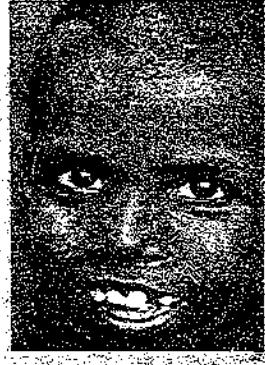


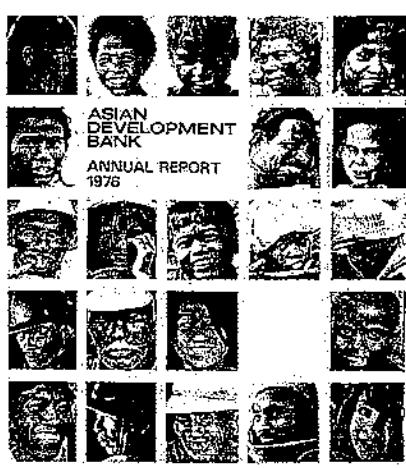
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ASIAN DEVELOPMENT BANK

ANNUAL REPORT 1976





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ASIAN DEVELOPMENT BANK ANNUAL REPORT 1976

ASIAN DEVELOPMENT BANK
Manila

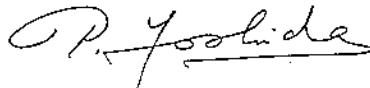
Office of the President

8 March 1977

Dear Mr. Chairman,

With respect to Article 39 of the Articles of Agreement of the Asian Development Bank and in accordance with Section 13 of the By-Laws of the Bank, I submit to the Board of Governors, on behalf of the Board of Directors, the enclosed Annual Report on the operations and policies of the Bank in 1976, including a separate report on the activities of the Special Funds of the Bank. The Annual Report also includes 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

The Bank's financial statements are expressed in current United States dollars; accordingly, the amounts expressed in United States dollars in this Report, which refer to the Bank's position in 1973 and subsequent years, are related to the United States dollar at its current value of 0.736662 gram of fine gold. United States dollar amounts which refer to the position in 1972 or in earlier years, unless otherwise stated, are related to the value of the United States dollar current at the time.

*GRAIN field at Davao del Norte Irrigation Project,
southern Philippines, where an integrated agricultural
development program includes turning 3,000 ha. of
second growth forest land into productive ricefields.*

THE RECORD

(amounts in \$ million)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1967-1976
OPERATIONAL ACTIVITIES											
Loan Projects											
Number ¹	—	7	19	30	27	30	39	39	40	36	264 ²
Amount	—	42	98	246	254	316	421	548	660	776	3,359 ²
Ordinary loans											
Number	—	7	14	22	16	16	30 ³	21	27	21	171 ²
Amount	—	42	76	212	203	222	303	375	494	540	2,465 ²
Disbursements	—	2	7	16	44	50	120	160	285	263	948
Special Funds Loans											
Number	—	—	6	10	12	16	24	19	14	16	117
Amount	—	—	22	34	51	94	118	173	166	236	895
Disbursements	—	—	—	2	5	11	26	27	77	63	211
Technical Assistance											
Projects (Grants) ⁴											
Number	1	10	13	19	15	16	24	31	25 ⁵	24	178
Amount	0.08	1.24	2.23	2.91	1.54	3.28	2.60	5.42	4.38 ⁶	4.62	28.28
Regional Activities (Grants) ⁴											
Number	1	3	2	1	4	4	5	3	7	6	36
Amount	0.16	2.97	0.55	0.03	0.37	0.19	0.16	0.17	0.94	0.99	6.53
RESOURCES AND FINANCES											
Authorized Capital (at year-end)											
In terms of current US dollar	1,327	1,327	1,327	1,327	1,327	3,317	3,366	3,366	3,676	3,707	—
(In terms of 1966 US dollar)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)	(2,750)	(2,790)	(2,790)	(3,048)	(3,073)	—
Subscribed Capital (at year-end)											
In terms of current US dollar	1,170	1,170	1,180	1,211	1,212	2,449	2,725	2,770	3,202	3,688	—
(In terms of 1966 US dollar)	(970)	(970)	(978)	(1,004)	(1,005)	(2,030)	(2,259)	(2,296)	(2,654)	(3,057)	—
Borrowings (gross)											
—	—	16	22	122	59	31	42	323 ⁶	529	1,143	—
Outstanding Debt (at year-end)											
—	—	16	38	159	229	249	283	530	1,084	—	—
Ordinary Reserve (at year-end)											
—	2.1	5.6	11.1	22.4	31.2	35.0	50.6	77.1	101.6	—	—
Special Reserve (at year-end)											
—	—	0.04	0.18	0.56	1.53	3.37	6.23	10.97	18.66	—	—
Gross Income											
4.6	7.3	12.9	20.6	25.9	33.6	46.3	57.4	81.0	128.3	—	—
Net Income after Appropriation of Commission to Special Reserve											
2.1	3.5	5.5	11.3	14.6	11.2	15.7	26.4	24.5	40.6	—	—
Special Funds Resources (at year-end) ⁷											
—	45.0	82.7	137.9	192.5	219.3 ⁸	385.6 ⁸	560.2	692.0	931.9 ⁹	—	—
Member Countries (at year-end)											
32	32	33	35	36	37	40	41	41	42	—	—
Professional Staff (at year-end)											
55	94	143	159	191	207	222	231	254	288	—	—

(Cumulative amounts in last column may not tally with annual figures due to rounding.)

1 Projects financed by loans from both ordinary capital resources and Special Funds are counted only once.

2 Excluding three loans later incorporated in new loans.

3 Including 13 loans from ordinary capital resources under a scheme operated in 1973 (only) for supplementing limited Special Funds resources.

4 Including projects financed from sources outside the Bank, mainly UNDP. Technical assistance projects financed on a loan basis are included under loans.

5 Excludes South East Sulawesi Transmigration Area Development Project (\$495,600) and Bandung Urban Development and Sanitation Project (\$1,163,000) which were refinanced in 1976, partly by grants and partly by loans.

6 Including the undrawn balance of The Bank of Japan borrowing.

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

8 Including one contribution made in 1972 by Belgium which became effective in 1974.

9 Commitments from these resources totalled \$890 million at end of 1976.

THE FIRST TEN YEARS

"Asia is now experiencing one of her most difficult periods since the end of the Second World War. We must tackle the problem of establishing and maintaining peace by making our utmost efforts in every field of endeavour; political, economic and social—and at every level—international, regional and national. The task is not an easy one. In this context, it is gratifying to note that the Asian Development Bank (ADB) has been created as a result of Asian initiative and cooperation, with the close support of countries in other parts of the world."

— U Thant, Secretary-General of the United Nations, in a message to the Inaugural Meeting of the Bank's Board of Governors, Tokyo, 24-26 November 1966.

THE BANK opened its doors for business in 1966—a most difficult period for the region. As the Bank commemorates the completion of its first ten years of service to the Asian and South Pacific region, many of the old difficulties have lingered, with new and perhaps more intractable problems emerging.

For the first time in three decades, the region is free from major conflicts; but for millions of people, insecurity persists at the economic and social level. This period in the history of the region could be recorded as a time of enormous change, marked by the advent and vigorous growth of a unique Asian institution. Yet, for an organization assigned to help promote the economic welfare of over one billion people, including most of the world's poorest poor, its accomplishments in the past decade can represent no more than an opening chapter.

The Bank's first ten years proved to be a time of far-reaching changes for the nations, the economies and the peoples of the region. The period opened in the second half of the United Nations First Development Decade—a hopeful time when the growth targets of the Bank's developing member countries (DMCs), in general, looked like being met, or were well on the way to achievement. It was a time when fears of global starvation were being eased by the promise of the so-called "Green Revolution"—the first impact of the new high-yielding foodgrain varieties on the developing world. It took a few more years to realize that while the new agricultural technology was producing more food in the fields, it also required levels of institutional organization—often lacking—in connection with the supply and distribution of necessary inputs.

The mid-1960s also provided the setting for some of the most distressing military conflicts in Asia in recent history. The military disputes have since been resolved, but the

economic impact of these prolonged conflicts remains a burden on the countries involved.

The second half of the decade brought a new set of problems for DMCs of the region—problems largely beyond their control. Just as many of these countries were showing encouraging progress in economic growth and production, they experienced a severe setback through a train of adverse developments on the international economic front. Worldwide inflation, sharp increases in oil prices, a persistent economic recession in industrialized countries and worsening terms of trade over the past few years combined to retard economic and social progress and to reduce the earlier momentum of growth. War and natural disasters also took a heavy toll. It is a tribute to the resilience and growing sense of self-reliance and economic discipline among the developing nations of the Bank's region that they have not only survived the adversities, but in some cases have still managed to record substantial progress.

One significant development from the mixed patterns of the decade was the increasing recognition in international forums of the interdependence of nations and the increasing efforts to strengthen the range of cooperation with the developing countries. The Association of Southeast Asian Nations (ASEAN) linking five potentially rich developing countries for mutual cultural and economic development has set a landmark in subregional cooperation. Other regional initiatives combining developing nations in their first moves toward preferential trading and currency clearing arrangements, as well as improved telecommunications, took shape to help break down the barriers of centuries of isolation. The Asian Development Bank itself represented one of these more tangible expressions of regional cooperation, strengthened by international support.

Dimensions of the Region

"If we are to shed more than a glimmer of light on an area which houses one-third of the world's population — or roughly one billion people — this is merely a beginning. I envision the initial resources of the Asian Development Bank as a catalyst, supplying the impetus for the influx of new investment funds from regional and non-regional sources alike . . ."

— President Takeshi Watanabe,
upon his election as the
Bank's First President,
Tokyo, November 1966.

President Watanabe's vision of the Bank's role as an agent of catalytic change is as relevant today as it was ten years ago. During the decade, nearly 250 million people were added to the combined population of the DMCs. In terms of both population and area, these countries comprise the largest sector of the globe served by a regional development bank. Their 1.2 billion people include most of the world's poorest, with per capita incomes of below \$200. While the Bank's DMCs account for 56 per cent of the population of the developing world, they receive less than one-fourth of the total external resource inflow and about one-third of the total official development assistance — bilateral and multilateral.

Beyond the economic growth problems inherent in this vast and diverse area of the world, the sheer physical dimensions of the region which the Bank serves are immense. It extends from Afghanistan in West Asia to the Cook Islands in the far South Pacific Ocean. The Bank's 25 DMCs have populations ranging from 600 million down to 18,000. The varying stages of their economic development are reflected in per capita incomes ranging from less than \$100 a year to more than \$2,500.

Building a Regional Bank

Two special characteristics of the Bank have been among its principal sources of strength from the beginning. As the Preamble to the Agreement Establishing the Asian Development Bank (the Charter) underlines, the Bank's founders saw the importance of building a "financial institution that is Asian in its basic character" to serve the ends of development in the region. On the other hand, unlike other regional development banks established earlier, the Bank shared its membership from the start with the industrialized countries of Europe and North America. The Bank has also three regional developed member countries — Australia, Japan and New Zealand. The support of non-regional countries has brought resources, technology and international experience to development projects and programs to reinforce the efforts of the regional members, both developed and developing. In this sense, the formation of the Bank marked the beginning of an important partnership which has matured with time and brought together human and financial resources of 42 nations in four continents. It should be recalled, however, that, from its inception, the Bank has been organized and funded with emphasis on regional self-reliance. About 63 per cent of the capital is subscribed by regional member countries. Furthermore, the President, eight of the 12 members on the Board of Directors, and nearly 70 per cent of the professional staff are from the region.

The formative period of the Bank was necessarily focussed on administrative, organizational and funding problems. Less than a month after the Inaugural Meeting of the Board of Governors was held, the Bank opened its doors on 19 December 1966, and within six months, the Board of Directors had settled down to the discussion and resolution of a series of operational and financial issues. On 24 May 1967, the Bank approved its first regional technical assistance project, worth \$155,000, for the initial Asian Agricultural Survey — a step that was to have an enduring influence on Bank lending and technical assistance activities in this crucial sector in the years to come. A few months later, on 30 August 1967, came the first technical assistance grant on a national level — to Indonesia, for foodgrain production studies. On 23 January 1968, the Bank approved its first loan — \$5 million from ordinary capital resources — for the Industrial Finance Corporation of Thailand.

The extent of the Bank's impact on the region since those early days can be measured in various ways — through the growth of its lending operations and its technical assistance activities; its success in mobilizing resources; and the various policies and programs adopted to meet the changing needs and circumstances of its DMCs over the first decade. This combination of Bank activities has also generated less measurable, but equally significant, economic and social benefits for the countries of the region it serves.

WATER from a public standpipe in Bandung, provincial capital of West Java, where a project is underway to expand and rehabilitate the water supply of Indonesia's third largest city.





CASTING at Hyundai International's new plant in the Republic of Korea, established under a project to provide integrated facilities for the design and manufacture of industrial and construction machinery.

Funds for Development

"If we are to succeed, the rich nations must increase their support . . . We were created as a development institution for poor nations, not as a middleman for the products and services of rich ones . . . We cannot meet our Charter's commitment to our smaller and less developed countries unless we open a wide soft-loan window . . ."

— President Shiro Inoue, in his opening address to the Sixth Annual Meeting of the Bank in Manila, 26 April 1973.

One measure of the Bank's growth in stature is the significant progress that it has made in mobilizing funds for development from diverse sources. The Bank's authorized capital stock rose from \$1.3 billion in November 1966 to — \$3.7 billion by the end of 1976. This followed a general increase in the capital stock of 150 per cent in 1972 and special capital increases for three regional (Indonesia, Republic of Korea and Malaysia) and two non-regional member countries (Canada and Federal Republic of Germany). A second general increase of 135 per cent, approved by the Board of Governors late in 1976, would bring the authorized capital stock to \$8.7 billion before the end of 1977.

Though the need for borrowing funds on a significant scale emerged only in more recent years, the Bank took early steps to have access to the international capital markets through regular contacts and progressive completion of bond qualification formalities in the United States. The first bond issue was made in the Federal Republic of Germany in September 1969 and, in the following year, the Bank undertook issues in Austria and Japan. The Japanese issue was something of a

milestone, being the first ever public issue in that country by a foreign borrower. The year 1971 saw the Bank's first issues in the United States and Switzerland.

These early approaches have been followed by numerous other successful issues, thereby firmly establishing the Bank's name in the world's capital markets. To further enhance the attractiveness of its bonds, the Bank has a policy that its borrowings should not exceed the callable capital stock subscribed by members whose currencies are convertible. The "AAA" status accorded the Bank's bonds and notes in the United States is indicative of the Bank's creditworthiness.

With the rapid growth of its ordinary lending activities, the Bank has been relying increasingly on borrowed funds in recent years. In 1975, for instance, the Bank borrowed \$323 million — more than in all the previous years put together; in 1976, a record amount of \$529 million was borrowed. In all, by the end of 1976, the Bank had raised more than \$1.1 billion in some 38 borrowing operations.

The Bank's efforts in diversifying the sources of borrowed funds is reflected in the list of capital markets it has already tapped: Austria, Belgium, Federal Republic of Germany, Italy, Japan, Kuwait, Luxembourg, Netherlands, Saudi Arabia, Switzerland, United Arab Emirates and United States. In addition, the central banks or monetary authorities of both regional and non-regional member countries have made short-term funds available to the Bank, and these are regularly rolled over.

The Bank's Charter spells out that it must pay special attention to the needs of the smaller or less developed countries. One of the major instruments the Bank has employed in discharging this function has been its Special Funds, created and periodically funded for the specific purpose of concessional lending to the least developed member countries. For almost five years, the Bank depended for its concessional

lending on contributions made on a bilateral basis at the initiative of individual donors. The funds were also supplemented — to the limited extent that the Charter permitted — by capital that the Bank set aside for this purpose. The terms of the contributions were, however, not uniform and posed serious administrative problems. With the progressive increase in concessional lending, it became necessary to mobilize additional funds on an organized and regular basis.

Following negotiations and agreement between potential donor countries, the Asian Development Fund (ADF), a new soft-loan window, was set up in June 1974 with a mobilization target of \$525 million, to finance the Bank's concessional lending activities till the end of 1975. The Bank's funds for concessional lending have since been almost wholly administered in the ADF.

The Board of Governors passed a resolution in December 1975 covering a proposed replenishment of the ADF totalling \$830 million¹ to be provided over a three-year period commencing in 1976. The replenishment became effective on 28 June 1976 when total contribution commitments exceeded the "trigger" figure of \$475 million. This resulted in the release of first instalments, equal to one-third of such total commitments.

At the end of 1976, resources of Special Funds available for further concessional lending had declined to a low level of \$41.8 million, the Bank having committed \$890 million in Special Funds loans (net of cancellations, repayments and exchange adjustments) out of the total resources of \$931.9 million. At the beginning of 1977, the maintenance of the tempo of Special Funds lending was dependent on the Bank's obtaining a timely release on the second instalment of the contributions pledged.

The Bank has made significant progress, especially in recent years, in evolving co-financing arrangements with other donors as an effective way of increasing the flow of external assistance for relatively large projects in the region. Aside from traditional aid agencies, OPEC countries and two commercial banks have figured in such co-financing arrangements. The Bank has assisted some 18 projects in this way, the amount of Bank financing involved being \$411 million and financing from other sources about \$639 million.

The Bank has also been administering a Technical Assistance Special Fund, a major source of finance for its technical assistance activities. Total contributions to the Fund from 21 member countries — both developed and developing — amounted to \$23.7 million at the end of 1976, of which \$12.8 million had been utilized in the Bank's technical assistance operations. For its technical assistance activities, the Bank has also received financial assistance from other international institutions. For instance, out of the total provision of technical assistance of about \$35 million on national and regional technical assistance projects undertaken by the Bank up to the end of 1976, the United Nations Development Programme (UNDP) financing accounted for \$8 million. More recently, the Bank has also entered into a cooperative arrangement with the European Economic Community (EEC) under which the latter will provide in 1977 the equivalent of \$1,875,000, on a grant basis, to support the Bank's technical assistance operations.

Lending for Development

In 1968, its first year of lending activities, the Bank made a total of seven loans — all from ordinary capital resources —

¹ Subsequently reduced because of various adjustments to \$809 million.

totalling \$41.6 million. Since then, the range and size of Bank lending has steadily expanded. By the end of 1976, the Bank's cumulative lending stood at nearly \$3.4 billion for some 264 projects in 23 DMCs. Over a quarter of these funds were loaned on concessional terms to the most needy of its DMCs.

The Bank's comparative lending figures for the two periods 1968-1972 and 1973-1976 give a clearer view of how rapidly its operations have expanded. By the end of its formative period in 1972, the Bank had made 117 loans — 73 from ordinary capital resources and 44 from Special Funds — totalling \$955 million. But over the next four years from 1973 to 1976, the Bank added a further 171 loans — 98 from ordinary capital resources and 73 from Special Funds — amounting to more than \$2.4 billion. In 1976 alone, total lending was \$776 million, close to a quarter of the Bank's total loan commitments over its ten years. In supporting 264 development projects with scarce foreign exchange resources, the Bank has played a vital catalytic role in stimulating capital formation in the region. It is estimated that Bank lending, both direct and through national development banks, would lead to an overall investment of approximately \$8 billion in these projects.

During the ten-year period, 23 DMCs received Bank loans. While the Bank has no specific quotas for lending to individual countries, two aspects underlined by the Charter are important in determining the volume of the Bank's lending: avoidance of a disproportionate volume of assistance to any single DMC and special regard to the needs of the smaller or less developed DMCs. The actual level of Bank assistance to each DMC has been influenced by many other factors, including, among others, the external resource gap of the DMC concerned; its capability to identify, prepare and implement projects (which the Bank has been making special efforts to improve through its technical assistance); the eligibility of the DMC for lending from either ordinary capital resources or Special Funds; and the availability of resources to the Bank, in particular, of Special Funds.

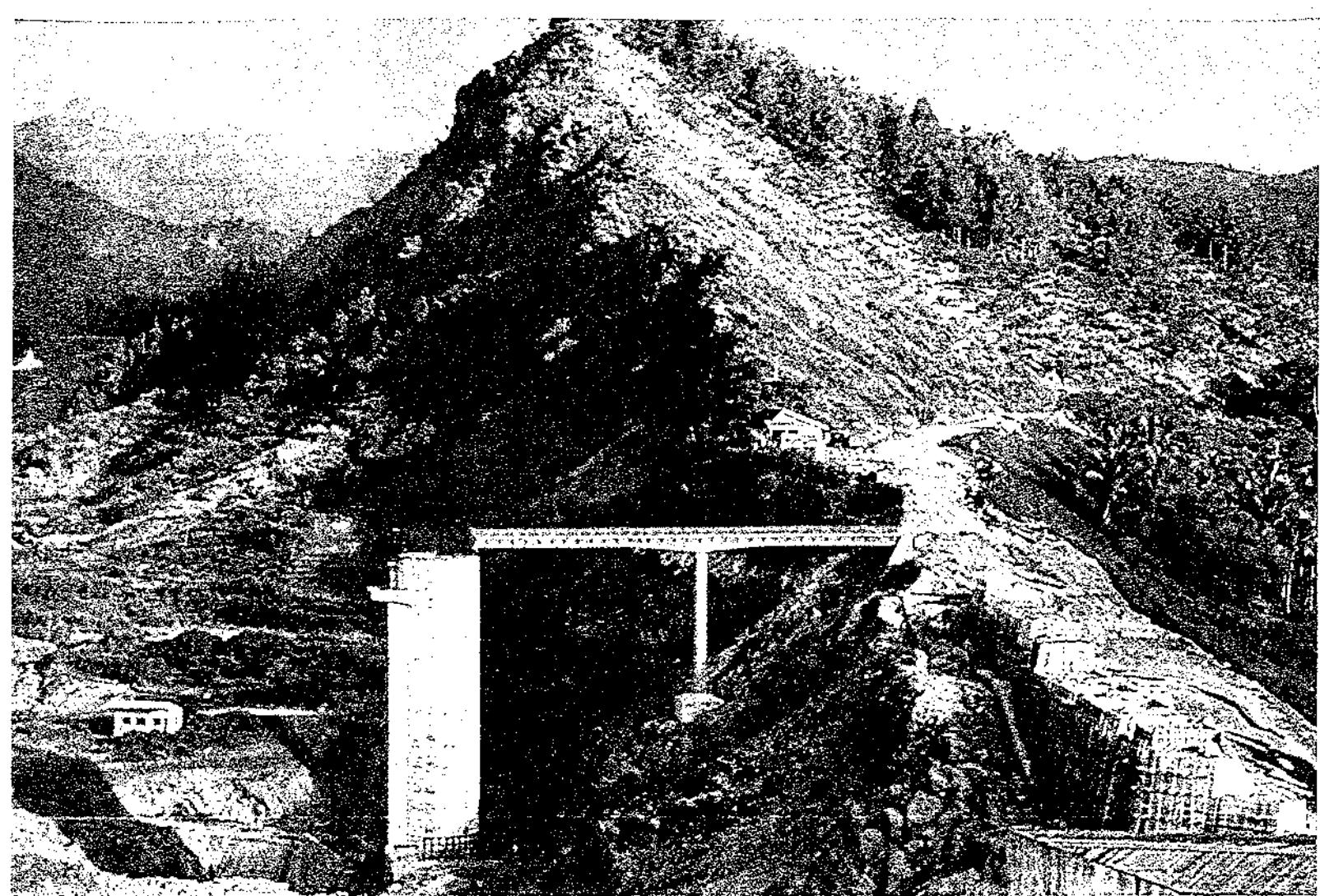
The forward country programming approach, adopted since the early 1970's, which sets up a more or less firm pipeline of projects for the year ahead, and a tentative list of projects for the subsequent two years — subject to yearly review and continual updating — has helped in improved planning of the Bank's operations and in enabling it better to serve the needs of its DMCs, resulting in a more equitable country distribution of Bank assistance. Loan disbursements, which are dependent on the progress of project implementation, totalled \$1,159 million during the ten-year period, comprising \$948 million from the ordinary capital resources and \$211 million from Special Funds. Of the total 264 projects financed by Bank loans, 54 projects had been completed as of the end of 1976.

Wide Coverage

Within the limits of its financial resources, and the special needs of its DMCs, the Bank has attempted to promote all-round development through its lending — with increasing emphasis on combining economic growth with social progress. The broad dimensions of Bank involvement in the more important sectors in the past ten years can be briefly summarized as follows:

— 35 irrigation and area development projects covering about 540,100 ha., which support about 583,600 farmers. Total population expected to benefit — about 3.2 million.

— 13 fisheries development projects which will create additional employment opportunities for about 27,000



SEMPOR Dam merges into hillside in Central Java, where improved and expanded irrigation and drainage facilities will benefit 50,000 farming families living on 16,000 hectares of land.

fishermen, raise fish catch by about 280,000 m.t. per year and benefit millions of consumers.

— 6 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.

— 1,480 small and medium-scale enterprises assisted through credit lines to national development banks.

— 54 power projects which will help provide additional installed generating capacity totalling nearly 2.15 million kW, of which three-fourths will be in the form of cheap hydropower, and add a vast network of transmission and distribution lines totalling over 20,000 km.

— 22 water supply and sewerage projects which will help increase water supply capacity by 4.9 million cubic meters per day to 12.5 million cubic meters per day, benefiting a population of nearly 33 million in metropolitan areas, smaller towns and provincial districts.

— Construction or upgrading and improvement of 2,837.2 km. of roads in 25 projects, serving an estimated population of 25 million.

— Construction, rehabilitation, modernization and expansion of ports in nine countries to increase cargo-handling capacity by about 23.4 million tons per year.

— Establishment of new technical and vocational educa-

tion facilities in six separate institutes where over 10,000 trainees are now receiving instruction.

Among the economic sectors assisted by the Bank, public utilities (electric power, natural gas, water supply and sewerage and urban development) have absorbed the largest share — 33.1 per cent of the Bank's cumulative lending to 31 December 1976. Next were: agriculture and agro-industry — 23.5 per cent; industry, including development banks — 23 percent; transport and communications — 19.6 per cent; and education — 0.8 per cent.

During the ten-year period, the Bank has lent \$790 million for the agriculture and agro-industry sector, of which more than half has been provided from Special Funds on concessional terms. The major area of Bank assistance has been irrigation and integrated rural development projects—as the nuclei of area development around which other development imputs such as feeder roads, water supply, credit facilities, seed and fertilizer delivery systems, processing and marketing facilities, research and extension services, farmers' institutions, health clinics and housing are organized. To complement the drive for greater food production and rural employment, the Bank has assisted the development of agro-industries, notably fertilizer production. Apart from the fertilizer projects already mentioned, 15 projects designed to

develop and modernize the fisheries and livestock sub-sectors have also been supported with Bank loans totalling \$129 million. The Bank has been helping its DMCs to diversify the agricultural sectors of their economies by financing modernization and development projects covering commercial crops such as tea, palm oil, rubber, jute and sugarcane. The Bank's role in assisting agricultural research work in the region has progressively expanded. Bank assistance in this field has been mainly in the form of direct grants to research institutions and the incorporation of research facilities and programs as integral parts of agricultural projects.

Bank lending for industry (including development banks), totalling more than \$772 million over the decade, has included some 36 credit lines amounting to about \$590 million to development finance institutions (DFIs) for relending to small and medium-scale industries in DMCs — projects not large enough to warrant direct financing by the Bank itself. Activities supported through credit lines include food processing, transportation, production of textiles, chemicals, lime, cement and prefabrication materials, iron and steel, metal and wire products, paper and paperboard, among others. In addition, the Bank has made direct loans to large projects such as petrochemicals, cement, textiles, machinery and minerals.

The public utilities sector accounted for more than \$1.1 billion of Bank lending during the decade. About 21 per cent of total Bank lending (\$711 million) has been devoted to the development of power systems. Several loans have been made to strengthen and expand generation, transmission and distribution facilities serving major urban centers such as Bangkok, Karachi, Dacca, Rangoon and Singapore. The Bank has also financed major geographical extensions of existing systems to bring electric energy to the smaller towns and rural areas. Following the global increases in petroleum prices since late 1973, the emphasis of Bank assistance in this field has been on hydropower and other plants using locally available fuels such as gas, coal or lignite. Apart from meeting increased commercial and industrial demand, the Bank's lending to the water supply sector is helping to improve the quality of life of millions of people in the region's fast-growing cities and towns. In Bank-assisted water supply systems serving crowded centers such as Seoul and Manila, measures to deal with environmental pollution are given appropriate attention. More recently, the Bank has entered other sectors of social significance, such as sewerage development, either integrated into water supply projects or as separate projects, and urban development.

In the transport and communications sector, which has absorbed \$658 million of total Bank lending in the ten-year period, a multi-disciplinary approach has been adopted to make sure that individual projects fit into the wider economic and social framework of the country. Emphasis has been placed on the construction and improvement of road and feeder-road networks for facilitating area development and reducing regional disparities. Facilities in 16 ports and seven airports are being expanded and improved to meet the growing requirements of internal and external trade and to promote tourism development. The Bank has also financed two projects in the field of railway development and rehabilitation. In addition, \$15 million of Bank financing has been provided for telecommunications projects.

Bank lending for education, standing at \$27.6 million, has been relatively modest. The Bank has concentrated on technical and vocational education and on training programs particularly aimed at assisting project authorities to implement

and operate Bank projects successfully. The Bank has so far financed four vocational education projects in Indonesia, Republic of Korea, Singapore and Thailand. On-the-job training of local personnel has also been a built-in feature of more than 70 Bank projects. Vigorous efforts to expand the Bank's activity in this sector are under way.

Technical Assistance

An important aspect of the Bank's developmental role is its program of technical assistance to DMCs and for regional projects and programs. By the end of 1976, the Bank had been involved in a total of 214 national and regional technical assistance projects. While the outlay on technical assistance represents only about one per cent of Bank lending to the region, its impact on development cannot be measured in these terms. Many of the Bank's DMCs need substantial injections of technical know-how and expertise to strengthen their own capability to produce national and sectoral development plans and policies, to identify, prepare and implement projects on their own, and to establish and strengthen local development institutions. This role of helping its borrowers — member countries and their agencies — to help themselves is a basic function of the Bank. Advisory and operational technical assistance provides for the establishment and strengthening of national institutions which are receiving, or expect to receive, Bank loans. It also covers specialized training of local personnel, the improvement of financial and accounting systems in the executing agencies and assistance in drawing up national development plans, as well as sectoral strategies and programs. In many cases, technical assistance has been approved, mostly on a grant basis, for the careful preparation of projects and has led on to substantial financing by the Bank, particularly for projects in its poorest and least developed member countries. Some 76 Bank loans totalling \$937 million are the direct result of technical assistance provided by the Bank.

At the level of technical assistance to individual member countries, the Bank's aid has gone to some 22 DMCs over the years. By far the largest proportion, about 45 per cent has gone to technical assistance projects in the field of agriculture and agro-industry. The other categories have been as follows: public utilities — 22.5 per cent; transport and communications — 19.1 per cent; industry, including development banks — 9 per cent; and education and others — 4 per cent.

The Bank's regional technical assistance activities during the past ten years — costing more than \$6.5 million — have involved, in specific cases, cooperation with UNDP, and other international and bilateral aid agencies. The program of some 36 regional projects has included two major surveys on Asian agriculture, a regional transport survey for Southeast Asia, a study of Southeast Asia's economy, several regional conferences of DFIs, as well as many seminars and training courses in key areas of development, aimed at upgrading national capacities to absorb aid and building up the "human resources" of institutions in DMCs. In a new role, the Bank has also been involved as administrator of the funds for the Nam Ngum Hydropower Project (Phase II) in the Lao People's Democratic Republic and as coordinator of project execution.

Organizational Structure & Operational Policies

Based on experience and the need to respond more effectively to the changing needs of DMCs, the Bank's organizational structure and operational policies have been under constant review and streamlined as necessary.



CONSTRUCTION work in progress at Malaysia's first deep-water seaport on its east coast, about 16 miles north of Kuantan, capital of Pahang State.

To facilitate better representation of the Bank's growing membership, the strength of the Board of Directors was increased from 10 to 12 in 1971. The operational departments have been periodically reorganized and their functions redefined to facilitate prompt and efficient handling of the entire range of activities from identification and appraisal of projects to supervision of implementation and loan administration.

The operational policies of the Bank, which are laid down by the Board of Directors, mainly in the nature of guidelines, and are subject to constant review, cover a wide field. They include lending terms, criteria for lending from Special Funds, policies and procedures governing assistance to development banks, the Bank's activities in its South Pacific member countries, local cost financing, procurement of goods and services, uses of consultants and post-evaluation, besides financial policies.

In terms of the criteria laid down by the Board of Directors in September 1974, the eligibility of a DMC for concessional loans is determined primarily on the basis of the country's economic situation. Generally speaking, countries with per capita GNP in 1972 exceeding \$300 are not regarded as being eligible for concessional loans. Along with per capita GNP, a country's present and prospective capacity for debt repayment is also taken into account in determining its eligibility.

In practice, because of the limited availability of Special Funds, an overwhelming bulk of concessional lending in recent years has gone to countries with per capita incomes of \$150 and less. Indonesia, the largest borrower from Special Funds in the earlier years, has been borrowing on ordinary

terms since 1974 because of its improved balance-of-payments position resulting from increased oil revenues.

The Bank also provides blended loans from its Special Funds and ordinary capital resources—both on a country (as in the case of Pakistan) and on a project basis. Such financing is considered case by case.

In the first five years of its operations, the lending rate on ordinary loans of the Bank was comparatively stable, changing from the original 6.875 to 7.50 per cent per annum in May 1970 and remaining at that level until September 1974. Thereafter, in response to the Bank's growing need to borrow in the capital markets for its lending operations, the rate changed rather frequently—to 8.25 per cent in September 1974, to 8.75 per cent in February 1975, to 9.10 per cent in June 1976, and downward to 8.90 percent in October 1976. For DMCs with per capita incomes exceeding \$850 at the end of 1972, higher lending rates have been in effect since February 1975. The Bank also levies a commitment charge on the undisbursed portion of all ordinary loans, which is currently 0.45 per cent per annum.

The amortization periods of ordinary loans have ranged from 10 to 30 years (including a grace period of 2 to 7 years), depending mainly on the nature of projects or their gestation period.

Until early 1974, the terms of Special Funds loans, although much more concessional than ordinary loans, had varied according to project and country considerations¹. Such varying terms had unduly encumbered loan processing and loan

¹ Interest rates ranged from 1 to 3 per cent and amortization from 12 to 40 years (including a grace period of from 3 to 10 years).

administration. In the interest of simplicity and efficiency, the terms of Special Funds loans were standardized in March 1974. Such loans now carry only a service charge of 1 per cent per annum, with repayment over 40 years, including a 10-year grace period.

Until mid-1974, Bank loans had been provided to finance only the foreign exchange costs of projects, including in appropriate cases, indirect foreign exchange costs. Since July 1974, the Bank has been financing, in suitable cases, a reasonable proportion of the local currency expenditures of projects by lending foreign exchange for this purpose. In considering local cost financing, the Bank places primary emphasis on the country's economic situation, particularly its overall balance-of-payments position and its capability to mobilize domestic savings. Within eligible countries, preference is given to those projects with low foreign exchange components, or high economic or social benefits. For the present, such financing is limited to a maximum of 5 per cent of the Bank's annual lending from ordinary capital resources and 10 per cent of its annual lending from Special Funds.

The Bank is enjoined by its Charter to ensure that the proceeds of any loan it makes are used with due attention to considerations of economy and efficiency. Accordingly, the Bank has required its borrowers to obtain goods and services on an international competitive tendering basis, except in special circumstances where a procedure determined to be more appropriate to the circumstances of the project or country concerned has been agreed upon between the Bank and the borrower. In this light, detailed guidelines for the procurement of goods and construction services and the use of consultants were adopted in 1968 and subsequently revised in May 1973.

In recognition of the growth of domestic industries in DMCs, certain policy measures were adopted in July 1976 to promote domestic procurement under Bank-financed projects. (See page 23.)

The Bank has, from the early years of its operations, recognized the importance of post-evaluation as a tool for learning from experience with a view to improving its future lending operations. Post-evaluation of a development project, conducted after a project is completed and has been in operation for some time, is usually designed in such a way as to assess not only its achievements vis-a-vis its stated objectives but also the effectiveness and efficiency of its implementation, as well as the contribution of the project to the overall socio-economic development of the country concerned. Since 1974, systematic efforts have been made towards developing and carrying out a comprehensive program of post-evaluation in the Bank. For objective assessment, post-evaluation studies are carried out internally by Bank staff who are independent of the Bank's operating departments, frequently with the assistance of outside consultants, or externally by academic and research institutions which are also independent of Bank's management.

Development Initiatives

Throughout the past ten years the Bank has attempted to be as flexible as possible in adapting its activities in line with development priorities and initiatives that are appropriate to the special needs and changing economic circumstances of DMCs.

