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**ASIAN DEVELOPMENT BANK
ANNUAL REPORT 1979**

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ASIAN DEVELOPMENT BANK
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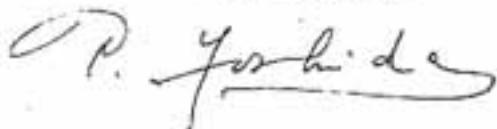
Office of the President

20 March 1980

Dear Mr. Chairman:

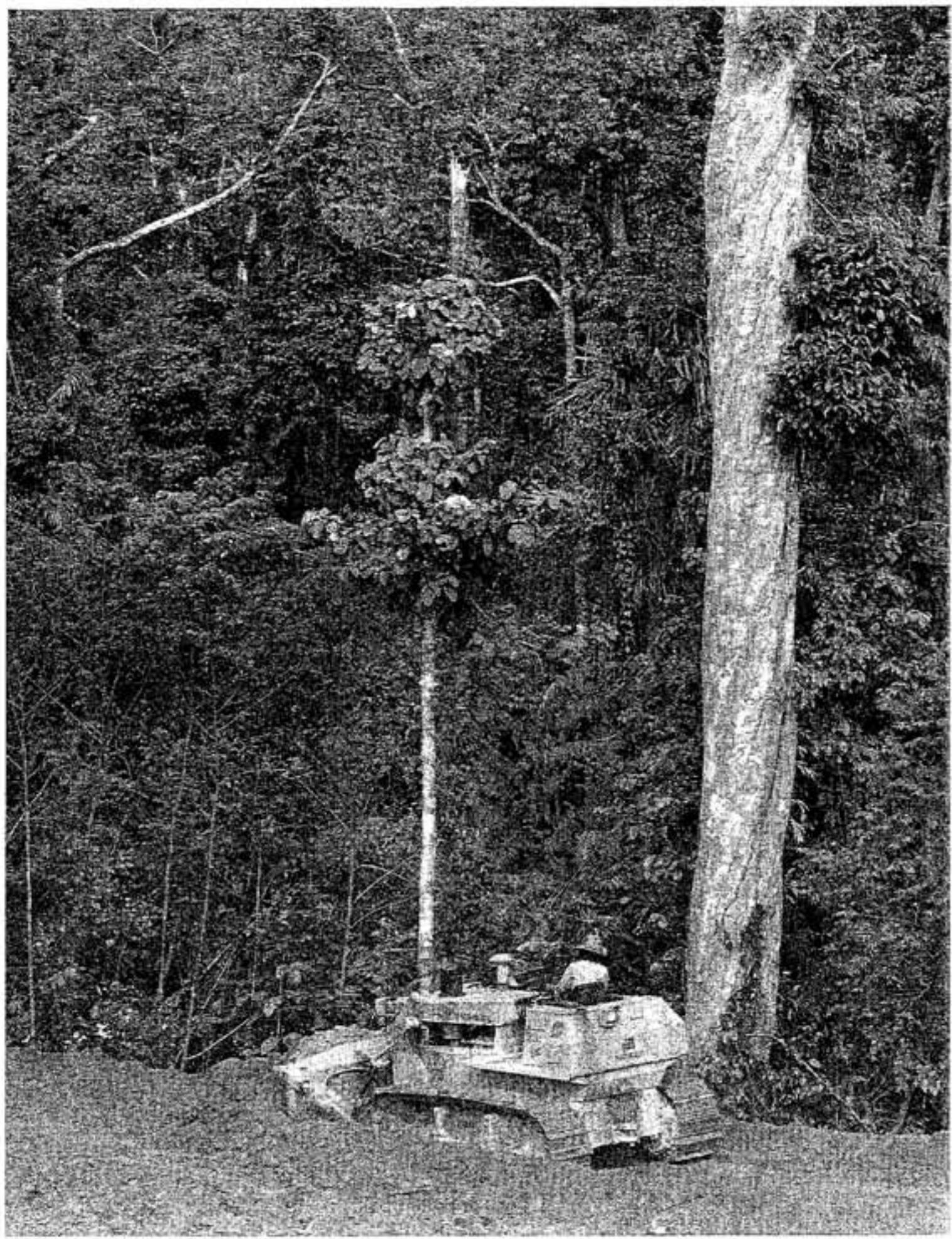
In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the enclosed Annual Report of the Bank for 1979, which has been prepared under the direction of the Board of Directors. The Annual Report also includes a separate report on the activities of the Special Funds of the Bank and the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



TAROICHI YOSHIDA
President and
Chairman of the Board
of Directors

Chairman
Board of Governors
Asian Development Bank



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NOTE ON DOLLAR AMOUNTS

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

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

THE RECORD

(amounts in \$ million)

	1967-1971	1972-1976	1976	1976	1977	1978	1979	1967-1979 ¹
OPERATIONAL ACTIVITIES								
Loan Approvals								
Number of Projects ²	83	184	40	36	45	52	57	415 ³
Amount of Loans	640	2,721	860	776	887	1,159	1,252	6,650 ³
Ordinary Loans								
Number of Loans	59	115	27	21	24	31	29	255 ⁴
Amount of Loans	533	1,334	494	540	615	776	835	4,587 ⁵
Disbursements	68	879	285	263	273	295	361	1,876
Special Funds Loans								
Number of Loans	28	89	14	16	21	22	29	189
Amount of Loans	107	787	166	236	272	381	416	1,963
Disbursements	7	204	77	63	84	167	125	567
Technical Assistance (Grants) ⁶								
Number of Projects	56	120	25 ⁷	24	42	47	59	326
Amount of Grants	8.0	20.3	4.4 ⁸	4.6	7.2	11.1	14.1	60.6 ⁹
Regional Activities (Grants) ¹⁰								
Number of Projects	11	25	7	6	7	11	6	60
Amount of Grants	4.1	2.4	0.9	0.9	0.9	0.9	1.1	9.3
RESOURCES AND FINANCES								
Authorized Capital (at end of period)								
In terms of current US dollar	1,327	3,707	3,676	3,707	8,711	9,407 ¹¹	9,512 ¹¹	—
(in terms of 1966 US dollar)	(1,100)	(3,073)	(2,048)	(3,073)	(7,221)	(7,221)	(7,221)	—
Subscribed Capital (at end of period)								
In terms of current US dollar	1,213	2,668	3,202	3,688	6,957	8,741	8,881	—
(in terms of 1966 US dollar)	(1,005)	(3,057)	(2,664)	(3,057)	(5,770)	(6,700)	(6,727)	—
Borrowings (gross) ¹²	160	983	323	529	117	390	348	1,997
Outstanding Debt (at end of period)	159	1,084	590	1,084	1,205	1,610	1,777	—
Ordinary Reserve (at end of period)	20.0	101.6	77.1	101.6	142.2	196.8	236.8 ¹³	—
Special Reserve (at end of period)	1.0	18.7	11.0	18.7	28.8	42.5	59.3	—
Gross Income	75.3	346.7	81.0	126.3	168.6	213.2	260.8	—
Net Income after Appropriation of Commission to Special Reserve	37.0	18.4	24.5	40.6	72.4	106.4	83.0	—
Special Funds Resources (at end of period) ¹⁴	192.5	931.9	692.	931.9	1,285.2	1,845.7	2,065.4 ¹⁵	—
Member Countries (at end of period)	35	42	41	42	42	43	43	—
Professional Staff (at end of period)	191	286	254	288	304	334	380	—

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

2 Projects financed from both ordinary capital resources and Special Funds are counted only once.

3 Excluding six technical assistance loans later refinanced in subsequent years amounting to a total of \$8.5 million and \$1.1 million cancelled amount of the Belawan and Sutabaya Ports (Phase I), Indonesia.

4 Excludes Southeast Rurawas Transmigration and Area Development Project (\$480,000) and Bandung Urban Development and Sanitation Project (\$1,163,000) for which financing loans were revised in 1976.

5 Including projects financed from sources outside the Bank, mainly UNDP and ECO-Technical Assistance financed on loan basis are included under "grants".

6 Includes additional UNDP financing of \$22.0 to \$154,943 for the Jute Seed Project in Bangladesh which was approved in 1976 and \$80,500 for the Bangladesh Agricultural Credit Project approved in 1975; and additional Bank financing of \$2.24 for the Lungga Hydropower Project, Solomon Islands, which was approved in 1976.

7 For purposes of the financial statements, capital stock amounts for 1978 and 1979 have been valued in terms of the SDR, at the value in current United States dollars as computed by IMF. As of 31 December 1979, the SDR was valued at \$1.01733.

8 Gross contracted borrowings converted in US dollars at exchange rates prevailing at the end of the year of each borrowing.

9 Net of \$4.3 million charge due to the restatement of the capital stock for purposes of the financial statements on the basis of the SDR instead of the 1966 US dollar.

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

11 Commitments from these resources, net of cancellations and repayments and including adjustments due to the effect of exchange rate changes on amounts of loans

discussed in currencies other than the US dollar, totaled \$1,858.9 million.

THE BANK IN 1979

DURING 1979 the Bank continued to expand its activities in support of the development objectives of the developing member countries (DMCs) of the Asian and Pacific region. Reflecting the priority needs of its DMCs, the Bank laid particular emphasis on its lending for agriculture, energy and social infrastructure development. Co-financing and technical assistance were other areas marked by continued high levels of activity during the year. Increased attention was also devoted to economic and policy analysis and post-evaluation activities.

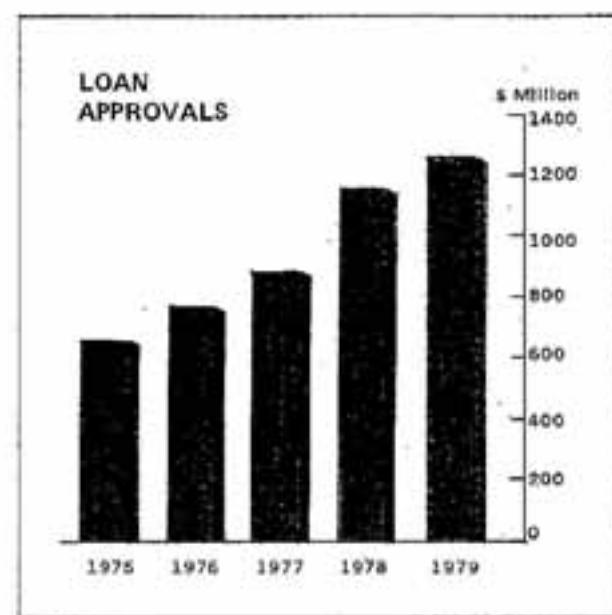
Bank lending during the year reached \$1,252 million as compared with \$1,159 million in 1978 and \$680 million in 1975. Total disbursements amounted to \$486 million during the year as compared with \$462 million in 1978 and \$362 million in 1975. The growth in co-financing was also impressive with the amount contributed by co-financiers rising from \$284 million in 1975 to \$434 million in 1978, and further to \$447 million in 1979.

The Bank entered several new areas of activity during the year: It made its first program loan for industry, the first loan for rural electrification, the first multiproject loan — a loan package designed to assist small island economies — and a new integrated type of program loan for crop intensification.

The second replenishment of the Asian Development Fund (ADF III) designed to cover the Bank's concessional lending needs over the four-year period from 1979 to 1982 came into effect during the year. The Bank also tapped the long-term syndicated loan market in Japan for the first time.

LENDING ACTIVITIES: During the year the Bank approved a record number of 58 loans for 57 projects in 18 DMCs, compared with 53 loans for 52 projects in 18 DMCs the year before and 41 loans for 40 projects in 12 DMCs in 1975. One-third of loan commitments in 1979 of \$1,252 million was made on concessional terms to the Bank's poorer and less developed member countries. Cumulative lending at the end of the year amounted to \$8,650 million for 415¹ projects in 23 DMCs.

Loans from ordinary capital resources (OCR) totalled \$835 million during the year as compared with \$778 million

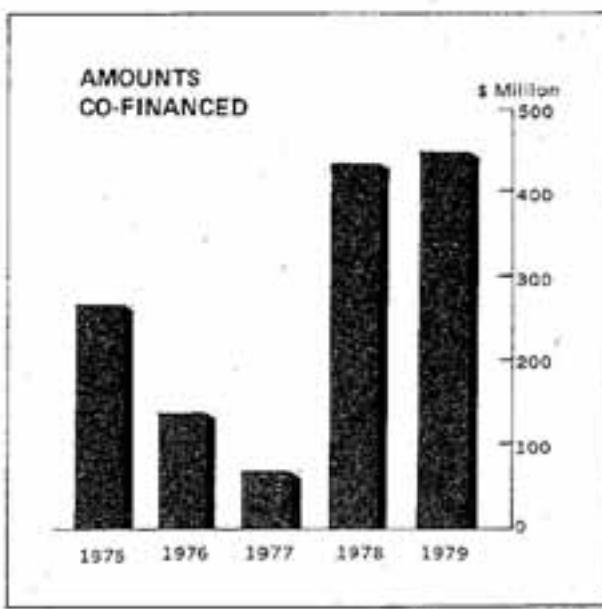
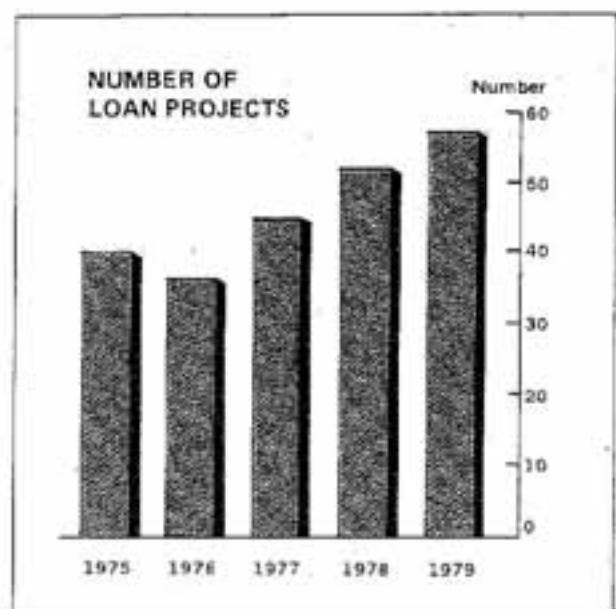


In 1978 and \$484 million in 1975, and loans from Special Funds amounted to \$416 million as compared with \$381 million in 1978 and \$166 million in 1975. During the year about 85 per cent of loans from Special Funds went to countries with a per capita Gross National Product (GNP) of less than \$200 in 1976.

The total cost of projects approved for Bank financing during the year (excluding six development bank projects) was estimated at \$2,630 million, 42 per cent of which was met by Bank financing. The Bank also helped to mobilize a part of the remaining amount through co-financing arrangements.

The number of co-financed projects increased from 18 in 1978 to 24 in 1979, while funds provided by co-financiers totalled \$447 million as against \$434 million in 1978. As in the past, co-financing from official sources — both bilateral and multilateral — was predominant in 1979, with their share representing 91 per cent of the total.

¹ Excluding refinanced projects.



The year's lending included \$81 million in foreign exchange for local currency expenditures for 18 loans to seven countries as against \$61 million in 1978 for 12 loans to five countries.

LENDING BY SECTOR: Agriculture and Agro-Industry once again accounted for the largest share of Bank lending during the year — 32.9 per cent against 26.8 per cent in 1978. This increase is a continuation of the rising trend in Bank lending for agricultural development since the mid-1970s and underscores the Bank's growing commitment to the rural sector (see Table on page 29).

Similarly, lending to the Energy sector has increased in amounts over the years and its share of total lending has risen since the mid-1970s. The increasing importance of energy in the development programs of many DMCs was reflected in a substantial rise in the share of lending to this sector from 21.5 per cent in 1978 to 26 per cent in 1979.

Sharp increases have been recorded in Bank lending for Education, Urban Development and Health in recent years, their share of total lending rising from less than one per cent in the mid-1970s to 7.8 per cent during the past three years. In 1979, Bank lending for Education and Urban Development accounted for 5.7 per cent and 5 per cent, respectively, of total lending as compared with 2.6 per cent and 1.4 per cent, respectively, in 1978.

The share of lending for Water Supply and Sewerage projects rose slightly from 8.1 per cent in 1978 to 8.8 per cent in 1979. The proportion of loans to Industry and Non-Fuel Minerals and Development Banks, however, declined from the relatively high level of 24.4 per cent in 1978 to 12.6 per cent and that for Transport and Communications from 11.9 per cent to 9.2 per cent.

Agriculture and Agro-Industry: The main thrust of the Bank's activities in this sector has been to increase the socio-economic impact of its assistance through raising the productivity and incomes of the rural poor, the genera-

tion of employment opportunities and the provision of commodities and services to meet basic human needs. These considerations have underlined the increased emphasis on an integrated approach to rural development, land utilization, water management, strengthening of rural institutions, broader distribution of development benefits and increased participation of small farmers and landless workers in Bank-assisted projects.

The Bank's sustained support for Agriculture and Agro-Industry was further reinforced during the year by a review undertaken by the Board of Directors of the Bank's role in agriculture and rural development and the identification of a number of priority areas for future lending and technical assistance. These include the provision of more and better employment for the rural work-force; the improvement of production and distribution systems for rural products; managerial training and institution building for rural development; and the protection of vital ecosystems.

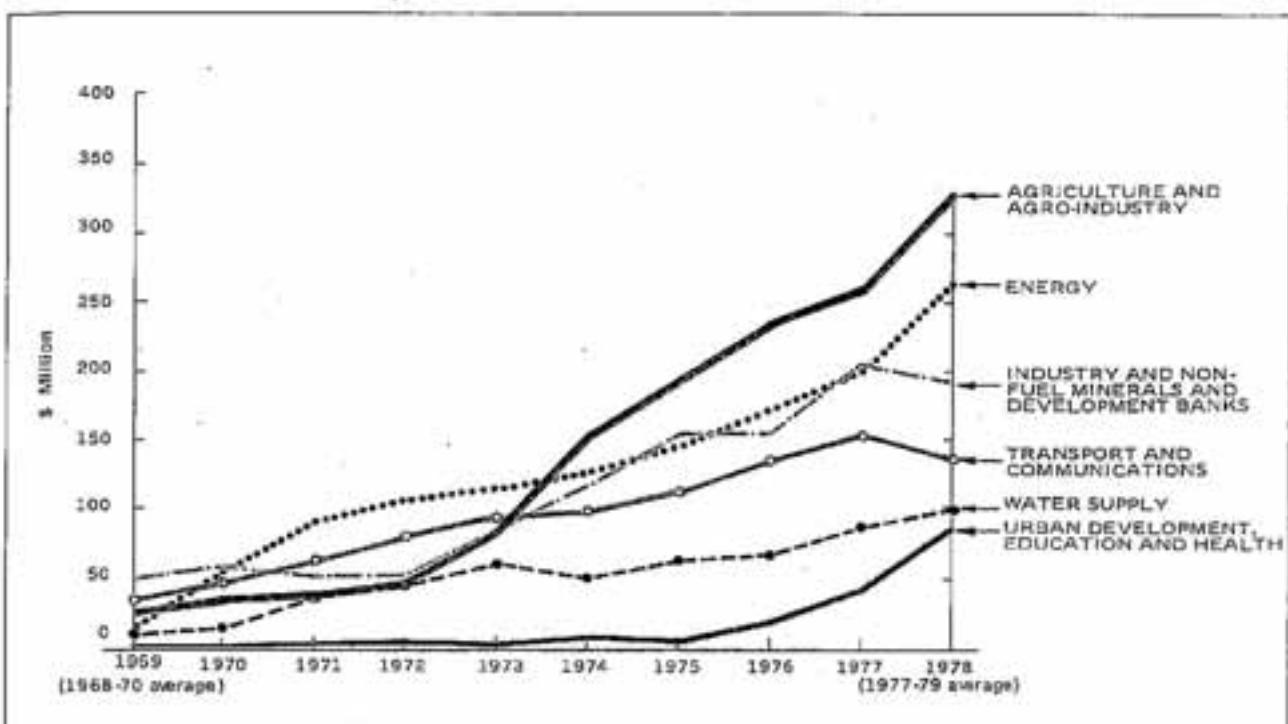
A new type of program loan for crop intensification was added to the Bank's loan portfolio in 1979. This combined the provision of fertilizer with the strengthening of extension, credit and distribution services and facilities.

During the year this sector received loans totalling \$412 million against \$311 million in 1978. Cumulative lending to the sector as of the end of December 1979 reached \$1,772 million.

Energy: The continued rise in the prices of oil and other fuels and its serious balance of payments implications for many DMCs have spurred efforts to accelerate the development of indigenous energy resources and to formulate policies and programs which are conducive to efficient use and conservation of energy.

Bank loans to the Energy sector in 1979 totalled \$325 million for 10 projects, compared with \$249 million for seven projects in 1978. Of these projects, seven were designed to exploit indigenous energy resources — hydropower, lignite and coal — while the other three were for ex-

LOAN APPROVALS BY SECTOR:
THREE-YEAR MOVING AVERAGES, 1968-1970—1977-1979



panding power transmission and distribution networks, as well as for improving system reliability and capacity utilization. Other activities included Bank participation in the preparation of a master plan for the development and management of Thailand's energy sector and of resource development projects in Nepal (hydropower) and in Bangladesh (natural gas). Cumulative lending to the Energy sector as of the end of 1979 amounted to \$1,581 million and comprised 84 projects.

Industry and Non-Fuel Minerals and Development Banks: The majority of DMCs have also assigned a high priority to industrialization as a strategy for achieving accelerated economic development. Efforts at industrialization have generally been two-pronged. On the one hand, the establishment of small and medium-scale industries to generate greater employment, improve technical and managerial skills and to meet domestic and export needs has been actively pursued. On the other, the setting up of larger industrial projects embodying economies of scale has been considered equally important. The Bank's lending has supported both these efforts towards industrialization.

Development banks have proved to be appropriate channels for financing small and medium-scale enterprises which are normally beyond the reach of direct Bank financing. The provision of credit lines has also strengthened the development banks themselves, enhancing their capacity to tap other sources of funds and making them more effective instruments for economic development.

The Bank's first program loan to the industrial sector — a \$5.2 million loan for Burma's cement industry — was

made in 1979. The objective of this loan was to help complement the creation of additional capacity with the optimization of operating efficiency and use of existing plant and equipment. During the year the Bank also provided assistance for industrial research work in the Republic of Korea to facilitate the long-term development of higher technology in the country's industries.

Six credit lines for a total of \$137 million were extended to development banks during the year, compared with \$158 million for seven credit lines in 1978. As of the end of December 1979 the Bank had approved 52 credit lines totalling \$979 million to 24 development banks in 16 DMCs.

Bank lending to the Industry and Non-Fuel Minerals and Development Banks sectors totalled \$157 million in 1979 compared with \$282 million in the previous year, while cumulative lending reached \$1,337 million at the end of 1979.

Transport and Communications: Recognizing the important contribution made by transport and communications to the socio-economic progress of its DMCs, the Bank has continued to provide substantial support to this sector. Loans totalling \$115 million were approved in this sector during the year against \$138 million in 1978. Cumulative lending as of the end of December 1979 reached \$1,052 million.

Ports dominated lending to this sector in 1979, accounting for 76.5 per cent of the total. The main objectives of Bank support are to help DMCs improve and expand port facilities, handle rising cargo volumes and meet the demands of changing technology — particularly in ship-

ping. Bank assistance in 1979 for roads was primarily designed to rehabilitate and extend basic, low-cost transportation facilities to underdeveloped areas.

Water Supply and Sewerage: In recent years the Bank has contributed significantly to improving and expanding water supply and reducing problems caused by inadequate and overloaded sewerage systems in the major urban centers of its DMCs. It has sought to ensure the careful application of appropriate technology and service standards. The projects approved in 1979 were designed to increase water supply and sewerage efficiency and to improve their financial viability in the future, the projects themselves forming part or envisaging the preparation of long-term master plans for development of this important sector.

Five loans totalling \$108 million were approved in 1979, compared with \$94 million for four loans in 1978. Total lending to this sector by the end of 1979 reached \$621 million.

Urban Development: The Bank has tried to adopt a more comprehensive approach to problems created by the rapid growth of urban areas — problems such as high population densities, sub-standard and over-crowded dwellings and inadequate educational and health facilities. Bank-assisted projects pay special attention to the needs of the poorer segments of the urban population as in the case of the Bandung Urban Development Project in Indonesia, approved during the year. Bank loans to this sector nearly quadrupled from \$16 million in 1978 to \$62 million in 1979. As of the end of 1979, cumulative lending to this sector totalled \$99 million.

Education: Education and training systems make a major contribution to all sectors of a country's economy in terms of supplying the necessary quantity and quality of occupational skills. The Bank therefore aims at improving the quality of selected educational programs which will, in turn, help augment manpower resources by upgrading occupational skills.

The Bank expanded its support for this sector during 1979, approving loans for four projects and technical assistance grants for three others. These projects covered a wider range of educational activities while maintaining the emphasis that the Bank has placed in the past on technical and vocational education.

Lending for education totalled \$71 million in 1979, more than double the \$30 million approved in 1978. Cumulative lending reached \$149 million at the end of 1979.

Health: During the year the Bank completed surveys in four DMCs and commenced work in two others to evaluate potential assistance in this comparatively new area of activity. It also approved two technical assistance grants for health-related projects in Nepal and Pakistan. The Bank also formulated guidelines for its role in population activities.

LENDING RATE: The lending rate on ordinary loans was lowered from 7.70 per cent to 7.40 per cent per annum, effective 1 January 1979. The rate was revised upward in August to 7.60 per cent and remained unchanged for the rest of the year.¹

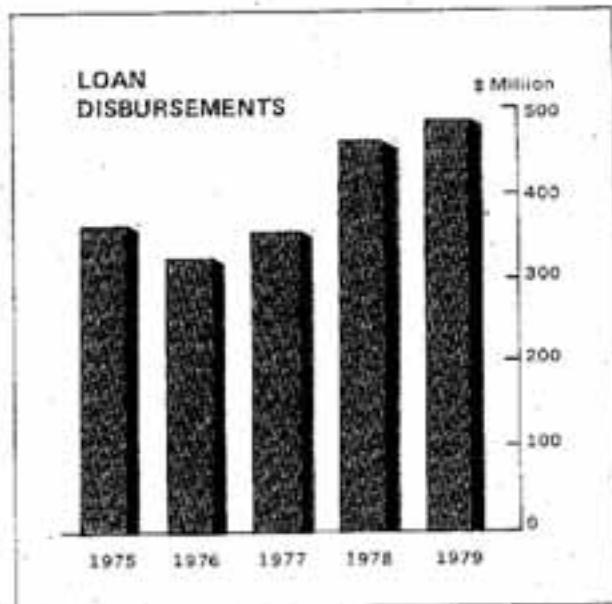
¹ The lending rate was raised to 8.10 per cent per annum with effect from 1 January 1980.

Special Funds loans carry no interest and have continued to be made at a service charge of 1 per cent per annum since 1974.

DISBURSEMENTS AND LOAN ADMINISTRATION: Loan disbursements from ordinary capital resources and Special Funds totalled \$486 million during 1979, against \$462 million in the preceding year. Disbursements from ordinary capital resources amounted to \$361 million (\$295 million in 1978) and, from Special Funds, \$125 million (\$167 million in 1978). As of the end of 1979, total disbursements were \$1,676 million from ordinary capital resources and \$587 million from Special Funds.

A total of 238 loans were under implementation in 1979 with 55 becoming effective during the year. A total of 27 projects were completed in 1979.

During the year, efforts continued to be made to strengthen loan administration. A system of semi-annual



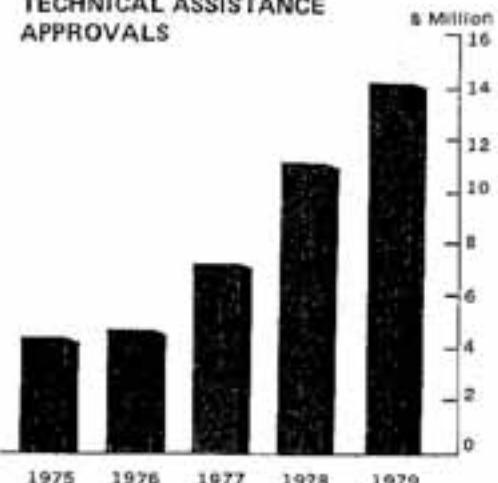
reviews of ongoing projects by senior staff and Management was instituted. Other steps included the preparation of quarterly reports on loan review missions and intensification of training activities to upgrade the implementation skills of staff belonging to project executing agencies.

TECHNICAL ASSISTANCE: Technical assistance to DMCs, which enables them to make more effective use of development funds and also to generate new projects for Bank financing, expanded substantially during the year. Approvals of grants for 59 technical assistance projects¹ in 17 DMCs totalled \$14 million² compared with \$11 million for 47 projects in 18 DMCs in the previous year. Of the projects approved in 1979, 20 were wholly or partly financed from

¹ Excluding regional activities.

² Additionally, the Bank made two technical assistance loans totalling nearly \$4 million in 1979.

TECHNICAL ASSISTANCE APPROVALS



other sources with the Bank acting as executing agency and four projects received additional funding from the Food and Agriculture Organization under cost-sharing arrangements with the Bank.

On a sectoral basis, Agriculture and Agro-Industry received the largest share of technical assistance although its share dropped slightly from 61.2 per cent in 1978 to 56.2 per cent. The Energy sector accounted for 17.9 per cent, followed by Transport and Communications (7.7 per cent) and Urban Development (5.7 per cent), while Water Supply, Education, Health, Development Banks and other activities accounted for the rest.

In 1979 alone, more than a third of the Bank's loans resulted from earlier Bank technical assistance. As of the

end of December 1979, 132 loans totalling \$2,038 million had stemmed from technical assistance previously extended by the Bank.

REGIONAL ACTIVITIES: During the year the Bank was involved in a number of regional activities. These included a Training Program on Development Banking for the South Pacific Region (the second undertaken by the Bank); seminars on Procurement and Project Implementation Management; a grant to the International Rice Research Institute (IRRI) for a research program designed to boost yields in areas with low productivity; a second regional program on Project Implementation and Supervision; and a contribution to the Asian Productivity Organization's Tenth Project Feasibility Study Training Course. It was also decided to hold a sub-regional seminar¹ to examine the major findings of the South Pacific Agricultural Survey, which was completed in June 1979.

POST-EVALUATION: Post-evaluation of completed projects, which has become an integral part of the Bank's operations, was given increased attention during the year. The Bank's efforts in this field are intended to assess whether the projects have achieved their objectives and to extract the lessons of experience from completed projects for application in the design and implementation of ongoing and future Bank-assisted projects.

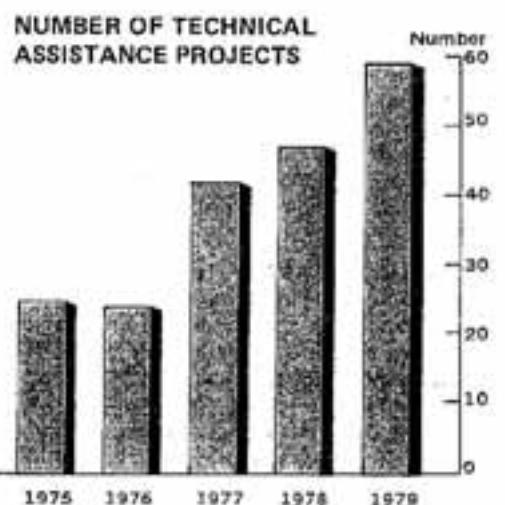
Increased emphasis was placed during the year on the preparation of Project Performance Audit Reports (PPARs) which evaluate selected aspects concerning projects and assess the Project Completion Reports (PCRs). PCRs were prepared during 1979 for 12 out of the 20 projects selected for post-evaluation. With the increasing flow of PCRs, it is expected that the preparation of PPARs will accelerate in 1980.

POLICY REVIEWS: With the objective of responding more effectively to the changing needs of the region, the Bank undertook during the year several reviews of its lending policies and also set guidelines for operations in specific areas, based on sectoral studies.

These covered, among others, the Bank's Role in Agriculture and Rural Development, Program Lending for the Agriculture and Rural Development Sector, Bank Operations in the Fisheries Sector, the Bank's Role in Population Activities, Co-financing, Lending Foreign Exchange for Local Currency Expenditures on Projects, and Guidelines on the Use of Consultants.

The Board of Directors decided that, while ensuring that adequate resources would continue to be made available for other sectors, the Bank should aim to increase the absolute level of its lending to the agricultural and rural development sector by 20 per cent each year during 1979-1982. Within the policies and procedures on program lending defined in 1978, the provisions relating to program lending for the Agriculture and Rural Development sector were made more flexible to meet specific requirements. The Board also decided during the year to raise the ceiling on the amount of local cost financing that could be provided from Special Funds from 10 per cent to 15 per cent of the total proposed annual lending from that source. The ceiling of 5 per cent for local cost financing in ordinary operations remained unchanged.

NUMBER OF TECHNICAL ASSISTANCE PROJECTS



¹ Subsequently held in Asia, Western Samoa, in January 1980.

It was decided that Bank projects in other sectors, particularly the Health sector, should as far as possible incorporate population or family planning components and that the Bank could also assist population projects *per se*.

Following completion of a review of the Guidelines on the Use of Consultants in 1978, revised guidelines were issued in 1979. Among other things, these were designed to facilitate the use of consultants from developing member countries.

In addition, papers on several other major policy areas, such as Environmental Considerations in Bank Operations, A Currency Scheme for Disbursement of Loans to Development Finance Institutions and other Intermediaries, Lending and Relending Policies, Streamlining of Loan and Technical Assistance Processing Work of the Bank and A Framework for Public Utility Tariff Provisions were circulated for Board consideration. A paper on Sector Lending was also completed.

ORDINARY CAPITAL RESOURCES: Total subscriptions to the second general capital increase amounted to \$4,795 million (SDR 3,640 million) at the end of 1978. During the year, three member countries subscribed to their full share of entitlements, thus increasing the total subscriptions as at the end of 1979 to \$4,818 million (SDR 3,658 million).

Pending a decision on the valuation of the Bank's capital stock, action on maintenance of value has been held in abeyance since 1 April 1978 when the Second Amendment to the Articles of Agreement of the International Monetary Fund came into effect.

Borrowings during the year amounted to the equivalent of \$348 million, with six bond issues in four currencies — Swiss Francs, US Dollars, Deutsche Marks and Japanese Yen — while two earlier issues totalling \$90 million were redeemed. The Bank tapped the long-term syndicated loan market in Japan for the first time, reflecting efforts to obtain more advantageous terms, particularly with respect to longer maturities.

SPECIAL FUNDS: The highlight of 1979 was the coming into effect in March of the second replenishment of the Asian Development Fund (ADF III), which is designed to meet the concessional lending program of the Bank over the period 1979-1982. As of the end of the year, Instruments of Contribution deposited by 11 countries for a total amount of \$1,377 million equivalent had become effective. Of this, an amount of \$344 million equivalent (at 1 April 1978 exchange rates) had become available to the Bank for loan commitments. The ADF III replenishment, which was authorized by the Board of Governors in July 1978, provides for contributions from developed member countries in an aggregate amount equivalent to \$2,150 million, consisting of \$2,000 million in basic contributions and \$150 million in supplementary contributions.

The total Special Funds resources for concessional lending stood at \$2,065 million at the end of 1979. Loan commitments from these resources amounted to \$1,959 million, leaving a balance of \$106 million, of which about \$9 million remained available for commitment after allowance for exchange rate fluctuations.

Seven countries made contributions to the Bank's Technical Assistance Special Fund (TASF) during 1979, amounting to \$4 million equivalent. At the end of the year, total contributions to the TASF had reached \$41 million, of which \$24 million had been utilized by the Bank.

REORGANIZATION: With a view to providing more effective support for its expanding activities, the Bank at the beginning of the year reorganized and strengthened its administrative functions. The former Administration Department was divided along functional lines into the Budget, Personnel and Management Systems Department and the Office of Administrative Services.

OUTLOOK: Overall, the Bank's performance in 1979 added to its achievements in the 1970s and geared the organization — in terms of its capacity to lend, to arrange co-financing, to provide technical assistance and to mobilize resources from member countries and the world capital markets — for a larger role in the new decade. The expanding program of post-evaluation studies and the steps to strengthen its research and analytical capability should help the Bank further increase its impact and broaden its developmental role in the region.

It is estimated that the total amount of \$8.7 billion the Bank has lent for 415 projects will result in a cumulative investment of over \$16.5 billion, including funds invested by the borrowing countries and co-financiers. Additionally, some 325 projects involving \$61 million in technical assistance grants have helped augment the flow of external funds to DMCs and facilitated their effective use. The multiplier effect of these grants is illustrated by the fact that an outlay of \$26 million in technical assistance for project preparation resulted in loan approvals of \$2,038 million by the Bank.

Subject to a review in 1980 of the Bank's ordinary lending program, current projections envisage total lending in excess of \$3 billion from the Bank's ordinary capital resources and around \$1.7 billion from its Special Funds during the 1980-1982 period. This program is based on a progressive growth in its overall lending and is designed to ensure increased attention to the Agriculture and Rural Development sector, an expanding role for energy development and a widening of activities in the Social Infrastructure sector, especially Education, Health and Population. The program also calls for a substantial increase in the Bank's technical assistance activities and continuing efforts to streamline operational policies and procedures to meet the changing needs of DMCs.

The Bank has begun preparatory work to formulate a comprehensive strategy for its programs in the 1980s. Studies will be undertaken to identify major issues affecting the development of DMCs and to help strengthen the Bank's role in the region's development process during the new decade. In particular, these studies will provide a basis for the Bank to assess the size and relative emphasis of its lending and technical assistance activities during the period in which a further capital increase and replenishment of ADF will become necessary.

HIGHLIGHTS OF THE BANK'S OPERATIONS, 1967-1979

Developmental Role

- * 143 loan projects and 214 technical assistance projects had been completed by the end of 1979.
- * Every dollar lent by the Bank is matched with an investment of about \$1.5 by the borrowing countries and, in certain cases, by outside co-financiers. The Bank's total lending of \$5.7 billion is expected to lead to an overall investment of over \$16.5 billion.
- * 67 loan projects involved co-financing of \$1,541 million. This comprised \$875 million from bilateral sources, \$552 million from multilateral sources and \$114 million from export credit and commercial sources.
- * 132 out of 415 loan projects resulted from the Bank's project preparatory technical assistance to DMCs. An outlay of \$26 million in technical assistance led to Bank lending of \$2 billion for these projects.
- * In an effort to promote regional economic growth and development, the Bank conducted five major regional surveys — Asian Agricultural Survey, Southeast Asian Regional Transport Survey, Study of Southeast Asia's Economy in the 1970's, Second Asian Agricultural Survey and South Pacific Agricultural Survey.

Resources

- * Raised resources totalling nearly \$2 billion from international capital markets for ordinary lending. Of these borrowings, \$1.8 billion is outstanding.
- * Mobilized more than \$2 billion in Special Funds contributions from developed member countries for concessional lending to the Bank's poorer and less developed member countries; and about \$41 million from both developed and developing member countries for financing the Bank's technical assistance activities.

Economic and Social Impact

- * 54 irrigation and area development projects covering about 1.5 million hectares, which support about 1.4 million farmers. Total population expected to benefit — about 6.9 million.
- * 22 fisheries development projects which will create additional employment opportunities for about 58,000 fishermen, raise fish catches by about 485,000 metric tons (m.t.) per year and benefit about 25 million consumers.
- * Seven livestock projects which will benefit 750,000 farmers; create 10,000 jobs; provide yearly increases in production of 70,200 m.t. of milk, 40,488 m.t. of meat, 2,000 m.t. of hides and 732 m.t. of wool; provide modern livestock training for 5,000 people; increase animal feed production by 360,000 m.t.; and improve animal health services.
- * Seven fertilizer projects which will help increase the region's fertilizer supplies by 1.6 million tons of nitrogen nutrients and 76,000 tons of phosphate nutrients per annum.
- * 3,996 subloans to small and medium-scale enterprises through credit lines to DFIs.
- * 80 projects for creation of 4.1 million kilowatts² of generation capacity and for about 42,700 kilometers of transmission-distribution circuits; of the generation capacity to be developed, over three-quarters will be based on indigenous resources such as water, natural gas and lignite.
- * 34 water supply and sewerage projects, which will help increase water supply capacity by 3.3 million cubic meters per day to 17 million cubic meters per day, benefitting over 43 million people in metropolitan areas, smaller towns and provincial districts.
- * Construction or upgrading and improvement of 5,375 kilometers of roads in 32 projects, serving an estimated population of 43.5 million.
- * Construction, rehabilitation, modernization and expansion of ports in 11 countries to increase cargo-handling capacity by about 32 million tons per year.
- * Three coal mining projects which will help increase the region's coal supplies by four million tons per annum.
- * Three projects for the expansion and upgrading of the physical facilities and institutional structures of industrial research institutes engaged in undertaking applied research and products and processes testing services for supporting industrial growth.
- * Upgrading and expansion of vocational, technical and professional education in 67 institutes which have an annual output of approximately 2,230 skilled workers, 4,700 technicians and 6,340 engineers.
- * Three housing schemes which will provide 2,650 low-cost houses and 14,000 low-cost flats, and one urban development project which will help improve living conditions for about 830,000 people by providing 7,600 low-cost houses, sanitation and other facilities.
- * Two hospitals/polyclinics and clinical training services projects under construction providing in two years' time a total of 2,150 beds to serve about 1.5 million people. Additionally, under area/rural development projects, assistance for nearly 120 health centers, clinics, including family planning centers; and small hospitals to serve about 1.8 million people.



ECONOMIC DEVELOPMENTS

DURING THE decade 1970-79, the average annual growth rate of real output in the Bank's developing member countries (DMCs) was relatively high, despite unfavorable developments in the world economy since 1974. The growth rate in several DMCs was higher than the 6 per cent target established by the United Nations for the Second Development Decade but fell short of this mark in the low-income countries. The rate of increase in agricultural production improved significantly, although many DMCs did not achieve their objective of self-sufficiency in foodgrains. The contribution of manufactures to national output, total employment and exports increased steadily in many DMCs. In some of them manufacturing has emerged as the leading sector of the economy.

In 1979 — the last year of the decade of the 1970s — however, the economic performance of DMCs was significantly below the overall average performance during the decade. The setback suffered by DMCs during 1979 was due to a combination of factors. While some of these factors were domestic in origin, others resulted from several adverse international developments.

The International Setting

The world economy was beset with many problems and growing uncertainties during 1979. A series of oil price increases, far higher than those originally announced by the Organization of Petroleum Exporting Countries (OPEC), almost doubled the price of oil during 1979. These increases, which came at a time when many industrialized nations were already afflicted by stagflation, led to a deterioration in the balance of payments on current account of oil-importing countries, higher rates of inflation, greater instability in foreign exchange rates, and reduced rates of economic growth. World production of foodgrains also declined, causing serious food shortages in several countries.

The impact on individual countries of the economic changes which occurred during the year varied, depending on each country's vulnerability to external factors and its ability to formulate and implement policies to cope with the changing circumstances.

The rate of growth in Gross National Product (GNP) of the countries which are members of the Organization for Economic Cooperation and Development (OECD) averaged 3.5 per cent in 1979 compared with 3.9 per cent in 1978. At

the same time, the average rate of inflation¹ in OECD countries increased from 7.9 per cent in 1978 to 10.6 per cent in 1979, the level of unemployment rose, and the combined balance of payments on current account changed from a surplus of \$9.1 billion in 1978 to a deficit of \$30 billion in 1979. According to preliminary indications, the real GNP growth of OECD countries in 1980 could be in the range of 1 to 1.5 per cent and the current account deficit may double to perhaps \$60 billion.

The OPEC countries generally maintained their high growth rates in real income. Their terms of trade improved as a result of the increase in oil prices, and their current account surplus is estimated to have increased from \$7 billion in 1978 to \$65 billion in 1979.

The non-oil developing countries were hard hit by higher oil prices and the increasing cost of other imports. While their individual growth rates varied widely, their combined growth rate in 1979 would appear to have been below the average annual rate of 4.7 per cent they achieved during 1974-78. Their rate of inflation also increased; the average rate in 1979 was about 28 per cent, compared with about 25 per cent in 1978. For many developing countries, a deterioration in their terms of trade contributed to the reduction in their growth rate and they were therefore forced to adopt austerity measures, to pare down their investment programs, to make structural adjustments in their economies, and to step up their quest for alternative sources of energy. Besides having to adjust to higher import costs, many developing countries found that the demand for their exports was adversely affected because of the slower growth, increased unemployment and continued restrictions on certain imports in some of the major importing countries.

Recent estimates indicate that the current account deficit of non-oil developing countries increased from \$36 billion in 1978 to \$47 billion in 1979, and OECD projections suggest this could increase to \$60 billion in 1980. These increasing deficits are imposing a heavy burden on most developing countries, particularly the less developed countries which depend mainly on flows of official capital made available on concessional terms to promote development.

Food shortages reached serious proportions in several developing countries during 1979. The world production of

1. Throughout this chapter inflation refers to increases in consumer prices.

rice, a staple food in most of Asia, was 2 per cent less while production of other cereals was 4 per cent less in 1979 than in 1978. The downturn in the production of cereals led to a reduction in food inventories and to higher prices. World carry-over stocks of cereals are expected to have been reduced by 6 million tons, to 260 million tons, by the close of the 1979/80 crop year.¹

Economic Developments in DMCs

The economic situation of DMCs in 1979 compared unfavorably with that of 1978 in several aspects: their total production of foodgrains was lower; the rate of inflation in most DMCs was higher; their combined balance of trade deficit increased; and the rate of growth of their total output in real terms declined. Nevertheless, with a few major exceptions, the rate of growth in Gross Domestic Product (GDP) in DMCs was sufficient to enable a modest increase in per capita income.

In most of the DMCs for which preliminary estimates of GDP for 1979 are available (see Table 1),² the rates of growth were below those in 1978. The exceptions were Burma, Hong Kong, Malaysia and Singapore. In Burma the higher rate of growth was due to the improved performance

1. The figures cited are estimates prepared by FAO, and include for the first time estimates for USSR and the People's Republic of China.

2. The tables referred to in this chapter appear on pages 63-93.

ESTIMATED RATE OF REAL GROWTH OF SELECTED DMCs, 1978-1979



of the industrial sector, while those in Hong Kong and Singapore resulted from the buoyancy of their manufacturing, trading and commercial sectors. Malaysia's improved growth performance was largely attributable to a strong recovery in agricultural production and the higher prices of some of its major exports.

The growth rate in Thailand fell sharply but still remained in line with the general trend of its growth rate during the 1970s. The 1979 growth rates in Republic of China, Indonesia, Republic of Korea, Philippines and Sri Lanka were lower than their growth rates during 1970-78; while in Bangladesh and Pakistan, the 1979 growth rates were lower than in 1978 but higher than the average for the period 1970-78.

The slower rates of growth in Indonesia, Philippines, Sri Lanka and Thailand largely resulted from a decline in the growth rates of their agricultural sectors, while in the other countries mentioned in the preceding paragraph, they were due largely to slower growth in non-agricultural sectors. Except for Indonesia and Malaysia, which are net exporters of oil, and Burma which is self-sufficient, the economic performance of all these countries during 1979 was adversely affected by increased oil prices.

Of the DMCs for which GDP figures are not available, India's GDP is not likely to show any growth in real terms. India experienced a severe and prolonged drought during 1979 which is expected to reduce the level of its agricultural production in the crop year 1979-80 by about 5 per cent from that achieved in the previous crop year. Hydro-electricity generation, which constitutes about 45 per cent of total power generated, increased by only 3.7 per cent in 1979 as compared with an increase of 27.1 per cent in 1978. This affected overall availability of power for some of the sectors during 1979.

Of the other DMCs for which 1979 GDP figures are not available, it would appear that the growth rate in Lao People's Democratic Republic and Viet Nam improved somewhat in 1979 largely as a result of higher agricultural output. Due to crop losses caused by drought, the GDP growth rate in Nepal is expected to be below the level of the previous year. In Afghanistan, serious dislocations caused by the situation prevailing in that country during the year together with adverse weather conditions would indicate that GDP declined below the level in 1978. In Cambodia, events of the past year make difficult any assessment of the economic situation. While GDP of Kiribati declined on account of the cessation of phosphate production from mid-1978, other Pacific Island DMCs and Papua New Guinea appear to have achieved satisfactory growth rates during 1979, due largely to the favorable prices prevailing in the world market for their major exports.

The output of the agricultural sector in most DMCs was generally less satisfactory in 1979 than in 1978. Output declined in Afghanistan, Cambodia, India, Philippines, Sri Lanka and Thailand; and grew at a slower rate in Burma, Republic of China, Indonesia, Nepal and Papua New Guinea. It increased at a faster rate in 1979 in only six major countries: Bangladesh, Republic of Korea, Lao People's Democratic Republic, Malaysia, Pakistan and Viet Nam, all of which had experienced a decline in agricultural production in 1978 except Viet Nam. The generally unfavorable agricultural performance in 1979 was attributable mainly to adverse weather, compounded by the rising cost of agricultural inputs.

The lower production of foodgrains in DMCs in 1979 largely accounted for the decline in their agricultural output. Their total output of cereals fell from 257 million tons in 1978 to 252 million tons in 1979. Of the three main cereal crops, the production of rice declined from 194 million tons in 1978 to 185 million tons in 1979, the largest reduction being in India. The reduction was partly offset by an increase in the production of wheat from 44 million tons in 1978 to 48 million tons in 1979, which was mainly the result of good wheat harvest in India and Pakistan in early 1979. The output of maize fell by 6 per cent in 1979; increased production in Philippines and Thailand being more than offset by decreased production in Indonesia and India.

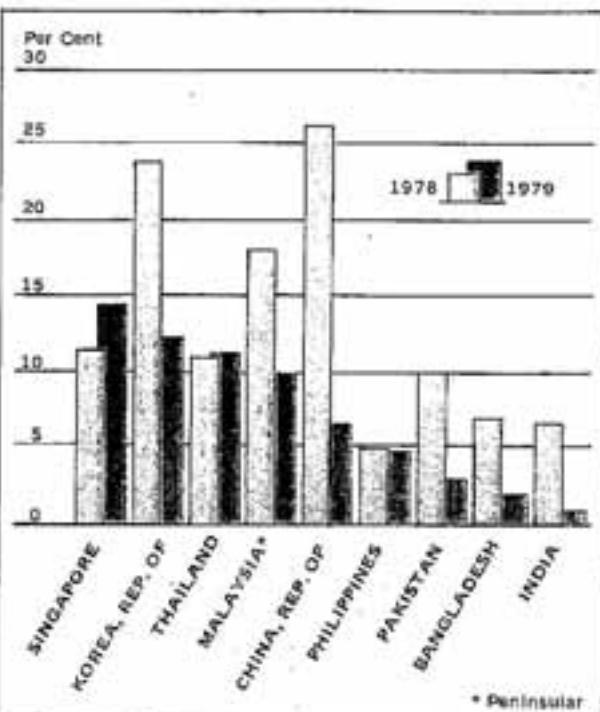
Increase in population is the main factor contributing to the higher demand for food in DMCs, particularly in the case of the low income and more populous countries. The aggregate population of the region grew by 2.2 per cent in 1979 as against 2.3 per cent in 1970-74. Though the overall growth rate had declined slightly, in a number of DMCs (Afghanistan, Bangladesh, Burma, Indonesia, Pakistan, Papua New Guinea, Philippines, Solomon Islands, Sri Lanka and Viet Nam) rates of population growth were on the increase or were unchanged between the two periods.

Because of the reduced output in 1979 and expanding population pressures, several DMCs had to increase their imports of foodgrains, though some were able to meet their needs by drawing on their stocks of foodgrains. The DMCs' total imports of foodgrains increased from about 20 million tons in 1978 to 22 million tons in 1979. The largest importers of foodgrains were Bangladesh, Indonesia, Republic of Korea and Pakistan whose combined imports of rice, wheat

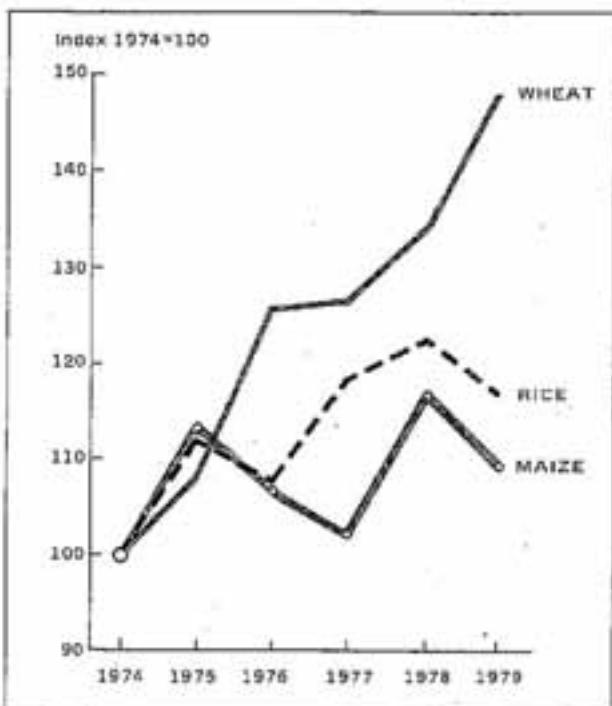
and maize were about 12 million tons in 1978 and 13 million tons in 1979.¹

The rate of growth of industrial production in most DMCs was lower in 1979, mainly because of slower growth in manufacturing. The only exceptions were Fiji — which experienced a decline in manufacturing output in 1978 — Malaysia, Singapore and Thailand. While the relevant index is not available for Hong Kong, the growth in its manufacturing output also appears to have been higher in 1979 than in 1978. In other countries, a number of factors accounted for the slowdown in manufacturing output: higher input costs; shortages of agricultural raw materials, hydropower and reduced rural household income in some DMCs which suffered from drought; and a reduced demand for exports due to restrictions on imports of manufactured goods in a number of major importing countries.

CHANGES IN MANUFACTURING PRODUCTION OF SELECTED DMCs, 1978-1979



GRAINS OUTPUT OF DMCs, 1974-1979



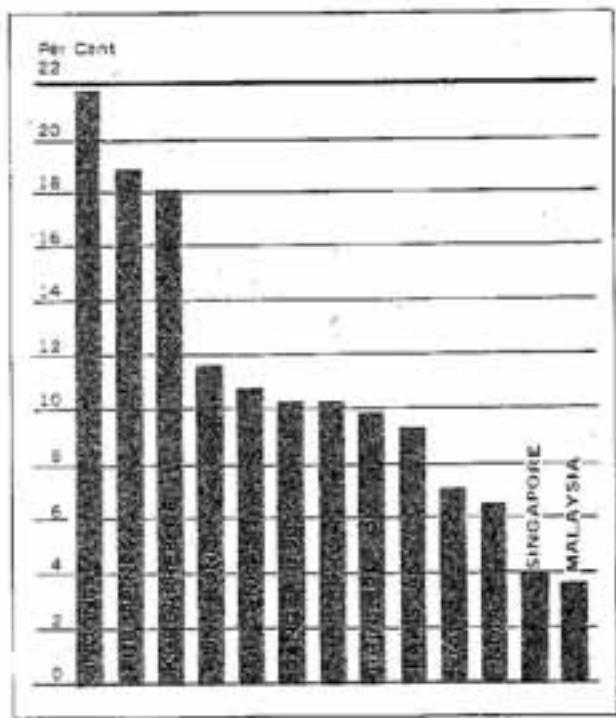
Tourism continued to be a small but dynamic sector in several DMCs and the receipts from tourism accruing to DMCs increased from \$4,500 million in 1978 to \$4,990 million in 1979 (Table 4) as the number of tourists visiting these countries increased from 12.5 million in 1978 to 13.2 million in 1979. The eight DMCs with the highest aggregate receipts from tourism in 1979 were Republic of China, Hong Kong, India, Republic of Korea, Malaysia, Philippines, Thailand and Singapore. Tourism has also become an important source of income for several other DMCs, such as Nepal, Sri Lanka, Maldives and several Pacific Island DMCs.

