.

23 Succeeded Chi-Cheng Chang in April.

24 Succeeded Christopher Patten, MP in July.

25 Succeeded W. Allen Wallis in April.

26 Succeeded Lu Minh Chau in May.

27 Successor to Le Hoang is to be advised.

BOARD OF DIRECTORS AND VOTING GROUPS
 (As of 31 December 1989)

DIRECTOR	ALTERNATE DIRECTOR	ELECTED BY ¹
K.D. Adhikary ²	Anthony Tan Song Chuan ³	Malaysia; Myanmar ⁴ ; Nepal; Singapore; Thailand
Aitzazuddin Ahmad ⁴	Joker P. Arroyo	Maldives; Pakistan; Philippines
D. Bandyopadhyay	Quazi Azher Ali	Bangladesh; Bhutan; India; Lao People's Democratic Republic; Socialist Republic of Viet Nam
Heinz Bühler	Nicholas Bailey ⁵	Austria; Federal Republic of Germany; United Kingdom
Che Peiqin ⁶	Wei Benhua	People's Republic of China
Sofjan Djajawinata	Cliff F. Sproule	Cook Islands; Fiji; Indonesia; New Zealand; Tonga; Western Samoa
Victor H. Frank, Jr.	William R. Thomson	United States
Jean-Marc Métivier	Gerben de Jong ⁷	Canada; Denmark; Finland; Netherlands; Norway; Sweden
Shoji Mori	Satoshi Hashimoto	Japan
Michel Rougé	Luis López ⁸	Belgium; France; Italy; Spain; Switzerland
Hyung-Sup Shim ⁹	G. Cumaranatunge ¹⁰	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Vanuatu
Kenneth Waller	Dereck Rooken-Smith	Australia; Hong Kong; Kiribati; Solomon Islands

a Formerly Burma.

1 In alphabetical order within each group.

2 Elected at the Twenty-Second Annual Meeting to succeed Suwan Pasugswad.

3 Succeeded Bhurbaneshwar Khatri on 1 July.

4 Elected at the Twenty-Second Annual Meeting to succeed N.M. Qureshi.

5 Succeeded Christian Heilingseifer on 1 July.

6 Elected at the Twenty-Second Annual Meeting to succeed Kong Fanrong.

7 Succeeded Iuga Kleby on 1 September.

8 Succeeded Paul Obrist on 1 August.

9 Elected to succeed Sung-Yong Wel who resigned with effect from 30 September.

10 Succeeded H.B. Disanayaka on 1 July.

COMMITTEES OF THE BOARD OF DIRECTORS
(As of 31 December 1989)

AUDIT COMMITTEE

Jean-Marc Métivier (Chairman)
K. D. Adhikary
Aitezazuddin Ahmad
Heinz Bühler
Che Peiqin
Michel Rougé

BUDGET REVIEW COMMITTEE

Sofjan Djajawinata (Chairman)
D. Bandyopadhyay
Victor H. Frank, Jr.
Shoji Mori
Hyung-Sup Shim
Kenneth Waller

PRINCIPAL OFFICERS

(As of 31 December 1989)

OFFICE OF THE PRESIDENT

Kimimasa Tarumizu	President
S. Stanley Katz	Vice-President
Günther G. Schulz	Vice-President
In Yong Chung	Vice-President
Hatsuya Azumi	Manager, Co-Financing & Coordination Unit

OFFICE OF THE SECRETARY

Arun B. Adarkar	Secretary
William G. Brown	Assistant Secretary

OFFICE OF THE GENERAL COUNSEL

Chun Pyo Jhong	General Counsel
Peter H. Sullivan	Assistant General Counsel
D.C. Atmerasinghe	Assistant General Counsel
Pablo S. Trillana III	Assistant General Counsel

PROGRAMS DEPARTMENT (EAST)

David A. Artko	Director
Eiichi Watanabe	Deputy Director
Bhanuphol Horayangura	Programs Manager (Division I - People's Rep. of China; Philippines; Taipei, China)
Sharda P. Srivastava	Programs Manager (Division II - Hong Kong; Indonesia; Malaysia; Singapore)
R. Swaminathan	Programs Manager (Division III - Rep. of Korea; Papua New Guinea; South Pacific DMCs)

SOUTH PACIFIC REGIONAL OFFICE

Lewis Hayashi	Chief
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INDONESIA RESIDENT OFFICE