In view of the serious balance-of-payments problems and heavy debt burdens faced by DMCs in recent years, the Bank has been devoting special attention to the identification and

financing of projects which would help reduce imports of food, fertilizer and fuel and facilitate larger exports through the development of additional agricultural and industrial production capacity.

Another important aspect of Bank lending has been the efforts it has made to raise the productivity of existing facilities. Aside from its substantial assistance to the creation of new facilities in the infrastructure, agriculture, public utilities and industrial sectors, the Bank has given several loans for the rehabilitation of existing power plants and factories and for upgrading the quality of plantation products such as tea, jute and palm oil. Projects designed to facilitate improved transmission and distribution of available power output, technical assistance for institutional improvement, including financial and managerial aspects, and the priority given to vocational education and on-the-job training are some of the other instances of the Bank's emphasis on productivity.

In the traditionally difficult area of agricultural development, the Bank has been building more and more components into its irrigation and rural development projects to ensure better economic results and wider social impact. As part of this integrated area development approach, irrigation and traditional supporting facilities are supplemented by such diverse elements as pilot schemes for rural industries and rural education, provision for organization of rural women and youth through selected economic activities and facilities for improvement of health and family planning services.

Similarly, in area development projects, the Bank has financed a series of individual projects, which are essentially parts of a composite scheme to develop the area as a whole. Agricultural development, in such cases, is complemented by road construction, power supply, and institutional and infrastructural inputs.

The Bank's involvement in the promotion of small and medium-scale industries through its development bank lending reflects its concern with the economic and social priorities of its DMCs. Bank loans and technical assistance to national development banks play a catalytic role in creating additional employment and technical skills, in promoting domestic and foreign private capital investments in productive enterprises and in familiarizing the business community with modern concepts of corporate management.

In an effort to enhance the overall impact of the projects that it finances, the Bank has been devoting increased attention to their social aspects, without sacrificing its concern for economic features. The special needs of small farmers, the supply of water, power and other amenities to low income groups, pollution control, the provision of family planning and health services, ways of maximizing employment potential — these are some of the factors which figure in Bank projects from the stage of formulation and evaluation through to their implementation.

The Bank has also attempted in its project activities to promote, both directly and indirectly, the development of appropriate technology in its DMCs. The choice, in some cases, of labor-intensive methods in road and port construction projects, the selection of relatively simple designs and equipment for railway projects, and modifications in design characteristics of water supply projects to suit local conditions are typical examples of efforts made — within the limits of economic viability — to promote a level of technology that is most appropriate to the circumstances in the developing country concerned.

Towards the Second Decade

"We have, I believe, made a distinct impact on the region's economic progress by extending loans, which in the words of the Bank's first President, combine wisdom with money. We have set higher targets for the future - an average lending of nearly \$3 million a day in the second half of this decade (against an average of \$1 million a day in the first half) - and initiated vigorous action to raise the necessary funds... What we have achieved so far and planned for the immediate future, creditable as it is, represents only a modest beginning in our long, uphill task. The Bank's accomplishments in the past should not, in any case, lead us into a sense of complacency..."

- President Taroichi Yoshida, in an address to the members of the Board of Directors and staff of the Bank,
17 December 1976.

The Bank has set its sights higher as it moves into the second decade of operations.

Taking into account potential constraints in raising additional resources, the Bank has projected total lending of about \$5.7 billion during the period 1977-1981. If this target is achieved, Bank lending to the region over the next five years would be about 70 per cent greater than its total achievement during the first decade. Yet, in terms of the large needs of the region and the diminishing purchasing power of each aid dollar, it represents only a modest program for the future.

While the task of raising these resources will be by no means easy, the groundwork has been laid following the recent approval of a further increase in the Bank's subscribed capital, to become effective before the end of 1977, and the

replenishment of the ADF, now in progress.

The projected capital increase, which will substantially increase the Bank's borrowing capacity, and the Bank's success in raising funds from the capital markets in Europe, the United States, Japan and the Middle East in the past, strengthen the hope that the proposed level of lending from its ordinary capital resources will be attained.

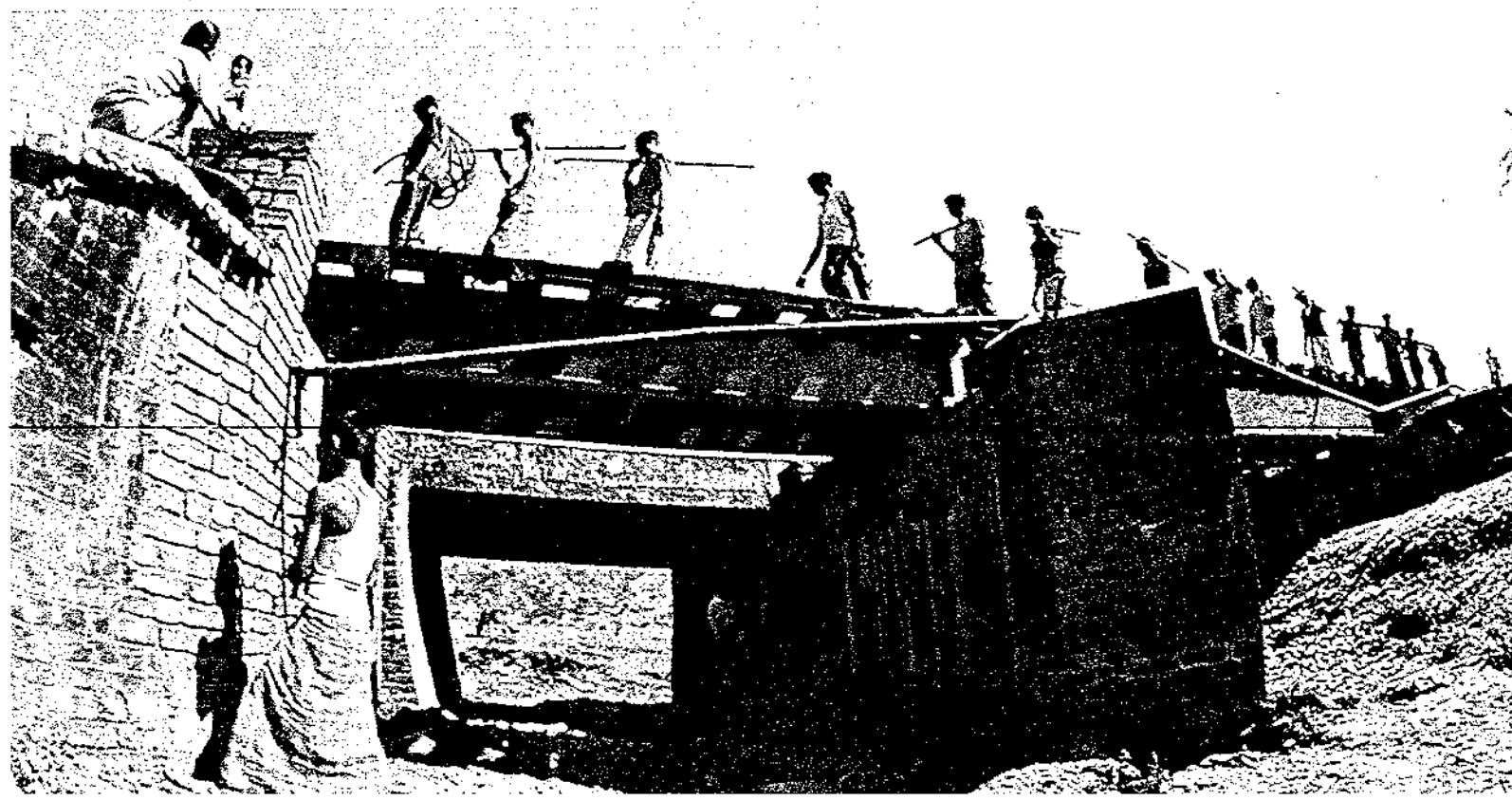
There is also great future potential in co-financing arrangements and the development of cooperation with important new sources of aid flows to the region. The list of traditional participants in co-financing and cooperative arrangements has been progressively expanding with the entry of other developed countries, OPEC nations, EEC and commercial banks.

The Bank has also established close relations with new international development finance institutions such as the Islamic Development Bank and the Arab Fund for Economic and Social Development. The expansion of the OPEC Special Fund for countries most seriously affected by the increase in oil prices, and the newly-formed International Fund for Agricultural Development (IFAD) also offer potential for future fields of cooperation in mobilizing new resources for the developing countries of the region.

The Bank's overall success in fulfilling its lending program will, however, depend on its ability to help the poorest and least developed countries, which cannot afford the burden of conventional loans. The Bank's first decade has ended with uncommitted Special Funds resources at a low level pending release of the second instalment payments under the agreed replenishment program.

The Bank enters its second decade of service to its DMCs with a creditable record of performance to date and a sense of confidence, flowing from that record, in meeting the greater challenges of the future. It is a task that can proceed apace only with the continued goodwill and firm support of all its 42 member countries.

REHABILITATION work on Bangladesh's most important railway line, a 199-mile link between Chittagong Port and Dacca, the capital.



LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS TO END OF 1976
 (amounts in \$ million)

Country	Ordinary Capital	%	Special Funds	%	Total	%
Afghanistan	—	—	58.85	6.58	58.85	1.75
Bangladesh	11.40	0.46	178.88	19.99	190.28	5.66
Burma	6.60	0.27	106.10	11.86	112.70	3.35
Cambodia	—	—	1.67	0.19	1.67	0.05
China, Republic of	99.99	4.06	—	—	99.99	2.98
Fiji	6.70	0.27	—	—	6.70	0.20
Gilbert Islands	—	—	1.75	0.19	1.75	0.05
Hong Kong	41.50	1.68	—	—	41.50	1.23
Indonesia	263.27	10.68	113.28	12.66	376.55	11.21
Korea, Republic of	547.60	22.22	3.70	0.41	551.30	16.41
Lao People's Democratic Republic	—	—	11.69	1.31	11.69	0.35
Malaysia	290.56	11.79	3.30	0.37	293.86	8.75
Nepal	2.00	0.08	99.84	11.16	101.84	3.03
Pakistan	297.97	12.09	132.85	14.85	430.82	12.82
Papua New Guinea	—	—	35.54	3.97	35.54	1.06
Philippines	448.85	18.21	15.30	1.71	464.15	13.82
Singapore	124.98	5.07	3.00	0.33	127.98	3.81
Solomon Islands	—	—	3.57	0.40	3.57	0.11
Sri Lanka	14.13	0.57	61.71	6.90	75.84	2.26
Thailand	305.30	12.39	8.10	0.91	313.40	9.33
Tonga	—	—	1.30	0.14	1.30	0.04
Viet Nam, Socialist Republic of	3.93	0.16	40.67	4.55	44.60	1.33
Western Samoa	—	—	13.59	1.52	13.59	0.40
TOTAL	2,464.78	100.00	894.69	100.00	3,359.47	100.00

LOAN APPROVALS BY SECTOR TO END OF 1976
 (amounts in \$ million)

Sector	Amounts			
	OCR	SF	Total	%
Agriculture & Agro-Industry	<u>374.44</u>	<u>415.31</u>	<u>789.75</u>	<u>23.51</u>
Agriculture	273.04	272.24	545.28	16.23
Agro-Industry	101.40	143.07	244.47	7.28
Industry (including Development Banks)	660.47	112.00	772.47	22.99
Public Utilities	875.78	235.74	1,111.52	33.09
Transport & Communications	536.29	121.84	658.13	19.59
Education	<u>17.80</u>	<u>9.80</u>	<u>27.60</u>	<u>00.82</u>
TOTAL	<u>2,464.78</u>	<u>894.69</u>	<u>3,359.47</u>	<u>100.00</u>

TECHNICAL ASSISTANCE APPROVALS TO END OF 1976

(amounts in \$ thousand)

Country	Number	Amount	%
Afghanistan	12	2,126.5	6.11
Bangladesh	19	5,811.5	16.70
Burma	4	515.0	1.48
Cambodia	2	111.0	0.32
China, Republic of	1	100.0	0.29
Fiji	3	227.0	0.65
Gilbert Islands	1	50.0	0.14
Indonesia	29 ¹	4,633.5 ¹	13.31
Korea, Republic of	8	1,044.3	3.00
Lao People's Democratic Republic	7	1,175.0	3.38
Malaysia	5	737.0	2.12
Nepal	14	2,168.0	6.23
Pakistan	5	800.0	2.30
Papua New Guinea	4	518.6	1.49
Philippines	21	3,469.0	9.97
Singapore	1	34.7	0.10
Solomon Islands	5	725.0	2.08
Sri Lanka	10	1,031.3	2.96
Thailand	5	575.0	1.65
Tonga	4	672.0	1.93
Viet Nam, Socialist Republic of	10	985.6	2.83
Western Samoa	8	770.5	2.21
Total	178 ¹	28,280.5 ¹	81.25
Regional	36	6,526.9	18.75
GRAND TOTAL	214 ¹	34,807.4 ¹	100.00

¹ Adjusted to account for revised financing plans for South East Sulawesi Transmigration Area Development and Bandung Urban Development and Sanitation Projects in Indonesia.

NOTES: (i) Excludes technical assistance loans but includes projects in which the Bank acts as an executing authority with funds provided by other sources, mainly UNDP, and the Southeast Asian Regional Transport Survey, which was financed with funds provided by the United States, UNDP and the Bank.
(ii) Supplementary amounts provided for technical assistance are not counted separately.

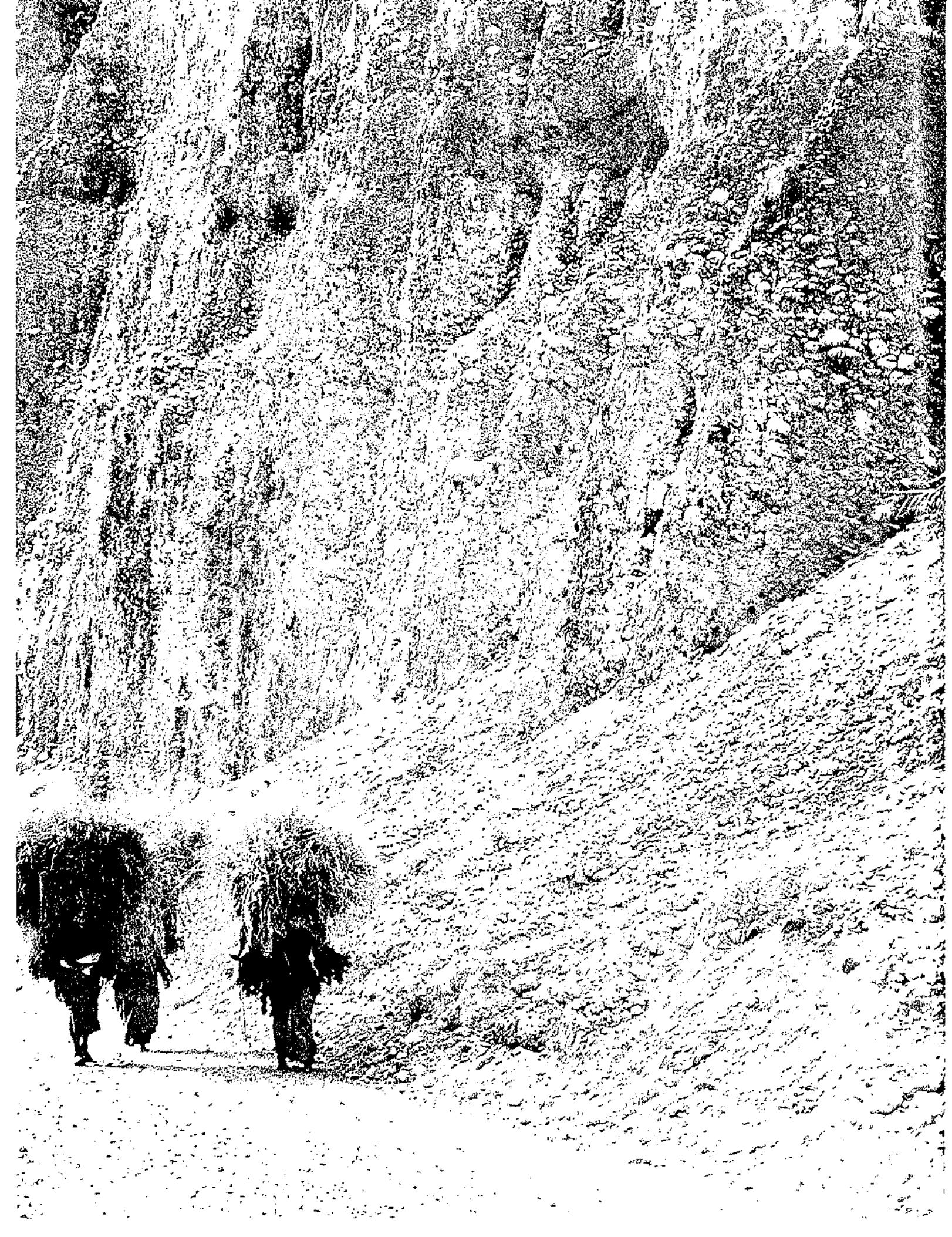
TECHNICAL ASSISTANCE APPROVALS BY SECTOR TO END OF 1976¹

(amounts in \$ thousand)

Sector	Number	Amount	%
Agriculture & Agro-Industry	83	12,822.1	45.34
Agriculture	71 ²	10,973.4 ²	38.80
Agro-Industry	12	1,848.7	6.54
Industry (including Development Banks)	24	2,556.9	9.04
Public Utilities	32 ²	6,361.0 ²	22.49
Transport & Communications	30	5,407.8	19.12
Education	3	282.0	1.00
Others	6	850.7	3.01
TOTAL	178²	28,280.5²	100.00

¹ Excluding regional projects and technical assistance loans.

² Adjusted to account for revised financing plan for South East Sulawesi Transmigration Area Development and Bandung Urban Development and Sanitation Projects in Indonesia.



ECONOMIC BACKGROUND

International Setting

DURING 1976, the world economy recovered from some of the economic setbacks of the previous two years. Most countries experienced an increase in real income and a decline in the rate of inflation. World trade increased significantly. Food-grain production exceeded the record level achieved in 1975, although global stocks remained low.

It is estimated that Gross National Product (GNP), in real terms, of the industrial countries which are members of the Organization for Economic Cooperation and Development (OECD), increased by an average of nearly 5 per cent in 1976 compared with a decline in GNP of 1.2 per cent in 1975. The GNP growth rate in the first half of 1976 was at an annual rate of 6 per cent but fell sharply to 3.25 per cent in the second half. The level of unemployment continued to be high. The rate of inflation declined in most OECD countries during 1976, although it still remained high, averaging 8 per cent. The economic recovery and the expansionary policies adopted by several industrial countries led to a large increase in their imports, which contributed to the recovery in production and exports of developing countries.

The oil-exporting (OPEC) developing countries experienced high growth rates while their aggregate trade surplus increased from about \$52 billion in 1975 to an estimated \$61 billion in 1976. Over half of this surplus was concentrated in Saudi Arabia, Kuwait and the United Arab Emirates — countries having limited capacity to absorb additional imports. Other major OPEC countries, except Iran, also experienced larger trade surpluses than in 1975.

Taken together, the non-oil developing countries made significant progress in 1976; their GNP growth rate is expected to have improved significantly from about 4 per cent achieved in 1975, while their aggregate current account deficit declined from \$49 billion in 1975 to \$41 billion in 1976.¹ The value of their exports increased by an estimated 13 per cent in 1976, stimulated by the improved economic conditions in industrial² countries, while their imports rose by only 2 per cent. Furthermore, while the prices of manufactures exported by developed countries, in aggregate, did not increase, the

prices of many key exports of the non-oil developing countries increased, in varying degree, during the year. There were exceptions, such as jute, sugar, phosphates and rice, the prices of which either remained depressed or declined substantially. However, in general, the steep fall in the terms of trade of non-oil developing countries was halted in 1976.

The capital flow to the non-oil developing countries is estimated to have declined by \$2 billion to around \$43 billion³ in 1976 — largely due to a reduction in net Euro-currency borrowings. However, a greater reduction in their current account deficits enabled them to add to their external reserves during 1976, in contrast to 1975 when they were forced to draw down their reserves to meet their external liabilities.

The immediate prospects of the non-oil developing countries remained uncertain. Among the positive factors, the non-oil developing countries largely succeeded in making short-term financial adjustments to the adverse economic events of the past few years and in initiating long-term institutional and structural changes. However, prospects for the external sector were causing concern by year-end. External debts continued to mount and current account deficits were still very large. The slowdown in production and growth observed in industrial countries in the second half of the year and the 5 to 10 per cent increase in the price of oil by OPEC countries announced in December 1976, could dampen the economic growth prospects of non-oil developing countries and also worsen their already difficult balance-of-payments position.

Economic Developments in the Region

In terms of overall economic performance, the developing member countries (DMCs) of the Bank generally made significant gains in 1976. The major economic indicators including growth in output, balance of payments, and domestic price levels attest to the improved performance.

The higher GNP growth rate in the region⁴ was due to a combination of favorable factors. The economic recovery in many industrialized countries in the second half of 1975 and

1 Development Cooperation: Efforts and Policies of the Members of Development Assistance Committee (DAC); Organization for Economic Cooperation and Development, November 1976.

2 Unless otherwise mentioned, "industrial" or "developed" countries here refer to the countries which are members of the OECD.

3 Development Assistance Committee estimate.

4 The term "the region" is used to mean the Bank's DMCs.

the first half of 1976 — particularly in Japan and the United States, which are major trading partners of several countries in the region — stimulated the exports and eased the balance-of-payments constraints on economic growth of the DMCs. The high level of foodgrain production achieved in 1975 continued in 1976 and this led to both a better food balance for the region and some reduction in imports and prices of foodgrains. While favorable developments in the international economy played an important role, the basic resilience and the internal efforts to adjust to the altered international situation also contributed significantly to the improved economic situation in the DMCs.

Table 1¹ provides preliminary data on the growth rate of Gross Domestic Product (GDP) of 13 DMCs, which indicate that real growth rates in 11 of these DMCs improved in 1976. For many of these countries, the growth rate was above the average recorded during 1965-1973, which was a very successful period of development among these countries. The performance of the more industrialized DMCs, namely, Republic of China, Hong Kong, Republic of Korea and Singapore, which in 1975 had suffered severely from the recession in industrialized countries, was particularly impressive. The two countries in which the GDP growth rate was lower in 1976 were the Philippines and Sri Lanka. The marginal decline in the former was largely due to a slowdown in construction activity, while in the latter it was due to drought which affected agricultural production. For other DMCs, the indications are that, with the exception of India and some South Pacific countries, economic growth in 1976 was also higher than in 1975. Although industrial production in India has been growing at an annual rate of about 10 per cent, its overall economic growth in 1976 is likely to fall substantially below the increase of 8.8 per cent achieved in 1975, due mainly to the failure of the agricultural sector to show much, if any, improvement. The sharp fall in prices of sugar in Fiji and phosphate in Gilbert Islands suggests that these countries recorded low or negative GDP growth rates in 1976. Heavy dependence on a few commodities makes these and other South Pacific countries highly vulnerable to external influences.

In general, both the agricultural and the industrial sectors contributed to the higher overall growth in GDP of the DMCs during 1976. In the case of the less industrialized DMCs, greater emphasis on agricultural production, and fuller utilization of domestic industrial capacities, contributed to the improvement. National efforts in terms of greater and more effective use of modern agricultural facilities and practices contributed considerably to the improved performance in agriculture, although the weather is still the crucial factor underlying the increase in agricultural production. The high growth rates achieved by the industrialized DMCs stemmed from a large increase in their exports, resulting from the revived demand for their manufactures in developed countries. The existence of substantial underutilized industrial capacity and high stocks enabled these countries to take quick advantage of this revival of demand, while the prices they secured for their exports were also generally higher than in 1975.

One of the most encouraging features of 1976 was the high level of foodgrains production. In aggregate, the output of rice, wheat and maize — the region's three major foodgrains

— is estimated at 224 million tons, compared with 220 million tons in 1975 and 196 million tons in 1974. The substantial improvement in production since 1974 has greatly reduced the dependence of the region on food imports and contributed to the reduction in the rates of inflation.

Output of rice in the region, the main staple of most DMCs, increased by 13.8 percent in 1975 to reach a record level of 167 million tons. Production of rice in 1976 is estimated to be marginally lower at 166 million tons, due to an anticipated shortfall of 4 million tons in India resulting from drought in certain areas (Table 2). However, two consecutive good years, of food production—including grains other than rice—have enabled India to achieve unprecedentedly high levels of foodgrain reserves.

The output of wheat and maize in the DMCs was higher in 1976. Total production of wheat, the second most important staple of the region, is estimated to have increased by 5 million tons over 1975 to reach a record level of 40 million tons. The output of maize is estimated at 18.3 million tons in 1976, compared with 18.1 million tons in 1975 (Table 3).

Inflation, which contributed to the erosion of both investment and savings since 1973, was reduced considerably during 1976. In the 22 DMCs for which data are available, the index of consumer prices increased by an average of 7.1 per cent, which was lower than the increase experienced by the OECD countries (Table 4). In 11 of these DMCs, the rate of increase in the price level was 5 per cent or less. Among the countries which had high rates of inflation, only three countries experienced an increase over 1975: Cook Islands from 16 per cent to 23 per cent, Gilbert Islands from 9 per cent to 13 per cent and Indonesia from 19 per cent to 20 per cent. The other DMCs which continued to experience double-digit rates of inflation, albeit at lower rates than in 1975, were Burma, Fiji, Republic of Korea and Pakistan.

The overall balance-of-payments situation of the DMCs, although still adverse compared with the pre-1974 period, improved greatly in 1976. The aggregate trade deficit of 18 DMCs (excluding Afghanistan, Cambodia, Cook Islands, Gilbert Islands, Lao People's Democratic Republic, Solomon Islands and Socialist Republic of Viet Nam, for which data are not available) is estimated at \$5.3 billion for 1976, compared with \$12.7 billion in 1975 (Table 5). Both an impressive export performance and a slow growth in imports contributed to this much-reduced trade deficit.

Export receipts increased in most of the larger DMCs during 1976. Aggregate export earnings of the 18 DMCs for which data are available increased by 30.4 per cent from \$42 billion in 1975 to \$55 billion. In the case of the four more industrialized DMCs previously mentioned, export earnings increased by 39.8 per cent in 1976, while in the remaining 14 countries the increase averaged 19.9 per cent. Only three of these countries, namely Fiji, Sri Lanka and Tonga, reported lower export earnings.

Aggregate import payments of the 18 DMCs increased by 9.9 per cent from \$55 billion in 1975 to \$59 billion in 1976. For the four more industrialized DMCs, the increase in imports was 21.3 per cent, while in the remaining 14 countries imports on average declined by 2.0 per cent. Thus, the countries which showed a rapid increase in exports also showed a high increase in imports. Among the less industrialized DMCs, the major factor accounting for the reduced level of imports was a fall in both the quantity and value of food imports. India contributed most to this decline, as its imports declined by 11.9 per cent from \$6.14

¹ Tables relevant to this chapter are in the Statistical Annex at pages 58 to 65.

billion in 1975 to an estimated \$5.40 billion in 1976.

Both the volume and unit prices for many of the DMCs' exports were generally higher during 1976 compared with the previous year. However, the prices of sugar, rock phosphate and jute fell considerably during the year, causing severe balance-of-payments problems for those DMCs which predominantly depend on the export of one or more of these commodities. The terms of trade data available for ten larger DMCs show that six countries had improved terms of trade in 1976 compared to 1975, while four countries recorded a worsening of their terms of trade.

The sizeable reduction of their current account deficits and continued large net flow of external resources both from official and private sources together contributed to the build-up of international reserves by the DMCs. The total reserves of 18 DMCs for which data are available increased from \$13.5 billion at the end of 1975 to \$20.0 billion by the end of 1976. The most significant gains were made by India, Indonesia, Republic of Korea and Malaysia (Table 6). This helped some DMCs to replenish their precariously low international reserves and contributed to an improvement in the credit rating of some of those which significantly relied on loans from commercial sources. The declining trend in the ratio of international reserves to the region's imports observed during the preceding two years was reversed during 1976.

The large deficits in the current account of the DMCs in 1974 and 1975 led to a rapid increase in their external debt. A complete picture of the outstanding debt of the DMCs in 1976 is not available. However, the magnitude of the problem can be assessed from the fact that the aggregate external public debt alone increased from \$38.2 billion in 1973 to \$48.7 billion in 1974 and further to \$54.5 billion in 1975 (Table 7). A further increase of about \$6 billion is anticipated in 1976. Debt service payments increased from \$2.6 billion in 1974 to \$3.2 billion in 1975. It appears that the increase in debt service payments in 1976 is likely to be roughly of the same order of magnitude as recorded in 1975. Given the large increase in exports, the debt service ratio in 1976 for the region as a whole could be expected to be lower than that in 1975, although in some DMCs, this ratio is likely to have increased further.

Domestic Efforts and Policies

During 1976, the economic policies pursued by the DMCs varied depending on the major areas of concern to individual countries. In general, the DMCs continued to emphasize price stability, sustained economic growth, agricultural and rural development, population control, higher utilization of industrial capacity, improvement in the balance of payments and regional cooperation. Trade policies sought to improve export performance and reduce the growth of imports.

Despite the efforts made by several DMCs to achieve better balance between government expenditures and revenues during 1976 than in the previous two years, the DMCs as a whole had to rely more heavily on budgetary deficits to meet their rapidly expanding current and investment expenditures.

Of the 17 DMCs for which data on revenues and expenditures are available, it is estimated that 11 DMCs either increased their budgetary deficits or had lower surpluses during 1976. In some of the remaining six DMCs the deficits were only marginally lower than in 1975. However, many DMCs were able to allocate a much higher proportion than in previous years of overall budgetary expenditures for development purposes. This was done partly to offset the low level of private investment which continued

to prevail in many DMCs.

On the whole, the monetary policies pursued by the DMCs led to a dampening of the high rates of inflation which had prevailed since 1973. Interest rates were generally kept high to encourage savings and limit credit expansion. However, the monetary policies pursued varied from country to country depending upon their individual circumstances. The rate of monetary expansion was curtailed during the year in two DMCs (Burma and Indonesia) in view of the continued high rates of inflation in these countries. Some DMCs reduced the growth in their money supply further despite improvements in the price situation, while other DMCs adopted expansionary monetary policies in the context of better economic performance during the year. The easing of monetary controls in some DMCs would have needed careful monitoring since their rates of inflation, although lower than in 1975, continued to be high.

To reduce the high level of external trade deficits reached during 1975 and the onerous burden of financing such large deficits, the DMCs made vigorous efforts to improve their export performance and reduce non-essential imports. The reduction in import dependence in many DMCs during 1976 was made possible by greater domestic efforts to utilize local resources in meeting food and energy requirements and continued stress on the need for economizing in the use of foreign exchange resources. Restrictive domestic monetary policies were relaxed in some cases in favor of export industries and exporters. Some DMCs introduced tax exemptions on export incomes and reduced export duties. The lower rates of inflation during the year in many DMCs, compared with the price increases experienced by their major trading partners, helped to strengthen their currencies and the competitiveness of their export products.

Several DMCs announced policy measures to encourage foreign private investment, particularly a number of countries in South Asia which have failed to attract substantial direct foreign investment in recent years. Special incentives were provided to encourage domestic resource-based and export-oriented industries, with a view to improving the position in the external sector.

The DMCs generally emphasized the need for achieving self-sufficiency in food. The success in this respect is indicated by the large increases in output of foodgrains, which resulted from better weather, but even more importantly from the deliberate efforts and incentives provided by the governments concerned. Some DMCs also took steps during the year to build up significant buffer stocks of foodgrains, both to maintain domestic price levels as incentives to farmers and also to provide security against future shortfalls. There was also greater realization that, in the long run, the objective of self-sufficiency in food could be achieved only by bringing down the high rates of population growth. This was reflected in more effective population policies. Several DMCs including Bangladesh, India, Pakistan and Philippines, which have been experiencing high rates of population growth, substantially expanded the size of their family planning programs. A few DMCs such as Republic of China, Republic of Korea, Singapore and Sri Lanka achieved substantial success in reducing their population growth rates.

At the regional level, DMCs generally strengthened existing institutions concerned with regional cooperation. Sub-regional groups such as the Regional Cooperation for

Development (RCD) and the Association of Southeast Asian Nations (ASEAN) made considerable progress during 1976 in attempts to coordinate the development efforts of participating countries. The Asian Clearing Union expanded its efforts to promote increased monetary cooperation as a means of increasing intra-regional trade. Some DMCs implemented schemes of mutual preferential tariff cuts during the year. The purpose of all the measures was to promote greater self-reliance within the region and closer cooperation to achieve higher growth rates in the participating countries.

The policies adopted by the DMCs in response to their economic difficulties since 1973, together with the favorable international developments of 1976, significantly altered their economic situation; the pessimistic outlook prevailing in 1975 gave way, at least in some countries, to a measure of self-assurance and optimism. However, there seems to be no cause for complacency. As indicated earlier, the improved growth rates achieved during the year were generally the result of fuller utilization of existing capacity facilitated by a recovery of export demand and good harvests, resulting largely from generally favorable weather.

Growth prospects in the longer term depend mainly on the ability of the DMCs to increase the rate of capital formation. In this respect, the continued low rate of domestic savings in many DMCs — and in some cases actual decline — is a major obstacle to growth, requiring urgent attention. Further, the investment needs for maintaining a satisfactory rate of growth have increased in recent years in view of the large increases in the prices of many investment goods. Thus, much greater efforts in the mobilization of domestic savings and a greater inflow of external resources will be called for, if the growth momentum of the DMCs is to be sustained.

Developments in International Cooperation

The international community remained responsive to the needs of the DMCs for external resources during 1976. The net current account deficit of the DMCs during 1976, after allowing for a net deficit in services and private transfers, is estimated at \$6.4 billion (\$13.7 billion in 1975). At the same time, the region was able to add about \$6.5 billion to its international reserves. This would suggest that the net inflow of external resources to the region was of the order of \$12.9 billion in 1976 compared with \$12.7 billion in 1975.¹

Official assistance from DAC countries and multilateral institutions in 1976 was probably somewhat higher than the 1975 level of \$6.4 billion. Net disbursements of OPEC assistance are also likely to have exceeded the estimated level of \$0.6 billion in 1975. Net IMF drawings by the DMCs were \$0.7 billion in 1975, but declined to half this level in 1976, largely due to heavy repayments by a few DMCs. Borrowings on the international capital markets, private investment flows, and export credits and other short-term borrowings totalled \$5 billion in 1975. These flows during 1976 are estimated to have been higher on a gross basis, but lower on a net basis, than in 1975.

Due to the much slower growth in the flow of concessional funds in relation to the rapid increase in the external resource requirements of the region, the share of Official Development

Assistance in the total inflows of external resources to the DMCs declined sharply from 64 per cent in 1970 to 32 per cent in 1975. Several important measures were initiated or implemented during 1976 which either contributed to or may help increase the volume of concessional flows to DMCs in the future. First, the OPEC Special Fund was established with total resources of \$800 million, of which \$400 million was earmarked for the International Fund for Agricultural Development (IFAD) and \$200 million for concessional assistance to 45 needy developing countries of which the major recipients include Bangladesh, India and Pakistan. Second, IFAD, which achieved its \$1 billion capitalization target in December 1976, was due to begin operations in early 1977. Third, a Trust Fund was established by the IMF in May from the proceeds of its gold auctions to provide special balance-of-payments support for eligible developing countries at concessional terms. Fourth, the IMF Compensatory Financing Facility, designed to help countries experiencing severe export fluctuations, was expanded in 1976. And fifth, the "third window" of the IBRD, which became operational in December 1975, was used heavily in 1976; the commitments to countries in the ADB region were \$295 million.

While the flow of aid and the concessional nature of that flow are especially important to the poorer DMCs, access to commercial credit and borrowing at market or near-market rates of interest from developed countries and multilateral institutions are particularly important to the relatively better-off DMCs. Many of these countries were able to borrow substantial amounts during 1976, which in gross terms could exceed the level achieved in the previous two years. In order to expand the supply of loans on market terms, multilateral institutions, including the Bank, expanded their operations further by borrowing large amounts in the capital markets and also by entering into co-financing arrangements with commercial banks as well as with other official aid institutions. In addition, the Development Committee² of the World Bank and the IMF has requested the World Bank to study the proposal to establish an International Resources Bank with the intended purpose of supporting efforts of developing countries to exploit their natural resources.

During 1976, the developing countries continued to place great emphasis on expansion in merchandise trade as a vehicle of economic growth. They continued to express their concern for obtaining stable and equitable prices for their exports, for reducing tariff and non-tariff barriers currently facing their export products, and for diversifying their exports by product and by destination. At the United Nations Conference on Trade and Development (UNCTAD) meeting in Nairobi in May 1976, it was generally agreed that efforts must be made to achieve stable and equitable prices of primary commodities. Some progress is being made on specific agreements which should improve the operations of commodity markets to the advantage of both developing and industrial countries.