¹ For Pakistan, the figures are gross of exports of high quality rice averaging around 0.8 million tons a year.

The production of energy in DMCs also increased significantly in 1979. The production of petroleum in DMCs is estimated to have increased by 2.4 per cent from 116.4 million tons in 1978 to 119.2 million tons in 1979. The total production of electricity (both hydro and thermal) in those DMCs for which data are available increased from 230 billion kWh in 1978 to 256 billion kWh in 1979. The output of natural gas also increased. India, Indonesia, Pakistan, Philippines and Thailand reported significant gas and/or oil discoveries during 1979.

Higher food prices, large increases in oil prices and world-wide inflationary pressures led to higher rates of inflation in many DMCs in 1979 (Table 5). For the region as a whole, the weighted average rate of inflation increased from 6.5 per cent in 1978 to 11.6 per cent in 1979. While a majority of DMCs had a higher rate of inflation than in the previous year, in some it was kept at the same level or reduced. The highest rates of inflation were in Bangladesh, Cook Islands, Hong Kong, Indonesia, Kiribati, Republic of Korea, Nepal, Philippines, Sri Lanka, Thailand and Western Samoa, all of which had double-digit rates of inflation.

CHANGES IN CONSUMER PRICES OF SELECTED DMCs, 1979



A variety of factors accounted for the different rates of inflation experienced in DMCs in 1979. However, increased prices of imported oil and subsequent upward adjustments in public utility charges, in the prices of major consumer items and in wage rates were the common contributing factors in most cases. The situation was accentuated in some DMCs by domestic factors, such as crop failures, expansion in money supply, speculative hoarding and impact of exchange rate depreciations.

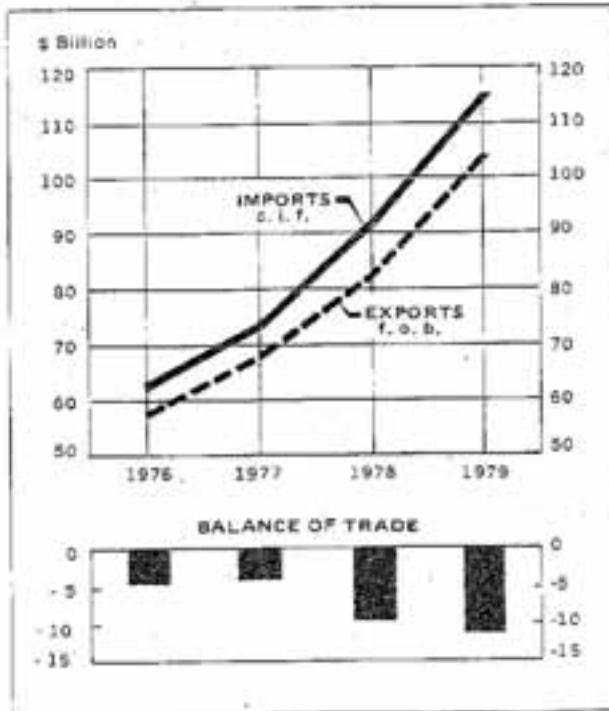
The deficit in the combined balance of trade of DMCs increased from \$9.6 billion in 1978 to \$11.0 billion in 1979 (see Table 6). This was despite the higher rate of increase in DMCs' export earnings (26.4 per cent) than in their payments for imports (25.3 per cent).

Though the total trade deficit increased, some DMCs showed a better trade position in 1979. The two DMCs which are oil exporters, viz., Indonesia and Malaysia, each had a higher trade surplus in 1979 because of the higher prices and/or increase in the volume of their exports. The devaluation of the rupiah helped Indonesia to increase its exports of non-oil products. Papua New Guinea maintained its trade surplus at the level of 1978. Burma also improved its balance of trade and, after having had a deficit for several years, recorded a sizeable surplus in 1979 attributable mainly to its self-sufficiency in oil and the export-oriented policies it has been pursuing in recent years.

The Republic of China had a sizeable trade surplus, though it was considerably less than in 1978, because its import bill rose by 33.6 per cent while its export earnings rose by only 27 per cent.

Most of the other DMCs had larger trade deficits in 1979. Their total deficit was \$19.7 billion in 1979 which was 33.6 per cent higher than the deficit of \$14.7 billion in 1978. Six DMCs, namely, Hong Kong, Republic of Korea, Pakistan, Philippines, Singapore and Thailand, together accounted for 85 per cent of this deficit. The larger deficit for the Republic of Korea was primarily caused by the import liberalization measures adopted by the country to ease domestic shortages of essential commodities and made possible by its satisfactory international reserves position, High rates of economic growth and the consequent rapid

FOREIGN TRADE OF DMCs, 1976-1979



increase in imports account for the larger trade deficits of Hong Kong and Singapore. The increased trade deficits of Pakistan, Philippines and Thailand were due to a very rapid rate of growth in import requirements, since in each case the deficit increased despite the very high rate of growth of exports achieved in 1979. Imports of investment goods and higher payments for oil accounted for this high growth in their imports.

The 1979 growth rate for the value of exports of DMCs was higher than in 1978. The overall value of exports in 1979 increased by 26.4 per cent, compared with an increase of 19.7 per cent in 1978. Most of the DMCs with a trade surplus, viz., Burma, Republic of China, Indonesia and Malaysia, had high growth rates for exports — 46.5 per cent, 27 per cent, 39.5 per cent and 34.7 per cent, respectively. India's exports continued to grow slowly (6.6 per cent), although this rate was significantly higher than the very low rate (3.7 per cent) recorded in 1978. Some of the other DMCs with a low or negative rate of growth in export earnings were Afghanistan, Kiribati, Nepal and Papua New Guinea. The remaining DMCs registered a moderate growth rate, which in most cases was higher than the average rate of inflation in the world economy but less than the rate of growth of imports.

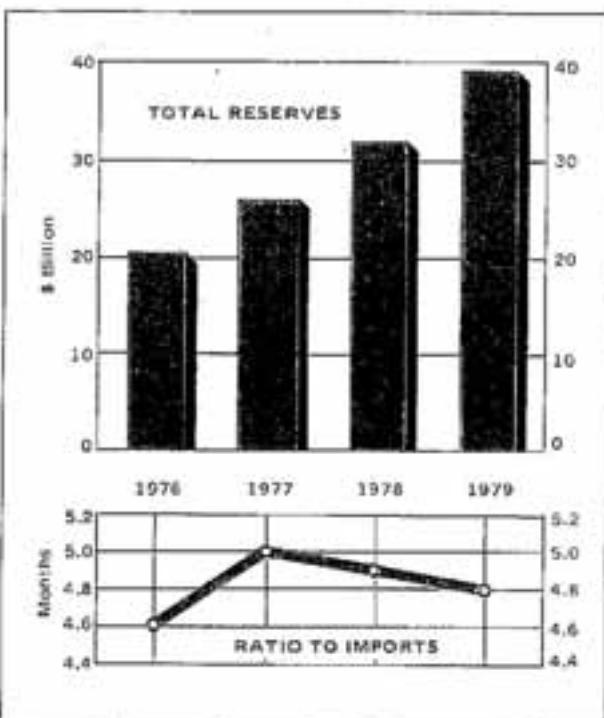
The aggregate value of imports of DMCs increased by 25.3 per cent from \$92 billion in 1978 to \$115 billion in 1979. This rate of increase was only marginally lower than the 25.9 per cent increase recorded in 1978. Of the \$23 billion increase in DMCs' import payments during the year, nearly one-third was accounted for by increased payments for their oil imports. The increases in imports were generally more uniformly spread among DMCs than those in exports.

The pattern of trade has shown very little change in recent years. The latest available data (for 1979) show that Japan, United States and Western Europe continued to be the main trading partners of DMCs. They absorbed 18.2 per cent, 25.5 per cent and 17.9 per cent respectively of the total exports of DMCs, and supplied 26.0 per cent, 15.3 per cent and 17.9 per cent respectively of total imports. The shares of intra-regional trade in exports and imports were 18.3 per cent and 15.6 per cent respectively. The share of Middle East countries in DMCs' exports in 1978 was 6.4 per cent and that of imports 11.7 per cent. These shares were only marginally different from those observed in 1977, except for the share of Middle East countries in the imports of DMCs which declined from 14 per cent in 1977 to 11.7 per cent in 1978. This was due to a faster increase in the cost of non-oil imports of DMCs during 1978, as oil prices were relatively stable during that year. However, with the doubling of oil prices during 1979, the share of Middle East countries in the total imports of DMCs would have again increased.

A comparison of the 1978 position with that in 1973 shows that over the five-year period, there was a decline in the relative share of DMCs' exports to Japan, and an increase in the shares of Middle East countries and the United States. On the import side, the share of DMCs' imports from the United States declined while those from Middle East countries registered a marked increase. The share of intra-regional trade in both DMCs' exports and imports over the same period declined marginally.

While the prices DMCs paid for imports in 1979 rose sharply, increases in the prices they received for their exports were generally modest. The terms of trade of several

INTERNATIONAL RESERVES OF DMCs, 1976-1979



DMCs (Burma, Republic of China, Hong Kong, India, Republic of Korea and Singapore) therefore deteriorated in 1979. Fewer DMCs (Indonesia, Malaysia, Pakistan and Philippines) had improvements in their terms of trade during the year.

The aggregate international reserves of DMCs increased from \$31.7 billion in 1978 to \$39.4 billion in 1979 (Table 7). However, because of the growing imports of DMCs, these were equivalent to about 4.8 months' imports — slightly less than in 1978. The increases in reserves were widely distributed among DMCs. Of the 20 countries for which data are available, only the reserves of Western Samoa fell.¹

Figures for DMCs' external public debt in 1979 are not yet available. The latest figures available (for 1978) show that the total public debt outstanding for DMCs increased from \$56.4 billion in 1977 to \$86.7 billion in 1978 (Table 8) and that the overall debt service ratio increased from 6.6 per cent to 7.6 per cent in the same period. There were, however, wide differences in this ratio and the data covered only official debt. The ratio therefore considerably understated the actual debt service requirements of those countries — mostly in Southeast Asia — which were in a position to raise large amounts in private borrowings and other debts not guaranteed by the government. In view of larger current account gaps in many DMCs during 1979, debt service ratios would have gone up further by the end of 1979.

¹ DMCs for which figures of reserves are not available are Cambodia, Cook Islands, Hong Kong, Maldives, Solomon Islands and Viet Nam.

Domestic Efforts and Policies

The domestic economic policies of DMCs were designed to meet both short-term and long-term objectives. The short-term objectives pursued during 1979 were to remedy the immediate problems resulting from external changes, food shortages and, in some cases, the mass movement of refugees within the region. The DMCs made pragmatic policy adjustments during 1979 to reduce the impact of higher prices for oil and other imports on their economies.

The higher costs of essential imports necessitated certain adjustments in the structure of domestic prices in DMCs during 1979. The domestic prices of goods and services having a high energy input were generally increased to bring them into line with the new world prices for oil and petro-chemical products. Though the adjustments added to domestic inflationary pressures, these pressures were held in check in several DMCs through vigorous stabilization measures. At the same time, efforts to reduce the consumption of energy resources were intensified and investment in the exploitation of domestic energy resources increased.

Despite foreign exchange difficulties, several DMCs pursued a policy of liberalizing imports, partly to ensure a supply of the imported items required for development purposes and partly to overcome shortages of essential commodities. DMCs simultaneously endeavored to follow policies designed to improve their export earnings so as to be able to meet the increased cost of imports.

In addition to the problems created by oil price increases and changes in the international economic environment, some DMCs had to face problems caused by economic dislocations, adverse weather conditions or an influx of refugees. Agricultural production in a number of DMCs in Indochina, South Asia and Southeast Asia was adversely affected by droughts. However, the food situation became critical only in Bangladesh, Cambodia and Nepal.

Bangladesh, with international assistance, procured and distributed over two million tons of foodgrains during 1979. This averted the threat of famine, which seemed very real at an early stage of the crisis. An international rescue operation was mounted in Cambodia to save people from starvation, but the success of this effort was impaired by continued armed conflict. To forestall a critical food situation in Nepal, the government appealed for emergency international food assistance.

India suffered from a prolonged and widespread drought in 1979 but coped with the resulting problem by using its large stocks of foodgrains to cover the shortfall in production. The level of agricultural development it has now attained, including its extensive system of irrigation, enabled India to contain the adverse impact of drought and narrow the gap between consumption and production to a far greater extent than in the past. Because of its large stocks, India did not import any foodgrains during the year; in fact, it was able to make significant amounts available to other countries in the region — Afghanistan, Bangladesh, Nepal and Viet Nam.

Another problem which several DMCs had to deal with during 1979 was the mass movement of refugees from Afghanistan, Cambodia and Viet Nam. Amongst DMCs, the major burden of the refugee problem fell on Hong Kong, Malaysia, Pakistan and Thailand, but other DMCs, such as Indonesia, Philippines and Singapore were also affected. Several DMCs provided permanent homes for refugees;

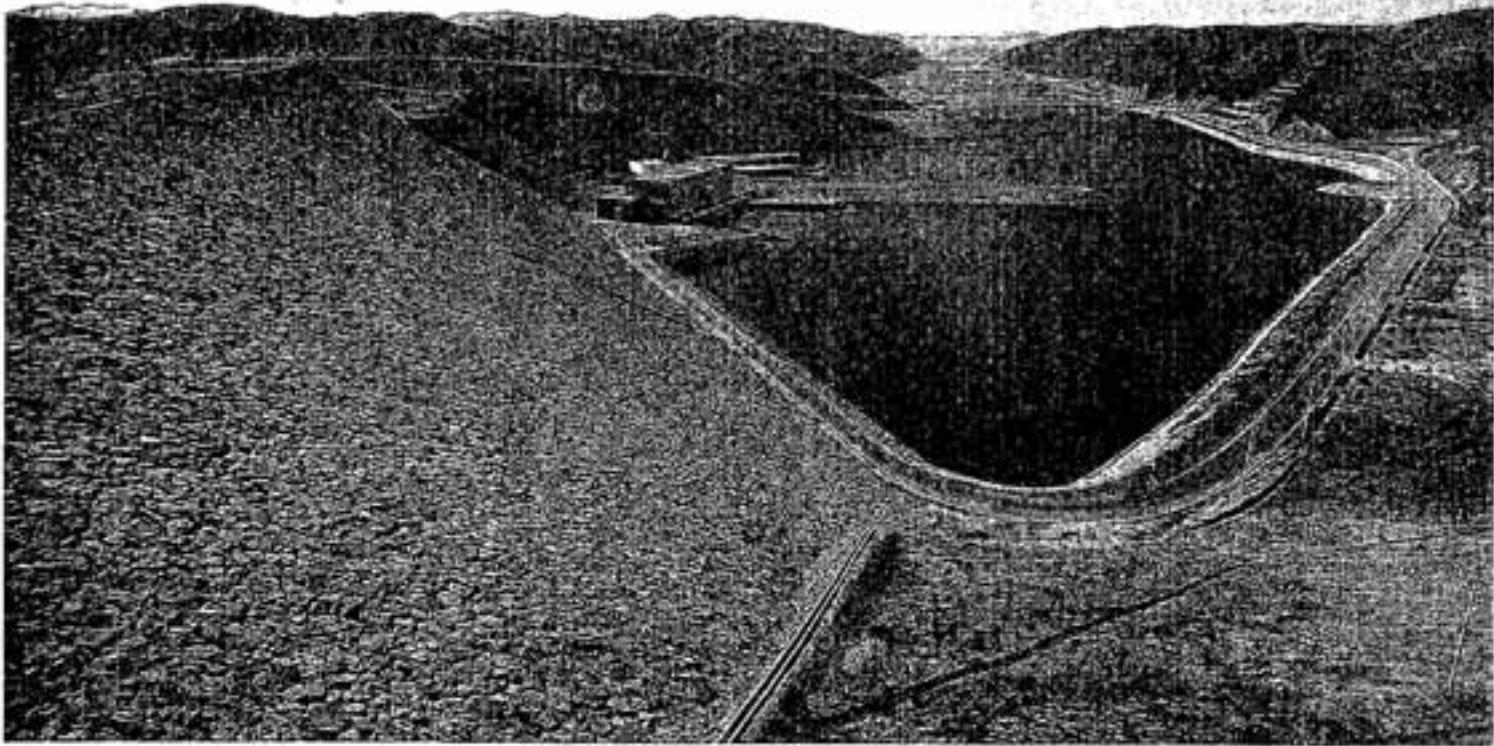
others provided temporary assistance while arrangements were being made for the refugees to proceed to their places of resettlement.

The long-term objectives of DMCs continued to be fostering economic growth, disseminating the benefits of this growth as widely as possible, improving economic management, attaining greater self-reliance and controlling the rate of population increase. As the resource endowment and level of industrial development of DMCs varied, the appropriate development strategy for various DMCs was different. The more industrialized DMCs were faced with rising costs of labor. Because of this, as well as the limitations on their exports of traditional labor-intensive products, these countries placed increasing emphasis during the year on capital and skill-intensive sectors, while retaining their basic export orientation. They also tackled more vigorously than before the problems of urbanization and environmental pollution.

Some other DMCs such as India, Indonesia and Pakistan placed emphasis mainly on the development of labor-intensive industries for import-substitution as well as for exports. In India, the government provided special incentives for the promotion of small-scale industries and reserved some industries or their expansion for the small-scale sector. Indonesia has undertaken an ambitious program of building a considerable number of industrial mini-estates within the next 10 years, in Java as well as in the outlying islands. These estates will provide infrastructure facilities, training and information for small industries. In Pakistan, the government liberalized investment in the private sector, particularly for medium and small-scale industries. As countries in this group have a large agricultural sector, they continued to place considerable emphasis on agriculture and rural development in pursuance of their twin goals of economic growth and equitable distribution of its benefits.

The predominantly agrarian DMCs, which suffer from low productivity and a high incidence of unemployment and underemployment, continued to give high priority to agricultural development and at the same time sought to generate employment in rural infrastructure projects and small and medium-scale industries with a high employment potential. The industries of these countries are mostly based on the simple processing of the principal agricultural commodities they produce. Afghanistan, Bangladesh, Burma, Nepal, Sri Lanka and Viet Nam, which are the major countries in this group, continued to adopt such policies during 1979.

The DMCs generally pursued policies to encourage domestic saving and investment and to attract foreign investors. Higher rates of inflation, however, and the consequent decline in real rates of interest tended to discourage private saving in some DMCs. Data on aggregate domestic savings and investments available for 12 DMCs (Table 9) show that in 1978 (the latest year for which such statistics are available), domestic savings were low in Bangladesh and Pakistan. Consequently, they depended heavily on external resources even to finance their moderate levels of investment. In the remaining DMCs the share of domestic savings in GDP was generally high and ranged from 17 per cent to 35 per cent. In three of these DMCs domestic savings exceeded their total investments; in seven others, although domestic savings fell short of total investment requirements, the dependence on external resources generally did not exceed 25 per cent of total investment and it was



OVERVIEW of the Andong Dam, the major component of the Bank-assisted Andong Dam Multi-Purpose Development Project, Republic of Korea. The Project supplies municipal and industrial water to large urban centers, boosts rice production through improved irrigation, produces hydropower and assists in flood control.

due not so much to inadequate mobilization of domestic savings as to their high levels of investment. During 1979, several DMCs improved their public sector mobilization efforts. Bangladesh, Hong Kong, Indonesia, Singapore and Western Samoa had significantly higher budgetary surpluses; Sri Lanka had a surplus in its revenue budget for the first time in five years; and Fiji, Lao People's Democratic Republic and Maldives reduced their budgetary deficits.

Fiscal incentives for investors in general, and for foreign capital and entrepreneurship in particular, were further enhanced by some DMCs during 1979. These incentives were designed particularly to promote the growth of export-oriented industries. Sri Lanka's 1980 budget provided a range of tax incentives designed to attract foreign investment. Thailand adopted measures to stimulate investment and the package of incentives included a longer period of tax exemption for foreign loans. Some DMCs (Pakistan, Philippines and Sri Lanka) increased their efforts to establish or expand free trade zones to attract foreign investors.

The economic policies adopted by many DMCs in recent years to promote international trade were continued, and several of them adopted measures in 1979 to liberalize trade. The Republic of Korea lowered tariffs on a wide range of products. India allowed its commercial banks greater freedom in foreign exchange transactions. Sri

Lanka took steps to develop an offshore banking sector in the country. Lao People's Democratic Republic and Western Samoa adjusted their exchange rates to improve the competitiveness of their exports. Papua New Guinea revalued its currency to reduce the inflationary impact of an increase in the prices of imports on the country's domestic price level. Indonesia introduced reforms in taxation and tariffs to make them compatible with the new exchange rate which came into effect after the devaluation of the rupiah in November 1978.

Varying degrees of progress were made in population control activities, particularly in more heavily populated DMCs such as Bangladesh, Republic of China, India, Indonesia, Republic of Korea, Pakistan, Philippines and Thailand. Most DMCs reported varying degrees of reduction in birth rates over the last two decades, though in some of them this was not yet reflected in lower rates of population increase due to a simultaneous decline in death rates. Reduction of high birth rates remained a priority objective in many DMCs, which received increased international support for this purpose. Among others, Bangladesh's family planning program reported major gains in the number of acceptors, and Indonesia, which achieved considerable success in recent years in reducing its high birth rates, continued to push its family planning programs with vigor. Institutional and physical facilities for extending family planning services further expanded in the region.

Progress in Regional Cooperation

A number of developments in regional cooperation among DMCs took place during 1979, of which the more significant are discussed below. At their Eighth Annual Session, the Economic Ministers of the Association of South East Asian Nations (ASEAN) added about 1,000 items to the list of products covered by the Preferential Trading Arrangement. This brought the number of items accorded trade preferences to over 2,300. Against the background of modest growth in intra-ASEAN trade, it was decided to increase from 100 to 150 the number of items offered by each member in each subsequent round of quarterly negotiations.

Progress was also made with respect to the five large ASEAN industrial projects. Indonesia's urea project reached an advanced stage following the approval of a Japanese loan and the plant is scheduled to commence operations in 1982. Malaysia's urea project was under review by the Japanese Government preparatory to loan financing negotiations.

In addition to an ASEAN Rice Reserve established to provide a buffer in the event of food shortages, intra-regional cooperation for emergencies was extended to an energy sharing arrangement, whereby Indonesia and Malaysia would make oil available to other regional members on a priority basis. The central banks of ASEAN countries approved a three-year extension of the \$200 million swap facility after its two-year term expired during 1979.

In the South Pacific region, a South Pacific Forum Fisheries Convention was formulated to provide a framework for regional cooperation in fisheries management and control. The South Pacific Conference directed that a feasibility study of a regional export stabilization scheme should be undertaken by the South Pacific Commission (SPC) with participation by the South Pacific Bureau for Economic Cooperation (SPEC).

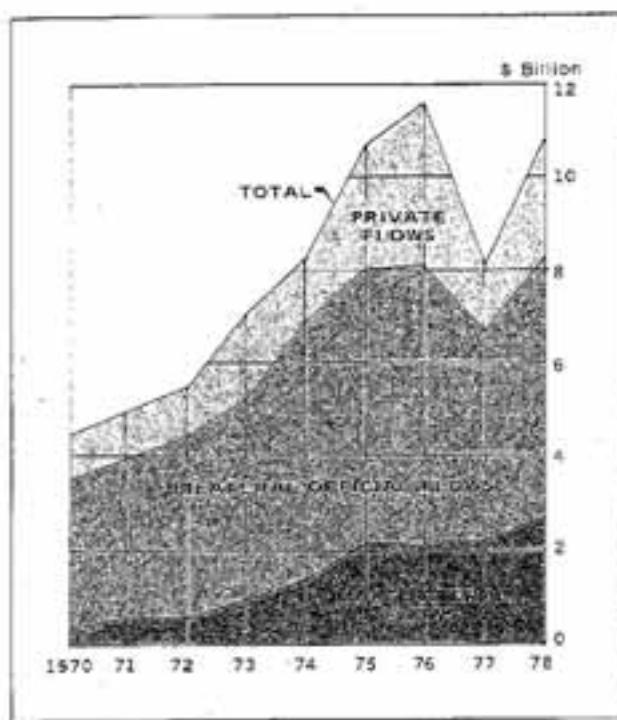
Cooperation in regional transportation was reflected in the launching of the Association of South Pacific Airlines as part of the consultative mechanism for regional airline interests, and in decisions by the Regional Shipping Council that the capital of the Pacific Forum line should be increased and that the shipping line should continue to service selected non-profitable routes.

Several bilateral cooperation arrangements were concluded among DMCs. Pakistan and Bangladesh reached an agreement to set up a Joint Economic Commission to strengthen economic and technical cooperation between them. An agreement was signed between India and the Republic of Korea to establish joint industrial projects in third countries, and between India and Indonesia to cooperate in developing steel, cement and iron industries and natural gas exploration. Thailand and Malaysia reached an understanding on the joint exploration and exploitation of natural resources, principally gas and oil, located on adjacent areas of the continental shelf. These two countries also agreed to participate jointly in projects involving the Golok River which forms part of their common border.

Developments in International Cooperation

During 1978, the latest year for which data are available, the net flow of external resources to DMCs increased to \$11.0 billion from \$8.2 billion in 1977, reversing the decline recorded in the previous year. Despite the rising trend in annual net flows to DMCs between 1970 and 1975 (net flows in 1977 and 1978 were below the 1976 level), the share of DMCs in total net flows to all developing countries fell sharply from an average of about 24 per cent in 1970 and 1971 to an average of about 13 per cent during 1977 and 1978. Although data are not yet available for 1979, larger current account deficits and an increase in international reserves in DMCs during the year suggest that the total net flow to DMCs increased further in 1979.

FINANCIAL FLOWS FROM ALL SOURCES
TO DMCs, 1970-1978



Efforts to improve world food security had mixed results. The suspension of negotiations for a new international grains agreement delayed the adoption of a new convention raising the food aid target to a minimum of 10 million tons — the level recommended by the 1974 World Food Conference. The target of 500,000 tons set for 1979 for the International Emergency Food Reserves was not reached, though substantial emergency food supplies were provided through the FAO's World Food Program and other programs to a number of DMCs in 1979. A limited agreement was reached on the establishment of nationally held but internationally coordinated food stocks, to which economically better-off countries are expected to contribute.

The resources of some major multilateral institutions, from which DMCs borrow, were significantly increased during 1979. Members of the World Bank agreed to increase its capital by \$40 billion, thereby doubling its resources. Actions on a \$12 billion replenishment of the resources of IDA, the World Bank's concessional lending facility, reached an advanced stage. The Finance Ministers of OPEC countries approved an \$800 million replenishment of the OPEC

Special Fund. The IMF resumed SDR allocations and this will increase global international reserves by SDR 4 billion annually during the three-year period beginning in 1979. A new IMF Supplementary Financing Facility came into operation when the level of contributions required to activate it was reached in February 1979, and IMF decided to extend the maximum repayment period under its Extended Facility from eight to 10 years. The IMF also adopted new guidelines which will improve access to its financial facilities. Under these guidelines, broad macro-economic indicators rather than the use of specific policy measures would form the basis for determining the soundness of national economic policies.

The framework for international trade expansion was marked by two developments of concern to DMCs. These were the conclusion of multilateral negotiations under the General Agreement on Tariff and Trade (GATT) and the outcome of discussions on the Generalized System of Preferences (GSP) taken up at UNCTAD V. The Tokyo Round Agreements of GATT offer a legal basis for according preferential treatment to developing countries and permit them to establish preferential schemes among themselves. In addition, the agreements provide for trade liberalization through tariff reductions and codes governing the use of non-tariff barriers. The impact of this proposed framework, open for signature until June 1980, will depend on the ratification of the agreements and on how they are implemented.

As a follow-up of a decision taken at UNCTAD IV, the Integrated Program of Commodities (IPC) made some headway with respect to two major components: the Common Fund and International Commodity Agreements. UNCTAD members reached sufficient agreement on the major features of the Common Fund to enable the drafting of its Articles of Agreement. The proposal calls for a target capitalization of \$750 million to finance activities through two windows: \$400 million for bufferstocks and \$350 million for other commodity measures, such as research and development, product diversification and productivity improvements. Although pledges during the year had not reached target levels, substantial financial commitments were made, including OPEC's offer to provide up to \$100 million toward their own membership contributions and the contributions of the poorest countries.

An event of considerable significance to several DMCs was the conclusion of a new International Commodity Agreement (ICA) on natural rubber. This agreement, under which a bufferstock to be financed by both producers and consumers will be established, marked the first successful negotiation of a new commodity agreement as part of the Integrated Program for Commodities under UNCTAD sponsorship.

Several developments took place in 1979 in the compensatory financing schemes which benefit DMCs. The terms and conditions of the IMF Compensatory Financing Facility were liberalized by increasing the maximum amount available from 75 per cent to 100 per cent of a member's quota and by allowing service exports to be covered under this facility. The Stabex compensatory finance scheme, which is extended by the European Economic Community (EEC) to certain African, Caribbean and Pacific developing countries under the Lomé Convention, was renewed for another five-year period. Modifications were also made to it to enhance its benefits, and they include easing the condi-

tions of qualifications and broadening the number of commodities covered under the compensatory arrangement. Furthermore, a parallel program of compensatory finance for mineral products, Minex, has been introduced under the renegotiated Lomé Convention.

At the Tokyo Summit in June, heads of government of Canada, Federal Republic of Germany, France, Italy, Japan, United Kingdom, and United States reaffirmed their commitment to conserve energy by setting specific oil import targets through to 1985. They agreed to continue monitoring oil imports and to hasten developments of alternative energy sources. Other matters of concern to DMCs included an endorsement of the World Bank's program of lending to increase energy production, and a pledge to strengthen multilateral agencies to improve world food production.

UNCTAD V adopted resolutions regarding the need to improve the technological capacity of developing countries, and the United Nations Conference on Science and Technology, which was held in Vienna in August, agreed to establish a \$250 million fund to assist scientific research in developing countries and to set up an inter-governmental committee to supervise UN's science and technology activities.

The Independent Commission on International Development Issues (the Brandt Commission) completed its report after two years of deliberations and consultations. The Report — which contains proposals for a four-part package comprising an assured flow of funds to developing countries, an agreement on security of energy supply and conservation, a world food program, and reforms in such areas as the monetary system and financing of development — was expected to be formally submitted to the United Nations in early 1980.

At a number of international meetings held during the year, the formulation of an appropriate strategy for development for the 1980s was discussed. Slow progress was made towards achieving the structural changes in world economic relations, which the developing countries seek, to create a New International Economic Order. The Arusha Program and Framework for Negotiations, which emerged from the meeting of Group of 77 Ministers held prior to UNCTAD V, stressed the objective of collective self-reliance. This objective was reiterated in an UNCTAD V resolution to mobilize support for a program of Economic Cooperation among Developing Countries (ECDC), in which trade preferences and joint ventures are viewed as major elements.

The theme of self-reliance for DMCs of the Bank was affirmed at ESCAP's 35th Plenary Session where regional development strategies for the next decade were discussed. It was stressed that the strategy for the 1980s should be realistic and framed in terms of the clearly perceived needs of developing countries; should take into account the differences among developing countries; and should provide for the special needs of landlocked and less developed countries.

With the close of 1979, the DMCs stand at the threshold of a new decade, with a record of considerable achievements. Despite these, DMCs still face serious problems. The response of DMCs to some of the problems faced during 1979 has been described in this chapter; the record of the Bank's policies and operations in support of the efforts of its DMCs is described in subsequent chapters.



OPERATIONS AND POLICIES

Lending Operations

IN 1979, the Bank's lending activities recorded a further increase in volume and range. Total loan approvals during the year amounted to \$1,252 million as compared with \$1,159 million in 1978. One-third of the Bank's lending during the year was on concessional terms to the poorer and less developed member countries. Co-financing and cooperation with other aid agencies significantly added to the assistance provided by the Bank to its developing member countries (DMCs). Technical assistance activities again recorded a sharp increase of 26.6 per cent over the previous year.

During the year, a total of 58 loans — including three program loans and one multiproject loan — for 57 projects in 18 DMCs were approved, compared to 53 loans for 52 projects in the same number of DMCs in the previous year.

Loans from ordinary capital resources (OCR) in 1979 amounted to \$835 million, an increase of 7.3 per cent over the 1978 figure of \$778 million. Loans from Special Funds (SF) amounted to \$418 million which represents an increase of 9.4 per cent over the 1978 concessional lending of \$381 million. In 1979, 85 per cent of SF loans went to countries which had a per capita GNP of less than \$200 in 1976.

During the year, four DMCs received loans exclusively from OCR: Fiji (\$7 million), Republic of Korea (\$160 million), Malaysia (\$79 million) and Singapore (\$15 million).

Four DMCs received loans from both OCR and SF: Indonesia, \$235 million (\$210 million from OCR and \$25 million from SF); Papua New Guinea, \$12 million (\$8 million from OCR and \$6 million from SF); Philippines, \$222 million (\$207 million from OCR and \$15 million from SF); and Thailand, \$165 million (\$150 million from OCR and \$15 million from SF).

Ten DMCs received loans exclusively from SF: Afghanistan (\$20 million), Bangladesh (\$115 million), Burma (\$37 million), Lao People's Democratic Republic (\$7 million), Nepal (\$31 million), Pakistan (\$114 million), Solomon Islands (\$2 million), Sri Lanka (\$25 million), Tonga (\$1 million) and Western Samoa (\$4 million).

NER at work in the Daishin Coal Corporation's Chang Sung mine in the Republic of Korea. This is one of the several Projects that the Bank has supported to help DMCs exploit indigenous energy resources. The Republic of Korea's total coal reserves — the country's major energy resource — are estimated to be in excess of 1,400 million tons of which some 546 million tons are proven.

The South Pacific DMCs received six Bank loans amounting to \$26 million. Four of these, totalling \$13 million were from SF and the remaining two of \$13 million from OCR. Two SF loans were for power development, another for a development bank, and the fourth for a multiproject loan, a new type of loan package designed to assist small island economies. As of the end of 1979, total Bank loans to South Pacific DMCs amounted to \$151 million for 34 projects.

The loans approved during the year included three supplementary loans — \$26 million from SF for the Ashuganj Fertilizer Project in Bangladesh; \$8 million from OCR for the Bandung Water Supply Project in Indonesia; and \$3 million from SF for the Urea Fertilizer Project in Sri Lanka. Two technical assistance loans from OCR were also made — \$2.1 million for a Sewage Treatment Project in the Republic of Korea; and \$1.7 million for the Third Mindanao Irrigation Study in the Philippines.

The average size of loans approved in 1979 declined slightly from \$21.9 million in 1978 to \$21.6 million. The average size of OCR loans increased from \$25.1 million in 1978 to \$28.8 million. On the other hand, there was a substantial fall in the average size of SF loans, from \$17.3 million in 1978 to \$14.4 million in 1979 because of a larger number of small loans made during the year.

The total cost of the projects approved in 1979, excluding six development finance institution (DFI) projects, is estimated at \$2,630 million, of which Bank financing accounted for 42 per cent. In addition, the Bank helped mobilize a part of the remaining project financing required through co-financing arrangements (see page 22). On the basis of the Bank's past experience, it is estimated that the total cost of the subloan projects to be financed by the six loans to DFIs will be around \$528 million.

By the end of 1979 the Bank's cumulative lending had reached \$6,650 million for 415¹ projects in 23 DMCs. Of these, loans totalling \$4,687 million were from OCR and \$1,963 million from SF.

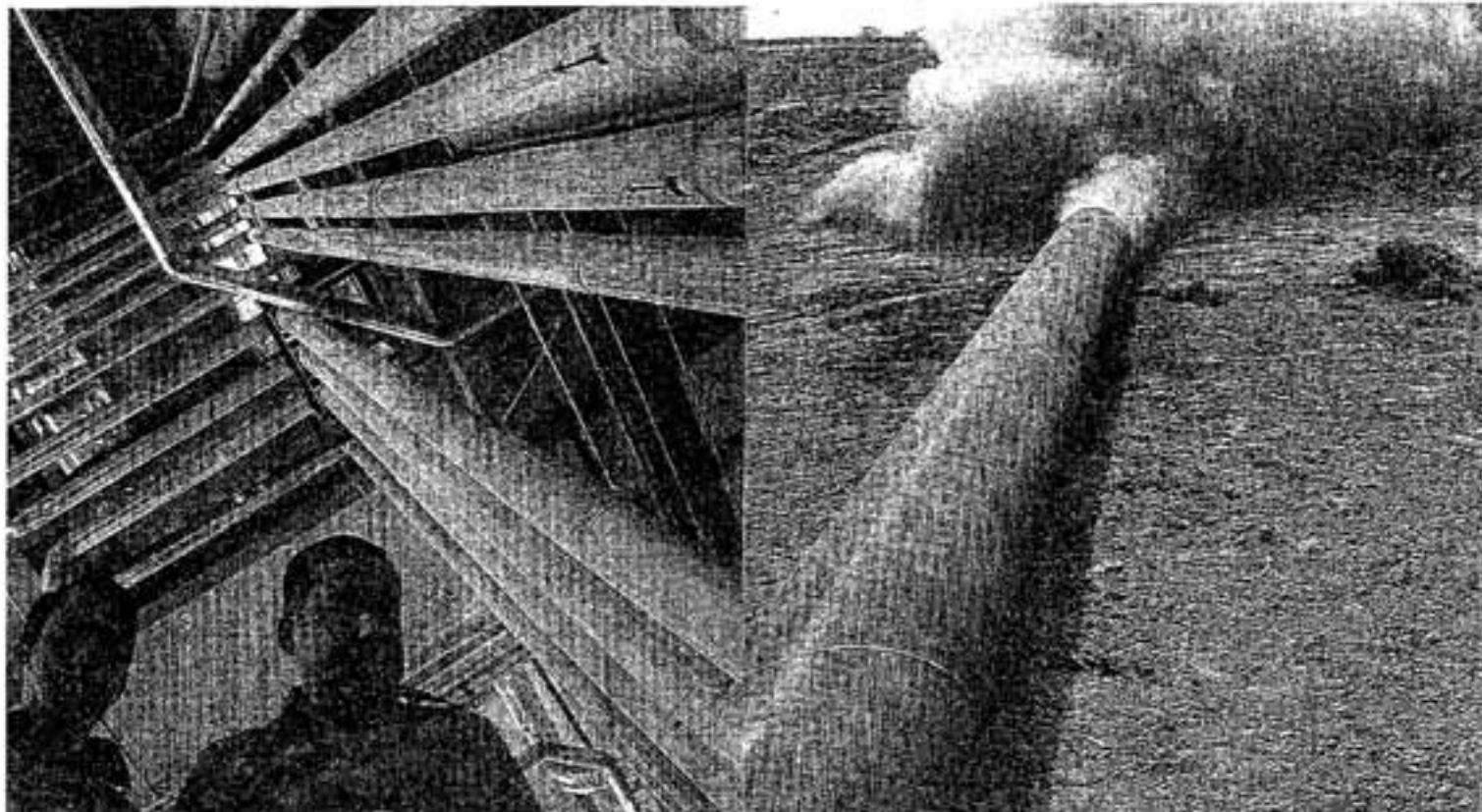
In addition to financing the foreign exchange costs of goods and services needed for these projects, the Bank has also financed, in specific circumstances, interest and other charges during construction as well as a portion of the local currency expenditures of some projects. The financ-

1. Excluding technical assistance loans which were later refinanced.

LOAN APPROVALS IN 1979 AND TOTAL PROJECT COSTS
 (amounts in \$ million)

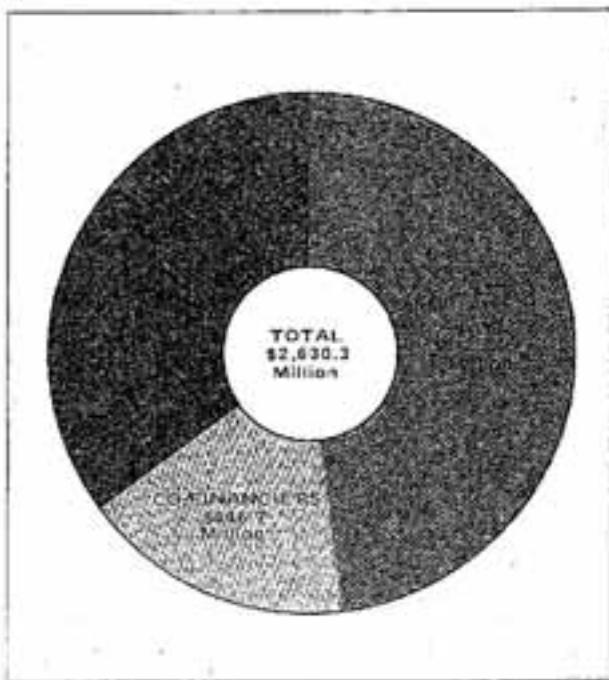
Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs
AFGHANISTAN			
Cotton Processing	—	20.10	33.20
BANGLADESH			
Ashuganj Fertilizer (Supplementary)	—	25.00	781.90
Chittagong Hill Tracts Development	—	28.50	41.64
Fisheries Credit	—	10.80	20.00
Crop Intensification Program	—	11.80	15.40
Foodgrain Storage	—	9.00	13.80
Third Bangladesh Shilpa Rin Sangstha	—	50.00	—
BURMA			
Sedawgyi Hydropower	—	14.60	28.50
Second Rice Processing Industries	—	17.00	32.90
Cement Industry Program	—	5.20	18.60
Fiji			
Soya Port	7.00	—	11.00
INDONESIA			
Bandung Urban Development	82.50	—	58.60
Bandung Water Supply (Supplementary)	8.00	—	25.41
Tulungagung Drainage	39.00	—	57.00
Java EH-V Transmission	83.50	—	149.90
Fourth Road Improvement	27.00	—	52.00
South Kalimantan Livestock Development	20.50	—	34.17
University of Hasanuddin	—	25.00	44.60
KOREA, REPUBLIC OF			
Sewage Treatment	2.10	—	4.85
Second Busan Water Supply	15.10	—	33.90
Citizens National Bank	10.00	—	—
Livestock Feed Mills	15.00	—	47.00
Second Coal Development	25.00	—	70.40
Third Korea Development Finance Corporation	50.00	—	—
Korea Institute of Science and Technology	15.00	—	30.60
Low Cost Urban Housing	30.00	—	107.00
LAO PEOPLE'S DEMOCRATIC REPUBLIC			
Casier Sud Pioneer Agriculture	—	7.00	35.57
MALAYSIA			
Agricultural Drainage	25.40	—	56.80
Bintulu Desalwater Port	53.80	—	227.40
NEPAL			
Livestock Development	—	12.28	15.70
Third Power	—	18.60	23.68

Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs
PAKISTAN			
Textbook Printing	—	10.00	14.50
South Rohri Fresh Groundwater Irrigation	—	47.00	81.50
Technical Teachers' Training and Polytechnic Institutes	—	21.00	31.00
Crop Intensification Program	—	14.00	22.20
Aquaculture Development	—	14.10	22.10
Balochistan Livestock Development	—	7.50	16.00
PAPUA NEW GUINEA			
Upper Warangoi Hydropower	8.25	6.00	46.00
PHILIPPINES			
Philippine Investments Systems Organization	15.00	—	—
Manila Port	27.00	—	79.80
Northern Palawan Fisheries Development	18.00	—	24.50
Bicol River Basin Irrigation Development	41.00	—	78.70
Malangas Coal Development	14.00	—	22.90
Third Mindanao Irrigation Study	1.70	—	2.30
Sixth Mindanao Power	60.70	—	205.40
Fifth Private Development Corporation of the Philippines	30.00	—	—
Bukidnon Irrigation	—	15.00	39.40
SINGAPORE			
Bedok Sewage Treatment Plant Expansion	15.10	—	27.90
SOLOMON ISLANDS			
Development Bank of Solomon Islands	—	2.00	—
SRI LANKA			
Urea Fertilizer (Supplementary)	—	3.00	9.49
Rural Electrification	—	11.30	31.80
Rural Credit	—	10.90	16.10
THAILAND			
Second Vocational Education	—	15.00	21.31
Mae Moh (Unit IV) Power	81.80	—	259.00
Second Bangkok Water Supply	68.00	—	117.50
TONGA			
Multiproject Loan	—	1.20	1.35
WESTERN SAMOA			
Second Power	—	3.45	4.20
GRAND TOTAL	835.25	416.33	2,830.27



TWO COMPONENTS of Bank-assisted Projects in Pakistan: the piping system of the Korangi Thermal Power Station (left) and 16-inch high-pressure steel pipeline of the Sul-Karachi Gas Pipeline Project. The Projects are helping to meet the energy needs of the country by tapping one of the world's largest established deposits of natural gas.

PROJECTS APPROVED IN 1979 TOTAL COSTS AND SOURCES OF FINANCE



ing of interest and other charges during construction is designed to relieve the financial strain on executing agencies during the construction period of the projects, and also to ease the debt-service burden on DMCs before the projects start yielding benefits. In 1979, the Bank financed interest and other charges amounting to \$25 million from OCR for four projects.

As regards local-cost financing, the Bank places primary emphasis on a DMC's economic situation, especially its overall balance of payments position and its ability to mobilize domestic resources. In 1979, the amount of local currency expenditures financed was \$81.5 million in 18 loans to seven countries. Of this, \$33.2 million was from OCR and \$48.3 million from SF, accounting for 4 per cent and 11.6 per cent, respectively, of the loans approved from OCR and SF in 1979.

In an effort to reduce the heavy dependence of DMCs on imported energy resources, the Bank provided further substantial assistance for both hydropower and coal development. The development of human resources through improved technical, vocational and general education also received increasing attention from the Bank. Total Bank loan approvals for education more than doubled during the year. The Bank also continued to pay special attention to environmental aspects in various projects.

In 1979, the Bank approved three program loans — \$11.8 million for a Crop Intensification Program in Bangladesh, \$5.2 million for a Cement Industry Program in Burma and \$14 million for a Crop Intensification Program in Pakistan.

Co-Financing

Co-financing has become an increasingly important instrument of the Bank to mobilize a larger inflow of foreign

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1978, 1979, 1967-1979

\$ in millions (\$ million)

Country	1978			1979			1967-1979			
	OCR	SF	Total	OCR	SF	Total	OCR	SF	Total	
Afghanistan	—	1.45	1.45	—	20.10	20.10	—	95.40	95.40	
Bangladesh	—	90.30	90.30	—	115.10	115.10	111.40	469.00	480.40	
Bhutan	—	65.46	65.46	—	36.80	36.80	6.50	233.46	240.06	
Brunei Darussalam	—	—	—	—	—	—	—	1.67	1.67	
Burma (Rep. of)	—	—	—	—	—	—	99.99	—	99.99	
China	16.20	—	16.20	7.00	—	7.00	29.90	—	29.90	
Hong Kong	19.50	—	19.50	—	—	—	61.50	—	81.50	
Indonesia	174.71	24.00	198.71	210.40	25.00	235.40	778.80	162.28	940.08	
Iran	—	—	—	—	—	—	—	2.35	2.35	
Iraq, Rep. of	150.00	—	150.00	160.10	—	160.10	992.65	5.70	998.35	
Korea, Rep. of	—	8.00	8.00	—	7.00	7.00	—	26.69	26.69	
Lebanon, Rep.	—	—	—	—	—	—	508.20	5.90	509.50	
Liberia	93.14	—	93.14	79.20	—	79.20	—	—	—	
Maldives	—	25.00	25.00	—	30.88	30.88	12.09	179.22	181.22	
Morocco	57.10	88.50	145.60	—	113.00	113.00	423.07	463.95	827.02	
Namibia	—	—	—	—	—	—	—	—	—	
New Guinea	—	12.40	12.40	6.25	6.00	12.25	23.05	53.34	77.00	
Papua New Guinea	105.50	14.00	119.50	207.40	15.00	222.40	906.25	44.30	950.55	
Singapore	19.00	—	19.00	15.10	—	15.10	159.68	—	162.00	
Solomon Islands	—	—	—	—	2.00	2.00	—	112.20	112.20	
Sri Lanka	—	83.90	83.90	—	25.20	25.20	14.73	162.31	176.44	
Thailand	143.08	14.00	157.08	149.80	15.00	164.80	645.18	37.10	682.28	
Tonga	—	1.50	1.50	—	1.20	1.20	—	4.37	4.37	
Viet Nam	—	—	—	—	—	—	3.93	40.67	44.60	
Western Samoa	—	4.00	4.00	—	3.45	3.45	—	26.29	26.29	
TOTAL	778.23	380.51	1,158.74	835.25	416.33	1,251.58	4,556.83¹	1,963.33	6,649.96	100.00

Cumulative total adjusted to exclude refinanced amount of \$1.5 million of the Bandung Urban Development Project and \$3.25 million of the Batam and Seribuat Ports (Phase I) Project and \$2.1 million canceled amount of the latter.

resources to meet the development needs of its DMCs. It also enables the Bank to play a catalytic role in encouraging investment in the region and to diversify its operations among its borrowing DMCs and among priority projects.

The Bank achieved a high level of co-financing in 1979. A total of 24 projects involved co-financing, with the co-financiers providing \$447 million and the Bank \$723 million.¹ This compares with 18 projects co-financed in 1978, for which the co-financiers contributed \$434 million and the Bank \$444 million.² Of the projects involving co-financing in 1979, five were financed by Bank loans approved in previous years and 19 by Bank loans approved during the year.

As in the past, the bulk of the co-financing arrangements in 1979 was with official sources. These sources, both bilateral and multilateral, contributed \$407 million, or 91 percent of the total amount contributed by co-financiers. Traditional donor countries, such as Australia, Federal

Republic of Germany, Japan, Norway, Switzerland and United States, contributed \$226 million in co-financing with the Bank, while two oil exporting countries, Kuwait and Saudi Arabia, provided a further \$34 million. Multilateral aid agencies, including the European Economic Community (EEC), International Fund for Agricultural Development (IFAD), Islamic Development Bank (IsDB), OPEC Special Fund (OSF), United Nations Development Programme (UNDP) and the World Bank Group, contributed \$147 million. All co-financing from official sources is available on concessional terms, while EEC, UNDP and certain bilateral sources also provide co-financing in the form of grants. The flexibility shown by some official sources in financing local currency expenditures is particularly appreciated by the recipient DMCs.

Aside from official sources, the Bank expects to have co-financing of \$36.5 million from an export credit source. With the exception of \$1 million from a commercial bank for financing the consultant services, no co-financing with private sources materialized during the year. Nevertheless, the Bank has expanded its contacts with commercial banks and it is expected that opportunities for private sector co-financing will materialize in 1980.

¹ Bank financing for one project was subsequently reduced by \$4 million as a result of co-financing.

² Bank financing for two projects was subsequently reduced by a total of \$5 million as a result of co-financing.

CO-FINANCING ARRANGEMENTS, 1979

(amounts in \$ million)

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	SF		
Helmand Valley Development Road ¹	Afghanistan	—	14.90	3.55	OPEC Special Fund
Ashuganj Fertilizer (Supplementary)	Bangladesh	—	25.00	(29.00 9.95 5.00 23.00 (3.00 (10.00 (1.80	IDA Fed. Rep. of Germany Switzerland U.S.A. EEC OPEC Special Fund IFAD
Chittagong Hill Tracts Development	Bangladesh	—	28.50	0.71	UNDP
Seaways Hydropower	Burma	—	14.60	2.00	OPEC Special Fund
Tulungagung Drainage	Indonesia	33.00	—	7.90	EEC
Casier Sud Pioneer Agricultural	Lao PDR	—	7.00	(5.10 (0.86	IFAD UNDP
Trengganu Hydropower ²	Malaysia	45.40	—	27.00	Japan
Bintulu Deepwater Port	Malaysia	53.80	—	(58.20 (10.20	Japan Asian Development Bank
Sagarmatha Forestry ³	Nepal	—	4.90	0.43	Australia
Livestock Development	Nepal	—	12.28	(0.89 (0.70	Australia UNDP
Third Power	Nepal	—	18.80	(9.82 (1.30	UNDP OPEC Special Fund
Pirri Thermal Power ⁴	Pakistan	25.00	35.00	15.70	OPEC Special Fund
South Bohri Fresh Groundwater Irrigation	Pakistan	—	47.00	16.00	IFAD
Baluchistan Livestock Development	Pakistan	—	7.50	8.70	EEC
Upper Warangol Hydropower	Papua New Guinea	6.25	6.00	(14.80 (7.75	Japan Norway
Manila Port	Philippines	27.00	—	12.25	Fed. Rep. of Germany
Bukidnon Irrigation	Philippines	—	15.00	3.50	OPEC Special Fund
Sixth Mindanao Power	Philippines	60.70	—	(38.50 (1.10	Suppliers Export Credit Banque de Paris et Des Pays-Bas, France
Bicol River Basin Irrigation	Philippines	41.00	—	5.90	EEC
Kiriindi Oya Irrigation	Sri Lanka	—	24.00	(3.30	Fed. Rep. of Germany
Urea Fertilizer (Supplementary)	Sri Lanka	—	3.00	(3.00 (2.09	Fed. Rep. of Germany Kuwait
Rural Electrification	Sri Lanka	—	11.30	6.00	OPEC Special Fund
Mae Moh (Unit 4) Power	Thailand	81.80	—	(7.00 (32.20 (6.50	OPEC Special Fund Saudi Arabia Switzerland
Second Bangkok Water Supply	Thailand	68.00	—	44.00	Japan
TOTAL		447.95	274.58	445.72	

¹ Bank loan was approved in 1978.² Bank loan was approved in 1978 when co-financing of \$36.5 million was also arranged.³ Bank loan was approved in 1977 and co-financing of \$5 million was arranged in 1978.⁴ Bank loan was approved in 1978 when co-financing of \$122.6 million was also arranged.⁵ Bank loan was approved in 1977 and co-financing of \$12 million was arranged in 1978.⁶ Loan amount was subsequently reduced by \$4 million as a result of co-financing.

Benefits to the Poor

The Bank's DMCs include a disproportionately large number in which abject poverty is by far the dominant economic and social condition of the people. In fact, for over two-thirds of the population in DMCs, per capita income has still to reach \$100 a year. The poverty of the large masses of people in these countries manifests itself not only in terms of low income but also in under-nourishment and ill-nourishment, illiteracy, poor sanitation, low life expectancy at birth, and lack of social services and urban housing.

The Bank has helped to reduce poverty in the region principally through its concessional lending to the poorer and less developed DMCs. Eligibility for the Bank's concessional loans is based on country considerations, specifically on a country's per capita income level and its debt repayment capacity. In allocating concessional resources among eligible DMCs, those that are least developed or most seriously affected by recent world economic developments have been given first priority. This approach is consistent with the Bank's charter, which enjoins the Bank to give special regard to the needs of the less developed DMCs in its operations. In 1979, 85 per cent of the total concessional lending of \$416 million went to the poorest DMCs with a per capita income in 1978 not exceeding \$200.