Richard M. Bradley	Chief
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PROGRAMS DEPARTMENT (WEST)

Noritada Morita	Director
Dinh Xuan Vinh	Acting Deputy Director
Maurice D. Bauche	Acting Programs Manager (Division I - Rep. of Afghanistan; Maldives; Pakistan; Sri Lanka)
Eustace A. Nonis	Programs Manager (Division II - Bangladesh; Bhutan; India; Nepal)
Ricardo M. Tan	Programs Manager (Division III - Cambodia; Lao People's Dem. Rep.; Myanmar; Thailand; Soc. Rep. of Viet Nam)

BANGLADESH RESIDENT OFFICE

Basudev Dahal	Chief
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PAKISTAN RESIDENT OFFICE

Grahame G. Muller	Chief
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NEPAL RESIDENT OFFICE

Dalheue Coue	Chief
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DEVELOPMENT POLICY OFFICE

Sayed A. Baha	Chief
William T.C. Ho	Manager

CONTINUED

ECONOMICS AND DEVELOPMENT RESOURCE CENTER

Hakchung Choo	Director and Chief Economist
John Malcolm Dowling, Jr.	Assistant Chief Economist (Economic Analysis and Research)
A.I. Aminul Islam	Assistant Chief Economist (Project Economic Evaluation)
Richard O. Wada	Assistant Chief Economist (Statistics and Data Systems)

AGRICULTURE DEPARTMENT

M. Zaki Azam	Director
Satish C. Jha	Deputy Director
Eiji Kobayashi	Deputy Director
Nihal Amerasinghe	Acting Manager (Division I – People's Rep. of China; Papua New Guinea; Philippines; Taipei,China)
M.E. Tusneem	Manager (Division II – Hong Kong; Indonesia; Singapore)
Abdul Gaffar Nasution	Manager (Division III – Rep. of Korea; Malaysia; South Pacific DMCs)
Theodore C. Patterson	Manager (Division IV – Rep. of Afghanistan; Maldives; Pakistan; Sri Lanka)
Musunuru S. Rao	Manager (Division V – Bhutan; India; Myanmar; Nepal)
Hans-Juergen Springer	Manager (Division VI – Bangladesh; Cambodia; Lao People's Dem. Rep.; Thailand; Soc. Rep. of Viet Nam)

INFRASTRUCTURE DEPARTMENT

S.V.S. Juneja	Director
Neil R. Collier	Deputy Director
Mahesan Ganesan	Manager (Airports and Highways)
Akira Seki	Manager (Ports, Railways and Telecommunications)
Javier M. Gomez	Manager (Water Supply)
Mazhar Ali Khan	Manager (Social Infrastructure)
G.H.P.B. van der Linden	Manager (Education)
B.N. Lohani	Acting Manager (Environment)

PRIVATE SECTOR DEPARTMENT

Akira Tsusaka ¹	Director
(Vacant) ²	Deputy Director
In Keun Yoon	Acting Manager (Area Division I – Rep. of Afghanistan; Bangladesh; Bhutan; Maldives; Nepal; Pakistan; Sri Lanka)
Ivan L. Zimonyi	Manager (Area Division II – Cambodia; India; Indonesia; Lao People's Dem. Rep.; Myanmar; Thailand; Soc. Rep. of Viet Nam)
Mumtaz Iqbal	Manager (Area Division III – People's Rep. of China; Hong Kong; Rep. of Korea; Malaysia; Papua New Guinea; Philippines; Singapore; South Pacific DMCs; Taipei,China)

ENERGY AND INDUSTRY DEPARTMENT

Ronald S. Skeates	Director
Stephen Y.C. Lau	Deputy Director
Vishwanath V. Desai	Energy Adviser
Alberto M. Balagot	Manager (Industry and Minerals)
V. Krishnaswamy	Manager (Power Division East – People's Rep. of China; Hong Kong; Indonesia; Rep. of Korea; Malaysia; Papua New Guinea; Philippines; Singapore; South Pacific DMCs; Taipei,China)
Alan D. Burrell	Manager (Power Division West – Rep. of Afghanistan; Bangladesh; Bhutan; Cambodia; India; Lao People's Dem. Rep.; Maldives; Myanmar; Nepal; Pakistan; Sri Lanka; Thailand; Soc. Rep. of Viet Nam)

¹ Succeeded by Mr. Alan F. Gill on 11 January 1990.² Filled by Mr. Nobuyuki Yamamura on 21 March 1990.