In addition to the UNCTAD meeting in Nairobi, a series of meetings at the highest levels took place during the year. These include the Jamaica Conference on world monetary issues, which convened in January 1976, several meetings of the Development Committee, and the Conference on International Economic Cooperation (CIEC) or "north-south dia-

¹ Inclusive of an estimated net inflow of resources of \$0.6 billion from OPEC countries for which data are not shown in Table 8 on page 65 due to lack of a countrywise breakdown in this inflow. However, due to lack of data, the figures here and in Table 8 do not include flows from centrally planned economies.

² Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.

logue" meetings in Paris. At these meetings, many crucial issues were discussed to help achieve a more stable and equitable international economic order in an increasingly interdependent world. Considerable attention was devoted to discussion of a variety of measures which would channel more real resources to the developing countries in the general context of a restructured global economy.

Although the "financial crisis" atmosphere occasioned by unprecedented balance-of-payments deficits in developing countries had dissipated somewhat, the problem of financing development through adequate inflows of external resources and meeting debt service burdens will continue to remain major areas of concern to developing countries in the coming years. However, both in the Bank's region and throughout the developing world, the emphasis of discussion on development in 1976 shifted from financial and short-run considerations to long-run institutional and structural problems.

Developing countries are raising new issues and are voicing new concerns. More and more, they are emphasizing the social aspects of development and the primary role of appropriate technology. In the Bank's region, governments are stressing the welfare of the masses living in rural areas and of the poorer sections of the urban population; they

are according higher priorities to the creation of more job opportunities and to the increased production of food and other agricultural products. In order to deal with these concerns effectively, necessary institutional changes must be made. These changes require determined and sustained efforts by the developing countries, the cooperation of the developed countries, and increasing inflows of external resources from official and private sources and international financial institutions.

The Bank took a variety of measures during the year to expand and make more effective its role in the development of the region. A number of studies were completed to help the Bank to evolve appropriate operational policies and directions for its future lending. The most notable among these was the updating of the Asian Agricultural Survey. Important innovations were initiated in the design, formulation, selection and appraisal of projects to better reflect social considerations without compromising economic viability. Various steps were considered to further help DMCs to select and adopt appropriate technology in different fields.

The major initiatives taken by the Bank in support of its future lending operations—the replenishment of the ADF and the second general capital increase—have been described in the previous chapter.



OPERATIONS AND POLICIES

Lending Operations

IN 1976, the Bank's loan approvals totalled \$775.9 million, an increase of 17.5 per cent¹ over 1975. Loans from ordinary capital resources amounted to \$540.04 million, and those from Special Funds \$235.86 million. Thirty-seven loans were approved for 36 projects in 16 developing member countries (DMCs). Cumulative loan approvals reached \$3,359.47 million.

Six DMCs received loans exclusively from ordinary capital resources, namely Indonesia (\$109.34 million), Republic of Korea (\$114 million), Malaysia (\$42 million), Philippines (\$116.2 million), Singapore (\$23.6 million) and Thailand (\$72.1 million).

Nine DMCs received loans exclusively from Special Funds: Afghanistan (\$24.8 million), Bangladesh (\$53.5 million), Burma (\$45.9 million), Gilbert Islands (\$1.75 million), Nepal (\$44.3 million), Papua New Guinea (\$21.24 million), Solomon Islands (\$3.57 million), Sri Lanka (\$5 million) and Western Samoa (\$3 million).

Pakistan received loans from both sources (\$62.8 million from ordinary capital resources and \$32.8 million from Special Funds).

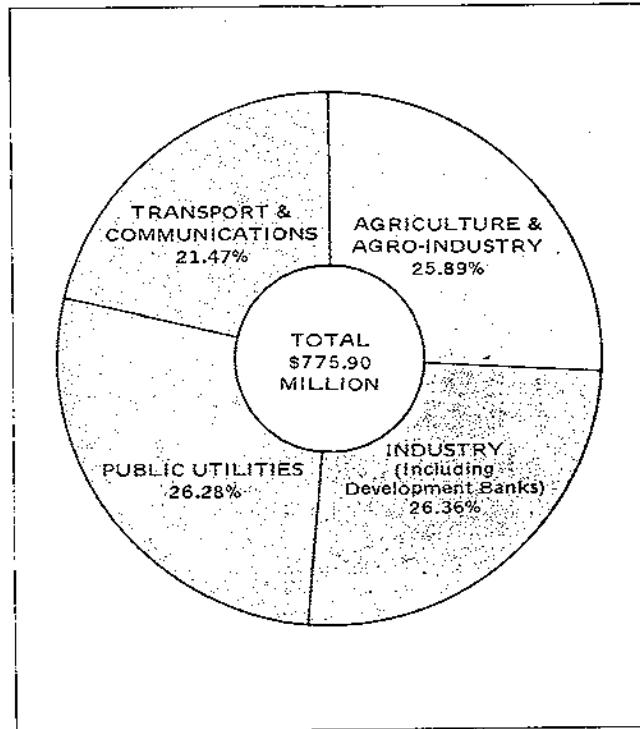
Gilbert Islands and Solomon Islands received their first loans from the Bank.

Lending from ordinary capital resources grew in 1976 by 9.3 per cent over 1975 and lending from Special Funds by 41.9 per cent. The relatively higher growth in Special Funds lending compensated for the slight decline, due to resource constraints, in concessional lending in 1975, and reestablished the trend towards steady growth. This improvement in concessional lending was made possible largely by the availability of contribution to the Asian Development Fund from the developed member countries during 1976 (see Chapter on Special Funds on page 49).

The loans approved in 1976 included two supplementary loans totalling \$15.6 million to Afghanistan and to Nepal for financing cost overruns, an engineering loan of \$2.5 million for the preparation of a feasibility study and detailed design of a large-scale fertilizer project in Bangladesh, and two technical assistance loans totalling \$1.43

¹ Using the World Bank's disbursement and commitment price deflators, the increase in real terms is 9.8 per cent and 10.6 per cent, respectively.

ORDINARY AND SPECIAL FUNDS
LOAN APPROVALS BY SECTOR: 1976



million for the preparation of a master plan and a feasibility study of the first-stage development of two projects in Indonesia, the Bandung Urban Development and Sanitation Project and the South East Sulawesi Transmigration Area Development Project. Originally, these projects were to have been wholly financed by the United Nations Development Programme (UNDP) in 1975, with the Bank acting as Executing Agency (See page 34).

The average size of loans approved in 1976 amounted to \$21 million, or to \$23.6 million if supplementary, engineering and technical assistance loans are excluded, compared with \$16.1 million and \$20.1 million, respectively, in 1975. The increase in the average size of loans is a reflection of higher project costs as a result of inflation, as well as the

LOAN APPROVALS IN 1976 AND TOTAL PROJECT COSTS
 (amounts in \$ million)

Country/Project	Ordinary Capital	Special Funds	Total Project Cost
AFGHANISTAN			
Gawangan-Chardarrah Agricultural Development (Supplementary) Seeds	—	10.80 14.00	15.45 ¹ 17.60
BANGLADESH			
Chittagong Urea Fertilizer Technical Service	—	2.50	2.66
Second Bangladesh Shilpa Rin Sangstha	—	25.00	—
Serajgonj Integrated Rural Development	—	26.00	45.18
BURMA			
Sedawgyi Multi-Purpose Dam and Irrigation	—	45.90	78.07
GILBERT ISLANDS			
Causeway	—	1.75	2.69
INDONESIA			
Maninjau Hydropower	39.70	—	62.70
Road Improvement	20.00	—	37.35
Bandung Urban Development and Sanitation	1.15	—	1.78
South East Sulawesi Transmigration Area Development	0.28	—	0.72
Second Road	48.21	—	128.00
KOREA, REPUBLIC OF			
Coal Development	12.00	—	19.25
Second Korea Development Corporation	40.00	—	—
Namgang Area Development	32.00	—	78.90
Fourth Medium Industry Bank	30.00	—	—
MALAYSIA			
Fisheries Development	27.00	—	59.70
Johore and Kelantan Water Supply	15.00	—	25.50

financing by the Bank of certain large-size projects in the DMCs. In 1976, the largest loan made by the Bank was \$52 million for the Fourth Mindanao Power Project in the Philippines and the smallest loan was \$280,000 (for technical assistance) for the South East Sulawesi Transmigration Area Development Project in Indonesia. In the case of loans from Special Funds, the size of which has been generally smaller, the Bank approved in 1976 its largest loan so far from such resources (\$45.9 million) for the Sedawgyi Multi-Purpose Dam and Irrigation Project in Burma, as well as another large loan (\$39.5 million) for the Hetauda Cement Project in Nepal.

In accordance with the policy adopted in 1974, five loans to five countries in 1976 included foreign exchange for financing local currency expenditures, compared to eight such loans to six countries in the previous year. The five loans involved a total of \$19.1 million in local cost financing —\$2 million from

ordinary capital resources and \$17.1 million from Special Funds.

Financing of interest and other charges during construction totalled \$19.8 million in four loans to three countries.

During the year, the Bank's existing methodologies for the economic and financial appraisal of Bank-assisted projects were reexamined and, in addition to the improvement of the presently-adopted economic efficiency approach, the possibilities for assessing the social impact of projects were considered. The objective is to systematize and refine existing techniques, as well as to develop new ones adequately incorporating employment and social considerations (including income distribution) in the appraisal of projects.

A review of the Bank's Loan Regulations — for both ordinary operations and Special Operations — was in progress at the end of the year. The purpose of the review was to simplify, clarify and improve the existing Regulations.

NEPAL			
Hetauda-Narayangarh Road (Supplementary)	—	4.80	4.80 ¹
Hetauda Cement	—	39.50	59.10
 PAKISTAN			
Hyderabad Water Supply and Sewerage	—	22.00	34.65
Second Pakistan Industrial Credit and Investment Corporation	25.00	—	—
Port Qasim	37.80	10.80	220.00
 PAPUA NEW GUINEA			
Water Supply	—	13.50	20.10
East Sepik Rural Development	—	7.74	10.39
 PHILIPPINES			
Philippine National Railways	24.20	—	33.35
Fourth Private Development Corporation of the Philippines	25.00	—	—
Second Davao del Norte Irrigation	15.00	—	40.40
Fourth Mindanao Power	52.00	—	105.70
 SINGAPORE			
Second Water Supply	23.60	—	62.20
 SOLOMON ISLANDS			
Beef Cattle Development	—	3.57	8.36
 SRI LANKA			
Development Finance Corporation of Ceylon	—	5.00	—
 THAILAND			
Second Highway	19.00	—	31.39
Southern Land Settlements	16.10	—	38.89
Third Power Distribution	37.00	—	80.00
 WESTERN SAMOA			
Second Development Bank of Western Samoa	—	3.00	—
 TOTAL	540.04	235.86	1,324.88

¹ Only additional costs are indicated for supplementary loans.

Domestic Procurement for Bank-Financed Projects

With a view to promoting domestic industries in DMCs, many of which suffer from underutilization of capacity and shortages of foreign exchange for importing maintenance parts and intermediate components, and without compromising the established principles of economy and efficiency, procurement and Bank financing arrangements were modified in July.

Under the Bank's procurement guidelines, goods and services financed by the Bank are being obtained on an international competitive basis without special preference to any one country. The guidelines provide that, in special circumstances, the Bank and the borrower may agree that procedures other than international competition may be more appropriate. When the Bank is satisfied that domestic production is reasonable in price, quality, delivery schedule, etc., local supply has in certain cases been incorporated within the

framework of procurement action for the project, but Bank financing has been limited to the foreign exchange cost or the import content of local production, except where the Bank has specifically agreed to finance, in foreign exchange, part of the local currency cost.

When a domestic contractor/supplier participates in an effectively carried out international competition and wins the contract award, the Bank finances a lower amount or percentage of the value of the contract, compared with the amount or percentage financed if a foreign supplier/contractor wins the contract. The reason for such differential treatment is that, in the former case, the local cost component is higher. In cases where domestic procurement was incorporated, Bank financing was limited to the foreign exchange costs of the contract awarded.

The above aspects of procurement in Bank-financed projects were reviewed and the following arrangements were

approved.

- (a) The Bank will finance the same amount or percentage of a contract regardless of whether the contract is awarded to a domestic or a foreign supplier/contractor, provided international competitive bidding is effectively carried out under the Bank's Guidelines for Procurement.
- (b) Procurement of domestic goods and construction services under Bank financing (which will be limited to the foreign exchange component), will be permitted in appropriate cases, where:
 - (i) Local production or construction facilities are available at a reasonable cost, are efficient and adequate in terms of prompt delivery;
 - (ii) It is considered unlikely that foreign contractors and suppliers would be interested in bidding, or that the advantages of international competitive bidding would be outweighed by the administrative burdens involved;
 - (iii) The procedures to be followed for domestic procurement (e.g., domestic competition, prequalification, etc.) are satisfactory to the Bank; and
 - (iv) The borrower specifically requests the adoption of this procedure.

The above domestic procurement arrangement applies to loans approved after 15 July 1976. The above arrangement in regard to financing the same amount or percentage of a contract, which places a local supplier/contractor in a no less favorable position than a foreign competitor, is effective for loans approved after 1 January 1976.

Co-Financing

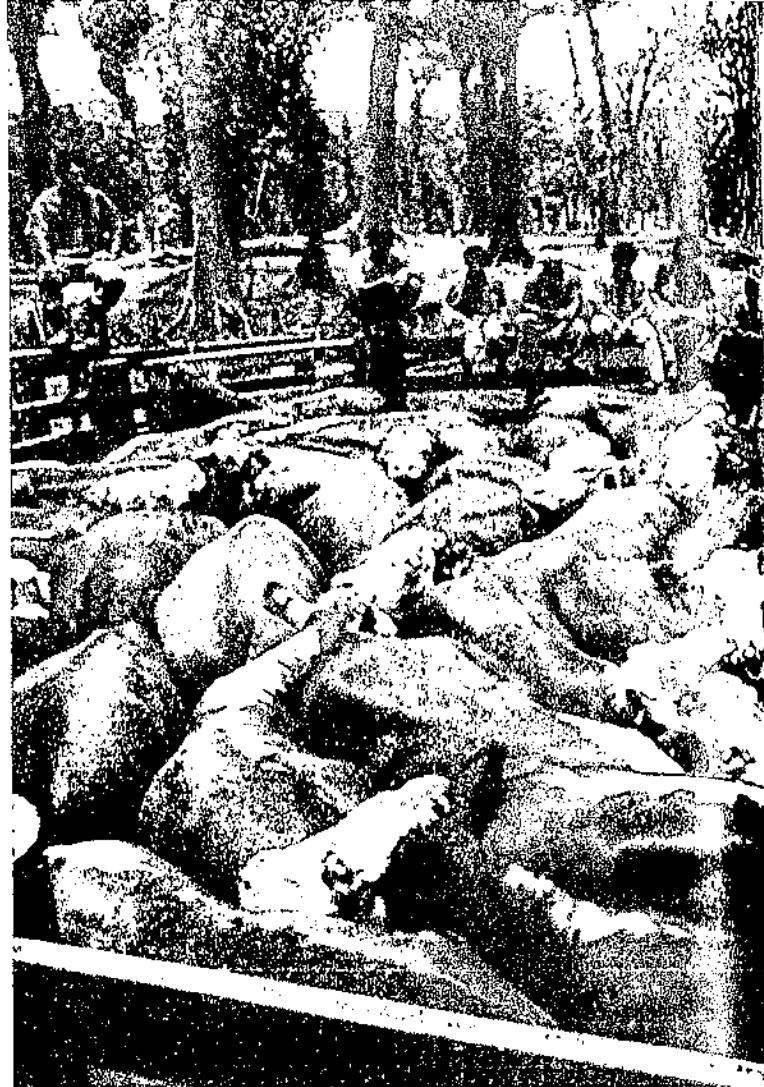
During 1976, the Bank organized co-financing arrangements totalling \$132.6 million in respect of seven projects in six DMCs. These included: Port Qasim Project in Pakistan — Belgium, Bulgaria, Canada, France, Federal Republic of Germany and United Kingdom (\$64.5 million); Second Road Project in Indonesia — Saudi Fund for Development (\$50 million); Beef Cattle Development Project in Solomon Islands — Australia, New Zealand and United Kingdom (\$2.3 million); Serajgoni Integrated Rural Development Project in Bangladesh — United Nations Capital Development Fund (\$2.3 million)¹ and UNICEF (\$0.25 million), and South East Sulawesi Transmigration Area Development Project in Indonesia — UNDP (\$0.225 million).

In addition, \$5 million for the Water Supply Project in Singapore and \$8 million for the Fourth Mindanao Power Project in the Philippines are being co-financed by commercial banks. Arrangements of this kind could become increasingly important in development financing. In these arrangements, part of the financing is specifically arranged on terms which are suitable for lending by commercial banks. A notable feature is the "cross-default" clause, which gives additional security to the co-lender and can also result in more attractive terms to the borrower, although operation of the clause is optional to the lender. Through these arrangements the Bank can act as a catalyst in the transfer of additional private sector resources to its DMCs, on more favorable terms than would otherwise have been the case.

South Pacific Region

When Cook Islands joined the Bank in April, the Bank's membership among the South Pacific countries increased

¹ UNCDF commitment is yet to be confirmed.



BEEF cattle on a pilot farm in Western Samoa, where evaluation of tropical pastures and beef cattle, breeding and management is being undertaken. The Project also provides demonstration and training facilities to cattle farmers.

to seven. The Bank has continued to maintain flexibility in helping these, mostly small and less developed, island countries. Special efforts have been needed to evolve suitable projects in these DMCs and to improve their capacity to utilize development assistance effectively. During 1976, there was a substantial increase in both the number and amount of loan and technical assistance projects approved for South Pacific DMCs. Under the technical assistance provided to Tonga and Western Samoa by the Bank in 1975, comprehensive development plans were prepared, which resulted in the identification of project possibilities and the expansion of aid programs for these two countries.

In pursuit of its objective of establishing and strengthening local development finance institutions (DFIs), the Bank provided assistance to DFIs in three of the seven DMCs in the South Pacific during 1976. This comprised technical assistance for upgrading the Agricultural and Industrial Loans Board in Solomon Islands; a second credit line and technical assistance for the Development Bank of Western Samoa, and technical assistance for establishing the Tonga Development and Finance Corporation — a new DFI.

Technical assistance to the South Pacific DMCs for advis-

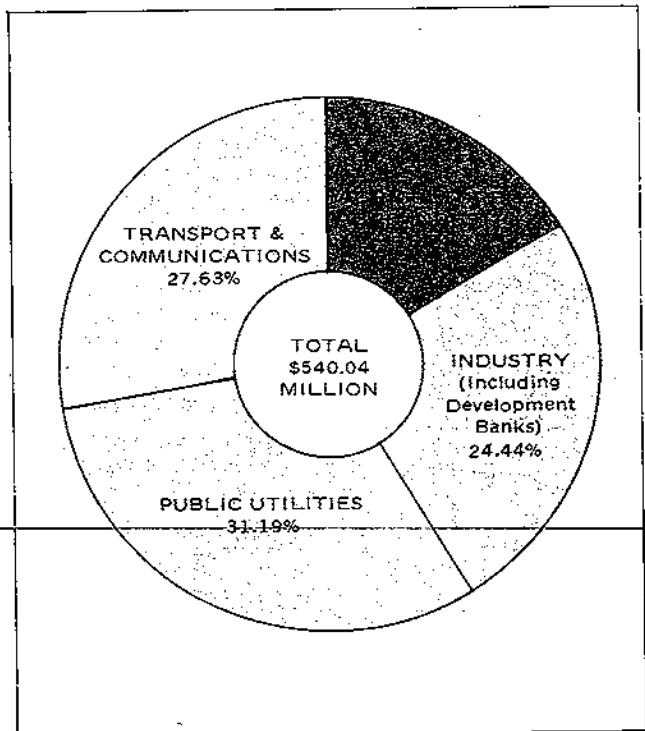
LOAN APPROVALS BY SECTOR IN 1976
(amounts in \$ million)

Sector	OCR	SF	Amounts Total	%
Agriculture & Agro-Industry	90.38	110.51	200.89	25.89
Agriculture	90.38	108.01	198.39	25.57
Agro-Industry	—	2.50	2.50	0.32
Industry (including Development Banks)	132.00	72.50	204.50	26.36
Public Utilities	168.45	35.50	203.95	26.28
Transport & Communications	149.21	17.35	166.56	21.47
TOTAL	540.04	235.86	775.90	100.00

ory, institution-building and project preparation purposes also increased. Of the 24 technical assistance projects approved by the Bank during the year for 13 DMCs, nine related to five DMCs in the South Pacific, five for project preparation and four (including the three for DFIs mentioned above) for advisory and operational assistance purposes.

Special attention was given to directly improving productive capabilities of the South Pacific DMCs. Feasibility studies for establishing an industrial estate in Tonga and a coconut oil processing mill in Western Samoa, and loans for a multi-purpose rural development project in Papua New Guinea and for beef cattle development in the Solomon Islands, were examples of this type of aid.

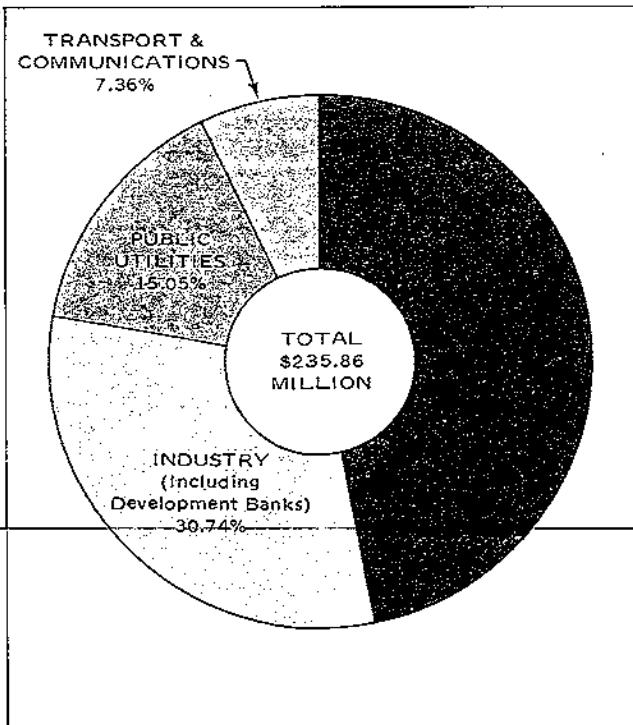
**ORDINARY LOAN APPROVALS
BY SECTOR: 1976**

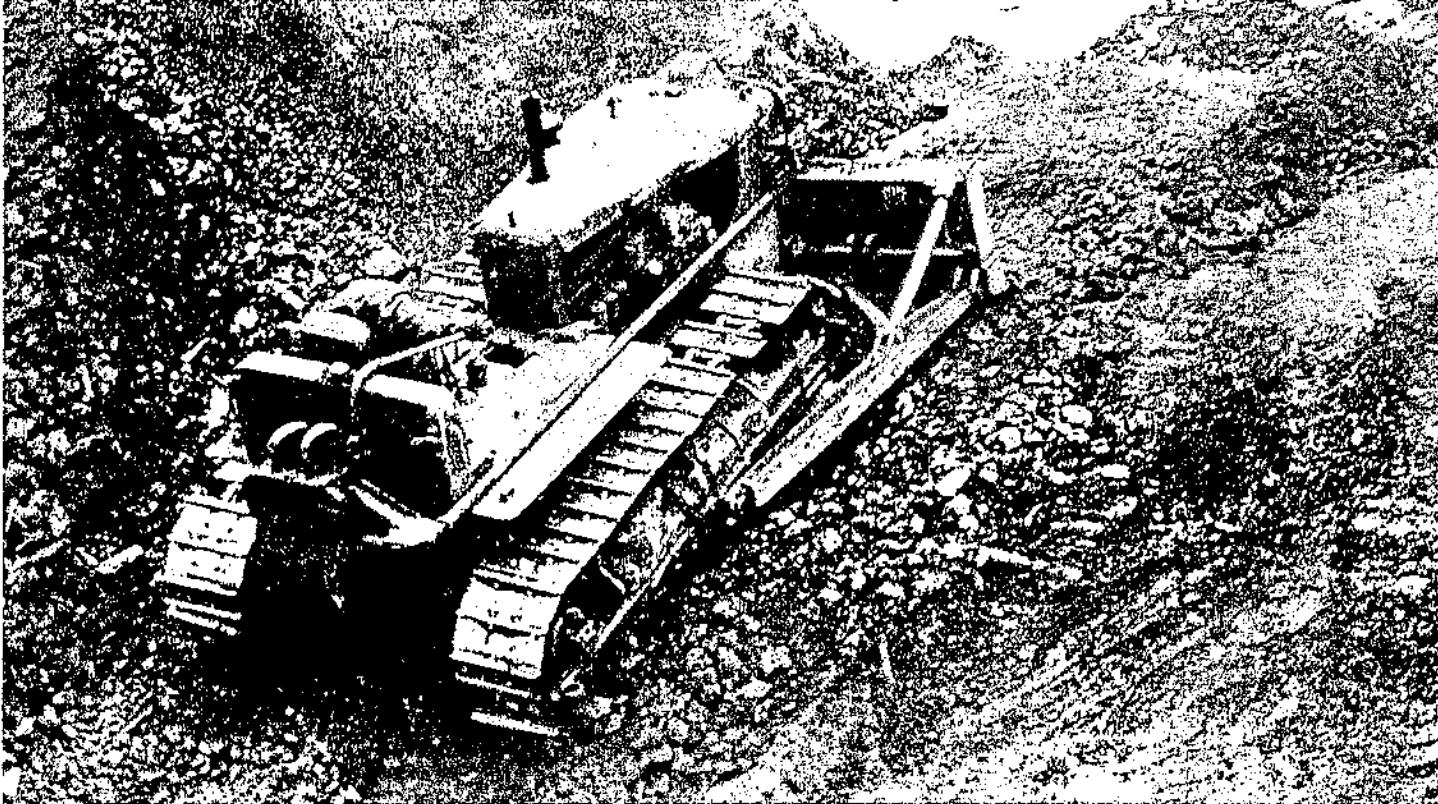


Sectoral Activities

Lending operations for the year were evenly distributed among the four sectors assisted—agriculture and agro-industry, industry (including development banks), public utilities, and transport and communications—each accounting roughly for a quarter of the amount of loan approvals. Such a pattern of distribution reflected the attention paid by the Bank during the year to assisting both the agricultural and industrial development of its DMCs, as well as to building up infrastructure facilities for promoting economic growth and social development. Improving living conditions in rural areas through agricul-

**SPECIAL FUNDS LOAN APPROVALS
BY SECTOR: 1976**





COAL mining in the Republic of Korea. The Coal Development Project, approved during the year, will save foreign exchange expenditure on imports of crude oil through development of domestic energy resources.

tural development will also contribute to the lessening of urban migration pressures.

The sectoral distribution of 1976 loans is shown in the diagram on page 21. Comparative percentages for the four sectors for 1976 and 1975 (in brackets) are as follows: agriculture and agro-industry—25.89 (37.23); industry (including development banks)—26.36 (19.46), public utilities—26.28 (28.76), and transport and communications—21.47 (12.35).

Agriculture and Agro-Industry

Of the 12 loans to the agriculture and agro-industry sector totalling \$200.89 million which were approved in 1976, eight loans for \$153.8 million were given for irrigation and land development projects and three loans for \$44.6 million were for seeds, beef cattle and fisheries development projects, and an engineering loan of \$2.5 million was made for a fertilizer project in Bangladesh, which is expected to lead in the near future to a Bank loan for the purpose, possibly with co-financing from other sources.

Lending to the agricultural sector aims not only at increasing the production of food and other edible products but also at enhancing employment opportunities and incomes and hence improving general living conditions of the rural poor. It is noteworthy that \$108 million of the total for agriculture was provided in Special Funds loans, and that this represents 46 per cent of the total lending from Special Funds in 1976. An example of the broad scope of projects in this sector is the Namgang Area Development Project in the Republic of Korea (\$32 million), under which various development activities will be provided in 26 independent sub-project areas; these activities include irrigation systems, soil conservation and reforestation, farm mechanization, marketing facilities, importation of dairy cattle, extension services, village water supply, modernization of medical facilities, and village-level development.

The Sedawgyi Multi-Purpose Dam and Irrigation Project in Burma (\$45.9 million), is aimed principally at increasing agricultural output, as well as expanding employment and income generation opportunities of farm families in the area; the loan will also finance the improvement of power and water supply systems for urban centers in the neighborhood of the dam. The Southern Land Settlements Project in Thailand (\$16.1 million) will contribute to increasing farm incomes and promoting employment and faster economic growth in some of southern Thailand's poorest provinces. The Serajgonj Integrated Rural Development Project in Bangladesh (\$26 million) will improve irrigation facilities, agricultural production, employment and social services for people in the project area. The Seeds Project in Afghanistan (\$14 million) will establish a modern seeds industry, which will provide certified high-quality wheat and cotton seeds to farmers and benefit future production.

Industry (including Development Banks)

Nine loans totalling \$204.5 million were approved during the year for the industry (including development banks) sector: seven credit lines for \$153 million were extended to DFIs to meet the foreign exchange needs of industries in the countries concerned and two loans of \$51.5 million were made to help specific industrial projects. Among the seven DFIs receiving loans in 1976, the Private Development Corporation of the Philippines and the Medium Industry Bank of Korea received their fourth loans from the Bank; the Korea Development Finance Corporation, the Pakistan Industrial Credit and Investment Corporation, the Bangladesh Shilpa Rin Sangstha and the Development Bank of Western Samoa received second loans, and the Development Finance Corporation of Ceylon received its first loan. The two projects financed through direct lending to industry by the Bank are of significant economic importance: the Coal Development Project in the Republic of

Korea, the first project in the coal-mining sector to be financed by the Bank, will contribute to the country's efforts to exploit indigenous energy resources so as to minimize imports of costly crude oil; the Hetauda Cement Project in Nepal will supply essential construction material and contribute to economic development by reducing that country's dependence on imported cement.

Public Utilities

The public utilities sector accounted for eight loans for \$203.95 million in 1976, of which three loans for \$128.7 million were made for power development, four loans of \$74.1 million for water supply and the remaining loan of \$1.15 million for urban development. In power development, the Bank continued to place emphasis on the utilization of indigenous energy sources; among the three power projects financed by the Bank, two were for hydropower development and one for power distribution.

The four water supply projects financed by the Bank will benefit the large metropolitan area of Singapore as well as relatively smaller urban centers in Malaysia, Pakistan and Papua New Guinea. The water supply project in Pakistan also contains a sewerage element aimed at improving sanitation and public health in the project area. Apart from power and water supply, the Bank entered into a relatively new area of urban development by providing a technical assistance loan for the Bandung Urban Development and Sanitation Project in Indonesia¹. This project will provide assistance in adopting an integrated approach to the urban development of Bandung, with particular emphasis on improving the living conditions of the urban poor.

Transport and Communications

Eight loans for \$166.56 million were made for projects in the transport and communications sector in 1976. Of these, five loans for \$93.76 million were given for roads, including a causeway, \$48.6 million in two loans (blended) for Port Qasim in Pakistan and one loan of \$24.2 million for railways. The Bank's lending for roads was designed to improve access from rural areas to market outlets in urban centers, thus upgrading the infrastructure network and contributing to the social and economic development of the areas concerned. The Port Qasim Project in Pakistan will help the Government cope with its growing transport demands for bulk and semi-bulk commodities and relieve the growing congestion in Karachi Port. The purpose of the Bank's lending for a railway project in the Philippines, the second such project to be financed by the Bank, is to rehabilitate the Manila-Legaspi railway line and to introduce a number of institutional reforms.

Education

While no education loans were approved by the Bank in 1976, a technical assistance grant of \$95,000 was provided during the year for a vocational education project in Nepal, which is expected to lead to a Bank loan in the near future. A loan proposal for an engineering education project in the Philippines was also being processed during the year. This is expected to be submitted for consideration by the Board of Directors in 1977.

¹ The Bank agreed in 1975 to act as Executing Agency for the Project with financing to be provided by UNDP. UNDP financing, however, did not eventuate and the Project was refinanced by the Bank.



STREET scene in Bandung, West Java, where a study and project preparation for integrated urban development of the Indonesian city, with particular emphasis on improving living conditions of Bandung's poor, are being undertaken.

Social Benefits

In 1976, the Bank continued to place emphasis on the social benefits of its operational activities, although not at the expense of economic viability. Bank lending to the agricultural sector generally contributed to employment generation and improvement in the incomes of the rural poor. The integrated development approach in agricultural lending adopted by the Bank was further strengthened in 1976 with the incorporation of new elements of social significance. For instance, the Serajong Integrated Rural Development Project in Bangladesh included, aside from traditional aspects of irrigation and supporting facilities, pilot schemes for rural industries and rural education, provision for the organization of rural youth and women through selected economic activities, and facilities for improvement of health and family planning services in the project areas. The multi-purpose East Sepik Rural Development Project in Papua New Guinea comprised six rural development sub-projects, including such diverse aspects as land settlement, construction of roads, school buildings and a community center, the establishment of buffalo breeding herds, promotion of inland fishing, agricultural research, and the strengthening of agriculture and nutrition education in the province.

Lending to DFIs, which serve as intermediaries for channelling loan proceeds to small and medium-sized industries, had a significant social impact in terms of the creation of employment opportunities, both in rural and urban areas.

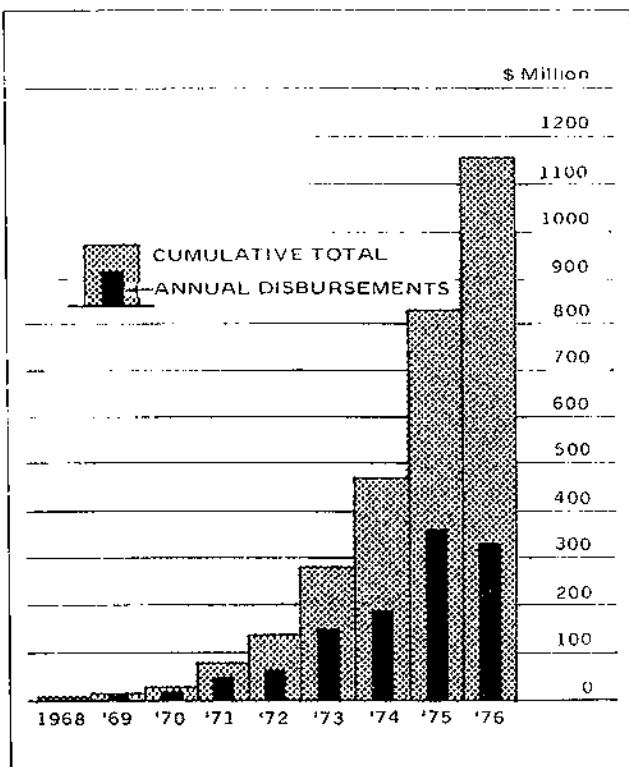
In the development of infrastructure, attention has also been paid to providing power, water and transport links for poor people so that the low-income groups of population in the respective project areas will also benefit by these necessary amenities.

Loan Administration

By the end of 1976, the total number of loans under implementation had risen to 208. In order to minimize delays in project implementation, the supervision and monitoring of ongoing projects was intensified. Field visits by staff were made to 183 projects in 1976, compared to 119 projects in 1975. In-house project supervision was improved through closer monitoring of actual progress made, and regular reviews of problem projects were undertaken by senior staff, as were periodic analyses of procurement and disbursement trends. Special efforts were made to help executing agencies expedite the procurement of goods and disbursement of loan proceeds. Improvements in the Bank's internal practices and procedures for loan administration were also introduced; a loan administration manual reached the final drafting stage, and a more systematic review of procurement transactions was introduced.

Considering that the early appointment of consultants for project implementation is crucial to the timely completion of detailed designs and the preparation of tender documents, the Consulting Services Division has concentrated on measures to help accelerate the employment of consultants, such as by supplying instruction materials and proforma documents on consultant selection procedures, providing long lists of consultants for executing agencies' consideration if so requested, and participating as observers or providing advice in contract negotiations, where necessary.

DISBURSEMENTS TO END OF 1976



Forty-four loans became effective during the year, making a total of 264 effective loans out of the 287 loans (excluding one fully cancelled and three refinanced loans) so far approved at year-end. Disbursements had been completed in respect of 56 loans, 19 of which were closed during the year.

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS TO END OF 1976¹ (amounts in \$ million)

Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No. ²	Amount ³	Amount	% of Effective Loans	Amount ⁴	% of Effective Loans
1968	4	20	4.5	22	1.8	9
1969	13	67	13.5	20	9.3	14
1970	28	137	58.7	43	26.4	19
1971	67	404	115.5	29	75.1	19
1972	93	696	270.8	39	136.2	20
1973	130	998	446.9	45	282.7	28
1974	187	1,612	803.1	50	470.2	29
1975	221	2,052	1,118.7	54	832.1	40
1976	264	2,846	1,483.9	52	1,158.7	41

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

2 Excluding one fully cancelled and three refinanced loans.

3 Net of cancellations and amounts transferred to subsequent loans.

4 Includes interest and other charges financed during construction.



LOADING jute at Bangladesh's Chittagong Port, which is to be rehabilitated and improved with Bank assistance.