In the transfer of resources it is recognized that the low levels of per capita income of the poor DMCs seriously restrain their ability to garner the domestic savings needed for development and reduce their capacity to absorb external foreign exchange financing. The provision of local cost financing by the Bank is intended to help ease those constraints. To meet the growing demand for such financing in the poor DMCs, the Bank decided in 1979 to raise the ceiling of local cost financing from its Special Funds resources from 10 per cent to 15 per cent of the total proposed lending from that source. This is in contrast with the decision to maintain the ceiling of 5 per cent in ordinary lending operations. Out of \$81.5 million of local costs financed by the Bank in 1979, nearly 80 per cent was made in Special Funds loans; 93 per cent of this concessional financing went to the poorest DMCs.



At the country level, the Bank's efforts to help the poor have been reflected in the judicious selection of projects for financing and through appropriate project design and location. In project selection, the main thrust of the Bank's operational strategy has been its assistance to agriculture and rural development. This strategy will not only bring the benefits of Bank assistance to the poor in the low-income DMCs, but will also reduce relative poverty in DMCs with higher income, like Philippines and Thailand. In pursuance of this strategy, the Bank commissioned an Asian Agricultural Survey soon after its establishment. The study was updated in 1977 with the completion of the Second Asian Agricultural Survey, followed by the recently completed South Pacific Agricultural Survey. In 1979, after a review of the Bank's role in the Agriculture and Rural Development sector, the Bank decided to aim at increasing the level of its lending to this sector by 20 per cent each year during the next three years. It was also decided during the year that, within the basic framework of Bank policy, program lending for this sector would be made more flexible to meet its special requirements.

Bank-financed projects in the Agriculture and Rural Development sector (excluding agro-industry projects) received 27 per cent of total Bank lending in 1979, and 54 per cent of the Bank's concessional lending. These projects benefit the rural poor by increasing their incomes through increased production, by creating more employment opportunities and by helping to meet their basic needs. The projects will facilitate more intensive agricultural production through expansion of irrigated area, multiple cropping, flood control, soil conservation and enrichment and, in the case of integrated area development projects, assist in land development and settlement, feeder road construction, and provision of credits, health services, social amenities and vocational training.



Projects of this type approved in 1979 include the Bukidnon Irrigation Project in the Philippines which involves construction of irrigation facilities, introduction of soil conservation measures and establishment of pilot farms and will thus directly benefit some 5,800 farm families. Other basically irrigation-type projects, including the Tulungagung Drainage Project in Indonesia, the South Rohri Fresh Groundwater Irrigation Project in Pakistan, the Bicol River Basin Irrigation Development Project in the Philippines, and the Casier Sud Pioneer Agricultural Project in Laos, are expected to benefit directly and indirectly about 140,000 poor families.¹ The Bank-financed crop intensification programs in two cyclone-beset districts of Bangladesh and the Sahiwal District of Pakistan will benefit the poor by raising the productivity and incomes of small farmers through the supply of fertilizers and other farm inputs and by creating employment for the landless. Bank assistance to redress regional imbalances also contributes to the alleviation of rural poverty in individual DMCs. This is illustrated by two Bank loans made in 1974 and 1977 for the Pahang Tenggara Regional Development Project in Malaysia in which the beneficiaries are 250,000 new settlers drawn from landless and unemployed laborers and smallholders from disadvantaged population groups. And a rural credit project in Sri Lanka will enable low-income farmers to obtain for the first time credits on reasonable terms for purchasing livestock, irrigation pumps and farm implements.

The Chittagong Hill Tracts Development Project in Bangladesh typifies the Bank's recent efforts in integrated rural area development. The project area is rugged, isolated, and has less than five per cent of arable land (confined to narrow strips at the bottom of river valleys). Elsewhere local tribesmen eke out an existence using primitive and ecologically destructive farming methods. Under this Bank-assisted Project, suitable upland areas will be developed for rubber and horticultural crops. About 2,000 families of landless or marginal farmers will be settled in these areas, and will be provided with basic services such as potable water, schools, health clinics and access roads. Similar settlements for another 300 low-income families will be set up in areas earmarked for forestry development. The Project will also help expand and improve agricultural support services, including the supply of credits, seeds, fertilizer, farm implements, and storage facilities as well as provide health services and vocational training.

¹ See pages 54-60.



Project financing by the Bank in the fisheries and livestock sub-sectors benefits poor fishermen and farmers by increasing their production capacity (and hence their incomes) through larger fish catches and better breeds of livestock as well as improving their nutritional standards and those of other poor people through the supply of cheap animal proteins. In the fisheries development loans made to Bangladesh, Pakistan and Philippines, benefits to poor fishermen are ensured by determining the eligibility for Bank assistance on the basis of relative income level. In the South Kalimantan Livestock Development Project in Indonesia, poor migrants starting life anew will be given livestock imported under a Bank loan; repayment by these beneficiaries in kind will ensure a continual supply of livestock for future migrants.

The poor will also benefit from Bank lending to the other sectors. The Bank loan for a rural electrification project in Sri Lanka will make electricity available to some 1,200 villages, provide about one million man-days of employment for unskilled and semi-skilled labor, and encourage the establishment of small-scale and cottage industries which create more jobs for the rural poor. In the manufacturing sector, the two fertilizer projects in Bangladesh and Sri Lanka and the two coal development projects in Republic of Korea and Philippines, all approved in 1979, are expected to create employment for about 7,800 workers when completed. And at least 20,000 additional jobs will be created by four development bank credit lines (two each for Republic of Korea and Philippines) out of seven such loans approved in 1979.





Increasing attention has been directed by the Bank to the needs of the urban poor, especially since the establishment of a Social Infrastructure Division in the Bank a year ago. Bank financing of projects in this area is designed to help the urban poor meet their basic needs such as potable water supply, simple housing, education, health and other social services. About 150,000 dwellers in 108 scattered slum areas in Bangkok will for the first time be provided with safe water supply under the Second Bangkok Water Supply Project. The Bandung Water Supply Project in Indonesia involves, among others, the construction of standpipes to provide 100,000 low-income people with an adequate supply of potable water. A total of 6,000 relatively small dwelling units in high-rise apartment blocks will be constructed in several cities of the Republic of Korea and sold to low-income people under the Low-Cost Housing Project. The Bandung Urban Development Project in Indonesia provides for the sale of small residential plots at prices within the reach of low-income families, and also includes the social and environmental improvement of three poorly served residential communities.

Apart from country considerations and the project selection approach described earlier, the Bank also seeks to enhance the impact of its assistance on the economic and social well-being of the poor through appropriate design of projects. Labor-intensive and light-capital technologies have been adopted, where appropriate, to create additional employment opportunities and promote more even income distribution. Projects in the Agriculture and Rural Development sector as well as other projects that involve large civil works are particularly amenable to this treatment; and the Bank's operational policies such as those relating to local cost financing and domestic procurement have considerably facilitated its efforts in this direction. However, this technique can be used even in the manufacturing sector, especially in credit lines to national development banks

through which Bank assistance to small and medium-scale industrial enterprises is channelled. For instance, the Bank generally favors the financing of labor-intensive industries and requires the development banks to disperse their lending to rural and depressed areas.

Project design not only influences the technologies used in project implementation but also the particular components to be included in a project. It thus offers scope for the Bank to include in a project components that are related to its primary purpose but would more directly benefit the poor. In the Bukidnon Irrigation Project, for example, a program for the control of schistosomiasis — a chronic and debilitating disease that plagues the poor in a relatively backward area of the southern Philippines — was included as a project component. To facilitate the involvement of underprivileged segments of the rural population in production activities, the Bank has encouraged them to form cooperatives and associations, as in the fisheries development projects approved in 1979 for Bangladesh, Pakistan and Philippines. And in the Seraijonj integrated Rural Development Project in Bangladesh, approved in 1976, provision was made for the organization of women and rural youth through selected economic activities.

This brief review highlights the efforts made by the Bank in the past, and more specifically in 1979, to benefit the poor. Viewed against the enormous magnitude of the problem of poverty in the region, the Bank's efforts to help the poor represent only a modest contribution. In the coming years, the Bank will redouble its efforts to make the benefits of its assistance reach the poor. The gaining of more operational experience through post-evaluation of Bank-financed projects and the introduction of pre-project baseline surveys and subsequent periodic monitoring of projects in the Agriculture and Rural Development sector are expected to prove particularly valuable in these efforts.

Sectoral Review

Agriculture and Agro-Industry

Lending and technical assistance for Agriculture and Agro-Industry in 1979 once again reflected the high priority the Bank assigns to this vital development sector. The key to alleviating poverty in the region is to accelerate the growth of agricultural incomes and food supply because the majority of the populations and of the poor live in rural areas.

Agricultural development also is an important factor in industrial growth: a large part of domestic consumer demand for industrial products depends on agricultural prosperity, and a significant proportion of manufacturing activity is based on agricultural raw materials.

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

The Agriculture and Agro-Industry sector covers irrigation and rural development, fisheries, livestock, agricultural credit and support services, forestry, fertilizer and agro-processing.

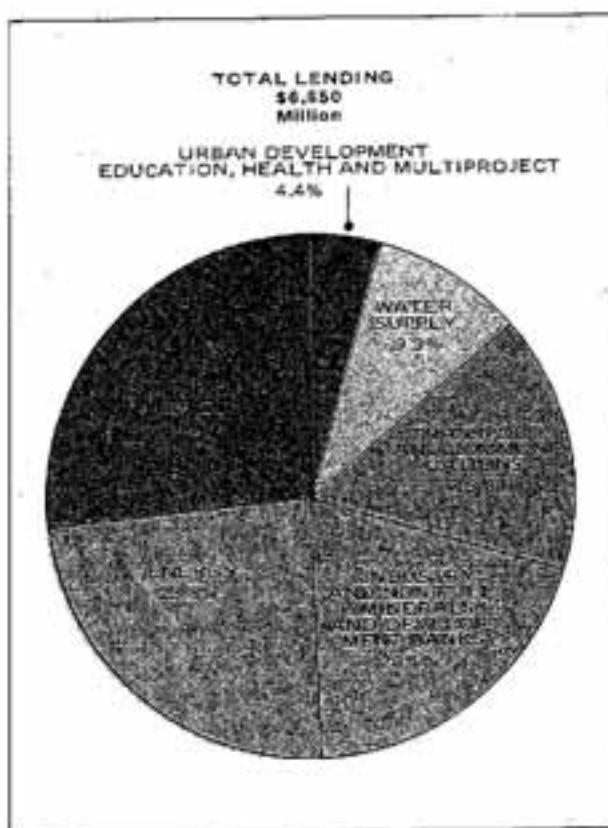
In terms of overall Bank lending, this sector received almost one-third (32.9 per cent) of total loans in 1979, compared with 26.8 per cent in 1978. Similarly, this sector received the largest share of the Bank's technical assistance in 1979 although its share showed a modest decline from 51.2 per cent in 1978 to 56.2 per cent. Total lending to this sector as of the end of 1979 amounted to \$1,772 million for 132 projects, while technical assistance totalled \$32 million for 161 projects.

Irrigation and Rural Development: The Bank's strategy for assistance continues to place emphasis on an integrated approach to rural development, focusing jointly on land utilization, water management and expansion of rural employment, as a means of dealing with the persisting problems of unemployment and under-employment, poverty and malnutrition among the rural population in DMCs. The Bank also pays special attention to strengthening rural institutions and to ensuring increased participation of small-scale farmers and landless workers in Bank-assisted projects.

A Regional Seminar on Irrigation Development and Management, held during the year, reviewed the Bank's experience with 41 irrigation projects assisted by it in the past decade. Several critical problem areas identified at this seminar were taken into account in designing Bank-assisted irrigation and rural development projects during the year. For instance, reflecting the importance of institutional and organizational aspects, the Bank agreed to administer, together with its \$7 million loan for the Casier Sud Pioneer Agricultural Project in Laos, a technical assistance grant of \$310,000 from the International Fund for Agricultural Development, to strengthen the overall capacity of the Directorate of Agriculture of the Ministry of Agriculture, Forestry and Irrigation.

Another important concern is to ensure that the socio-economic benefits anticipated at the time of project appraisal are realized. In this regard, where practicable the Bank builds into the project a benefit-monitoring system which provides benchmark data covering demographic,

LOAN APPROVALS
BY SECTOR, 1967-1979



agricultural and socio-economic conditions in the project area. During the year, a technical assistance grant of \$80,000 was included for this type of survey along with a Bank loan of \$39 million for the Tulungagung Drainage Project in Indonesia.

In an effort to maximize the impact of its assistance on the rural poor, the Bank also approved during the year a \$28.5 million loan for the Chittagong Hill Tracts Development Project in Bangladesh. This loan represented the Bank's first rural development project in a less developed region of that country (see pages 28 and 54). One relatively small loan of \$1.7 million to the Philippines provided technical assistance for the preparation of a package of several irrigation projects for possible Bank financing.

The Bank also expanded its program lending for the agricultural sector with two program loans in 1979 — one for \$11.8 million to Bangladesh and another for \$14 million to Pakistan. Both loans supported crop intensification programs and financed incremental phosphatic fertilizer requirements in specific districts of the recipient countries, along with relevant improvements in fertilizer distribution, storage and agricultural extension facilities.

In 1979, the Bank approved 10 loans totalling \$230 million in the Irrigation and Rural Development sub-sector bringing the cumulative total to 87 loans for \$955 million.

Fisheries: In assisting fisheries development, the Bank takes into account the opportunity which marine and inland fisheries, including aquaculture, offer for meeting basic

nutritional requirements for animal protein, raising the foreign exchange earnings of DMCs and, at the same time, improving the incomes and living standards of small-scale fishermen. The Bank envisages substantial scope for further development of fisheries in the region, particularly as its DMCs extend their jurisdiction in respect of fishing activities.

The principal elements of the Bank's framework for assistance to this sector include continued emphasis on the development of marine (i.e. coastal and offshore) fisheries with increasing attention also to aquaculture and inland fisheries and fisheries resource assessment and management (see page 48).

The Bank made three loans totalling \$43 million during the year as compared with four loans amounting to \$68 million in 1978. At the end of 1979, the Bank had provided a

total of \$258 million in loans for 22 fisheries projects, an additional \$742,000 for fisheries components in loans for three rural development projects, and about \$2 million for 17 technical assistance projects in 11 DMCs.

Livestock: Livestock is of considerable importance to rural communities and loans to this sub-sector can assist in meeting basic nutritional requirements in DMCs. The Bank will continue to lend support for livestock development with emphasis on improving the incomes of smallholder farming communities. The major fields of project activities in the future are expected to be livestock development — including pig and poultry — for production of meat, milk and draft animals. To support these activities, attention will also be paid to development of feed base and improvement of livestock services and training.

LOAN APPROVALS BY SECTOR-THREE YEAR MOVING AVERAGES, 1968-1970 — 1977-1979

	Total Lending	Agriculture and Agro- Industry	Energy	Industry and Non- Fuel-Minerals and Devel- opment Banks	Transport and Commu- nications	Water Supply	Urban Development Education and Health
Average during (\$'000 \$ million)							
1968-1970	728.1	24.9	15.4	49.3	30.7	8.8	1.0
1969-1971	199.1	33.3	50.6	58.3	43.0	14.7	1.0
1970-1972	272.0	35.2	89.9	51.2	58.7	34.3	2.2
1971-1973	329.8	44.8	106.4	51.6	78.9	44.5	3.4
1972-1974	427.3	80.4	114.4	80.8	91.2	57.1	3.4
1973-1975	542.1	151.4	125.1	112.0	55.9	49.8	7.0
1974-1976	661.0	193.9	141.2	151.6	98.7	59.9	5.2
1975-1977	774.2	235.4	170.5	152.9	121.4	65.2	16.8
1976-1978	950.2	257.0	202.5	204.1	150.2	84.3	42.1
1977-1979	1,099.7	327.3	264.0	192.3	134.2	95.7	65.2
Cumulative (1968-1979)	8,650.0	1,771.5	1,580.9	1,337.4	1,053.4	620.7	286.1
Percentage Distribution							
1968-1970	100.0	19.4	12.0	38.5	24.0	5.3	0.8
1969-1971	100.0	6.7	25.4	28.3	24.7	7.4	0.5
1970-1972	100.0	22.9	33.1	19.0	23.5	2.6	0.8
1971-1973	100.0	13.8	32.0	15.7	23.9	13.5	1.0
1972-1974	100.0	18.6	26.6	18.9	21.3	13.4	0.8
1973-1975	100.0	27.9	23.1	20.8	17.7	9.2	1.3
1974-1976	100.0	29.3	21.4	22.0	18.5	9.1	0.8
1975-1977	100.0	30.4	22.0	19.7	17.0	8.4	2.4
1976-1978	100.0	27.3	21.5	21.7	16.0	9.0	4.6
1977-1979	100.0	28.6	24.0	17.5	12.2	8.7	7.8
Cumulative (1968-1979)	100.0	26.6	23.6	20.1	15.9	9.3	4.3

Excluding refinanced technical assistance loans.
Includes multiproject loan.

LOAN APPROVALS BY SECTOR, 1978, 1979, 1967-1979
(amounts in \$ million)

Sector	1978						
	OCR		SF		TOTAL		
	No.	Amount	No.	Amount	No.	Amount	%
Agriculture and Agro-Industry	7	108.59	11	202.15	18	310.74	26.51
Agriculture	7	108.59	8	126.75	15	237.34	20.48
Agro-Industry	—	—	3	75.40	3	72.40	6.33
Forestry	7	234.20	1	35.00	7	249.20	21.51
Industry and Non-Fuel Minerals	3	73.10	1	51.50	4	124.60	10.75
Development Banks	3	120.00	4	37.50	7	157.50	13.60
Transport and Communications	5	127.10	1	110.00	2	136.10	11.92
Water Supply	2	80.74	2	13.36	4	94.10	8.12
Urban Development	1	16.00	—	—	1	16.00	1.36
Education	—	—	2	30.00	2	30.00	2.59
Health	2	38.50	—	—	2	38.50	3.32
Multiproject	—	—	—	—	—	—	—
TOTAL	31	778.23	22	380.51	52	1,158.74	100.00

1. Projected financials both on and off balance sheet are counted only once.

2. Adjusted to exclude total remittance amount of \$3.25 million from Sri Lanka calculated since start of the Belawan and Burabau Power Phase I Project in 1969.

3. Adjusted to exclude remittance of \$1.5 million of the Batang Toru Land Development Project in Indonesia.

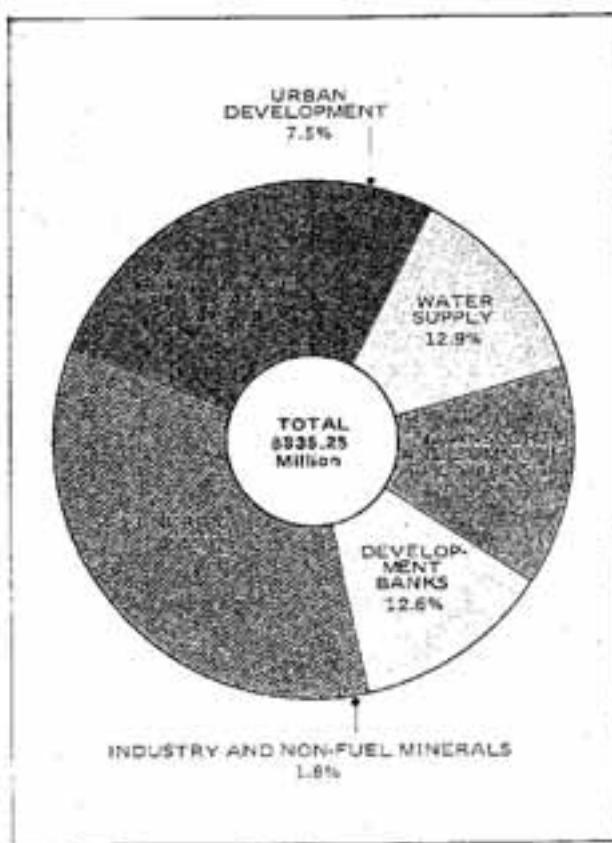
During the year, the Bank made four loans for livestock projects amounting to \$53 million as compared with one loan of \$12 million in 1978. At the end of 1979, the Bank had provided a total of \$70 million in loans for seven livestock projects in seven DMCs. In addition, the Bank had provided \$4 million for livestock components in loans for six area development projects and had also approved technical assistance grants totalling \$3 million for 15 projects in this sub-sector.

Agro-Industry: The Bank continued its support for this sub-sector in 1979, particularly with a view to raising the productivity of plantations in both the public and small-holder sectors through replanting and improved cultural practices, modernizing the associated processing industries and providing facilities for marketing. In this connection, the Bank extended three loans for cotton processing in Afghanistan, foodgrain storage in Bangladesh, and for strengthening rice processing industries in Burma. The loan to Burma was supported with a technical assistance grant of \$150,000 for the establishment of a Post-Harvest Rice Technology Center.

In addition, two supplementary loans were approved — one to Bangladesh and the other to Sri Lanka — to cover a part of the additional foreign exchange financing needed for two Bank-assisted fertilizer projects in these countries. For this sub-sector, five loans totalling \$74 million were approved during the year along with six technical assistance projects totalling \$569,000. At the end of 1979, the Bank had provided a total of \$386 million in loans for 28 projects.

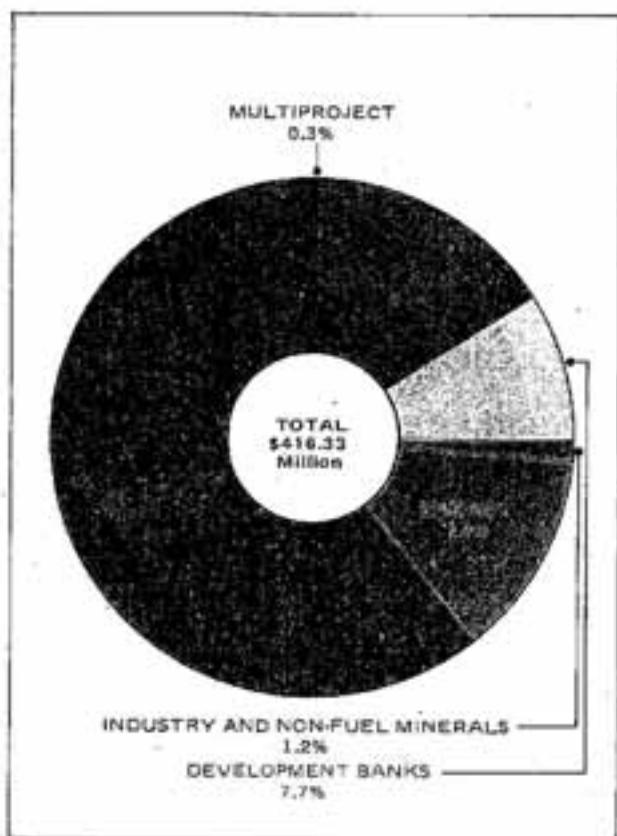
Forestry: Forestry plays an important role in the region in the control of siltation of rivers and reservoirs, the conservation of soil, the maintenance of agriculture, and the provision of essential materials.

**ORDINARY LOAN APPROVALS
BY SECTOR, 1979**



1979						1967-1979							
OCR		SF		TOTAL		OCR		SF		TOTAL			
No.	Amount	No.	Amount	No.	Amount	%	No.	Amount	No.	Amount	%		
158.80	16	252.98	23	411.68	32.88		49	495.85	93	1,024.84	15.2		
158.80	11	178.88	18	337.48	26.96		35	645.45	69	1,228.87	20.56		
—	5	74.10	5	74.10	5.92		10	101.40	22	296.27	5.98		
271.35	5	53.95	10	325.30	25.99		59	126.62	35	1314.29	23.77		
151.00	1	5.20	2	20.20	1.61		17	259.47	5	98.82	2.2		
105.00	2	32.00	6	137.00	10.95		29	837.10	15	142.00	3.2		
114.80	—	—	4	114.80	9.17		53	1902.34	23	149.87	3.2		
106.20	—	—	5	108.20	8.65		27	1509.15	19	117.51	3.4		
62.30	—	—	2	62.30	4.98		4	98.80	—	4	36.80	1.49	
—	4	71.00	4	71.00	5.87		5	83.80	10	115.00	2.2		
—	—	—	—	—	—		2	36.50	—	2	38.50	0.58	
—	1	1.20	1	1.20	0.10		—	—	1	1.20	—		
29	835.25	29	416.33	57	1,251.58	100.00	252	4,686.63	189	1,963.85	415	8,849.96	100.00

SPECIAL FUNDS LOAN APPROVALS BY SECTOR, 1979



The Bank's approach to forestry development emphasizes rational utilization of existing forest resources and development of new plantings, integration of forestry with other land uses, improvement of local institutions and care for the environment.

During the year, the Bank made two technical assistance grants totalling \$156,000 for this sub-sector. One technical assistance grant was for a Forestry Development Project in Fiji and the other for a Forest Utilization and Replanting Project for Western Samoa.

In the context of energy shortages and the need to conserve natural resources, the Bank accelerated its efforts to build up a pipeline of forestry projects, emphasizing rational utilization of existing forests, new plantings and supporting activities. Work also continued on the preparation of forestry profiles of DMCs. The Bank's total lending to this sub-sector amounted to \$38 million for three projects at the end of 1979.

Energy

The continued rise in the prices of oil and other fuels and its serious balance of payments implications for many DMCs have spurred efforts to accelerate the development of indigenous energy resources and to formulate policies and programs which are conducive to efficient use and conservation of energy.

The Bank recognizes that in any sound power system planning, optimum use must be made of available energy resources. Its efforts, therefore, continue to focus on the development of indigenous energy sources such as hydro-power, natural gas, lignite-coal and geothermal power, and on projects for the beneficiation of discovered resources through downstream activities such as transmission, distribution and, in the case of fuel minerals, in refining operations.

Improving the efficiency of energy industries through the rehabilitation and modernization of existing production and distribution facilities will also continue to receive Bank assistance. Moreover, the Bank hopes to play a useful role in the development and exploitation of mineral fuel resources and petroleum fuels. Special attention will be given to comprehensive energy planning by DMCs to cover all forms of potential energy resources and demand management, with specific reference to pricing and other incentives for conserving energy and encouraging efficient resource utilization.

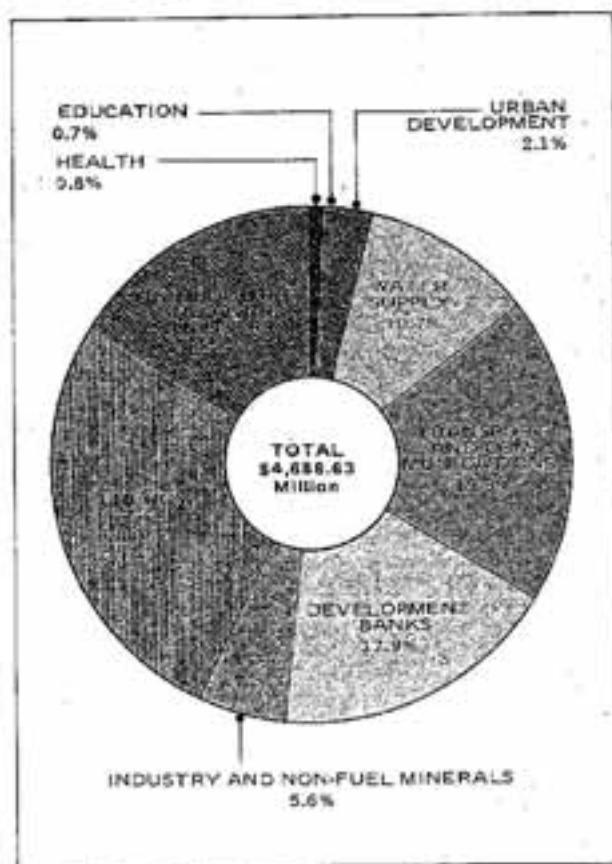
Of the 10 projects approved during the year, seven were energy resource development projects while three were for the improved utilization of energy supply facilities. Energy resource development projects were based on the exploitation of indigenous resources: four projects (totalling \$91 million) will help increase hydropower generating capacity by 291.8 MW in four countries; another 150 MW thermal generating project in Thailand, financed with a Bank loan of \$81.8 million, will use lignite as fuel. The two remaining projects involve the development of coal mines in Republic of Korea and Philippines to increase fuel supplies for industrial and household use. These projects will reduce the dependency of the countries on imported energy resources and will result in an estimated total foreign exchange saving of \$77 million per annum. Likewise, the project in

Thailand will account for an annual saving of \$33 million in imported oil.

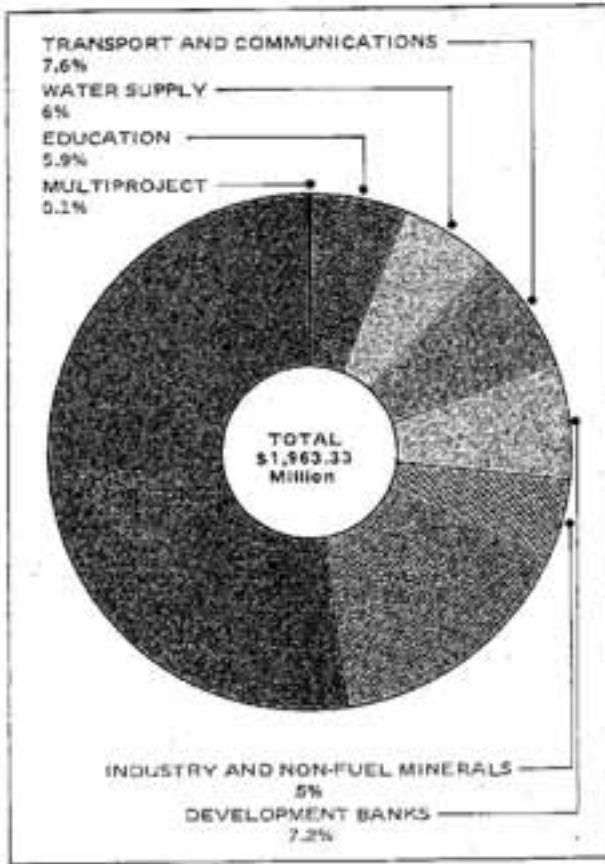
The three projects for energy utilization (totalling \$114 million) comprise schemes for expanding electric power transmission-distribution networks and improving system reliability and capacity utilization. These include a project for the construction of an extra high voltage (500 KV) transmission line to transmit coal and hydro-resource based power to local power grids throughout Java and to enable integrated operation of the different power sources, thus improving the economy and efficiency of system operation. A \$83.5 million loan for the project, designed to assist the first of a two-phase program, is the largest single loan made by the Bank so far. It also underscores the increasing magnitude of investments needed for power projects.

During the year, the Bank also made its first loan for rural electrification — a project in Sri Lanka. The importance of electrification of rural areas arises from the impetus that it gives to the creation of small and medium-scale rural industries, to agricultural production through the expansion of pump irrigated areas and to the productive capabilities of the rural population. Similarly, the Third Power Project in Nepal, assisted by the Bank during the year, provides for the expansion and upgrading of the country's power supply through the interconnection of two separate grids and the

**ORDINARY LOAN APPROVALS
BY SECTOR, 1967-1979**



**SPECIAL FUNDS LOAN APPROVALS
BY SECTOR, 1967-1979**





IRRIGATION and flood control canal (left) increases rice harvests (right) at the Bank-assisted Nong Wai Pioneer Agriculture Project in Thailand, designed to promote and demonstrate integrated agricultural development on a 12,000 hectare irrigable area containing 4,000 farms. The Project will help double net incomes of local farmers.

rehabilitation of a power distribution system. Losses will be lowered, load shedding curtailed and more efficient use made of the energy generated.

Technical assistance for the energy sector in 1979 comprised six projects, with emphasis on sector planning and institution building. A project in Thailand will provide assistance, together with the United Nations Development Programme (UNDP), to prepare a master plan for the development and management of the country's energy sector up to the year 2000. Two other technical assistance projects will enable the public utilities in Papua New Guinea and Western Samoa to formulate more satisfactory tariff policies. The fact that both recipients are small DMCs in the South Pacific is indicative of the importance attached by the smaller utilities to appropriate pricing of their services. Technical assistance was also provided for preparing resource development projects for possible Bank financing, one in Nepal for hydro-electric power development, another also in Nepal for implementation of the transmission project and the third in Bangladesh for determining expansion and rehabilitation needs in natural gas.

During 1979, Bank lending to the Energy sector amounted to \$325 million for 10 projects and technical assistance grants totalled \$2.5 million for six projects compared to \$249 million for seven projects and \$389,700 for three projects, respectively, in 1978. Total Energy sector lending at the end of the year amounted to \$1,581 million, comprising 84 projects. Of this amount, 58 per cent was for development of energy resources and 42 per cent for improved utilization of energy supply facilities. Total technical assistance amounted to \$7 million for 34 projects at the end of 1979, more than half of which was for sectoral planning and institution-building.

Industry and Non-Fuel Minerals and Development Banks

The majority of the Bank's DMCs place considerable importance on industrialization as a strategy for achieving accelerated economic development. Improvements in the balance of payments through import substitution and/or export diversification, greater employment, a more equitable distribution of income and wider ownership of the means of production are among the benefits sought from industrialization.

Traditionally, the Bank has helped its DMCs industrialize by providing finance for the creation or expansion of industrial capacity. The needs of small and medium-scale industries are met through credit lines to development finance institutions (DFIs) and those of large-scale industries through direct lending. More recently, the Bank has accorded high priority to the identification and development of non-fuel mineral resources in view of their potential role in improving foreign exchange earnings and strengthening linkages supporting industrialization programs.

Industry and Non-Fuel Minerals: The activities in this sector during 1979 were marked by the Bank's first program loan for industry, continued support for improvement of industrial research capabilities and expanded efforts, through mineral sector missions, to identify potential projects involving mineral resources development.

The program loan of \$5.2 million was intended to help complement the creation of additional capacity in Burma's cement industry with optimization of efficiency and utilization of existing plant and equipment through the provision of essential spare parts and complementary equipment. In

recent years Burma's cement industry has been unable to meet rising demand and serious shortages are expected unless the supply is augmented. The program loan will enable Burma to increase cement production by 100,000 m.t. annually.

The Bank recognizes that industrial research activities are essential to the development of appropriate technology and industrial practices, both of which play an important part in fortifying industrialization efforts. In 1979, a \$15 million loan was extended to the Republic of Korea for expanding the facilities, and upgrading the capabilities, of the Korea Institute of Science and Technology (KIST). The loan will help finance applied research work in various industrial disciplines and thus facilitate the long-term development of more technology-intensive industries in the country.

In the area of non-fuel minerals, the Bank took the initial step of expanding its operations in the mining sector by undertaking a mineral sector mission to review the potential and prospects for developing the mineral sector in Pakistan. Most DMCs are known to have substantial unexplored mineral resources which, if developed, could become a source of foreign exchange earnings or savings.

Apart from helping DMCs exploit their potential non-fuel mineral resources, the Bank will continue to assist in the development of their institutional capabilities as well as their facilities for conducting geological, geophysical and geochemical surveys, resource evaluation and mineral exploration programs to discover new reserves. Activities in this area are expected to expand in the years ahead.

Bank lending to the Industry and Non-Fuel Minerals sector in 1979 amounted to \$20 million, bringing the cumulative total lending to the end of the year to \$358 million for 22 projects.

Development Banks: DFI-assisted projects in the region as a whole have helped generate additional employment and facilitated domestic resource mobilization, development of managerial and technical skills, application of appropriate technology and utilization of local and indigenous raw materials in DMCs. While channelling funds through DFIs to various sub-projects, the Bank has, at the same time, developed and strengthened the DFIs themselves. The Bank's financial assistance and institution-building credits have helped DFIs tap other sources of funds — both bilateral and multilateral — and have strengthened their capabilities to further economic development.

During the year the Bank extended a third credit line for \$50 million to the Korea Development Finance Corporation and a fifth credit line for \$30 million to the Private Development Corporation of the Philippines. Significantly, the Bank also provided during the year its first credit lines to two other DFIs in these two countries: a \$10 million credit to the Citizens National Bank (CNB) in the Republic of Korea and a \$15 million credit to Philippine Investments Systems Organization (PISO). The increasing number of institutions being used by the Bank as channels for relending development funds reflects the Bank's sustained efforts to promote the growth of small and medium-scale enterprises particularly when they are rural-based or located in depressed areas with high rates of unemployment. Both CNB and PISO, which are active financiers of small and medium-scale industry, have broadened their functions to include longer-term and more development-oriented financing.



SMALL-SCALE industries such as shirt-making have received an impetus with the availability of power in the Bukittinggi area of West Sumatra, Indonesia, following Bank assistance to the West Sumatra Power Supply Project.

In South Asia, the Bangladesh Shilpa Rin Sangstha Bank received its third Bank credit line, a \$30 million concessional loan of which \$250,000 has been earmarked for the engagement of consultants to upgrade project supervision procedures and management information systems. In the South Pacific, the Development Bank of Solomon Islands, a newly-established DFI, received its first credit line of \$2 million, thus raising to five (out of a total of seven) the number of South Pacific member countries which have been assisted by the Bank in setting up or strengthening the operations of their DFIs. The new DFI has been instrumental in servicing the resource needs of industrial, agricultural and community development projects.

In addition to their role in giving assistance to industrial projects, DFIs in the South Pacific region have been increasingly used to channel resources into other important areas such as agriculture, school and community development and various services.

During 1979 the development banks sector received six credit lines totalling \$137 million from the Bank. As of the end of 1979, the Bank had approved 52 credit lines for a total of \$979 million to 24 development banks in 16 DMCs, representing 14.7 per cent of total Bank lending.

Transport and Communications

The Bank's DMCs have assigned a major role for transport and communications in promoting socio-economic progress. Accordingly, the Bank's lending to this sector has been substantial.

In its road projects, the Bank has aimed at providing low-cost, dependable transportation facilities to relatively underdeveloped areas through rehabilitation and improvement of existing facilities. This continued to be the main thrust of the Bank's activities in 1979. For example, a \$27 million loan to support the Indonesian Government's Road Betterment Program will finance improvement of about 300 kilometers of the national and provincial highway network in Central and East Java and provide urgently needed bridge facilities to restore access to certain rural communities experiencing economic hardships due to bridge failures.

The Bank also finances projects for new road construction to facilitate area development, to help integrate the rural sector into the total economy and to raise the productive capacity and income of the rural population above subsistence levels. Technical assistance approved in 1979 for the Mahaweli Area Roads Development Project in Sri Lanka figured in this category.

Port projects received the major share of the Bank's lending to the sector in 1979. In general, Bank assistance for port development has been designed to improve and expand port facilities in DMCs so that increasing volumes of cargo traffic and trade can be handled, taking into account the requirements of changing technology in shipping and cargo handling.

In this perspective, the Bank extended in 1979 a \$7 million loan to Fiji to support the rehabilitation and upgrading of wharf facilities at Suva, the country's largest port. This will ensure their continued usability and allow them to accommodate the projected traffic growth over the medium term, including container traffic.

At Bintulu in Malaysia, a \$53.8 million loan will contribute to the construction of a new deepwater port which will open up remote and underdeveloped areas of the State of

Sarawak, facilitate the export of the area's predominantly agricultural products and liquified natural gas as well as serve as a catalyst for future social and industrial development. In Manila, a \$27 million loan for developing the International Container Terminal at the principal international and domestic port of the Philippines will help rationalize harbor operations and relieve port congestion.

In addition, an important feature of the Bank's activities in this sector was the approval of the Inter-Island Transport and Telecommunications technical assistance for the Republic of Maldives — the first Bank project in that country since it became a member in February 1976.

In 1979, four loans totalling \$115 million were approved in the Transport and Communications sector, three for ports projects accounting for 76.5 per cent of the amount lent, and the other for a road project. Technical assistance activities also figured strongly, involving Bank financing of \$1.1 million for seven projects — three for roads, three for ports and shipping, and one for railways.

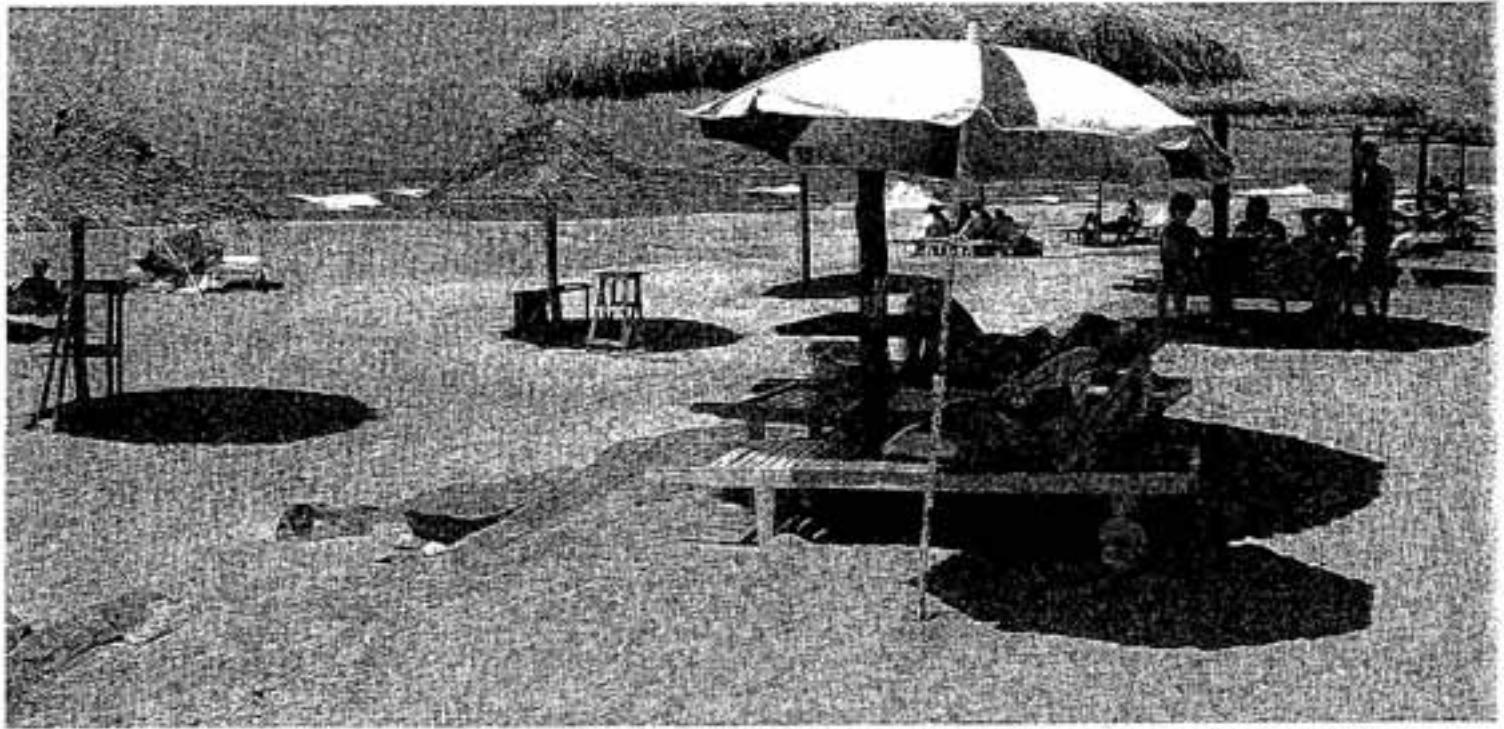
As of end December 1979, the Bank had made 76 loans for 72 projects totalling \$1,052 million in this sector. Within this sector, roads and ports projects received the major share of funding — 55.5 per cent and 30 per cent, respectively — followed by airports (9 per cent), railways (4.5 per cent) and telecommunications (1 per cent).

Water Supply and Sewerage

The Bank has been increasingly involved in this sector because of the importance of improved water supply and sanitation systems to the health and socio-economic progress of the population. The water and sewerage systems of the larger cities in the developing countries of Asia have deteriorated in recent decades because maintenance has lagged and consumer demand has risen at a much faster rate than the existing systems could be expanded. In addi-

POWER substation and transmission lines, part of the Bank-assisted Vientiane Power Distribution Project in Laos, form a backdrop to farm workers building flood-control dikes.





THE TOURISM industry, an important source of foreign exchange earnings, is being assisted in Sri Lanka by Bank subloans through the Development Finance Corporation of Ceylon.

tion, large-scale population migrations from the countryside to the towns have exacerbated water and sewerage problems in most DMCs.

The Bank has made a significant contribution to improving and expanding water supplies and reducing the problems caused by inadequate and overloaded sewerage systems which particularly affect the urban poor. The Bank has also paid attention to the application of appropriate technology and service standards in this field. These aspects of Bank lending were reflected during the year in three loans for water supply projects in large urban areas and a loan for the preparation of a master plan, feasibility studies and detailed engineering designs of sewerage facilities in five large urban and industrial areas.

These projects were designed in such a way as to ensure that the operations of the respective authorities in the water supply and sewerage sectors would become, over a period of years, financially viable and efficient. To achieve these objectives, all five projects financed in 1979 formed part of, or included the preparation of, long-term master plans. Appropriate provisions covering tariffs were made to ensure a reasonable degree of project self-financing and future system expansion. The tariffs themselves were also structured in such a way as to facilitate access by the poor to the minimum water supplies for basic health needs.

Five loans totalling \$108 million were approved for the water supply sector in 1979. Total Bank lending for water supply and sewerage projects as of the end of 1979 reached \$621 million, covering 34 projects in 12 countries.

Urban Development

The Bank encourages DMCs to adopt a comprehensive approach to problems resulting from the rapid growth of urban areas, and pays particular attention to the needs of the poorer segments of urban populations.

Bank operations in this sector emphasize the need for urban development programs to be undertaken on the basis

of long-term master plan studies. For instance, a technical assistance grant for a study of the integrated urban development of the Dacca Metropolitan Area in Bangladesh, approved early in 1979, will lead to the formulation of a strategy for the optimum level and direction of Dacca's future growth.

More than half of the urban population in most DMCs reside in slums. These settlements are characterized by poor sanitary services, high population densities, substandard and overcrowded dwellings, and inadequate educational and health facilities. The Bandung Urban Development Project in Indonesia, approved in 1979, is designed to remedy this kind of situation. This project contains "sites and services", sewerage, drainage and solid waste disposal components which will improve the living environment of part of the city, including areas having the highest residential density and the poorest sanitary services. These components form part of a long-term program to cover the entire city.

The housing needs of the lowest income groups are met in various ways. For instance, in the Bandung project, it is proposed to improve existing housing through provision of services and sites with core houses which can be enlarged later by the allottees; and in the Korea Low-Cost Urban Housing Project, approved by the Bank during the year, there is provision for low-cost apartments for rental and low-priced houses for sale in installments. Cost-effectiveness and use of appropriate technology determine the design and standards of facilities so that they are within the financial reach of the target group. The heavy burden of housing payments on low-income families may be further reduced by cross-subsidization or internal subsidies, as envisaged in both the Bandung and Korea Housing projects.

The Bank attaches great importance to the institutional aspects of urban development. Accordingly, technical assistance components are incorporated in projects — as in the case of Bandung Urban Development Project — to improve the technical and managerial capabilities of the local

institutions responsible for the planning and implementation of future urban projects, and to boost the financial capabilities of local and city governments.

The Bank has long been involved in water supply and sewerage projects for urban areas in DMCs, but assistance for comprehensive urban development started in 1976. Since then Bank operations in this sector have broadened; in 1979, loans totalling \$62 million and \$799,000 in technical assistance were provided. Bank lending to this sector at the end of 1979 totalled \$99 million for four projects.

Education

Education and training systems make an important contribution to all sectors of a country's economy in terms of supplying the necessary quantity and quality of occupational skills. The Bank therefore aims to improve the quality of selected educational programs which will help augment manpower resources and upgrade occupational skills. Emphasis is placed on job training; vocational and technical schools at the secondary level; higher education in certain selected scientific/technological fields (such as engineering); and strengthening technical and vocational teacher training.

The Bank's education projects have broadened in recent years, but the emphasis on technical and vocational training remains. A comprehensive approach is taken in Bank-assisted education projects. For instance, they provide consultants for the upgrading of curricula and teaching materials; student dormitories to ensure that students from more remote areas can be accommodated at reasonable costs; staff housing to assist in attracting and retaining high-quality staff in competition with industry; and overseas fellowships to improve key areas such as administration and training, laboratories, workshops and equipment.

The Bank also recognizes the relevance of education to manpower needs and has consistently included, during project appraisal, studies of national manpower needs for projects involving the upgrading of the supply and quality of educational output. In particular, the Second Vocational Education Project in Thailand includes a sector survey to ensure that the output of trained technicians is commensurate with the country's manpower demands. Also, upgrading of technical teacher training has invariably been built into a project whenever necessary to provide a sound foundation.

The development of human resources through improved technical and vocational education forms an integral part of the Bank's growing role in the region's social development. The Bank's increased attention to agriculture and rural development, expansion of rural employment opportunities and the establishment of small industries in rural areas will all call for a corresponding growth in Bank activities in the fields of education and training.

Lending for education projects in 1979 more than doubled to \$71 million from \$30 million in 1978. The four loan projects approved during the year covered the provision of textbook development and printing facilities in Pakistan for primary and secondary educational needs, the input of additional skills and technical expertise in Thailand and Pakistan, teacher training and improvement of facilities at polytechnic level in Pakistan and upgrading of facilities at university level in Indonesia. Three technical assistance grants approved during the year provided the means to prepare projects at secondary and tertiary levels and

covered involvement in technical and agricultural education in Burma; engineering skills improvement in Indonesia; and assistance in the planning and organization of technician training institutions in the Philippines. Cumulative lending to the Education sector at the end of 1979 amounted to \$149 million.

Health

The Bank's involvement in the health sector is relatively new and necessary reconnaissance surveys were undertaken during the year in Nepal, Pakistan, Burma and Bangladesh. During the year the Bank approved technical assistance to Nepal for malaria control and research and training, and to Pakistan for the upgrading of hospitals and training of paramedical technicians.

In the field of population activities, the approach endorsed by the Bank envisages support for family planning programs of DMCs and provides for incorporation of population components in Bank-financed projects in the Health sector as well as in the other sectors — in particular area and urban development projects (see page 49).

Loan Administration

Efforts continued during the year to streamline the administration of loans and the supervision of projects. Internal systems, procedures and practices were kept under constant review and necessary changes and improvements

PROJECT DIRECTOR with a scale model of the new campus of the University of Hasanuddin Project in Indonesia. The Project, which received a Bank loan in 1979 following earlier technical assistance, will help meet Indonesia's growing demand for the University's graduates.

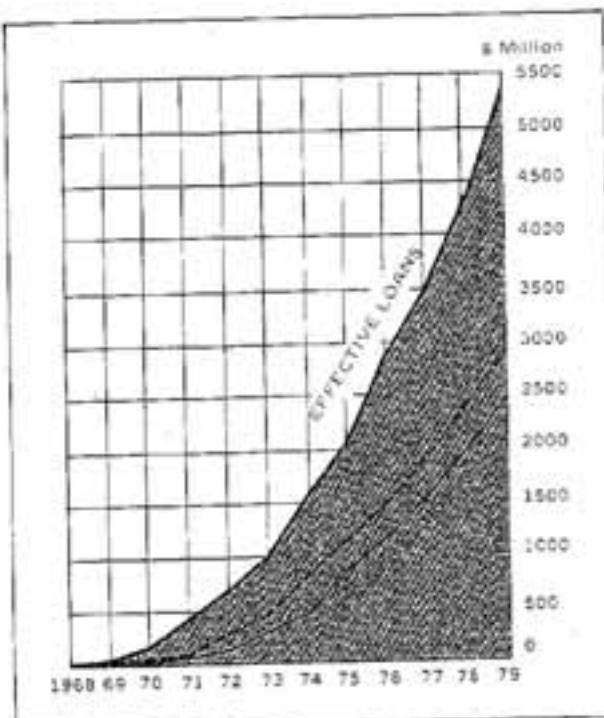


were also made to improve the Bank's capability to assist borrowers in implementing projects and in dealing with complex problems. A revised set of loan administration instructions was issued to provide more effective guidance to staff and to ensure consistency in Bank action. In order to cope with the increasing number of projects under implementation, additional Project Officers who will be concerned almost exclusively with loan administration have been recruited, including two Procurement Specialists in the Central Projects Services Office who will assist in reviewing procurement activities.

During 1979, the monitoring and supervision of the progress of projects were strengthened both in the field and within the Bank. In all, 170 loan administration missions visited 253 projects during the year, as compared to 136 missions in 1978. Within the Bank, semi-annual project reviews were conducted by senior staff and Management. Detailed reviews of progress reports submitted by borrowers were carried out and senior staff were alerted on potential problems or difficulties. A program was initiated to prepare model Critical Path Method (CPM) networks for new projects which will enable staff to monitor more closely the progress of project works. Additionally, quarterly reports on the outcome and findings of loan review missions are being prepared for Board information. The first such report covering the fourth quarter of 1979 will be submitted in the first quarter of 1980.

The Bank also intensified its training activities in order to upgrade the implementation skills of staff belonging to project executing agencies. During the year, the Bank conducted six regional seminars: two on procurement, two on project implementation management, one on irrigation development and management, and one on project implementation and supervision for development banks. Assistance was also provided to Thailand and Indonesia for organizing and conducting procurement seminars.