PRINCIPAL OFFICERS

(As of 31 December 1989)

CENTRAL PROJECTS SERVICES OFFICE

Osman R.I. Bako	Chief
Jean-Pierre Vu	Manager (Consulting Services)
Devinder Singh	Manager (Central Projects Administration Coordination)

BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT

Dang Fook Lee	Director
Ken Yagi	Deputy Director
Vernon G. Jorssen	Manager (Budget and Planning)
Tony Wan	Manager (Human Resources)
Robert C. May	Manager (Compensation and Benefits)
N. Viswanathan	Manager (Systems and Procedures)

OFFICE OF ADMINISTRATIVE SERVICES

Jayanta Madhab	Chief
Hi Young Kim	Manager (General Services)
Lim Say Hup	Manager (Support Services)

SPECIAL PROJECTS OFFICE

Jwala Prasad Pradhan	Chief
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CONTROLLER'S DEPARTMENT

Shamshad Ali Khan	Controller
Francis W. Mentus	Assistant Controller (Accounting)
Bernard Donge	Assistant Controller (Loans)
S. Kalyanaraman	Assistant Controller (Administrative Expenses)

TREASURER'S DEPARTMENT

Alan F. Gill ¹	Treasurer
Yukiji Miyazaki ²	Deputy Treasurer
Rip Min	Assistant Treasurer (Funding)
Erkki K. Jappinen	Assistant Treasurer (Investments)
Chi Chuan Hung	Assistant Treasurer (Treasury Services)
Ian M. Hay	Assistant Treasurer (Financial Policy)

INFORMATION OFFICE

Reynaldo D. Pacheco	Chief Information Officer
George V. Liu	Assistant Chief Information Officer

OFFICE OF COMPUTER SERVICES

Gene Lindsey	Chief
Louis Wong	Assistant Chief

INTERNAL AUDIT OFFICE

M.M. Soerakoesoemah	Chief
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POST-EVALUATION OFFICE

S. Mahboob Alam	Chief
A. Timothy Peterson	Assistant Chief

ADB PRESIDENTS AND VICE-PRESIDENTS**PRESIDENTS**

Mr. Takeshi Watanabe	— 24 November 1966 – 24 November 1972
Mr. Shiro Inoue	— 25 November 1972 – 23 November 1976
Mr. Taroichi Yoshida	— 24 November 1976 – 23 November 1981
Mr. Masao Fujioka	— 24 November 1981 – 23 November 1989
Mr. Kimimasa Tarumizu	— 24 November 1989 – Present

VICE-PRESIDENTS

Mr. C. S. Krishna Moorthi	— 19 December 1966 - 31 March 1978
Mr. A. T. Bambawale	— 1 April 1978 – 28 October 1985
Mr. M. Narasimham	— 1 November 1985 – 31 July 1988
Mr. S. Stanley Katz	— 1 April 1978 – Present
Mr. Günther G. Schulz	— 1 April 1983 – Present
Mr. In Yong Chung	— 1 August 1988 – Present