The total value of procurement contracts awarded during the year was \$365.2 million, and disbursements amounted to \$326.6 million. The percentages of cumulative amounts of contracts awarded and disbursements made relative to effective loans as of the end of 1976 were 52 per cent and 41 per cent, respectively.

Post-Evaluation

In line with the Bank's Program for post-evaluation (approved in 1974), two external post-evaluation studies were completed during 1976 by groups of outside experts—one on a water supply project and the other on an irrigation project. Three post-evaluation studies were conducted internally—one on a palm oil project, another on a water supply project and the third on a petrochemical industry project; field work was also completed on a fisheries project.

The objective of these studies is to learn from past experience, especially with regard to achieving improvements in the efficiency and effectiveness of future Bank-assisted projects. The achievements of a project are assessed, together with their significance in the overall socio-economic development of the countries concerned. In addition, the adequacy of the Bank's appraisal and other procedures and the performance of the project executing agencies are analyzed with a view to assessing their effectiveness in meeting the intended objectives.

In general, the post-evaluation studies have shown that projects have been implemented successfully, despite some instances of delay in execution and of cost overruns. In most cases, the economic viability of the projects appeared better after completion of the project than at the time of appraisal. However, recommendations have been made on aspects of planning, design and implementation and these are being studied with a view to establishing guidelines for the appraisal of similar projects in the future.

Technical Assistance and Regional Activities

Technical Assistance

In 1976, the Bank continued to place emphasis on its technical assistance operations with a view to helping its DMCs in identifying, preparing and implementing development projects, in establishing and strengthening their national institutions, and in formulating appropriate development plans and strategies. Twenty-four technical assistance projects amounting to \$4.62 million¹ were approved by the Bank in 1976. Project preparatory technical assistance amounted to \$1.90 million and advisory and operational technical assistance to \$2.72 million. In three of the technical assistance projects, the Bank agreed to act as Executing Agency for UNDP, using UNDP funds amounting to \$1.91 million.

Twenty technical assistance projects were completed in 1976—15 for project preparation and five for advisory and operational purposes—bringing the total number of completed projects to 122.

Thirteen DMCs, namely, Bangladesh, Burma, Gilbert Islands, Indonesia, Republic of Korea, Malaysia, Nepal, Papua New Guinea, Solomon Islands, Sri Lanka, Thailand, Tonga and Western Samoa received technical assistance in 1976. Most of the technical assistance (79 per cent in number of projects and 89 per cent in amount) was given to countries eligible for Special Funds loans. Gilbert Islands, which joined the Bank in 1974, received its first technical assistance from the Bank during the year.

On a sectoral basis, over 47 per cent of the total technical assistance provided in 1976 was for agriculture (including irrigation, fisheries and livestock), and for agro-industries, which included sugar and coconut oil processing; about 20

¹ On a grant basis (technical assistance loans excluded).

TECHNICAL ASSISTANCE APPROVALS IN 1976¹
(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
BANGLADESH		
Railway ²	—	724.50
Second Fisheries Development	270.00	—
Meghna-Dhonagoda Irrigation	180.00	—
Jute Seed ²	—	960.50
Second Bangladesh Shilpa Rin Sangstha ³	—	260.00
BURMA		
Pyinmana Sugar Mill	328.00	—
Livestock	40.00	—
GILBERT ISLANDS		
Inter-Island Shipping	50.00	—
INDONESIA		
Bandung Urban Development and Sanitation ³	100.00	—
South East Sulawesi Transmigration Area Development ^{2,3}	224.87	—
KOREA, REPUBLIC OF		
Integrated Water Supply	50.00	—
MALAYSIA		
Fisheries Development in Sabah and Sarawak ³	100.00	—
NEPAL		
Vocational Education	95.00	—
PAPUA NEW GUINEA		
Water Supply ³	—	165.00
SOLOMON ISLANDS		
Second Agricultural and Industrial Loans Board	—	250.00
Development of Honiara Port	50.00	—
Lunga Hydropower	230.00	—
SRI LANKA		
Lununganwehera Reservoir (Irrigation & Agricultural Development)	49.00	—
Development Finance Corporation of Ceylon ³	—	75.00
THAILAND		
Port Development	50.00	—
TONGA		
Small Industries Center	50.00	—
Development and Finance Corporation	—	240.00
WESTERN SAMOA		
Coconut Oil Processing Mill	37.00	—
Second Development Bank of Western Samoa ³	—	40.00
TOTAL	1,903.87	2,715.00

1 Excluding regional projects and technical assistance loans.

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

3 Approved in conjunction with a loan.

TECHNICAL ASSISTANCE LEADING TO PROJECT LOANS IN 1976
 (amounts in \$)

Country	Project	Cost (Year Approved)	Loan
Project Preparatory Technical Assistance			
AFGHANISTAN	Gawargan and Chardarrah Agricultural Development Seeds	370,000 (1970) 49,000 (1975)	10,800,000 14,000,000
BANGLADESH	Serajgonj Integrated Rural Development	325,000 (1975)	26,000,000
BURMA	Sedawgyi Multi-Purpose	49,000 (1975)	45,900,000
INDONESIA	West Sumatra Electric Power Supply Java Road Improvement Study Feasibility Study for the Improvement of Surabaya-Malang Road and Related Collector Roads	185,000 (1970) 270,000 (1974) 310,000 (1974)	39,700,000 20,000,000 48,210,000
KOREA, REPUBLIC OF	Namgang-Imjin Area Development	230,000 (1973)	32,000,000
MALAYSIA	Fisheries Development	167,000 (1974)	27,000,000
PAKISTAN	Hyderabad Water Supply, Sewerage & Drainage Development	150,000 (1974)	22,000,000
PAPUA NEW GUINEA	East Sepik Agricultural Development	300,000 (1975)	7,740,000
PHILIPPINES	Davao del Norte Irrigation Philippine National Railways	27,000 (1973) 50,000 (1974)	15,000,000 24,200,000
SOLOMON ISLANDS	Beef Cattle Development	150,000 (1974)	3,570,000
Sub-Total		2,632,000	336,120,000
Advisory Technical Assistance			
BANGLADESH	Bangladesh Shilpa Rin Sangstha	370,000 (1974)	25,000,000
WESTERN SAMOA	Development Bank of Western Samoa	90,000 (1975)	3,000,000
Sub-Total		460,000	28,000,000
TOTAL		3,092,000	364,120,000

TECHNICAL ASSISTANCE APPROVALS BY SECTOR IN 1976¹
 (amounts in \$ thousand)

Sector	Number	Amount	%
Agriculture & Agro-Industry	9	2,189.4	47.40
Agriculture	7	1,824.4	39.50
Agro-Industry	2	365.0	7.90
Industry (including Development Banks)	6	915.0	19.81
Public Utilities	4	545.0	11.80
Transport & Communications	4	874.5	18.93
Education	1	95.0	2.06
TOTAL	24	4,618.9	100.00

¹ Excluding regional projects and technical assistance loans.

per cent went to industry (including development banks), including assistance to five DFIs, and to a study of a small industries center in Tonga; 19 per cent to the transport and communications sector, and about 12 per cent to public utilities. The remaining technical assistance was for vocational education in Nepal.

Sixteen loan projects approved in 1976 resulted from earlier technical assistance provided by the Bank. The total amount of the loans is \$364.12 million. The total cost of technical assistance that preceded these projects was \$3.1 million. By the end of 1976, cumulatively, 74 loans totalling \$932.83 million had resulted from technical assistance activities undertaken by the Bank costing \$11.63 million.

During the year, the Bank began a comprehensive review of its technical assistance operations and policies. It is expected that this review will be completed early in 1977.

Regional Activities

Six regional activities, mainly in the fields of agriculture and development banking, were financed by the Bank in 1976 at a cost of nearly \$1 million. (These are listed on page 33.)

An amount of \$460,000 was approved for undertaking the **Second Asian Agricultural Survey**. This followed the recommendation of a Consultative Committee of internationally known experts convened in December 1975, that the Asian Agricultural Survey undertaken by the Bank in 1967-68 should be updated. The purpose was to provide the Bank with an appropriate perspective and the necessary impetus for contributing more effectively to the process of agricultural and rural development in future, in light of the changes in the agricultural situation in Asia which have occurred since the earlier study was made. A Task Force began its work on this project at the Bank's Headquarters in June 1976. It comprised a core group of seven experts, supplemented by about a dozen associate experts who spent between one and two months each in assisting the core group on specific subjects. A number of international and national agencies, including the International Rice Research Institute, the Food and Agriculture Organization and the International Food Policy

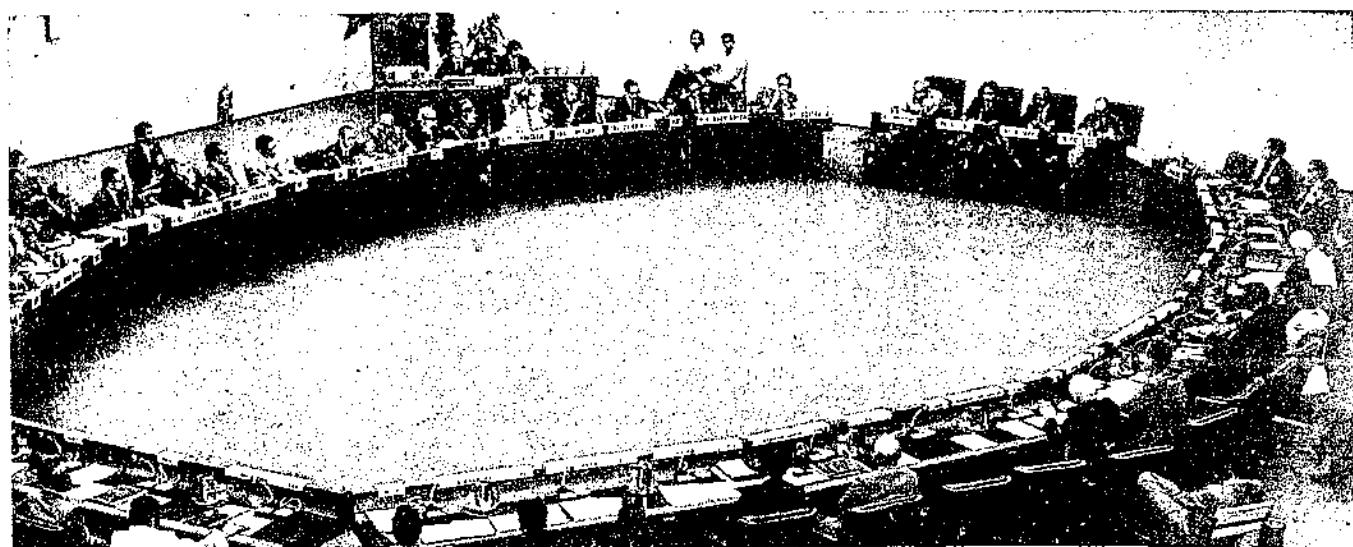
Research Institute, assisted the project through the release of staff or the provision of relevant material. Visits to DMCs and discussions with government officials and other individuals were carried out by small teams containing both core group members and associate experts. The draft report of the Task Force was received by the Bank at the end of the year.

Some of the world's poorest farmers will benefit from the technical assistance grant of \$325,000 approved by the Bank for the **International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)**. The grant by the Bank will support new research by ICRISAT—established five years ago with international backing in Hyderabad, India—into the development of improved animal-drawn farm equipment and implements for use in the semi-arid tropical areas of Asia, comprising parts of Burma, India, Pakistan and Thailand. These areas have a combined population of 300 million, most of whom usually work small fragmented farm holdings. The main thrust of ICRISAT's research activities is directed towards evolving suitable dry farming techniques and the selection, improvement and utilization of crops that can be grown with restricted water supplies.

A **Regional Training Program on Development Banking** (the fourth undertaken by the Bank) was held in Seoul, Republic of Korea, from 13 September to 23 October, in collaboration with the Korea Development Bank, the Korea Development Finance Corporation and the Medium Industry Bank. An amount of \$114,000 was provided by the Bank for the Program. Twenty-five professional staff from 18 DFIs in 11 DMCs attended the Program, which was geared, as were the previous programs, to project analysis and covered all aspects of the project cycle relating to small and medium-sized industrial projects. Particular emphasis was placed on the financial and economic aspects of project appraisal, as well as on project implementation and supervision. The four regional programs on development banking so far organized by the Bank have helped train 88 staff members from 32 DFIs in 17 DMCs.

The Bank convened the **Sixth Regional Conference of Development Finance Institutions of Asia and the Pacific** at its Headquarters from 29 September to 1 October. This Con-

OPENING session of the Sixth Regional Conference of Development Finance Institutions of Asia and the Pacific at the Bank's Headquarters in September.



REGIONAL ACTIVITIES IN 1976	Amount \$
Updating the Asian Agricultural Survey (Phase II)	460,000
ADB-KDB/KDFC/MIB Regional Training Program on Development Banking	114,000
Sixth Regional Conference of Development Finance Institutions of Asia and the Pacific	15,000
International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)	325,000
ADB-DSE-SEARCA Regional Training Program-Seminar on Agricultural Credit	40,000
Asian Productivity Organization's Seventh Project Feasibility Study, Training Course (Contribution)	31,500
TOTAL	985,500

ference was the third in the series convened by the Bank. The Fourth Regional Conference of Development Banks of Asia had been convened by the Bank in July 1969 in Manila in response to a general suggestion made at the Third Regional Conference in Tokyo in September 1966, a few months before the Bank was established. The Fourth Conference focussed on some of the basic problems met by development banks in the "Identification, Formulation, Evaluation and Implementation of Investment Proposals". The Bank had also convened the Fifth Conference in August 1973 in Manila. That Conference dealt with the "Operational Experiences of Development Banks—Problems Encountered in the Promotion of Industrial Development".

The basic objective of these Conferences is to provide a forum where senior executives from DFIs from within as well as outside the region can exchange views on matters of mutual interest.

The main theme of the Sixth Conference was "Development Through Cooperation among Development Finance Institutions". The Conference was attended by 84 participants from 31 DFIs in the region, six non-regional DFIs and institutions and 11 international organizations, including the United Nations, UNDP, the United Nations Industrial Development Organization (UNIDO), and the World Bank Group. During their deliberations, the participants focussed on the need to pay greater attention to adopting appropriate technology suited to the specific requirements of the projects supported by DFIs, and also explored various operational problems facing their institutions in areas such as the interest rates applied on international credit lines and the sources of external financing. The degree of attention which DFIs can, or should, attach to the socio-economic considerations underlying project financing, was a subject leading to an intensive exchange of views. The continued importance of suitable training activities was frequently stressed by delegates.

One result of the Conference was an agreement to establish the "Association of Development Finance Institutions in Asia and the Pacific". Among the main objectives of this Association are the development of a professional body to forward the interests of its members and the promotion of regional cooperation among DFIs. A Constitution for the Association was adopted and a nine-member interim Management Committee was elected. It is expected that future Regional Conferences of DFIs will be convened by the Association in different countries by rotation.

The Bank sponsored a **Regional Training Seminar on Agricultural Credit** in Manila and Los Baños, Philippines, in

November/December, in collaboration with the German Foundation for International Development (DSE) and the Southeast Asia Regional Center for Agriculture (SEARCA). The Seminar, which marked the beginning of the Bank's direct involvement in agricultural credit training, was attended by 20 senior executives from 19 agricultural finance corporations, rural banks, cooperatives, commercial banks and other institutions dealing with the agricultural sectors in 14 DMCs. The Seminar examined the main aspects of agricultural credit in the region; discussed techniques of analyzing and meeting credit requirements by farmers; reviewed credit programs and major institutional alternatives for delivering small farm credit as are found in several countries in Asia; identified the barriers to improved performance in future; dealt with policy issues critical to the success of credit programs and to institutional viability; and considered the manifold training needs of agricultural credit institutions and the possibilities of dealing with them appropriately. The Bank contributed \$40,000 to the cost of holding the Seminar.

A grant of \$31,500 was approved for the Asian Productivity Organization's (APO) **Seventh Project Feasibility Study Training Course**, which will be held in the Philippines (Stage I) and Japan (Stage II) from January to March 1977. The Bank had earlier provided assistance for the Third, Fourth, Fifth and Sixth APO Project Feasibility Study Training Courses. The Sixth Course was held in the Philippines and Japan from January to March 1976 and was attended by 25 participants from 10 regional member countries of the Bank.

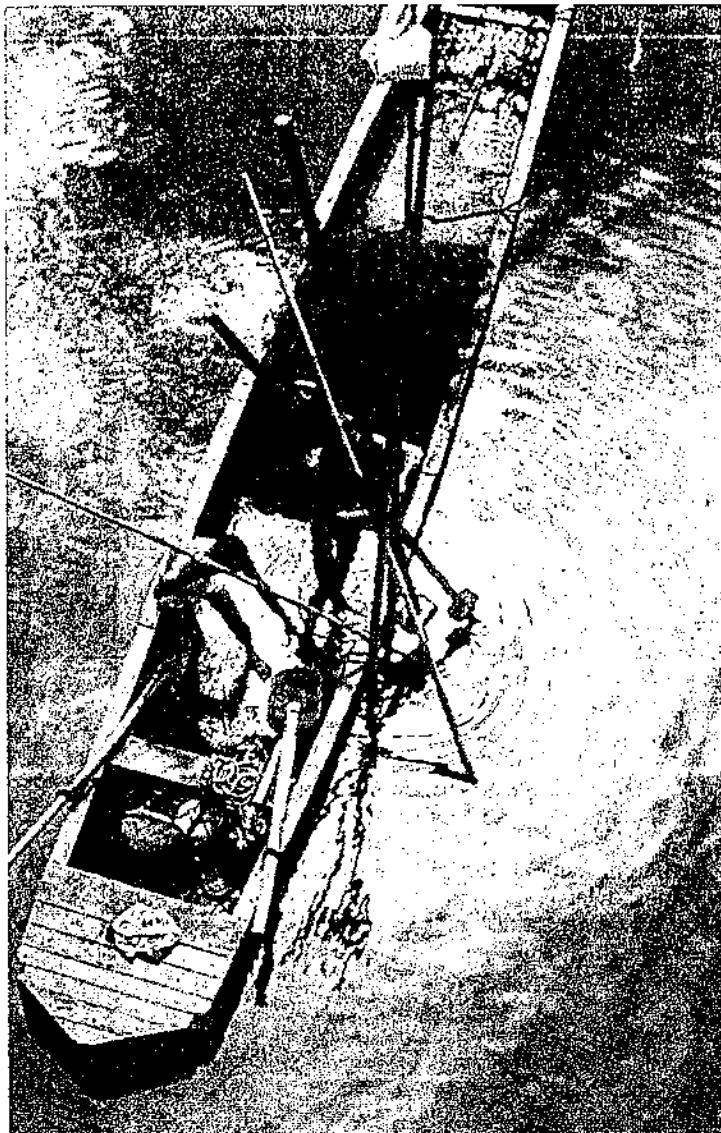
In its role as Administrator of the Second Nam Ngum Development Fund and coordinator of the execution of the Project, the Bank assisted further in the implementation of Phase II of the **Nam Ngum Hydropower Project** in the Lao People's Democratic Republic. Sufficient additional financing to cover substantial cost overrun on the Project was mobilized. Formalities regarding additional contributions offered earlier by various Contributor Governments were finalized on 12 April at the Bank's Headquarters by the signing of the Supplementary Agreement 1976 to the Second Nam Ngum Development Fund Agreement 1974. This Supplementary Agreement liberalized the terms of some previous contributions to the Fund, provided for additional or new contributions, and ensured that sufficient funds would be available for financing the Project, now estimated to cost a total of \$42.7 million. The Governments which signed the Supplementary Agreement are Australia, Cana-

da, France, Federal Republic of Germany, India, Japan, Lao People's Democratic Republic, New Zealand, Switzerland, Thailand and United Kingdom. The Netherlands had earlier agreed to make an additional contribution to the Fund under a separate arrangement. With the exception of one contract for village electrification, all of the contracts financed either out of the Fund or by the Federal Republic of Germany have now been awarded, and work under various individual contracts is proceeding normally. Despite certain delays experienced in early 1976 due to the closure of the border between Thailand and Laos and some disturbances affecting personnel working at the dam site during May 1976, the implementation of the Project was substantially on schedule at year-end and is expected to be completed as anticipated by the second quarter of 1978. The Project will provide Laos with sufficient power generating capacity to meet the expected growth in internal demand beyond 1977, with substantial surplus power available for export to Thailand.

Interagency Cooperation

The annual consultations between the Presidents of the African, Asian and Inter-American Development Banks—the seventh in the series — were held on 2 October at the Bank's

UPPER Pasig River near Laguna de Bay, Philippines, one of Southeast Asia's largest lakes. A project designed to improve the quality of water and to develop the resources of the lake is underway.



Headquarters and were attended also by the President of the Islamic Development Bank and by representatives of the Presidents of the World Bank Group and the Arab Fund for Economic and Social Development. The Islamic Development Bank and the Arab Fund for Economic and Social Development participated for the first time.

The meeting discussed the outlook for mobilization of additional resources in the coming few years, the policies that the institutions should consider in order to augment capital inflows into developing countries, and the methods of further intensifying cooperation between the participating institutions, with special reference to these activities relating to integrated rural development and the incorporation of appropriate technologies in the development process. The meeting also reviewed the progress made by the Development and Finance Commissions of the Paris Conference on International Economic Cooperation (in which the African, Asian and Inter-American Development Banks have been ad hoc observers).

Responding to requests of other aid organizations to share its experience in the development effort, the Bank made available several officers for short-term attachments to the Saudi Fund for Development and the Islamic Development Bank.

World Bank Group

Through frequent visits by officers and exchanges of information in regard to operational activities and country economic developments, cooperation between the Bank and the World Bank has been continued. The Bank was represented in an observer capacity at the aid coordination meetings for Bangladesh, Republic of Korea, Pakistan, Philippines, Sri Lanka and Thailand and the inaugural meetings for coordination of aid to Burma and Nepal, which the World Bank convened in 1976. The Bank was also represented by a team of observers at the IMF-World Bank Annual Meetings held in Manila in October 1976. In addition, the President attended the Fifth and Sixth Meetings of the Joint Ministerial Committee of the Bank and the Fund (the Development Committee) held in Jamaica in January and in Manila in October, respectively.

United Nations Development Programme (UNDP)

The Bank continued its cooperation with UNDP during the year. There were frequent consultations and exchanges of information between UNDP Headquarters and field offices, and the Bank. In 1976, the Bank agreed to act as Executing Agency for three technical assistance projects involving UNDP contributions totalling \$1.91 million—the Railway and Jute Seed Projects in Bangladesh, and the South East Sulawesi Transmigration Area Development Project in Indonesia. The amount of \$224,868 for the last-mentioned project was provided under a revised financing plan for the project originally approved in 1975, the Bank providing the balance in the form of a technical assistance loan. UNDP financing for the Bandung Urban Development and Sanitation Project, originally approved in 1975, did not eventuate, and the project was financed in 1976 by the Bank, partly by loan and partly by grant.

During the year, the Bank entered into a deferred billing arrangement with UNDP regarding expenditures incurred in 1976 on five ongoing UNDP projects for which the Bank had agreed to act as Executing Agency, so that implementation of these projects could proceed as planned. This arrangement provides that the expenditures in question would initially

be borne by the Bank and would be billed and settled by UNDP in 1977.

Food and Agriculture Organization (FAO)

Cooperation between the Bank and FAO in 1976 continued to be close, as in past years, and was guided by the Interim Cooperative Agreement established in 1968. FAO provided a team of experts on a cost-sharing basis for project preparatory technical assistance to Burma for a livestock project, while FAO staff participated in a fact-finding mission for an agricultural development project in Western Samoa. FAO also released two of its experts to participate in the Second Asian Agricultural Survey, and another two experts for the Seminar on Agricultural Credit, one to assist in the planning of the Seminar, and the other to join the faculty of the Seminar (see Regional Activities, pages 32 and 33.) The Bank participated in FAO-sponsored meetings on the Establishment of a Center on Integrated Rural Development for Asia held in February/March, in the FAO Inland Fisheries Conference in Kyoto, Japan, in May/June and in the Thirteenth FAO Regional Conference for Asia and the Far East in Manila in August.

International Fund for Agricultural Development (IFAD)

The Bank has maintained a close association with the deliberations relating to IFAD and was represented at the various meetings of interested countries leading to the adoption of the Agreement on the Establishment of IFAD on 13 June 1976. IFAD aims to raise initial contributions totalling at least \$1 billion in freely convertible currency, to be applied for agricultural projects primarily for food production, in the developing countries. When established, IFAD is likely to rely, for its operations, upon the existing global and regional international institutions. A set of working papers was prepared by the Bank on various operational aspects of IFAD to assist the Preparatory Commission. The Bank proposed a joint meeting of interested international development banks to discuss matters of common interest concerning IFAD. The meeting was hosted by the IDB in June 1976 at its headquarters in Washington, D.C. It was agreed at the meeting that three regional banks, i.e., AfDB, ADB and IDB would prepare a joint working paper in the form of an Aide Memoire covering matters requiring special attention by the Preparatory Commission. The Aide Memoire, making observations of the banks on certain operational aspects of IFAD, was forwarded to the Preparatory Commission in November 1976. Towards the end of the year, a staff member was seconded to assist the Commission for a six-month period. IFAD is expected to come into operation by middle of 1977.

Consultative Group on Food Production and Investment in Developing Countries (CGFPI)

CGFPI, which was established by the World Food Conference in November 1974, was given the functions of encouraging a larger flow of external resources for food production; improving the coordination of activities of different multilateral and bilateral donors providing financial and technical assistance for food production; and ensuring a more effective use of available resources. The First Meeting of the Group took place in Washington, D.C., in July 1975 and the Second meeting was also held in Washington, in February 1976. At the invitation of the Bank, the Third Meeting of CGFPI took place



FARMER in Nepal winnows harvested rice. Two projects in the country are aimed at extending credit facilities to individual farmers and to agricultural cooperatives for the development of farm production, storage and marketing infrastructure.

at the Bank's Headquarters from 22-24 September. Delegations and observers from 13 developed countries, nine developing countries, the World Bank, FAO, UNDP and other international organizations participated. The Meeting agreed on a narrow-focussed and realistic work program for CGFPI based on assistance to three or four major food deficit countries in the preparation of national food plans and continuation and expansion of the ongoing analyses of resource flows in agriculture.

European Economic Community (EEC)

During the year, the Bank established a framework for cooperation with the EEC. Under this arrangement, the EEC will provide a grant of \$1.875 million to finance a Bank-executed program of technical assistance in 1977 to several of its DMCs. Projects qualifying for EEC assistance will be those that would contribute to rural development. It is hoped that this cooperative technical assistance arrangement will open the way for possible co-financing by the EEC of loan projects in the near future.

Other International Organizations

Cooperation with the World Health Organization (WHO) was further strengthened with the institution of regular informal meetings of exchange information on the operational



SETTING up a modern rice mill in Burma's Irrawaddy delta region under a project to help improve the efficiency of the processing and storage of rice and other agricultural products.

programs of the two organizations to promote better coordination in future and to identify activities of common interest. Such consultations have resulted in the participation of WHO experts in Bank missions during the year. The possibility of the Bank co-sponsoring a regional seminar in the field of environmental health with WHO in 1977 has also been raised.

There was also continuing cooperation between the Bank and other international organizations such as the International Labor Organization (ILO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Children's Fund (UNICEF), the United Nations Environment Programme (UNEP), and the United Nations Capital Development Fund (UNCDF); information has been exchanged with these organizations and consultations have been held on matters of mutual interest. In staff discussions with ILO, various possibilities of cooperation were indicated, including joint sponsorship of a regional seminar on the application of appropriate technology in road construction and maintenance. During the year, UNESCO made available a consultant to participate in a fact-finding mission for an education project in Indonesia, while UNICEF and UNCDF participated in the co-financing of the Seraigonj Intergrated Rural Development Project in Bangladesh (see page 24).

The Bank deputed an officer to work in the Economic and Social Commission for Asia and the Pacific (ESCAP) as a member of the Inter-Agency Task Force on Integrated Rural Development, and had preliminary discussions with ESCAP on the possibility of Bank financing for Part II of an industrial survey in the South Pacific region.

Loan and Technical Assistance Approvals¹ — 1976

Afghanistan

LOANS

Gawargan-Chardarrah Agricultural Development Project (Supplementary): \$10.8 million from Special Funds to meet the foreign exchange component of a cost overrun in the Gawargan-Chardarrah Agricultural Development Project approved in December 1970 and in addition, to finance the foreign exchange cost for the construction of a 1.6 MW hydroelectric power station and the provision of a standby diesel generator.

Seeds Project: \$14 million from Special Funds for the establishment of seed production farms, seed processing and storage facilities, and other services for production and distribution of improved seeds to farmers. The Project will meet 50 per cent of the estimated annual wheat seed requirements for irrigated areas and the entire annual cotton seed requirements.

Bangladesh

LOANS

Chittagong Urea Fertilizer Technical Services Project: \$2.5 million from Special Funds for the provision of consultant and technical advisory services for preparation and subsequent implementation of a urea fertilizer plant at

¹ Loans are made from ordinary capital resources unless otherwise specified. Technical assistance is provided on a grant basis.

MODERN textile mill in Dacca, financed with a subloan from the Bangladesh Shilpa Bank.





BURMESE fisherman and his catch. The organization he works for improved substantially under the Fisheries Development Project; production from trawling operations grew threefold over the past two years.

Chittagong, the development of a gas production system at Bakhrabad and a gas transmission pipeline system from Bakhrabad to Chittagong.

Second Bangladesh Shilpa Rin Sangstha Project: \$25 million from Special Funds as a second line of credit to the Bangladesh Shilpa Rin Sangstha (BSRS) for augmenting its foreign exchange resources to enable it to meet the medium- and long-term credit requirements of public and private industrial enterprises.

Serajgonj Integrated Rural Development Project: \$26 million from Special Funds for the execution of an integrated rural development project in the Pabna District of northwestern Bangladesh. The Project covers an area of 202,000 acres and will benefit a population of approximately 905,000. UNICEF and the United Nations Capital Development Fund are expected to be co-financiers.

TECHNICAL ASSISTANCE

Railway Project: \$724,500, to be financed by UNDP with the Bank acting as Executing Agency, for the services of experts in the fields of organization and management, accountancy, operations and mechanical engineering, in conjunction with the Bank loan approved in December 1974 for the rehabilitation of the Chittagong-Dacca line and the provision of related services and equipment.

Second Fisheries Development Project: \$270,000 for a review and assessment of the country's overall fisheries development program and the preparation of an integrated fisheries development project covering marine and inland fisheries, aquaculture, marketing and other related fields.

Meghna-Dhonagoda Irrigation Project: \$180,000 for reformulating an irrigation, flood control and agricultural development project in the Comilla District of eastern Bangladesh.

Jute Seed Project: \$960,500, to be financed by UNDP with the Bank acting as Executing Agency, for consultant

services to be provided in connection with the Bank loan approved in December 1974 for providing improved jute seed.

Second Bangladesh Shilpa Rin Sangstha Project: \$260,000 for the establishment and operation of a Management Consultant Services Unit in BSRS and for the training of local staff to be assigned as counterparts to the Unit, in conjunction with the loan to BSRS (see left).

Burma

LOAN

Sedawgyi Multi-Purpose Dam and Irrigation Project: \$45.9 million from Special Funds for the construction of a multi-purpose dam and irrigation project, adjacent to Mandalay City in the country's dry zone. Upon completion, the Project will increase the incomes of 33,000 households settled in the area and provide newly irrigated land for the settlement of an additional 3,600 farm families.

TECHNICAL ASSISTANCE

Pyinmana Sugar Mill Project: \$328,000 for a comprehensive feasibility study for the rehabilitation and expansion of the Pyinmana Sugar Mill. It is intended that the rehabilitated mill will be used as a model for management, operation and machinery maintenance in the development of other sugar factories in Burma.

Livestock Project: \$40,000 for the formulation of a smallholder pig and poultry farming project. The total cost of the technical assistance is being shared between the Bank and the Food and Agriculture Organization.

Gilbert Islands

LOAN

Causeway Project: \$1.75 million from Special Funds for the construction of a causeway, and related access roads, to link the islands of Betio and Bairiki in South Tarawa.

TECHNICAL ASSISTANCE

Inter-Island Shipping Project: \$50,000 for a study of the country's inter-island shipping needs and of the possible expansion of the inter-island shipping fleet of the Gilbert Islands Development Authority.

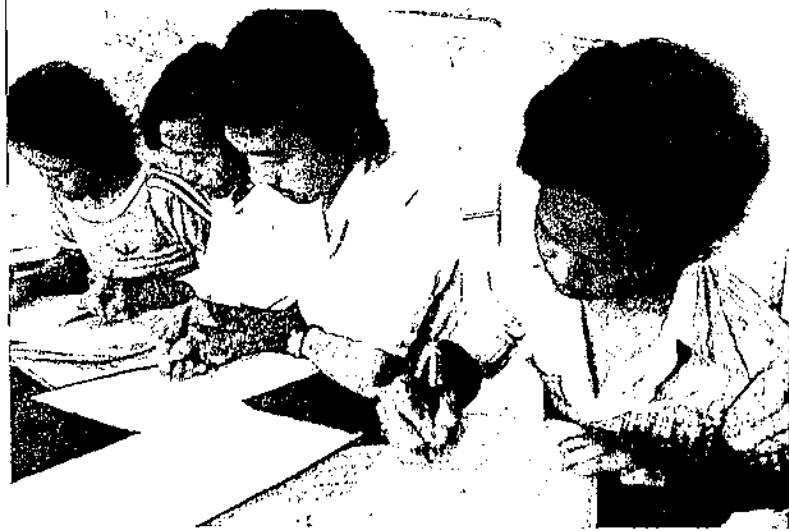
Indonesia

LOANS

Maninjau Hydropower Project: \$39.7 million for the construction of a 68 MW hydroelectric power plant and related transmission system. The Project will provide electric power supply to the northwestern part of West Sumatra Province, including the industrial area around its capital city of Padang, and for consultant services for Project implementation.

Road Improvement Project: \$20 million for the first phase of road improvement covering 134 km. of provincial roads and 51 km. of district roads, including the reconstruction and improvement of 30 bridges in East Java and Central Java Provinces.

Bandung Urban Development and Sanitation Project: \$1.15 million (technical assistance loan) for the preparation of a Master Plan for overall urban development and a feasibility study for the first stage of urban development, including expansion of sewerage, drainage and waste dis-



STUDENTS at the Surabaya Institute of Technology, where a new integrated campus is being constructed with facilities for student and faculty housing, modern classrooms, laboratories and workshops.

posal systems for Bandung, Indonesia's third largest city (see also technical assistance below).

South East Sulawesi Transmigration Area Development Project: \$0.28 million (technical assistance loan) towards the foreign exchange cost of preparing a 10-year plan and a feasibility study for infrastructure, agricultural development and social services for the support of about 20,000 families from overcrowded islands such as Java, Madura and Bali, who will be resettled in South East Sulawesi. The balance of the foreign exchange cost of the Project is being borne by UNDP, with the Bank as Executing Agency (see also technical assistance below).

Second Road Project: \$48.21 million for the construction of a new highway section and upgrading of the existing road section between Surabaya and Malang (94 km.) in the Province of East Java. The Saudi Fund for Development is providing co-financing amounting to \$50 million.

TECHNICAL ASSISTANCE

Bandung Urban Development and Sanitation Project: \$100,000 in conjunction with the technical assistance for this Project (see above).

South East Sulawesi Transmigration Area Development Project: \$224,868 to be financed by UNDP with the Bank acting as Executing Agency, in conjunction with the Bank technical assistance loan (see above).

Korea, Republic of

LOANS

Coal Development Project: \$12 million for the rehabilitation and expansion of existing coal mines of Dai Han Coal Corporation, including consultant services to assist in the preparation of a long-range operations program.

Second Korea Development Finance Corporation Project: \$40 million for augmenting the foreign exchange resources of the Korea Development Finance Corporation

to meet the credit requirements of private industrial enterprises.

Namgang Area Development Project: \$32 million for integrated area development of about 120,000 ha. on the Nam River Basin about 100 kms. west of Pusan, including land improvement, soil conservation and reforestation, market facilities, farm mechanization, import of dairy cattle, expansion of agricultural extension services, establishment of village water supply systems, construction of new hospitals and improvement of small irrigation and drainage facilities at village level.

Fourth Medium Industry Bank Project: \$30 million for augmenting the foreign exchange resources of the Medium Industry Bank to meet the credit requirements of small and medium industrial enterprises in the private sector.