CONTRACTS AWARDED AND DISBURSEMENTS TO END OF 1979



In addition, new Guidelines on the Use of Consultants were adopted in 1979. These provided for the increased use of domestic consultants and consultants from developing

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS, 1968-1979

(amounts in \$ million)

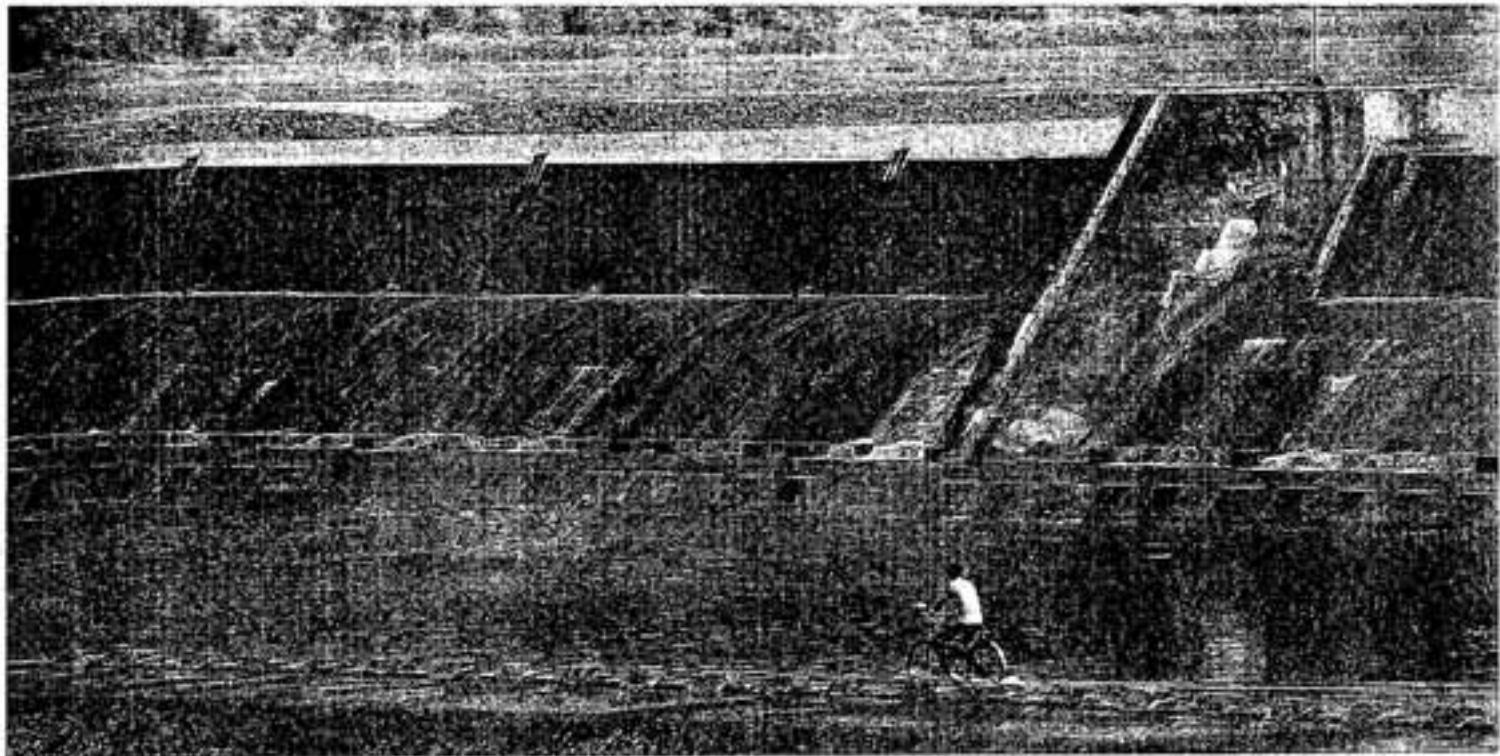
Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No. ^a	Amount	Amount ^b	% of Effective Loans	Amount ^c	% of Effective Loans
1968	4	20	4.5	22	1.8	9
1969	13	57	13.5	20	9.3	14
1970	28	137	58.7	43	26.4	19
1971	67	404	175.5	29	75.1	19
1972	93	696	270.6	39	136.2	20
1973	130	996	448.9	45	282.7	26
1974	157	1,512	803.1	60	470.2	29
1975	221	2,052	1,118.7	54	832.1	40
1976	264	2,846	1,483.9	52	1,158.7	41
1977	294	3,461	1,652.9	53	1,514.9	44
1978	340	4,289	2,381.3	56	1,977.1	46
1979	391	5,274	2,886.4	55	2,463.4	47

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

^b Excluding partially cancelled and seven reclassified loans.

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

^d Includes interest and other charges financed during construction.



DIVERSION dam at the Angat-Magat Integrated Agricultural Development Project in the Philippines, which is helping to boost rice production, crop diversification and the income and employment opportunities of local farmers.

member countries as also for the possible use of a two-envelope system for inviting consultants' proposals and expeditious recruitment of consultants (see page 50).

A total of 238 loans were under active administration in 1979. Fifty-five loans became effective and 35 loans were closed¹ during the year. The total value of contracts awarded during the year was \$505 million, while disbursements totalled \$486 million. The ratios of cumulative amounts of contracts awarded and disbursements relative to the total amount of effective loans as of the end of 1979 were 55 per cent and 47 per cent, respectively, as compared with 56 per cent and 46 per cent, respectively, in 1978.

Projects Completed

A total of 27 projects involving Bank loans of \$408 million were completed in 1979, bringing the total number of projects completed to 143 out of 415 projects approved to the end of the year.

With a view to supporting the post-evaluation work, which has become an integral part of the Bank's activities, steps were taken to expand the preparation of Project Completion Reports (PCRs). The PCRs, which review the borrowers' and the Bank's experience in project preparation and implementation and assess results in the light of expectations in the project appraisal, are designed to help further improve the quality and efficient implementation of ongoing and future Bank-assisted projects. During 1979, 22 PCR missions were undertaken and 16 reports were submitted to Management and to the Board of Directors.

Post-Evaluation

Following its establishment in 1978, the Post-Evaluation Office (PEO) concentrated in 1979 on the formulation of standards and procedures governing the preparation of Project Performance Audit Reports (PPARs). PPARs eval-

uate, verify and audit the findings of Project Completion Reports (PCRs), prepared by the respective Project Departments of the Bank. The purpose of PPARs is to assess completed projects independently in terms of their design, implementation and intended objectives. Findings and recommendations of PPARs are examined by the Bank with a view to improving its future operations.

During 1979 PEO circulated to the Board two PPARs and work was substantially completed for three others; seven Post-Evaluation studies were completed, including three intensive studies undertaken by PEO staff and four external post-evaluations undertaken by independent outside consultants; a report on the review of 18 post-evaluation reports issued between 1973 and 1978 was substantially completed; and follow-up of completed post-evaluation reports continued.

Now that the groundwork for post-evaluation activities has been properly laid and the necessary experience gained, it is expected that the program of work will achieve greater momentum in future.

Technical Assistance and Regional Activities

Technical Assistance for DMCs

An important element of the Bank's developmental role is the provision of technical assistance to DMCs to improve their capability to make use of external project financing, both from the Bank and other sources. Technical Assistance grants are financed mainly from the Technical Assistance Special Fund of the Bank (see page 75); in addition, the Bank administers technical assistance projects financed from other sources such as the United Nations Development Programme (UNDP) and the European Economic Community (EEC). It also cooperates with the Food and Agriculture Organization (FAO) on a cost-sharing basis in

¹ Loan disbursements completed.

providing project preparatory technical assistance in the agricultural sector.

Although mainly focused on project preparation, the Bank's technical assistance activities are also directed towards implementation of development projects in DMCs, and to improving the technical, managerial and organizational capabilities of DMCs, as well as to establish and strengthen the various development institutions in those countries and to assist in the formulation of national and/or sectoral development strategies and plans.

The Bank's technical assistance activities recorded a substantial rise in 1979, both in terms of the number of projects and the total amount of assistance provided. Fifty-nine technical assistance projects amounting to \$14 million¹ were approved during the year, compared to \$11 million for 47 projects in the previous year. Twenty projects were wholly or partly financed from other sources in 1979, with the Bank acting as Executing Agency; 12 projects received assistance of \$6 million from UNDP; six projects

received assistance of \$1 million from EEC; and two projects received partial financing of \$0.4 million from the International Fund for Agricultural Development (IFAD); and four projects received assistance from FAO on a cost-sharing basis.

Project preparatory technical assistance amounted to \$9 million for 44 projects; advisory and operational assistance amounted to \$6 million for 16 projects. These amounts include technical assistance grant components incorporated in many Bank loans, amounting to \$6.4 million in all. Of this, \$1.3 million was for project preparatory purposes and \$5.1 million for project implementation.

In 1979, 17 DMCs received technical assistance from the Bank. The fully eligible Special Funds countries received \$10 million for 41 projects, compared to \$5 million for 26 projects in 1978. Technical assistance grants provided to South Pacific DMCs in 1979 amounted to \$809,000 for nine projects (\$469,000 in the form of project preparatory assistance and \$340,000 in advisory assistance), compared to \$736,700 for six projects in 1978.

On a sectoral basis, 56.2 per cent of the total amount of technical assistance approved in 1979 was for agriculture

¹ The amount relates to technical assistance grants and does not include technical assistance loans.

TECHNICAL ASSISTANCE BY COUNTRY AND REGIONAL ACTIVITIES, 1978-1979, 1957-1979
Amounts in US\$ thousands

Country	No.	1978			
		Bank Financing	Other Sources	Total	
Afghanistan	2	347.2	—	347.2	
Bangladesh	1228.0	1228.0	—	1,466.0	
Burma	737.0	—	—	737.0	
Cambodia	—	—	—	—	
Central African Republic	—	—	—	—	
Cook Islands	—	—	—	—	
Fiji	170.0	—	—	170.0	
Indonesia	1344.0	257.0	71.4	1,472.4	
Kiribati	—	—	—	—	
Kuwaiti Republic	244.0	850.0	137.0	931.0	
Laos People's Democratic Republic	248.0	426.0	53.0	727.0	
Malaysia	350.0	—	—	350.0	
Mauritius	—	—	—	—	
Nepal	430.0	250.0	80.0	660.0	
Pakistan	570.0	—	570.0	570.0	
Papua New Guinea	238.0	—	238.0	238.0	
Philippines	207.0	—	207.0	207.0	
Singapore	—	—	—	—	
Solomon Islands	242.0	—	242.0	242.0	
Sri Lanka	250.0	—	250.0	250.0	
Taiwan	309.0	203.0	42.0	554.0	
Hong Kong	68.0	—	68.0	68.0	
Viet Nam	124.0	32.0	12.0	168.0	
Western Samoa	98.0	—	98.0	98.0	
Sub Total	47	4,641.7	1,405.0	11,031.7	12,844
Regionals	11	889.0	—	889.0	7,384
TOTAL	58	7,557.5	4,405.0	11,962.5	100.00

¹ Includes technical assistance projects with other agencies, the Bank's own technical assistance projects, and projects implemented by the Bank in its role as Executing Agency. The figure excludes the Bank's own technical assistance projects which were approved in 1978.

and agro-industry projects, compared to 61.2 per cent in 1978. Technical assistance to this sector involved, among others, pump irrigation, integrated area development, livestock, aquaculture, dairy development, forestry and coconut development. About 17.9 per cent of technical assistance was provided to the Energy sector which covered natural gas development, hydropower, preparation of energy master plan and tariff studies; 8 per cent to the Transport and Communications sector; 6 per cent to the Urban Development sector and the rest to Water Supply, Education, Health, Development Banks and other activities.

Twenty loans approved in 1979 resulted from earlier technical assistance provided by the Bank. The total amount of such technical assistance was \$3.6 million (including \$465,000 financed by UNDP and EEC), of which \$3.4 million was on a grant basis and \$0.2 million has been incorporated in the resulting loans. The total amount of loans approved by the Bank for these projects in 1979 was \$317 million (\$123 million from OCB and \$194 million from SF); in addition, these projects received co-financing amounting to \$37 million. Cumulatively, by the end of 1979, 132 loans

totalling \$2,038 million had resulted from technical assistance provided by the Bank, costing \$26 million in all.

A total of 43 technical assistance projects was completed in 1979, 32 for project preparation and 11 for advisory and operational purposes, bringing the total number of technical assistance projects completed to 214.

The total amount of technical assistance grants provided to DMCs as of the end of 1979 stood at \$61 million¹ (see table below).

Technical Assistance for Regional Activities

South Pacific Agricultural Survey: Work on the South Pacific Agricultural Survey, approved by the Bank in 1978, commenced in early February 1979. The primary aim of the survey was to identify promising areas of investment in the rural economies of the Bank's seven South Pacific developing member countries during the next five to 10 years. The expert team which conducted the survey submitted its

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

No.	1979			%	1967-1979		
	Bank Financing	Other Sources	Total		No.	Total Amount	%
—	—	—	—	—	15	22,465.7	3.52
8	829.5	1,634.0	2,463.5	16.26	18	14,141.5	2.18
5	410.0	525.0	935.0	8.17	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1	99.0	—	99.0	0.65	6	9,880.0	1.47
7	720.0	—	720.0	4.75	18	2,868.5	0.49
—	—	—	—	—	—	—	—
1	150.0	—	150.0	0.99	—	—	—
4	150.0	1,236.0	1,386.0	9.15	—	—	—
1	150.0	—	150.0	0.99	—	—	—
2	268.0	—	268.0	1.77	—	—	—
8	475.0	2,644.0 ^a	3,119.0	20.59	—	—	—
4	745.0	—	745.0	4.92	—	—	—
2	220.0	—	220.0	1.45	—	—	—
5	1,011.0	390.0	1,401.0	9.25	—	—	—
—	—	—	—	—	—	—	—
2	227.0	—	227.0	1.50	10	1,246.3	1.73
5	547.0	398.0	945.0	6.24	10	1,212.5	1.71
1	300.0	710.0	1,010.0	6.67	—	—	—
1	70.0	—	70.0	0.48	—	—	—
—	—	—	—	—	—	—	—
3	193.0	—	193.0	1.27	14	1,284.5	1.88
59	6,584.5	7,537.0	14,101.5	93.08	326	60,841.0	85.77
6	1,047.5	—	1,047.5	6.92	60	19,273.1	28.23
65	7,612.0	7,537.0	15,149.0	100.00	386	70,114.1	100.00

TECHNICAL ASSISTANCE APPROVALS, 1979¹
 (amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
BANGLADESH		
Natural Gas Development	95.0	—
Railway Development	—	289.5 ²
Study on the Integrated Urban Development of Dacca Metropolitan Area	649.0 ³	—
Tubewell Development	315.0 ⁴	—
Rubber Rehabilitation and Expansion	60.0 ⁵	—
Chittagong Hill Tracts Development	—	1,055.0 ⁶
BURMA		
Technical and Agricultural Education	190.0	—
Mandalay Water Supply	240.0 ⁷	150.0 ⁴
Post-Harvest Rice Technology Center	—	—
Aquaculture Development	70.0 ⁷	—
Pump Irrigation and Area Development	285.0 ²	—
Fiji	99.0	—
Forestry Development	—	—
INDONESIA		
Second Senior Technical Schools	92.0	—
Second Agricultural Credit	90.0 ⁷	—
Bandung Urban Development	150.0	—
Cotton Development	98.0	—
Tulungagung Project Benefit Monitoring Survey	—	60.0
South Kalimantan Livestock Development	—	60.0
Study on Rural Roads Development	150.0	—
KOREA, REPUBLIC OF		
Sewage Treatment	150.0	—
LAO PEOPLE'S DEMOCRATIC REPUBLIC		
Agricultural Support Facilities	60.0 ⁸	—
Vientiane Plain Road Improvement	150.0	—
Gasier Sub-Pioneer Agricultural	—	850.0
Water Resources Development	—	310.0 ⁸
MALAYSIA		
Smallholders Dairy Development	150.0	—
MALDIVES		
Inter-Island Transport and Telecommunications Project Identification, Programming and Planning	98.0	—
		170.0

1. Excluding regional projects and technical assistance grants.

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

3. Of this, \$324,500 is to be financed by UNDP.

4. To be financed by EEC with Bank acting as Executing Agency.

5. Of this, \$705,000 is to be financed by UNDP.

6. Of this, \$390,000 is to be financed by UNDP.

7. In addition, FAO contributed funds to these projects under a cooperation agreement with the Bank.

8. To be financed by IFAD, with the Bank as Coordinating Agency.

Country/Project	Project Preparatory	Advisory and Operational
NEPAL⁹		
Aquaculture Development	150.0	—
Livestock Development	—	850.0 ¹⁰
Second Livestock Development	170.0 ¹¹	—
Malaria Control Research and Training	60.0	—
Mulghat Hydropower	660.0 ¹²	—
Hill Irrigation (Western Region)	350.0 ¹³	—
Fourth Agricultural Credit	95.0	—
Third Power	—	624.0 ¹⁴
PAKISTAN		
Rawalpindi Water Supply and Sewerage	200.0	—
Upgrading of Hospitals and Paramedical Technicians	170.0	—
Aquaculture Development II	135.0	—
Baluchistan Livestock Development	—	240.0
PAPUA NEW GUINEA		
Lae Port Development	150.0	—
Electricity Tariff Review	—	70.0
PHILIPPINES		
Vocational Education	180.0	—
Smallholder Dairy Development	341.0 ¹⁵	—
Batangas Oceans Fisheries Development	70.0	—
Manila Domestic Container Terminal	150.0	—
Palawan Integrated Area Development	650.0 ¹⁶	—
SOLOMON ISLANDS		
Development Bank of Solomon Islands	—	120.0
Honiara Water Supply	97.0	—
SIHNAKA		
Integrated Tea Development	98.0 ¹⁷	—
Mihaweli Area Roads Development	98.0	—
Yanpradhapura Dry Zone Agriculture	300.0 ¹⁸	—
Rural Credit	47.0	213.0
West Coast Fisheries	90.0	—
Coconut Development	99.0	—
THAILAND		
Energy Master Plan	1,010.0 ¹⁹	—
TONGA		
Preparation of Sub-Projects for Multiproject Loan	—	70.0
WESTERN SAMOA		
Land Study and Revaluation of Assets	—	70.0
Forest Utilization and Replanting	59.0	—
Second WSTEC Agricultural Development	64.0	—
TOTAL	8,710.0	5,241.5

⁹ In addition, UNDP approved a 1979 additional financing of \$100,000 for the Sainik Irrigation and Rural Development Project (Nepal).

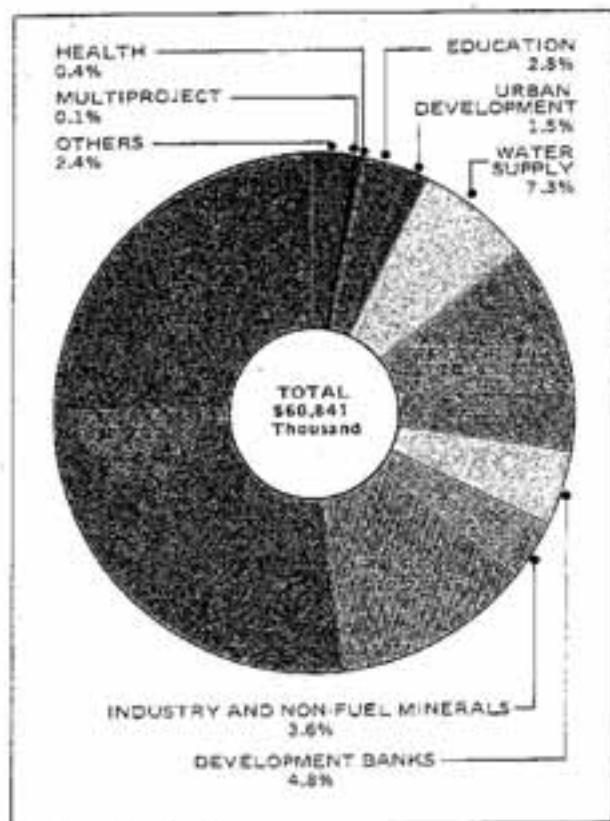
¹⁰ Of this, \$700,000 is to be financed by UNDP.

¹¹ Of this, \$90,000 is to be financed by FAO.

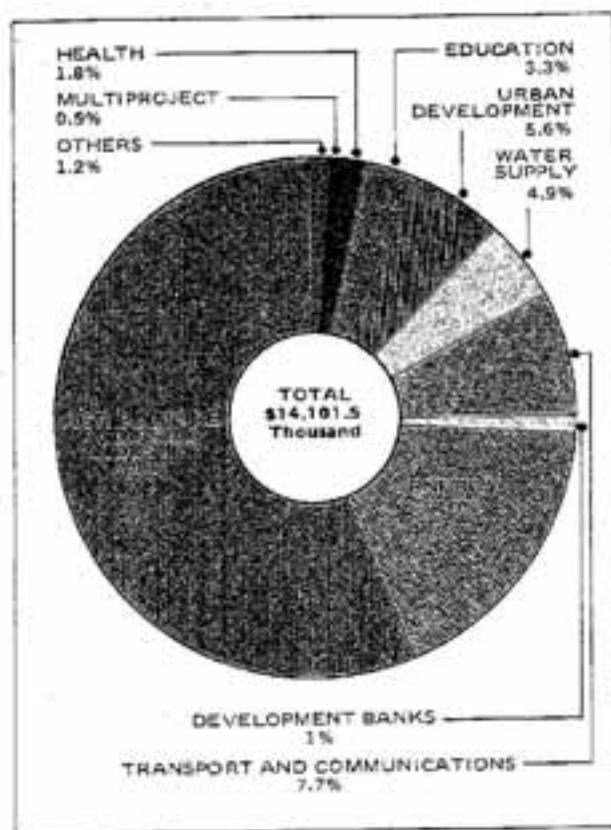
¹² Of this, \$300,000 is to be financed by UNDP.

¹³ Of this, \$710,000 is to be financed by UNDP.

TECHNICAL ASSISTANCE APPROVALS
BY SECTOR, 1967-1979



TECHNICAL ASSISTANCE APPROVALS
BY SECTOR, 1979



report at the end of June. Copies of the report, "Pacific Agriculture: Choices and Constraints", were printed for use by the Bank and its member countries and arrangements have also been made for its publication in March 1980 by the Australian National University Press.

The survey generated keen interest in all the South Pacific DMCs of the Bank. In order to meet requests from Governments for early discussions on the findings of the survey, the Bank agreed to hold a Sub-Regional Seminar in Apia, Western Samoa, from 21 to 24 January 1980. Major findings of the survey to be discussed during the Seminar included the need for increased adoption of the plantation mode of management for major crops and the associated desirability of new forms of landholding; the shortage of rural labor in some areas and the consequent need for capital intensive development; the generally poor state of the coconut industry; the need for rural service centers and to coordinate the development of transport and agriculture; the problem of providing services/facilities for the populations of economically non-viable locations; the role of government in national development, including the key role of the national development banks; and the scope for regional cooperation, especially in the field of marketing.

Intensification of Rice Research for Disadvantaged Areas: In July 1979, the Bank approved a grant of \$700,000 to the International Rice Research Institute (IRRI), which has its headquarters at Los Baños, Philippines. The grant

was for a research program specifically designed to boost rice yields on farm land now producing poor crops in disadvantaged areas. IRRI, through its own efforts and in cooperation with rice scientists around the world, has played an important role in developing improved rice varieties, production technology and rice-based cropping systems. The Institute has been largely responsible for the so-called Green Revolution which has dramatically improved rice harvests in developing countries since the mid-1960s. These successes, however, have been confined to areas with good water control and reasonable freedom from pests and disease. The Green Revolution has bypassed farmers in disadvantaged areas which are subject to floods, drought and adverse soils. As a result, IRRI is now reorienting its research towards the development of varieties and production technologies which will help increase rice yields in these areas. The Bank's assistance will enable the organization to undertake expanded and intensified research activities in its efforts to reach areas of low productivity which have yet to benefit from modern technology.

Second Regional Program on Project Implementation and Supervision: A Regional Program on Project Implementation and Supervision — the second undertaken by the Bank — was held in Seoul from 19 November to 14 December, in collaboration with the Korea Development Bank, the Korea Development Finance Corporation, the Small and

TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1978, 1979, 1967-1979¹
(amounts in \$ thousand)

Sector	1978			1979			1967-1979		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	24	6,763.2	81.21	32	7,819.0	56.16	161	31,708.0	52.11
Agriculture	20	8,007.2	84.21	29	7,611.0 ²	53.97	140	28,907.8 ³	47.51
Agro-Industry	4	776.0	7.00	3	808.0	2.18	21	2,800.2	4.80
Energy	6	389.7	3.52	6	2,519.0	17.86	34	7,415.6 ⁴	12.19
Industry and Non-Fuel Minerals	5	1,347.6	12.16	—	—	—	12	2,168.0	3.56
Development Banks	2	185.0	1.67	1	130.0	0.92	24	2,942.6	4.84
Transport and Communications	4	800.0	5.31	7	1,085.5	7.70	46	7,785.8	12.80
Water Supply	3	1,002.0	9.04	4	657.0	4.87	21	4,424.5	7.27
Urban Development	—	—	—	2	799.0	5.67	5	890.0	1.48
Education	2	343.2	3.10	3	472.0	3.35	12	1,725.2	2.84
Health	—	—	—	2	250.0	1.77	2	250.0	0.41
Multiproject	—	—	—	1	70.0	0.50	1	70.0	0.11
Others	3	431.0	3.89	1	170.0	1.21	10	3,451.7	2.39
TOTAL	47	11,081.7	100.00	59	14,101.5	100.00	326	60,841.0	100.00

¹Excluding Regional Project and other technical assistance grants.

²Includes additional UNDP financing of \$1,050,000 for the Sisine Irrigation and Rural Development Project, Nepal, which was approved in 1977.

³Cumulative total adjusted to include additional UNDP financing of \$60,000 worth the Belepaleo-Agricultural Drainage Project which was approved in 1976.

⁴Adjusted to include additional Bank financing of \$2,124 for the Lutuwa Hydroelectric Project, Solomon Islands which was approved in 1976.

Medium Industry Bank, the Citizens National Bank and the German Foundation for International Development. Twenty-one participants from as many industrial DFIs in 10 countries attended the Program.

The Program, designed for senior officials of DFIs in Asia, covered the various stages of supervision, with particular attention to the difficulties experienced at each stage and to what may be done to overcome them. Emphasis was also placed on the recognition of early warning signals in order to detect and anticipate problems and introduce corrective measures before such problems get out of hand.

The Program also focused on problem projects and their rehabilitation, as well as on the adoption of a more comprehensive approach to supervision activities, including the monitoring of socio-economic aspects, so as to assess adequately the actual development impact of DFIs' activities. The Bank provided \$97,000 for the Program.

ADB-FDB-DSE Program on Development Banking for the South Pacific Region: The Bank held a Training Program on Development Banking for the South Pacific Region (the

second undertaken by the Bank) in Suva, Fiji, from 24 September to 2 November, in collaboration with the Fiji Development Bank and the German Foundation for International Development. Twenty-four professional staff from seven developing member countries of the South Pacific participated in the Program. Of these, 21 came from seven DFIs and the remaining three from government agencies concerned. The Program was geared to an analysis of small agricultural and industrial projects in the business environment prevailing in the South Pacific. Particular attention was given to financial and technical aspects of appraisal as well as to follow-up and supervision. The Bank provided \$84,400 for the Program.

10th APO Project Feasibility Study Training Course: A technical assistance grant of \$44,100 was extended by the Bank to the Asian Productivity Organization (APO) for the Tenth Project Feasibility Study Training Course, to be held in early 1980 in the Philippines and Japan. This was the eighth such grant by the Bank to APO for this purpose. The main emphasis of the course is on the methodology of feasibility studies through an inter-disciplinary approach

TECHNICAL ASSISTANCE LEADING TO PROJECT LOANS, 1979

(amounts in \$-million)

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Cost	Amount of Bank Financing			Amount of Co-Financing	Local cost to be financed by Government
				OCR	SF	Total		
AFGHANISTAN Cotton Processing	1977	0.092	33.20	—	20.10	20.10	—	13.10
BANGLADESH Chittagong Hill Tracts Development	1977	0.500	21.64	—	28.50	28.50	0.71	12.28
Fisheries Credit	1976	0.270	20.00	—	10.80	10.80	—	9.20
BURMA Sedawgyi Hydropower	1975	0.048	28.50	—	14.60	14.60	2.00	11.96
Second Rice Processing Industries	1978	0.095	32.90	—	17.00	17.00	—	15.90
FIJI Suva/Port	1977	0.092	11.00	7.00	—	7.00	—	4.00
INDONESIA Bandung Urban Development	1976	0.100	58.80	32.30	—	32.30	—	27.30
Bandung Water Supply (Supplementary)	1972	0.295	25.41	8.00	—	8.00	—	17.40
Tulungagung Drainage	1977	0.150	67.00	39.00	—	39.00	7.90	20.10
South Kalimantan Livestock Development	1976	0.190	34.17	20.50	—	20.50	—	13.67
University of Hasanuddin	1977	0.205	44.50	—	25.00	25.00	—	19.50
KOREA, REPUBLIC OF Sewage Treatment	1977	0.087	4.95	2.10	—	2.10	—	2.10
LAO PEOPLE'S DEMOCRATIC REPUBLIC Casier Sud Flotilla Applied Rural	1973	0.115	15.57	—	7.00	7.00	6.96	1.61
NEPAL Livestock Development	1978	0.230	15.70	—	12.20	12.20	1.59	1.53
PAKISTAN Aquaculture Development	1976	0.350	22.10	—	14.10	14.10	—	8.00
Baluchistan Livestock Development	1978	0.220	19.00	—	7.50	7.50	8.70	1.80
PHILIPPINES Matangas Coal-Mine Development	1978	0.114	22.90	14.00	—	14.00	—	8.90
Baganga Irrigation	1977	0.150	39.46	—	15.00	15.00	3.50	20.90
SRI LANKA Rural Electrification	1977	0.190	31.80	—	11.30	11.30	6.00	14.56
Rural Credit	1978	0.091	16.10	—	10.90	10.90	—	4.94
TOTAL		3.587	583.44	122.90	194.08	316.95	37.36	229.53
% to total Loan Approvals in 1979								
14.71% 46.62% 25.33%								

covering economic, financial, technical, managerial and organizational aspects with a view to ensuring overall viability of projects.

Seminars on Procurement and Project Implementation Management: As part of its continuing efforts to help im-

prove the capabilities of executing agencies' staff in carrying out Bank-financed projects, the Bank held four seminars on procurement and project implementation management at its Headquarters. The Bank provided \$187,000 for the seminars.

**TECHNICAL ASSISTANCE APPROVALS, 1979
FUNDED FROM OTHER SOURCES**

(amounts in \$ thousand)

Agency	No. of Projects	Amount
European Economic Community (EEC)	6	1,099
Food and Agriculture Organization (FAO)	2	247
International Fund for Agricultural Development (IFAD)	2	400
United Nations Development Programme (UNDP)	2	5,888
TOTAL	24	7,634

Plus additional financing of \$1,000,000 for the Sustainable Rural Development Project, Nepal which was approved in 1979.

REGIONAL ACTIVITIES, 1979

	Amount (\$ thousand)
ADB-FID-DSE Program on Development Banking for the South Pacific Region	1,444
Second ADB South Pacific Training Program	1,444
Seminars on Procurement and Project Implementation Management	300
Intensification of Rice Research for Drought-prone Areas (IRRI)	700
Sub-Regional Seminar to Follow-up on the Findings of the South Pacific Agricultural Survey	424
Second Regional Program on Project Implementation and Supervision	300
Asian Productivity Organization (APO) for the Tenth Project Feasibility Study Training Course	401
TOTAL	1,047.5

Lending and Operational Policies

Bank's Role in Agriculture and Rural Development

As a sequel to the Bank's Second Asian Agricultural Survey (published under the title "Rural Asia: Challenge and Opportunity") and in the context of a reassessment of its role in agriculture and rural development, the Board of Directors decided that the Bank, while ensuring that adequate resources will continue to be made available for other sectors, should aim to increase the absolute level of its lending to the agriculture and rural development sector by 20 per cent each year during the period 1979-1982. The concerned policy paper identified the following priority areas for Bank action in its future operations:

1. Providing More and Better Employment for the Rural Workforce

Agricultural intensification: The Bank should systematically support efforts at intensification of land use through multiple cropping by irrigation, agricultural extension and credit services, more research on rain-fed crops, reduction of post-harvest loss of agricultural products and diversification into livestock and fisheries enterprises.

Rural-Based Industries and Services: The Bank should continue to assist DMCs in efforts to develop rural industries and services through resource surveys, support for non-agricultural vocational training, and financing of agro-processing industries and rural industries and off-farm production and service activities.

Labor-intensive Construction and Rural Works: The Bank should endeavor to increase the employment impact of construction activities in Bank-assisted projects. In this context, the Bank should also examine the possibility of financing labor-intensive rural work schemes as complete

projects, possibly in cooperation with other donors (for example, the World Food Program).

2. Improving Production and Distribution Systems for Rural Products

Rural Infrastructure: The Bank should continue its support for investment in irrigation, drainage, flood control, land consolidation and erosion control. It should also support feeder road networks and sites and services for rural industry, as well as the enlargement of support services such as extension, input supply, credit, storage, processing, marketing and training.

Research and Extension for Rural Development: The Bank should continue its support for agricultural research, particularly in the form of adaptive research at local level and in association with extension services to ensure transmittal of research results to the farm level. Particular attention should be paid to rainfed farming, to hitherto neglected crops, and to the integration of crop and livestock farming. Greater attention should also be given in rural development projects for extension services, for activities of rural women, for promotion of rural industries and enterprises, and for health, nutrition and family planning.

3. Training Managers for Rural Development Programs

The Bank should assist DMCs in designing a systematic approach to meeting their requirements for trained manpower for agriculture and rural development and in meeting the crucial demand for trained manpower through training projects and the incorporation of training components in agricultural and rural development projects.

4. Protecting Vital Ecosystems

The Bank should provide assistance, possibly in cooperation with other international agencies, for the preparation in DMCs of long-term plans for the efficient maintenance of the capacity of land and inland water

resources to yield energy (mainly as food, wood-fuel and hydropower) on a sustained basis. The Bank should give particular attention in its agriculture and rural development operations to maintaining the protective function of forest cover on critical watersheds.

5. Implementation and Monitoring of Bank Projects

The Bank should support desirable agrarian reforms and participate more actively in dialogues on such reforms with DMC Governments and in larger donor groups. In implementing its agricultural and rural development projects, the Bank should make use of existing agencies and institutions and should make systematic efforts to increase their implementing and project absorptive capacity through provision of consultants and training.

The establishment of data systems in the form of pre-project baseline surveys and subsequent periodical monitoring is essential for post-evaluation of complex agriculture and rural development projects and for providing guidance to the Bank in this area.

Program Lending for the Agriculture and Rural Development Sector

In August, the Bank decided to extend program loans for agriculture and rural development within the policies and procedures on program lending as defined in February 1978, subject to the following additional considerations that (i) the programs are undertaken in a situation of existing under-utilized capacity arising from shortages of foreign exchange for the importation of essential raw materials, spare parts and balancing equipment; (ii) such lending would mainly enable import financing of recurrent production inputs for a period not exceeding five years; (iii) accelerated procurement, including advance procurement, would be allowed with a view to advancing by one crop season the commencement of the program; and (iv) the country concerned would be eligible to receive similar pro-

gram loans in subsequent years for other areas not already covered by such lending.

Bank Operations in the Fisheries Sector

In the light of the Bank's activities in the fisheries sector covering over a decade and the growing interest on the part of DMCs in fisheries development, the Bank prepared a paper reviewing its experience — a paper which will serve as a guide for the Bank and will provide information to DMCs and outside agencies.

The various issues which are expected to influence future Bank assistance in fisheries development include the need for exploiting newly acquired resources under extended jurisdiction; resource availability and management; the relative importance of aquaculture and inland fisheries; appropriate technology; small-scale as compared to commercial fisheries; post-harvest technology; the role of local institutions; fisheries training and research; fisheries workshops and seminars; and procurement and local cost financing.

The principal elements of the Bank's framework for assistance to the fisheries sector are: (i) in terms of sectoral emphasis, marine (coastal and offshore) fisheries projects will remain the major recipients of Bank assistance with priority given to small-scale fisheries. However, aquaculture and inland fisheries projects will also receive special attention; (ii) fisheries resource assessment and management should be an important area of Bank interest, and Bank funds should be provided to support national governments as well as existing regional and sub-regional fisheries institutions; (iii) fisheries projects with education, training and research as major components should also receive special attention in the Bank's future activities and the Bank should support such promotional activities as regional seminars/workshops on topics of special relevance to fisheries in the DMCs; and (iv) the Bank will con-

CONSULTANTS hold a banking seminar at the Myanma Economic Bank (MEB) in Burma. Bank technical assistance to MEB will help strengthen its organization, staffing, operational procedures and training capabilities.





STORAGE yard of Hankook Caprolactam Corporation's Ulsan plant, Republic of Korea. Caprolactam — the raw material used in the production of nylon 6 filament — from this Bank-assisted Project is used to meet growing domestic and export demand.

nel funds for fisheries development with increasing emphasis on institution-building.

Population Activities

Concern over the adverse effects of rapid population growth on economic and social development has led many DMCs to incorporate population policies into their national development plans and to promote family planning. The Bank recognizes that population aspects have a vital bearing on the achievement of DMCs' development objectives. In the past, the Bank's involvement in the population activities of its DMCs was limited to including family planning components in a few rural development projects. In September 1979, the Board of Directors examined this field of development activity in order to evolve a systematic approach to assist DMCs in their population programs.

As a result, Bank projects in other sectors — particularly public health — will, as far as possible, incorporate population and/or family planning components as well as provide assistance for population projects *per se*. The Bank's assistance will not only include conventional elements (e.g. the construction of clinics and provision of equipment and supplies) but also logistical support, institutional strengthening, extension services, etc.

As a large number of multilateral, bilateral and private donor agencies provide assistance for DMC population programs, the Bank recognizes that interaction and coordination with these agencies is necessary and that, in practice, Bank financing for such programs can complement or supplement financing available from other sources.

Co-Financing

During the year, the Bank reviewed its co-financing policies and practices in the light of the experience gained in the past and the prospects of increased co-financing in the future. It was decided that in order to foster economic growth and investment in the region and enhance the impact of its operations, the Bank should play an active role in encouraging co-financing with all sources, including the private sector.

While co-financing with official sources has been, and will continue to be, predominant, the Bank looks toward diversifying its co-financing sources by entering into more co-financing with export credit and private sources. Taking into account the terms of financing of various sources and the debt service capacity of DMCs, the Bank will consider co-financing with private sources mainly for projects in the middle-income DMCs (i.e. those having a per capita GNP in 1976 of over \$250) and also for selected projects in the low-income DMCs (i.e. those having a per capita GNP in 1976 of \$250 and below).

To promote co-financing, the Bank will expand its technical assistance operations to cater to the needs of the Bank itself as well as potential co-financiers. Moreover, the Bank will communicate and consult, on a regular basis, with potential co-financiers in order to acquaint them with investment opportunities in the region and help them identify co-financing possibilities with the Bank. In this connection, a focal point was established in the Country Department, with the responsibility of coordinating the Bank's co-financing activities and liaising with various co-financiers.

In co-financing with private sources, the Bank will continue to apply the optional "cross-default" clause and provide certain services — for instance, functioning as the agent for the collection of repayments of their loans.

Lending Foreign Exchange for Local Currency Expenditures on Projects

In February 1979, the Bank reviewed its policy on local cost financing which was introduced in 1974. The review confirmed certain general principles, formulated on country considerations, in determining the need and justification for such financing. The application of these principles would qualify the least developed member countries and those most seriously affected by recent world economic developments. The relatively advanced DMCs may also get such assistance although in their case it would be small in amount and limited to certain types of projects. Projects suitable for local cost financing by the Bank would include those with high social value, low foreign exchange components and relatively small foreign exchange earning capacity.

With the expected increase in the number of projects suitable for local cost financing, especially under Special Funds operations, it was decided to raise the ceiling on the amount of local cost financing that could be provided from Special Funds from 10 per cent to 15 per cent of the total annual lending from that source. The current ceiling of 5 per cent for local cost financing on ordinary operations will remain unchanged.

Use of Consultants

Following the completion of the review of the Guidelines on the Use of Consultants in 1978, revised guidelines were adopted during the year. The new guidelines encourage to a larger extent the use of domestic consultants and consultants from other developing countries through, among others, collaboration arrangements with consultants from developed member countries. Furthermore, procedures for selection of individual consultants as well as emphasis on expeditious recruitment of consultants through early completion of preparatory work and advance issuance of invitations for proposals in exceptional cases have been incorporated in the new guidelines. Also, borrowers may, if they prefer to invite price proposals together with technical proposals, adopt the two-envelope system.

DFI Disbursement Scheme

During the year, studies were conducted on measures to alleviate the burdens on DFI sub-borrowers arising from fluctuations in foreign exchange rates and to equalize these risks among them as far as possible. The magnitude of exchange risk burdens depends on the mix of currencies received by sub-borrowers and the changes in relative values of the currencies over the lifetime of the loan. Several considerations determine the currency mix used by the Bank for disbursements, among which are avoidance of exchange risks for the Bank in conducting its operations, the Bank's own debt service requirements and yields. In recent years, the shares of hard currencies in the Bank's disbursements on loans from ordinary capital resources have risen and exchange losses have been incurred by DFI sub-borrowers on repayments made. In addition, outstanding obligations have increased in dollar terms as a result of the appreciation of these currencies.



CORE sample of rock salt from the Rock Salt-Soda Ash Project in Thailand. The Project received a technical assistance grant from the Bank for a comprehensive feasibility study.

The DFI sub-borrower has perhaps been affected more than the borrowers of the normal project loans from the Bank. The majority of DFI loans are for small amounts and are disbursed in one of two transactions, leading to concentrations in currency mix. Changes in availability of currencies for disbursements have led to different currency mixes for sub-borrower even of the same DFI so that debt service burdens are unevenly spread between borrowers.

A proposal to mitigate the problem, along the lines of changes in the selection of currencies to be used for disbursement, was circulated to the Board towards the end of the year. Among the schemes considered were the use of a basket of currencies, each currency with a specific interest rate, disbursements in the currency of procurement, proportional drawdowns of available currencies and other disbursement schemes that would allow for expanded shares of United States dollars in the total.¹

Policies under Review

At the end of 1979, papers on a number of other policy issues — namely, Lending and Relending Policies, Streamlining of Loan and Technical Assistance Processing Work of the Bank, A Framework for Public Utility Tariff Provisions and Environmental Considerations in Bank Operations — were circulated for consideration by the Board in early 1980.

¹ A scheme providing for expanded shares of United States dollars in disbursements was approved on 31 January 1980.

Inter-Agency Cooperation

During the year, the Bank continued to maintain close contacts with other institutions interested in the economic development of the Asian and Pacific region. Cooperation with the International Fund for Agricultural Development, the European Economic Community and the OPEC Special Fund was strengthened, leading to co-financing of various projects in DMCs. A close working relationship continued with the World Bank and UNDP as also with other United Nations agencies.

Regional Development Banks

In September, the annual consultative meeting between the Presidents of the African Development Bank, the Asian Development Bank and the Inter-American Development Bank was held in Belgrade. The World Bank was also represented, and one of the sessions was attended by representatives of the Islamic Development Bank, the OPEC Special Fund, the International Fund for Agricultural Development, the European Economic Community, and the European Investment Bank. The meeting discussed a wide range of development issues and institutional policies of common interest, including the conservation and development of energy resources, measures to help low-income beneficiaries, environmental aspects of development, as well as financial policies and practices.

World Bank Group

The Bank and the World Bank continued to have close contacts through frequent visits of officials, exchanges of

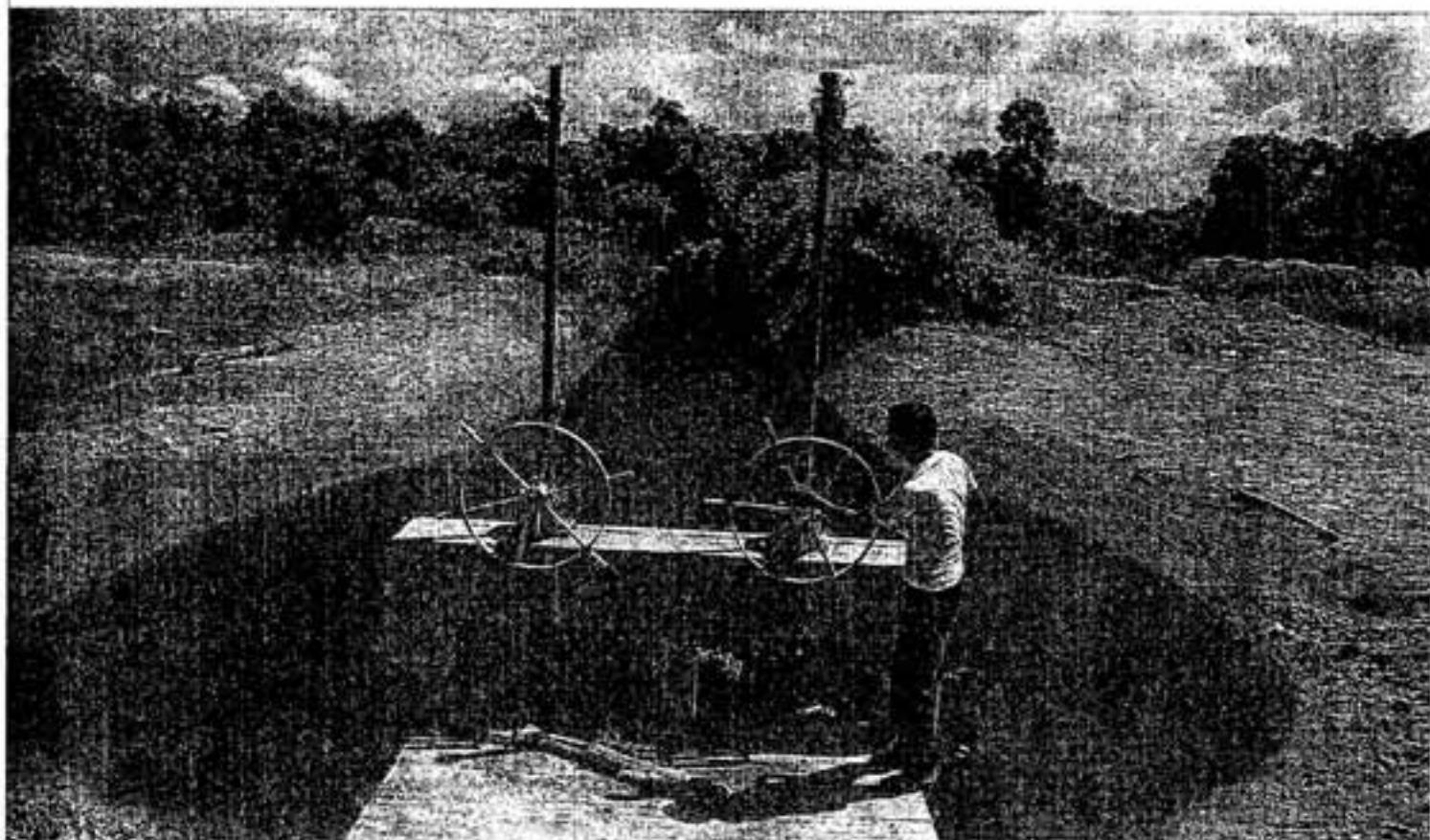
information on operational activities and the coordination of their respective economic development activities in particular DMCs. After the Bank's annual meeting in May 1979, the first of a series of annual high-level coordination meetings was held between the Bank and the World Bank, with the discussions covering a wide range of topics including regional economic issues, co-financing, allocation of lending resources and other operational matters. The discussions and follow-up actions taken would further strengthen the cooperation between the Bank and the World Bank especially regarding economic studies and the sharing of operational information. The World Bank and the Bank, together with other sources, co-financed the Ashuganj Fertilizer Project in Bangladesh involving an IDA credit of \$29 million.

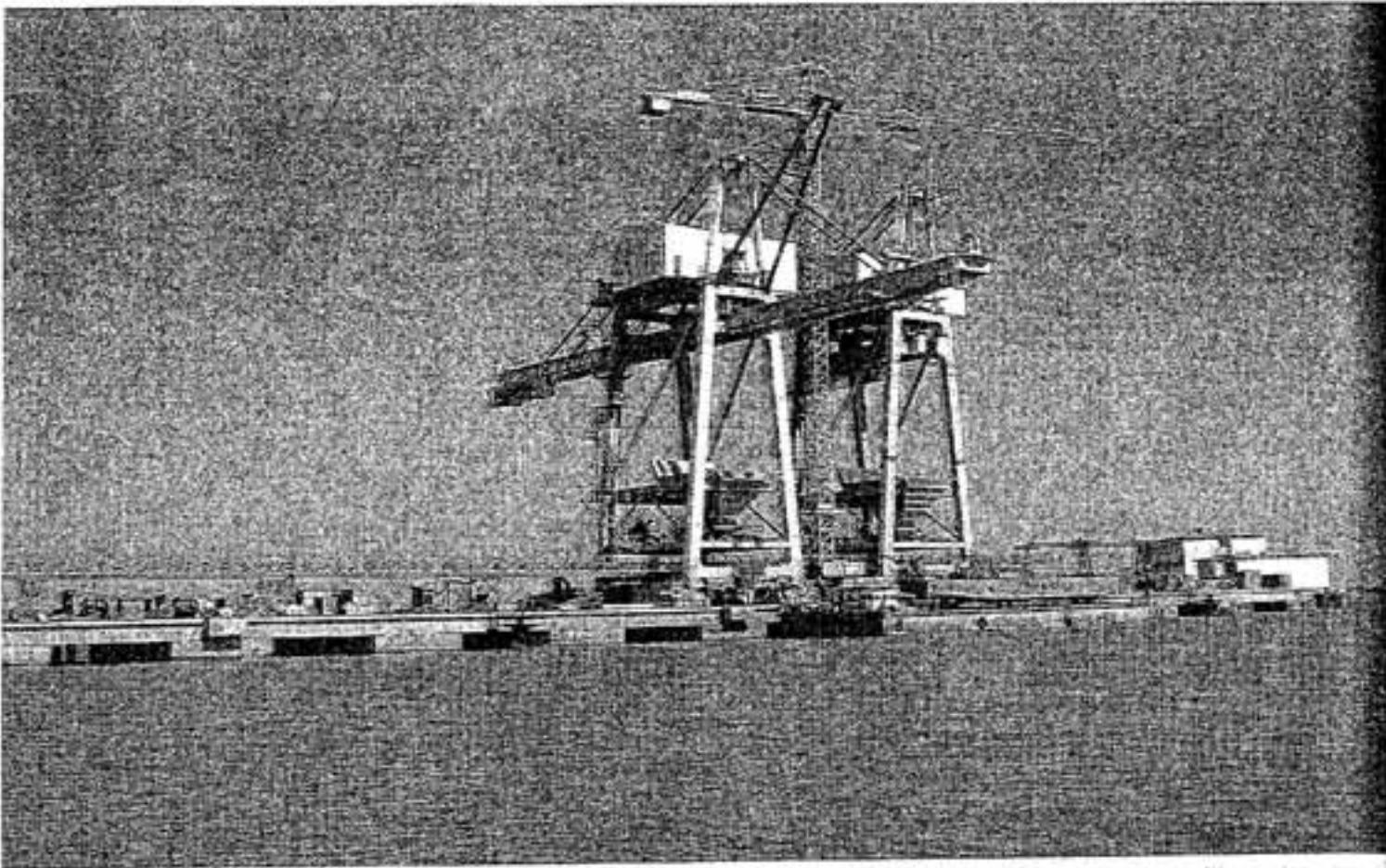
The President of the Bank attended the Twelfth Annual Meeting of the Development Committee of the IMF-World Bank held in Belgrade in September and exchanged views on the flow of financial resources to developing countries and the stabilization of export earnings. The Bank also participated in the aid-coordination meetings held during the year under the auspices of the World Bank for Bangladesh, Burma, Indonesia, Republic of Korea, Nepal, Pakistan, Philippines, Sri Lanka and Thailand.

International Fund for Agricultural Development

Following the conclusion of the Cooperation Agreement between the International Fund for Agricultural Development (IFAD) and the Bank in April 1978, the Bank continued to maintain close cooperation and consultation with IFAD

THE WAMPU River Flood Control and Development Project in northeastern Sumatra, Indonesia; Bank assistance to this Project has helped boost agricultural production in the Wampu-Serangan basin, potentially one of the country's most important agricultural areas.





GIANT crane towers over the nearly-completed Port Qasim Project in Pakistan which will help the country cope with growing seaborne bulk transport demands and relieve congestion in Karachi Port.

In 1979, Co-financing arrangements were made for three projects with IFAD during the year, involving IFAD financing of \$30 million. In addition, the Bank undertook project preparation and pre-appraisal for an additional project, to be financed exclusively by IFAD. In 1979, IFAD also provided technical assistance amounting to \$400,000 for two projects, with the Bank acting as a cooperating institution.

OPEC Special Fund

Co-financing with the OPEC Special Fund (OSF) expanded in 1979. During the Bank's Annual Meeting in May 1979, discussions were held among the Director-General of the OSF, Bank staff and the delegations of several DMCs on development assistance from OSF. As a result of these discussions, OSF committed \$49 million for co-financing eight projects with the Bank during the year, compared with five projects amounting to \$32 million in 1978. Of the eight projects co-financed in 1979, two were financed by Bank loans approved in 1973 and 1976, and the remaining projects were financed by Bank loans approved in 1979.

United Nations Development Programme

The Bank and the United Nations Development Programme (UNDP) continued to cooperate in assisting DMCs with technical assistance for project preparation and advisory services. Apart from visits to the Bank by UNDP officials, there were frequent consultations and exchanges of information between the Headquarters and field offices of UNDP on the one hand, and the Bank on the other. The

Bank was represented at the Inter-Country Programming Meeting of the UNDP held in New York in November. During the year the Bank agreed to act as Executing Agency for 12 projects wholly or partly financed by UNDP, involving a total of \$6 million. In addition, UNDP approved additional financing for one project in Nepal amounting to \$150,000.

Food and Agriculture Organization

The Bank and the Food and Agriculture Organization (FAO) cooperated in the preparation of four loan projects during 1979. Three involved formal technical assistance projects: the Rubber Rehabilitation and Expansion Project in Bangladesh, the Aquaculture Development Project in Burma and the Second Agricultural Credit Project in Indonesia. The fourth involved the provision of a Preparation Mission by the FAO Investment Center to formulate the Crop Intensification Program Loan in Pakistan, which resulted in a Bank loan of \$14 million in 1979. Discussions also took place on a range of other projects and on ways of ensuring the maximum flow of benefits from the cooperative arrangements between the two organizations.

European Economic Community

During the year, the European Economic Community (EEC) allocated \$25.5 million for co-financing four projects in cooperation with the Bank. This represents a significant increase over the \$10 million allocations in each of the two preceding years. Aside from financing development projects, EEC agreed to provide an additional \$2.6 million for

technical assistance activities in selected DMCs, in cooperation with the Bank.

During 1979 the Bank reviewed its cooperation arrangements with EEC in view of the latter's adoption of more restrictive eligible sources of procurement.¹ It was decided that while the Bank would continue to provide services to EEC in project administration and disbursement of funds for co-financing under 1979 and future aid programs, EEC should be responsible for supervision of procurement relating to its financing, with necessary assistance from the Bank. It was also decided that EEC should provide financing directly to the recipient countries by entering into financing agreements with them, instead of channelling its funds through the Bank. Technical assistance cooperation arrangements remained unchanged.

World Food Council

The Fourth Session of the World Food Council (WFC), held in Mexico in 1978, recommended that developing countries discuss the constraints on increasing food production which they face and ways of overcoming them. In response to a request that the Bank initiate relevant consultations among developing countries in the Asian region, the Bank and WFC co-sponsored Consultations on Food Production, Nutrition and Investment Among Developing Member Countries at the Bank's headquarters in Manila in March. The summary of conclusions of this meeting, among others, was considered at a meeting in Bellagio, Italy, in April, sponsored by WFC. The results of the Bellagio meeting were, in turn, presented to the WFC's Fifth Session held in Ottawa, Canada, in September, at which the Bank was once again represented.

The Council appealed for international action to reach the target of 4 per cent annual growth rate in agricultural production in developing countries for which an estimated external assistance of \$8.3 billion (based on 1975 prices) should be attained, if possible by the end of 1980. The Council urged the United Nations to give food and agriculture the highest priority in the next Development Decade.

Economic and Social Commission for Asia and the Pacific

During 1979 the Bank maintained close liaison with the Economic and Social Commission for Asia and the Pacific (ESCAP), and Bank staff attended several conferences and meetings organized under the auspices of ESCAP in order to keep abreast of various regional issues and their relevance to the economic development problems of DMCs. The Bank was represented at the Thirty-fifth Session of ESCAP held in Manila in March; the preparatory meeting for the Third General Conference of UNIDO and the Third Session of the Committee on Agricultural Development held in Bangkok and Dacca, respectively, in October; and the Twenty-second Session of the ESCAP Committee on Trade held in Bangkok in November-December.