MAJOR ADB PUBLICATIONS

STUDIES AND REPORTS

- A Bank for Half the World, The Story of the Asian Development Bank 1966-1986
Asian Development Bank Economics and Development Resource Center Report Series
Asian Development Bank Economic Staff Paper Series
Asian Development Bank Statistical Report Series
Assessment of Training Manpower Needs for Agricultural Development in Nepal: 1988-2001 (Volume I & II)
Capital Market Development in Selected Developing Member Countries of the ADB
Conference on Privatization Policies, Methods and Procedures (31 January-1 February 1985)
Costing and Pricing of Electricity in Developing Countries (Proceedings of Regional Power Utility Tariff Symposium, August 1982)
Distance Education: Professional Staff Paper
Distance Education in Asia and the Pacific (Proceedings of Regional Seminar, 26 November-3 December 1986; Volume I & II)
Education and Development in Asia and the Pacific
Electric Utilities Data Book for the Asian and Pacific Region
Energy Indicators of Developing Member Countries of ADB
Energy Policy Experience of Asian Countries
Entrepreneurship and Self-Employment Training (Proceedings of Regional Workshop, 4-16 August 1986; Volume I & II)
Environmental Guidelines for Selected Agricultural and Natural Resources Development Projects
Environmental Guidelines for Selected Industrial and Power Development Projects
Environmental Guidelines for Selected Infrastructure Development Projects
Environmental Legislation and Administration: Briefing Profiles of Selected Developing Member Countries of the Asian Development Bank (ADB Environment Paper No. 2)
Environmental Planning and Management (Proceedings of Regional Symposium, 19-21 February 1986)
Environmental Planning and Management and the Project Cycle (ADB Environment Paper No. 1)
Evaluating Rice Market Intervention Policies: Some Asian Examples
Financing Public Sector Development Expenditures in Selected Countries (Overview and Country Studies)
Foreign Direct Investment in the Asia-Pacific Region (Summary of Proceedings at an ADB-IFC Symposium, 25-27 January 1988)
- Guidelines for Integrated Regional Economic-cum-Environmental Development Planning (Volume I & II) (ADB Environment Paper No. 3)
Handbook on the Use of Pesticides in the Asia-Pacific Region
Health and Population Sector Profile (Bangladesh)
Improving Domestic Resource Mobilization Through Financial Development (Overview and Country Studies)
Korea: Study of the Manufacturing Sector with Special Reference to New Technology-Based Small & Medium Industries
Leasing in Developing Asia (Summary of Proceedings at Workshop, 14-16 October 1987)
Lending for Ports and Related Sectors
Malaysia Urban Sector Profile (Volume I & II)
Minimum Quality Criteria for Ecologically Sensitive Areas (ADB Environment Paper No. 4)
Papua New Guinea Water Supply and Sanitation Sector Profile (Volume I & II)
Power Plant Maintenance Management (Volume I & II)
Power System Efficiency Through Loss Reduction and Load Management (Proceedings of Regional Seminar, 2-6 December 1985)
Proceedings and Papers Presented at a Symposium on Capital Market Development in the Asia-Pacific Region (14-16 January 1986)
Proceedings of the Asia and Pacific Conference on Accounting Education for Development (12-16 November 1984)
Rainfed Agriculture in Asia and the Pacific
Regional Conference on Sail-Motor Propulsion (18-21 November 1985)
Regional Seminar on Control of Water Supply Distribution Systems: A Summary Report (8-11 February 1983)
Regional Seminar on Health Care Financing (27 July-3 August 1987)
Regional Seminar on Irrigation Service Fees: The Proceedings (21-25 July 1986)
Regional Seminar on the Use of Rural Health Services (20-25 January 1986)
Regional Seminar on Transport Policy (21-28 February 1989)
Regional Workshop on Forestry Development and Perspectives (18-21 May 1987)
Review of Bank Operations in the Irrigation Sector 1966-1985
Review of Forestry and Forest Industries in the Asia-Pacific Region
Review of the Scope for Bank Assistance to Urban Transport

Copies of these publications may be obtained through the Information Office, Asian Development Bank, P.O. Box 789, 1099 Manila, Philippines. All are free of charge (sent via surface mail), except ADB Business Opportunities (\$30.00 annual subscription), Asian Development Review (\$8.00 per two issues), and A Bank for Half the World (\$25.00 and postage of \$3.50 for Asia and \$5.00 for Australia, Europe and USA).

Sector Paper on Agriculture and Rural Development
Sector Paper on Forestry
Sector Paper on Rural Development
Study of Selected Industries: A Brief Report
The Role of Small and Medium-Scale Industries in the Industrial Development of the Philippines
Towards Regional Cooperation in South Asia (ADB/EWC Symposium Papers, 9-11 March 1987)
Training Workshop on Environmental Impact Assessment and Evaluation: Proceedings and Training Manual (Volume I & II)
Training the Technical Trainer (based on a Workshop held 13-24 May 1987)

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Venture Capital Financing in the Asia-Pacific Region (Summary of Proceedings at Symposium, 7-9 April 1988)
Water Supply and Sanitation Sector Study, Thailand (Volume I & II)
Workshop Proceedings on Economic-cum-Environmental Planning (22-25 August 1988)

INFORMATION BROCHURES AND OTHER PUBLICATIONS

ADB Business Opportunities (monthly, by subscription)
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Asian Development Bank: Questions and Answers (English, French, German and Japanese)
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Complementary Financing Scheme of the Asian Development Bank with Model Complementary Loan Agreements and Participation Agreements
Financial Profile, April 1990 (English and Japanese)
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Guide on Prequalification of Civil Works Contractors*
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