TECHNICAL ASSISTANCE

Integrated Water Supply Project: \$50,000 for in-depth studies on technical aspects of the Geum River and Gumi Water Supply System and for finalizing the formulation of a suitable project proposal.

Malaysia

LOANS

Fisheries Development Project: \$27 million for the purchase of 420 marine diesel engines, fishing gear and equipment for the fishing fleet, machinery and equipment for four onshore complexes on the east coast of Peninsular Malaysia, transportation and other equipment for fish marketing, and the services of consultants to advise on boat building, management and fish marketing.

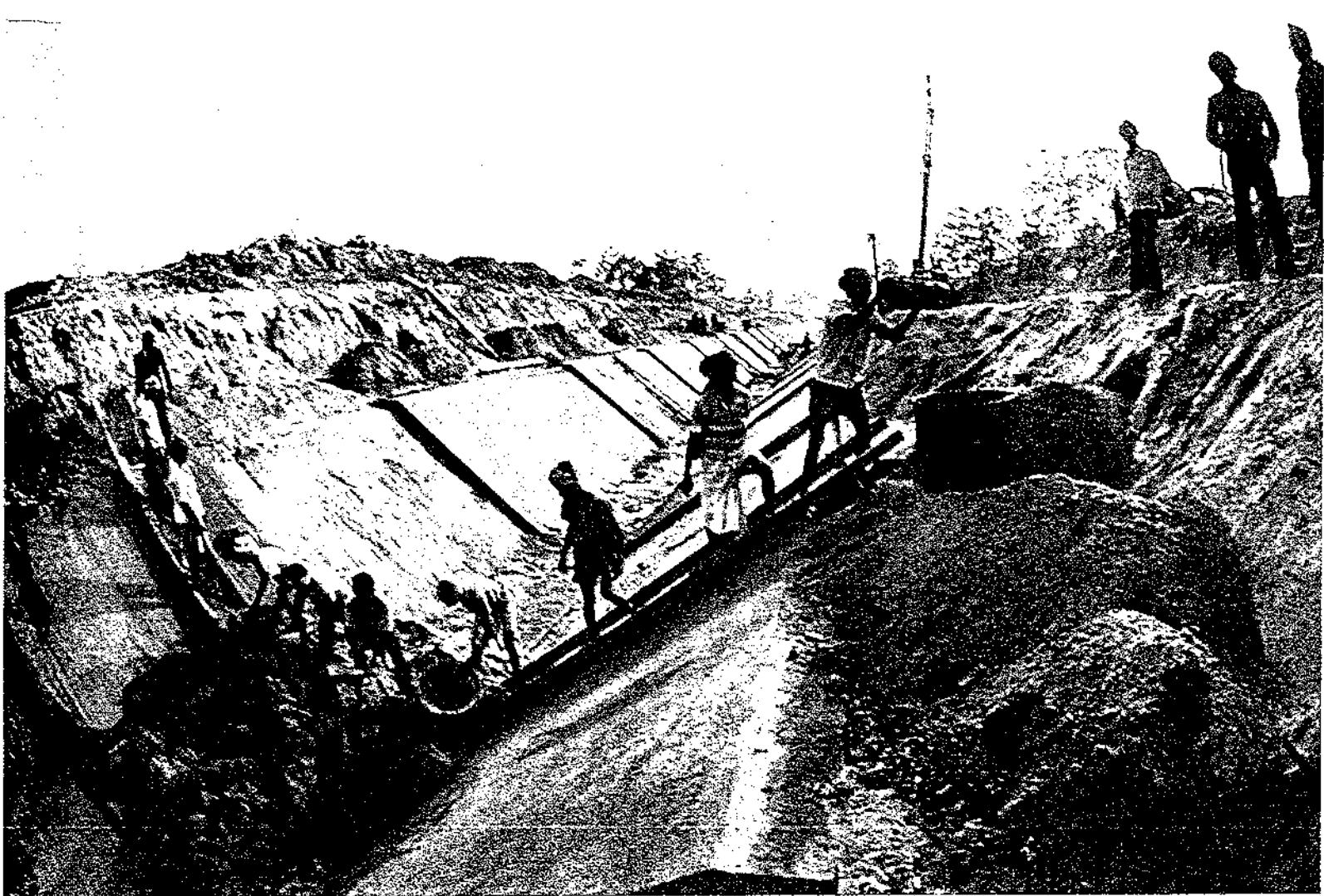
Johore and Kelantan Water Supply Project: \$15 million for the expansion and improvement of the water supply systems in the four towns of Muar, Segamat, Kota Bharu and Pasir Puteh to meet the anticipated water demand up to the year 1990.

TECHNICAL ASSISTANCE

Fisheries Development in Sabah and Sarawak Project: \$100,000 for a comprehensive study and formulation

NEPAL'S jute production and manufacturing is being improved under an integrated program involving the modernization of jute mills and upgrading of production and trading facilities.





CANAL-DIGGING at Kankai Irrigation Project in Nepal, which will bring year-round water to 5,000 ha. of previously unirrigated farmland.

of a project for the development of fisheries in the States of Sabah and Sarawak.

Nepal

LOANS

Hetauda-Narayangarh Road Project (Supplementary): \$4.8 million from Special Funds to meet the foreign exchange cost overrun for the reconstruction and improvement of the 80 km. road between Hetauda and Narayangarh, including the erection of bridges over four major rivers, plus consulting services.

Hetauda Cement Project: \$39.5 million from Special Funds for establishing a 260,000 m.t. per year cement plant for the production of ordinary Portland cement, a supporting limestone quarrying operation, together with quarry-to-plant transportation, and supporting services.

TECHNICAL ASSISTANCE

Vocational-Education Project: \$95,000 for the preparation of a vocational education and training project to meet the demand for trained skilled workers and technicians.

Pakistan

LOANS

Hyderabad Water Supply and Sewerage Project: \$22 million from Special Funds for the improvement and

expansion of the water supply and sewerage system of Greater Hyderabad City.

Second Pakistan Industrial Credit and Investment Corporation Project: \$25 million, as a second line of credit to the Pakistan Industrial Credit and Investment Corporation, for augmenting its foreign exchange resources to enable it to meet the medium- and long-term credit requirements of medium- and large-scale enterprises in the private sector.

Port Qasim Project: \$48.6 million, including \$10.8 million from Special Funds, for the Phase I development of Port Qasim, which will be constructed on the eastern outskirts of Karachi as a second major seaport for Pakistan. Bilateral aid agencies of six countries, namely, Belgium, Bulgaria, Canada, France, Federal Republic of Germany and United Kingdom, are extending co-financing totalling \$64.5 million.

Papua New Guinea

LOANS

Water Supply Project: \$13.5 million from Special Funds for augmenting the water supply in Lae, for providing a public piped water supply for the first time in Mount Hagen and Wewak, and for preparing detailed engineering designs for water supply in Madang.



A PORTION of the Sui-Karachi gas pipeline being laid in Pakistan between the capital city and the Sui gas field, one of the world's largest proven deposits of natural gas.

East Sepik Rural Development Project: \$7.74 million from Special Funds for integrated area development in the East Sepik Province through a multi-purpose project aiming at land settlement, buffalo farming, inland fishing, crop intensification, agricultural research and experimentation and agricultural education.

TECHNICAL ASSISTANCE

Water Supply Project: \$165,000 for the provision of expert services in the fields of institutional and financial management, accounting, water supply tariff structures, and water supply technical staffing, in conjunction with the Bank loan (see above).

Philippines

LOANS

Philippine National Railways Project: \$24.2 million for the rehabilitation and improvement of the 474 km. Manila-Legaspi railway line, including consulting services for operations and management.

Fourth Private Development Corporation of the Philippines Project: \$25 million for augmenting the foreign exchange resources of the Private Development Corpora-

tion of the Philippines to meet the credit requirements of private industrial enterprises.

Second Davao del Norte Irrigation Project: \$15 million for the construction of a 15,080-hectare irrigation system with related rural water supply and health facilities in Mindanao, and for the training of National Irrigation Administration personnel.

Fourth Mindanao Power Project: \$52 million to the National Power Corporation for the construction of a dam and 150 MW hydropower generating station on the Agus River in Mindanao. An additional loan of \$8 million has been provided by a commercial bank under a co-financing arrangement.

Singapore

LOAN

Second Water Supply Project: \$23.6 million for the construction of four reservoirs, expansion of transmission and distribution systems and other supporting facilities for water conservation and distribution for meeting Singapore's domestic, commercial and industrial water demand up to 1985. An additional loan of \$5 million has been extended by a commercial bank under a co-financing arrangement.

Solomon Islands

LOAN

Beef Cattle Development Project: \$3.57 million from Special Funds to augment the Government's beef cattle development program, which seeks to increase the national beef cattle herd from the present 24,000 to 52,000 by 1985. Co-financing totalling \$2.3 million is being provided by Australia, New Zealand and United Kingdom.

TECHNICAL ASSISTANCE

Second Agricultural and Industrial Loans Board Project: \$250,000 to upgrade the Agricultural and Industrial Loans Board into a fully-fledged development bank.

Development of Honiara Port Project: \$50,000 for estimating the scope and cost of an economically viable project in the context of cargo and passenger traffic forecasts at Honiara.

Lungga Hydropower Project: \$230,000 for examining the feasibility of constructing dam and hydropower facilities on the River Lungga on the Island of Guadalcanal to meet the future power needs of the capital city of Honiara and its environs.

Sri Lanka

LOAN

Development Finance Corporation of Ceylon Project: \$5 million from Special Funds to meet the foreign exchange needs of industrial enterprises (including small-scale industries) and agriculture-related operations in the private sector.

TECHNICAL ASSISTANCE

Lunuganwehera Reservoir (Irrigation and Agricultural Development) Project: \$49,000 for a comprehensive feasibility study for an area development project including a reservoir, irrigation, drainage, and infrastructure facilities for a new settlement in the Tissamaharama area.

Development Finance Corporation of Ceylon Project: \$75,000 for strengthening operations of Development Finance Corporation of Ceylon (DFCC) and other institutions, namely, Industrial Development Board, Bank of Ceylon and People's Bank, in the field of financing small-scale industries in connection with the loan to DFCC (see above).

Thailand

LOANS

Second Highway Project: \$19 million for the construction of 90 km. of highway and for feasibility studies and detailed engineering for 457 km. of feeder roads in the central region.

Southern Land Settlements Project: \$16.1 million for settling 3,000 families on 16,000 ha. of unoccupied forested land in southern Thailand, improvement and maintenance of 330 km. of rural roads, and agricultural development, mainly for rubber and oil-palm production.

Third Power Distribution Project: \$37 million to the Metropolitan Electricity Authority to finance the 1977-78 power distribution and expansion program in Bangkok and surrounding districts through the acquisition of equipment, construction of substations and installation of distribution lines.

TECHNICAL ASSISTANCE

Port Development Project: \$50,000 for the design and

engineering of facilities for deepwater ports at Songkhla and Phuket in southern Thailand.

Tonga

TECHNICAL ASSISTANCE

Small Industries Center Project: \$50,000 for preparing a viable project to establish suitable infrastructure in the form of a modest industrial estate, as a nucleus of manufacturing and processing enterprises.

Development and Finance Corporation Project: \$240,000 for assistance in the establishment and initial operation of a Development and Finance Corporation.

Western Samoa

LOAN

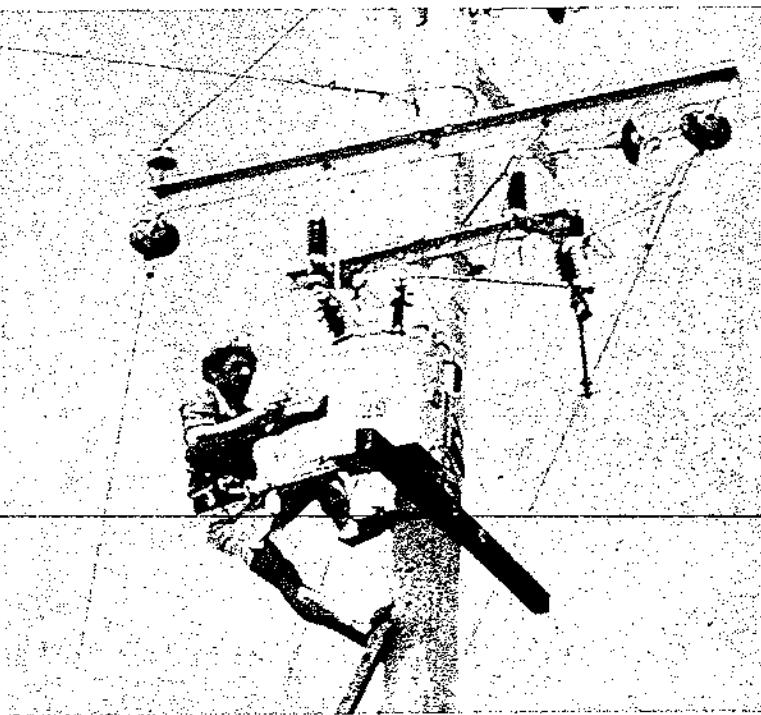
Second Development Bank of Western Samoa Project: \$3 million from Special Funds to augment the foreign currency resources of the Development Bank of Western Samoa to enable it to meet medium- and long-term credit requirements of development projects in Western Samoa.

TECHNICAL ASSISTANCE

Coconut Oil Processing Mill Project: \$37,000 for examining the feasibility of establishing a coconut oil processing mill designed to upgrade the product for the export and domestic markets.

Second Development Bank of Western Samoa Project: \$40,000 to cover the cost of the services of a Loan Operations and Training Expert for the Development Bank of Western Samoa, in conjunction with the Bank loan (see above).

TRANSMISSION lines being strung on Viti Levu, Fiji, as part of an electric power project.





ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Review of Resource Requirements and Increase in Capital Stock

PURSUANT TO the directive of the Board of Governors in Resolution No. 84 adopted in April 1975, the Board of Directors completed an examination in detail of the resource situation of the Bank and concluded that the projected lending program for the period 1977-1981 called for an increase in the capital stock. In reaching this conclusion, the Board was guided by the provisions of the Articles of Agreement in respect of outstanding loan commitments, and by the need for ensuring a prudent relationship between the Bank's borrowings and the callable capital subscribed by members having convertible currencies. The Board of Directors recommended that the subscribed capital of the Bank should be increased by 135 per cent before the end of 1977, with 10 per cent of the subscription being paid-in, this to be paid in four equal annual instalments commencing in 1978, with 40 per cent in convertible currency and 60 per cent in national currency. The Board of Governors considered these findings and adopted a Resolution¹ in October 1976, authorizing a second general increase in the subscribed capital stock of the Bank, to become effective by 31 December 1977. The increase amounts to \$5,004 million and will be divided into 414,800 shares, each having a par value of \$12,063.50 (\$10,000 in terms of US dollars of the weight and fineness in effect on 31 January 1966). Of these shares, 41,480 were to be paid-in shares and 373,320 were to be callable shares.

Capital

At 31 December 1976, the total authorized capital stock of the Bank was \$3,706.59 million (307,257 shares) having been increased by \$30.24 million (2,507 shares) during the year in order to enable subscription by the Federal Republic of Germany to a special capital increase of 7,387 shares. The subscribed capital stock was \$3,688.39 million (305,748 shares), consisting of \$2,505.91 million (207,727 shares) in callable capital and \$1,182.48 million (98,021 shares) in paid-capital. The subscribed capital was increased by \$486.85 million during the year on account of: (i) a subscription of \$0.12 million (10 shares) by Cook Islands as a new member, (ii) two additional subscriptions of \$120.64 million (10,000 shares) each by

1 Resolution No. 104 adopted on 29 October 1976.

the United States under the first general capital increase authorized by Resolution No. 46 and (iii) subscriptions to special capital increases of \$156.34 million (12,960 shares) by Canada and \$89.11 million (7,387 shares) by the Federal Republic of Germany.

By the end of the year, 35 members had subscribed a total of \$1,828.31 million to the capital increase authorized under Resolution No. 46. In addition, four members (Burma, Cook Islands, Gilbert Islands and Solomon Islands) absorbed the capital increase in their initial subscriptions. A further extension of time for subscribing to this first increase in authorized capital stock, up to 30 June 1977, was approved in July².

Borrowings

During 1976 the Bank raised \$528.8 million (equivalent) in thirteen borrowings, an increase of \$206 million over the borrowings made during 1975.

Due to favorable market conditions, the original borrowing target for 1976 was reached in the first four months of the year. Further improvement in market conditions led to a decision to borrow in excess of this target against the 1977 program. Two issues totalling \$107.4 million were made in accordance with this decision. Borrowings during the year were made in Federal Republic of Germany, Japan, Netherlands, Saudi Arabia, Switzerland, United Arab Emirates (the Bank's first borrowing in this country) and United States. A two-year dollar bond sale was also made to 24 of the Bank's regional and non-regional member countries. (See table on page 44).

The terms on which the Bank was able to borrow in 1976 reflected not only market conditions but the fact that its name is now becoming better known in world capital markets and to other sources of funds. The Bank's average borrowing costs over the year, weighted by amount and average life, were 8.40 per cent compared with 8.49 per cent in the preceding year; average maturities of borrowings in the year, weighted by amount, improved to 7.17 years compared with 5.04 years in the preceding year.

Borrowings made during the year were as follows:

Five-Year United States Dollar Notes

The Bank made a public offering in the United States of \$100 million of Five-Year Notes in January. The Notes, with a

2 Resolution No. 102 adopted on 23 July 1976.

BORROWINGS IN 1976
(amounts in million)

	Issue	Amount in Currency of Borrowing	US\$ Equivalent ¹
MEMBER COUNTRIES			
Germany, Federal Republic of	8% 6-Year Bonds due 1982 7-1/2% 7-Year Bonds due 1983 8-1/2% 10-Year Loan due 1986	DM100 DM75 DM75	42.2 31.7 31.7
Japan	8.70% 12-Year Bonds due 1988	¥15,000	52.2
The Netherlands	8-1/2% 7-Year Notes due 1983 8-3/4% 8-Year Loan due 1984 8-3/4% 8-Year Loan due 1984	f.75 f.50 f.50	30.5 20.4 20.4
Switzerland	6-1/2% 15-Year Bonds due 1991	SwF80	32.4
United States	8-1/2% 5-Year Notes due 1981 8-3/4% 10-Year Notes due 1986	US\$100 US\$75	100.0 75.0
Central Banks/ Monetary Authorities	7-3/4% 2-Year Bonds due 1978	US\$50	50.0
NON-MEMBER COUNTRIES			
Saudi Arabia	7-3/4% 7-Year Bonds due 1983	SwF80	32.4
United Arab Emirates	8-13/16% 5-Year Loan due 1981	US\$10	10.0
	TOTAL		528.8²

¹ US dollar equivalents are based on the exchange rates used by the Bank on 31 December 1976

² Total does not tally due to rounding.

coupon rate of 8½ per cent per annum payable semi-annually, were issued at a price of 99.75 per cent with a full maturity of five years. The Notes are listed on the New York Stock Exchange.

Seven-Year Dutch Guilder Notes

In February the Bank entered the Euro-Guilder market with a private placement of Seven-Year Notes totalling f.75 million. The Notes, which bear an interest rate of 8.25 per cent payable annually, were priced at 99.75 per cent.

Deutsche Mark Public Issue

In the second half of February the Bank made a public issue of bonds in the Federal Republic of Germany totalling DM 100 million, with an interest rate of 8 per cent payable annually, a full maturity of six years and an issue price at par.

Japanese Yen Bonds—Fourth Series

In March, ¥15 billion of bonds were offered publicly in Japan, with a final maturity of 12 years, a coupon rate of 8.7 per cent per annum payable semi-annually, and an issue price at par. The bonds are redeemable in six equal annual instalments of ¥900 million from 1982 to 1987, with a final instalment of ¥9.6 billion in 1988. The bonds are listed on the stock exchanges of Tokyo, Osaka and Nagoya.

United States Dollar Loan from the United Arab Emirates Currency Board

In March the Bank borrowed \$10 million in a direct loan from the United Arab Emirates Currency Board. The loan has a full maturity of five years and bears interest at 8½ per cent per annum payable semi-annually.

Swiss Franc Loan from the Saudi Arabian Monetary Agency

Also in March the Bank arranged a private placement of SwF80 million with the Saudi Arabian Monetary Agency. The private placement has a final maturity of seven years and a redemption scheme of three annual series. Series A and B, each of SwF 25 million, will mature in 1981 and 1982, respectively, and Series C of SwF 30 million will mature in 1983. The bonds bear interest at 7¾ per cent per annum payable semi-annually, and were issued at par.

Private Placement in Deutsche Mark: 7% Per Cent Deutsche Mark Bearer Bonds of 1976-1983

Later in March the Bank agreed to the issue and sale of DM75 million of Deutsche Mark Bearer Bonds of 1976-1983 as a private placement. The bonds, which have a maturity of seven years, were issued at par and have a coupon rate of 7¾ per cent payable annually.

Dutch Guilder Loan from the Algemene Bank Nederland N.V.

Towards the end of March the Bank accepted a direct loan from the Algemene Bank Nederland N.V. on the following terms and conditions: an amount off. 50 million, interest at 8% per cent payable annually, and a maturity of eight years. Repayment was arranged in four annual instalments from 1981 through 1984.

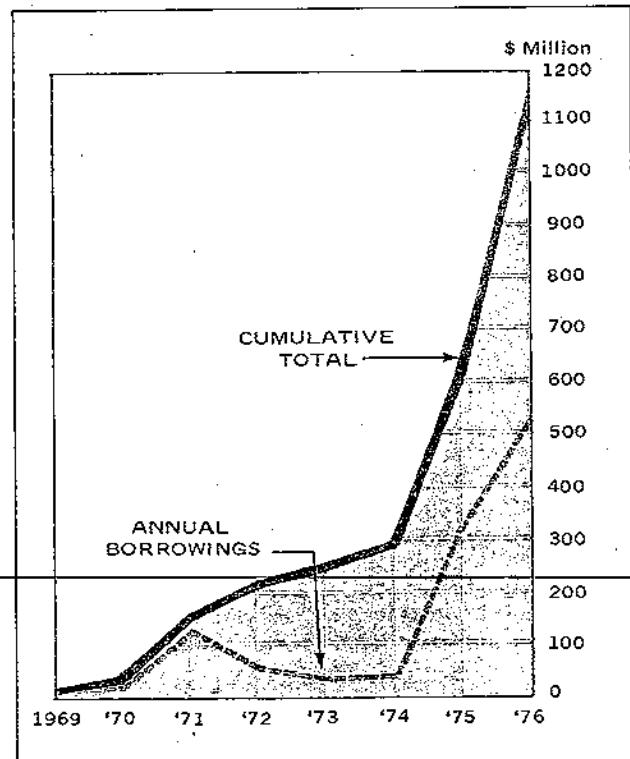
Dutch Guilder Loan from the Amsterdam- Rotterdam Bank N.V.

Another direct loan was arranged for the Bank by the Bank



SIGNING of documents in New York in July of the public offering in the United States of \$75 million, 8½% Ten Year Notes of 1976, due August 1, 1986.

BORROWINGS TO END OF 1976



Amsterdam-Rotterdam Bank N.V. The amount was f. 50 million with an interest rate of 8% per cent per annum, to be paid semi-annually. The loan will mature in 1984.

Two-Year United States Dollar Bonds

Two-Year Bonds of 1976 totalling \$50 million, with interest at 7% per cent per annum, payable semi-annually, were sold in April to central banks and monetary authorities of 17 regional member countries (\$25,050,000) and seven non-regional member countries (\$24,950,000). This new issue was independent of the previous Two-Year Bonds.

Deutsche Mark Loan from the Deutsche Genossenschaftsbank

In April the Bank accepted a direct loan of DM 75 million from the Deutsche Genossenschaftsbank in Frankfurt, with an interest rate of 8½ per cent payable annually, and a maturity of ten years.

Ten-Year United States Dollar Notes

In July, the Bank offered \$75 million of Ten-Year Notes to the public in the United States, its second issue in that country in 1976. The Notes were issued with a semi-annual coupon rate of 8½ per cent per annum payable semi-annually, at a price of 99.75 per cent, and to mature on 1 August 1986. They are listed on the New York Stock Exchange.

Swiss Franc Public Bond Issue

In September, the Bank offered a public issue of SwF 80 million of bonds in Switzerland at a coupon rate of 6.25 per cent payable annually with an issue price at par. The final maturity is 15 years, but the Bank has the option to redeem up to SwF 4 million annually from 1979 through

1990 and to pay the balance on the maturity date of 30 September 1991. This was the Bank's third public issue in Switzerland. The bonds are listed on the stock exchanges of Basle, Berne, Geneva, Lausanne and Zurich.

One earlier issue (\$25 million Five-Year Notes sold on the U.S. market in 1971) reached final maturity and was fully redeemed during the year.

Lending Rate and Commitment Charge

The standard lending rate of the Bank was reviewed in August/September and again in November, with special regard to borrowing costs in the major capital markets. On the first occasion, the rate was increased from 8.75 per cent to 9.10 per cent per annum for ordinary loans approved on or after 8 June 1976. The interest differential of 0.75 per cent per annum, set in February 1975, for borrowing countries whose per capita GNP exceeded \$850 per annum at the end of 1972, was revised downward to 0.60 per cent, leading to a lending rate of 9.70 per cent per annum for borrowers in this category.

At the second review, the standard lending rate was reduced to 8.90 per cent per annum for loans approved on or after 1 October 1976, with a corresponding reduction to 9.50 per cent in the rate for the higher-income DMCs. It was also decided to review in detail the lending rate policy of the Bank early in 1977¹.

Since August 1973, the Bank has been levying a commitment charge on the undisbursed portions of approved loans in accordance with a formula which applied the charge on an increasing percentage of the loan, less the actual amount disbursed in the first few years. The principles and policies relating to the levy of this commitment charge were reviewed during the second half of 1976 and it was decided to levy the charge at a flat rate of 0.45 per cent per annum on the undisbursed portions of loans approved after 1 August 1976.

Member Currencies

In terms of the decision taken by the Bank on 31 August 1972, new exchange rates were adopted in respect of the currencies of 30 member countries for purposes of translation in its accounts and the maintenance of value of such currencies held by the Bank. Settlements of amounts receivable from or payable to member countries in respect of such maintenance of value obligations were made in regard to most of these currencies during the year.

Loan Disbursements and Repayments

Loan disbursements from ordinary capital resources in 1976 amounted to \$263.38 million, bringing total disbursements to 31 December 1976 to \$947.51 million. Loan repayments totalled \$35.29 million, \$31.58 million on loans held by the Bank and \$3.71 million on portions sold to participants. Cumulative loan repayments reached \$84.04 million, \$74.97 million on loans held by the Bank and \$9.07 million on portions sold to participants.

¹ As a result of this review, the lending rate was reduced to 8.70 per cent with effect from 1 January 1977, while for higher-income DMCs it was decided that, instead of imposing a higher interest rate, the maturity period of loans made after 1 January 1977 would be subject to a limit of 15 years, inclusive of a grace period of three years. The amount of lending to such countries in future is to be kept at modest levels and would preferably be for projects with a significant social content.

Investments

At the end of the year, the Bank's total investments—held in 22 currencies—amounted to the equivalent of \$1,006.5 million, 29.1 per cent of which was held in government securities and government-guaranteed obligations of member countries and 70.9 per cent in time deposits and certificates of deposit with banks in member countries and the Bank for International Settlements.

Of the total investments in government securities and government-guaranteed obligations of member countries, 31.7 per cent was invested in securities maturing within one year and 68.3 per cent in securities maturing after one year. Of the total investments in time deposits and certificates of deposit with banks in member countries and the Bank for International Settlements, 50.2 per cent was invested in deposits maturing within one year and 49.8 per cent in deposits maturing after one year.

Income and Expenses

Gross income for the year was \$128.30 million. Administrative Expenses for the year were \$18.79 million,² of which \$6.01 million was charged to Special Funds resources as an Administration Charge to Special Operations. Net Administrative Expenses attributable to ordinary operations for 1976, therefore, were \$12.78 million.

The cost of Services to Member Countries during the year, excluding \$2.47 million charged to the Technical Assistance Special Fund, was \$0.64 million.

Financial expenses were \$72.61 million.

Gross Expenses for the year thus amounted to \$86.03 million.

Changes in the Value of Currencies held by the Bank during the year resulted in a net gain of \$5.98 million.

Net Income for 1976 was, therefore, \$48.25 million, of which \$7.69 million was appropriated as commission to Special Reserve, leaving "Net Income After Appropriation of Commissions to Special Reserve" of \$40.56 million, as shown in Appendix 1-II.

Accumulated Net Income and Reserves

At the end of 1975, the Bank's Ordinary Reserve was \$77.05 million. At the Ninth Annual Meeting, the Board of Governors allocated, pursuant to Article 40 of the Articles of Agreement, the net income for 1975 in the amount of \$24.54 million to the Ordinary Reserve, thereby increasing the Ordinary Reserve to \$101.59 million.

Prior to 1976, "Commissions Appropriated to Special Reserve" was deducted from "Gross Income". In 1976, however, "Appropriation of Commissions to Special Reserve" was deducted from "Net Income" to arrive at "Net Income after Appropriation of Commissions to Special Reserve".³

After appropriation of commissions to Special Reserve, the net income for 1976 in the amount of \$40.56 million (see Section on Income and Expenses and Appendix 1-II), is available for allocation by the Board of Governors.

At the end of 1975, the Bank also had a Special Reserve of \$10.97 million, representing commissions appropriated to the Special Reserve pursuant to Articles 16 and 17. In 1976, an additional amount of \$7.69 million was added to the Special Reserve, increasing it to \$18.66 million.

² Exclusive of expenses charged to the Technical Assistance Special Fund.

³ See Financial Statements (Appendix 1-II).

INCOME AND EXPENSES

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

	1975 Actual	1976 Budget	1976 Actual	1977 Budget
I. ORDINARY CAPITAL RESOURCES				
1. Gross Income	<u>81.0</u>	<u>121.3</u>	<u>128.3</u>	<u>159.0</u>
2. Less Expenses Charged to Ordinary Capital Resources:				
a. Administrative Expenses ¹	12.0	13.6	12.8	14.9
b. Services to Member Countries	0.7	2.3	0.6	1.1
c. Financial Expenses	<u>31.5</u>	<u>65.7</u>	<u>72.6</u>	<u>92.5</u>
TOTAL	<u>44.2</u>	<u>81.6</u>	<u>86.0</u>	<u>108.5</u>
3. Income Before Changes in Value of Currencies	36.7	39.7	42.3	50.5
4. Changes in Value of Currencies—Net	(7.4)	—	6.0	—
5. Net Income	29.3	39.7	48.3	50.5
6. Appropriation of Commissions to Special Reserve	(4.7)	(7.7)	(7.7)	(10.7)
7. Net Income After Appropriation of Commissions to Special Reserve	<u>24.5</u>	<u>32.0</u>	<u>40.6</u>	<u>39.8</u>
II. SPECIAL FUNDS RESOURCES				
1. Administrative Expenses Allocated to Special Funds Resources ²	<u>4.0</u>	<u>5.6</u>	<u>6.0</u>	<u>6.9</u>
2. Expenses Charged to Technical Assistance Special Fund				
a. Administrative Expenses	0.6	0.5	0.8	0.8
b. Services to Member Countries	<u>2.7</u>	<u>2.3</u>	<u>2.5</u>	<u>3.3</u>
TOTAL	<u>3.3</u>	<u>2.8</u>	<u>3.3</u>	<u>4.1</u>

- 1 An Administration Charge to Special Operations was instituted in 1971 and modified effective 1973. The Charge is allocated on the basis of a formula for apportioning administrative expenses between Ordinary Capital Resources and Special Funds Resources.
- 2 Excluding the Technical Assistance Special Fund.



SPECIAL FUNDS

Replenishment of the Asian Development Fund

THE BANK'S RESOURCES for financing loans on concessional terms were augmented during the year when the first instalment of the replenishment of the Asian Development Fund (ADF) came into effect. The replenishment, approved by the Board of Governors in Resolution No. 92¹, is intended to finance the Bank's concessional lending program for the years 1976 to 1978. This Resolution authorized the Bank to receive contributions from developed member countries totalling \$830 million, such contributions to be made available to the Bank in three equal annual instalments in 1976, 1977 and 1978. However, during 1976 the Board of Governors, at the request of the three countries concerned, approved an increase in the contribution amount allocated under Resolution No. 92 to Canada² and decreases in the amounts allocated to New Zealand and the United States³, thereby reducing the overall replenishment target to \$809 million.

Resolution No. 92 specified that the first instalment of the replenishment was to become effective when the Bank had received commitments of contributions totalling not less than a "trigger" amount of \$475 million; a target date of 30 June 1976 was also specified. To ensure that the first instalment became effective by this date, a meeting of potential donors was held in Jakarta in April 1976 in conjunction with the Ninth Annual Meeting. Contribution commitments exceeding the "trigger" amount were received by 28 June 1976, on which date therefore the replenishment became effective in respect of the first instalment. By the end of the year, ten countries—Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Japan, Netherlands, Norway and United Kingdom—had committed a total of \$526 million to the replenishment and released their first instalments. In addition, pending deposit of its Instrument of Contribution to the replenishment, Italy paid the first instalment of its contribution in cash on 31 December 1976⁴.

1 Adopted on 3 December 1975.

2 Resolution No. 101 adopted on 24 April 1976.

3 Resolution No. 103 adopted on 10 September 1976.

4 The Instrument of Contribution was deposited with the Bank on 8 February 1977.

Inflow of Resources

At the end of 1975, at prevailing exchange rates, the combined resources of the ADF and the Multi-Purpose Special Fund (MPSF) totalled \$692 million, of which \$651 million was held in the ADF and \$41 million in the MPSF. Against these resources, commitments of \$851 million had been made, leaving a balance of only \$41 million available for further lending on concessional terms.

The first instalments of the ADF replenishment contributions received in 1976, together with Italy's first instalment payment, totalled \$177 million, at the exchange rates used by the Bank as of 31 December 1976. This amount was unconditionally⁵ available to finance additional Special Funds lending by the Bank.

Further progress was made during the year towards completing arrangements for the initial resource mobilization for the ADF, approved by the Board of Governors in November 1973. Up to the end of 1975, 12 developed member countries had completed their program of contributions under these arrangements, while the United States had contributed \$100 million out of its total allocation of \$150 million. During 1976, it became apparent that the United States would be in a position to deposit only half of its outstanding balance of \$50 million before the end of the year, and in October 1976 the Board of Governors amending Resolution No. 68 to permit the Bank to accept this balance in two equal instalments of \$25 million⁶. The first instalment was received in November, and at year-end the completion of necessary legislation in the United States was awaited in respect of the remaining \$25 million. Also, on 31 December 1976, Italy paid to the Bank the total amount authorized under Resolutions Nos. 67 and 68 as its contribution to the ADF under the initial mobilization arrangements⁷.

Contributions to the MPSF and ADF have been made in the national currencies of the donor countries, and are not subject to maintenance of value obligations. In the course of 1976, significant depreciations occurred in some of

5 Under Resolution No. 92, the availability of the second and third instalments is conditional upon the Bank receiving sufficient contributions, and payments under these contributions, to make these instalments effective.

6 Resolution No. 105 adopted on 31 October 1976.

7 The Instrument of Contribution was deposited with the Bank on 8 February 1977.

STATUS OF SPECIAL FUNDS
(As of 31 December 1976)

Contributor	Amount of Contribution (US dollar equivalent) ¹
ASIAN DEVELOPMENT FUND	
Contributed Resources	
Australia	\$ 30,848,199
Austria	2,261,258
Belgium	9,968,677
Canada	54,784,555
Denmark	8,634,583
Finland	3,603,584
Germany, Federal Republic of	80,714,588
Italy	22,058,797
Japan	421,569,724
Netherlands	23,292,375
New Zealand	4,585,042
Norway	6,193,603
Switzerland	8,100,446
United Kingdom	40,260,093
United States	<u>125,000,000</u>
	<u>\$841,875,524</u>
Set-Aside Resources	57,433,902
Other Resources	3,323,729
Accumulated Net Income	<u>11,284,866</u>
	<u>913,918,021</u>
MULTI-PURPOSE SPECIAL FUND	
Contributed Resources	
Australia	9,457,503
Canada	<u>7,905,348</u>
Accumulated Net Income and Other Credit	<u>17,362,851</u>
	<u>594,614</u>
Total Contributions, Set-Aside Resources	
Net Income and Other Credit	931,875,486
Loan Commitments	<u>890,038,330²</u>
Balance	<u>\$ 41,837,156</u>

1 Translated in US\$ at the exchange rates used by the Bank on 31 December 1976.

2 Net of cancellations, repayments and exchange adjustments, aggregating \$4,644,670.

these currencies against the US dollar, which is the currency of denomination of the Bank's loan commitments, but the corresponding decline in the values of contributions were more than offset by gains from appreciations of several other major currencies. However, since the Bank did not receive during the year all of the contributions contemplated under the initial mobilization and replenishment arrangements, fewer resources were available in 1976 than had been anticipated. As of 31 December 1976, the total resources under administration in the ADF and the MPSF stood at \$932 million, an increase during the year of \$240 million.