¹ EEC has decided that, commencing with its 1979 aid program, the eligible sources of procurement will be (i) EEC member countries, (ii) the beneficiary country, (iii) other developing member countries of the Bank receiving EEC assistance during the current year and the two preceding years, and (iv) any other countries when their participation is authorized by EEC on a case-by-case basis. Under 1977 and 1978 aid programs, all developing member countries of the Bank were included in the eligible sources of procurement, in addition to those under categories (i) and (iv) mentioned above.

Other United Nations Agencies

As the Bank has increased its interest and activity in the Health sector, it has coordinated closely with the three *World Health Organization* (WHO) regional offices concerned with DMCs and with WHO's country representatives. WHO representatives assisted Bank missions in Nepal, Pakistan, Bangladesh and Burma. WHO is also providing an expert team to undertake the technical assistance study of Malaria Control, Training and Research in Nepal. The Bank has been represented at meetings convened by WHO to discuss the financing of primary health care in the Asian Region, and the establishment of a pharmaceutical service for South Pacific countries.

Representatives from the *International Labour Organisation* (ILO) visit the Bank regularly, and the Organisation has provided experts under the Bank's Vocational Education Project, Thailand, and for certain Bank missions for the Education sector.

In its activities in the Education sector the Bank has maintained close contact with the *United Nations Educational, Scientific and Cultural Organization* (UNESCO). For two technical assistance activities, concerning the Senior Technical Schools and the University of North Sumatra in Indonesia, UNESCO provided expert teams to prepare the projects.

Consultative arrangements have been made with representatives of the *United Nations Fund for Population Activities* (UNFPA), and the Bank receives on a regular basis copies of UNFPA's Needs Assessment Reports for DMCs which provide useful information on population control activities in the region.

In relation to the Bank's consideration of environmental aspects of projects, contact is maintained with the *United Nations Environment Programme* (UNEP), which is providing experts as part of the technical assistance study of the Integrated Urban Development of the Dacca Metropolitan Area in Bangladesh. The Bank was also represented at a meeting convened in September 1979 by UNEP of interna-

TECHNICIAN checking semiconductors at the Jelband Semiconductor factory, Manila. The factory has been assisted by the Bank through a subloan on-lent by the Development Bank of the Philippines.



tional development assistance organizations to review developments concerning environmental matters since the Stockholm Conference on the Human Environment held in 1972.

Representatives of the United Nations Centre for Human Settlements (UNCHS) have visited the Bank regularly to discuss activities related particularly to urban development and housing, and Bank staff have participated in regional seminars organized by the Centre.

Loan and Technical Assistance Approvals in 1979¹

Afghanistan, Democratic Republic of LOAN

Cotton Processing: \$20.1 million from Special Funds for the renovation, modernization and expansion of ginning plants and the construction of cotton storage facilities in northeastern Afghanistan. The Project is expected to improve the quality of ginned cotton available for export and domestic consumption through efficient ginning and improved handling and storage facilities.

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

TUNNEL under the Tarbela Dam in Pakistan. The Tarbela Hydropower Project was assisted by loans and technical assistance from the Bank and is generating additional power for Pakistan's industrial and agricultural development.

Bangladesh

LOANS

Foodgrain Storage: \$9 million from Special Funds to assist in the expansion and strengthening of foodgrain storage and ancillary facilities in the Barisal and Patakhali districts of southern Bangladesh. The Project will allow increased procurement and reduce losses in the storage and handling of rice and paddy.

Chittagong Hill Tracts Development: \$28.5 million from Special Funds to help increase rice, rubber and horticultural production in the Chittagong Hill Tracts. The Project, which is expected to improve the incomes of about 40,000 families in the area, includes an uplands settlements scheme, afforestation, construction of a new road network, agricultural support services, improvement of health facilities, promotion of cottage and rural industries and provision of agricultural support facilities (see technical assistance which follows).

Ashuganj Fertilizer (Supplementary): \$25 million from Special Funds to meet part of the foreign exchange cost overrun for the design and construction of an ammonia-fertilizer plant on the eastern bank of the Meghna River, about 100 km. northeast of Dacca. The Project is co-financed with IDA, EEC, OPEC Special Fund, IFAD and the Governments of Federal Republic of Germany, Switzerland



and United States, which together contribute a total of \$88 million.

Fisheries Credit: \$10.8 million from Special Funds to assist artisanal fishermen through provision of mechanized fishing vessels, marine diesel engines and improved fishing gear. The Project, which will also provide on-shore facilities including four ice plants, will produce about 20,000 metric tons of fish annually. This will help meet growing domestic demand and directly benefit about 1,700 fishermen and workers.

Crop Intensification Program: \$11.8 million from Special Funds for a program aimed at alleviating critical constraints in agricultural production through the provision of phosphatic fertilizer, complementary facilities and other related services in the districts of Barisal and Patuakhali.

Third Bangladesh Shilpa Rin Sangstha: \$30 million from Special Funds for the Bangladesh Shilpa Rin Sangstha (BSRS), a major development finance institution providing medium and long-term funds to the country's industrial sector. The loan will be utilized by BSRS to finance industrial enterprises in both the private and public sectors and to finance consulting services to establish within BSRS the procedures and staff capability for more effective supervision of its assisted projects.

TECHNICAL ASSISTANCE

Natural Gas Development: \$95,000 for a feasibility study and preparation of a Project designed to increase the production and transmission capabilities of Titus, Chatak and Sylhet gas fields.

Railway Development: \$289,500, financed by UNDP, with the Bank acting as Executing Agency, for consultant services to assist Bangladesh Railway in the preparation of an investment program for the 1980-1985 period; traffic projections over the same period; and recommendations on replacement/procurement of rolling stock and rehabilitation of tracks, bridges, signalling, telecommunications and maintenance facilities.

Study on the Integrated Urban Development of Dacca Metropolitan Area: \$649,000, including \$324,500 financed by UNDP with Bank acting as Executing Agency, for a study to determine the scale and direction of growth of the Dacca Metropolitan Area over the next 20 years, and to prepare a short-term development program of high priority projects.

Tubewell Development: \$315,000, to be financed by EEC with the Bank acting as Executing Agency, for a feasibility study of tubewell irrigation schemes for 91,600 ha. in northwestern Bangladesh.

Rubber Rehabilitation and Expansion: \$60,000 for the formulation of a Project aimed at the rehabilitation and expansion of the Bangladesh Forest Industries Development Corporation (BFIDC) rubber estates in the Chittagong and Sylhet areas. The FAO contributed funds to this Project under a cost-sharing arrangement with the Bank.

Chittagong Hill Tracts Development: \$1,055 million to strengthen further the implementation, coordination, monitoring and planning capabilities of the Chittagong Hill Tracts Development Board (CHTDB). The grant will finance the foreign exchange costs of consultant services. UNDP will provide \$705,000 of the total technical assistance.

Burma

LOANS

Sedawgyi Hydropower: \$14.6 million from Special Funds to finance construction of a power station and a substation, a 65-km. transmission line and distribution facilities in the Mandalay Division in central Burma. The OPEC Special Fund is providing co-financing totalling \$2 million.

Cement Industry Program: \$5.2 million from Special Funds for a Program to improve productivity and capacity utilization of Burma's cement industry. The loan will be used for purchasing quarry equipment, cement paper-bag manufacturing equipment and essential parts and components for cement production facilities at the Government-owned Thayet and Kyaukkyin cement plants. This is the Bank's first program loan to industry.

Second Rice Processing Industries: \$17 million from Special Funds to finance the construction of 12 new rice mills with a combined milling capacity of about 210,000 tons per year, rehabilitation of 12 existing mills, provision of new workshop facilities, establishment of a training center for the Agricultural and Farm Produce Trade Corporation (AFPTC), provision of teaching aids, hostel and transport facilities and consultant services for the establishment and operation of the staff training center and for supervision of Project implementation (see technical assistance below).

TECHNICAL ASSISTANCE

Mandalay Water Supply: \$240,000, including \$90,000 to be financed by UNDP, for the preparation of an integrated water supply project for the city of Mandalay. It will determine the most economic source of water, the water treatment facilities required, the distribution system, and auxiliary works and appropriate institutional arrangements and financial policies for water supply operation.

Post-Harvest Rice Technology Center: \$150,000 to be financed by EEC¹ with the Bank acting as Executing Agency, to provide the establishment and initial operation of the Center which aims to improve post-harvest rice practices using locally available materials and technology. The assistance is in conjunction with the loan for the Second Rice Processing Industries.

Aquaculture Development: \$70,000 for the formulation of an Aquaculture Development Project which will provide for fishpond development and an improved freshwater prawn collection system, as well as related infrastructure and support services. The FAO has also contributed \$61,550 to this Project under a cost-sharing arrangement with the Bank.

Technical and Agricultural Education: \$190,000 to prepare a Project to upgrade the quality of technical and agricultural training in Burma at the craft and technician levels. The assistance will also finance a comprehensive study of the technical and agricultural education sector, and assess the types and levels of trained manpower required to satisfy the country's development plans in industry and agriculture.

¹ EEC funds will be utilized for financing consultants if they are from eligible sources.

Pump Irrigation and Area Development: \$285,000, to be financed by UNDP with the Bank acting as Executing Agency, to formulate a Project for the development of a first-phase area of 20,000 ha. by providing pump irrigation from the Irrawaddy River, rural infrastructure and agricultural support services.

Fiji

LOAN

Suva Port: \$7 million for the rehabilitation and upgrading of wharf facilities; paving of the port area; construction of port buildings; procurement of cargo handling equipment; and the provision of consultant services.

TECHNICAL ASSISTANCE

Forestry Development: \$99,000 for consultant services to examine various forest utilization and financing options and to prepare a forestry Project.

Indonesia

LOANS

University of Hasanuddin: \$25 million from Special Funds for site development for the new campus; construction of academic and support buildings; provision of equipment, furnishing and library books; provision of consultant services to assist in Project implementation; and provision of fellowships.

Bandung Water Supply (Supplementary): \$8 million to finance the foreign exchange cost overrun of the Bandung Water Supply Project in West Java. The Project will increase the water supply of the city by about 56,000 cubic meters per day.

Bandung Urban Development: \$32.3 million to finance the first phase of a long-term urban development program for Bandung. The Project is designed to meet priority needs in housing and sanitation up to 1984. A feasibility study will also be undertaken for the second phase urban development of Bandung (see technical assistance which follows).

Java EHV Transmission: \$83.5 million to finance the construction of two single circuit 500 KV transmission lines between Surabaya in West Java and Jakarta, a sub-station at Surabaya thermal power station, and a sub-station in Jakarta.

Fourth Road Improvement: \$27 million for a Project aimed at improving 298 km. of national and provincial roads in Central and East Java Provinces under Indonesia's Road Betterment Program. A rural roads development study will be undertaken in eight selected districts in Central and East Java Provinces (see technical assistance which follows).

Tulungagung Drainage: \$39 million for a Project aimed at reducing annual flood damage to crops, houses, commercial and other buildings and public infrastructure by improving the existing main drainage canal, construction of a new drainage tunnel, installation of a flood control gate and replacement of bridges and to provide assistance for a project monitoring survey (see technical assistance which follows). The EEC is co-financing the Project by providing a \$7.9 million grant to be administered by the Bank.

South Kalimantan Livestock Development: \$20.5 million for a Project to increase the number of cattle and goats in South Kalimantan Province by supplying breeding

and draft animals to transmigrants and smallholders; development of breeding farms; establishment of transit centers; upgrading and development of holding and quarantine facilities; and provision of livestock services for extension, disease control and supervision.

TECHNICAL ASSISTANCE

Second Agricultural Credit: \$90,000, to be cost-shared with FAO, for a feasibility study and formulation of a Project aimed at extending credit to selected cooperatives in five provinces.

Bandung Urban Development II: \$150,000 to finance a feasibility study for the second phase of the urban development of Bandung, designed to meet requirements up to 1990.

Cotton Development: \$98,000 for a feasibility study of a Cotton Development Project in South Sulawesi. A team of consultant experts in cotton agronomy, farm development, civil engineering and economic and financial analysis will determine the Project area's suitability for cotton.

Study of Rural Roads Development: \$150,000 to assist the Government formulate investment programs for the systematic development of rural roads in eight selected districts in Central and East Java Provinces.

Tulungagung Project Benefit Monitoring Survey: \$60,000 to finance a Project Benefit Monitoring Survey to collect agricultural and socio-economic data to facilitate the post-evaluation of the Tulungagung Drainage Project. The first two phases will be financed by a technical assistance grant from the Bank; the Government will finance the third phase.

South Kalimantan Livestock Development: \$80,000 to cover the foreign exchange costs of consultant services for Project monitoring and institution-building in conjunction with the South Kalimantan Livestock Development Project.

Second Senior Technical Schools: \$92,000 to help prepare a Project for a phased upgrading program of 38 Senior Technical Schools and to examine their education and training facilities.

Korea, Republic of

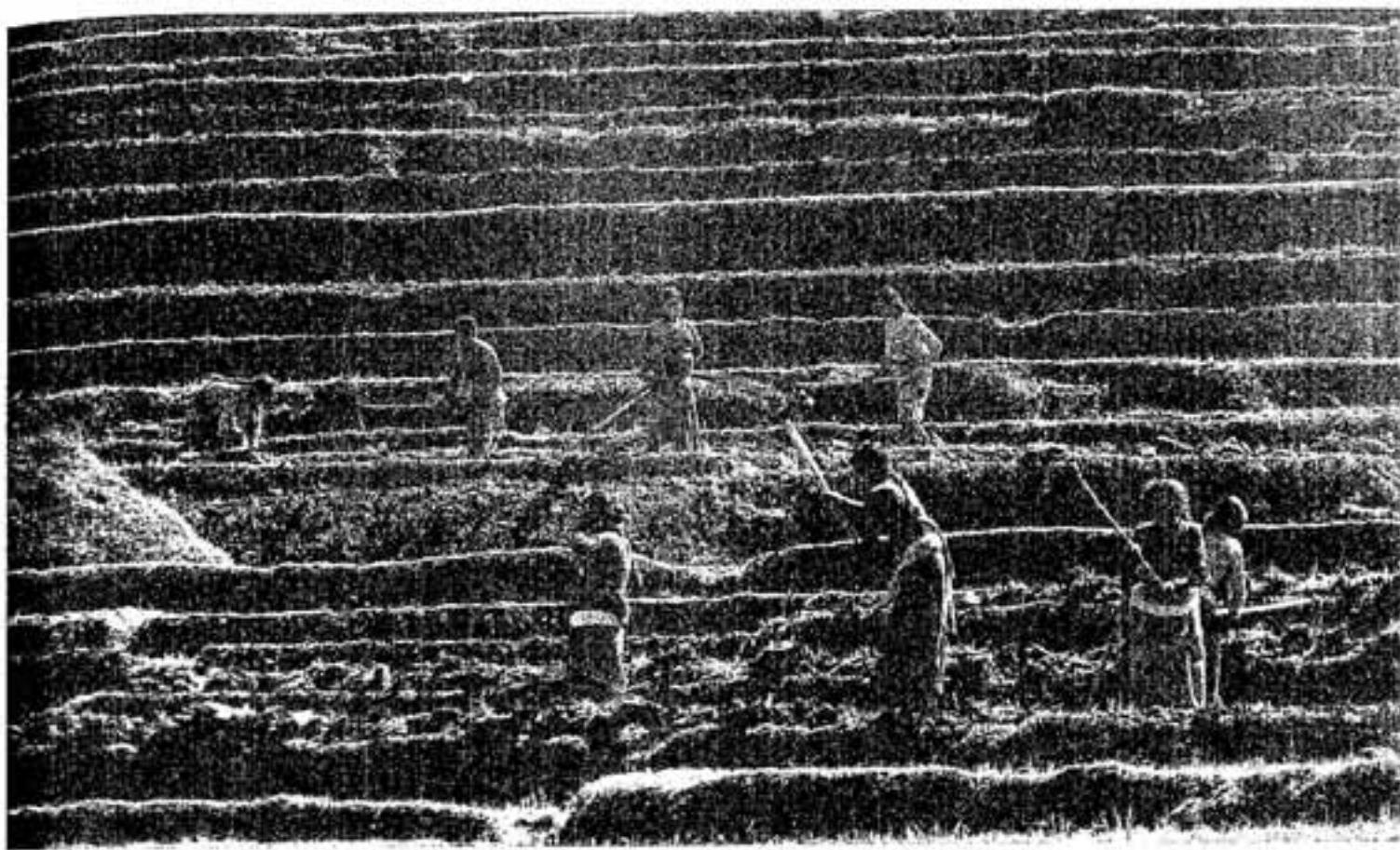
LOANS

Citizens National Bank: \$10 million to provide foreign exchange for on-lending by the Citizens National Bank (CNB) to small-scale manufacturing, mining, transportation, construction and service enterprises.

Second Busan Water Supply: \$15 million to finance improvements to the Busan water supply system through the expansion of water supply sources, treatment work facilities and major transmission pipelines. This follows an earlier Bank loan, approved in 1972, for the provision of major water supply works to the city.

Livestock Feedmills: \$13 million for a Project to increase production and improve the quality of livestock feeds. The Project involves the construction of four livestock feedmills located at Chochiwon, Gimcheon, Bugpyeong and Naju.

Sewage Treatment: \$2.1 million for the preparation of preliminary and detailed designs of a sewage treatment Project in the four industrial and adjacent urban areas of



WOMEN hoeing terraced ricefields in Nepal. A concessional loan from the Bank for the Third Agricultural Credit Project in Nepal aims at providing farm-level irrigation facilities to about 15,000 hectares benefitting some 8,000 families. An additional 5,000 jobs will be created.

Gumi, Banweol, Ulsan and Changwon. In a fifth area, Yeo-chon, the degree of treatment facilities to be installed will also be identified (see technical assistance which follows).

Second Coal Development: \$25 million to the Government-owned Dai Han Coal Corporation for a Project to develop deep-lying coal seams in northeastern Gang Weon Province. The Project is expected to be completed in four years.

Third Korea Development Finance Corporation (KDFC): \$50 million as a third credit line to KDFC to augment its foreign exchange resources for relending to private industrial enterprises located mainly outside the Seoul/Kyunggi industrial zone.

Korea Institute of Science and Technology (KIST): \$15 million for the expansion and upgrading of the physical facilities and research manpower of KIST. The loan will enable KIST to build up its long-term basic applied research capabilities by focusing on eight designated research programs. These are considered essential to support the future technology development needs of Korean industries.

Low-Cost Urban Housing: \$30 million to the Korea National Housing Corporation (KNHC) for the construction of 6,000 low-cost housing units in five-storey apartment blocks and related facilities. The Project will enable low-

income groups in the cities of Incheon, Daegu, Ulsan and Busan to own dwelling units which are part of a planned, integrated environment, complemented with recreational, education and community facilities.

TECHNICAL ASSISTANCE

Sewage Treatment: \$150,000 for preliminary and detailed designs and tender documents for the Sewage Treatment Project.

Lao People's Democratic Republic

LOAN

Casier Sud Pioneer Agricultural: \$7 million from Special Funds for construction and improvement of flood control, irrigation, drainage, road and other facilities for the comprehensive development of about 5,400 ha. Provision is also made for basic agricultural inputs for initial operation of the Project, related services and equipment and construction of fishponds for aquaculture. IFAD provided co-financing amounting to \$6.1 million (see technical assistance which follows).

TECHNICAL ASSISTANCE

Agricultural Support Facilities: \$66,000, to be financed by EEC with the Bank acting as Executing Agency, for the

preparation of a Project to assist the country attain self-sufficiency in food production. Detailed investigations will be carried out in Vientiane, Luang Prabang, and Savannakhet by consultants in the fields of rice milling and storage, pump irrigation and workshop facilities, agricultural economics and institutional management.

Vientiane Plain Road Improvement: \$150,000 to determine the feasibility of a Road Improvement Project in the Vientiane Plain. The study will also assess the strength and capability of the Department of Communications and the Vientiane Provincial Public Works Department to undertake road construction and maintenance in their respective jurisdictions.

Casier Sud Pioneer Agricultural: \$860,000, to be financed by UNDP with the Bank acting as Executing Agency, for consultant services engaged during project implementation of the Casier Sud Pioneer Agricultural Project.

Water Resources Development: \$310,000, to be financed by IFAD with the Bank as the Cooperating institution, aimed at strengthening the overall capacity of the Directorate of Irrigation of the Ministry of Agriculture, Forestry and Irrigation for the development of the water resources sector. The technical assistance is in conjunction with the Casier Sud Pioneer Agricultural Project.

BANK ASSISTANCE to Bangladesh Railway dates back to 1974. Through a concessional loan and technical assistance grants, locomotives (top) are being refurbished, tracks rehabilitated (below), technical management improved and a comprehensive investment plan developed.



Malaysia

LOANS

Bintulu Deepwater Port: \$53.8 million towards the construction of a deepwater port in Sarawak, East Malaysia, to facilitate the export of agricultural and industrial products from the Bintulu region. These include liquefied natural gas (LNG) from a liquefaction plant at Bintulu. The Islamic Development Bank and Japan are providing co-financing amounting to \$10.2 million and \$55.2 million, respectively. The remaining foreign exchange costs will be met by the Government, supplemented by any suppliers/bilateral credits that might become available.

Agricultural Drainage: \$25.4 million for rehabilitation and construction of 10 drainage systems located in four states of Peninsular Malaysia, and Sarawak in east Malaysia. The Project also includes the provision of consultant services, procurement of operation and maintenance equipment and establishment of a coconut seeds multiplication station in Sarawak.

TECHNICAL ASSISTANCE

Smallholders Dairy Development: \$150,000 for project preparation for a detailed feasibility study of a Smallholders Dairy Development Project, including the market for

dairy products, possible breeding and dairy stock multiplication programs, price structures, possible government controls, existing livestock and production systems and selection of areas for dairy development.

Maldives

TECHNICAL ASSISTANCE

Inter-Island Transport and Telecommunications: \$98,000 for the formulation of an Integrated Inter-Island Transport and related Telecommunications Project. The grant will provide expert services in the fields of transport economics, shipping, ship designs, port/civil engineering and telecommunications.

Project Identification, Programming and Planning: \$170,000 to finance the identification, programming and planning of suitable development projects with economic benefits and social impact. The Project will also review and recommend specific measures needed to reorganize and strengthen the country's newly-established National Planning Agency (NPA). The sectors to be covered include agriculture, fisheries and related activities, tourism, social infrastructure, public utilities, urban and rural water supply and sanitation, and transport and communications.

Nepal

LOANS

Livestock Development: \$12.28 million from Special Funds to finance part of (i) the foreign exchange cost for the improvement of animal health and increased livestock production and productivity, thereby improving nutrition standards, increasing farmers' incomes and rural employment, and reducing the country's reliance on the importation of essential food commodities; (ii) part of the local currency cost of civil works and livestock purchases. Australia is providing co-financing amounting to \$890,000 (see technical assistance which follows).

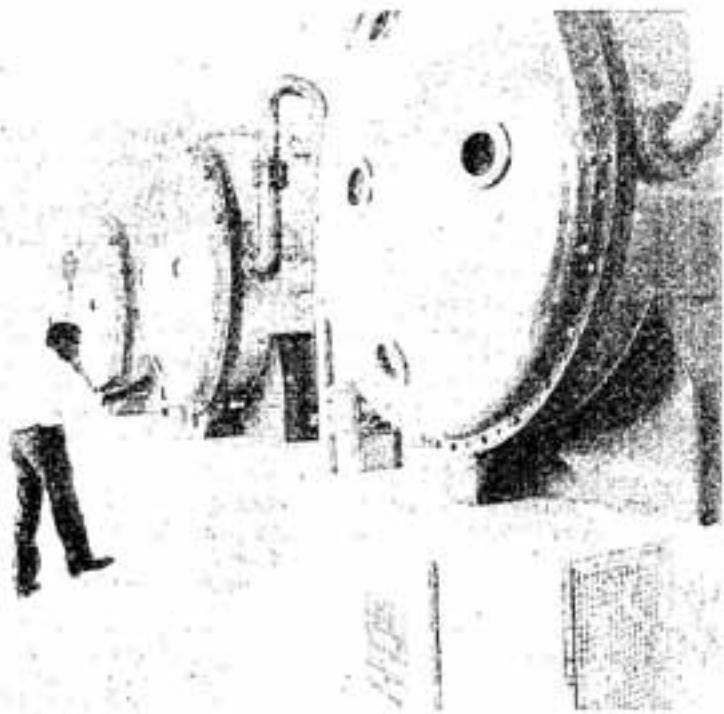
Third Power: \$18.6 million from Special Funds to finance part of the foreign exchange cost and part of the local currency cost of the upgrading and expansion of the country's power supply. The objectives of the Project are the interconnection of the Central Nepal Power System (CNPS) with the Eastern Nepal Power System (ENPS) and the rehabilitation of the power distribution system around Biratnagar. The OPEC Special Fund is providing co-financing amounting to \$1.3 million (see technical assistance which follows).

TECHNICAL ASSISTANCE

Aquaculture Development: \$150,000 for the preparation of an Aquaculture Development Project to increase the supply of fish for domestic consumption in Nepal through the development of fish culture in the Eastern, Central and Western Development Regions.

Malaria Control Research and Training: \$80,000 to assist the Government in its examination of the existing malaria control program and to identify the most effective way of reorienting the program and strengthening training and applied research programs. It will also provide for the preparation of a Project to set up a Malaria Control Research and Training Center in the country.

Hill Irrigation (Western Region): \$350,000, to be financed by UNDP with the Bank acting as Executing Agency, for



CHECKING chemical treatment tanks at the Singapore Water Supply Project which added 4,500 million gallons to the storage capacity of Singapore's reservoirs and extended the Island's water distribution system.

a feasibility study for several small irrigation-based agricultural development schemes in the hill areas in the Western Region of Nepal.

Livestock Development: \$850,000, including \$700,000 to be financed by UNDP, with the Bank acting as Executing Agency, for consultant services to be engaged during the implementation of the Livestock Development Project.

Second Livestock Development: \$170,000, to be financed by EEC¹ with the Bank acting as Executing Agency, for a feasibility study on a Second Livestock Development Project.

Mulghat Hydropower: \$650,000, to be financed by UNDP, with the Bank acting as Executing Agency, for the formulation of the Mulghat Hydropower Project. The main objective of the UNDP-financed technical assistance is to prepare a feasibility study of the proposed Mulghat hydropower station on the Tamur River in eastern Nepal.

Third Power: \$624,000, to be financed by UNDP with the Bank acting as Executing Agency, for the foreign exchange cost of consultant services during implementation of the Third Power Project.

Fourth Agricultural Credit: \$95,000 to carry out a feasibility study for the proposed Fourth Agricultural Credit Project with the aim of augmenting the financial resources of the Agricultural Development Bank of Nepal for its lending activities.

Pakistan

LOANS

Technical Teachers' Training and Polytechnic Institutes: \$21 million from Special Funds to finance the foreign ex-

¹ EEC funds will be utilized for financing consultants if they are from eligible sources.

change cost and part of the local currency cost of the establishment of a National Technical Teachers' Training College (NTTC) in Islamabad, the upgrading of facilities and equipment at 11 polytechnic institutes, and the establishment of a new polytechnic institute for women in Karachi.

South Rohri Fresh Groundwater Irrigation: \$47 million from Special Funds to finance part of the foreign exchange cost and part of the local currency cost of a Project to increase agricultural production and enhance rural employment opportunities and farm income in Sind Province, about 60 km. from Hyderabad. Higher cropping intensities and crop yields — as well as the forestalling of cultivable land loss — will be made possible by supplementing present irrigation water supplies with fresh groundwater by better water management and improved drainage. IFAD is providing co-financing amounting to \$16 million.

Crop Intensification Program: \$14 million program loan from Special Funds to help meet a shortage of foreign exchange for fertilizer imports, road improvement and strengthening of agricultural extension and cooperative services, a major immediate constraint on increasing the production of key crops, and to accelerate production of vital food and export crops.

Baluchistan Livestock Development: \$7.5 million from Special Funds to finance the foreign exchange cost and part of local currency expenditures required to increase livestock production — especially milk and meat — in Baluchistan to help meet the need for animal protein in the national diet and improve the income of livestock and milk producers in the Project area. EEC will provide a \$8.7 million grant to meet the remainder of the foreign exchange cost and part of the local currency cost.

Aquaculture Development: \$14.1 million from Special Funds to finance the entire foreign exchange cost and part of the local currency cost of the development and improvement of fish production from aquaculture and inland fisheries by providing facilities, equipment and expertise. The Project will help provide additional supplies of animal protein to the population and improve the income and employment opportunities of small-scale fishermen and fish farmers.

Textbook Printing: \$10 million from Special Funds to finance the foreign exchange cost and part of the local currency cost of improving the supply and quality of low-priced textbooks for all levels of education in Pakistan. The Project comprises the construction of physical facilities and provision of printing equipment, stocks of paper, delivery vehicles, consultant services and fellowships. A total of 80 fellowships, each of about six months duration, will be provided to enable the staff involved in textbook printing to improve their skills.

TECHNICAL ASSISTANCE

Rawalpindi Water Supply and Sewerage: \$200,000 for the preparation of a feasibility study to formulate a long-term development program for the improvement and expansion of water supply and sewerage facilities in the city.

Baluchistan Livestock Development: \$240,000 to strengthen the Government's management capacity and improve institutional arrangements for the first foreign-

aided livestock project to be implemented by the Provincial Government of Baluchistan.

Upgrading of Hospitals and Paramedical Technicians: \$170,000 for a feasibility study on the need for upgrading hospitals, including the provision of equipment, the number of paramedical technicians required and the appropriate facilities for their training, as well as an adequate equipment maintenance and repair system in the hospitals.

Aquaculture Development II: \$135,000 for the preparation of a feasibility study for a second-phase aquaculture/inland fishery Project. Three of the consultants recruited under the Project will prepare the study in addition to their main duties with respect to Project implementation.

Papua New Guinea LOAN

Upper Warangol Hydropower: \$8.25 million from ordinary capital resources and \$6 million from Special Funds for the development of a "run-of-river" hydropower scheme to increase power supply for the Gazelle Peninsula. Japan and Norway are providing co-financing amounting to \$14.8 million and \$7.75 million, respectively.

TECHNICAL ASSISTANCE

Lae Port Development: \$150,000 for a feasibility study and preparation of a Project to expand Lae Port to meet overseas and coastal traffic demand up to 1990.

Electricity Tariff Review: \$70,000 for provision of consultant services to assist the PNG Electricity Commission and the Department of Minerals and Energy in undertaking a review of the level and structure of the uniform national electricity tariffs currently applicable in the country in conjunction with the Upper Warangol Hydropower Project.

Philippines LOANS

Philippine Investments Systems Organization (PISO): \$15 million to augment foreign exchange resources of PISO to meet the medium and long-term credit requirements of industry in the private sector in the Philippines.

Bukidnon Irrigation: \$15 million from Special Funds to finance the foreign exchange cost and part of the local currency cost of the construction of diversion dams and distribution canals for irrigating about 11,400 ha. in Bukidnon province. The Project also includes soil conservation measures in the watershed areas, the establishment of pilot farms, the provision of adequate rural water supply and public health services, a schistosomiasis control program and consultant services. In addition to the Bank loan, the OPEC Special Fund is providing co-financing amounting to \$3.5 million.

Third Mindanao Irrigation Study: \$1.7 million for the feasibility studies of six priority projects in Mindanao, pre-feasibility studies of potential areas for the systematic development of future irrigation projects in Mindanao and the training of staff of the National Irrigation Administration (NIA).

Northern Palawan Fisheries Development: \$18 million to finance the foreign exchange and local currency costs of

the development of a Fisheries Project in northern Palawan. This includes provision of equipment and civil works, and interest and other charges during construction. The Project will assist small-scale fishermen by upgrading their fishing technology, optimizing exploitation of underfished areas and providing access to stable markets.

Manila Port: \$27 million for the development of an International Container Terminal (ICT) at Manila Port through the construction of roll-on/roll-off facilities, berth improvements, reclamation works, container yard construction and utilities supply. The Project includes consultant services for the detailed design and construction supervision of ICT and the preparation of a feasibility study and the detailed design of a Domestic Container Terminal (see technical assistance which follows). The Federal Republic of Germany has agreed to provide co-financing totalling \$12.25 million for the procurement, installation and commissioning of four additional container cranes.

Malangas Coal Development: \$14 million to the Philippine National Oil Company, a Government-owned corporation. The loan will be used to finance the foreign exchange cost of the Malangas Coal Development Project, which consists of the development of physical facilities for mining approximately 240,000 metric tons of coal a year at the Malangas Coal mine and the provision of consultant services for Project implementation and operation.

Bicol River Basin Irrigation Development: \$41 million for the integrated agricultural development of 17,310 ha. of irrigable land in the provinces of Camarines Sur and Albay along the Bicol River. The Project will also improve the net-

work of farm-to-market roads, and provide better potable water supplies. In addition to the Bank loan, EEC is providing co-financing amounting to \$5.9 million on a grant basis.

Sixth Mindanao Power: \$60.7 million to the National Power Corporation for the construction of 265 MW power station on Pulangui River and transmission lines linking the Project and the Aplaya substation. The Project is expected to harness further Mindanao's hydropower resources and reduce the country's dependence on imported oil. The Bank financing will be supplemented by export credit amounting to \$38.5 million, in addition to \$1.1 million from a commercial bank.

Fifth Private Development Corporation of the Philippines (PDCP): \$30 million as a fifth credit line to PDCP to augment its foreign exchange resources to meet the medium and long-term credit requirements of industrial and other productive enterprises in the private sector. It is estimated that projects to be financed under the Bank loan will generate about 5,400 direct jobs, of which approximately 70 per cent will be outside Metropolitan Manila.

TECHNICAL ASSISTANCE

Smallholder Dairy Development: \$341,000 for a two-phase feasibility study for a Smallholder Dairy Development Project, with the Bank providing \$251,000 and IFAD \$90,000. The first phase, which is co-financed by IFAD, will examine Government policies and programs for the livestock sector and dairy industry, the dairy products market, milk production, collection, processing and distri-

FUEL from the fields: Dung pats (left) are dried on a cottage wall; a simple biogas generator (right) produces enough gas for this Nepali villager to cook three meals a day for his entire family. The Bank has approved technical assistance to Nepal's Fourth Agricultural Project which includes a biogas component.



bution of dairy products, requirements for the establishment of a dairy industry and existing farmer associations, cooperatives and producer organizations. The second phase will cover preparation of a project emphasizing smallholder production.

Bohol-Cebu Fisheries Development: \$70,000 to prepare a feasibility study for a Fisheries Development Project in the Bohol-Cebu region of the Philippines with a view of improving the nutritional status and the socio-economic condition as well as productivity, employment opportunities and foreign exchange savings/earnings of the Project area.

Manila Domestic Container Terminal: \$150,000 to finance Project preparation for the development of a Domestic Container Terminal in conjunction with the Manila Port Development Project.

Vocational Education: \$190,000 for the study and preparation of a Project that will help to improve the quality of non-collegiate post-secondary vocational-technical education in both the public and the private sectors.

Palawan Integrated Area Development: \$850,000, including \$300,000 to be financed by UNDP, with the Bank acting as Executing Agency, for the formulation of a first-phase Project in the context of a long-term outline plan for the integrated development of Palawan, a relatively underdeveloped island group in the Southern Tagalog region of the country with considerable resource development potential.

Singapore

LOAN

Bedok Sewage Treatment Plant Expansion: \$15.1 million for the expansion of the Bedok Sewage Treatment Plant. This will provide effective sewage collection and a treatment system for new town development along the east coast and will preserve the marine environment of the area. The Project will serve 290,000 people in Bedok and Tampines New Towns and a number of villages as well as those using the new Changi International Airport.

Solomon Islands

LOAN

Development Bank of Solomon Islands (DBSI): \$2 million from Special Funds to the Government of Solomon Islands for relending to DBSI. The loan will help augment DBSI's resources to meet part of its estimated foreign currency requirements in the period 1979-1981 and enable it to extend subloans for specific development projects (see technical assistance below).

TECHNICAL ASSISTANCE

Development Bank of Solomon Islands: \$130,000 to enable DBSI to continue the services of the consultant who is currently its General Manager up to June 1981. This is an extension of an earlier technical assistance grant provided by the Bank.

Honiara Water Supply: \$97,000 to investigate the existing distribution system and make recommendations regarding its improvement and expansion; to prepare engineering designs, including specifications and cost estimates; and to study and recommend the most ap-



WORKER operates the valves at the Greater Dacca Gas Distribution Project in Bangladesh. This Bank-financed Project will provide gas distribution facilities for over 37,000 new customers and will help replace importation of about 120,000 tons of furnace oil and 40,000 tons of kerosene per annum.

ropriate institutional and financial management accounting systems for the water supply sector.

Sri Lanka, Democratic Socialist Republic of

LOANS

Urea Fertilizer (Supplementary): \$3 million from Special Funds to finance part of the foreign exchange cost overrun of the Urea Fertilizer Project at Sapugaskanda. The Project, which originally received a \$30 million concessional loan from the Bank in 1975, will establish the first urea fertilizer manufacturing plant in Sri Lanka. The Federal Republic of Germany and Kuwait are providing co-financing amounting to \$3 million and \$2.09 million, respectively.

Rural Electrification: \$11.3 million from Special Funds for a Project which involves the electrification of 1,150 villages and will benefit 1.5 million people. This is the Bank's first loan for a rural electrification project and follows a technical assistance grant extended by the Bank in December 1977. The OPEC Special Fund is providing co-financing amounting to \$6 million.

Rural Credit: \$10.9 million from Special Funds to finance, through two state-controlled commercial banks, various farm irrigation, farm power, rice milling, workshop and support facilities; establishment of a Rural Credit Training Institute and consultant services and fellowships (see technical assistance which follows). It will also finance the local costs relating to draft animals for meeting farm power requirements of small farmers.

TECHNICAL ASSISTANCE

Anuradhapura Dry Zone Agriculture: \$300,000, to be financed by EEC with the Bank acting as Executing Agency, for the preparation of a Project to establish permanent agri-

cultural husbandry, rehabilitate existing minor tanks and field channels for farm level irrigation, construct and rehabilitate marketing facilities and improve health facilities in the Anuradhapura district.

Mahaweli Area Roads Development: \$98,000 for a comprehensive study to assess the technical and economic aspects of a proposed road network development scheme associated with the Accelerated Mahaweli Development Program.

Rural Credit: \$260,000 aimed at strengthening the national institutional frameworks for rural credit in conjunction with the Rural Credit Project and to prepare a second rural credit project.

West Coast Fisheries: \$90,000 to finance a feasibility study of a Fisherless Development Project on the west coast of the country. A team of consultants with experience in the technical, economic, financial and institutional aspects of fisheries development will undertake the study.

Coconut Development: \$99,000, to be cost shared with FAO, to determine the technical, institutional, financial and economic feasibility and the social impact of the Coconut Development Project. The study will also examine the need for general support services for Project implementation.

Integrated Tea Development: \$98,000, to be financed by EEC with the Bank acting as Executing Agency, for preparing a Project to improve the productivity of about 10,000 ha. of tea lands, to modernize and improve the efficiency of existing tea factories and to set up new factories to handle the projected crop.

Thailand

LOANS

Mae Moh (Unit IV) Power: \$81.8 million for the installation of one lignite-fired thermal generating unit of about 150 MW at Mae Moh in northern Thailand, including provision of transmission and other facilities. The unit will be fuelled from an associated lignite mine. The OPEC Special Fund is providing co-financing amounting to \$7 million; \$32.2 million is also available from Saudi Arabia and \$6.5 million from Switzerland.

Second Vocational Education: \$15 million from Special Funds for the expansion and upgrading of six provincial institutes, and provision of additional equipment for four regional technical institutes already being assisted by the Bank under an earlier loan. The Project is aimed at improving the quality of training and will facilitate new fields of specialization related to regional needs in the country.

Second Bangkok Water Supply: \$68 million for the improvement and extension of the water supply system in metropolitan Bangkok to meet water demand up to 1983. The Bank loan mainly provides for distribution compo-

nents. Japan is providing co-financing amounting to \$44 million.

TECHNICAL ASSISTANCE

Energy Master Plan: \$1.01 million, of which \$710,000 is to be financed by UNDP, with the Bank acting as Executing Agency, for preparation of a master plan for the formulation of energy sector development; policy and programs involving maximum development of domestic energy resources; the promotion of energy conservation; increased efficiency in the use of energy; and reduction of imported energy resources.

Tonga

LOAN

Multiproject Loan: \$1.2 million from Special Funds to finance small but high priority sub-projects in the transport and communications, industry, health and water supply sectors.

TECHNICAL ASSISTANCE

Preparation of Sub-Projects for Multiproject Loan: \$70,000 in conjunction with the Multiproject Loan to assist in the appraisal of the sub-projects particularly with respect to the engineering aspects relating to the wharves and landing facilities and the financial and economic justification of all the sub-projects.

Western Samoa

LOAN

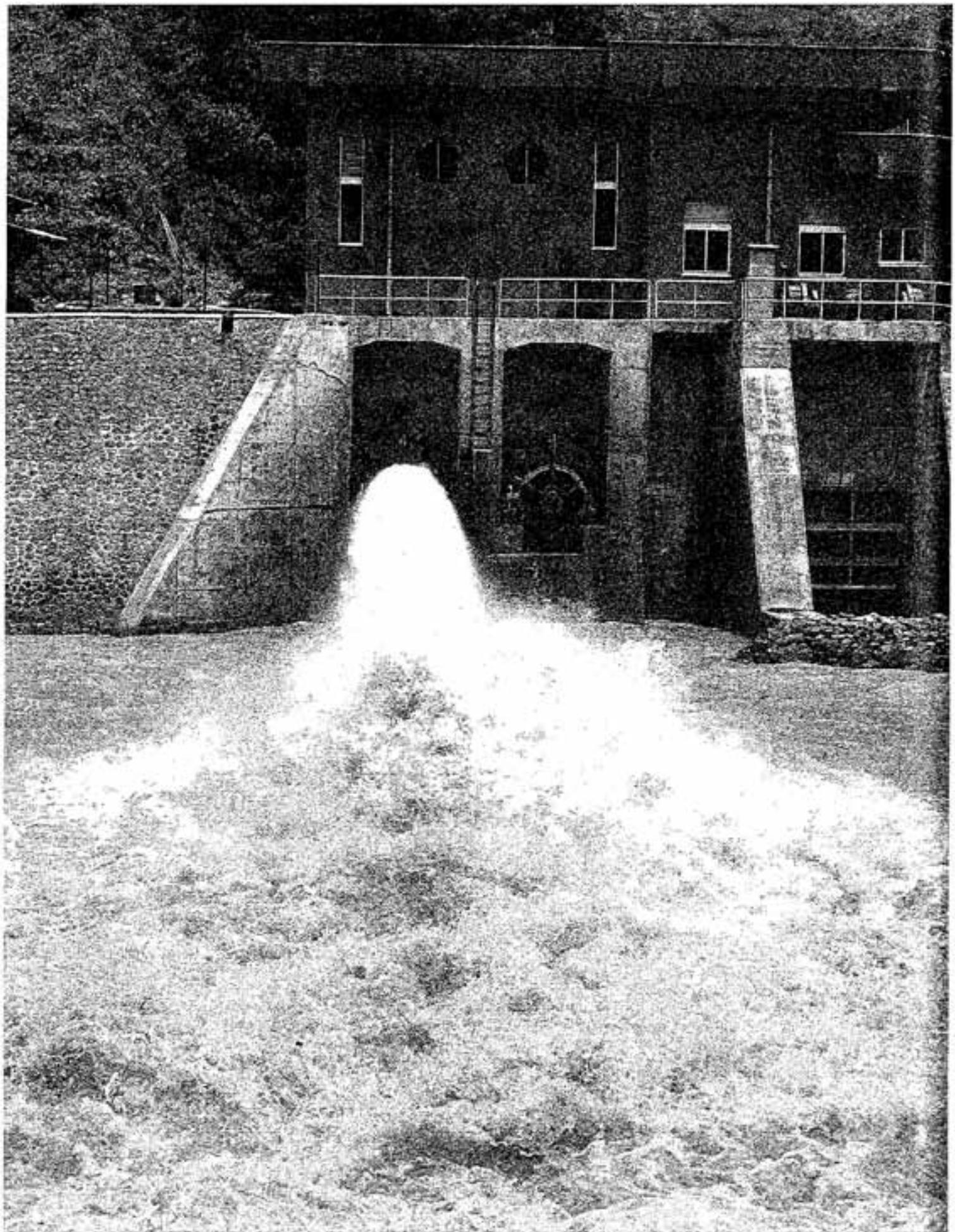
Second Power: \$3.45 million from Special Funds for a Project aimed at the development of a "run-of-river" hydro-power plant of 1.8 MW installed capacity on the Vaisigano River. The Project will provide a cheaper and more dependable source of electricity to support expansion of industries (see technical assistance below).

TECHNICAL ASSISTANCE

Tariff Study and Revaluation of Assets: \$70,000 in conjunction with the Second Power Project for a tariff study and to evaluate the assets of the Electric Power Corporation (EPC).

Forest Utilization and Replanting: \$59,000 for the formulation and preparation of an investment program in reforestation, saw-milling for lumber harvesting and processing facilities. The technical assistance includes an examination of policies and plans for forestry and forest industries in Western Samoa.

Second WSTEC Agricultural Development: \$64,000 for a feasibility study to optimize land use of the Western Samoa Trust Estates Corporation (WSTEC), rehabilitate/replant eight existing estates and modernize and expand WSTEC's product processing operations.



ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Capital

THE BANK'S authorized capital stock as of 31 December 1979 amounted to \$9,511.9 million (SDR 7,220.6 million). Of this amount, \$8,861.1 million (SDR 6,726.6 million) has been subscribed, while \$818.4 million (SDR 470.2 million) represents the share entitlement under the second general capital increase of four member countries which have not yet subscribed, and the balance of the entitlement of one member country which has made a partial subscription. The balance of \$31.4 million (SDR 23.8 million) is available for subscription by new members and for special increases in the subscriptions of individual members, as may be authorized by the Board of Governors.

Increase in Capital Stock

Subscriptions to the second general capital increase as of 31 December 1978 amounted to \$4,795.4 million¹ (SDR 3,640.2 million). During 1979, three member countries subscribed to their full entitlements in the following amounts: Belgium, \$22.2 million (SDR 16.9 million), Cook Islands, \$0.2 million (SDR 0.1 million), and Western Samoa, \$0.4 million (SDR 0.3 million). Total subscriptions as of 31 December 1979 thus amounted to \$4,818.2 million (SDR 3,857.8 million).

Valuation of Capital

The Bank is considering the implications for the valuation of its capital stock of the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) which became effective on 1 April 1978. Pending a decision on this matter, the capital stock has been valued for purposes of the Bank's financial statements on the basis of SDR 10,000 per share, and is expressed in current United States dollars in terms of the rate of the SDR as computed by the IMF. As of 31 December 1979, the SDR was valued at \$1.31733 giving a value for each share of the Bank's capital stock equivalent to \$13,173.30. Further information on this subject is given in Notes A and C of the Notes to Financial Statements of Ordinary Capital Resources, Appendix I-VIII.

¹ This was equivalent to \$4,742.5 million at the end of 1978 based on the SDR rate then prevailing.

IRRIGATION water is released from the Sempur Dam Project in Indonesia. Irrigated water from this Project has directly benefitted 50,000 farm families in the area by boosting rice and soybean production.

Borrowings

During the year, six borrowings amounting to the equivalent of \$347.5 million¹ were undertaken by the Bank. While short and medium-term maturities continued to be readily available in the Swiss, German and Japanese capital markets, it became increasingly difficult to obtain long-term funds on favorable terms as the year progressed. The Bank's efforts to secure advantageous terms, especially in regard to longer maturities, continued and as a result it was able to tap for the first time the long-term syndicated loan market in Japan. The average maturity of borrowings in the year, weighted by amount, consequently improved to 10.25 years from 9.35 years in 1978.

Borrowings made during the year were as follows:

15-YEAR SWISS FRANC PUBLIC BOND ISSUE

In January, the Bank made a public offering of SwF100 million of 15-Year bonds in Switzerland. The bonds, with a coupon rate of 3.50 per cent per annum payable annually, were issued at 99 per cent. This was the Bank's fifth public issue on the Swiss capital market. The bonds are listed on the stock exchanges of Basle, Zurich, Geneva, Lausanne and Berne.

TWO-YEAR UNITED STATES DOLLAR BONDS

Two-Year Bonds of 1979 totalling \$70 million, issued at par with an interest rate of 9.85 per cent per annum payable semi-annually, were placed in April with central banks and monetary authorities of 30 member countries.

DIRECT BORROWING IN SWISS FRANCS

In May, the Bank negotiated a direct loan of SwF80 million from Swiss Bank Corporation in Basle. The loan has a full maturity of seven years and bears interest at 4.25 per cent per annum payable semi-annually.

TEN-YEAR DEUTSCHE MARK PUBLIC ISSUE

In August, DM100 million of bonds were offered publicly in the Federal Republic of Germany. The bonds, which represent the Bank's fifth public issue in the German capital market, have a full maturity of 10 years, carry a coupon rate of 7.25 per cent per annum payable annually.

¹ At exchange rates as of 31 December 1979.

and an issue price of 99.75 per cent. They are listed on the stock exchanges of Frankfurt and Düsseldorf.

PRIVATE PLACEMENT IN DEUTSCHE MARKS

In September, bearer bonds amounting to DM100 million were placed privately with Bayerische Vereinsbank in Munich. The bonds, which have a full maturity of 12 years and a coupon rate of 7.50 per cent per annum payable annually, were priced at 99.50 per cent.

LONG-TERM DIRECT BORROWING IN JAPAN

In November, the Bank signed an agreement with a syndicate of banks, trust banks and insurance companies in Japan for a direct loan of ¥15 billion. The loan consisted of two tranches. Tranche A, amounting to ¥11 billion, was drawn down in November 1979, and Tranche B, amounting to ¥4 billion, was drawn down in January 1980. This was the Bank's first direct borrowing from private sources of long-term funds in the Japanese syndicated loan market. The loan has a final maturity of 20 years and carries an interest rate of 8.30 per cent per annum payable semi-annually.

Bond Redemptions

Two earlier issues totalling \$89.9 million equivalent were fully redeemed during the year: \$70 million in respect of the two-year US Dollar Bonds of 1977 and \$19.9 million equivalent in respect of the outstanding balance of the Swiss Franc public issue of 1971.

Review of Financial Policies

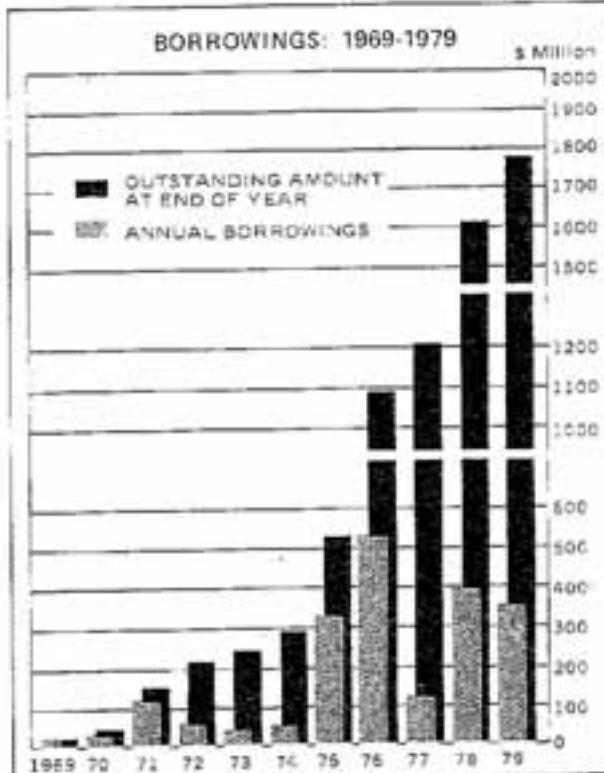
As in the past the financial policies of the Bank were reviewed early in the year and no major change was found.

BORROWINGS, 1979

Countries	Issue	Amount in Currency of Borrowing (million)	US\$ Equivalent ¹ (million)
Switzerland	3 1/2% 15-Year Bonds due 1994	SwF 100	52.6
	4 1/4% 7-Year Loan due 1986	SwF 60	37.6
Germany, Federal Republic of	7 1/4% 10-Year Bonds due 1989	DM 100	57.4
	7 1/2% 12-Year Bonds due 1991	DM 100	57.4
Japan	8.30% 20-Year Loan due 1999	¥ 15,000	62.6
Central Banks/ Monetary Authorities	9.85% 2-Year Bonds due 1981	US\$ 70	70.0
TOTAL			347.5²

1. US dollar equivalents are based on the exchange rates used by the Bank on 31 December 1979.

2. Total does not tally due to rounding.





Mr. S. Stanley Katz, Vice-President of the Bank, signs the documents in November for a \$75 billion long-term borrowing in Tokyo from a syndicate of banks, trust banks and insurance companies in Japan.

necessary. The ordinary capital resources lending program was maintained, as envisaged earlier, at \$825 million for 1979, \$900 million for 1980 and \$975 million for 1981, subject to a review in 1980. It was decided that the Bank's borrowings would continue to be phased to ensure progressively increasing borrowings from year to year.

Lending Rate

The conclusion reached in previous years — namely, that the mechanical and inflexible application of any formula cannot be expected to result in an appropriate lending rate — was reviewed and reiterated in 1979. After taking relevant factors into consideration, the lending rate was set at 7.40 per cent per annum with effect from 1 January 1979. In August, the lending rate was revised to 7.60 per cent per annum and maintained at that level for the rest of the year.¹

Member Currencies

New exchange rates adopted by the Bank during the year have continued to be used only for purposes of translation

¹ The lending rate was raised to 8.10 per cent per annum with effect from 1 January 1980.

in the Bank's books. Pending a decision on the valuation of the Bank's capital stock, action on maintenance of value has been held in abeyance since 1 April 1978, the date on which the Second Amendment to the Articles of Agreement of the IMF came into effect.

Loan Disbursements and Repayments

Loan disbursements from ordinary capital resources during the year amounted to \$361 million, bringing total disbursements from this source up to the end of 1979 to \$1,876 million. Loan repayments in 1979 totalled \$81.7 million, consisting of \$80.6 million on loans held by the Bank and \$1.1 million on portions of loans sold to participants. Cumulative loan repayments up to the end of 1979 reached \$278.2 million, consisting of \$264.3 million on loans held by the Bank and \$13.9 million on portions sold to participants.

Investments

At the end of the year the Bank's investments — held in 23 separate currencies — amounted to the equivalent of \$1,373.5 million, including investments of Special Reserve Fund Assets, of which 28 per cent was held in securities issued or guaranteed by member governments and obliga-

tions of approved government agencies of member countries.

Of the total investments in government, agency and government-guaranteed securities of member countries, 25 per cent were in securities maturing within one year and 75 per cent in securities maturing after one year up to five years three months. Of the total investments in time deposits and certificates of deposit with banks in member countries and the Bank for International Settlements, 28 per cent were in deposits maturing within one year and 74 per cent in deposits maturing after one year up to five years.

Income and Expenses

Gross income of the Bank in 1979 was \$260.8 million, a rise of \$47.6 million, or 22.3 per cent, from \$213.2 million in 1978. This higher level of gross income was attributable mainly to the increase in income from both investments and loans. Income from investments was up by \$17.2 million, or 17.9 per cent, to \$113.2 million as a result of a higher rate of return and an increase in the size of the investments

portfolio. As of 31 December 1979, outstanding investments amounted to \$1,373.5 million, a rise of \$112.5 million, or 8.9 per cent, over the amount a year ago. Income from loans during the year increased by \$30.2 million, or 26 per cent, to a total of \$146.7 million, primarily as a result of the growth in the loans outstanding held by the Bank from \$1,602.9 million at the end of 1978 to \$1,795.7 million as of 31 December 1979.