Transfer of Resources of the Multi-Purpose Special Fund

Consistent with the objective of consolidating all of the resources available to the Bank for lending on concessional terms into a single Special Fund, all set-aside resources and most of the contributed resources previously administered in the MPSF had been transferred to

the ADF in the course of 1975. Consequently, at the beginning of 1976, the only contributed resources left in the MPSF were the initial contributions of Australia and Canada and a small undisbursed balance of New Zealand's contribution. (Arrangements had been made earlier for New Zealand's contribution to be transferred to the ADF as amounts were disbursed). Arrangements for the transfer to the ADF of Canada's contribution were completed in March 1976, with a portion of the contribution being untied and transferred immediately, and the balance being transferred as committed. By year-end, the Australian and New Zealand contributions had been fully disbursed. The whole of the New Zealand contribution had therefore been transferred to the ADF, while the Australian contribution was awaiting transfer to the ADF pending the conclusion of appropriate arrangements with the Government, the necessary enabling legislation having been passed by the Australian Parliament during 1976. Thus, the only amounts remaining in the MPSF were Australia's initial contribution of \$9.5 million awaiting formal transfer to the ADF, the uncommitt-

SPECIAL FUNDS LOANS APPROVED IN 1976

(amounts in \$ million)

Country/Project	Amount
AFGHANISTAN	
Gawargan-Chardarrah Agricultural Development (Supplementary)	10.80
Seeds	14.00
BANGLADESH	
Chittagong Urea Fertilizer Technical Services	2.50
Second Bangladesh Shilpa Rin Sangsta	25.00
Serjgonj Integrated Rural Development	26.00
BURMA	
Sedawgyi Multi-Purpose Dam and Irrigation	45.90
GILBERT ISLANDS	
Causeway	1.75
NEPAL	
Hetauda-Narayangarh Road (Supplementary)	4.80
Hetauda Cement	39.50
PAKISTAN	
Hyderabad Water Supply & Sewerage	22.00
Port Qasim	10.80
PAPUA NEW GUINEA	
Water Supply	13.50
East Sepik Rural Development	7.74
SOLOMON ISLANDS	
Beef Cattle Development	3.57
SRI LANKA	
Development Finance Corporation of Ceylon	5.00
WESTERN SAMOA	
Second Development Bank of Western Samoa	3.00
TOTAL	235.86

ted balance of \$7.9 million of Canada's initial contribution and an amount of \$0.6 million on account of accumulated income.

Utilization

The likelihood of a shortage of resources towards the end of 1976 resulted in the deferment of some projects earmarked for financing on concessional terms. Over the year, the Bank made Special Funds loan commitments totalling \$235.9 million (\$166.3 million in 1975), for 16 projects in ten DMCs. The sectors assisted were agriculture and agro-industry, industry (including development banks), public utilities, and transport and communications. The sectoral distribution of Special Funds loans in 1976 is shown on page 25. As of 31 December 1976, the cumulative amount committed in loans (after allowing for exchange rate adjustments and cancellations and repayments) from the combined resources of the MPSF and the ADF was approximately \$890 million, leaving a balance of uncommitted resources at that time of \$41.8 million. Disbursements in 1976 were \$63.3 million, bringing total disbursements from Special Funds to \$211.2 million.

During 1976, the Bank made a detailed study of arrangement for procurement under Special Funds loans for the drawdown of funds to finance loan expenditures; new procedures were under consideration at year-end.

Need for Additional Resources

Having regard to the serious difficulties being encountered by the poorest and least developed of its DMCs, and the very great need of such countries for assistance on highly concessional terms, it is the Bank's objective progressively to increase its Special Funds lending program. Although Special Funds lending in 1976 was \$69.6 million more than the amount committed in 1975, it included commitments held over from the 1975 program which had had to be curtailed because of resource constraints. Again, at the outset of 1977, very limited resources were available for further lending on concessional terms.

This situation underscores the urgent need for a further increment in resources in 1977. If the Bank is to be in a position to continue Special Funds lending to its poorest member countries, it is essential for donor countries to make the necessary arrangements to bring the second instalment of the replenishment into effect in the course of the year. Under Resolution No. 92, this instalment will become effective when the Bank has received contribution commitments to the replenishment totalling at least \$650 million and has received payments under these commitments totalling at least \$200 million. The Bank's objective is to achieve a release of the second instalment by 30 June 1977.

Technical Assistance Special Fund

During 1976, further contributions to the Technical Assistance Special Fund (TASF) were made by nine member countries: Australia—A\$190,000 (\$216,413), Bangladesh—Tk.370,000 (\$52,039), Japan—¥863,000,000 (\$3,001,530), Republic of Korea—\$150,000, Nether-

TECHNICAL ASSISTANCE SPECIAL FUND (US dollar equivalent¹)

Contributor	Amount of Contribution	Amount Utilized ²
Australia	964,053	868,751
Austria	123,576	45,153
Bangladesh	52,039	—
Belgium	674,838	233,027
Canada	702,889	548,930
China, Republic of	200,000	164,343
Denmark	884,917	742,418
Finland	117,551	99,764
Germany, Federal Republic of	480,408	480,408
India	218,611	218,611
Italy	145,708	18,805
Japan	14,987,947	5,959,589
Korea, Republic of	180,000	76,495
Netherlands	571,210	523,124
New Zealand	327,854	327,854
Norway	100,000	5,673
Pakistan	134,928	35,412
Sri Lanka	20,267	—
Switzerland	603,060	218,941
United Kingdom	1,006,109	961,495
United States	1,250,000	1,250,000
TOTAL	23,745,965	12,778,793

¹ The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on the respective dates of utilization, and the amount unutilized, translated at the exchange rate used by the Bank on 31 December 1976.

² Net of income earned of \$1,902,784.



HARVEST time on a farm in Afghanistan's Gawargan-Chardarrah Agricultural Development Project located in the Kunduz River Basin in the northeastern part of the country.

lands—f.300,000 (\$122,100), Norway—\$100,000, Pakistan—P. Rp.700,000, paid in US dollars (\$70,485), Switzerland—SwF1,000,000, paid in US dollars (\$403,060), and United Kingdom—£200,000 (\$335,762).

The contributions from Japan, Netherlands, Norway and Switzerland were untied; the contribution from the Republic of Korea was conditionally untied; and the rest were tied to procurement of goods and/or services from the donor country concerned. The total amount of untied or conditionally untied contributions represented 85 per cent of all contributions made during the year.

As of 31 December 1976, total contributions to the Fund amounted to \$23.75 million, of which \$12.78 million had been utilized by the Bank.

Income and Expenses

At the end of 1975, the TASF had accumulated net expense of \$9.89 million. For the year 1976, the net expense was \$2.89

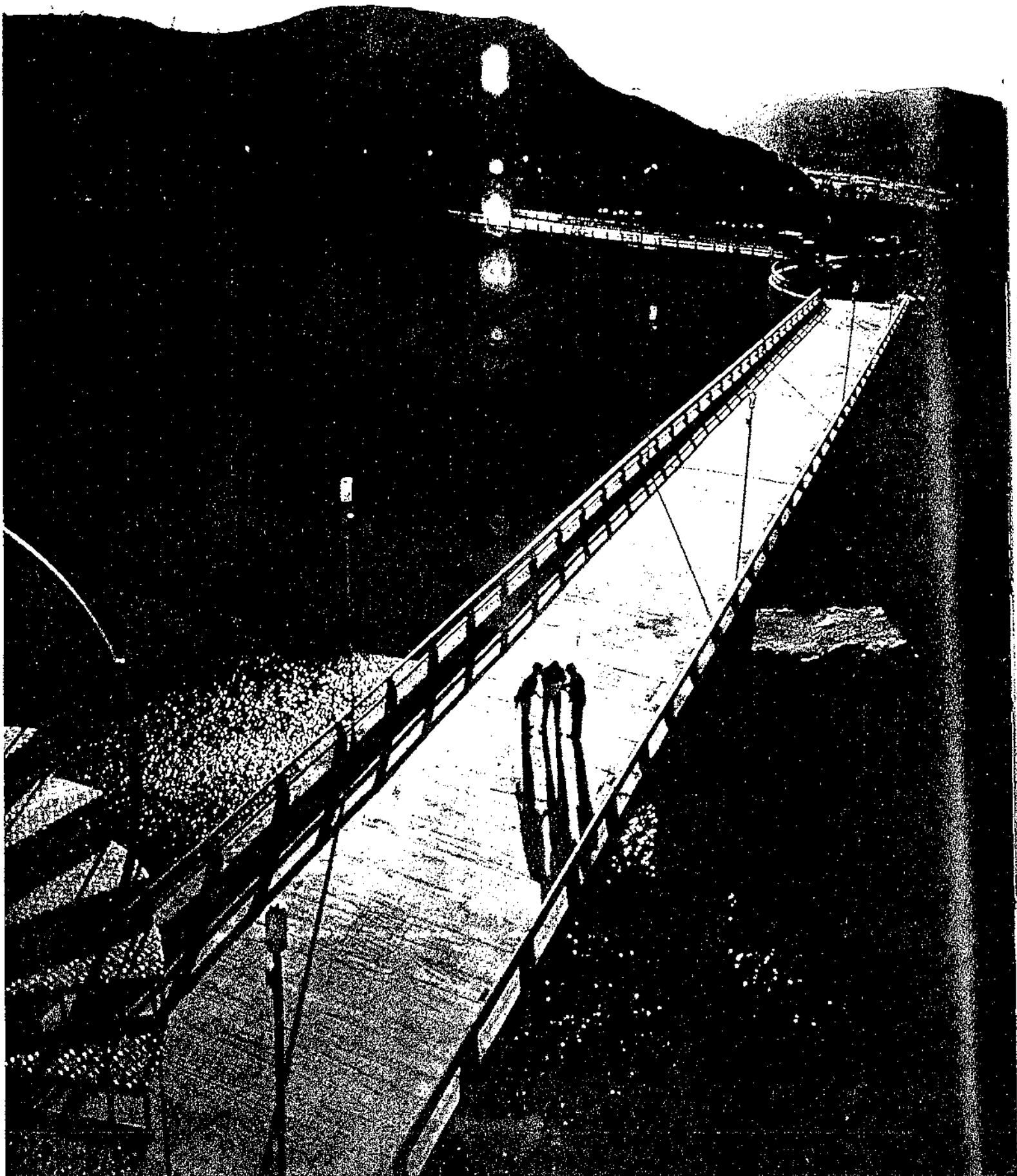
million, bringing accumulated net expense at the end of 1976 to \$12.78 million.

At the end of 1975, the MPSF had an accumulated net income of \$3.32 million. In furtherance of the general objective of consolidating in the ADF to the greatest extent possible the resources still being administered in the MPSF, this amount was transferred in 1976 to the ADF, as reported to the Board of Governors at the Ninth Annual Meeting. For the year 1976, the MPSF had a gross income of \$0.47 million, expenses of \$0.18 million, and a net income of \$0.29 million, which was credited to "Accrued Resources" of the MPSF in accordance with the Special Funds Rules and Regulations.

For the year 1976, the ADF had a gross income of \$14.36 million, gross expenses of \$5.83 million and a net gain arising from changes in value of currencies of \$0.40 million. Net income for 1976 was therefore \$8.93 million. Since the ADF had an accumulated net income of \$2.35 million at the beginning of the year, this brought its accumulated net income at the end of 1976 to \$11.28 million.

**COUNTRY AND SECTORAL DISTRIBUTION
OF SPECIAL FUNDS LOAN APPROVALS TO END OF 1976**

Country	Agriculture & Agro-Industry	Industry (including Development Banks)	Public Utilities	Transport & Communications	Education	Total
Afghanistan	43.95	—	—	14.90	—	58.85
Bangladesh	80.68	46.00	26.00	26.20	—	178.88
Burma	87.50	—	18.60	—	—	106.10
Cambodia	—	—	1.67	—	—	1.67
Gilbert Islands	—	—	—	1.75	—	1.75
Indonesia	63.68	—	38.80	10.80	—	113.28
Korea, Republic of	—	—	—	—	3.70	3.70
Lao People's Democratic Republic	0.97	—	10.72	—	—	11.69
Malaysia	3.30	—	—	—	—	3.30
Nepal	20.43	39.50	9.00	30.91	—	99.84
Pakistan	19.75	6.00	96.30	10.80	—	132.85
Papua New Guinea	7.74	4.50	13.50	9.80	—	35.54
Philippines	14.30	—	—	1.00	—	15.30
Singapore	—	—	—	—	3.00	3.00
Solomon Islands	3.57	—	—	—	—	3.57
Sri Lanka	43.61	5.00	8.00	5.10	—	61.71
Thailand	5.00	—	—	—	3.10	8.10
Tonga	—	—	—	1.30	—	1.30
Viet Nam, Socialist Republic of	20.50	7.00	9.45	3.72	—	40.67
Western Samoa	0.33	4.00	3.70	5.56	—	13.59
Total	415.31	112.00	235.74	121.84	9.80	894.69
Percentage	46.42	12.52	26.35	13.62	1.09	100.00



MEMBERSHIP AND ADMINISTRATION

Members

THE MEMBERSHIP of the Bank rose from 41 to 42 countries when Cook Islands became a member on 20 April 1976.

With effect from 2 July, the Socialist Republic of Viet Nam was substituted as a member of the Bank, in place of the former Republic of South Vietnam, and as the borrower under all Bank loans extended to South Vietnam prior to that date.

Board of Governors

The Ninth Annual Meeting of the Board of Governors of the Bank was held in Jakarta from 22 to 24 April 1976. At the Meeting, the Governor for Malaysia was elected Chairman of the Board of Governors, and the Governors for Hong Kong and Norway were elected Vice-Chairmen, to hold office until the close of the Tenth Annual Meeting. A list of Governors and Alternate Governors as of the end of the year, with notations of changes during the year, appears in Appendix 6.

A list of resolutions adopted by the Board of Governors during 1976, including those adopted at the Ninth Annual Meeting, is given in Appendix 3.

President

On 24 November 1976, Mr. Taroichi Yoshida assumed office as President of the Bank for a term of five years succeeding Mr. Shiro Inoue, whose term ended on 23 November.

Mr. Yoshida, who was formerly Vice-Minister of Finance for International Affairs in the Government of Japan, was unanimously elected by the Board of Governors.

On 23 November, the Board of Directors expressed its appreciation of the services of Mr. Shiro Inoue, and adopted the following resolution:

"The Board of Directors

RESOLVES

To express to Mr. Shiro Inoue, at the conclusion of his term as President and Chairman of the Board of Directors, its deep appreciation of his devoted and unsparing service to the Bank, of his skilful leadership which enabled the Bank to reach its major targets and goals in recent years against a background of extremely difficult international economic conditions and of his wisdom, courtesy and understanding in presiding over the deliberations of the Board of Directors over

*the period November 1972 to November 1976; and
To wish him and Mrs. Inoue every happiness in the future."*

Vice-President

On 13 April 1976, on the recommendation of the President, the Board of Directors reappointed Mr. C. S. Krishna Moorthi as Vice-President of the Bank for a further term until 31 March 1978. Mr. Krishna Moorthi, who was appointed Vice-President when the Bank began operations in December 1966, had previously been reappointed for a second term in 1971.

Board of Directors

The Board of Directors held 50 meetings in 1976.

The Board approved 66 proposals for loans and technical assistance.

The Board completed the review of the Bank's resource position which it had begun in 1975. A second general increase in the Bank's capital stock was recommended, and was approved by the Board of Governors.¹

The Board reviewed the Bank's lending rate and commitment charge in August/September, and again reviewed the lending rate in November (see page 46).

To take advantage of the relatively favorable market conditions which prevailed in the first half of 1976, the Board approved advance borrowings against the 1977 borrowing target.

The Board reviewed and modified the arrangements for domestic procurement in respect of Bank-financed projects and also commenced a review of the Bank's technical assistance operations and of the methodology used for economic and financial appraisal of Bank-assisted projects.

The Board considered a program of secondments to the Bank of officials of member Governments and approved the terms and conditions for such secondments. The Board also approved the execution of a Supplementary Agreement to the Headquarters Agreement with the Philippine Government providing for the construction of a new office building (see page 56).

It is regretfully recorded that Alternate Director Henry F. Lee died in an aircraft accident on 13 September.

A list of Directors and Alternate Directors as of the end of 1976, with notations of changes during the year, appears in Appendix 7.

¹ Resolution No. 104 adopted on 29 October

Organization

In January, certain organizational improvements were effected to promote greater operating efficiency in the Bank, having regard to the size and scope of work and the effective span of supervision of certain Divisions in the Projects Departments I and II. In Projects Department I, the Agriculture Division was divided into the General Agriculture Division and the Fisheries and Livestock Division. In Projects Department II, the Transport and Communications Division was split into the highways and Airports Division and the Ports, Railways and Telecommunications Division, and the Public Utilities Division was split into the Power Division and the Water Supply and Urban Development Division.

In March, the Consulting Services Unit in Projects Department II was made a Division of the Department.

New Office Building

In June, the Board of Directors approved in principle a proposal to construct a new office building to accommodate the projected future needs of the Bank for office space. Under the Supplementary Agreement referred to above, the Philippine Government will purchase for the use of the Bank a specified plot of land in close proximity to the Headquarters premises, on which the Bank will construct an office building.

Staff

By the end of 1976, the Bank had a total staff of 759, comprising 288 professional staff and 471 supporting staff, from 33 member countries. This represented an increase of 34 in each category during the year.

A general review of staff salaries and benefits was made during the year, resulting chiefly in an increase of 5.5 per cent in the salaries of professional staff and 7 per cent in the salaries of supporting staff, effective from 1 August. The existing rental subsidy scheme was modified and extended temporarily for one year, up to 30 September 1977.

It is regretfully recorded that Mr. Akira Mizuno of Projects I Department died in an aircraft accident on 13 September and that Mr. Brian B. Kent of the same Department died in an elevator accident in the Bank on 15 September.

Budget for 1977

Administrative Expenses for 1976 totalled \$19,638,769 representing 99.72 per cent of the original Budget figure of \$19,694,000.

The Budget for 1977 was approved by the Board of Directors on 16 November 1976 and is summarized in Appendix 2.

Internal Administrative Expenses for 1977 are estimated at \$22,628,000¹, representing an increase of 15.22 per cent over actual expenditure in 1976. This increase is attributable largely to the growth in the Bank's loan and technical assistance activities and in its staffing, the salary increases and improvements made in staff benefits mentioned above, and general price increases.

Disbursement on Services to Member Countries in 1977 are estimated at \$4,397,000, 41.36 per cent above actual disbursements in 1976.

¹ Consisting of expenses to be charged to ordinary capital resources and Special Funds.

STATISTICAL ANNEX

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TABLE 1
ESTIMATED RATE OF REAL GROWTH AND PER CAPITA GNP OF SELECTED DMCs: 1973-1976

Country	Rate of Real Growth ¹ (%)					Per Capital GNP in Current \$				
	1965-1973 (1)	1973 (2)	1974 (3)	1975 (4)	1976 (5)	1973 (6)	1974 (7)	1975 (8)	1976 ⁴ (9)	
Bangladesh ²	0.8	2.1	12.1	0.5	10.7	90	100	110	130	
Burma ²	2.9	-1.0	4.3	4.8	6.0	90	100	110	120	
China, Republic of	10.1	12.0	0.6	3.1	11.6	750	810	890	1,040	
Hong Kong	7.7	14.2	2.2	3.3	16.2	1,500	1,610	1,720	2,080	
India ³	3.8	4.3	0.2	8.8 ⁵	—	130	140	150	—	
Indonesia	6.6	11.3	7.2	5.2	7.9	150	170	180	200	
Korea, Republic of	10.6	17.1	8.8	8.8	14.6	410	480	550	660	
Malaysia	6.2	12.3	6.7	3.5	8.5	590	680	720	810	
Nepal ²	2.0	-0.5	6.3	3.5	4.0	90	100	110	120	
Pakistan ²	5.4	7.0	5.6	3.0	4.8	120	130	140	150	
Philippines	5.6	8.7	4.9	6.6	6.4	290	330	370	410	
Singapore	11.2	11.5	6.3	3.9	6.8	1,940	2,240	2,510	2,800	
Sri Lanka	4.1	3.2	3.2	3.6	2.5	120	130	150	160	
Thailand	7.5	10.3	4.6	5.6	6.3	280	310	350	380	

denotes data not available

1 Column (1) shows the average annual rate of GNP growth. Columns (2), (3), (4) and (5) show rates of growth in GDP. Column (5) shows preliminary estimates.

2 Refers to fiscal years 1 July to 30 June for Bangladesh and Pakistan, 1 October to 30 September for Burma, and 16 July to 15 July for Nepal.

3 The fiscal year of India ends on 31 March. For purposes of the data given in this table, India's fiscal year April 1973 to March 1974 is treated to be 1973. The same is true of subsequent years.

4 Preliminary estimates by ADB staff.

5 Indian Government's preliminary estimates for 1975-76.

Sources World Bank Atlas 1975 and IBRD for Columns (1), (6), (7) and (8); National sources for Columns (2), (3), (4) and (5).

TABLE 2
RICE (PADDY) PRODUCTION IN SELECTED DMCs: 1973-1976
(Million metric tons)

Country	1973	1974	1975	1976 ¹	Growth Rate (%)		
					1974	1975	1976 ¹
Bangladesh	17.86	16.93	19.14	19.14	-5.2	13.1	0.0
Burma	7.24	8.47	8.44	9.07	17.0	-0.4	7.5
China, Republic of	2.96	3.00	3.04	3.30	1.4	1.3	8.6
India	66.08	59.37	74.20	70.20	-10.2	25.0	-5.4
Indonesia	21.49	22.47	22.57	23.00	4.6	0.4	1.9
Korea, Republic of	5.82	6.14	6.43	7.19	5.4	4.8	12.0
Malaysia	1.97	2.09	1.99	2.13	6.1	-4.8	7.0
Nepal	2.01	2.42	2.45	2.60	20.4	1.2	6.1
Pakistan	3.68	3.47	3.93	3.80	-5.7	13.3	-3.3
Philippines	4.41	5.59	5.66	6.20	26.7	1.2	9.5
Sri Lanka	1.31	1.60	1.15	1.11	22.1	-28.1	-3.5
Thailand	14.90	13.39	15.30	14.80	-10.1	14.3	-3.3
Other DMCs ²	2.38	1.98	2.88	3.20	-16.8	45.5	11.1
TOTAL DMCs	152.11	146.92	167.18	165.74	-3.4	13.8	-0.9

1 Preliminary estimates.

2 Excludes Socialist Republic of Viet Nam, data for which are not available.

Sources: Food and Agriculture Organization, November 1976, and country sources.

TABLE 3
WHEAT AND MAIZE PRODUCTION IN SELECTED DMCs: 1973-1976
(million metric tons)

	1973	1974	1975	1976 ¹	Growth Rate ² (%)		
					1974	1975	1976 ¹
Wheat							
Afghanistan	2.70	2.75	2.80	2.83	1.9	1.8	1.1
Bangladesh	0.11	0.12	0.22	0.23	5.4	86.3	5.5
Burma	0.03	0.02	0.06	0.06	-30.6	156.0	0.0
India	24.74	21.78	24.10	28.34	-12.0	10.7	17.6
Korea, Republic of	0.10	0.07	0.10	0.08	-26.0	31.1	-15.5
Nepal	0.31	0.31	0.33	0.39	-1.3	7.6	16.2
Pakistan	7.44	7.63	7.67	8.37	2.5	0.6	9.1
Total DMCs	35.43	32.68	35.28	40.30	-7.8	8.0	14.2
Maize							
Afghanistan	0.76	0.77	0.78	0.80	1.3	1.3	2.6
India	5.80	5.56	7.04	7.34	-4.2	26.6	4.3
Indonesia	3.69	3.01	2.64	2.80	-18.4	-12.4	6.1
Nepal	0.82	0.81	0.83	0.75	-1.0	1.6	-9.5
Pakistan	0.77	0.75	0.80	0.69	-2.7	7.5	-14.1
Philippines	1.83	2.29	2.57	2.75	25.0	12.2	7.0
Thailand	2.30	2.55	3.06	2.75	10.9	20.1	-11.8
Other DMCs	0.34	0.36	0.40	0.46	3.8	12.7	16.0
Total DMCs	16.31	16.10	18.12	18.34	-1.3	12.6	1.2

1 Preliminary estimates.

2 Growth rates are derived from raw data.

Sources: Food and Agriculture Organization, November 1976, and country sources.

TABLE 4
CHANGES IN CONSUMER PRICES IN SELECTED DMCs:¹ 1974-1976
 (per cent)

Country	1974	1975	1976 ²
Afghanistan ³ 4	-7.8	4.6	6.5
Bangladesh	54.7	24.2	-11.8
Burma	27.0	31.6	22.4
China, Republic of	47.5	5.2	2.5
Cook Islands	12.8	15.6	23.3
Fiji ³	8.6	13.1	11.4
Gilbert Islands	13.0	9.4	12.8
Hong Kong	14.4	1.2	3.1
India ³ 4	20.9	27.0	-1.4
Indonesia	40.6	19.0	19.9
Korea, Republic of	24.3	25.3	14.4
Malaysia	17.4	4.5	2.4
Nepal ⁴	16.2	16.9	3.7
Pakistan ³ 4	30.0	26.7	11.7
Papua New Guinea	21.3	10.2	8.6
Philippines	33.5	8.1	6.2
Singapore	22.3	2.6	-1.9
Solomon Islands	21.9	1.8	3.5
Sri Lanka	12.4	6.7	1.2
Thailand	24.3	5.3	4.4
Tonga ³	14.6	10.1	7.5
Western Samoa ³	24.9	8.8	5.0
Simple average	22.5	12.6	7.1

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

2 Preliminary estimates.

3 Data refer to whole country.

4 Data are for fiscal year.

Sources: IMF, International Financial Statistics, February 1977, and country sources.

TABLE 5
BALANCE OF TRADE OF SELECTED DMCs: 1973-1976
(\$ million)

Country	Exports (f.o.b.)				Imports (c.i.f.)				Balance of Trade			
	1973	1974	1975	1976 ¹	1973	1974	1975	1976 ¹	1973	1974	1975	1976 ¹
More Industrialized DMCs												
China, Republic of	4,396	5,532	5,309	7,871	3,793	6,966	5,952	7,433	603	-1,434	-643	438
Hong Kong	5,048	5,916	6,039	8,484	5,632	6,721	6,776	8,837	-584	-805	-737	-353
Korea, Republic of	3,225	4,460	5,081	7,715	4,240	6,852	7,274	8,776	-1,015	-2,392	-2,193	-1,061
Singapore	3,959	6,468	5,779	6,987	5,147	8,380	8,133	9,068	-1,188	-1,912	-2,354	-2,081
Sub-Total	16,628	22,376	22,208	31,057	18,812	28,919	28,135	34,114	-2,184	-6,543	-5,927	-3,057
Other DMCs												
Bangladesh	358	347	326	395	876	1,096	1,269	1,011	-518	-749	-943	-616
Burma	143	196	158	178	146	205	173	118	-3	-9	-15	60
Fiji	94	154	169	125	222	273	268	237	-128	-119	-99	-112
Indonesia	2,221	4,547	4,524	5,090	2,359	3,427	4,596	4,720	-138	1,120	-72	370
Malaysia	3,017	4,235	3,839	5,005	2,428	4,109	3,541	3,828	589	126	298	1,177
Nepal	60	74	71	95	93	110	145	159	-33	-36	-74	-64
Pakistan	958	1,105	1,049	1,174	978	1,732	2,151	2,125	-20	-627	-1,102	-951
Papua New Guinea	515	702	480	523	335	490	588	492	180	212	-108	31
Philippines	1,849	2,671	2,275	2,574	1,773	3,468	3,774	3,881	76	-797	-1,499	-1,307
Sri Lanka	409	523	559	552	424	686	746	538	-15	-163	-187	14
Thailand	1,564	2,444	2,208	2,868	2,046	3,143	3,280	3,627	-482	-699	-1,072	-759
Tonga	5	7	7	4	11	17	20	16	-6	-10	-13	-12
Western Samoa	7	13	7	7	21	26	36	29	-14	-13	-29	-22
Sub-Total	11,200	17,018	15,672	18,590	11,712	18,782	20,587	20,781	-512	-1,764	-4,915	-2,191
India	2,917	3,926	4,299	5,346	3,210	5,046	6,135	5,403	-293	-1,120	-1,836	-57
TOTAL	30,745	43,320	42,179	54,993	33,734	52,747	54,857	60,298	-2,989	-9,427	-12,678	-5,305

¹ Preliminary estimates.

Sources: IMF, International Financial Statistics, February 1977, and country sources.

TABLE 6
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs: 1973-1976

Country	International Reserves ¹ (\$ million)				Ratio to Imports (Months)			
	1973	1974	1975	1976 ²	1973	1974	1975	1976 ²
Afghanistan	61	68	115	155	4.0	3.6	4.7	7.3
Bangladesh	144	138	148	289	2.8	2.0	1.5	3.4
Burma	100	191	141	111	5.8	9.8	6.8	11.3
China, Republic of	1,123	1,191	1,169	1,676 ³	3.6	2.2	2.5	2.7
Fiji	74	109	149	119	4.5	5.6	7.8	6.0
Gilbert Islands	9	16	41	40	10.7	17.5	40.6	47.8
India	1,142	1,325	1,373	2,974	4.3	3.1	3.1	6.6
Indonesia	807	1,492	586	1,499	3.6	3.9	1.5	3.8
Korea, Republic of	1,094	1,056	1,550	2,961	3.4	2.0	2.8	4.1
Malaysia	1,342	1,618	1,524	2,474	6.9	5.1	5.4	7.8
Nepal	121	132	110	133 ³	14.8	19.1	7.7	10.0
Pakistan	480	461	406	532	6.5	3.7	2.3	3.0
Philippines	1,038	1,504	1,360	1,640	7.8	5.7	4.7	5.1
Singapore	2,286	2,812	3,007	3,358	5.7	4.3	4.8	4.4
Sri Lanka	87	78	58	92	2.5	1.3	0.9	2.1
Thailand	1,306	1,858	1,775	1,893	8.5	8.0	7.5	6.3
Tonga	7	9	12	5 ³	10.1	9.8	7.8	3.8
Western Samoa	5	6	6	4 ³	2.6	2.5	2.1	1.7
Total	11,226	14,064	13,530	19,955	4.9	3.7	3.4	4.7

... denotes data not available.

1 Gold + SDRs + Reserve position in IMF + Foreign exchange; year-end figures unless otherwise specified.

2 Preliminary estimates.

3 As of November.

Sources: IMF, International Financial Statistics, February 1977, and country sources.

TABLE 7
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO OF SELECTED DMCs: 1973-1975
 (\$ million)

Country	Debt Outstanding			Service Payments ¹			Debt Service Ratio(%) ²		
	1973	1974	1975	1973	1974	1975	1973	1974	1975
Afghanistan ³	952.6	1,596.3	1,212.6	32.4	39.4	25.3	20.4	17.1	11.2
Bangladesh	837.9	1,593.4	2,386.6	9.1	24.8	81.6	2.2	7.2	20.5
Burma ³	426.1	455.4	423.7	44.5	31.2	40.5	28.5	13.8	18.7
China, Republic of	1,820.0	2,633.6	3,126.2	181.1	169.0	247.5	3.6	2.7	4.1
Fiji	66.2	68.7	80.4	1.7	4.6	4.6	0.9	1.7	3.0
Hong Kong	22.4	22.0	44.4	0.6	0.6	2.4	0.01 ⁴	0.01 ⁴	0.04 ⁴
India ³	12,915.1	14,233.6	13,653.5	650.7	731.6	755.9	25.6 ⁴	23.5 ⁴	19.2 ⁴
Indonesia	6,864.7	8,675.4	11,279.9	289.6	355.3	471.9	9.4	5.1	6.6
Korea, Republic of	4,555.7	6,178.3	6,991.5	484.6	592.6	657.8	12.0	11.2	11.3
Malaysia	1,105.6	2,188.7	2,963.8	64.3	103.1	131.4	2.0	2.3	3.1
Nepal	81.7	108.1	119.8	0.5	0.8	1.7	1.1 ⁴	2.6 ⁴	1.7 ⁴
Pakistan ³	5,081.6	6,027.6	6,288.9	185.6	195.0	256.1	21.8	18.7	12.8
Papua New Guinea	274.6	292.4	310.8	7.9	17.3	19.4	1.9	2.5	3.3
Philippines ³	1,266.8	2,002.8	2,567.7	211.0	171.4	229.0	8.8	5.1	10.1
Singapore	528.2	642.1	781.7	27.6	40.5	47.9	0.6	0.7	0.6
Sri Lanka	670.1	865.0	991.4	54.8	69.1	127.3	12.7	12.1	20.3
Thailand	721.2	1,121.9	1,292.9	54.9	60.3	73.4	2.6	1.9	2.9
Tonga ³	0.8	0.01	0.05
Western Samoa	13.0	19.4	23.8	0.4	1.2	1.2	2.9	6.2	9.7
Total	38,203.5 ⁵	48,724.7 ⁵	54,540.4	2,301.3 ⁵	2,607.8 ⁵	3,174.9

... denotes data not available.

1 Service payments consist of principal and interest payments made in foreign currencies.

2 Service payments as percentage of export of goods and non-factor services.

3 Data are for fiscal year.

4 Service payments as percentage of merchandise exports.

5 Excludes figures not reported.

Note: This Table is derived from data collected by IBRD which is tabulated on a uniform basis, country by country, but does not necessarily conform in all cases to national debt data published elsewhere.

TABLE 8
NET FLOW OF RESOURCES TO DMCs¹
(\$ million)

Country	Net Flow of Resources from DAC Countries & Multilateral Agencies								Bond Issues & Eurocurrency Credits			Total Flow of Resources, Net	
	Official ²		Private ³		IMF Net Drawings ⁴				1974	1975	1976	1974	1975
	1974	1975	1974	1975	1974	1975	1976	1974	1975	1976	1974	1975	
Afghanistan	28.7	49.7	4.2	-0.9	-2.8	4.5	-8.9	—	—	—	30.1	53.3	
Bangladesh	486.1	987.0	5.5	-3.0	88.4	37.5	73.1	—	—	—	580.0	1,021.5	
Burma	63.9	96.1	1.6	-3.5	26.9	1.9	-7.5	—	—	—	92.4	94.5	
Cambodia	308.1	82.6	-0.7	-1.1	—	—	—	—	—	—	307.4	81.5	
China, Republic of	141.4	137.2	213.5	245.7	-35.0	33.0	0.0	225.0	142.7	214.5	544.9	558.6	
Cook Islands	5.8	5.6	—	0.0	—	—	—	—	—	—	5.8	5.6	
Fiji	24.0	26.4	12.1	-5.2	3.2	-3.2	—	—	—	—	39.3	18.0	
Gilbert Islands	5.7	5.7	—	—	—	—	—	—	—	—	5.7	5.7	
Hong Kong	30.8	21.2	32.9	131.5	—	—	—	131.1	557.9	85.0	194.8	710.6	
India	1,069.0	1,360.1	-37.4	-10.3	702.0	205.0	-346.0	—	—	—	1,733.6	1,554.8	
Indonesia	742.0	809.7	297.5	869.3	-51.0	88.0	0.0	367.5	1,625.0	409.3	1,356.0	3,392.0	
Korea, Republic of	383.5	764.2	184.3	278.1	159.2	118.6	95.9	318.5	325.7	795.7	1,045.5	1,486.6	
Lao People's Dem. Rep.	60.1	41.0	3.0	-0.1	—	7.6	3.8	—	—	—	63.1	48.5	
Malaysia	117.4	160.3	107.0	113.9	-4.0	-4.0	108.0	140.0	425.0	213.3	360.4	695.2	
Nepal	33.6	42.4	0.2	2.4	—	—	8.8	—	—	—	33.8	44.8	
Pakistan	412.6	472.2	8.8	-83.5	137.0	145.0	72.0	—	7.5	—	558.4	541.2	
Papua New Guinea	274.7	317.1	63.9	-19.5	—	—	34.6	16.7	25.0	—	355.3	322.6	
Philippines	212.8	301.7	163.2	42.8	-8.0	107.0	212.0	900.2	253.1	1,237.2	1,268.2	704.6	
Singapore	69.4	49.0	65.8	61.5	—	—	—	—	12.0	175.1	135.2	122.5	
Solomon Islands	12.0	22.0	0.5	3.3	—	—	—	—	—	—	12.5	25.3	
Sri Lanka	75.3	139.7	13.1	-24.7	—	—	10.0	—	—	—	88.4	115.0	
Thailand	107.0	153.0	31.6	35.4	—	—	78.0	97	5.0	100.0	148.3	193.4	
Tonga	3.0	3.1	—	—	—	—	—	—	—	—	3.0	3.1	
Viet Nam, Socialist Rep. of	706.5	296.6	3.0	4.7	—	—	18.0	—	38.1	—	709.5	339.4	
Western Samoa	5.6	13.5	0.1	-0.1	—	1.9	0.8	—	—	—	5.7	15.3	
TOTAL DMCs	5,379.0	6,357.1	1,173.7	1,636.7	1,015.9	742.8	352.6	2,108.7	3,417.0	3,230.1	9,677.3	12,153.6	

— denotes magnitude zero.

1 Excludes inflow from centrally planned economies and an estimated net inflow of resources of \$0.6 billion from OPEC countries in 1975 due to lack of countrywise breakdown of these inflows.

2 Includes bilateral official development assistance, other official flows and multilateral flows.

3 Includes private investment, long-term lending and export credits from DAC countries.

4 Minus sign indicates net IMF sales of currency; no sign indicates net drawings during the year.

Sources: IMF, International Financial Statistics; February 1977; OECD, Development Cooperation 1976 Review.

IBRD, Borrowing in International Capital Markets, November 1974.

November 1975 and August and December 1976.



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Opinion of Independent Auditors

ASIAN DEVELOPMENT BANK

BALANCE

31 December 1976

Expressed in United

ASSETS

	<u>1976</u>	<u>1975</u>
CASH IN BANKS (See Appendix 1-IV) (Note B)	\$ 48,912,729	\$ 34,146,820
INVESTMENTS (Note B)		
Government and government guaranteed obligations – amortized cost which approximates market (Face amounts \$298,806,123 – 1976, \$144,862,422 – 1975) \$ 292,919,701	\$ 140,075,580	
Time deposits and certificates of deposit 713,610,029	1,006,529,730	366,004,132
LOANS (See Appendix 1-V) (Note A)		
Loans approved – \$2,466,133,000 – 1976, \$1,926,093,000 – 1975		
Effective loans		
Held by Bank 2,052,952,354	1,450,142,440	
Agreed to be sold 800,000	450,000	1,450,592,440
ACCRUED INCOME		
On investments 32,906,543	17,899,122	
On loans 13,873,322	46,779,865	10,156,888
AMOUNTS RECEIVABLE FROM MEMBERS		
Non-negotiable, non-interest-bearing demand obligations (See Appendix 1-IV) (Notes B and C) 276,727,442	312,925,373	
Amounts required to maintain value of currency holdings (Note D) 21,650,055	36,495,242	
Subscription instalment (Note C) 253,334	298,630,831	253,334
OTHER ASSETS		
Administration Charge receivable from Special Funds (Note I) 3,570,140	4,964,358	
Unamortized issuance costs of borrowings (Note A) 9,863,729	4,094,200	
Miscellaneous 2,971,393	16,405,262	1,087,114
SPECIAL RESERVE FUND ASSETS (Note E)	18,660,943	10,971,513
 TOTAL	\$3,489,671,714	\$2,389,666,116

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

ORDINARY CAPITAL RESOURCES

SHEET

and 31 December 1975

States Dollars (Note A)

LIABILITIES, CAPITAL AND RESERVES

	1976	1975
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-V)		
Held by Bank	\$1,176,732,240	\$832,802,970
Agreed to be sold	<u>800,000</u>	<u>450,000</u>
	<u>\$1,177,532,240</u>	<u>\$ 833,252,970</u>
BORROWINGS		
Principal amounts outstanding (See Appendix 1-VI)	1,084,180,670	530,212,292
Less — net unamortized discounts and premiums (Note A)	2,020,284	1,907,758
	<u>1,082,160,386</u>	<u>528,304,534</u>
ACCRUED INTEREST ON BORROWINGS	30,380,101	9,479,878
AMOUNTS PAYABLE TO MEMBERS		
Amounts required to maintain value of currency holdings (Note D)	15,840,190	—
ACCOUNTS PAYABLE AND OTHER LIABILITIES	3,342,489	3,872,426
CAPITAL AND RESERVES		
Capital Stock (See Appendix 1-VII) (Note C)		
Authorized — 98,323 "paid-in" shares and 208,934 "callable" shares (97,520 "paid-in" shares and 207,230 "callable" shares — 1975)		
Subscribed (305,748 shares — 1976, 265,391 shares — 1975)	3,688,390,998	3,201,544,328
Less — "callable" shares subscribed (207,727 shares — 1976, 177,884 shares — 1975)	2,505,914,664	2,145,903,634
"Paid-in" shares subscribed (98,021 shares — 1976, 87,507 shares — 1975)	<u>1,182,476,334</u>	<u>1,055,640,694</u>
Less — subscription instalments not due	112,594,677	96,016,613
Subscription instalments matured	1,069,881,657	959,624,081
Less — capital set aside and transferred to Special Funds (Note F)	57,433,902	57,433,902
	<u>1,012,447,755</u>	<u>902,190,179</u>
Advance payments on subscription	7,151,030	—
Ordinary Reserve (Note G)	101,594,616	77,050,973
Special Reserve (Note E)	18,660,943	10,971,513
Net income after appropriation of commissions to Special Reserve (Notes E and G)		
For the years ended 31 December 1976 and 31 December 1975	40,561,964	1,180,416,308
	<u>24,543,643</u>	<u>1,014,756,308</u>
TOTAL	\$3,489,671,714	\$2,389,666,116

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1976 and 31 December 1975

Expressed in United States Dollars (Note A)

	1976	1975
INCOME		
From investments	\$ 68,457,770	\$40,548,557
From loan operations		
Interest	48,084,781	32,108,968
Commissions	7,689,430	4,743,414
Commitment charge	3,408,267	3,070,160
From other sources	664,513	513,924
GROSS INCOME	<u>128,304,761</u>	<u>80,985,023</u>
EXPENSES		
Administrative expenses		
Board of Governors	107,588	55,729
Board of Directors		
Salaries	820,155	783,542
Benefits (Note H)	273,270	225,780
Travel	187,733	471,409
Staff services	93,046	78,461
Total Board of Directors	<u>1,374,204</u>	<u>1,559,192</u>
Staff		
Salaries	8,560,277	7,117,652
Benefits (Note H)	2,978,666	2,299,152
Travel	2,524,830	2,115,266
Consultants	100,905	270,940
Representation	49,044	35,104
Total Staff	<u>14,213,722</u>	<u>11,838,114</u>
Other administrative expenses		
Communications	499,419	431,257
Office occupancy	900,420	666,922
Publications and printing	169,305	145,987
Expendable supplies	435,299	384,643
Furniture and equipment	412,543	376,025
Fees and compensation	514,428	434,368
Miscellaneous	168,739	126,322
Total other administrative expenses	<u>3,100,153</u>	<u>2,565,524</u>
Total administrative expenses – (Forward)	\$18,795,667	\$16,018,559

	1976	1975
Total administrative expenses — (Forward)	\$18,795,667	\$16,018,559
Deduct Administration Charge (Note I)	6,013,000	4,005,000
Net administrative expenses	<u>12,782,667</u>	<u>12,013,559</u>
Services to member countries (Note J)		
Project preparation and other loan-related technical assistance	447,695	285,420
Project implementation/advisory	4,011	58,146
Regional activities	188,826	370,431
Total services to member countries	<u>640,532</u>	<u>713,996</u>
Financial expenses		
Interest on borrowings	70,950,125	30,708,982
Other financial expenses (Note A)	<u>1,660,861</u>	<u>837,384</u>
Total financial expenses	<u>72,610,986</u>	<u>31,546,366</u>
GROSS EXPENSES	<u>86,034,185</u>	<u>44,273,921</u>
INCOME BEFORE CHANGES IN VALUE OF CURRENCIES	42,270,576	36,711,102
CHANGES IN VALUE OF CURRENCIES — NET (Note K)	<u>5,980,818</u>	<u>(7,424,045)</u>
NET INCOME	<u>48,251,394</u>	<u>29,287,057</u>
APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note E)	<u>(7,689,430)</u>	<u>(4,743,414)</u>
NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Notes E and G)	<u>\$40,561,964</u>	<u>\$24,543,643</u>

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

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1976 and 31 December 1975

Expressed in United States Dollars (Note A)

	1976	1975
FUNDS WERE PROVIDED BY		
Operations		
Net income	\$ 48,251,394	\$ 29,287,057
Items not requiring or providing funds:		
Accrued interest and other expenses	21,392,522	6,357,327
Accrued income including capitalized interest and commitment charges on loans	(27,835,848)	(10,694,161)
Administration Charge	(6,013,000)	(4,005,000)
Commissions	(7,689,430)	(4,743,414)
Other – net	<u>1,426,796</u>	<u>622,622</u>
Funds provided by operations	29,532,434	15,824,431
Increase in undisbursed balance of effective loans	649,780,000	253,998,000
Borrowings	548,589,269	284,860,953
Increase (decrease) in borrowings as a result of currency revaluations	38,849,903	(8,827,506)
Capital subscriptions	117,408,570	156,343,746
Demand obligations of members encashed	89,902,763	57,579,657
Loans sold	450,000	3,321,600
Loans collected	32,175,673	22,652,195
Maintenance of value adjustments – net	17,484,737	(24,160,769)
Decrease in other assets as a result of currency revaluations	9,452,640	9,578,647
Administration Charge collected	<u>7,407,218</u>	<u>4,290,545</u>
Total	<u>1,541,033,207</u>	<u>775,461,499</u>
FUNDS WERE UTILIZED FOR		
Increase in effective loans	649,780,000	253,998,000
Loans disbursed	254,271,137	278,569,007
Increase (decrease) in loans disbursed and outstanding as a result of currency revaluations	28,123,187	(15,352,870)
Demand obligations of members received	50,424,793	74,841,536
Bonds purchased for redemption and borrowings redeemed	33,116,732	27,991,552
Other – net	<u>10,101,431</u>	<u>2,350,233</u>
Total	<u>1,026,817,280</u>	<u>622,397,458</u>
INCREASE IN CASH IN BANKS AND INVESTMENTS	\$ 515,215,927	\$153,064,041
INCREASE IN COMPONENTS OF FUNDS		
Cash in banks (excluding Special Reserve Fund cash)	\$ 14,765,909	\$ 12,846,482
Investments (excluding accrued interest and Special Reserve Fund investments)	500,450,018	140,217,559
Total	<u>\$ 515,215,927</u>	<u>\$153,064,041</u>

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 1976

Expressed in United States Dollars (Note A)

Members	Unit of Currency	Cash in Banks	Non-Negotiable Non-Interest-Bearing Demand Obligations
Afghanistan	Afghani	\$ 3,746	\$ 2,233,615 ¹
Australia	Australian Dollar	94,118	23,355,983
Austria	Austrian Schilling	603,178	—
Bangladesh	Bangladesh Taka	112,073	6,756,645 ¹
Belgium	Belgian Franc	219,102	1,178,046
Burma	Kyat	4,956	3,304,450 ¹
Cambodia	Riel	46,898 ¹	171,811 ¹
Canada	Canadian Dollar	179,194	11,857,100
China, Republic of	New Taiwan Dollar	180,277 ¹	7,789,786 ¹
Cook Islands	New Zealand Dollar	2,302	—
Denmark	Danish Krone	65,228	1,123,169 ¹
Fiji	Fiji Dollar	1,354	434,561
Finland	Finnish Markka	31,756	—
France	French Franc	40,489	5,200,384
Germany, Federal Republic of	Deutsche Mark	237,567	—
Gilbert Islands	Australian Dollar	—	28,330 ¹
Hong Kong	Hong Kong Dollar	126,724 ²	3,185,934 ³
India	Indian Rupee	10,330	48,173,277 ¹
Indonesia	Rupiah	23,621,151 ¹	3,396,161 ¹
Italy	Italian Lira	54,118	—
Japan	Yen	525,828	45,530,247
Korea, Republic of	Won	6,769,477 ¹	24,294,426 ¹
Laos	Kip	32,401 ¹	147,447 ¹
Malaysia	Malaysian Ringgit	12,514	15,808,256 ¹
Nepal	Nepalese Rupee	24,167	1,034,783 ¹
Netherlands	Netherlands Guilder	90,495	2,659,803
New Zealand	New Zealand Dollar	31,854 ³	8,941,759
Norway	Norwegian Krone	46,716	769,528
Pakistan	Pakistan Rupee	4,596,598 ¹	11,934,164 ¹
Papua New Guinea	Kina	12,321	673,990 ¹
Philippines	Philippine Peso	553,632	9,090,863 ¹
Singapore	Singapore Dollar	13,474	2,273,960 ¹
Solomon Islands	Australian Dollar	737	38,336 ¹
Sri Lanka	Sri Lanka Rupee	21,020	4,368,262 ¹
Sweden	Swedish Krona	12,355	—
Switzerland	Swiss Franc	269,141	—
Thailand	Baht	9,703	10,250,374 ¹
Tonga	Tongan Dollar	23,176 ¹	—
United Kingdom	Pound Sterling	3,513,155	6,245,803
United States	United States Dollar	423,533	14,476,189
Viet Nam	Dong	6,221,186 ¹	—
Western Samoa	Western Samoan Tala	4,748 ¹	—
Total Members		48,842,792	276,727,442
<hr/>			
Non-Members			
Kuwait	Kuwaiti Dinar	14,976	—
Luxembourg	Luxembourg Franc	1,415	—
Saudi Arabia	Saudi Arabian Riyal	53,546	—
Total Non-Members		69,937	—
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TOTAL		\$48,912,729	\$276,727,442

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

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

2 Of this amount, restrictions on use have been imposed in the amount of \$8,812.

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

ASIAN DEVELOPMENT BANK

SUMMARY STATEMENT

31 December

Expressed in United

Borrower/Guarantor ¹	Principal Amount	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	
				On Loans Held by Bank	For Loans Sold
BANGLADESH	\$ 11,400,000	\$ —	\$ —	\$ 497,584	\$ —
BURMA	6,600,000	—	—	—	—
CHINA, REPUBLIC OF	100,390,000	—	8,411,708	14,300,528	2,800,000
FIJI	6,700,000	—	72,148	78,400	—
HONG KONG	41,500,000	—	—	1,000,000	1,150,000
INDONESIA	263,270,000	48,210,000	—	—	—
KOREA, REPUBLIC OF	548,550,000	62,000,000	9,430,217	24,359,429	3,456,100
MALAYSIA	290,558,000	42,000,000	3,276,893	4,462,052	1,639,600
NEPAL	2,000,000	—	—	526,000	—
PAKISTAN	297,970,000	37,800,000	29,490,056	6,391,361	—
PHILIPPINES	448,850,000	67,000,000	260,483	3,969,201	423,300
SINGAPORE	124,980,000	—	25,685,036	7,334,594	2,830,000
SRI LANKA	14,135,000	—	292,746	1,979,400	—
THAILAND	305,300,000	—	7,160,991	10,071,701	1,711,000
VIET NAM ³	3,930,000	—	—	—	—
 ADJUSTMENTS IN UNITED STATES DOLLAR EQUIVALENTS OF LOANS DISBURSED					
TOTAL	\$2,466,133,000	\$257,010,000	\$84,080,278	\$74,970,250	\$14,010,000

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 Of the undisbursed balance, the Bank has entered into irrevocable commitments to disburse \$82,434.

3 The Socialist Republic of Viet Nam, upon its assumption of full responsibilities as the borrower of the loans extended by the Bank to the former Republic of South Vietnam, has with effect from 2 July 1976 been substituted for the latter as the borrower of these loans. Pending consultation with the borrower, disbursements under these loans remain suspended.

4 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

1976

States Dollars (Note A)

Effective Loans		Undisbursed Balance of Effective Loans ²		Outstanding Balance	
Held by Bank	Agreed to be Sold	Held by Bank	Agreed to be Sold	On Loans Held by Bank	For Loans Sold
\$ 10,902,416	\$ —	\$ 4,253,276	\$ —	\$ 6,649,140	\$ —
6,600,000	—	5,640,701	—	959,299	—
74,877,764	—	2,276,731	—	72,601,033	—
6,549,452	—	397,139	—	6,152,313	—
38,550,000	800,000	19,200,000	800,000	19,350,000	—
215,060,000	—	200,394,564	—	14,665,436	—
449,304,254	—	189,028,985	—	260,275,269	915,200
239,179,455	—	152,326,383	—	86,853,072	1,354,600
1,474,000	—	33,250	—	1,440,750	—
224,288,583	—	127,639,206	—	96,649,377	—
377,197,016	—	258,163,714	—	119,033,302	423,300
89,130,370	—	29,625,064	—	59,505,306	1,380,000
11,862,854	—	3,293,117	—	8,569,737	—
286,356,308	—	180,620,987	—	105,735,321	871,000
3,930,000	—	3,839,123 ³	—	90,877	—
17,689,882 ⁴		17,689,882 ⁴			
\$2,052,952,354	\$800,000	\$1,176,732,240	\$800,000	\$876,220,114	\$4,944,100

ASIAN DEVELOPMENT BANK
STATEMENT OF

31 December 1976

Expressed in United

Currency Payable	Coupon	Issue Date	Maturity Date	Effective Interest Rate ¹	Original Amount	
					National Currency	US Dollar Equivalent ²
Austrian Schillers	7%	1970	1982	7.24	\$ 130,000,000	\$ 7,737,635
	7	1971	1983	7.80	\$ 150,000,000	\$ 8,928,040
Belgian Francs	7.5	1971	1984	7.36	BF 400,000,000	11,116,515
Canadian Dollar	7	1969	1984	7.27	DM 60,000,000	29,349,613
	8.5	1975*	1980	8.45	DM 50,000,000	21,124,678
	8	1976*	1982	7.86	DM 100,000,000	42,249,356
	7.75	1976*	1983	7.61	DM 75,000,000	31,687,017
	8.5	1976*	1986	8.33	DM 75,000,000	31,687,017
Danish Krone	7	1972	1987	7.22	Lkr 10,000,000,000	11,711,044
Japanese Yen	7.4	1970	1977	7.59	¥ 6,000,000,000	20,468,114
	7.4	1971	1978	7.45	¥ 10,000,000,000	31,780,189
	7.3	1972	1982	7.30	¥ 10,000,000,000	31,780,189
	7.25	1974	1989	7.25	¥ 7,500,000,000	26,085,142
	Variable ³ 8.7	1975 1976	Not fixed ⁴ 1988	Variable 8.70	¥ 30,000,000,000	104,340,568
					¥ 15,000,000,000	52,170,284
Kuwaiti Dinars	7.5	1974	1984	7.50	KD 5,000,000	17,424,638
Luxembourg Francs	6.75	1972	1987	6.64	Lux F 400,000,000	11,116,515
Netherlands Guilders	8.875	1975*	1981	8.87	I 50,000,000	20,350,020
	8.25	1976*	1983	8.13	I 75,000,000	30,525,031
	8.625	1976	1984	8.45	I 50,000,000	20,350,020
	8.375	1976*	1984	8.375	I 50,000,000	20,350,020
Saudi Arabian Riyals	8	1975	1983	8.00	SRls 50,000,000	14,388,489
Swiss Francs	7	1971	1986	6.98	SwF 40,000,000	16,200,891
	8	1975	1990	7.90	SwF 60,000,000	24,301,337
	8.5	1975*	1980	8.33	SwF 10,000,000	4,050,223
	7.75	1976	1983	7.75	SwF 80,000,000	32,401,782
	6.25	1976	1991	6.16	SwF 80,000,000	32,401,782
United States Dollars	6.5	1971*	1976	6.50	\$ 25,000,000	25,000,000
	7.75	1971*	1996	7.94	\$ 25,000,000	25,000,000
	4	1973*	1989	4.00	\$ 10,525,734	10,525,734
	6.65	1975*	1977	6.65	\$ 70,000,000	70,000,000
	8.5	1975*	1980	8.75	\$ 75,000,000	75,000,000
	8.5	1976*	1981	8.56	\$ 100,000,000	100,000,000
	8.8125	1976*	1981	8.8125	\$ 10,000,000	10,000,000
	7.375	1976*	1978	7.375	\$ 50,000,000	50,000,000
	8.625	1976*	1986	8.66	\$ 75,000,000	75,000,000
Less: Amounts receivable under contract:						
Japanese Yen – Bank of Japan Loan of 1975⁵						
TOTAL						\$1,149,031,883

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

1 The effective interest rates are computed by taking into consideration discounts, premiums and timing of interest payments.

2 The "US Dollar Equivalent" is translated at the rates of exchange in effect as of 31 December 1976, as indicated in Note A.

3 Each issue, except those indicated by an asterisk, is subject to redemption prior to maturity at the option of the Bank at prices and upon the conditions stated in the respective bonds. The amounts shown as principal outstanding are after deductions aggregating \$5,794,498 (\$4,595,803 – 1975) of bonds purchased.

4 The amounts shown as redemption requirements are the principal amounts of bonds to be purchased or borrowings to be redeemed. For the five years following the date of the statement, these are:

Year	1976	1975	Amounts
1976	\$ —	\$ 33,032,906	
1977	95,832,882	94,802,308	
1978	92,030,714	40,030,551	
1979	19,692,060	17,252,341	
1980	123,961,101	119,016,615	
1981	190,217,396	—	
	\$521,734,153	\$303,634,721	

**ORDINARY CAPITAL RESOURCES
BORROWINGS**

and 31 December 1975

States Dollars (Note A)

Principal Outstanding ³			Redemption Requirements ⁴		
	1976	1975			
\$ 3,928,338	\$ 4,161,998		1977-1982	\$	12,000,000
6,249,628	6,403,073		1977-1983	\$	15,000,000
11,116,515	10,001,250		1977-1982	BF	40,000,000
			1983	BF	160,000,000
16,004,056	16,467,638		1977-1984	DM	6,000,000
21,124,678	18,853,340		1980	DM	50,000,000
42,249,356	—		1982	DM	100,000,000
31,687,017	—		1983	DM	75,000,000
31,687,017	—		1986	DM	75,000,000
11,741,044	14,582,149		1978-1987	Lit.	1,000,000,000
15,859,766	16,321,981		1977	¥	4,560,000,000
30,606,567	31,184,273		1977	¥	600,000,000
			1978	¥	8,200,000,000
34,780,189	33,174,758		1978-1981	¥	600,000,000
			1982	¥	7,600,000,000
26,085,142	24,881,069		1978	¥	360,000,000
			1979-1988	¥	680,000,000
104,340,568	99,524,274		1989	¥	340,000,000
52,170,284	—		Variable ⁵		
			1982-1987	¥	900,000,000
			1988	¥	9,600,000,000
17,424,638	16,915,322		1979-1983	KD	830,000
			1984	KD	850,000
10,380,046	10,001,250		1978-1987	Lux F.	40,000,000
20,350,020	18,274,884		1981	f.	50,000,000
30,525,031	—		1983	f.	75,000,000
20,350,020	—		1981-1984	f.	12,500,000
20,350,020	—		1984	f.	50,000,000
14,388,489	14,388,489		1980-1983	SRIs	12,500,000
12,899,960	12,595,420		1977-1985	Up to SwF	3,000,000
			1986	The Balance	3,500,000
23,936,817	22,900,763		1977-1989	Up to SwF	The Balance
			1990		
4,050,223	3,816,794		1980	SwF	10,000,000
32,401,782	—		1981-1982	SwF	25,000,000
			1983	SwF	30,000,000
32,401,782	—		1979-1990	SwF	4,000,000
			1991	The Balance	
—	25,000,000		1983	\$	500,000
25,000,000	25,000,000		1984-1995	\$	1,000,000
			1996	\$	12,500,000
10,525,734	10,525,734		1979	\$	555,556
			1980-1987	\$	1,052,574
			1988	\$	1,052,570
			1989	\$	497,016
70,000,000	70,000,000		1977	\$	70,000,000
75,000,000	75,000,000		1980	\$	75,000,000
100,000,000	—		1981	\$	100,000,000
10,000,000	—		1981	\$	10,000,000
50,000,000	—		1978	\$	50,000,000
75,000,000	—		1986	\$	75,000,000
1,094,614,727	579,974,429				
10,434,057	49,762,137				
\$1,084,180,670	\$530,212,292				

⁵ This represents a loan from the Bank of Japan contracted for in April 1975, the aggregate principal amount of which is \$30,000,000,000 Yen divided into two equal parts. As of 31 December 1976, the Bank had drawn completely the first part of the loan amounting to 15,000,000,000 Yen with interest rates ranging from 8.25% to 8.64% per annum and 12,000,000,000 Yen out of the second part of the loan at an interest rate of 8.25% per annum. Of this drawn portion, 6,000,000,000 Yen will mature in 1981, 14,000,000,000 Yen in 1982 and 7,000,000,000 Yen in 1983. The rest of the loan is available for drawing up to 28 April 1977 with interest rate to be determined at the date of withdrawal.

ASIAN DEVELOPMENT BANK

STATEMENT OF SUBSCRIPTIONS TO

31 December

Expressed in United

MEMBERS	SUBSCRIBED			PAR VALUE OF CALLABLE SHARES Subject to Call
	Shares	Per Cent of Total	Par Value	
REGIONAL				
Afghanistan	1,195	0.391	\$ 14,415,882	\$ 9,807,625
Australia	21,250	6.950	256,349,375	174,317,575
Bangladesh	3,750	1.226	45,238,125	30,761,925
Burma	2,000	0.654	24,127,000	16,406,360
Cambodia	875	0.286	10,555,563	7,177,783
China, Republic of	4,000	1.308	48,254,000	32,812,720
Cook Islands	10	0.003	120,635	84,445
Fiji	260	0.082	3,015,875	2,050,795
Gilbert Islands	15	0.005	180,952	120,635
Hong Kong	2,000	0.654	24,127,000	16,406,360
India	23,250	7.604	280,476,375	190,723,035
Indonesia	20,000	6.541	241,270,000	164,063,600
Japan	50,000	16.353	603,175,000	410,159,000
Korea, Republic of	18,500	6.051	223,174,750	151,750,830
Laos	105	0.034	1,266,668	856,509
Malaysia	10,000	3.271	120,635,000	82,031,800
Nepal	540	0.177	6,514,290	4,427,305
New Zealand	5,640	1.845	68,038,140	46,263,522
Pakistan	8,000	2.617	96,508,000	65,625,440
Papua New Guinea	345	0.113	4,161,907	2,834,922
Philippines	8,750	2.862	105,555,625	71,777,825
Singapore	1,250	0.409	15,079,375	10,253,975
Solomon Islands	25	0.008	301,588	205,079
Sri Lanka	2,130	0.697	25,695,255	17,467,948
Thailand	5,000	1.635	60,317,500	41,015,900
Tonga	15	0.005	180,952	120,635
Viet Nam ¹	3,000	0.981	36,190,500	24,609,540
Western Samoa ²	6	0.002	72,381	36,191
Total Regional	191,901	62.764	2,314,997,713	1,574,178,179
NON-REGIONAL				
Austria	1,250	0.409	15,079,375	10,253,975
Belgium	1,250	0.409	15,079,375	10,253,975
Canada	19,210	6.283	231,739,835	157,585,500
Denmark	1,250	0.409	15,079,375	10,253,975
Finland ²	500	0.164	6,031,750	3,015,875
France	6,250	2.044	75,396,875	51,269,875
Germany, Federal Republic of	15,887	5.196	191,652,825	130,321,990
Italy	5,000	1.635	60,317,500	41,015,900
Netherlands	2,750	0.899	33,174,625	22,558,745
Norway	1,250	0.409	15,079,375	10,253,975
Sweden ²	500	0.164	6,031,750	3,015,875
Switzerland	1,250	0.409	15,079,375	10,253,975
United Kingdom	7,500	2.453	90,476,250	61,523,850
United States	50,000	16.353	603,175,000	410,159,000
Total Non-Regional	113,847	37.236	1,373,393,285	931,736,485
GRAND TOTAL	305,748	100.000	\$3,688,390,998	\$2,505,914,664

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

1 Effective 2 July 1976, the Socialist Republic of Viet Nam has been substituted for the former Republic of South Vietnam as a member.

2 As of 31 December 1976, these members have not yet subscribed to the additional shares of the increase in capital stock authorized by Resolution No. 46 of the Board of Governors. Such additional shares are equal to 150 per cent of each such member's existing subscribed shares.

ORDINARY CAPITAL RESOURCES

CAPITAL STOCK AND VOTING POWER

1976

States Dollars (Note A)

PAR VALUE OF PAID-IN SHARES		VOTING POWER		
Subscription Not Due	Instalments Matured	Number of Votes	Per Cent of Total	Per Cent of Regional/ Non-Regional
\$ -	\$ 4,608,257	3,014	0.789	1.241
-	82,031,800	23,069	6.037	9.500
1,809,525	12,666,675	5,569	1.457	2.293
1,544,128	6,176,512	3,819	0.999	1.573
-	3,377,780	2,694	0.705	1.109
-	15,441,280	5,819	1.523	2.396
27,142	9,048	1,829	0.479	0.753
-	965,080	2,069	0.541	0.852
--	60,317	1,834	0.480	0.755
-	7,720,640	3,819	0.999	1.573
-	89,752,440	25,069	6.560	10.324
26,539,700	50,666,700	21,819	5.710	8.985
-	193,016,000	51,819	13.560	21.339
13,511,120	57,904,800	20,319	5.317	8.368
-	410,159	1,924	0.503	0.792
9,650,800	28,952,400	11,819	3.093	4.867
-	2,086,985	2,359	0.617	0.972
-	21,774,618	7,459	1.952	3.072
-	30,882,560	9,819	2.569	4.044
-	1,326,985	2,164	0.566	0.891
-	33,777,800	10,569	2.766	4.352
-	4,825,400	3,069	0.803	1.264
-	96,509	1,844	0.483	0.759
--	8,227,307	3,949	1.033	1.626
-	19,301,600	6,819	1.784	2.808
-	60,317	1,834	0.480	0.755
-	11,580,960	4,819	1.261	1.985
-	36,190	1,825	0.478	0.752
53,082,415	687,737,119	242,833	63.544	100.000
—	4,825,400	3,069	0.803	2.203
—	4,825,400	3,069	0.803	2.203
37,520,501	36,633,834	21,029	5.503	15.095
—	4,825,400	3,069	0.803	2.203
—	3,015,875	2,319	0.607	1.664
—	24,127,000	8,069	2.112	5.792
21,388,586	39,942,249	17,706	4.633	12.710
—	19,301,600	6,819	1.784	4.895
—	10,615,880	4,569	1.196	3.280
603,175	4,222,225	3,069	0.803	2.203
—	3,015,875	2,319	0.607	1.664
—	4,825,400	3,069	0.803	2.203
—	28,952,400	9,319	2.439	6.689
—	193,016,000	51,819	13.560	37.196
59,512,262	382,144,538	139,313	36.456	100.000
\$112,594,677	\$1,069,881,657	382,146	100.000	

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1976 and 31 December 1975

Expressed in United States Dollars (Note A)

NOTE A -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Unit of Account

The Ordinary Capital Resources financial statements are expressed in current United States Dollars.

(2) Translation of Currencies

Assets and liabilities in currencies other than United States Dollars were translated at the rates which prevailed at the end of the year as described below:

- (a) In the cases of 11 members (Afghanistan, Bangladesh, Cambodia, Indonesia, Republic of Korea, Laos, Pakistan, Philippines, Sri Lanka, Thailand and Viet Nam), at par values established, or provisional or official rates agreed by these members with the International Monetary Fund (See Note C);
- (b) In the cases of 3 (5-1975) members (Burma, Republic of China and India), at central rates;
- (c) In the cases of 26 (23-1975) members (Australia, Austria, Belgium, Canada, Cook Islands, Denmark, Fiji, Finland, France, Federal Republic of Germany, Gilbert Islands, Hong Kong, Italy, Japan, Malaysia, Nepal, Netherlands, New Zealand, Norway, Papua New Guinea, Singapore, Solomon Islands, Sweden, Switzerland, United Kingdom and Western Samoa) and 3 non-members (Kuwait, Luxembourg and Saudi Arabia), at market rates;
- (d) In the case of Tonga at the rate used by Tonga in making payments of capital subscriptions to the Bank.

The capital stock, which is defined in Article 4, paragraph 1 of the Articles of Agreement in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966, was translated into current United States Dollars on the basis of 1.20635 current dollars per 1966 dollar.

Income and expense amounts in currencies other than United States Dollars were translated for each quarter generally at the 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, other than those relating to maintenance of value of currency holdings under Article 25 (see Note D), were charged or credited to income. No representation is made that any currency held by the

Bank is convertible into any other currency at the rate or rates specified above.

(3) Loans

The Summary Statement of Loans (Appendix 1-V) presents, by country, total approved loans to be financed from Ordinary Capital Resources. Adjustments for loans not yet effective, refundings and cancellations, payments received, loans agreed to be sold and exchange adjustments are made to arrive at effective loans held by the Bank.

(4) 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.

(5) 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. Furniture and equipment purchased by the Bank are charged to expense when acquired.

(6) Restatement of Certain Amounts

Certain 1975 amounts have been restated to conform to 1976 classifications.

NOTE B -

RESTRICTIONS ON USE OF CASH IN BANKS, INVESTMENTS AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i), the use by the Bank or by any recipient from the Bank may be restricted by the member to payments for goods or services produced and intended for use in its territory, as follows:

The use of cash in banks and demand obligations in the currencies of 24 (23-1975) members aggregating \$193,521,434 (\$173,500,602-1975).

In accordance with Article 24, paragraphs 2(i) and (ii), the use by the Bank or by any recipient from the Bank has been restricted by the member to payments for goods or services produced in its territory, as follows:

The use of cash in banks, investments and demand obligations in the currencies of 2 (3-1975) members aggregating \$12,168,359 (\$44,069,830-1975).

CONTINUED

NOTE C —

CAPITAL STOCK

The authorized capital stock of the Bank consists of 307,257 shares of \$10,000 par value each in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966. This is equivalent to \$3,706,594,820 in terms of current United States Dollars.

The authorized capital stock consists of "callable" capital stock and "paid-in" capital stock. The "callable" capital stock is subject to call only as and when required by the Bank to meet obligations incurred on borrowings or on guarantees. The "paid-in" capital stock is paid or payable partly in gold or convertible currencies and partly in the currency of the member. In lieu of the portion paid or payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations, the Bank shall accept non-negotiable, non-interest-bearing demand obligations in accordance with Article 6, paragraph 3.

As of 31 December 1976, the subscribed capital stock was \$3,688,390,998 (\$3,201,544,328—1975). All matured instalments amounting to \$1,069,881,657 (\$959,624,081—1975) were received except \$253,334 due from Cambodia on 6 April 1975. Instalments not due aggregating \$112,594,677 (\$96,016,613—1975) are receivable as follows:

	1976	1975
1976	\$ —	\$42,358,165
1977	48,453,047	28,807,638
1978	44,496,220	24,850,810
1979	19,645,410	—

On 29 October 1976, the Board of Governors approved a proposal for a second general increase of 135 per cent in the authorized capital stock (from 307,257 shares, valued at \$3,706,594,820 to 722,057 shares valued at \$8,710,534,620). This increase will consist of 10 per cent "paid-in" shares and 90 per cent "callable" shares. The "paid-in" shares are required to be paid for in four equal annual instalments commencing in 1978, 40 per cent of each instalment being in convertible currency and 60 per cent in the national currency of the subscribing member. The increase will become effective on the date on or before 30 September 1977 (or such later date before 31 December 1977 as the Board of Directors may decide) when subscriptions from members for at least 240,000 shares are received by the Bank.

In April 1976, the Board of Governors of the International Monetary Fund (IMF) approved proposed amendments to the Articles of Agreement of the IMF under which, when they become effective, gold will be abolished as a common denominator of the monetary system, currencies will no longer have par values, and all computations relating to currencies of members for the purpose of applying the provisions of the Articles of the IMF will be made on the basis of the Special Drawing Right (SDR). As a result, upon the effectiveness of the amendments to the IMF Articles, it will no longer be possible to determine, in current monetary terms, the value of the unit in which the Bank's share capital is denominated, namely, the United States Dollar of the weight and fineness in effect on 31 January 1966. The Bank has under consideration the effect of the IMF amendments on the unit of denomination of its capital and the rights and obligations of members with respect thereto. If the SDR were substituted for the 1966 United States Dollar in the Bank's Articles of Agreement, the Bank's capital stock would then consist of shares having a par value of SDR 10,000 each, the value of which in current monetary terms would vary from day to day corresponding to variations in the current monetary value of the SDR. Therefore, the Bank's capital stock, expressed in United States Dollars, could differ from the amounts shown in these financial statements. If such a substitution were made as of 31 December 1976, the amounts for "callable" shares subscribed, "paid-in" shares subscribed and total shares subscribed would be \$2,413,434,600, \$1,138,837,400 and \$3,552,272,000, respectively. It is not expected, however, that this substitution would have a material effect on the financial position or results of operations of the Bank.

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 par values or provisional rates of member currencies from those previously established or agreed by the members with the International Monetary Fund, or from changes in central rates, official rates or market rates adopted by the Bank for the purposes of maintenance of value, under Article 25, of the Bank's holdings of certain member currencies. (See Note C).