Total expenses in 1979 were \$142.4 million, \$15.2 million or 11.9 per cent, higher than in 1978. Administrative expenses, net of amount charged to Special Operations, increased by \$0.9 million, or 6.2 per cent.

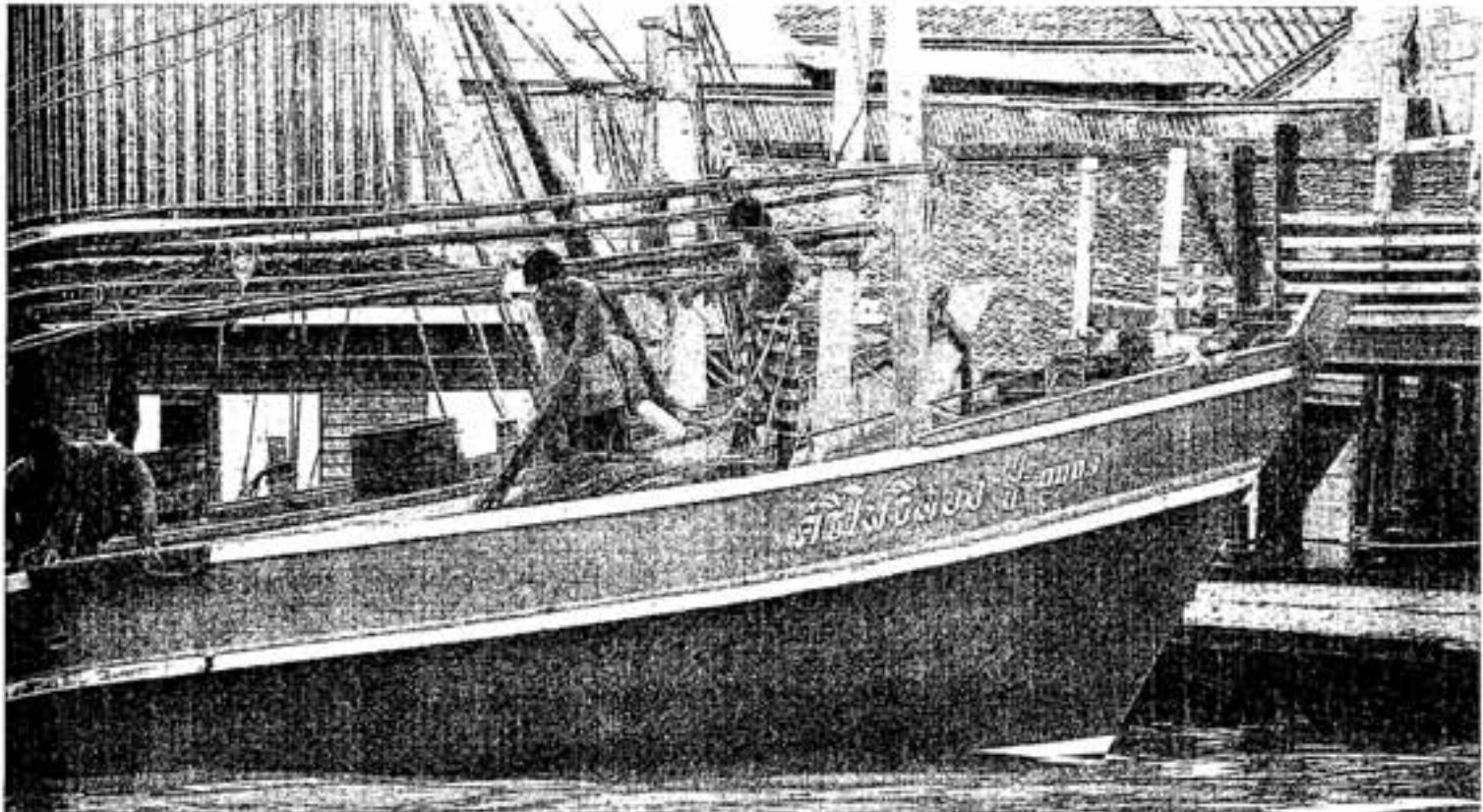
Charges for services to member countries decreased by \$0.6 million, or 5.4 per cent, as more resources from the Technical Assistance Special Fund were utilized for this purpose. Financial expenses increased by \$14.6 million, or 13.1 per cent, as a result of enhanced borrowings. As of 31 December 1979 outstanding borrowings amounted to \$1,777.2 million as compared to \$1,609.9 million a year earlier.

INCOME AND EXPENSES — ORDINARY CAPITAL RESOURCES

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

	1978 Actual	1979 Budget	1979 Actual	1980 Budget
1. Gross Income	213.2	237.3	260.8	293.7
2. Less Expenses Charged for Ordinary Capital Resources				
a. Administrative Expenses ¹	14.5	18.0	15.4	18.1
b. Services to Member Countries	1.1	1.3	0.5	1.5
c. Financial Expenses	11.6	124.4	126.3	141.7
d. Other Expenses	—	—	0.2	—
TOTAL	127.2	143.7	142.4	162.7
3. Income before Net Gain (Loss) from Changes in Value of Currencies	85.9	93.8	118.4	131.0
4. Net Gain (Loss) from Changes in Value of Currencies	34.2	—	(18.5)	—
5. Net Income	120.1	93.8	99.8	131.0
6. Appropriation of Commissions to Special Reserve	(18.7)	(17.5)	(16.8)	(20.0)
7. Net Income After Appropriation of Commissions to Special Reserve	106.4	76.1	83.0	111.0

¹ Net of Administration Charges to Special Operations which is located on the basis of a formula for apportioning administrative expenses between ordinary capital resources and Special Funds.



FISHING boats at Songkhla port in southern Thailand. A Bank technical assistance loan is helping the Government formulate a project which will enable ocean-going vessels to offload directly at the docks instead of anchoring miles offshore.

Loss From Changes in Value of Currencies

Changes in the value of the currencies held by the Bank — particularly a marked depreciation of the Japanese Yen — resulted in a net loss of \$18.5 million in 1979. This contrasts with a net gain of \$34.2 million in the previous year.

Net Income

Net Income for 1979 amounted to \$83 million after Appropriation of Commissions to Special Reserve, compared to \$106.4 million in 1978. The decline in net income was caused mainly by fluctuations in the value of currencies held by the Bank.

Accumulated Net Income and Reserves

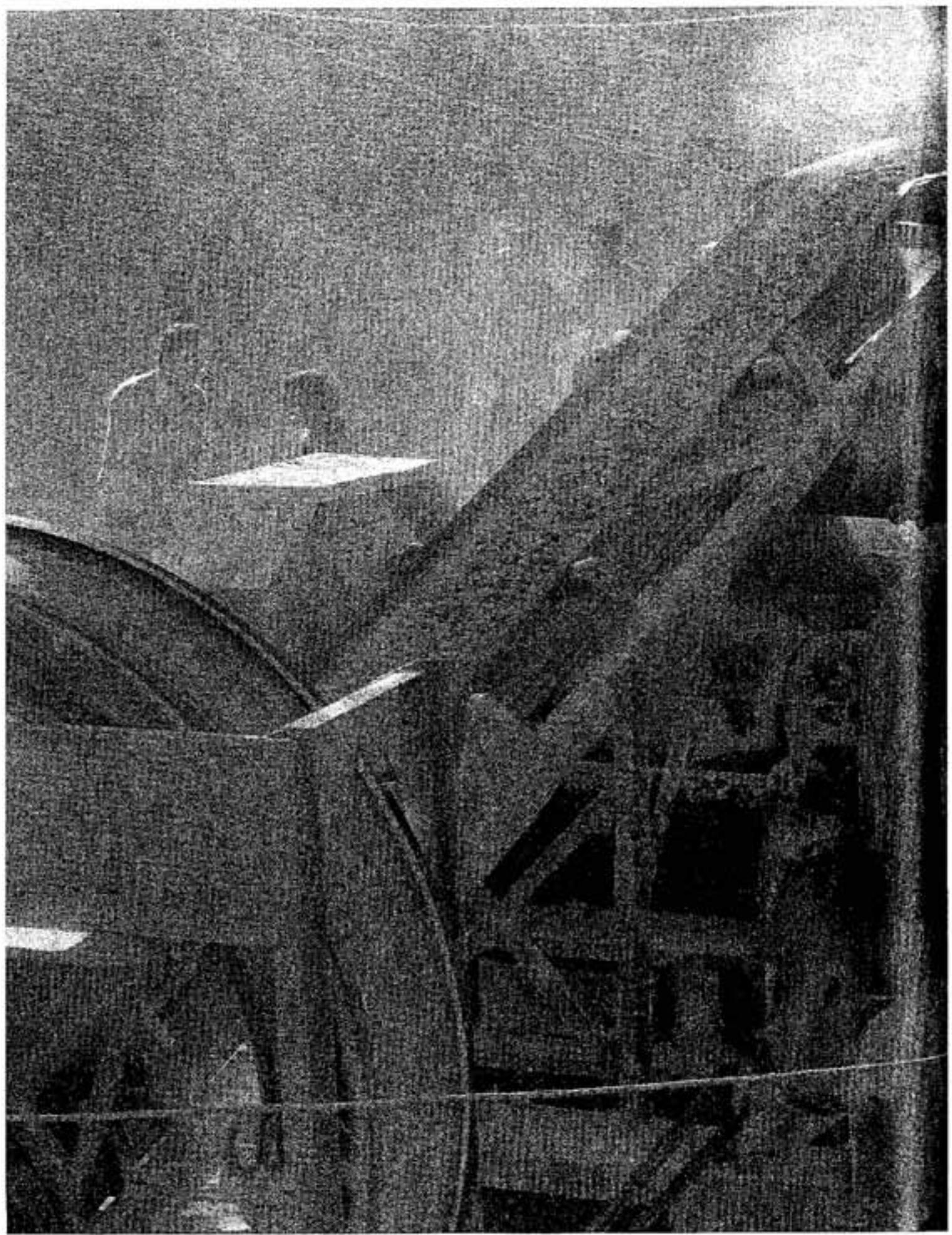
Accumulated net income as of 31 December 1979 amounted to \$83 million. An amount of \$106.4 million held

under this head on 31 December 1978 was transferred to the Ordinary Reserve as authorized by the Board of Governors during the Twelfth Annual Meeting.

As of 31 December 1979, the Bank's Ordinary Reserve stood at \$298.8 million, having been augmented during the year by the transfer of \$106.4 million as stated earlier, and after charging to it a sum of \$4.3 million in connection with the re-statement of the Bank's capital stock amounts by the substitution, for purposes of the Bank's financial statements, of the SDR for the 1966 dollar as the unit of value.

In accordance with Articles 16 and 17, the Bank also maintains a Special Reserve. This increased from \$42.5 million on 31 December 1978 to \$59.3 million at the close of 1979 with the transfer of commissions amounting to \$16.8 million.

The combined total of the Bank's Ordinary and Special Reserves amounted to \$358.1 million at the end of 1979.



SPECIAL FUNDS

THE MOST important event regarding Special Funds in 1979 was the coming into effect of the second replenishment of the Asian Development Fund (ADF III), which is designed to provide resources for the Bank's concessional lending program in the four-year period ending December 1982.

By the end of the year, instruments of Contribution to ADF III of 11 donor countries had become effective. With respect to the first replenishment of the Asian Development Fund (ADF II) the necessary legislative action to enable the United States to make available to the Bank the last \$60 million of its contribution was still awaited.

During the year, the uncommitted portion of Canada's contribution to the Multi-Purpose Special Fund (MPSF)¹ was transferred to ADF, leaving only a small balance, representing accumulated net income and other credit, still under administration in MPSF, thus paving the way for the winding up of MPSF in the course of 1980. Further contributions to the Technical Assistance Special Fund (TASF) were received during 1979 from seven member countries.

Asian Development Fund

Second Replenishment

In July 1978, the Board of Governors adopted Resolution No. 121 authorizing the Bank to receive contributions to the second replenishment of the Asian Development Fund (ADF III) in an aggregate amount equivalent to \$2,150 million (at 1 April 1978 exchange rates). The aggregate amount, consisting of a basic replenishment total of \$2,000 million plus a further \$150 million in supplementary contributions, is intended to cover the Bank's concessional lending requirements over the four-year period from 1979 to 1982.

In accordance with the provisions of Resolution No. 121, ADF III came into effect on 29 March 1979 when Instruments of Contribution deposited with the Bank for unqualified contributions surpassed the target figure of \$1,000 million specified in the Resolution. As of the end of December 1979, Instruments of Contribution deposited by

11 countries (Australia, Austria, Denmark, Finland, France, Germany, Japan, Norway, Sweden, Switzerland and United Kingdom) had become effective. The contributions covered by these instruments amounted to a total of \$1,377 million equivalent (at 1 April 1978 exchange rates), of which, pursuant to the Resolution, \$344 million equivalent, representing the first tranches of such contributions, had become available to the Bank for commitment under its concessional lending program. As of the end of the year, the Canadian Instrument of Contribution was in process of being transmitted to the Bank, while deposit of instruments of Contribution by four donor countries (Belgium, Italy, Netherlands and United States) remained subject to legislative action.

Under Resolution No. 121, contributions by donor countries are required to be made by depositing with the Bank unqualified instruments of Contribution. However, as an exceptional case, where an unqualified commitment cannot be given by a donor country due to its legislative practice, the Bank may accept from that donor country a qualified instrument, namely, an instrument including the qualification that payment of all installments of its contribution except the first is subject to budgetary appropriation, but containing an undertaking that it would seek the necessary budgetary appropriation for the remaining installments over the ADF III replenishment period. This provision was included in the Resolution to take account of the legislative practice of the United States.

The Resolution envisages the release of funds for loan commitment purposes over the replenishment period to occur progressively in a manner which should meet the operational requirements of the Bank from year to year while preserving the principle of reciprocity between donors making unqualified and qualified contributions. Accordingly, while the first tranche of each unqualified contribution is required to become available for loan commitment purposes on the date the relevant instrument of the Contribution becomes effective, the release of second, third and fourth tranches of such contributions can only occur if each qualified contribution has previously become unqualified, and available for loan commitments, to the extent respectively of one-fourth, one-half and three-fourths of the total amount of such contribution. The Resolution con-

¹ MPSF, together with the Agricultural Special Fund (ASF) was established in 1968. ASF was wound up in 1973 and its resources were consolidated with those of MPSF.

SPECIAL FUNDS LOANS, 1979
(amounts in \$ million)

Country/Project	Amount
AFGHANISTAN Cotton Processing	20.10
BANGLADESH Ashuganj Fertilizer (Supplementary)	25.00
Chittagong Hill Tracts Development	28.50
Fisheries Credit	10.80
Crop Intensification Program	11.80
Foodgrain Storage	9.00
Third Bangladesh Shilpa Bin Sangstha	30.00
BURMA Sedawgyi Hydropower	14.80
Second Rice Processing Industries	17.00
Cement Industry Program	5.20
INDONESIA University of Hasanuddin	25.00
LAO PEOPLE'S DEMOCRATIC REPUBLIC Casle: Sud Pioneer Agricultural	7.00
NEPAL Livestock Development	12.28
Third Power	18.80
PAKISTAN Textbook Printing	10.00
South Rohni Fresh Groundwater Irrigation	47.00
Technical Teachers' Training and Polytechnic Institutes	21.00
Crop Intensification Program	14.00
Aquaculture Development	15.10
Baluchistan Livestock Development	7.50
PAPUA NEW GUINEA Upper Warangol Hydropower	5.00
PHILIPPINES Bukidnon Irrigation	15.00
SOLomon ISLANDS Development Bank of Solomon Islands	2.00
SRI LANKA Urea Fertilizer (Supplementary)	3.00
Rural Electrification	11.30
Plural Credit	10.80
THAILAND Second Vocational Education	15.00
TONGA Multiproject Loan	1.20
WESTERN SAMOA Second Power	3.45
TOTAL	416.33

templates that these events should occur by 1 January 1980, 1 January 1981 and 1 January 1982, respectively.

At the end of 1979, legislation enabling the United States to deposit a qualified instrument of Contribution for the full

amount of its ADF III contribution and to pay the first installment equivalent to one-fourth of such amount was still pending. Release of second tranches of the contributions of those donor countries which had already contributed to ADF III was therefore not expected to occur on 1 January 1980 as envisaged by the Resolution. After allowing a margin of protection against exchange rate fluctuations, there was a balance of uncommitted resources in ADF at the end of 1979 of only about \$9 million equivalent (see table on page 74).

Progress of First Replenishment

The first replenishment of the Asian Development Fund (ADF II), designed to finance the Bank's concessional lending program over the three-year period 1976-1978, was authorized in December 1975 by Resolution No. 92 of the Board of Governors. The total amount authorized for the replenishment was \$830 million, later revised to \$809 million to be provided by 17 donor countries. Two of these countries were, however, unable to participate in ADF II. As noted in the last Annual Report, by the end of 1978 the total of unqualified contribution commitments under ADF II had reached \$701 million, with the last \$60 million of the United States' contribution still to come. This position was unchanged at the end of 1979. Under the provisions of Resolution No. 92, as amended by Resolutions Nos. 103 and 115, the United States is required to make payment of this amount by 1 October 1980. At the end of 1979, there were indications that, subject to the necessary budgetary appropriation procedure being completed, the United States might be able to make this amount available to the Bank in the early part of 1980.

Resources and Utilization

At the end of 1978 the combined resources of ADF and MPSF totalled \$1,647 million at the then prevailing exchange rates. Against this, loan commitments (after allowing for exchange rate adjustments, cancellations and repayments) totalled \$1,625 million, leaving an uncommitted balance at the beginning of 1979 of \$22 million.

During the year, the release of first tranches of the ADF III contributions of 11 donor countries resulted in augmenting available resources by a total of \$350 million (\$344 million at 1 April 1978 exchange rates). In addition, net income of ADF and MPSF accrued during the year amounted to \$21 million.

Individual contributions to ADF and MPSF have been made in the national currencies of the respective contributors. During the year depreciations and appreciations in the values of some of the major contributors' national currencies against the United States dollar resulted in a net decrease of \$153 million in the total value of contributed resources expressed in terms of the United States dollar.

Total resources for concessional lending including contributed resources, set-aside resources, net income and other credits at the end of 1979 stood at \$2,065 million, a net increase of \$218 million during the year.

The total of new Special Funds loans approved during 1979 was \$416 million, or \$35 million above that of the previous year. As of 31 December 1979, the cumulative amount of loans from Special Funds resources (after allowing for exchange rate adjustments, cancellations and repayments) was \$1,959 million, leaving a balance of uncommitted resources at that date of about \$106 million. Loan disbursements in 1979 amounted to \$125 million,

COUNTRY AND SECTORAL DISTRIBUTION OF SPECIAL FUNDS LOANS, 1967-1979

(amounts in \$ million)

Country	No.	Amount	% Share	Agriculture and Agro- Industry	Energy	Industry and Devel- opment Banks	Transport and Commu- nications	Water Supply	Ed- ucation	Multi- project
Afghanistan	9	95.10	4.84	71.20	9.00	—	14.90	—	—	—
Bangladesh	29	469.03	23.89	267.08	53.75	101.00	41.20	—	6.00	—
Barma	14	233.46	11.89	187.10	24.70	5.20	—	16.45	—	—
Cambodia	1	1.67	0.08	—	1.67	—	—	—	—	—
Indonesia	23	162.28	8.27	63.68	27.30	—	10.80	11.50	49.00	—
Sri Lanka	1	1.75	0.09	—	—	—	1.75	—	—	—
Yemen, Rep. of	1	3.70	0.19	—	—	—	—	—	8.70	—
China People's										
Democratic Rep.	6	26.69	1.36	15.97	4.72	—	—	6.00	—	—
Malaysia	1	3.30	0.17	3.30	—	—	—	—	—	—
Nepal	23	179.22	9.13	66.01	27.60	39.50	41.91	—	4.20	—
Pakistan	20	403.95	20.57	133.85	109.30	57.50	10.80	61.50	31.00	—
Papua New Guinea	7	53.94	2.75	7.74	6.00	11.50	9.80	18.90	—	—
Philippines	6	44.30	2.26	43.30	—	—	1.00	—	—	—
Singapore	1	3.00	0.15	—	—	—	—	—	3.00	—
Solomon Islands	4	11.20	0.57	7.17	—	2.00	2.03	—	—	—
Sri Lanka	14	162.31	8.27	115.41	36.80	5.00	5.10	—	—	—
Thailand	4	37.10	1.89	19.00	—	—	—	—	18.10	—
Tonga	4	4.37	0.22	—	—	1.87	1.30	—	—	1.20
Viet Nam	9	40.67	2.07	20.50	6.30	7.00	3.72	3.15	—	—
Western Samoa	12	26.29	1.34	3.33	7.15	10.25	5.56	—	—	—
TOTAL	189	1,963.33	100.00	1,024.64	314.29	240.82	149.87	117.51	115.00	1.20

INCOME AND EXPENSES AND ACCUMULATED NET INCOME — SPECIAL FUNDS¹

(amounts in \$ million)

	MPSF		ADF	
	1978	1979	1978	1979
1. Gross Income	0.25	0.20	29.84	38.00
2. Administrative Expenses	0.12	0.05	10.20	15.39
3. Income Before Net Gain (Loss) from Changes in Value of Currencies	0.13	0.15	19.64	22.61
4. Net Gain (Loss) from Changes in Value of Currencies	0.14	(0.09)	3.72	(1.86)
5. Net Income for the Year	0.27	0.06	23.36	20.75
6. Balance of Accumulated Net Income at Beginning of the Year	0.47	0.27	28.58	51.94
7. Transfers to ADF	(0.47)	(0.27)	—	—
8. Balance of Accumulated Net Income at End of the Year	0.27	0.06	51.94	72.69

¹ Excluding Technical Assistance Special Fund.

Income and Expenses¹

During 1979 ADF had a gross income of \$38 million, total expenses of \$15.39 million and a net loss from changes in

¹ Excluding Technical Assistance Special Fund.

bringing total loan disbursements from Special Funds to \$587 million. Loan repayments in 1979 totalled \$8 million; cumulative repayments up to the end of 1979 amounted to \$20 million.

STATUS OF SPECIAL FUNDS RESOURCES¹
 (US dollars million equivalent)

	As of 31/12/78 valued as of 31/12/78	Change in 1979			As of 31/12/79 valued as of 31/12/79
		Addition²	Exchange Rate Adjustment³	Net Change	
CONTRIBUTED RESOURCES					
Australia	65.73	26.75	(2.06)	24.69	90.42
Austria	8.53	5.34	0.56	5.90	14.43
Belgium	18.31	—	0.40	0.40	18.71
Canada	97.68	—	—	—	97.68
Denmark	14.66	4.25	(0.75)	3.50	18.16
Finland	3.53	4.04	0.20	4.24	7.77
France	—	20.67	—	20.67	20.67
Germany-Fed. Rep. of	140.53	41.16	2.34	48.50	198.03 ⁴
Italy	38.42	—	1.15	1.15	39.57
Japan	893.29	187.29	(66.07)	19.22	912.50
Netherlands	39.52	—	0.77	0.77	40.29
New Zealand	9.53	—	0.68	0.68	8.85
Norway	10.37	4.07	0.30	4.37	14.74
Sweden	9.72	7.41	0.39	7.80	17.52
Switzerland	25.40	7.50	0.32	7.82	33.23 ⁵
United Kingdom	75.81	32.98	6.88	39.66	113.87
United States	270.00	—	—	—	270.00
Total Contributed Resources	1,728.02	350.46	(153.24)	107.22	1,925.24
Set Aside Resources	52.93	—	0.69	0.69	52.72
Other Resources	4.68	0.27	—	0.27	4.35
Accumulated Net Income and Other Credit	52.52	20.54	—	20.54	73.06
Total Additional Resources	116.63	20.54	0.69	21.50	140.13
Total Resources	1,845.65	371.27	(152.55)	218.72	2,065.37
Less Amounts Disbursed and Outstanding	551.96	117.29	6.42	51.82	606.78
Less Amounts Committed but Unutilized	1,009.87	262.22	—	262.22	1,352.07
Total Uncommitted Resources	221.82	(28.17)	(57.13)	115.30	106.52
Less Provision for Exchange Rate Fluctuations	—	—	—	26.82	97.66
Net Amount Available for Loan Commitments	152.90			(144.12)	8.86

Note: Figures may not add due to rounding.

¹ As of 31 December 1979.

² Calculated exchange rates as of 31/12/79.

³ Interim rate balances as of 31/12/78.

⁴ Not including \$31.00m received from Germany on account of re-contribution to ADF III, for which the necessary formalities had not been completed as of 31/12/79.

⁵ Not including adverse payments by Germany (\$120.42m) and Switzerland (\$3.37m) on account of their respective contributions to ADF III.

⁶ Equivalent to the sum of accumulated net income, other credit and repayments as of the end of 1979.

net income thus rose to \$72.69 million as of 31 December 1979 from \$51.94 million a year earlier.

In 1979, MPSF had a gross income of \$200,713, total expenses of \$47,196 and a net loss from changes in value of currencies of \$89,889 resulting in a net income of \$63,628. This amount was retained under Accrued Resources as of

value of currencies of \$1.86 million. Consequently, the Fund had a net income of \$20.75 million. The accumulated 31 December 1979 while the accumulated net income of 1978 amounting to \$270,325 was transferred to ADF during 1979, as reported to the Board of Governors at the Twelfth Annual Meeting.

Technical Assistance Special Fund

Additional contributions to the Technical Assistance Special Fund (TASF) were made by seven countries, as follows:

Country	Amount	US\$ Equivalent ¹
Australia	AS 250,000	276,374
India	IRs. 2,400,000	368,337
Japan	Y 585,000,000	2,440,551
Korea, Rep. of	US\$ 150,000	150,000
New Zealand	NZ\$ 75,000	73,911
Norway	Nkr. 1,000,000	204,666
United Kingdom	£ 330,000	733,919

¹ Based on the exchange rates used by the Bank on 31 December 1979.

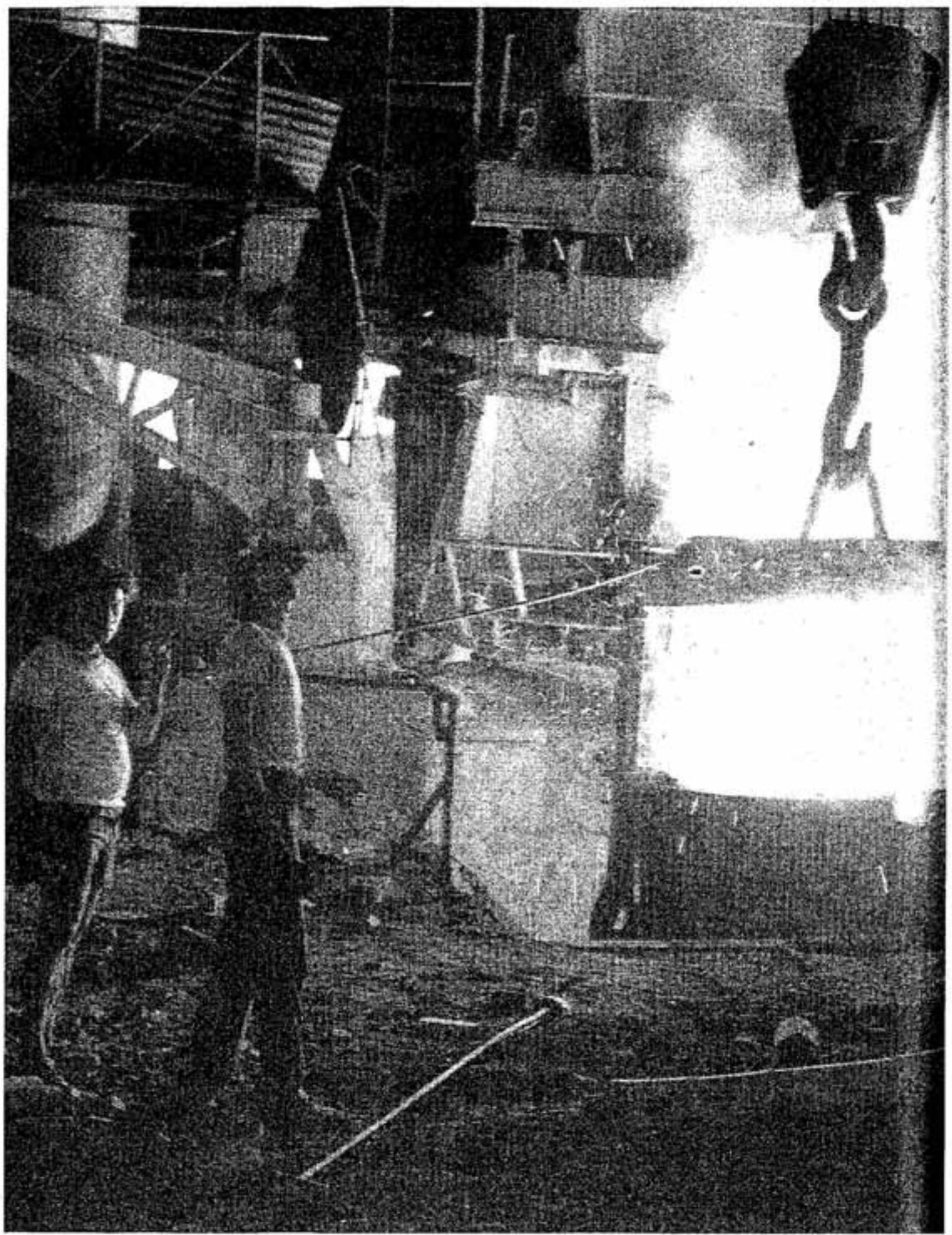
The contributions received during the year from Australia, New Zealand and United Kingdom remained tied to the procurement of goods and services from the donor country concerned. The contribution from Norway was fully untied while that from Japan was substantially untied. The contributions from Republic of Korea and India were conditionally untied and provided for procurement from developing member countries in addition to the donors. The total of all contributions made in 1979 amounted to US dollar equivalent of \$4,245,758, of which fully, substantially or conditionally untied contributions accounted for 74.5 per cent, as compared with 59.7 per cent in 1978.

At the end of 1979, total contributions to the Fund amounted to \$41.1 million, of which \$23.8 million had been utilized by the Bank.

TECHNICAL ASSISTANCE SPECIAL FUND

(US\$ Equivalent)

Contributor	Amount	Contributions utilized	Amount utilized
Austria	1,000,000	1,000,000	1,000,000
Bangladesh	1,000,000	1,000,000	1,000,000
Belgium	1,000,000	1,000,000	1,000,000
Canada	1,000,000	1,000,000	1,000,000
China, People's	1,000,000	1,000,000	1,000,000
Croatia	1,000,000	1,000,000	1,000,000
Cuba	1,000,000	1,000,000	1,000,000
Denmark	1,000,000	1,000,000	1,000,000
Egypt	1,000,000	1,000,000	1,000,000
Finland	1,000,000	1,000,000	1,000,000
France	1,000,000	1,000,000	1,000,000
Greece	1,000,000	1,000,000	1,000,000
Hungary	1,000,000	1,000,000	1,000,000
Iceland	1,000,000	1,000,000	1,000,000
India	1,000,000	1,000,000	1,000,000
Iraq	1,000,000	1,000,000	1,000,000
Ireland	1,000,000	1,000,000	1,000,000
Italy	1,000,000	1,000,000	1,000,000
Jamaica	1,000,000	1,000,000	1,000,000
Japan	1,000,000	1,000,000	1,000,000
Malta	1,000,000	1,000,000	1,000,000
Morocco	1,000,000	1,000,000	1,000,000
Myanmar	1,000,000	1,000,000	1,000,000
Namibia	1,000,000	1,000,000	1,000,000
New Zealand	1,000,000	1,000,000	1,000,000
Norway	1,000,000	1,000,000	1,000,000
Peru	1,000,000	1,000,000	1,000,000
Portugal	1,000,000	1,000,000	1,000,000
Romania	1,000,000	1,000,000	1,000,000
Singapore	1,000,000	1,000,000	1,000,000
Spain	1,000,000	1,000,000	1,000,000
Tunisia	1,000,000	1,000,000	1,000,000
Uganda	1,000,000	1,000,000	1,000,000
Yugoslavia	1,000,000	1,000,000	1,000,000
Zambia	1,000,000	1,000,000	1,000,000
TOTAL	41,080,961		23,788,150



MEMBERSHIP AND ADMINISTRATION

Members

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

Board of Governors

The Twelfth Annual Meeting of the Board of Governors was held in Manila from 2 to 4 May 1979. At that meeting, the Governor for the Philippines was elected as Chairman of the Board of Governors, and the Governors for France and Sri Lanka as Vice-Chairmen, to hold office until the close of the Thirteenth Annual Meeting. A list of Governors and Alternate Governors as at the end of 1979, with notations of changes during the year, appears in Appendix 4.

The resolutions adopted by the Board of Governors in 1979, including those adopted at the Twelfth Annual Meeting, are listed in Appendix 3.

Board of Directors

The Board of Directors held 51 formal meetings in 1979. In pursuance of its responsibility for the general direction and oversight of the Bank's activities, the Board, *inter alia*, during 1979:

- Approved 112 proposals for loans and technical assistance grants,¹ as well as new arrangements for program lending in the agriculture and rural development sector.
- Approved policy guidelines for the Bank's role in population control activities.
- Reviewed lending prospects in the fisheries sector.
- Reviewed the general financial policies of the Bank and set new lending rates from 1 January and 16 August.
- Approved borrowings in Deutsche Marks, Swiss Francs and Japanese Yen, totalling the equivalent of \$278 million and the roll-over of \$70 million in Two-Year Bonds.

¹ Excludes 17 technical assistance grants approved under the President's delegation.

— Following the 1978 review of the Use of Consultants by the Bank and its Borrowers, established new Guidelines on the Use of Consultants.

— Reviewed and confirmed the Bank's policy on domestic procurement and on lending foreign exchange for local currency expenditures.

— Reviewed co-financing activities and set new co-financing objectives.

— Approved arrangements for cooperation with the European Economic Community (EEC).

— Established a Committee on Administrative Matters Relating to Members of the Board.

— Approved the Administrative Budget for 1980.

Election of Directors

The biennial election of Directors for a new term commencing 1 June 1979 was held during the Twelfth Annual Meeting of the Board of Governors on 3 May 1979. In accordance with Resolution No. 125, the results of the election,¹ together with the subsequent appointments of Alternate Directors, are set out in the following table:

Directors	Alternate Directors
Mr. A. J. Barry (Canada)	Mr. Karl G. Engstrom ² (Sweden)
Mr. Rosario Bonavoglia ² (Italy)	Mr. J. M. Motteux ² (Belgium)
Mr. Lester E. Edmond ² (United States)	Mr. Jon M. Gaaserud ² (United States)
Mr. Rainer Goerdeler ² (Federal Republic of Germany)	Mr. David L. Stanton (United Kingdom)
Mr. Harold G. Heinrich ² (Australia)	Mr. Peter H. Hodge ² (Australia)

¹ For further details, see Summary of Proceedings of the Twelfth Annual Meeting.

² Re-elected (Directors) or reappointed (Alternate Directors).



WELDING works at Hyundai International's Gunpo plant near Seoul, Republic of Korea, recipient of Bank financing which was on-lent by Korea Development Bank. The Project involves the establishment of integrated facilities for the design and manufacture of industrial and construction machinery.

Mr. R. A. Kartadjoemena[†]
(Indonesia)

Mr. Bong H. Kay[†]
(Republic of Korea)

Mr. Le Duc Van
(Socialist Republic
of Viet Nam)

Mr. A. Melchor, Jr.
(Philippines)

Mr. Genji Nozaki[†]
(Japan)

Mr. Y. T. Shah[†]
(India)

Mr. Yeo Teng Yang
(Singapore)

Mr. Cliff F. Sproule[†]
(New Zealand)

Mr. W. Lawrence[†]
(Papua New Guinea)

Mr. Mohammad Qassim
(Democratic Republic
of Afghanistan)

Mr. M. R. Khan
(Pakistan)

Mr. Yoshinori Yorimoto[†]
(Japan)

Mr. K. Mahmood[†]
(Bangladesh)

U Hla Maung[†]
(Burma)

A list of Directors and Alternate Directors and their voting groups as of the end of 1979, with notations of interim changes, appears in Appendix 5.

[†] Reelected (Directors) or reappointed (Alternate Directors).

Audit Committee of the Board

The Audit Committee of the Board held 14 formal meetings in 1979 and submitted two special reports and an annual report to the Board. The special reports dealt with the Committee's review of the financial statements for 1978 and the opinions of the external auditors and the selection of outside auditors for 1980. The annual report dealt comprehensively with the Committee's activities for the period July 1978 to May 1979, including the scope of the Outside Audit, Internal Controls and Internal Audit Activities and Post-Evaluation Activities, especially follow-up of post-evaluation reports.

The Audit Committee was established in 1977 with terms of reference encompassing, inter alia, the selection of external auditors and review of audit and post-evaluation activities. The term of the first Committee expired in 1979. A new Committee, comprising Mr. Bong H. Kay (Chairman), Mr. Alejandro Melchor, Jr. and Mr. Rainer Goerdeier, was appointed with effect from 1 June.

Committee on Administrative Matters Relating to Members of the Board

The Committee on Administrative Matters Relating to Members of the Board was established by the Board of Directors in September 1979. It consists of five members of the Board (who may be Directors or Alternate Directors) appointed by the President in consultation with the Board. Mr.

R. A. Kartadjoemena (Chairman), Mr. Rosario Bonavoglia, Mr. Yeo Teng Yang, Mr. Jon M. Gaaserud and Mr. K. Mahmood were appointed on 20 September 1979 to serve until 31 May 1981.

Under its terms of reference, the Committee reviews and reports to the Board of Directors on general administrative matters of either a policy or a procedural nature relating to the service of Directors and Alternate Directors.

The committee held two formal meetings in 1979.

Organization

Owing to the increased work load and expanding responsibilities of the Bank's administrative staff, the former Administration Department was divided into the Budget, Personnel, and Management Systems Department (BPMSD) and the Office of Administrative Services (OAS), effective 1 January 1979.

Broadly speaking, BPMSD is responsible for the management and administration of the Bank's budgetary and human resources and for the design and assessment of the organization and systems within which these resources are brought together. OAS is responsible for building operations and services; safety and security; liaison with appropriate agencies of the Philippine Government for the implementation of the Headquarters Agreement, transportation and communication services; and general support activities such as procurement, property control, library, printing and food services. The position of Coordinator of Special Projects — with responsibility for the identification, assessment, general planning and overall coordination of current and future major projects undertaken by the Bank — was also established within OAS.

In addition, the position of Advisor, Computer Services, was established on 1 January 1979, with responsibility for planning and directing the Bank's Computer Program. The Advisor, Computer Services, or a successor organizational unit, will also be responsible for overall coordination of the use of information and data resources for the Bank's operational and administrative functions (see Computer Program section on this page).

Internal Audit

As reported in earlier Annual Reports, the role, powers and reporting arrangements of the Office of the Internal Auditor (OIA) have been redefined and streamlined, and the office reorganized into (a) "Regular Audits Section" and (b) "Special Audits Section". The regular audit activities are partly based on pre-established checklists, which ensure that all relevant areas of the Bank's administrative activities receive an appropriate amount of audit attention at regular intervals. The regular audits are, in principle, of the "financial audit" type, although efficiency and policy aspects receive an increasing amount of attention as well. In addition, consultations and cooperation with other Bank departments and with the Bank's external auditors constitute significant parts of the activities of the Regular Audits Section.

The Special Audits Section undertakes in-depth examination of particular activities and subjects relating to the Bank's financial administration. Though many criteria determine the selection of topics for special audits, there has been a tendency for special audits to concentrate on problem areas of the day. The results of each special audit, comprising findings, analyses, conclusions and recommendations, are conveyed to Management and departments

concerned by separate report, for information and action as appropriate. Currently, copies of such special audit reports are also conveyed to the Audit Committee of the Board of Directors, who may review such reports with the Internal Auditor and/or representatives of departments concerned.

Computer Program

Detailed planning for the Bank's computer program began with the establishment of Computer Services in January 1979. Concurrently, a senior computer policy group — the Computer Applications Committee — was established to guide the Bank's computer program. At the technical level, a Computer Program Working Group was constituted to carry out the detailed work required for the analysis of information needs in various functional areas of the Bank. It was decided to adopt a centralized, integrated systems approach based on the premise that data and information on Bank activities are a major Management and operations resource which should be used throughout the Bank in a comprehensive and consistent manner. Data gathering and systems studies were initiated during the year to analyze the source documents used, and the output reports prepared, by all the organizational units of the Bank.

These steps will lead to the generation of a logical series of data bases which will become the repository of the Bank's informational and data resources. The data bases will also provide the basis for designing and programming individual application programs for each functional area. Action for the acquisition and installation of electronic data processing (EDP) equipment and related systems software is also being initiated in order to obtain the required computer system at an early date.

ANIMAL fodder being loaded north of Mandalay, Burma. A Bank-assisted Multi-Purpose Dam and Irrigation Project has brought higher incomes to about 33,000 local farm families by increasing employment opportunities and raising agricultural production.



Interim steps were also taken in 1979 to ensure that immediate data processing needs are being met in such a manner as not to impede or preempt the centralized computer program.

Office Accommodation

During the year the Personnel Division moved into office space near the Bank's Headquarters, thus relieving, to a limited extent, the congestion in the Headquarters building. Early in 1980, a further substantial number of staff are expected to be relocated in additional office space which has been rented in a building about 2.5 km. from the Bank. These measures are expected to meet the Bank's requirements for office space over the next three years.

Meanwhile, the Philippine Government and the Bank are jointly exploring the possibility of constructing a new Headquarters building in the proposed Financial Center on the Manila Bay Reclamation Area. This new building would be planned to meet the Bank's total requirements for office space and ancillary facilities up to the year 2000. In view of this development, it was decided not to proceed with plans for the construction of an annex to the existing Headquarters building. The site which had been made available for this purpose will be used on an interim basis for an automobile service station facility and parking area.

Building Safety Survey

The consultants engaged to prepare detailed design specifications, cost estimates and a schedule for the implementation of required measures for the improvement of safety conditions in the building continued with their work during the year. However, in view of the possibility of the Bank being relocated in a new Headquarters building within the next few years, it became necessary to review the scope of improvements to be undertaken in the present Headquarters building. A reduced program of safety improvements and an implementation plan to cover only essential works are being finalized with the consultants in collaboration with the Philippine Government. Meanwhile, significant improvements have been undertaken and implemented by the Bank from its own resources.

Staff Housing Scheme

As the Bank's expatriate staff continues to face the problem of obtaining suitable housing at reasonable cost, the rental subsidy scheme is being continued for another year (see below). Meanwhile, a scheme for a long-term solution to the housing problem is being examined.

Staff

On 31 December 1979, the Bank's staff had reached a total of 1,007 from 32 member countries. Of these, 360 belonged to the professional staff category and 647 were supporting staff. During the year, the Bank's professional staff strength fell short of requirements as the result of difficulties encountered in recruitment and an unusually high rate of turnover; while 77 new professional staff were appointed, 51 terminated their employment with the Bank. In

the supporting staff category, 154 appointments were made and 47 staff resigned.

The annual review of staff salaries and benefits was conducted in the second half of the year. The review recognized that to remedy the staffing problems faced by the Bank during the preceding year, it was necessary to restore a greater degree of competitiveness between the Bank's compensation and that of other comparable organizations. To meet this objective, the Board of Directors approved general salary increases for professional staff and for supporting staff, both effective from 1 August, as well as a number of improvements in staff benefits. To reduce the burden of steeply rising housing rentals, the Board approved in September modifications and improvements in the Bank's rental assistance program, effective from 1 July 1979 to 30 September 1980.

As part of the efforts to improve further the Bank's personnel management, work continued in 1979 on a revised position classification system for supporting staff, and a new cost-of-living index for professional staff was developed. Preparatory studies were also initiated for programs to establish comprehensive manpower planning and career development systems and for general reviews of the Bank's compensation structures and policies.

Supplementary Budget for 1979 and Budget for 1980

A Supplementary Budget for Internal Administrative Expenses for 1979 in the amount of \$307,000 was approved by the Board of Directors on 18 December 1979, mainly to provide for the costs of the general salary increase and improved benefits approved during the year. This revised the original budget from \$32,804,000 to \$32,911,000. Actual administrative expenses for 1979 totalled \$32,170,181, representing 97.8 per cent utilization of the revised budget.

The approved Budget for 1980 is summarized in Appendix 2. It provides for Internal Administrative Expenses in 1980 amounting to \$42,372,000, representing an increase of 31.7 per cent over actual expenses in 1979. This increase is largely attributable to (i) the salary and benefit improvements approved in 1979; (ii) the additional staff (including the filling of vacancies carried over from 1979); additional business travel and consultants' services required for the Bank's work in 1980; (iii) new expenses for leasing additional office accommodation and providing related facilities and for implementing the Bank's computerization program; and (iv) general price escalation anticipated for 1980.

In addition, provision is made under Services to Member Countries for new commitments and disbursements in 1980 amounting to \$8,500,000 and \$7,500,000, representing increases of 24.8 per cent and 36.0 per cent over actual commitments and disbursements in 1979, respectively. The substantial increases in both commitments and disbursements in 1980 are due to the greater number of technical assistance projects to be presented for approval and those under implementation.

STATISTICAL ANNEX

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TABLE 1
ESTIMATED RATE OF REAL GROWTH 1977, 1979 AND PER CAPITA GNP OF SELECTED DMCs, 1978

Country	Rate of Real Growth (%)			Per Capita GNP In Current \$	
	1970-1976 (1)	1977 (2)	1978 (3)	1979 (4)	1978 (5)
Bangladesh	—	—	—	4.4	90
Burma	—	5.9	—	6.3	150
China, P.R.	—	9.6	7.3	7.3	1,400
India	—	—	—	—	1,40
Hong Kong	—	—	—	11.5	3,040
Indonesia	—	—	—	—	150
Korea, Rep. of	—	—	—	—	360
Malaysia	—	—	—	—	1,090
Nepal	—	—	—	—	120
Philippines	—	—	7.0	5.9	230
Papua New Guinea	—	—	—	—	500
Philippines	—	—	—	5.7	510
Singapore	—	—	—	9.3	3,260
Sri Lanka	—	—	—	6.0	190
Taiwan	—	—	—	8.5	490

Source: UNCTAD, 1979.

1. Computed by UNCTAD from data provided by member countries.

2. Data for 1977 are estimates; data for 1978 are preliminary.

3. Data for 1977 are estimates; data for 1978 are preliminary.

4. Data for 1977 are estimates; data for 1978 are preliminary.

5. Data for 1977 are estimates; data for 1978 are preliminary.

TABLE 2
RICE (PADDY) PRODUCTION IN SELECTED DMCs, 1976-1979¹
(Million metric tons)

Country	1976	1977	1978	1979 ²	Annual Growth Rate (%)		
					1977	1978	1979
Bangladesh	17,628	19,441	18,745	19,216	10.3	-3.6	2.5
Burma	9,172	9,313	10,380	10,490	1.5	11.2	1.3
China, Rep. of	4,049	3,954	3,848	3,627	-2.3	-7.7	-0.6
India	63,052	79,066	80,731	69,000	25.4	2.1	-14.5
Indonesia	23,391	23,347	25,772	26,317	0.2	10.4	2.1
Korea, Rep. of	7,249	8,340	8,058	8,300	15.1	-3.4	3.0
Malaysia	2,023	1,938	1,559	2,050	-4.2	-19.6	31.5
Nepal	2,805	2,285	2,282	2,339	-12.3	-0.1	2.5
Pakistan	4,108	4,424	4,707	4,500	7.7	6.4	-4.4
Philippines	6,458	6,895	7,198	7,514	6.8	4.4	4.4
Sri Lanka	1,252	1,677	1,891	1,769	33.9	12.8	-6.5
Thailand	14,882	13,729	16,791	17,264	-7.7	22.3	2.8
Viet Nam	12,076	10,885	9,880	10,500	-9.9	-9.2	8.3
Other DMCs	3,136	3,078	2,749	2,370	-1.9	-10.6	13.8
TOTAL	170,987	188,370	194,371	185,256	10.2	3.2	-4.7

¹ Data refer to the calendar year in which the whole harvest or bulk of harvest takes place.

² Preliminary estimates.

Sources: Food and Agriculture Organization, February 1980, and country sources.

TABLE 3
WHEAT AND MAIZE PRODUCTION IN SELECTED DMCs, 1976-1979¹
 (Million metric tons)

Country	1976	1977	1978	1979 ²	Annual Growth Rate (%)		
					1977	1978	1979
WHEAT							
Afghanistan	2.936	2.652	2.815	2.300	-9.7	8.1	-18.2
Bangladesh	0.215	0.249	0.348	0.494	18.8	34.4	42.0
Burma	0.636	0.675	0.692	0.685	33.9	22.7	-7.6
India	26.845	29.810	31.743	34.982	10.6	4.0	10.2
Korea (Rep.)	0.032	0.035	0.036	0.042	9.1	20.0	55.7
Nepal	0.367	0.382	0.401	0.415	4.4	10.0	-3.5
Pakistan	6.45	6.921	6.957	9.944	7.9	4.4	18.8
TOTAL	41.215	41.344	43.805	48.262	0.3	8.0	10.2
MAIZE							
Afghanistan	0.800	0.763	0.790	0.750	-5.0	2.6	-3.8
India	0.36	0.413	0.213	5.000	6.1	4.1	-19.6
Indonesia	2.472	3.143	3.855	3.300	22.2	22.7	-14.4
Nepal	0.178	0.187	0.240	0.732	-5.2	6.1	1.1
Pakistan	0.802	1.064	0.62	0.798	4.7	1.5	2.8
Philippines	2.767	2.845	2.655	3.167	-2.7	5.4	10.9
Vietnam	2.615	1.677	3.036	3.300	37.3	80.7	8.9
Other DMCs	0.814	0.859	0.975	1.002	5.5	13.6	2.7
TOTAL	17.539	18.806	19.278	18.049	4.2	14.7	6.4

¹ Data relate to the calendar year.
² Data for 1979 are preliminary.
 Source: FAO estimates.

TABLE 14
INTERNATIONAL TOURIST ARRIVALS AND RECEIPTS OF SELECTED DMCs, 1976-1979

Country	Tourist Arrivals ('000 Persons)				Tourist Receipts (\$ million)			
	1976	1977	1978	1979 ^a	1976	1977	1978	1979 ^b
Austria	95.1	101.0	92.0	72.3	30.0	38.1	35.0	32.2
Bahrain	37.5	45.3	50.0	51.8	1.8	3.1	6.0	6.2
Bermuda	8.1	8.1	8.1	23.1	—	3.3	14.6	5.4
Brunei Darussalam	0.8	1.0	1.0	1,340.4	466.1	527.5	608.0	800.0
Cambodia	1.9	1.7	1.8	19.3	—	—	5.8	5.5
China, P.R.	160.7	173.0	145.0	191.7	154.0	172.2	200.0	88.5
Colombia	569.0	755.1	1,044	2,213.2	740.1	750.2	1,029.8	1,277.6
Costa Rica	554.0	647.1	741.0	764.8	259.4	317.1	403.0	304.1
Croatia	44.7	62.0	46.8	451.3	40.7	41.8	75.7	187.9
Cuba	634.7	629.7	731.8	1,171.3	275.0	370.0	400.0	348.0
Denmark	2,022.8	2,096.4	2,071	1,482.0	1,185.0	1,631.1	2,010.0	246.0
Egypt	1,115.7	1,155.7	1,125	180.0	152.1	195.6	278.7	34.0
El Salvador	220.0	261.5	308.0	308.0	40.0	60.87	80.0	95.5
Equatorial Guinea	—	—	—	24.4	—	20.3	—	26.9
Fiji Islands	7.9	8.5	9.5	950.0	235.2	300.0	350.0	400.0
Greece	11,570.1	11,570.1	11,449	2,247.0	380.7	497.1	556.0	629.8
Honduras	1.3	1.3	1.2	238.1	25.0	25.3	30.0	74.2
Iran, Islamic Rep.	1,049.4	1,049.4	1,049.4	1,465.0	103.5	240.3	360.0	416.3
Jamaica	4.8	4.8	4.8	12.3	3.5	4.1	5.0	3.7
Western Samoa	1.1	1.1	1.1	19.9	—	—	—	5.2
TOTAL, Reporting	9,480.2	10,610.9	12,452.5	13,223.9	2,908.1	3,435.7	4,507.1	4,988.0

TABLE 5
CHANGES IN CONSUMER PRICES IN SELECTED DMOs, 1977-1979

Country	1977	1978	1979
Afghanistan	10.5	11.6	6.6
Bangladesh	10.0	19.7	10.3
Burma	—	—	5.7
China, PRC	—	—	9.8
Colombia	—	—	11.2
Cuba	—	—	7.7
Egypt	—	—	11.6
El Salvador	—	—	6.4
India	—	—	21.8
Iraq	—	—	12.0
Kuwait, Republic	—	—	18.1
Mexico	—	—	3.6
Nicaragua	—	—	16.0
Pakistan	—	—	9.3
Peru, New Granada	—	—	7.1
Philippines	—	—	18.8
Iran	—	—	4.0
The Maldives	—	—	7.4
Lebanon	—	—	10.8
Malta	—	—	10.3
Argentina	—	—	5.5
Algeria, People's Democratic Republic	—	—	11.1
Venezuela, Bolivarian Republic	—	—	11.8

TABLE 6
BALANCE OF TRADE OF DMCs, 1976-1979
(\$ million)

Country	Exports (f.o.b.)			
	1976	1977	1978	1979 ¹
Afghanistan	291	305	315	307
Bangladesh	401	476	549	642
Burma	193	207	243	366
Cambodia
China, Republic of	8,155	9,349	12,682	16,106
Cook Islands	2	2	3	—
Fiji	136	179	197	256
Hong Kong	8,474	9,617	11,507	15,178
India	5,551	6,379	6,615	7,052
Indonesia ²	6,478	8,092	8,287	11,558
Kiribati	22	20	24	17
Korea, Republic of	7,715	10,047	12,711	15,064
Lao People's Democratic Republic	6	7	11	22
Malaysia	5,295	6,080	7,413	9,909
Maldives	1	2	4	5
Nepal	98	81	81	95
Pakistan	1,167	1,174	1,483	2,014
Papua New Guinea	583	734	776	828
Philippines	2,513	3,094	3,333	4,400
Singapore	6,091	8,400	10,675	14,228
Solomon Islands	24	33	28	51
Sri Lanka	568	723	845	961
Thailand	2,980	3,490	4,085	5,240
Tonga	4	7	6	7
Viet Nam	285	456	650	—
Western Samoa	7	15	11	15
TOTAL (Reporting)	57,644	68,970	82,556	104,391

— denotes magnitude zero.

— denotes data not available.

1 Preliminary estimates.

2 Data refer to oil oil exports and imports.

Sources: IMF, International Financial Statistics, February 1980, and country sources.

	Imports (c.i.f.)				Balance of Trade			
	1976	1977	1978	1979	1976	1977	1978	1979
1.01	312	372	451	451	-	-	57	144
1.02	2,01	554	1,571	1,539	715	1,085	929	929
1.04	273	308	319	319	56	65	37	37
1.05	—	—	—	—	—	—	—	—
1.09	8,522	11,351	14,767	14,767	827	1,621	1,338	1,338
1.10	11	18	—	—	15	16	—	—
1.24	306	354	467	467	427	757	211	211
1.32B	11,448	13,459	12,157	12,157	829	1,162	1,979	1,979
1.36B	6,547	7,953	7,966	7,966	268	1,335	914	914
1.37A	5,805	5,296	7,261	7,261	2,437	2,071	4,297	4,297
1.37B	13	15	16	16	7	8	—	—
1.37C	10,811	12,912	20,047	20,047	1,053	2,264	5,083	5,083
1.46	58	20	86	86	51	—	66	66
1.48	4,547	5,929	7,152	7,152	1,036	1,484	2,837	2,837
1.49	4	3	20	20	2	2	—	—15
1.53	168	222	260	260	87	131	165	165
2.134	2,454	3,333	4,053	4,053	1,280	1,642	2,039	2,039
2.434	576	675	725	725	158	103	103	103
2.438	4,267	5,137	6,683	6,683	1,473	1,804	2,283	2,283
3.17C	10,477	13,049	17,828	17,828	2,373	2,071	2,374	3,400
3.26	27	30	51	51	4	—2	—	—
3.52	654	939	1,445	1,445	67	54	484	484
3.572	4,636	5,356	7,110	7,110	1,526	1,271	1,870	1,870
5.	19	25	29	29	12	19	—22	—22
7.94	7,142	990	—	—	866	340	—	—
26	43	52	62	62	26	43	—47	—47
	62,276	73,186	92,114	115,430	4,632	4,216	9,558	11,039

TABLE 7
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs, 1976-1979

Country	International Reserves ¹ (\$ million)				Ratio to Imports ² (Months)			
	1976	1977	1978	1979	1976	1977	1978	1979
Afghanistan ³	170.8	315.6	430.8	932.7	7.8	12.1	13.9	24.8
Bangladesh	288.9	235.0	316.4	413.8	3.7	2.4	2.4	3.2
Burma	126.4	112.9	107.2	205.4	7.8	5.0	4.2	7.7
China, Rep. of	810.0	447.0	1,509.0	1,562.0	2.5	2.0	1.6	1.3
Fiji ⁴	115.3	147.4	135.1	144.0	5.3	5.8	4.6	3.7
India	2,988.0	3,107.3	5,694.0	7,717.0	6.4	8.2	10.1	11.6
Indonesia	1,498.2	2,519.0	2,663.0	3,862.4	3.5	5.4	5.1	6.4
Kiribati ⁵	42.9	55.0	72.5	90.3	42.9	50.8	54.4	60.2
Korea, Rep. of	2,960.5	3,806.8	4,920.2	5,708.1	4.0	4.6	3.9	3.4
Lao People's S. ⁶	—	—	—	—	—	—	—	—
Democratic Republic	12.4	7.8	21.5	21.8	3.2	1.6	12.9	3.0
Malaysia	2,472.0	2,858.0	3,329.0	4,225.0	7.7	7.6	6.7	7.1
Nepal	134.9	147.8	153.6	175.7	9.9	10.6	8.3	8.1
Pakistan ⁷	534.0	517.0	740.0	1,118.2	3.0	2.5	2.7	3.3
Papua New Guinea	257.2	330.2	430.1	579.3	7.1	9.6	7.6	9.6
Philippines	1,642.0	1,524.0	1,881.0	3,158.3	5.0	4.6	4.4	5.7
Singapore	3,300.8	2,852.7	5,302.7	5,893.7	4.8	4.5	4.9	3.9
Sri Lanka	32.0	32.5	40.0	625.4	2.0	5.0	5.1	5.2
Thailand ⁸	1,889.0	1,915.0	2,558.0	3,129.0	5.0	5.0	5.7	5.3
Tonga ⁹	12.0	9.8	7.1	7.7	9.0	6.2	3.4	3.2
Western Samoa	5.2	9.1	4.8	3.4	2.2	2.7	1.1	0.7
TOTAL:	20,230.8	25,811.0	31,675.8	39,373.2	4.6	5.0	4.9	4.8

¹ Gold + SDRs + Reserve Position in IMF, current market value, end figures unless otherwise specified.

² Imports of U.N. commodity statistics are used to calculate the ratio.

³ Gold balance for 1978 was converted at the conversion rate of 100 Afghanis = \$1.

⁴ Figures for 1978 and 1979 are estimates.

⁵ Sources: DMC, Tonga, Kiribati, Western Samoa, UNCTAD, and Central Bank.

TABLE 8
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO OF SELECTED DMCS, 1976-1978
(\$ TRILLION)

Country	Debt Outstanding			Service Payments ^a			Debt Service Ratio (%)		
	1976	1977	1978	1976	1977	1978	1976	1977	1978
Afghanistan	230.0	1,071.4	1,215.9	25.3	38.3	51.9	18.7	32.5	18.5 ^b
Bangladesh	1,428.5	2,309.0	2,795.9	44.5	68.0	94.0	31.3	71.5	13.7
Brunei ^c	306.0	512.3	715.7	32.7	37.2	55.1	10.4	31.5	15.1
China, Rep. of	2,228.6	2,521.4	2,903.2	32.5	47.1	632.7	13.5	44.0	4.4
Egypt	57.2	123.1	88.3	5.8	7.4	9.4	10.2	27.7	2.5
Hong Kong	161.7	163.5	214.9	1.5	9.8	94.2	0.9	0.1	0.8 ^d
Iceland	12,260.1	14,518.8	15,331.7	751.7	913.0	941.5	6.0	6.7	14.2 ^e
Indonesia	9,320.8	11,473.8	12,788.2	987.2	1,239.2	1,381.0	11.2	11.8	12.2
Korea, Rep. of	6,910.7	8,622.4	11,991.6	885.4	1,070.3	1,795.2	9.4	9.0	10.5
Laos People's Democratic Republic	—	—	—	—	—	—	—	—	—
Malaysia	1,632.2	2,053.0	2,671.3	243.4	416.2	703.7	15.5	16.6	8.8
Nepal	44.3	72.1	87.7	—	—	2.7	—	—	3.0 ^f
Pakistan	4,007.2	6,754.5	7,567.8	272.8	316.4	383.5	10.9	11.6	10.8
Papua New Guinea	289.7	337.7	368.7	26.7	27.7	32.5	4.3	3.7	4.0
Philippines	2,137.8	2,938.8	4,063.9	219.2	309.4	650.7	7.4	15.4	—
Singapore	701.6	994.0	1,020.4	70.4	81.3	102.5	0.8	0.8	2.3
Sri Lanka	606.4	780.9	1,013.1	126.8	129.2	89.1	20.1	12.5	9.2
Thailand	821.7	1,045.6	1,777.1	81.7	19.3	186.3	2.4	2.9	3.7
Western Samoa	20.6	25.2	36.8	3.3	1.9	2.4	2.4	2.2	21.8 ^g
TOTAL	47,922.1	56,439.8	66,731.4	4,166.6	5,336.9	7,411.5	8.1	8.0	7.6

^aInterest payments only.

^bBased on 1977 data only; includes interest and principal.

^cService payments to some of the local government departments may also be accounted for by Brunei Darussalam.

^dIncludes payments to local branches and foreign branches.

^eData refer to 1977 only.

^fEstimated based on 1977 data only.

^gEstimated based on 1977 data only; includes interest and principal.

TABLE 9
DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCES GAP AS PERCENTAGE OF GDP OF SELECTED DMCS, 1976-1978
(PER CENT)

Country	Gross Domestic Savings As Percentage of GDP			Gross Capital Formation As Percentage of GDP			Resources Gap As Percentage of GDP ^a		
	1976	1977	1978	1976	1977	1978	1976	1977	1978
Bangladesh (FY)	4.2	4.9	6.0	12.4	13.7	15.4	8.2	10.5	5.6
Brunei (FY)	8.2	8.2	—	15.0	15.9	3.7	—	—	—
China, Rep. of	32.4	32.8	35.0	30.7	28.2	28.3	—	—	—
Hong Kong	32.8	26.0	23.1	24.6	24.5	26.0	8.4	10.5	2.9
India (FY) ^b	22.8	22.9	23.9	2.3	22.1	24.1	1.6	1.0	0.2
Korea, Rep. of	22.9	25.0	26.2	25.3	27.1	31.0	2.4	2.1	4.8
Malaysia	27.6	27.2	27.0	2.9	23.3	25.4	5.9	3.9	1.6
Pakistan (FY)	6.7	8.0	8.6	17.2	18.4	17.6	2.5	10.3	9.0
Papua New Guinea	14.7	22.0	19.0	18.1	18.5	18.9	—	3.5	0.1
Philippines	24.6	25.3	23.9	30.7	28.5	28.7	5.9	2.1	4.8
Singapore	28.8	28.3	27.2	37.7	33.5	35.6	8.9	5.2	8.4
Sri Lanka	13.9	17.6	17.3	15.2	13.2	21.9	1.3	4.4	4.6
Thailand	20.7	20.2	21.7	25.2	28.0	26.5	2.5	5.6	4.8

^aEstimated data only.

^bMay include the excess of gross domestic product over gross national product.

^cThe fiscal year of Thailand ends March 31. For countries of the same period, the fiscal year is April 1-March 31. The same rule for all other years.

Sources: UNCTAD, 1979.

TABLE 10
NET FLOWS OF RESOURCES TO DMCs, 1975-1978
(\$ Million)

Country	Net Flows From Multilateral Agencies ¹			Net Official Flows From DAC Countries		
	1976	1977	1978	1976	1977	1978
Afghanistan	29.1	51.1	44.4	32.8	27.6	32.0
Bangladesh	201.4	213.7	296.5	324.4	384.3	664.7
Burma	30.6	47.3	120.8	37.9	54.2	156.4
Cambodia	0.2	0.1	0.1	0.6	0.9	0.2
China, Rep. of	-13.0	-18.4	-24.5	81.6	98.4	42.0
Cook Islands	0.4	0.2	0.3	6.5	8.2	6.7
Fiji	8.0	7.8	4.7	23.8	21.6	23.6
Hong Kong	1.5	-2.1	1.3	9.5	-0.4	-0.8
India	606.8	522.4	563.3	691.7	434.2	612.5
Indonesia	312.9	290.3	235.0	748.6	516.1	678.9
Kiribati	0.3	0.2	0.7	3.8	6.1	10.0
Korea, Rep. of	416.0	293.1	390.2	324.5	311.4	515.6
Lao People's Dem. Rep.	4.4	5.8	29.2	24.0	26.7	42.8
Malaysia	81.7	98.6	85.7	68.6	92.3	66.6
Maldives	0.9	1.1	1.3	1.8	1.5	3.8
Nepal	20.7	39.9	38.1	29.2	37.4	39.6
Pakistan	162.0	199.3	258.0	371.1	331.2	355.0
Papua New Guinea	13.3	16.3	25.2	220.9	227.0	275.3
Philippines	143.7	149.0	214.2	238.5	200.8	209.3
Singapore	9.9	0.7	59.5	25.4	7.3	43.0
Solomon Islands	1.0	0.8	2.5	18.9	16.1	24.1
Sri Lanka	40.1	60.9	104.9	89.2	118.8	215.8
Thailand	90.3	122.7	226.0	64.5	129.4	181.1
Tonga	1.1	1.8	1.6	3.8	4.9	8.0
Viet Nam, Soc. Rep. of	18.6	47.6	161.2	162.2	200.5	238.3
Western Samoa	4.4	9.4	8.9	7.3	12.1	13.3
TOTAL	2,188.3	2,159.4	2,847.1	3,598.9	3,268.0	4,458.5

= denotes magnitude zero.

1. Includes net flows from ARAB/OPEC multilateral institutions to DMCs.

2. Includes bilateral flows from Centrally Planned Economies to Socialist Republic of Viet Nam amounting to \$620 Mn., \$645 Mn. and \$630 Mn. for 1976, 1977 and 1978, respectively.

3. Includes bilateral flows from Centrally Planned Economies to DMCs amounting to \$740 Mn., \$655 Mn. and \$630 Mn. for 1976, 1977 and 1978, respectively. Horizontal and vertical breakdowns do not add up to total.

Source: - OECD, 20 December 1979.

Net Private Flows From DAC Countries			OPEC Assistance			Total Net Flows of Resources		
1976	1977	1978	1976	1977	1978	1976	1977	1978
2.1	-0.2	0.5	34.7	21.5	18.4	75.7	100.0	95.3
4.8	-0.2	8.0	10.9	185.0	26.8	941.5	782.8	996.0
3.5	4.5	69.7	—	—	—	72.0	105.0	346.9
0.3	0.0	0.1	—	—	—	—	0.4	0.4
32.0	-0.2	15.2	—	33.2	19.7	150.3	61.7	22.0
0.0	0.0	-0.3	—	—	—	6.9	8.4	6.7
3.5	14.7	17.5	—	—	—	40.3	44.1	45.8
13.5	220.4	112.1	0.0	—	—	220.5	206.9	112.5
3.2	-49.1	-103.6	433.6	163.5	183.9	1,838.0	871.3	1,256.1
15.0	60.2	509.9	2.9	29.3	27.4	2,598.7	895.3	1,451.2
0.3	0.0	0.1	—	—	—	8.4	10.3	10.6
3.4	726.2	699.1	26.7	48.4	52.8	1,280.4	1,379.1	1,558.7
1.7	0.7	0.4	—	—	—	30.7	33.0	72.2
43.0	11.4	130.0	4.8	7.5	8.9	290.2	126.0	291.2
0.2	1.2	1.5	2.8	0.4	2.1	5.7	3.9	8.7
0.1	0.2	0.5	0	4.5	1.6	43.9	82.0	77.3
24.0	23.1	22.5	840.8	56.1	97.7	1,585.2	612.7	733.2
47.7	19.5	35.2	—	—	—	281.9	262.8	335.7
20.3	354.6	537.8	—	—	—	1,071.5	709.4	1,061.3
142.6	180.7	255.3	—	—	—	178.1	188.7	357.8
0.9	0.2	1.2	—	—	—	19.0	7.1	27.8
3.3	-12.8	-12.8	32.0	7.2	6.1	154.0	174.5	314.0
25.9	20.3	238.7	75.6	0.9	1.8	204.5	272.7	635.6
0.0	0.1	0.4	—	—	—	1.7	0.8	10.0
0.7	57.1	99.0	6.1	—	—	706.2	875.2	1,128.5
0.1	2.9	1.1	—	—	—	11.5	25.4	23.3
3.56+3	1,525.7	2,596.5	1,536.1	541.0	447.2	11,627.6	8,159.1	10,979.3

APPENDIXES

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Opinion of Independent Auditors

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- 1-1 Balance Sheet, 31 December 1979 and 31 December 1978
- 1-2 Statement of Income and Expenses and Accumulated Net Income for the Years Ended 31 December 1979 and 31 December 1978
- 1-3 Statement of Changes in Financial Position for the Years Ended 31 December 1979 and 31 December 1978
- 1-4 Summary Statement of Loans, 31 December 1979
- 1-5 Statement of Resources, 31 December 1979
- 1-6 Notes to Financial Statements, 31 December 1979 and 31 December 1978

Opinion of Independent Auditors

ASIAN DEVELOPMENT BANK —

BALANCE

31 December 1978

Expressed in Thousands of

ASSETS			
	1979		1978
CASH IN BANKS (See Appendix 1-IV) (Note B)	\$ 62,139		\$ 57,023
INVESTMENTS (Note B)			
Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$394,218—1979, \$415,498—1978)	\$ 390,192		\$ 412,596
Time deposits and certificates of deposit	923,976	1,314,168	805,922 1,218,518
LOANS (See Appendix 1-V) (Note A)			
Loans approved — \$4,694,263—1979, \$3,859,013—1978			
Effective loans			
Held by Bank	3,641,309		3,172,837
Agreed to be sold	—	3,641,309	1,909 3,174,746
ACCRUED INCOME			
On investments	48,928		39,635
On loans	40,559	89,487	32,680 72,321
AMOUNTS RECEIVABLE FROM MEMBERS			
Non-negotiable, non-interest-bearing demand obligations (See Appendix 1-IV) (Notes B and C)	303,670		279,319
Amounts required to maintain value of currency holdings (Note D)	1,696		3,838
Subscription instalments (Note C)	812	306,078	361 283,518
OTHER ASSETS			
Notional amounts required to maintain value of currency holdings (Note I)	120,818		68,139
Administration Charge receivable from Special Funds (Note J)	8,805		5,864
Unamortized issuance costs of borrowings (Note A)	15,112		13,595
Miscellaneous	6,412	150,947	5,028 92,626
SPECIAL RESERVE FUND ASSETS (Note E)		59,299	42,482
TOTAL		\$5,623,427	\$4,941,232

The accompanying notes to financial statements (Appendix 1-VII) are an integral part of this statement.

ORDINARY CAPITAL RESOURCES

SHEET

and 31 December 1978

United States Dollars (Note A)

LIABILITIES, CAPITAL AND RESERVES

	1979	1978
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-V)		
Held by Bank	\$1,845,578	\$1,569,952
Agreed to be sold	—	1,909
	<hr/>	<hr/>
BORROWINGS Principal amounts outstanding (See Appendix 1-VI) Less — net unamortized discounts and premiums (Note A)	1,777,151 2,385	1,609,900 1,684
	<hr/>	<hr/>
ACCRUED INTEREST ON BORROWINGS	50,154	46,258
AMOUNTS PAYABLE TO MEMBERS Amounts required to maintain value of currency holdings (Note D)	—	4,609
ACCOUNTS PAYABLE AND OTHER LIABILITIES Notional amounts required to maintain value of currency holdings (Note I)	9,141	21,823
Miscellaneous	10,943	20,084
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Capital Stock (See Appendix 1-VII) (Note C)		
Authorized (SDR 7,220,570)		
Subscribed (SDR 5,726,090 — 1979 SDR 6,709,260 — 1978)	8,861,139	6,740,757
Less — "callable" shares subscribed ISDR 5,376,400 — 1979 SDR 3,362,800 — 1978	7,085,128	6,966,803
Paid-in shares subscribed ISDR 1,948,190 — 1979 SDR 1,346,460 — 1978)	1,776,011	1,754,154
Less — subscription installments not due (SDR 109,807 — 1979, SDR 264,547 — 1978)	223,592	370,704
Subscription installments matured (ISDR 1,178,383 — 1979, SDR 1,061,913 — 1978)	1,552,319	1,383,450
Less — capital set aside and transferred to Special Funds (Note F) (SDR 47,610)	62,718	62,025
	<hr/>	<hr/>
Advance payments on subscriptions (Note C)	2,095	15,695
Ordinary Reserve (Note G)	298,836	196,755
Special Reserve (Note E)	59,299	42,482
Net income after appropriation of commissions to Special Reserve (Note G)		
For the years ended 31 December 1979 and 31 December 1978	83,014	1,932,845
	<hr/>	<hr/>
TOTAL	\$5,623,427	\$4,941,232

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1979 and 31 December 1978

Expressed in Thousands of United States Dollars (Note A)

	1979	1978
INCOME		
From investments	\$113,208	\$ 96,037
From loan operations		
Interest	117,394	94,402
Commissions	16,817	13,728
Commitment charge	12,448	8,279
From other sources	906	729
GROSS INCOME	\$260,773	\$213,175
EXPENSES		
Administrative expenses		
Board of Governors	81	360
Board of Directors		
Salaries	1,008	936
Benefits (Note H)	381	333
Relocation	211	185
Business travel	176	159
Staff services	162	145
Staff		
Salaries	13,788	11,143
Benefits (Note H)	5,071	4,708
Relocation	1,623	994
Consultants	438	22,098
Business travel and representation		
Business travel	2,243	1,891
Representation	57	48
Other administrative expenses		
Communications	942	729
Office occupancy	1,590	1,402
Library	120	107
Expendable supplies	435	278
Office equipment	330	294
Contractual services	818	718
Insurance	107	90
Miscellaneous	87	4,429
Total administrative expenses (Forward)	\$ 30,846	\$ 24,632

	1979	1978
Total administrative expenses (Forward)	\$30,648	\$ 24,832
Deduct Administration Charge (Note J)	<u>15,423</u>	<u>10,308</u>
Net administrative expenses	15,423	14,524
Services to member countries (Note K)		
Project preparation and other Iban-related		
Technical assistance	\$ 229	\$ 691
Project implementation/advisory	187	8
Regional activities	79	188
	<u>495</u>	<u>1,087</u>
Financial expenses		
Interest on borrowings	123,311	109,248
Other financial expenses (Note A)	<u>2,947</u>	<u>2,381</u>
	<u>126,258</u>	<u>111,629</u>
Other expenses	240	—
GROSS EXPENSES	42,415	127,240
INCOME BEFORE NET GAIN/LOSS FROM CHANGES IN VALUE OF CURRENCIES	78,357	85,433
NET GAIN/LOSS FROM CHANGES IN VALUE OF CURRENCIES - resulting primarily from translation of currency holdings in excess of maintenance of value ceilings (Notes A and D)	<u>18,525</u>	<u>34,192</u>
NET INCOME	99,831	120,127
APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note E)	(16,817)	(13,726)
NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note G)	\$83,014	\$106,398

The accompanying notes to financial statements (Appendix 1-IV) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1979 and 31 December 1978

Expressed in Thousands of United States Dollars (Note A)

	1979	1978
FUNDS WERE PROVIDED BY		
Operations		
Net income	\$ 99,831	\$ 120,127
Items not requiring or providing funds:		
Accrued interest and other expenses	4,694	11,229
Accrued income including capitalized interest and commitment charges on loans	(31,475)	(34,437)
Administration Charge	(15,423)	(10,308)
Commissions (transferred to Special Reserve Fund Assets)	(118,817)	(13,728)
Other — net	2,541	2,061
Funds provided by operations	43,351	74,944
Borrowings	328,643	350,502
Capital subscriptions	127,327	128,988
Demand obligations of members encashed	40,989	40,171
Loans collected	93,882	70,542
Loans sold	1,909	1,300
Administration Charge collected	12,682	8,852
Decrease (increase) in loans disbursed and outstanding as a result of currency revaluations	72,381	(180,323)
Decrease (increase) in other assets as a result of currency revaluations	6,688	(11,052)
Increase in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as unit of value	27,491	102,384
Total	755,303	584,308
FUNDS WERE UTILIZED FOR		
Loans disbursed	346,869	277,219
Demand obligations of members received	71,455	55,046
Bonds purchased for redemption and borrowings redeemed	106,297	140,910
Net maintenance of value adjustments:		
Regular	2,942	27,745
Notional	65,461	46,218
Decrease (increase) in borrowings as a result of currency valuations	50,095	(195,552)
Increase in capital set aside and transferred to Special Funds— due to substitution of the SDR for the 1966 dollar as unit of value	693	4,591
Net charge to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as unit of value	4,316	17,753
Other — net	1,607	2,661
Total	654,537	376,809
INCREASE IN CASH IN BANKS AND INVESTMENTS	\$ 100,766	\$ 207,499
INCREASE (DECREASE) IN COMPONENTS OF FUNDS		
Cash in banks	\$ 5,116	\$ (2,491)
Investments	95,650	209,990
TOTAL	\$ 100,766	\$ 207,499

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

31 December 1979

Expressed in Thousands of United States Dollars (Note A)

Members	Unit of Currency	Cash in Banks	Non-Negotiable Non-Interest-Bearing Demand Obligations
Afghanistan	Afghani	\$ 10	\$ 2,301 ¹
Australia	Australian dollar	126	10,056
Austria	Austrian schilling	1,220	357
Bangladesh	Bangladesh taka	61	8,166 ¹
Belgium	Belgian franc	135	—
Burma	Kyat	770	4,845 ¹
Cambodia	Riel	47	72 ¹
Canada	Canadian dollar	48	13,147
China, Republic of	New Taiwan dollar	189	10,231 ¹
Cook Islands	New Zealand dollar	21	—
Denmark	Danish krone	27	830
Fiji	Fiji dollar	3	650
Finland	Finnish markka	50	266
France	French franc	43	3,830
Germany, Federal Republic of	Deutsche mark	1,412	9,462
Hong Kong	Hong Kong dollar	47 ²	399
India	Indian rupee	10	59,484 ¹
Indonesia	Rupiah	33,096	2,255 ¹
Italy	Italian lira	22	—
Japan	Yen	279	23,104
Kiribati	Australian dollar	4	27 ¹
Korea, Republic of	Won	6,727 ¹	40,552 ¹
Lao PDR	Kip	135 ¹	14 ¹
Malaysia	Malaysian ringgit	35	27,881 ¹
Maldives	Maldivian rufee	12 ¹	—
Nepal	Nepalese ruppee	9	1,229
Netherlands	Netherlands guilder	593	1,436
New Zealand	New Zealand dollar	112	10,250 ¹
Norway	Norwegian krone	27	647
Pakistan	Pakistani rupee	4,481	15,843
Papua New Guinea	Kina	75	790
Philippines	Philippine peso	708 ¹	8,815 ¹
Singapore	Singapore dollar	84	2,883 ¹
Solomon Islands	Solomon Islands dollar	1	43
Sri Lanka	Sri Lankan rupee	44	3,297
Sweden	Swedish krona	45	—
Switzerland	Swiss franc	122	—
Thailand	Baht	10	12,586 ¹
Tonga	Tongan dollar	30	—
United Kingdom	Pound sterling	307	4,146
United States	United States dollar	2,317	21,743
Viet Nam	New Dong	8,233 ¹	—
Western Samoa	Western Samoan tala	—	13 ¹
Total Members		61,787	303,670
Non-Members			
Kuwait	Kuwaiti dinar	50	—
Luxembourg	Luxembourg franc	238	—
Saudi Arabia	Saudi Arabian riyal	64	—
Total Non-Members		352	—
TOTAL		362,139	\$303,670

The accompanying notes to financial statements (Appendix 1-VII) are an integral part of this statement.

1. Restrictions on use may be imposed by members (Note B).

2. Restrictions on use have been imposed for \$68 of these amounts.

3. Restrictions on use have been imposed by members (Note B).

ASIAN DEVELOPMENT BANK -

SUMMARY STATEMENT

31 December

Expressed in Thousands of

Borrower/Guarantor ¹	Principal Amount	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	
				On Loans Held by Bank	For Loans Sold
Bangladesh	\$ 11,400	\$ —	\$ 1,932	\$ 2,226	\$ —
Burma	6,600	—	—	48	—
China, Republic of	100,390	—	9,252	32,513	2,800
Fiji	29,900	7,000	112	933	—
Hong Kong	81,500	—	4,500	8,525	3,859
Indonesia	764,380	170,100	22,423	2,083	—
Korea, Republic of	993,800	133,000	26,160	93,473	3,456
Malaysia	506,198	124,600	11,642	21,970	2,140
Nepal	2,000	—	—	1,182	—
Pakistan	423,070	17,100	31,042	19,812	—
Papua New Guinea	23,950	6,250	—	—	—
Philippines	908,750	190,700	3,888	28,975	423
Singapore	159,080	15,100	28,147	21,371	2,830
Sri Lanka	14,135	—	831	5,107	—
Thailand	645,180	149,800	18,661	25,997	1,711
Viet Nam	3,930	—	2,389	91	—
 Adjustments in United States dollar equivalents of loans disbursed					
TOTAL	\$4,694,263	\$813,850	\$159,079	\$264,308	\$17,219

The accompanying notes to financial statements (Appendix I-VIII) are an integral part of this statement.

1. Loans other than those made directly to a member or to its central bank have been guaranteed by the member.

2. This amount represents adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

ORDINARY CAPITAL RESOURCES

OF LOANS

1979

United States Dollars (Note A)

Effective Loans		Undisbursed Balance of Effective Loans		Outstanding Balance	
Held by Bank	Agreed to be Sold	Held by Bank	Agreed to be Sold	On Loans Held by Bank	For Loans Sold
\$ 7,242	\$ —	\$ 1,529	\$ —	\$ 5,713	\$ —
6,552	—	959	—	5,593	—
55,825	—	—	—	55,825	—
21,855	—	10,272	—	11,583	—
64,616	—	36,719	—	27,887	2,709
589,774	—	509,581	—	84,193	—
737,711	—	281,073	—	456,636	—
345,846	—	138,757	—	207,089	615
816	—	—	—	618	—
365,116	—	139,718	—	215,398	—
17,700	—	12,116	—	5,584	—
884,784	—	432,958	—	251,806	—
80,682	—	40,320	—	53,312	—
8,097	—	—	—	5,097	—
449,011	—	244,126	—	204,865	—
1,450	—	1,450	—	—	—
201,300 ²		201,300 ²			
\$3,641,309	\$ —	\$1,845,578	\$ —	\$1,795,731	\$3,324

ASIAN DEVELOPMENT BANK

SUMMARY STATEMENT

31 December 1979 and

Expressed in Thousands

Currencies Payable	Principal Outstanding at 31 December 1978	Operations During the Year Ended 31 December 1979		
		Borrowings	Repayments and Sinking Fund and Other Purchases	Translation Adjustments
Austrian schillings	\$ 8,753	\$ —	\$ 1,799	\$ 484
Belgian francs	11,111	—	1,393	190
Deutsche mark	283,217	112,093	4,758	16,911
Italian lire	10,884	—	1,247	328
Japanese yen	416,204	49,261	2,867	(81,709)
Kuwaiti dinars	18,379	—	3,051	—
Luxembourg francs	11,806	—	801	242
Netherlands guilders	114,271	—	—	2,219
Saudi Arabian riyals	15,037	—	—	—
Swiss francs	272,612	97,283	18,826	5,240
United States dollars	<u>435,526</u>	<u>70,000</u>	<u>70,555</u>	<u>—</u>
Principal outstanding at face value	1,609,900	328,643	105,297	(56,095)
Less: net unamortized discounts and premiums	<u>1,884</u>	<u>501</u>	<u>—</u>	<u>—</u>
Total	<u>\$1,608,016</u>	<u>\$328,142</u>	<u>\$105,297</u>	<u>(\$56,095)</u>

MATURITIES OF

Twelve Months
Ending 31 December

1979
1980
1981
1982
1983
1984

Five Years
Ending 31 December

1985-1989/1984-1988
1990-1994/1989-1993
1995-1999/1994-1998

Total

This accompanying notes to financial statements (Appendix I-VIII) are an integral part of this statement.

- The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.
- Subsequent to 31 December 1979, the Bank has drawn the second tranche amounting to \$4,000 million out of a 8.2% 20-Year Japanese Yen Loan aggregating ¥15,000 million contracted in 1979.

ORDINARY CAPITAL RESOURCES

OF BORROWINGS

31 December 1978

United States Dollars (Note A)

Principal Outstanding at 31 December 1979		Weighted Average Rates ¹	Effective Interest Rate ²	Due for Redemption
		1979	1978	
\$ 7,438		7.28%	7.28%	1980-1983
9,908		7.36	7.36	1980-1983
417,463		7.28	7.27	1980-1991
9,975		7.22	7.22	1980-1987
382,979 ³		7.54	7.43	1980-1989
15,326		7.50	7.50	1980-1984
11,247		6.64	6.64	1980-1987
116,480		8.42	8.42	1981-1984
15,037		8.00	8.00	1980-1983
356,315		5.35	5.03	1980-1994
434,871		8.58	8.02	1980-1995
1,777,151		7.34	7.28	
2,385				
\$1,774,766				

BORROWINGS OUTSTANDING

1979	1978
	\$ 91,326
\$ 202,674	205,263
277,785	244,758
185,620	245,776
188,316	174,188
60,548	
587,714	558,528
230,537	135,559
53,759	14,500
\$1,777,151	\$1,809,900

STATEMENT OF SUBSCRIPTIONS TO

31 December

Expressed in Thousands of United States Dollars (Note A)

	SUBSCRIBED				PAR VALUE OF CALLABLE SHARES		
	Shares	Per Cent of Total	Par Value Expressed in SDR	Par Value Expressed in Dollars	Subject to Call Expressed in SDR	Subject to Call Expressed in Dollars	
REGIONAL							
Afghanistan ¹	1,195	0.178	SDR 11,950	\$ 15,742	SDR 8,130	\$ 10,710	
Australia	49,937	7.424	499,370	657,835	402,680	530,463	
Bangladesh	8,812	1.310	88,120	116,083	71,060	93,809	
Burma	4,700	0.699	47,000	61,914	37,900	49,927	
Cambodia ¹	875	0.130	8,750	11,527	5,950	7,838	
China, Republic of	9,400	1.397	94,000	123,829	75,800	99,854	
Cook Islands	23	0.003	230	303	190	250	
Fiji	587	0.087	5,870	7,733	4,730	6,231	
Hong Kong	4,700	0.699	47,000	61,914	37,900	49,927	
India	54,637	8.122	546,370	719,750	440,580	580,389	
Indonesia	47,000	6.987	470,000	619,145	379,000	499,268	
Japan	117,500	17.468	1,175,000	1,547,863	947,500	1,248,170	
Kiribati ¹	15	0.002	150	198	100	132	
Korea, Republic of	43,475	6.463	434,750	572,709	350,580	451,630	
Laos	246	0.037	2,460	3,240	1,980	2,608	
Malaysia	23,500	3.494	235,000	309,573	189,500	240,634	
Maldives	35	0.005	350	461	280	369	
Nepal	1,269	0.189	12,690	16,717	10,230	13,476	
New Zealand	13,254	1.970	132,540	174,599	106,880	140,797	
Pakistan	18,800	2.795	188,000	247,858	151,600	199,707	
Papua New Guinea	810	0.120	8,100	10,670	6,540	8,615	
Philippines	20,582	3.057	205,620	270,870	165,810	218,427	
Singapore	2,937	0.437	29,370	38,890	23,880	31,194	
Solomon Island	58	0.009	580	764	470	619	
Sri Lanka	5,005	0.744	50,050	65,932	40,360	53,167	
Thailand	11,750	1.747	117,500	154,786	94,750	124,817	
Tonga	35	0.005	350	451	280	369	
Viet Nam	7,050	1.048	70,500	92,872	56,850	74,890	
Western Samoa	58	0.009	580	754	470	619	
Total Regional	448,225	66.635	4,482,250	5,904,602	3,611,780	4,757,906	
NON-REGIONAL							
Austria	2,937	0.437	29,370	38,690	23,680	31,194	
Belgium	2,937	0.437	29,370	38,690	23,680	31,194	
Canada	45,143	6.711	451,430	594,862	364,030	479,548	
Denmark	2,937	0.437	29,370	38,690	23,680	31,194	
Finland	1,175	0.175	11,750	15,479	8,580	11,303	
France	14,887	2.183	148,870	193,476	118,430	156,012	
Germany, Fed. Rep. of	37,334	5.550	373,340	491,812	301,050	396,582	
Italy ¹	5,000	0.743	50,000	65,867	34,000	44,790	
Netherlands	8,462	0.980	84,620	85,126	52,110	68,848	
Norway	2,937	0.437	29,370	38,690	23,680	31,194	
Sweden	1,175	0.175	11,750	15,479	8,580	11,303	
Switzerland	4,037	0.600	40,370	53,181	32,550	42,879	
United Kingdom	17,625	2.620	176,250	232,179	142,130	187,232	
United States ²	80,048	11.900	800,480	1,054,496	810,440	804,151	
Total Non-Regional	224,434	33.365	2,244,340	2,956,637	1,766,620	2,327,222	
GRAND TOTAL	672,659	100.000	SDR 6,726,590	\$8,861,139	SDR 5,378,400	\$7,085,126	

The accompanying notes to financial statements (Appendix I-VIIb) are an integral part of this statement.

1 As of 31 December 1979, these members have not yet subscribed to the additional shares under the second general increase in capital stock authorized by Resolution No. 104 of the Board of Governors.

2 As of 31 December 1979, the United States has subscribed to 30,048 shares out of the 87,500 shares which it is entitled to subscribe to under Resolution No. 104 of the Board of Governors.

ORDINARY CAPITAL RESOURCES

APPENDIX 1-VII

CAPITAL STOCK AND VOTING POWER

1979

and in Thousands of Special Drawing Rights

PAR VALUE OF PAID-IN SHARES

VOTING POWER

Instalments Not Due Expressed in SDR		Instalments Matured Expressed in SDR		Number of Votes	Per Cent of Total	Per Cent of Regional Non-Regional
\$	Dollars	\$	Dollars			
—	—	SDR 3,620	\$ 5,032	5,105	0.607	0.809
24,345	16,897	82,345	106,475	53,847	6,404	9.588
2,530	3,333	14,530	19,141	12,722	1,513	2.265
1,350	1,778	7,750	10,209	8,610	1,324	1.533
—	—	2,800	3,689	4,785	0.569	0.842
2,700	3,557	15,500	20,418	13,310	1,583	2.370
7	10	—	43	3,933	0.468	0.700
170	224	970	1,278	4,497	0.535	0.801
1,350	1,778	7,750	10,209	8,610	1,024	1.533
15,895	20,576	90,095	118,685	58,547	6,963	10.425
13,500	17,784	77,500	102,093	60,910	6,055	9.065
33,750	44,460	193,750	255,233	121,410	14,440	21.618
—	—	50	66	3,925	0.467	0.893
12,485	16,446	71,685	94,433	47,385	5,636	8.437
70	92	410	540	4,156	0.494	0.740
8,750	8,892	38,750	51,047	27,410	3,260	4.861
35	46	—	48	3,945	0.489	0.702
385	481	2,095	2,760	3,179	0.616	0.922
3,805	5,012	21,855	28,790	17,164	2,042	3.058
5,400	7,114	31,000	49,837	22,710	2,701	4.043
230	303	1,330	1,752	4,720	0.567	0.840
5,805	7,779	33,905	44,864	24,472	2,911	4.356
845	1,113	4,845	6,383	6,847	0.814	1.219
15	20	—	125	3,968	0.474	0.707
435	580	8,255	10,875	8,915	1.060	1.587
2,375	4,426	19,375	25,523	15,860	1,883	2.788
10	15	—	70	3,345	0.459	0.702
2,025	2,668	11,825	15,314	11,960	1,304	1.952
30	40	—	105	2,948	0.472	0.737
128,177	165,852	742,293	977,844	561,615	66,798	100.000
845	1,113	4,845	6,383	6,847	0.814	2.453
1,690	2,226	4,000	5,270	6,847	0.814	2.453
12,965	17,079	74,435	96,055	49,053	5,834	17.571
845	1,113	4,845	6,383	6,847	0.814	2.453
335	441	2,835	3,735	5,085	0.605	1.621
4,220	5,559	24,220	31,905	18,597	2,212	6.651
10,725	14,129	61,505	81,101	41,244	4,806	14.773
—	—	16,000	21,377	8,910	1,060	3.191
1,855	2,444	10,655	14,036	10,372	1,234	3.715
845	1,113	4,845	6,383	6,847	0.814	2.453
335	441	2,835	3,735	5,085	0.605	1.621
1,910	2,516	5,910	7,786	7,947	0.945	2.847
5,080	6,686	29,060	38,281	21,535	2,561	7.714
—	—	190,040	250,345	83,958	9.986	30.074
41,630	54,840	436,090	574,475	279,174	33,204	100.000
SDR 169,807	\$223,692	SDR 1,172,383	\$1,552,919	840,789	100.000	

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1979 and 31 December 1978

NOTE A —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Unit of Account

The Ordinary Capital Resources financial statements are expressed in thousands of current United States dollars.

(2) Capital Stock

The capital stock is defined in Article 4, paragraph 1 of the Articles of Agreement "in terms of United States dollars of the weight and fineness in effect on 31 January 1968" (the 1968 dollar). The capital stock had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1968 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. The Bank is examining the implications of this change on the valuation of its capital stock but has not made a decision on the matter. Pending such a decision, the Bank's capital stock has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1979, the SDR was valued at \$1.31733. (See Note G. This note also shows what the value of the Bank's capital stock would be if expressed in terms of \$1.20635 per 1968 dollar.)

(3) Translation of Currencies

Assets and liabilities in currencies other than United States dollars are translated at the applicable rates of exchange at the end of the quarter, except that unamortized issuance costs of borrowings in such currencies are translated at applicable historical rates.

Except for amortized issuance costs of borrowings which are translated at applicable historical rates, income and expense amounts in currencies other than United States dollars are translated for each quarter generally at the rates of exchange at the beginning of the quarter; such practice approximates the application of average rates in effect during the quarter.

Translation adjustments, other than those relating to maintenance of value of currency holdings under Article 25 (see Note D) and "Notional amounts required to maintain value of currency holdings" (see Note I), are charged or credited to income.

Loans

The Summary Statement of Loans (Appendix I-V) presents, by country, total approved loans to be financed from Ordinary Capital Resources. Adjustments for loans not yet effective, refundings and cancellations, payments received, loans agreed to be sold and exchange adjustments are made to arrive at effective loans held by the Bank.

Unamortized Discounts, Premiums and Issuance Costs of Borrowings

Unamortized discounts, premiums and issuance costs of borrowings are amortized over the life of each issue in proportion to each of the principal amounts outstanding.

Property, Furniture and Equipment

The headquarters seat of the Bank, including land, building, facilities and fixtures and the initial cost of necessary staff amenities and of related furnishings are provided to the Bank by the Government of the Republic of the Philippines. Purchases of furniture and equipment by the Bank have not been material and have been charged to expense.

Staff Retirement Costs

The Bank absorbs all expenses of administering the Staff Retirement Plan and charges all of its contribu-

CONTINUED

itions thereto (see Note H) to administrative expenses currently.

NOTE B.—

RESTRICTIONS ON USE OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2ii, the use by the Bank or by any recipient from the Bank may be restricted by the member to payments for goods or services produced and intended for use in its territory, as follows:

The use of cash in banks and demand obligations in the currencies of 25 members aggregating \$259,732,000 (\$232,388,000 — 1976).

In accordance with Article 24, paragraphs 2ii and iii, the use by the Bank or by any recipient from the Bank has been restricted by the member to payments for goods or services produced in its territory, as follows:

The use of cash in banks and demand obligations in the currencies of two members aggregating \$11,237,000 (\$11,033,000 — 1976).

NOTE C.—

CAPITAL STOCK

The authorized capital stock of the Bank consists of 722,057 shares, of which 672,859 shares have been subscribed by members. Of the subscribed shares, 537,840 are "callable" and 134,819 are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings or on guarantees. The "paid-in" share capital is payable or has been paid in instalments, partly in convertible currencies and partly in the currency of the subscribing member. In accordance with Article 5, paragraph 3 of the Articles, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction

of the portion payable in the currency of the member where such currency is not required by the Bank for the conduct of its operations.

In the Articles, the Bank's capital stock is defined "in terms of United States dollars of the weight and fineness in effect on 31 January 1966," and the value of each share of stock is defined as being "0.030 1966 dollars. On 1 April 1976, the Second Amendment to the IMF Articles entered into force, under which gold has been abolished as a common denominator of the international monetary system; currencies no longer have car values, and all calculations for the purposes of the IMF Articles are made on the basis of the SDR. Simultaneously, the provision of United States law defining the par value of the United States dollar in terms of gold was repealed. As a result of these changes, the preexisting basis for translating the term "United States dollars of the weight and fineness in effect on 31 January 1966" into current United States dollars, or into any other currency, no longer exists.

The Bank is considering a proposal that its capital stock be redefined in terms of the SDR. A member government has raised the question whether the substitution of a new unit of value, insofar as it would give rise to any new obligations with respect to maintenance of value and capital stock subscription payments, should be made only by amendment of the Articles. This member has also raised questions as to the appropriateness of substituting a unit of value other than the SDR, the desirability of retaining the principle of maintenance of value, and the form in which maintenance of value should be applied.

The General Counsel of the Bank is of the opinion that the SDR is the successor in the international monetary system to the gold-based dollar, and that pending the exercise by the appropriate authorities of the Bank of their statutory powers under Chapter IX of the Articles, references in the Articles to the 1966 dollar should be read as referring to the SDR as defined from time to time by the IMF. In view of this,

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1979 and 31 December 1978

and pending consideration and action on the issues referred to in the preceding paragraph, the Bank has for purposes of these financial statements expressed the value of its capital stock in terms of the SDR, on the basis that each share has the value of SDR 10,000. For purposes of these financial statements, it has also measured the mutual obligations of each member and of the Bank with respect to maintenance of value of currency holdings by that standard. However, the appropriate authorities of the Bank could decide that the value of each share should be fixed at \$12,063.50, on the basis of a substitution of 1.20635 current United States dollars for each 1966 dollar.

When the SDR was introduced into the IMF Articles in 1969, it was expressed in terms of a specified weight of gold equal to the gold content of the 1966 dollar. Since 1 July 1974, its value has been based on the weighted relative values of a number of major currencies (a "currency basket"). On 1 July 1974, the value of the SDR, expressed in terms of current United States dollars was \$1.20635, namely the same value as the 1966 dollar, but subsequently the value in current monetary terms has varied from day-to-day. As of 31 December 1979, the value of the SDR in terms of the United States dollar was \$1.31733, giving a value for each share of the Bank's capital equivalent to \$13,173.30. With effect from 1 July 1978, the IMF has made certain adjustments in the SDR currency basket, and has established a method for further adjustments at five-yearly intervals, to reflect changes in the relative importance of currencies over time, while ensuring continuity and reasonable predictability for the valuation of the SDR. The adjustments made at the time of the change are such that the value of the revised basket in terms of any currency was exactly the same under both the then existing and the revised valuation.

The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Bank. If the capital stock as of 31 December 1979 had been valued in terms of

\$12,063.50 per share, the "callable" capital subscribed would have been \$6,488,233,000 (\$6,489,414,000 — 1978) instead of \$7,085,128,000 (\$6,986,603,000 — 1978); the "paid-in" capital subscribed would have been \$1,626,389,000 (\$1,624,302,000 — 1978) instead of \$1,776,011,000 (\$1,754,154,000 — 1978), the total subscribed capital would have been \$8,114,622,000 (\$8,093,716,000 — 1978) instead of \$8,881,139,000 (\$8,740,757,000 — 1978) and maintenance of value obligations would have been \$5,467,000 receivable from members instead of \$113,273,000 receivable from members (\$39,186,000 payable to members instead of \$45,443,000 receivable from members — 1978).

As of 31 December 1979, all matured instalments amounting to \$1,552,319,000 (\$1,383,450,000 — 1978) were received except \$812,000 due from three members (\$361,000 due from two members — 1978). Instalments not due aggregating \$223,592,000 (\$370,704,000 — 1978) are receivable as follows:

	1979	1978
1979		\$151,722,000
1980	\$111,268,000	109,496,000
1981	111,278,000	109,486,000
1982	570,000	—
1983	556,000	—

Some members have made payments in respect of their capital subscription instalments in advance of the due date. Such payments are shown in the balance sheet (under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

CONTINUED

NOTE D —

AMOUNTS RECEIVABLE AND AMOUNTS PAYABLE TO MAINTAIN VALUE OF CURRENCY HOLDINGS

These represent the aggregate amounts receivable and the aggregate amounts payable resulting from changes in exchange rates of member currencies from those previously used for the purposes of maintenance of value, under Article 25 and relevant resolutions of the Board of Directors, of the Bank's holdings of certain member currencies (see Notes C and H).

NOTE E —

SPECIAL RESERVE

In accordance with Article 16, paragraph 1, the Bank charges a commission calculated at one per cent per annum on the outstanding amount of loans made by it from the Ordinary Capital Resources. In accordance with Article 17, an amount equivalent to such commissions is appropriated to a Special Reserve Special Reserve Fund asset consisting principally of certificates of deposit.

NOTE F —

CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired paid-in capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973 to be used as part of the Special Funds of the Bank. The resources so set aside, amounting to \$82718,000 as of 31 December 1979 expressed in terms of the SDR on the basis of \$1.37733 per SDR (\$57,434,000 in terms of \$1.20835 per 1966 dollar — see Notes A and C), were allocated and transferred to the Asian Development Fund.

NOTE G —

ORDINARY RESERVE AND NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE

Under the provisions of Article 40, the Board of Governors shall determine annually what part of the net income after appropriation of commissions to Special Reserve (see Note E) shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. Net income after appropriation of commissions to Special Reserve for the year ended 31 December 1979 namely \$106,389,000, was allocated to the Ordinary Reserve in accordance with the resolution adopted by the Board of Governors at the Twelfth Annual Meeting. Similar allocations had previously been made in respect of net income after appropriation of commissions to Special Reserve for the preceding years.

The statement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Notes A and C) resulted in a net charge of \$4,318,000 to the Ordinary Reserve during the year (\$17,758,000 — 1978). This net charge represents the net amount of \$27,492,000 (\$102,584,000 — 1978) net statement of the issued and paid capital subscriptions reduced by the net amount of \$23,174,000 (\$84,631,000 — 1978) net annual maintenance of value adjustments attributable to the changes in the value of the SDR in relation to the United States dollar, the Bank's unit of account, during the year. (See Note H.)

NOTE H —

CONTRIBUTIONS TO 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 his service, provided that as of such a date, he shall not have reached his normal

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1979 and 31 December 1978

and pending consideration and action on the issues referred to in the preceding paragraph, the Bank has for purposes of these financial statements expressed the value of its capital stock in terms of the SDR, on the basis that each share has the value of SDR 10,000. For purposes of these financial statements, it has also measured the mutual obligations of each member and of the Bank with respect to maintenance of value of currency holdings by that standard. However, the appropriate authorities of the Bank could decide that the value of each share should be fixed at \$12,063.50, on the basis of a substitution of 1.20635 current United States dollars for each 1966 dollar.

When the SDR was introduced into the IMF Articles in 1969, it was expressed in terms of a specified weight of gold equal to the gold content of the 1966 dollar. Since 1 July 1974, its value has been based on the weighted relative values of a number of major currencies (a "currency basket"). On 1 July 1974, the value of the SDR, expressed in terms of current United States dollars was \$1.20635, namely the same value as the 1966 dollar, but subsequently the value in current monetary terms has varied from day to day. As of 31 December 1979, the value of the SDR in terms of the United States dollar was \$1.31733, giving a value for each share of the Bank's capital equivalent to \$13,173.80. With effect from 1 July 1978, the IMF has made certain adjustments in the SDR currency basket, and has established a method for further adjustments at five-yearly intervals, to reflect changes in the relative importance of currencies over time, while ensuring continuity and reasonable predictability for the valuation of the SDR. The adjustments made at the time of the change are such that the value of the revised basket in terms of any currency was exactly the same under both the then existing and the revised valuation.

The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Bank. If the capital stock as of 31 December 1979 had been valued in terms of

\$12,063.50 per share, the "callable" capital subscribed would have been \$6,468,233,000 (\$6,469,414,000 — 1978) instead of \$7,085,128,000 (\$6,986,603,000 — 1978); the "paid-in" capital subscribed would have been \$1,526,389,000 (\$1,624,302,000 — 1978) instead of \$1,776,011,000 (\$1,754,154,000 — 1978), the total subscribed capital would have been \$8,114,622,000 (\$8,093,716,000 — 1978) instead of \$8,651,139,000 (\$8,740,757,000 — 1978) and maintenance of value obligations would have been \$5,467,000 receivable from members instead of \$113,273,000 receivable from members (\$39,188,000 payable to members instead of \$45,443,000 receivable from members — 1978).

As of 31 December 1979, all matured instalments amounting to \$1,552,319,000 (\$1,383,450,000 — 1978) were received except \$812,000 due from three members (\$351,000 due from two members — 1978). Instalments not due aggregating \$223,692,000 (\$370,704,000 — 1978) are receivable as follows:

	1979	1978
1979		\$151,722,000
1980	\$111,286,000	109,495,000
1981	111,278,000	109,468,000
1982	570,000	—
1983	556,000	—

Some members have made payments in respect of their capital subscription instalments in advance of the due date. Such payments are shown in the balance sheet (under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

CONTINUED

NOTE D —

AMOUNTS RECEIVABLE AND AMOUNTS PAYABLE TO MAINTAIN VALUE OF CURRENCY HOLDINGS

These represent the aggregate amounts receivable and the aggregate amounts payable resulting from changes in exchange rates of member currencies from those previously used for the purposes of maintenance of value under Article 25 and relevant resolutions of the Board of Directors of the Bank's holdings of certain member currencies [see Notes C and II].

NOTE E —

SPECIAL RESERVE

In accordance with Article 16, paragraph 1, the Bank charges a commission calculated at one per cent per annum on the outstanding amount of loans made by it from the Ordinary Capital Resources. In accordance with Article 17 an amount equivalent to such commissions is appropriated to a Special Reserve. Special Reserve Fund assets consist principally of certificates of deposit.

NOTE F

CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(j), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired paid-in capital paid by members pursuant to Article 5, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 5, paragraph 2(b) as of 28 April 1973 to be used as part of the Special Funds of the Bank. The resources so set aside, amounting to \$62,718,000 as of 31 December 1979 expressed in terms of the SDR on the basis of \$1.31733 per SDR (\$57,484,000 in terms of \$1.20635 per 1966 dollar — see Notes A and C) were allocated and transferred to the Asian Development Fund.

NOTE G —

ORDINARY RESERVE AND NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE

Under the provisions of Article 40, the Board of Governors shall determine annually what part of the net income after appropriation of commissions to Special Reserve (see Note E) shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. Net income after appropriation of commissions to Special Reserve for the year ended 31 December 1978, namely \$106,399,000, was allocated to the Ordinary Reserve in accordance with the resolution adopted by the Board of Governors at the Twelfth Annual Meeting. Similar allocations had previously been made in respect of net income after appropriation of commissions to Special Reserve for the preceding years.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Notes A and C) resulted in a net charge of \$4,315,000 to the Ordinary Reserve during the year (\$17,753,000 — 1978). This net charge represents the net amount of \$27,492,000 (\$182,384,000 — 1978) restatement of the stated and paid capital subscriptions reduced by the net amount of \$23,174,000 (\$84,631,930 — 1978) additional maintenance of value adjustments attributable to the changes in the value of the SDR in relation to the United States dollar, the Bank's unit of account, during the year. (See Note II.)

NOTE H

CONTRIBUTIONS TO 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 his service, provided that as of such a date, he shall not have reached his normal

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1979 and 31 December 1978

retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet.

From December 1974, each participant has contributed 8 1/3 per cent of his remuneration to the Plan, and the Bank has contributed 18 2/3 per cent of the participants' remuneration. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions. For the year ended 31 December 1979, the amount contributed by the Bank was \$2,647,000 (\$2,185,000 — 1978).

NOTE I —

NOTIONAL AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS

Prior to 1 April 1978, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of its Articles and relevant resolutions of the Board of Directors. Inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations after the effective date of the Second Amendment to the IMF Articles are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain. The notional amounts as of 31 December 1979, consisting of receivables of \$120,818,000 (\$88,138,000 — 1978) and payables of \$9,141,000, (\$21,823,000 — 1978) represent (a) the increase of \$107,805,000 in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar, the Bank's unit of account, during the period 1 April 1978 to 31 December 1979, and (b) the net decrease of \$3,872,000 in the value of such currency holdings in relation to the United States

dollar during the same period [(a) the increase of \$84,631,000 in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period 1 April 1978 to 31 December 1978, offset by (b) the net increase of \$38,415,000 in the value of such currency holdings in relation to the United States dollar during the same period].

NOTE J —

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans approved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those pertaining directly to ordinary operations and special operations) and the number of loans approved.

NOTE K —

TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 December 1979, for technical assistance projects and programs approved by the Bank, were approximately \$11,844,000 (\$12,806,000 — 1978); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over \$150,000 will be converted to the subsequent loan. Under such options, no technical assistance expenditure was charged to loans and credited to Income of Ordinary Capital Resources during the years ended 31 December 1979 and 31 December 1978.

DELOITTE HASKINS & SELLS
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of the Asian Development Bank — Ordinary Capital Resources:

Appendix

Balance Sheet, 31 December 1979 and 31 December 1978	I-I
Statement of Income and Expenses for the years ended 31 December 1979 and 31 December 1978	I-II
Statement of Changes in Financial Position for the years ended 31 December 1979 and 31 December 1978	I-III
Statement of Cash in Banks and Demand Obligations of Members 31 December 1979	I-IV
Summary Statement of Loans, 31 December, 1979	I-V
Summary Statement of Borrowings, 31 December 1979 and 31 December 1978	I-VI
Statement of Subscriptions to Capital Stock and Voting Power 31 December 1979	I-VII
Notes to Financial Statements, 31 December 1979 and 31 December 1978	I-VIII

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Ordinary Capital Resources at 31 December 1979 and 31 December 1978 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

29 February 1980

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

BALANCE SHEET

31 December 1979 and 31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

	Technical Assistance Special Fund (Note 3)		Multi-Purpose Special Fund (Note 4)		Consolidated	
ASSETS	1979	1978	1979	1978	1979	1978
CASH IN BANKS	\$ 922	\$ 575	\$ 52	\$ 65	\$ 974	\$ 840
INVESTMENTS						
Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$12,477 — 1979, \$21,308 — 1978)	12,142	18,573	—	2,622	12,142	21,185
Time deposits	4,624	1,273	—	5,548	4,624	8,821
LOANS (Note 5)						
Effective loans held by Bank	—	—	710	591	710	591
ACCRUED INCOME						
On investments	202	25	—	190	202	215
On loans	—	—	3	1	3	1
AMOUNTS RECEIVABLE FROM CONTRIBUTOR(S) (See Appendix 1-D)	1,421	2,407	—	—	1,421	2,407
OTHER ASSETS	1,078	882	65	—	1,143	882
TOTAL	\$20,369	\$23,735	\$830	\$9,017	\$21,219	\$32,752
<u>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</u>						
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	\$ —	\$ —	\$ 14	\$ 89	\$ 14	\$ 89
ACCOUNTS PAYABLE						
Asian Development Fund	—	—	447	1,502	447	1,502
Others	3,096	2,246	—	—	3,096	2,246
UNEXPENDED BALANCES AND CAPITAL						
Contributed Resources (See Appendix 1-D) [Note 4(a)]	41,081	39,793	—	9,851	41,081	46,644
Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6)	—	—	305	305	305	305
Accumulated net income (expense) (See Appendix 1-B)						
Contributed Resources	(23,768)	(18,304)	—	—	(23,768)	(18,304)
Accrued Resources [Note 4(b)]	—	—	64	270	64	270
TOTAL	\$20,369	\$23,735	\$830	\$9,017	\$21,219	\$32,752

The accompanying notes to financial statements (Appendix 1-B) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME (EXPENSE)

For the Years Ended 31 December 1979 and 31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

	Technical Assistance Special Fund (Note 3)		Multi-Purpose Special Fund (Note 4)	
	1979	1978	1979	1978
INCOME				
From investments	\$ 989	\$ 680	\$ 10	\$ 41
From loans	—	—	6	4
From conversion of grants into loans (Note 7)	—	—	183	205
From other sources	1	1	—	—
GROSS INCOME	990	681	201	250
EXPENSES				
Administrative expenses				
Staff — Consultants				
Headquarters	122	80	—	—
Project appraisal and other field missions	1,197	1,298	—	—
Other administrative expenses				
Administration Charge (Note 5)	—	—	47	118
Miscellaneous	5	4	—	—
Total	1,324	1,382	47	118
Services to member countries (Note 7)				
Project preparation missions and other loan-related technical assistance — Consultants	3,364	1,725	—	—
Project implementation/advisory — Consultants	975	742	—	—
Regional activities — Consultants	681	162	—	—
Total	5,020	2,654	—	—
GROSS EXPENSES	6,344	4,036	47	118
INCOME (EXPENSE) BEFORE NET GAIN (LOSS)				
FROM CHANGES IN VALUE OF CURRENCIES	(5,354)	(3,355)	154	132
NET GAIN (LOSS) FROM CHANGES IN VALUE OF CURRENCIES — resulting primarily from translation of currency holdings derived from earnings (Note 2)	(130)	25	(90)	138
NET INCOME (EXPENSE) FOR THE YEAR	(5,434)	(3,330)	64	270
BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT BEGINNING OF THE YEAR	(18,304)	(14,974)	270	468
TRANSFER TO ASIAN DEVELOPMENT FUND	—	—	(270)	(468)
BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT END OF THE YEAR	\$ (23,788)	\$ (18,304)	\$ 64	\$ 270

The accompanying notes to financial statements (Appendix I-G) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1979 and 31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

	Technical Assistance Special Fund (Note 3)		Multi-Purpose Special Fund (Note 4)		Consolidated	
	1979	1978	1979	1978	1979	1978
FUNDS WERE PROVIDED BY						
Operations						
Net income (expense)	\$ (5,484)	\$ (3,330)	\$ 64	\$ 270	\$ (5,420)	\$ (3,060)
Items not requiring or providing funds:						
Accrued expenses	407	501	—	—	407	501
Accrued Income	(177)	8	188	(108)	11	(100)
Administration Charge	—	—	47	118	47	118
Funds provided by (utilized for) operations	(5,254)	(2,821)	299	280	(4,955)	(2,541)
Contributions drawn	5,415	4,483	—	—	5,415	4,483
Other — net	247	124	802	471	849	585
Total	408	1,786	901	751	1,309	2,537
FUNDS WERE UTILIZED FOR						
Loans disbursed	—	—	119	204	119	204
Decrease (increase) in contributions drawn as a result of currency revaluations	3,141	(2,947)	—	566	3,141	(2,381)
Resources transferred to the Asian Development Fund	—	—	7,121	468	7,121	468
Accounts payable and other liabilities (loans and other assets) transferred to the Asian Development Fund	—	—	1,722	(468)	1,722	(465)
Administration Charge paid	—	—	122	692	122	692
Total	3,141	(2,947)	9,084	1,462	12,225	(1,485)
INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS						
	\$ (2,733)	\$ 4,733	\$ (8,183)	\$ (711)	\$ (10,916)	\$ 4,022
INCREASE (DECREASE) IN COMPONENTS OF FUNDS						
Cash in banks	\$ 347	\$ 250	\$ (13)	\$ 28	\$ 334	\$ 288
Investments	(3,060)	4,473	(8,170)	(739)	(11,250)	3,734
TOTAL	\$ (2,733)	\$ 4,733	\$ (8,183)	\$ (711)	\$ (10,916)	\$ 4,022

The accompanying notes to financial statements (Appendix 1-G) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

STATEMENT OF CONTRIBUTED RESOURCES

31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

	Amounts Committed During 1979*	Amounts Transferred During 1979	Amounts Committed and Made Available	Amounts Received	Amounts Receivable
TECHNICAL ASSISTANCE					
SPECIAL FUND (Note 3)					
Australia	\$ 276	\$ —	\$ 1,403	\$ 1,403	\$ —
Austria	—	—	150	150	—
Bangladesh	—	—	23	23	—
Belgium	—	—	787	785	392
Canada	—	—	536	7,538	—
China, Republic of	—	—	200	200	—
Denmark	—	—	1,622	1,622	—
Ecuador	—	—	118	118	—
Germany, Federal Republic of	—	—	481	481	—
Hong Kong	—	—	100	100	—
India	368	—	796	522	273
Italy	—	—	746	555	—
Japan	2,441	—	25,406	25,406	—
Korea, Republic of	160	—	480	480	—
Netherlands	—	—	793	778	—
New Zealand	72	—	729	729	—
Norway	205	—	509	509	—
Pakistan	—	—	256	249	—
Sri Lanka	—	—	6	6	—
Sweden	—	—	480	480	—
Switzerland	—	—	623	603	—
United Kingdom	734	—	2,959	2,126	744
United States	—	—	1,250	1,250	—
Total	4,246	—	41,031	39,163	1,421
MULTI-PURPOSE SPECIAL FUND (Note 4)					
Canada	—	(6,651)	—	—	—
TOTAL	\$4,246	\$(-6,651)	\$41,031	\$39,163	\$1,421

The accompanying notes to financial statements (Appendix 1-B) are an integral part of this statement.

* Subsequent to 31 December 1979, France made its first contribution, equivalent to \$505 to the Technical Assistance Special Fund.

ASIAN DEVELOPMENT BANK —
TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in Thousands of

	Australia	Austria	Bangladesh	Belgium	Canada
ASSETS					
CASH IN BANKS	\$ 285	\$ 21	\$ 23	\$ 71	\$ 16
INVESTMENTS					
Government obligations — amortized cost which approximates market (Face amount \$12,477)	—	80	—	—	—
Time deposits	—	—	—	—	507
ACCRUED INCOME					
On investments	—	—	—	—	8
AMOUNTS RECEIVABLE FROM CONTRIBUTOR(S) (See Appendix 1-D)					
—	—	—	—	392	—
OTHER ASSETS	32	—	9	43	2
TOTAL	\$ 317	\$ 101	\$ 32	\$ 506	\$ 533
LIABILITIES AND UNEXPENDED BALANCES					
ACCOUNTS PAYABLE	\$ 100	\$ —	\$ 22	\$ 140	\$ 9
UNEXPENDED BALANCES					
Contributed Resources:					
Amounts committed and made available (See Appendix 1-D)	1,493	150	23	787	1,536
Accumulated net income (expense) (See Appendix 1-B)	(1,276)	(49)	(13)	(421)	(1,012)
TOTAL	\$ 317	\$ 101	\$ 32	\$ 506	\$ 533

SPECIAL FUNDS RESOURCES**SPECIAL FUND (Note 3)****SHEET**

1979

United States Dollars (Note 2)

CONTINUED

China, Republic of	Denmark	Finland	Germany, Federal Republic of	Hong Kong	India	Italy	Forward
\$ —	\$.38	\$.17	\$ —	\$ 8	\$ 21	\$ 10	\$ 510
15	—	—	—	—	—	142	35 1,807
—	—	—	—	—	—	—	8
—	—	—	—	—	273	—	462
—	—	—	—	—	6	—	92
\$ 15	\$ 1,194	\$ 17	\$ —	\$ 8	\$ 300	\$ 154	\$ 3,177
\$ 13	\$ 403	\$ —	\$ —	\$ —	\$ 39	\$ —	\$ 726
200	1,622	118	481	100	795	155	7,660
(198)	(1,031)	(101)	(481)	(92)	(534)	11	(5,209)
\$ 15	\$ 1,194	\$ 17	\$ —	\$ 8	\$ 300	\$ 154	\$ 3,177

ASIAN DEVELOPMENT BANK —

TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in Thousands

	Forward	Japan	Korea, Republic of	Netherlands	New Zealand
ASSETS					
CASH IN BANKS	\$ 510	\$ 51	\$108	\$ 12	\$ 88
INVESTMENTS					
Government obligations — amortized cost which approximates market (Face amount \$12,477)	95	11,292	202	—	170
Time deposits	1,807	2,086	—	29	—
ACCRUED INCOME					
On investments	8	183	—	1	—
AMOUNTS RECEIVABLE FROM CONTRIBUTORs					
(See Appendix 1-D)	685	—	—	15	—
OTHER ASSETS	92	891	2	5	68
TOTAL	\$3,177	\$14,513	\$313	\$ 62	\$338
LIABILITIES AND UNEXPENDED BALANCES					
ACCOUNTS PAYABLE	\$ 726	\$ 1,909	\$12	\$ 12	\$162
UNEXPENDED BALANCES					
Contributed Resources					
Amounts committed and made available (See Appendix 1-D)	7,860	25,406	480	793	779
Accumulated net income (expense) (See Appendix 1-B)	(5,209)	(12,802)	(179)	(743)	(606)
TOTAL	\$3,177	\$14,513	\$313	\$ 62	\$338

The accompanying notes to financial statements (Appendix 1-G) are an integral part of this statement.

SPECIAL FUNDS RESOURCES**SPECIAL FUND (Note 3)****SHEET**

1979

United States Dollars (Note 2)

Norway	Pakistan	Sri Lanka	Sweden	Switzerland	United Kingdom	United States	Total
\$ 19	\$ 5	\$ —	\$ 7	\$111	\$ —	\$ —	\$ 922
49	179	—	—	185	—	—	1,142
257	—	—	445	—	—	—	4,824
—	—	—	—	—	—	—	—
—	7	—	—	—	734	—	1,421
17	1	—	—	—	—	—	1,878
\$342	\$192	\$ —	\$452	\$267	\$ 735	\$ —	\$20,369
\$220	\$ 8	\$ —	\$ —	\$ 23	\$ 24	\$ —	\$ 3,096
509	256	6	480	603	2,859	1,250	41,081
(387)	(72)	(6)	(28)	(359)	(2,148)	(1,250)	(23,788)
\$342	\$192	\$ —	\$452	\$267	\$ 735	\$ —	\$20,369

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES
TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF EXPENSES

For the Year Ended 31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

		(Forward)	\$ 552
ADMINISTRATIVE EXPENSES			
Staff-Consultants		Indonesia	386
Headquarters	<u>\$ 122</u>	Korea, Republic of	155
Project appraisal and other field missions		Laos	124
Afghanistan	22	Malaysia	403
Bangladesh	95	Maldives	50
Burma	80	Nepal	305
Fiji	12	Pakistan	499
Hong Kong	34	Papua New Guinea	121
Indonesia	99	Philippines	536
Korea, Republic of	105	Solomon Islands	102
Laos	51	Sri Lanka	34
Malaysia	96	Thailand	77
Maldives	7	Western Samoa	20
		Total	<u>3,384</u>
Nepal	82	Project implementation/advisory — Consultants	
Pakistan	270	Bangladesh	88
Philippines	57	Burma	101
Singapore	5	Cook Islands	27
Sri Lanka	69	Korea, Republic of	83
Thailand	84	Nepal	(4)
Viet Nam	4	Pakistan	1
Western Samoa	45	Papua New Guinea	176
Total	<u>1,197</u>	Solomon Islands	146
Other Administrative Expenses	<u>5</u>	Sri Lanka	43
TOTAL ADMINISTRATIVE EXPENSES	<u>1,224</u>	Tonga	66
SERVICES TO MEMBER COUNTRIES		Viet Nam	124
Project preparation missions and other loan-related technical assistance—Consultants		Western Samoa	124
		Total	<u>975</u>
Afghanistan	155	Regional activities — Consultants	681
Bangladesh	309	TOTAL SERVICES TO MEMBER COUNTRIES	<u>5,020</u>
Burma	88		
TOTAL (Forward)	\$ 552	GROSS EXPENSES	\$6,344

The accompanying notes to financial statements (Appendix 1-G) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1979 and 31 December 1978

CONTINUED

NOTE 1 —

GENERAL

- (a) Since 1967, the Bank has established Special Funds Resources to finance the special operations of the Bank as provided in Article 19 of the Articles of Agreement. Such Special Funds Resources consist of a Technical Assistance Special Fund and a Multi-Purpose Special Fund.
- (b) In 1974, the Asian Development Fund was established. Six contributors elected to have their contributions to the Multi-Purpose Special Fund made after 31 December 1972 credited toward the amount of their contributions to the Asian Development Fund. Accordingly, their contributions were transferred to the Asian Development Fund.
- (c) As a further step to streamline and restructure the Special Funds, transfer to the Asian Development Fund of the resources in the Multi-Purpose Special Fund (with the concurrence of the relevant contributor) was authorized in 1975. Accordingly, since 1 October 1975, all the resources in the Multi-Purpose Special Fund, including the remaining portion of the contribution of Canada but excluding the net income of the Accrued Resources for the year ended 31 December 1979 and other credit have been transferred to the Asian Development Fund.
- (d) Since the Special Funds Rules and Regulations do not apply to the Asian Development Fund, the accompanying financial statements do not include the operations and activities of the Fund.

NOTE 2 —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Unit of Account

The Special Funds Resources financial statements are expressed in thousands of current United States dollars.

(b) Translation of Currencies

Assets, liabilities and unexpended balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of the year.

Income and expense amounts in currencies other than United States dollars are translated for each quarter generally at the applicable rates of exchange at the beginning of the quarter; such practice approximates the application of average rates in effect during the quarter.

Translation adjustments relating to funds representing the unexpended balances of contributions are offset by increases or decreases in the contribution accounts. Other translation adjustments are charged or credited to income.

(c) Contributions

Contributions by member countries are included in the financial statements as amounts committed from the date contribution agreements become effective. As to those member countries which have agreed to consider specific requests for financing, the amounts shown in the financial statements as amounts committed are based on the specific requests approved through 31 December 1979 and 31 December 1978.

NOTE 3 —

TECHNICAL ASSISTANCE SPECIAL FUND

Since 1967, contributions have been made by 23 member countries to be used by the Bank for financing technical assistance activities. In most cases, the initial use of the contributions shall be for the procurement of expert services and facilities from the contributing member country. There has been, however, a trend towards liberalization of the procurement terms. Therefore, some of the contributions are substantially or wholly untied.

NOTE 4

MULTI-PURPOSE SPECIAL FUND

- (a) Since 1966, contributions have been made by 14 member countries to be used by the Bank for financing special operations (other than non-reimbursable technical assistance). However, as stated in Notes 1(b) and 1(c) above, all the contributions to the Multi-Purpose Special Fund have been transferred to the Asian Development Fund.

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1979 and 31 December 1978

- (b) The term "Accrued Resources" refers to the resources derived from the service fee charged by the Bank in its special operations in accordance with the Special Funds Rules and Regulations for the Bank's administration of the Special Funds Resources and to certain other income derived from Special Funds Resources credited, held and administered by the Bank in the Multi-Purpose Special Fund.

NOTE 5 —

LOANS

Loans approved by the Bank on concessional terms are classified as Special Funds loans. Where necessary and when available, the resources of both the Multi-Purpose Special Fund and the Asian Development Fund may be used either singly or jointly to finance such loans. The amounts shown as "Effective loans held by Bank" at 31 December 1979 represented only the portions of loans outstanding which were disbursed from the resources remaining in the Multi-Purpose Special Fund.

NOTE 6 —

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans ap-

proved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved. Upon transfer of the bulk of the resources to the Asian Development Fund [see Notes 1(b) and 1(c)] the Administration Charge Payable to Ordinary Capital Resources applicable to such resources and contributions was also transferred, resulting in a net credit arising from such transfer of the liability.

NOTE 7 —

TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 December 1979 for technical assistance projects and programs approved by the Bank, were approximately \$11,844,000 (\$12,806,000—1978); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over \$150,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of \$183,000 (\$205,000-1978) were charged to loans and credited to Income of Special Funds Resources during the year ended 31 December 1979.

DELOITTE HASKINS & SELLS
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of the Asian Development Bank — Special Funds Resources:

Appendix

Balance Sheet, 31 December 1979 and 31 December 1978	I-A
Statement of Income and Expenses and Accumulated Net Income (Expense) for the years ended 31 December 1979 and 31 December 1978	I-B
Statement of Changes in Financial Position for the years ended 31 December 1979 and 31 December 1978	I-C
Statement of Contribution Resources, 31 December 1979	I-D
Technical Assistance Special Fund Balance Sheet, 31 December 1979	I-E
Technical Assistance Special Fund, Summary Statement of expenses for the year ended 31 December 1979	I-F
Notes to Financial Statements, 31 December 1979 and 31 December 1978	I-G

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Special Funds Resources at 31 December 1979 and 31 December 1978 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

29 February 1980

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1979 and 31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

ASSETS	1979		1978	
CASH IN BANKS	\$ 4,142		\$ 9,570	
INVESTMENTS				
Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$165,471 — 1979, \$128,635 — 1978)	\$ 163,517		\$ 126,473	
Time deposits and other obligations of banks	<u>186,687</u>	350,204	<u>163,183</u>	289,656
LOANS (See Appendix 1-4) (Note 4)				
Loans approved — <u>\$1,963,323</u> — 1979, <u>\$1,546,993</u> — 1978				
Effective loans held by Bank		1,570,960		1,294,682
ACCRUED INCOME				
On investments	7,979		8,155	
On loans	<u>2,700</u>	10,679	<u>2,762</u>	10,917
NOTES OF CONTRIBUTORS				
Non-negotiable, non-interest-bearing notes		1,200,751		971,445
AMOUNTS RECEIVABLE FROM CONTRIBUTORS				
(See Appendix 1-5)		56,813		
ACCOUNTS RECEIVABLE				
Multi-Purpose Special Fund	447		1,502	
Others	<u>5,351</u>	5,796	<u>2,662</u>	4,364
TOTAL		\$3,196,347		\$2,580,634
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL				
UNDISBURSED BALANCE OF EFFECTIVE LOANS				
(See Appendix 1-4)		\$ 964,888		\$ 740,314
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 5)				
		8,591		5,775
ACCOUNTS PAYABLE				
		932		1,226
UNEXPENDED BALANCES AND CAPITAL				
Amounts available for loan commitments (See Appendix 1-5)				
Contributed Resources	\$1,925,240		\$1,709,481	
Set-Aside Resources (Note 3)	52,718		62,025	
Other Resources	<u>4,352</u>		<u>4,081</u>	
		1,992,310		1,775,587
Advance payments on contributions	158,939		5,788	
Accumulated net income (See Appendix 1-2)	<u>72,687</u>	2,223,936	<u>51,944</u>	1,833,319
TOTAL		\$3,196,347		\$2,580,634

The accompanying notes to financial statements (Appendix 1-5) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME

For the Years Ended 31 December 1979 and 31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

	1979	1978
INCOME		
From investments	\$26,212	\$21,951
From loans	9,444	7,666
From other sources	<u>343</u>	<u>224</u>
GROSS INCOME	\$37,999	\$29,841
EXPENSES		
Administration Charge (Note 5)	15,376	10,190
Depository bank charges	<u>18</u>	<u>13</u>
GROSS EXPENSES	<u>15,394</u>	<u>10,203</u>
INCOME BEFORE NET GAIN (LOSS) FROM CHANGES IN VALUE OF CURRENCIES	22,605	19,638
NET GAIN (LOSS) FROM CHANGES IN VALUE OF CURRENCIES — resulting primarily from translation of currency holdings derived from earnings (Note 2)	(1,862)	3,726
NET INCOME FOR THE YEAR	20,743	23,364
BALANCE OF ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR	51,944	29,580
BALANCE OF ACCUMULATED NET INCOME AT END OF THE YEAR	\$72,687	\$51,944

*In accordance with International Statement of Standardization of the statement.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1979 and 31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

	1979	1978
FUNDS WERE PROVIDED BY		
Operations		
Net income	\$ 20,743	\$ 23,384
Items-not requiring or providing funds:		
Accrued income including capitalized interest and service charges on loans	238	(3,326)
Administration Charge	15,376	10,190
Funds provided by operations	36,357	30,228
Decrease (increase) in loans disbursed and outstanding as a result of currency revaluations	64,833	(58,571)
Contributions drawn	469,747	352,320
Notes of contributors encashed	140,492	131,450
Decrease (increase) in notes of contributors as a result of currency revaluations	94,220	(118,281)
Loans collected	8,595	6,336
Resources transferred from the Multi-Purpose Special Fund	7,121	468
Accounts payable and other liabilities (loans and other assets) transferred from the Multi-Purpose Special Fund	1,722	(468)
Decrease In Set-Aside Resources due to substitution of the SDR for the 1966 dollar as unit of value	693	4,591
Total	<u>522,780</u>	<u>339,973</u>
FUNDS WERE UTILIZED FOR		
Loans disbursed	125,132	166,987
Notes of contributors received	484,018	309,220
Decrease (increase) in contributions drawn as a result of currency revaluations	182,500	(192,314)
Administration Charge paid	12,560	8,160
Other — net	3,450	5,064
Total	<u>787,680</u>	<u>297,117</u>
INCREASE IN CASH IN BANKS AND INVESTMENTS	\$ 55,120	\$ 42,856
INCREASE (DECREASE) IN COMPONENTS OF FUNDS		
Cash in banks	\$ (5,425)	\$ (1,882)
Investments	60,548	44,738
TOTAL	\$ 55,120	\$ 42,856

The accompanying notes to financial statements (Appendix 1-B) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS^a

31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

Borrower	Principal Amount ^b	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	Effective Loans Held by Bank	Undisbursed Balance of Effective Loans ^c	Outstanding Balance
Afghanistan	\$ 95,100	\$ 29,100	\$ 949	\$ 379	\$ 73,672	\$ 52,382	\$ 21,290
Bangladesh	469,030	67,800	5,201	842	395,387	266,646	106,739
Burma	233,480	5,200	1,120	—	227,140	131,775	95,365
Cambodia	1,570	—	—	—	1,570	1,027 ^d	643
Indonesia	162,280	—	5,400	3,454	153,416	61,372	92,044
Kiribati	1,750	—	—	—	1,750	1,234	516
Korea, Republic of	3,700	—	102	605	2,993	—	2,903
Lao	26,693	7,000	6	727	18,960	9,180	9,780
Malaysia	3,300	—	—	360	2,940	—	2,840
Nepal	178,220	30,880	550	4,032	143,658	107,309	35,349
Pakistan	403,950	185,100	95	2,487	236,268	165,188	71,100
Papua New Guinea	53,940	6,000	—	2,433	45,607	29,283	16,224
Philippines	44,300	—	373	842	49,085	31,457	11,628
Singapore	3,000	—	—	—	3,000	—	3,000
Solomon Islands	11,200	—	—	—	11,200	8,548	2,652
Sri Lanka	162,305	55,100	6,145	3,321	96,739	38,816	59,923
Thailand	37,100	15,000	—	—	22,100	15,650	6,450
Tonga	4,370	1,200	—	—	3,170	1,038	2,132
Viet Nam	40,670	13,000	3,745	379	23,545	15,927	7,619
Western Samoa	26,285	—	61	376	25,843	10,974	16,774
Adjustments in United States dollar equivalents of 103 re- disbursed					38,621 ^e	38,621 ^f	
Portions of loans allocated to the Multi-Purpose Special Fund (Note 4)					(710)	(710)	
TOTAL	\$1,963,323	\$387,183	\$25,847	\$20,247	\$1,570,960	\$984,656	\$506,072

^aThe accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.^bThe Bank makes a service charge on all Social Funds loans approved after 21 March 1974 at the rate of 1% per annum. On loans approved prior to 21 March 1974, the Bank charges interest (not using a service fee of 3/4 of 1%) ranging from 1% per annum to 3% per annum.^cWhere necessary and where available, the resources of the Multi-Purpose Special Fund will also be drawn upon to finance these loans. (See Note 4.)^dOf the undisbursed balance, the Bank has entered into irrevocable commitments to disburse \$1,544.^ePending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursements of the loan.^fThis amount represents adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1979

Expressed in Thousands of United States Dollars (Note 2)

	Amounts Committed During 1979	Cumulative Amounts Committed	Amounts Not Yet Available for Loan Com- mitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
CONTRIBUTED RESOURCES						
Australia	\$ 107,033	\$ 170,696	\$ 80,275	\$ 90,421	\$ 90,421	\$ —
Austria	21,373	30,459	16,030	14,429	14,429	—
Belgium	—	18,712	—	18,712	18,712	—
Canada	6,851 ^a	97,580	—	97,580	97,580 ^b	—
Denmark	17,008	30,917	12,758	18,161	18,161	—
Finland	16,144	19,877	12,107	7,770	7,770	—
France	116,671	118,671	89,003	29,668	29,668	—
Germany, Federal Republic of	154,649	321,514	123,467	198,027	198,027 ^c	—
Italy	—	39,574	—	39,574	39,574	—
Japan	749,141	1,474,353	561,856	912,497	858,712	53,785
Netherlands	—	40,291	—	40,291	40,291	—
New Zealand	—	8,851	—	8,851	8,851	—
Norway	16,295	26,959	12,221	14,738	12,710	2,028
Sweden	29,630	39,745	22,222	17,523	17,523	—
Switzerland	30,013	55,735	22,510	33,225	33,225 ^d	—
United Kingdom	131,953	212,638	98,965	113,673	113,673	—
United States	—	330,000 ^e	60,000	270,000	270,000	—
Total	1,408,761	3,036,672	1,111,432	1,925,240	1,860,427	55,813
SET-ASIDE RESOURCES (Note 3)	—	62,718	—	62,718	62,718	—
OTHER RESOURCES	—	4,352	—	4,352	4,352	—
TOTAL	\$1,408,761	\$3,103,742	\$1,111,432	\$1,992,510	\$1,936,497	\$55,813

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

- a. Amount transferred from the Multi-Purpose Special Fund.
- b. Not including \$30,064 received from Canada on account of its contribution to the second replenishment of the Fund for which the necessary formalities had not been completed as of 31 December 1979.
- c. Not including \$123,467 and \$3,268 received from the Federal Republic of Germany and Switzerland, respectively, representing advance payments on account of their contributions to the second replenishment of the Fund which amounts were not available for loan commitment purposes as of 31 December 1979.
- d. Including \$60,000 representing the balance of the United States' contribution to the first replenishment of the Fund for which amount the necessary legislative action had not been completed as of 31 December 1979.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1979 and 31 December 1978

CONTINUED

NOTE 1 —

GENERAL

- (a) In 1973, the Board of Governors authorized the establishment of the Asian Development Fund (the Fund) with initial resource mobilization arrangements for the three years ending 31 December 1975 in a total amount equivalent to US\$525,000,000 to be provided in two stages. In April 1974, the Board of Directors adopted Regulations for the administration of the Fund. The Fund was established on 26 June 1974 when Instruments of Contribution for a total amount exceeding the minimum amount required to establish the Fund were deposited with the Bank.
- (b) Six contributors elected to have their contributions to the Multi-Purpose Special Fund made after 31 December 1972 credited toward the amount of their contributions to the Fund. Accordingly, their contributions were transferred to the Fund.
- (c) Three contributors have requested and the Board of Directors has agreed, that the initial use of their contributions under the first stage of the initial mobilization arrangements, aggregating the equivalent of US\$104,279,000 at 31 December 1979 (US\$105,219,000 — 1978) be restricted to procurement of goods and services from their respective countries. Of this amount, the equivalent of US\$27,262,000 as of 31 December 1979 (US\$21,016,000 — 1978) has been so used.
- (d) As a further step to streamline and restructure the Special Funds, transfer to the Fund of the resources in the Multi-Purpose Special Fund (with the concurrence of the relevant contributor) was authorized in

1975. Accordingly, since 1 October 1975, the Set-Aside Resources, the Contributed Resources (including the remaining portion of the contribution of Canada) and the accumulated net income of the Accrued Resources up to 31 December 1978 have been transferred from the Multi-Purpose Special Fund to the Fund.

- (e) Subsequent to the initial resource mobilization arrangements, the Board of Governors has authorized the following:
 - (i) in December 1975, the first replenishment of the Fund in a total amount equivalent to US\$830,000,000 (subsequently revised to US\$839,000,000) for the three years ending 31 December 1978 under a three-instalment program; and
 - (ii) in July 1978, the second replenishment of the Fund in a total amount equivalent to US\$2,000,000,000 in basic contributions together with an amount equivalent to US\$150,000,000 in supplementary contributions to be provided during the four years ending 31 December 1982 under a four-instalment program.

NOTE 2 —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Unit of Account

The financial statements of the Fund are expressed in thousands of current United States dollars.

(b) Translation of Currencies

Assets, liabilities and unexpended balances in currencies other than United States dollars are

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1979 and 31 December 1978

translated at the applicable rates of exchange which prevailed at the end of the year.

Income and expense amounts in currencies other than United States dollars are translated for each quarter generally at the applicable rates of exchange which prevailed at the beginning of the quarter; such practice approximates the application of average rates in effect during the quarter.

Translation adjustments relating to contributions are offset by increases or decreases in the contribution accounts. Translation adjustments relating to capital set-aside are recorded as receivable from or payable to Ordinary Capital Resources. Other translation adjustments are credited or charged to income.

(c) Contributions

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

NOTE 3 —

SET-ASIDE RESOURCES

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

The capital stock of the Bank is defined in Article 4, paragraph 1 of the Articles of Agreement "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par-value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the inter-

national Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. The Bank is examining the implications of this change on the valuation of its capital stock but has not made a decision on the matter. Pending such a decision, the Set-Aside Resources has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1979, the SDR was valued at \$1.31733. On this basis, Set-Aside Resources amounted to \$62,718,000. The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Fund. If the capital stock as of 31 December 1979 had been valued in terms of \$12,063.50 per share Set-Aside Resources would have been \$57,434,000.

NOTE 4 —

LOANS

Loans approved by the Bank on concessional terms are classified as Special Funds loans. Where necessary and when available the resources of both the Multi-Purpose Special Fund and the Fund may be used either singly or jointly to finance such loans. The portions of loans allocated to the Multi-Purpose Special Fund, representing disbursements in respect of individual loans made from the resources remaining in that fund, are shown as an adjustment to the Summary Statement of Loans.

NOTE 5 —

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans approved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved.

DELOITTE HASKINS & SELLS
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank

We have examined the following financial statements of the Asian Development Fund

Appendix

Balance Sheet, 31 December 1979 and 31 December 1978	1-1
Statement of Income and Expenses and Accumulated Net Income for the years ended 31 December 1979 and 31 December 1978	1-2
Statement of Changes in Financial Position for the years ended 31 December 1979 and 31 December 1978	1-3
Summary Statement of Loans, 31 December 1979	1-4
Statement of Resources, 31 December 1979	1-5
Notes to Financial Statements, 31 December 1979 and 31 December 1978	1-6

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Fund at 31 December 1979 and 31 December 1978 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

29 February 1980

APPENDIX 2

SUMMARY OF BUDGET FOR 1980
INTERNAL ADMINISTRATIVE EXPENSES

	1979			1980
	Original Budget	Revised Budget ¹	Actual	Budget
I. BOARD OF GOVERNORS	\$ 75,000	\$ 82,000	\$ 81,147	\$ 135,000
II. BOARD OF DIRECTORS	1,987,000	1,973,000	1,936,008	1,976,000
Salaries	1,009,000	1,008,000	1,007,945	1,009,000
Benefits	407,000	399,000	380,999	463,000
Relocation	228,000	218,000	211,469	133,000
Business Travel	170,000	180,000	175,872	163,000
Staff Services	153,000	168,000	161,723	188,000
III. STAFF	22,884,000	24,026,000	23,417,848	30,308,000
Salaries	13,507,000	13,791,000	13,760,077	17,393,000
Benefits	5,736,000	6,271,000	6,070,435	7,802,000
Relocation	1,441,000	1,978,000	1,823,120	2,561,000
Consultants	2,200,000	1,986,000	1,758,016 ²	2,550,000
IV. BUSINESS TRAVEL AND REPRESENTATION	2,805,000	2,356,000	2,299,530	3,080,000
Business Travel	2,550,000	2,298,000	2,242,601	3,000,000
Representation	55,000	57,000	56,929	80,000
V. OTHER ADMINISTRATIVE EXPENSES	4,433,000	4,475,000	4,433,848	6,085,000
Communications	739,000	943,000	942,043	1,122,000
Office Occupancy	1,848,000	1,591,000	1,580,377	2,658,000
Library	112,000	121,000	120,061	130,000
Expendable Supplies	323,000	435,000	434,651	458,000
Office Equipment	323,000	330,000	329,804	427,000
Contractual Services	685,000	855,000	818,110	1,030,000
Insurance	118,000	108,000	107,294	138,000
Miscellaneous	85,000	92,000	91,706 ³	101,000
VI. GENERAL CONTINGENCY	640,000	—	—	830,000
TOTAL	\$32,604,000	\$32,911,000	\$32,170,181	\$42,372,000

¹ Incorporating the Supplementary Budget. Transfers between items were made at year end without exceeding the total for each category.² Includes \$1,019,699 from the Technical Assistance Special Fund.³ Includes \$4,821 from the Technical Assistance Special Fund.

SUMMARY OF BUDGET FOR 1980

SERVICES TO MEMBER COUNTRIES

CONTINUED

Financed from Bank's Own Resources	1979				1980	
	Commitments		Disbursements		Budget	
	Budget	Actual	Budget	Actual	New Commitments	Disbursements
Project Preparation	\$5,570,000	\$4,764,500	\$3,463,000	\$3,593,122 ¹	\$4,900,000	\$3,800,000
Advisory and Operational	900,000	1,800,000	1,484,000	1,181,632 ²	2,500,000	2,800,000
Regional Services	1,230,000	1,047,500	825,000	760,353 ³	2,100,000	900,000
TOTAL	\$7,700,000	\$7,612,000	\$5,762,000	\$5,515,107	\$9,500,000	\$7,500,000

¹ Includes \$3,385,870 from the Technical Assistance Special Fund.² Includes \$974,800 from the Technical Assistance Special Fund.³ Includes \$881,360 from the Technical Assistance Special Fund.

APPENDIX 3

RESOLUTIONS OF BOARD OF GOVERNORS DURING 1979

Resolution No.	Subject	Date Adopted
124	Further Extension of Time for Subscription To, and Payment of Installments Under, the Second General Capital Increase	23 April 1979
125	Procedures for the Election of Directors at the Twelfth Annual Meeting	3 May 1979
126	Financial Statements and Auditors' Reports	4 May 1979
127	Allocation of Net Income	4 May 1979
128	Place and Date of Thirteenth Annual Meeting	4 May 1979

BOARD OF GOVERNORS

(As of 31 December 1979)

Cesar Virata (Philippines) Chairman

Rene Monory (France) Vice-Chairman

Ronnie de Mel (Sri Lanka) Vice-Chairman

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Democratic Republic of	Abdul Wakil ¹ Finance Minister	M. Naim Askaryar ² President Treasury Department
Australia	J. W. Howard Treasurer	J. C. Ingram Director Australian Development Assistance Bureau
Austria	Hannes Androsch Federal Minister of Finance	Erich Schmid Envoy Extraordinary and Minister Plenipotentiary Federal Ministry of Foreign Affairs
Bangladesh	M. N. Huda Minister of Finance and Planning	S. A. Khair ³ Secretary Ministry of Finance
Belgium	Gaston Geens Minister of Finance	M. D'Haese Vice-Governor National Bank of Belgium
Burma	U Tun Tin Deputy Prime Minister and Minister of Planning and Finance	U Maung Shein Deputy Minister Ministry of Planning and Finance
Cambodia		
Canada	John C. Crosbie ³ Minister of Finance	Michel Dupuy President Canadian International Development Agency
China, Republic of	Yu Kuo-Hwa Governor Central Bank of China	C. M. Wang Vice Minister of Finance
Cook Islands	V. A. K. T. Ingram Minister of Justice & Police and Minister of Trade, Industry, Labour & Commerce	W. A. King ^b Financial Secretary
Denmark	Lise Destergaard Minister without Portfolio	K. Repsdorph Under-Secretary of State for Development Co-operation Ministry of Foreign Affairs

CHANGES IN 1979

1. Succeeded Abdul Karim Meesaz in December. Abdul Karim Meesaz succeeded Mehrabuddin Pakkawal in April.
 2. Succeeded Rajab Ali Yagana in December. Rajab Ali Yagana succeeded M. Naim Askaryar in October.
 3. Succeeded Jean Chretien in July.

CHANGES IN 1980

- a. Succeeded by A.M.A. Munir in March.
 b. Demitted office in February.

APPENDIX 4

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Fiji	Charles Walker ¹ Minister of Finance	Winston Thompson Permanent Secretary for Finance
Finland	Wilhelm Breitenstein Director of the Department for International Development Cooperation Ministry for Foreign Affairs	Eero Asp Managing Director Finnish Export Credit, Ltd.
France	Rene Monory Minister for Economy	Jean-Yves Haberer Director of Treasury Ministry of Economy
Germany, Federal Republic of	Rainer Oeffgen Federal Minister for Economic Cooperation	Hans-Herbert Weber [*] Ministerialdirektor Federal Ministry of Finance
Hong Kong	C. P. Haddon-Cave Financial Secretary	
India	R. Venkataraman ^{2, b} Minister of Finance	Manmohan Singh Secretary Ministry of Finance Department of Economic Affairs
Indonesia	Ali Wardhana Minister of Finance	Rachmat Saleh Governor Bank Indonesia
Italy	Lamberto Dini ³ Director General Bank of Italy	Felice Ruggiero Director General Ministry of the Treasury
Japan	Noboru Takeshita ⁴ Minister of Finance	Haruo Maekawa ⁵ Governor Bank of Japan
Kiribati	Thwau Awira Minister for Finance	Roniti Tewalki Minister for Trade and Communications
Korea, Republic of	Woun Gie Kim Minister of Finance	Byong Hyun Shin Governor Bank of Korea
Lao People's Democratic Republic	Bouebong Souvannavong Vice-Minister of Finances	
Malaysia	Tengku-Razaleigh Hamzah Minister of Finance	Ismail Bin Mohamed Ali Governor Bank Negara Malaysia
Maldives	Fathulla Jameel ⁶ Minister of External Affairs	Adam Maniku Deputy Director Department of Finance

CHANGES IN 1979

1. Succeeded C. A. Stinson in February.
 2. Succeeded H. N. Bahuguna who succeeded Charan Singh in August.
 Charan Singh succeeded H. M. Patel in January.
 3. Succeeded Paolo Battifin in October.
 4. Succeeded Ippal Kaneko in November.
 5. Succeeded Teijohiro Morinaga in December.
 6. Succeeded Amrit Abdul Sattar in June.

CHANGES IN 1980

- a. Succeeded by Winfried Heck in January.
 b. Effective 24 January.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Nepal	Ram Prasad Rajbahak ^{1,a} Minister of State for Finance	Devendra Raj Panday ^b Secretary of Finance Ministry of Finance
Netherlands	F. H. J. J. Andriessen ^c Minister of Finance	J. de Koning Minister for Development Cooperation
New Zealand	R. D. Muldoon Prime Minister and Minister of Finance	N. V. Lough Secretary to the Treasury
Norway	Knut Frydenlund Minister of Foreign Affairs	Johan Joergen Holst ^d Under Secretary of State Ministry of Foreign Affairs
Pakistan	Ghulam Ishaq Khan Minister of Finance and Coordination	Attab Ahmad Khan Secretary Economic Affairs Division
Papua New Guinea	Barry Blyth Holloway Minister for Finance	Mekere Morauta Secretary for Finance
Philippines	Cesar Virata Minister of Finance	Gregorio S. Licaros Governor Central Bank of the Philippines
Singapore	Goh Chok Tong Minister of Trade & Industry	J. Y. M. Pillay Permanent Secretary Revenue Division Ministry of Finance
Solomon Islands	Benedict Kinika Minister of Finance	Pulepada Ghermu Minister of Foreign Trade, Industry & Labour
Sri Lanka, Democratic Socialist Republic of	Ronnie de Mel Minister of Finance and Planning	W. M. Tilakaratna Secretary to the Treasury and Secretary, Ministry of Finance and Planning
Sweden	Hans Blix ^e Under-Secretary of State Office for International Development Cooperation Ministry for Foreign Affairs	Bo Kjellen Head Multilateral Department Office for International Development Cooperation Ministry for Foreign Affairs
Switzerland	Klaus Jacobi Ambassador Delegate of the Federal Council for Trade Agreements	Hans Meyer Deputy General Manager Swiss National Bank
Thailand	Kriangsak Chomnanan ^{f,g} Prime Minister and Minister of Finance	Chanchai Leetavorn Under-Secretary of State for Finance Ministry of Finance

CHANGES IN 1979

1. Succeeded Kirti Nidhi Bista in April. Kirti Nidhi Bista succeeded B. B. Thapa in January.
 2. Succeeded Thorvald Stoltenberg in December.
 3. Succeeded Thord Palmlund in November.
 4. Succeeded Suphat Butdum in June.

CHANGES IN 1980

- a. Succeeded by Harihar Prasad Yadav in January.
 b. Succeeded by Gopakarna Banedur Bhuchha Pradhan in February.
 c. Succeeded by A. P. J. M. M. Van Der Stee in March.
 d. Succeeded by Sommai Hosnaraksa in February.

APPENDIX 4

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Tonga	S. Tapa Acting Minister of Finance	Baron Vaea Minister of Labour, Commerce & Industries and Assistant Minister of Finance
United Kingdom	Nell Marten MP ¹ Minister of State for Foreign & Commonwealth Affairs and Minister for Overseas Development	A. G. Hurrell Under Secretary Overseas Development Administration
United States	G. William Miller ² Secretary of the Treasury	Richard N. Cooper Under Secretary of State for Economic Affairs
Viet Nam, Socialist Republic of	Tran Duong Minister Director General State Bank of Viet Nam	Le Hoang ³ Vice Minister Deputy Director General State Bank of Viet Nam
Western Samoa	Vaovasamania R. P. Phillips Minister of Finance	A. L. Hutchison Financial Secretary

CHANGES IN 1979

1 Succeeded Judith Hart in June.

2 Succeeded W. Michael Blumenthal in September.

3 Succeeded Mai Huu Ich in August.

Note: Changes notified after 24 March 1980 have not been included.

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1979)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED ¹
A. J. Barry ² (Canada)	Dag Larsson ³ (Norway)	Canada Denmark Finland Netherlands Norway Sweden
Rosario Bonavoglia (Italy)	J. M. Mottoul (Belgium)	Belgium France Italy Switzerland
N. W. Davey ⁴ (Australia)	Peter H. Hodge (Australia)	Australia Hong Kong Kiribati Solomon Islands
Lester E. Edmond (United States)	Jon M. Gaaserud (United States)	United States
Rainer Goerdeler (Federal Republic of Germany)	David L. Stanton ⁵ (United Kingdom)	Austria Federal Republic of Germany United Kingdom
R. A. Kartadjoemena (Indonesia)	Cliff F. Sproule (New Zealand)	Cook Islands Fiji Indonesia New Zealand Tonga Western Samoa
Bong H. Kay (Republic of Korea)	William A. Lawrence (Papua New Guinea)	Republic of China Republic of Korea Papua New Guinea
Le Duc Van ⁶ (Socialist Republic of Viet Nam)	Mohammad Qasim ⁷ (Afghanistan)	Democratic Republic of Afghanistan Lao People's Democratic Republic Maldives Democratic Socialist Republic of Sri Lanka Socialist Republic of Viet Nam
A. Melchor, Jr. ⁸ (Philippines)	M. R. Khan ⁹ (Pakistan)	Pakistan Philippines
Genji Nozaki (Japan)	Yoshinori Yorimatsu (Japan)	Japan
Y. T. Shah (India)	K. Mahmood (Bangladesh)	Bangladesh India
Yeo Teng Yang ¹⁰ (Singapore)	U Hla Maung (Burma)	Burma Malaysia Nepal Singapore Thailand

¹ In alphabetical order within each group.² Succeeded Ernest A. Deenreicher (resigned with effect from 31 May) on 1 June.³ Succeeded Karl G. Engstrom (resigned with effect from 31 August) on 1 September.⁴ Succeeded Harold G. Heinrich (resigned with effect from 9 September) on 10 September.⁵ Succeeded Helmer Luschin (resigned with effect from 31 May) on 1 June.⁶ Succeeded C. A. Cooley (resigned with effect from 31 May) on 1 June.⁷ Succeeded Le Duc Van (resigned with effect from 31 May) on 6 June.⁸ Succeeded M. R. Khan (resigned with effect from 31 May) on 1 June.⁹ Succeeded A. Melchor, Jr. (resigned with effect from 31 May) on 1 June.¹⁰ Succeeded Kalyana Bikram Achikary (resigned with effect from 31 May) on 1 June.

APPENDIX 6

PRINCIPAL OFFICERS

(As of 31 December 1979)

OFFICE OF THE PRESIDENT

Taroichi Yoshida	President
A. T. Bambawale	Vice-President
S. Stanley Katz	Vice-President
Candelario Trujillo Jr.	Advisor, Computer Services

OFFICE OF THE SECRETARY

Soesilo Sardadi	Secretary
Wilfred A. Vawdrey	Deputy Secretary

OFFICE OF THE GENERAL COUNSEL

Chun Pyo Jhong	General Counsel
Vacant	Deputy General Counsel
Daud Ilyas	Assistant General Counsel

COUNTRY DEPARTMENT

Donald Mentz	Director
Song Chi Lee	Deputy Director
Zia Noorzoy	Deputy Director
Eiji Kobayashi	Country Manager (Democratic Republic of Afghanistan, Nepal, Pakistan)
S. Mahboob Alam	Country Manager (Burma, Maldives, Democratic Socialist Republic of Sri Lanka)
Vacant	Country Manager (Bangladesh, Cambodia, Lao People's Democratic Republic, Socialist Republic of Viet Nam)
Klaus J.L. Hoffarth	Country Manager (Malaysia, Thailand)
Jayanta Madhab	Country Manager (Republic of China, Republic of Korea, Philippines)
Sayed A. Baha	Country Manager (Hong Kong, Indonesia, Singapore)
Mazhar Ali Khan	Country Manager (South Pacific)

DEVELOPMENT POLICY OFFICE

Akira Tsusaka	Chief
A. I. Aminul Islam	Manager

CONTINUED

AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT

Sam-Chung Haleh	Director
Kunio Takase	Deputy Director
S. T. Senawiratne	Manager (General Agriculture)
E. Frank Tacke	Manager (Rural Development and Agricultural Credit)
Po-Chuan Sun	Manager (Irrigation I — East Asia, Southeast Asia, South Pacific)
Richard M. Bradley	Manager (Irrigation II — South Asia, Indo-China)
M. Zaki Azam	Manager (Fisheries and Livestock)

INFRASTRUCTURE DEPARTMENT

Kasturi L. Luthra	Director
J. J. Warford	Deputy Director
Mahesan Ganesan	Manager (Airports and Highways)
Yuzo Akatsuka	Acting Manager (Ports, Railways and Telecommunications)
David Howarth	Manager (Water Supply)
Ronald S. Skeates	Manager (Social Infrastructure, including Education and Urban Development)

INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT

Robert N. Bakley	Director
Joaquin J. Gochoco	Deputy Director
Stephen Y. C. Lau	Manager (Industry and Minerals)
S. N. Vinze	Manager (Power)
Multathottil K. Titus	Manager (Development Banks I — East Asia, Southeast Asia and South Pacific)
Ferdinando Buffoni	Manager (Development Banks II — South Asia and Indochina, Training Assistance Unit)

CENTRAL PROJECTS SERVICES OFFICE

Wolf D. Kluber	Chief
Urs Rolf Sieber	Manager (Consulting Services)

APPENDIX 6

CONTINUED

BUDGET, PERSONNEL & MANAGEMENT SYSTEMS DEPARTMENT

Yukinori Watanabe	Director
Joseph H. Landriault	Deputy Director
Dang Fook Lee	Manager (Budget and Planning)
Gerald C. Evans	Acting Manager (Personnel)

OFFICE OF ADMINISTRATIVE SERVICES

Raymond B. Lyon	Acting Chief
Frank R. S. Weeraratne	Coordinator of Special Projects
Ian F. Darroch	Manager (Building Services)
Pyong Whi Min	Manager (General Services)

CONTROLLER'S DEPARTMENT

S. M. A. Kazmi	Controller
Eichi Watanabe	Assistant Controller
Alan L. Pan	Assistant Controller
Shamshad Ali Khan	Assistant Controller

TREASURER'S DEPARTMENT¹

Ulrich Linck	Treasurer
Vacant	Deputy Treasurer
M. Ikramullah Khan	Assistant Treasurer
Yukiji Miyazaki	Assistant Treasurer

ECONOMIC OFFICE

(Vacant)	Chief Economist
Kedar N. Kohli	Assistant Chief Economist and Acting Chief Economist
Burton T. Ohnate	Chief Statistician

INFORMATION OFFICE

P. S. Hariharan	Chief Information Officer
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OFFICE OF THE INTERNAL AUDITOR

Carl J. Lemvig-Fog	Internal Auditor
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POST-EVALUATION OFFICE

Ernest J. Ettlinger	Chief
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¹ Yukiji Miyazaki was promoted to Deputy Treasurer and designated Acting Treasurer with effect from 9 January 1990.

CHANNELS OF COMMUNICATION AND DEPOSITORYES

(As of 31 December 1979)

COUNTRY	CHANNEL	DEPOSITORY
Afghanistan, Democratic Republic of	Ministry of Finance	Da Afghanistan Bank
Australia	Commonwealth Treasury	Reserve Bank of Australia
Austria	Bundesministerium fuer Finanzen	Oesterreichische National Bank
Bangladesh	Ministry of Finance	Bangladesh Bank
Belgium	Ministere des Finances	National Bank of Belgium
Burma	Ministry of Planning and Finance	Union of Burma Bank
Cambodia		National Bank of Cambodia
Canada	Department of Finance	Bank of Canada
China, Republic of	Central Bank of China	Central Bank of China
Cook Islands	Office of Financial Secretary	National Bank of New Zealand, Ltd.
Denmark	Ministry of Foreign Affairs	Danmarks National Bank
Fiji	Ministry of Finance	Central Monetary Authority of Fiji
Finland	Ministry for Foreign Affairs	Soumen Pankki-Finlands Bank
France	Ministere de l'Economie et des Finances	Banque de France
Germany, Federal Republic of	Bundesministerium fuer Wirtschaftliche Zusammenarbeit	Deutsche Bundesbank
Hong Kong	Office of Financial Secretary	Hongkong and Shanghai Banking Corporation
India	Ministry of Finance	Reserve Bank of India
Indonesia	Ministry of Finance	Bank of Indonesia
Italy	Ministero del Tesoro	Banca d'Italia
Japan	Ministry of Finance	Bank of Japan
Kiribati	Office of Financial Secretary	Bank of New South Wales
Korea, Republic of	Ministry of Finance	Bank of Korea
Lao People's Democratic Republic	National Bank of Laos	Banque Nationale du Laos
Malaysia	Office of Secretary General to the Treasury	Bank Negara Malaysia
Maldives	Department of Finance	Department of Finance
Nepal	Ministry of Finance	Nepal Rastra Bank
Netherlands	Ministerie van Financien	De Nederlandsche Bank N.V.

APPENDIX 7

CONTINUED

COUNTRY	CHANNEL	DEPOSITORY
New Zealand	Ministry of Foreign Affairs	Reserve Bank of New Zealand
Norway	Royal Ministry of Foreign Affairs	Norges Bank
Pakistan	Ministry of Finance and Coordination	State Bank of Pakistan
Papua New Guinea	Department of Finance	Bank of Papua New Guinea
Philippines	Ministry of Foreign Affairs	Central Bank of the Philippines
Singapore	Ministry of Finance	Monetary Authority of Singapore
Solomon Islands	Ministry of Finance	Australia and New Zealand Banking Group, Ltd.
Sri Lanka, Democratic Socialist Republic of	Ministry of Finance and Planning	Central Bank of Ceylon
Sweden	Ministry for Foreign Affairs	Sveriges Riksbank (Bank of Sweden)
Switzerland	Departement federal de l'économie publique	Banque Nationale Suisse
Thailand	Ministry of Finance	Bank of Thailand
Tonga	Ministry of Finance	Accountant-General Treasury Department
United Kingdom	Overseas Development Administration	Bank of England
United States	Treasury Department	Federal Reserve Bank of New York
Viet Nam, Socialist Republic of	State Bank of Viet Nam	State Bank of Viet Nam
Western Samoa	Office of Secretary to the Government	Bank of Western Samoa