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

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1976 and 31 December 1975

Expressed in United States Dollars (Note A)

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.

In accordance with the provisions of a statement issued by the Financial Accounting Standards Board in the United States, effective for the Bank in 1976, such appropriation of commissions to Special Reserve is no longer deducted from gross income in the Statement of Income and Expenses but from net income to arrive at net income after appropriation of commissions to Special Reserve. Net income for the year ended 31 December 1975 has been restated to conform to this change in accounting method which increased such net income by \$4,743,414. Also, in accordance with the provisions of the statement, Special Reserve has been restated in the balance sheet under the caption "CAPITAL AND RESERVES."

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 \$57,433,902 (\$47,609,651 in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966), were allocated and transferred to the Multi-Purpose Special Fund. On 1 October 1975, these resources were transferred to the Asian Development Fund. (See Note C).

NOTE G –

NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE AND ORDINARY 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 1975, namely \$24,543,643, was allocated to the Ordinary Reserve in accordance with the resolution adopted by the Board of Governors at the Ninth Annual Meeting. Similar allocations had previously been made in respect of net income after appropriation of commissions to Special Reserve for the preceding periods.

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 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.

Each participant contributed to the Plan, up to February 1974, seven per cent of his remuneration and the Bank contributed the remainder of the cost and expenses of the Plan at the rate of fourteen per cent of the participants' remuneration. In order to provide increased benefits, with effect from March 1974, the rates of contribution of the participants and of the Bank were changed to seven and two-thirds per cent and fifteen and one-third per cent, respectively, and with effect from December 1974, to nine and one-third per cent and eighteen and two-thirds per cent, respectively. For the year ended 31 December 1976, the amount contributed by the Bank to the Plan to cover its estimated cost and expenses was \$1,708,277 (\$1,442,199 – 1975).

NOTE I –

ADMINISTRATION CHARGE

The Administration Charge to Special Funds Operations, instituted in 1971, is based on a formula which takes into consideration certain administrative expenses and the number and amount of loans approved.

NOTE J –

TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 December 1976, for technical assistance (services to member countries) projects and programs approved by the Bank, were approximately \$7,182,000 (\$7,738,000 – 1975); 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 \$100,000 will be converted to the subsequent loan. During the year ended 31 December 1976, there was no (\$55,491 – 1975) such conversion made in respect of expenditures met from Ordinary Capital Resources.

NOTE K –

CHANGES IN VALUE OF CURRENCIES

In 1976, there was an increase in the value of most major currencies relative to the current United States Dollar, which is the Bank's unit of account. This accounted largely for the net gain of \$5,980,818 on translation of currency holdings in excess of the respective maintenance of value ceilings. In 1975, there was a decrease in the relative value of most major currencies, which similarly accounted for a net loss of \$7,424,045 in that year.

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 Asian Development Bank - Ordinary Capital Resources:

Appendix

Balance Sheet, 31 December 1976 and 31 December 1975	1 - I
Statement of Income and Expenses for the years ended 31 December 1976 and 31 December 1975	1 - II
Statement of Changes in Financial Position for the years ended 31 December 1976 and 31 December 1975	1 - III
Statement of Cash in Banks and Demand Obligations of Members, 31 December 1976	1 - IV
Summary Statement of Loans, 31 December 1976	1 - V
Statement of Borrowings, 31 December 1976 and 31 December 1975	1 - VI
Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1976	1 - VII
Notes to Financial Statements, 31 December 1976 and 31 December 1975	1 - VIII

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank - Ordinary Capital Resources at 31 December 1976 and 31 December 1975 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 after restatement for the change, with which we concur, in the method of accounting for commissions appropriated to Special Reserve as described in Note E to the financial statements.

HASKINS & SELLS

18 February 1977

ASIAN DEVELOPMENT BANK

BALANCE

31 December 1976

Expressed in United

Technical Assistance
Special Fund (Note 3)

	<u>1976</u>	<u>1975</u>
CASH IN BANKS	\$ 968,838	\$ 1,099,431
INVESTMENTS		
Government and government guaranteed obligations – amortized cost which approximates market (Face amounts \$18,412,609 – 1976, \$8,306,767 – 1975)	9,609,567	7,533,756
LOANS (Note 5)		
Effective loans held by Bank	–	–
ACCRUED INCOME		
On loans	–	–
NOTES OF CONTRIBUTOR\$		
Non-negotiable, non-interest-bearing notes	–	–
RESOURCES AVAILABLE FOR DRAWING		
Contributed Resources (See Appendix 1-D)	969,714	1,068,034
RECEIVABLE FROM ASIAN DEVELOPMENT FUND	–	–
OTHER ASSETS	404,666	438,154
TOTAL	\$12,042,785	\$10,139,375

LIABILITIES, UNEXPENDED BALANCES AND CAPITAL

ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	\$ –	\$ –
ACCOUNTS PAYABLE	1,075,613	1,070,918
UNEXPENDED BALANCES AND CAPITAL		
Contributed Resources (See Appendix 1-D)	23,745,965	18,961,522
Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6)	–	–
Accumulated net income (expense) (See Appendix 1-B)	(12,778,793)	(9,893,065)
Contributed Resources	–	–
Accrued Resources [Note 4(c)]	–	–
TOTAL	\$ 12,042,785	\$10,139,375

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

SPECIAL FUNDS RESOURCES

SHEET

and 31 December 1975

States Dollars (Note 2)

Multi-Purpose Special Fund (Note 4)

Consolidated

<u>1976</u>	<u>1975</u>	<u>1976</u>	<u>1975</u>
\$ 273,463	\$ 1,473,520	\$ 1,242,301	\$ 2,572,951

8,485,390	711,839	18,184,957	8,245,595
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9,624,464	7,934,246	9,624,464	7,934,246
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50,630	57,542	50,630	57,542
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—	4,840,447	—	4,840,447
---	-----------	---	-----------

—	22,746,130	969,714	23,814,164
---	------------	---------	------------

66,304	3,598,266	66,304	3,598,266
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—	1,231	404,666	439,385
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\$18,500,251	\$41,363,221	\$30,543,036	\$51,502,596
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\$ 542,786	\$ 550,301	\$ 542,786	\$ 550,301
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—	5,120	1,075,613	1,076,038
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17,362,851	37,178,835	41,108,816	56,140,357
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305,236	305,236	305,236	305,236
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—	—	(12,778,793)	(9,893,065)
289,378	3,323,729	289,378	3,323,729

\$18,500,251	\$41,363,221	\$30,543,036	\$51,502,596
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ASIAN DEVELOPMENT BANK

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December

Expressed in United

	Technical Assistance Special Fund (Note 3)	
	1976	1975
INCOME		
From investments	\$ 413,766	\$ 467,722
From loans		
Interest		-
Service fee		-
From conversion of grants into loans (Note 7)		--
From other sources	501	-
GROSS INCOME	414,267	467,722
Service fee less depository banks charges allocated to Accrued Resources	-	-
UNALLOCATED GROSS INCOME	414,267	467,722
EXPENSES		
Administrative expenses		
Project appraisal and other field missions --		
Consultants	703,076	482,261
Other administrative expenses		
Consultants – Headquarters	135,702	125,914
Administration Charge (Note 6)		-
Depository banks charges	1,124	931
Miscellaneous	3,200	1,200
Total	843,102	610,306
Services to member countries (Note 7)		
Project preparation missions and other loan-related technical assistance –		
Consultants	1,323,510	1,555,984
Project implementation/advisory –		
Consultants	663,851	1,025,730
Regional activities --		
Consultants	482,595	113,073
Total	2,469,956	2,694,787
GROSS EXPENSES	3,313,058	3,305,093
INCOME (EXPENSE) BEFORE CHANGES IN VALUE OF CURRENCIES	(2,898,791)	(2,837,371)
CHANGES IN VALUE OF CURRENCIES – NET (Note 8)	13,063	(20,720)
NET INCOME (EXPENSE) FOR THE YEAR	(2,885,728)	(2,858,091)
BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT BEGINNING OF THE YEAR	(9,893,065)	(7,034,974)
TRANSFER TO ASIAN DEVELOPMENT FUND	-	-
BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT END OF THE YEAR	(\$12,778,793)	(\$9,893,065)

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

SPECIAL FUNDS RESOURCES

AND ACCUMULATED NET INCOME (EXPENSE)

1976 and 31 December 1975

States Dollars (Note 2)

		Multi-Purpose Special Fund (Note 4)		Total
Contributed Resources	Accrued Resources	1976	1975	
\$ 9,361	\$ 12,045	\$ 21,406	\$4,772,184	
91,872	199	92,071	1,215,326	
53,082	2,210	55,292	556,036	
-	304,582	304,582	288,615	
-	45	45	-	
154,315	319,081	473,396	6,832,161	
(52,959)	52,959	-	-	
<u>101,356</u>	<u>372,040</u>	<u>473,396</u>	<u>6,832,161</u>	
-	-	-	-	
101,319	87,287	188,606	2,429,605	
123	5	128	1,355	
-	-	-	-	
<u>101,442</u>	<u>87,292</u>	<u>188,734</u>	<u>2,430,960</u>	
-	-	-	-	
-	-	-	-	
-	-	-	-	
<u>101,442</u>	<u>87,292</u>	<u>188,734</u>	<u>2,430,960</u>	
(86)	284,748	284,662	4,401,201	
86	4,630	4,716	(605,064)	
-	289,378	289,378	3,796,137	
-	3,323,729	3,323,729	(472,408)	
-	(3,323,729)	(3,323,729)	-	
\$ -	\$ 289,378	\$ 289,378	\$3,323,729	

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ASIAN DEVELOPMENT BANK

STATEMENT OF CHANGES

For the Years Ended 31 December

Expressed in United

	Technical Assistance Special Fund (Note 3)	
	1976	1975
FUNDS WERE PROVIDED BY		
Operations		
Net income (expense)	(\$ 2,885,728)	(\$ 2,858,091)
Items not requiring or providing funds		
Accrued expenses	257,471	244,929
Accrued income including capitalized interest and service charges on loans	-	-
Administration Charge		
Funds provided by (utilized for) operations	(2,628,257)	(2,613,162)
Loans and other assets transferred to the Asian Development Fund	-	-
Decrease in loans disbursed and outstanding as a result of currency revaluations	-	-
Contributions drawn	4,584,820	2,885,551
Notes of contributors encashed	-	-
Decrease in notes of contributors as a result of currency revaluations	-	-
Loans collected	-	-
Other - net	(219,288)	(121,508)
	1,737,275	150,881
Total		
FUNDS WERE UTILIZED FOR		
Loans disbursed	-	-
Notes of contributors received	-	-
Decrease (increase) in contributions drawn as a result of currency revaluations	(297,943)	96,471
Administration Charge paid	-	-
Resources transferred to the Asian Development Fund	-	-
	(297,943)	96,471
Total		
INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS	\$ 2,035,218	\$ 54,410
INCREASE (DECREASE) IN COMPONENTS OF FUNDS		
Cash in banks	(\$ 130,593)	\$ 269,589
Investments (excluding accrued interest)	2,165,811	(215,179)
	Total	\$ 2,035,218
		\$ 54,410

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

SPECIAL FUNDS RESOURCES**IN FINANCIAL POSITION**

1976 and 31 December 1975

States Dollars (Note 2)

Multi-Purpose Special Fund (Note 4)		Consolidated	
1976	1975	1976	1975
\$ 289,378	\$ 3,796,137	(\$ 2,596,350)	\$ 938,046
(9,832)	—	257,471	244,929
188,606	1,014,754	(9,832)	1,014,754
468,152	2,429,605	188,606	2,429,605
6,332,317	7,240,496	(2,160,105)	4,627,334
1,461,241	204,135,272	6,332,317	204,135,272
22,746,130	6,901,392	1,461,241	6,901,392
4,840,447	7,447,431	27,330,950	10,332,982
—	32,411,202	4,840,447	32,411,202
126,739	1,183,169	—	1,183,169
334,015	645,284	126,739	645,284
36,309,041	(2,819,159)	114,727	(2,940,667)
	257,145,087	38,046,316	257,295,968
6,399,713	58,671,601	6,399,713	58,671,601
—	721,241	—	721,241
1,321,040	7,943,629	1,023,097	8,040,100
196,121	41,111	196,121	41,111
21,818,673	263,647,945	21,818,673	263,647,945
29,735,547	331,025,527	29,437,604	331,121,998
\$ 6,573,494	(\$ 73,880,440)	\$ 8,608,712	(\$ 73,826,030)
(\$ 1,200,057)	(\$ 2,964,789)	(\$ 1,330,650)	(\$ 2,695,200)
7,773,551	(70,915,651)	9,939,362	(71,130,830)
\$ 6,573,494	(\$ 73,880,440)	\$ 8,608,712	(\$ 73,826,030)

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES

STATEMENT OF CONTRIBUTED RESOURCES

31 December 1976

Expressed in United States Dollars (Note 2)

	Contributions Committed During 1976	Contributions Transferred During 1976	Amounts Committed and Available	Amounts Drawn	Resources Available for Drawing
TECHNICAL ASSISTANCE SPECIAL FUND (Note 3)					
Australia					
Australia	\$ 216,413	\$ -	\$ 964,053	\$ 964,053	\$ -
Austria	-	-	123,576	123,576	-
Bangladesh	52,039	-	52,039	-	52,039
Belgium	-	-	674,838	291,772	383,066
Canada	-	-	702,889	702,889	-
China, Republic of	-	-	200,000	200,000	-
Denmark	-	-	884,917	884,917	-
Finland	-	-	117,551	117,551	-
Germany, Federal Republic of	-	-	480,408	480,408	-
India	-	-	218,611	218,611	-
Italy	-	-	145,708	145,708	-
Japan	3,001,530	-	14,987,947	14,987,947	-
Korea, Republic of	150,000	-	180,000	80,000	100,000
Netherlands	122,100	-	571,210	429,554	141,656
New Zealand	-	-	327,854	192,330	135,524
Norway	100,000	-	100,000	100,000	-
Pakistan	70,485	-	134,928	128,470	6,458
Sri Lanka	-	-	20,267	20,267	-
Switzerland	403,060	-	603,060	603,060	-
United Kingdom	335,762	-	1,006,109	855,138	150,971
United States	-	-	1,250,000	1,250,000	-
Total	<u>4,451,389</u>	<u>-</u>	<u>23,745,965</u>	<u>22,776,251</u>	<u>969,714</u>
MULTI-PURPOSE SPECIAL FUND (Note 4)					
Australia					
Australia	-	-	9,457,503	9,457,503	-
Canada	-	(18,885,889)	7,905,348	7,905,348	-
New Zealand	-	(46,369)	-	-	-
Total	<u>-</u>	<u>(18,932,258)</u>	<u>17,362,851</u>	<u>17,362,851</u>	<u>-</u>
GRAND TOTAL	\$ 4,451,389	(\$18,932,258)	\$41,108,816	\$40,139,102	\$ 969,714

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

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES**STATEMENT OF ACCRUED RESOURCES****For the Years Ended 31 December 1976 and 31 December 1975**

Expressed in United States Dollars (Note 2)

	<u>1976</u>	<u>1975</u>
BALANCE AT BEGINNING OF THE YEAR	\$3,323,729	(\$ 472,408)
NET INCOME FOR THE YEAR	289,378	3,796,137
TRANSFER TO ASIAN DEVELOPMENT FUND	(3,323,729)	—
 BALANCE AT END OF THE YEAR	 \$ 289,378	 \$3,323,729

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

ASIAN DEVELOPMENT BANK -

TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in United

	Australia	Austria	Bangladesh	Belgium	Canada
ASSETS					
CASH IN BANKS	\$ 112,990	\$ 78,423	\$ -	\$ 58,745	\$ 184,459
INVESTMENTS					
Government obligations — amortized cost which approximates market (Face amount \$9,785,448)	-	-	-	-	-
RESOURCES AVAILABLE					
Contributed Resources (See Appendix 1-D)	-	-	52,039	383,066	-
OTHER ASSETS	12,742	-	-	-	-
TOTAL	\$ 125,732	\$ 78,423	\$52,039	\$ 441,811	\$ 184,459
LIABILITIES AND UNEXPENDED BALANCES					
ACCOUNTS PAYABLE	\$ 30,430	\$ -	\$ -	\$ -	\$ 30,500
UNEXPENDED BALANCES					
Contributed Resources (See Appendix 1-D)					
Amounts made available	964,053	123,576	52,039	674,838	702,889
Accumulated net income (expense) (See Appendix 1-B)	(868,751)	(45,153)	-	(233,027)	(548,930)
TOTAL	\$125,732	\$ 78,423	\$52,039	\$ 441,811	\$ 184,459

SPECIAL FUNDS RESOURCES**SPECIAL FUND (Note 3)****SHEET****1976**

States Dollars (Note 2)

CONTINUED

China, Republic of	Denmark	Finland	Germany, Federal Republic of	India	Italy	Forward
\$ -	\$ 142,499	\$ 26,632	\$ -	\$ -	\$ 126,903	\$ 730,651
49,444	-	-	-	-	-	49,444
-	-	-	-	-	-	435,105
-	-	-	-	-	-	12,742
\$ 49,444	\$ 142,499	\$ 26,632	\$ -	\$ -	\$ 126,903	\$ 1,227,942
\$ 13,787	\$ -	\$ 8,845	\$ -	\$ -	\$ -	\$ 83,562
200,000	884,917	117,551	480,408	218,611	145,708	4,564,590
(164,343)	(742,418)	(99,764)	(480,408)	(218,611)	(18,805)	(3,420,210)
\$ 49,444	\$ 142,499	\$ 26,632	\$ -	\$ -	\$ 126,903	\$ 1,227,942

ASIAN DEVELOPMENT BANK

TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in United

	Forward	Japan	Korea, Republic of	Netherlands	New Zealand
ASSETS					
CASH IN BANKS	\$ 730,651	\$ 119,383	\$ -	\$ 227	\$ 4,264
INVESTMENTS					
Government obligations — amortized cost which approximates market (Face amount \$9,785,448)	49,444	9,106,143	49,087	-	-
RESOURCES AVAILABLE					
Contributed Resources (See Appendix 1-D)	435,105	-	100,000	141,656	135,524
OTHER ASSETS	12,742	372,321	-	3,564	-
TOTAL	\$ 1,227,942	\$ 9,597,847	\$ 149,087	\$ 145,447	\$ 139,788
LIABILITIES AND UNEXPENDED BALANCES					
ACCOUNTS PAYABLE	\$ 83,562	\$ 569,489	\$ 45,582	\$ 97,361	\$ 139,788
UNEXPENDED BALANCES					
Contributed Resources (See Appendix 1-D) Amounts made available Accumulated net income (expense) (See Appendix 1-B)	4,564,590	14,987,947	180,000	571,210	327,854
TOTAL	\$ 1,227,942	\$ 9,597,847	\$ 149,087	\$ 145,447	\$ 139,788

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

SPECIAL FUNDS RESOURCES**SPECIAL FUND (Note 3)****SHEET****1976**

States Dollars (Note 2)

Norway	Pakistan	Sri Lanka	Switzerland	United Kingdom	United States	Total
\$ -	\$ 94,046	\$20,267	\$ -	\$ -	\$ -	\$ 968,838
98,882	-	-	396,011	-	-	9,699,567
-	6,458	-	-	150,971	-	969,714
-	-	-	9,611	6,428	-	404,666
\$ 98,882	\$ 100,504	\$20,267	\$ 405,622	\$ 157,399	\$ -	\$ 12,042,785
\$ 4,555	\$ 988	\$ -	\$ 21,503	\$ 112,785	\$ -	\$ 1,075,613
100,000	134,928	20,267	603,060	1,006,109	1,250,000	23,745,965
(5,673)	(35,412)	-	(218,941)	(961,495)	(1,250,000)	(12,778,793)
\$ 98,882	\$ 100,504	\$20,267	\$ 405,622	\$ 157,399	\$ -	\$ 12,042,785

ASIAN DEVELOPMENT BANK -

MULTI-PURPOSE

BALANCE

31 December

Expressed in United

	Contributed Resources		Accrued Resources	Unallocated and (Eliminations) ^a	Total
	Australia	Canada			
ASSETS					
CASH IN BANKS	\$ 156,943	\$ 17,586	\$ 98,934		\$ 273,463
INVESTMENTS					
Government and government guaranteed obligations — amortized cost which approximates market (Face amount \$8,627,161)	—	8,137,143	348,247		8,485,390
LOANS (Note 5)					
Effective loans held by Bank	9,365,934	—	258,530		9,624,464
ACCRUED INCOME					
On loans	49,948	—	682		50,630
RECEIVABLE FROM ASIAN DEVELOPMENT FUND					
	253	851	391,206	((\$ 326,006))	66,304
TOTAL	\$ 9,573,078	\$ 8,155,580	\$ 1,097,599	((\$ 326,006))	\$18,500,251

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

^a The eliminations represent offsetting amounts due to and due from resources within the Multi-Purpose Special Fund.

SPECIAL FUNDS RESOURCES**SPECIAL FUND (Note 4)****SHEET****1976**

States Dollars (Note 2)

	Contributed Resources		Accrued Resources	Unallocated and (Eliminations) ^a	Total
	Australia	Canada			
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL					
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	\$ 39,801	\$ —	\$ 502,985		\$ 542,786
ACCOUNTS PAYABLE	75,774	260,232	—	(\$ 326,006)	—
UNEXPENDED BALANCES AND CAPITAL					
Contributed Resources (See Appendix 1-D) Amounts made available	9,457,503	7,905,348	—		17,362,851
Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6)	—	—	305,236		305,236
Accumulated net income (expense) (See Appendix 1-B)	—	—	289,378		289,378
TOTAL	\$ 9,573,078	\$ 8,155,580	\$ 1,097,599	(\$ 326,006)	\$18,500,251

ASIAN DEVELOPMENT BANK – SPECIAL FUNDS RESOURCES

TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF EXPENSES BY PROJECTS AND PROGRAMS

For the Year Ended 31 December 1976

Expressed in United States Dollars (Note 2)

		Contributors	Amounts
ADMINISTRATIVE EXPENSES			
Project appraisal and other field missions			
Consultants			
Afghanistan	Gawargan-Chardarrah Agricultural Development Seeds	Japan United Kingdom	\$ 4,318 <u>7,901</u> \$ 12,219
Bangladesh	Railway Karnaphuli Rayon Khowai River Chittagong Power Distribution Chittagong Hill Tracks Area Development Integrated Fisheries Development Energy Study	Australia United Kingdom Japan Japan Canada Japan Japan United Kingdom	\$ 4,919 <u>325</u> 5,244 7,191 <u>803</u> 810 12,862 <u>3,443</u> 16,306 3,571 7,815 <u>9,419</u> 17,234
	Serajgonj Integrated Rural Development	Korea, Republic of Netherlands	4,573 <u>23,760</u> 28,333
	Project Implementation Bureau Dacca Flood Protection Scheme Education Project Review of Monetary and Banking Systems Kulna Mongla Road	United Kingdom Korea, Republic of Japan	12,332 4,940 3,028 5,086 <u>23,745</u> 127,016
Burma	Power Transmission Palm Oil Project Forest Industries	Japan Netherlands United Kingdom	(77) 10,822 <u>6,683</u> 17,428
Fiji	Suva Port Development	Canada	11,188
Gilbert Islands	Betio-Bairiki Causeway	Australia Japan	5,039 <u>12,200</u> 17,239
Hong Kong	Sha Tin Urban Development	Norway	7,170
Indonesia	Gambarsari-Pesanggrahan Irrigation Java Road Improvement Highway Sumatra Fisheries Development East Java Sugar Preparation of Sawit Sebarang Phase II	Japan Australia Canada Australia United Kingdom Japan Japan	317 5,498 <u>7,720</u> 13,218 35,578 <u>15,345</u> 50,923 12,485 1,818 2,209 80,970
Korea, Republic of	Coal Sector Development Namgang Area Development Integrated Water Supply Medium Industry Bank Caprolactam Plant Modernization and Expansion of Industrial Products Testing Center	Japan Japan Japan Japan Korea, Republic of Netherlands	(22) 2,970 21,302 6,167 7,217 <u>17,437</u> 24,654 5,269 60,340
Malaysia	Penang State Water Supply Sibu Port Expansion Fisheries Pahang Tenggara Regional Development II Penang Port Expansion Phase II	Japan Japan Japan Australia Canada Korea, Republic of	30,162 11,032 3,735 6,594 13,746 <u>6,888</u> 20,634 72,157
	TOTAL (FORWARD)		\$405,727

CONTINUED

		Contributors	Amounts
	(FORWARD)		\$405,727
Nepal	Sugar Development Biratnagar Vocational Institute Agricultural Credit III	Japan Canada China, Republic of Japan	\$ 7,984 7,921 <u>\$ 18,111</u> <u>10,777</u> 28,888 4,380 5,921
	Air Transport System Development Hetauda Cement Dhangarhi Groundwater Development	Japan Japan Japan	<u>5,498</u> 60,592
Pakistan	Hyderabad Water Supply, Sewerage and Drainage Development Fisheries Development WAPDA Hydropower Lyallpur Water Supply, Sewerage and Drainage Development	Japan Japan Australia United Kingdom	483 19,405 5,097 <u>15,211</u> 40,196
Papua New Guinea	Four Cities Water Supply Economic Mission Water Supply	Japan Japan Japan	17,066 9,550 <u>2,642</u> 29,258
Philippines	Cotabato Port Development Engineering Education Mindanao Irrigation	Japan Japan Japan	(87) 21,229 <u>37,862</u> 59,004
Singapore	Central Area Expressway Second Water Supply	Canada Finland	7,107 <u>7,353</u> 14,460
Solomon Islands	Beef Cattle Development	Japan	13,342
Sri Lanka	Sugar Mill Earth Satellite Station Railway Rehabilitation Canyon Hydropower	Japan Japan Japan Netherlands Canada	5,916 4,624 <u>19,887</u> <u>9,091</u> 28,978 <u>11,034</u> 50,552
Thailand	Transmission III	Switzerland	9,675
Tonga	Development and Finance Corporation Road Construction and Improvement	Japan Australia	9,059 <u>6,247</u> 15,306
Western Samoa	Development Bank of Western Samoa	Japan	<u>4,964</u>
	Total		703,076
Other administrative expenses			
Consultants — Headquarters		China, Republic of Japan Korea, Republic of Pakistan United Kingdom	15,866 82,269 7,857 9,437 <u>20,273</u> 135,702
Depository banks charges		Australia Belgium Canada China, Republic of Italy Japan Korea, Republic of Switzerland	17 32 41 25 7 815 33 <u>154</u> 1,124
Others		Japan	<u>3,200</u>
	Total		140,026
TOTAL ADMINISTRATIVE EXPENSES			\$843,102

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF EXPENSES BY PROJECTS AND PROGRAMS

For the Year Ended 31 December 1976

Expressed in United States Dollars (Note 2)

		Contributors	Amounts
SERVICES TO MEMBER COUNTRIES			
Project preparation missions and other loan-related technical assistance —			
Consultants			
Afghanistan	Upper Helmand Valley Agricultural Development Kama Irrigation and Power	Japan Switzerland	\$ 43,599 <u>76,276</u> \$ 119,875
Bangladesh	Srimongal Integrated Rural Development	Japan	267,089
Burma	Sedawgyi Multi-Purpose Dam and Irrigation Forest Industries Pyinmana Sugar Mill	Japan United Kingdom Japan	12,621 26,345 <u>83,957</u> 122,923
Indonesia	Surabaya Institute of Technology Java Road Improvement Smallholder Development Preparation of Sawit Sebarang Phase II	Japan Canada United Kingdom Netherlands	(5,981) 10,511 131,012 <u>(2,534)</u> 133,008
Korea, Republic of	Namgang Area Development	Japan	22,302
Nepal	Vocational Education Dhangarhi Groundwater Development	Canada Switzerland United Kingdom Japan	\$ 19,359 21,208 <u>19,394</u> 59,961 <u>89,707</u> 149,668
Pakistan	Power Development Hyderabad Water Supply, Sewerage and Drainage Development	Germany, Federal Republic of Japan	36 <u>22,855</u> 22,891 <u>9,353</u> 32,244
Papua New Guinea	East Sepik Agricultural Development	Belgium Italy Japan	211,351 11,913 <u>10,240</u> 233,504
Philippines	Philippine National Railways Mindanao Secondary and Feeder Roads	United Kingdom Japan	(385) <u>100,000</u> 99,615
Solomon Islands	Beef Cattle Development Lungga Hydropower	Japan New Zealand United Kingdom	3,248 <u>(10,780)</u> (7,532) <u>32,958</u> 25,426
Sri Lanka	Lunuganwehera Reservoir	Japan	39,965
Thailand	Songkhla Phuket Ports Development	Australia	42,381
Tonga	Small Industries Center	Finland Japan	11,714 <u>6,073</u> 17,787
Western Samoa	Coconut Oil Processing Mill	Japan	17,723
Total			\$1,323,510

CONTINUED

		Contributors	Amounts
Project implementation/advisory —			
Consultants			
Afghanistan	Gawargan-Chardarrah Agricultural Development	Japan	\$ 85,000
Bangladesh	Bangladesh Shilpa Rin Sangsta Fisheries Development	Japan Japan New Zealand	\$ 216,627 \$ 7,822 (1) 7,821
	Bangladesh Shilpa Bank Railway	Japan Japan United Kingdom	5,265 23,388 3,431 26,819
	Bangladesh West Zone Power Agricultural Credit	Japan Japan Korea, Republic of Netherlands	(351) 21,480 15,318 9,010 45,808
	Chittagong Port Greater Dacca Gas Distribution	Japan Japan	7,500 31,590 341,079
Fiji	Fiji Development Bank	Japan	13,242
Laos	Vientiane Water Supply and Distribution	United Kingdom	(1,852)
Nepal	Air Transport System Development Agricultural Credit Second Power	Japan Japan Japan	3,709 40,618 29,150 73,477
Pakistan	Industrial Development Bank of Pakistan	Japan	20,824
Philippines	Fisheries Port	United Kingdom	9,527
Solomon Islands	Second Agricultural and Industrial Loans Board	Japan	19,253
Tonga	Plan Preparation and Project Identification	Japan	14,017
Western Samoa	Development Financing Institution Development Bank of Western Samoa Plan Preparation and Project Identification Power	Australia Australia Japan Japan United Kingdom	(11,209) 10,054 (1,155) 52,789 30,536 83,325 (1,267) 8,381 89,284
	Total		<u>663,851</u>
Regional Activities —			
Consultants			
	APO Fourth Feasibility Study Training Course	Japan	328
	APO Fifth Feasibility Study Training Course	Japan	20
	APO Sixth Feasibility Study Training Course	Japan	24,226
	Seminar on Harbor Management and Planning	Japan	161
	Total (FORWARD)		\$ 24,735

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES

TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF EXPENSES BY PROJECTS AND PROGRAMS

For the Year Ended 31 December 1976

Expressed in United States Dollars (Note 2)

	Contributors	Amounts
Regional Activities - Consultants		\$ 24,735
(FORWARD)		
ADB-PIM-PICIC-IDBP Regional Training Program	Japan	36,762
Updating the Asian Agricultural Survey - Phase II	Japan	302,632
ADB-KDB-KDFC-MIB Regional Training Program on Development Banking	Japan	92,605
ADB-DSE-SEARCA Regional Training Program	Japan	22,769
ADB-BTC Regional Training Program on Development Banking	Japan	<u>3,092</u>
Total		482,595
TOTAL SERVICES TO MEMBER COUNTRIES		2,469,956
GROSS EXPENSES		\$3,313,052

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

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1976 and 31 December 1975

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, the Set-Aside Resources, the contributions of eight contributors, a portion of the contribution of Canada and the accumulated net income of the Accrued Resources as of 31 December 1975, have been transferred from the Multi-Purpose Special Fund to the Asian Development Fund.
- (d) Since the Special Funds Rules and Regulations do not apply to the Asian Development Fund, the accompanying financial statements do not include the operations and activities of that Fund.

NOTE 2 -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) **Unit of Account**
The Special Funds Resources financial statements are expressed in current United States Dollars.
- (b) **Translation of Currencies**
Assets, liabilities and unexpended balances in currencies other than United States Dollars were translated at the rates which prevailed at the end of the year as described below:
 - (i) In the cases of 3 (2-1975) contributors (Bangladesh, Pakistan and Sri Lanka), at par values established or provisional rates agreed by these contributors with the International Monetary Fund;
 - (ii) In the case of India, at central rate;

- (iii) In the cases of 12 contributors (Australia, Austria, Belgium, Canada, Denmark, Finland, Federal Republic of Germany, Italy, Japan, Netherlands, New Zealand and United Kingdom), at market rates.

Income and expense amounts in currencies other than United States Dollars were translated for each quarter generally at the 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 funds representing the unexpended balances of contributions were offset by increases or decreases in the contribution accounts. Other translation adjustments were charged or credited to income.

No representation is made that any of these currencies is convertible into any other currency at the rate or rates specified above.

(c) Contributions

Amounts contributed by member countries are included in the financial statements as contributions committed from the date contribution agreements are signed and related formalities are completed. As to those member countries which have agreed to consider specific requests for financing, the amounts shown in the financial statements as contributions committed are based on the specific requests approved through 31 December 1976 and 31 December 1975.

(d) Restatement of Certain Amounts

Certain 1975 amounts have been restated to conform to 1976 classifications.

NOTE 3 -

TECHNICAL ASSISTANCE SPECIAL FUND

Since 1967, contributions have been made by 21 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 1968, contributions have been made by 14 member countries to be used by the Bank for financing special operations. These contributions generally cannot be used for providing non-reimbursable technical assistance. The

ASIAN DEVELOPMENT BANK – SPECIAL FUNDS RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1976 and 31 December 1975

contributions made in the early years were generally to be used initially for procurement of goods and services from the contributing member country. In recent years the terms of the contributions have become more and more liberalized. In most cases, the contributions may be used for procurement of goods and services (a) from the contributing member country, (b) from the territories of developing member countries, and (c) from developed countries which have made contributions to any Special Fund other than the Technical Assistance Special Fund. In all cases the repayments may be used for procurement of goods and services in the territories of members of the Bank. As a result of transfers of contributions to the Asian Development Fund [See Notes 1(b) and 1(c)], only the contribution of Australia and a portion of the contribution of Canada remained in the Multi-Purpose Special Fund at 31 December 1976.

- (b) Pursuant to Article 19, paragraph 1(i), the Board of Governors has also 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 transferred to the Special Funds. The resources so set aside, amounting to \$57,433,902 (\$47,809,651 in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966) were allocated and transferred to the Multi-Purpose Special Fund to form the Set-Aside Resources of that fund. On 1 October 1975, these resources were transferred to the Asian Development Fund.
- (c) 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.

Prior to 1 October 1975, the Summary Statement of Loans of the Special Funds Resources included all Special Funds loans approved before the establishment of the Asian Development Fund. From 1 October 1975, the Summary Statement of Loans of that Fund included all approved Special Funds

loans. Accordingly, the amounts shown as "Effective loans held by Bank" at 31 December 1976 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. Upon transfer of the Set-Aside Resources and certain contributions 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 1976, for technical assistance (services to member countries) projects and programs approved by the Bank, were approximately \$7,182,000 (\$7,738,000 – 1975); 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 \$100,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of \$304,582 (\$288,615 – 1975) were charged to loans and credited to income of Special Funds Resources during the year ended 31 December 1976.

NOTE 8 –

CHANGES IN VALUE OF CURRENCIES

In 1976, there was an increase in the value of most major currencies relative to the current United States Dollar, which is the Bank's unit of account. This accounted for the net gain of \$17,779 on translation of currencies derived from earnings. In 1975, there was a decrease in the relative value of most major currencies, which similarly accounted for a net loss of \$625,784 in that year.

HASKINS & SELLS
Certified Public Accountants

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OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:

We have examined the following financial statements of Asian Development Bank — Special Funds Resources:

Appendix

Balance Sheet, 31 December 1976 and 31 December 1975	1 - A
Statement of Income and Expenses and Accumulated Net Income (Expense) for the years ended 31 December 1976 and 31 December 1975	1 - B
Statement of Changes in Financial Position for the years ended 31 December 1976 and 31 December 1975	1 - C
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Technical Assistance Special Fund—Statement of Expenses by Projects and Programs for the year ended 31 December 1976	1 - H
Notes to Financial Statements, 31 December 1976 and 31 December 1975	1 - I

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 Asian Development Bank — Special Funds Resources at 31 December 1976 and 31 December 1975 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.

HASKINS & SELLS

18 February 1977

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1976 and 31 December 1975

Expressed in United States Dollars (Note 2)

<u>ASSETS</u>	1976	1975
CASH IN BANKS	\$ 32,314,267	\$ 7,436,617
INVESTMENTS		
Government and government guaranteed obligations - amortized cost which approximates market (Face amounts \$43,730,578 - 1976, \$34,735,177 - 1975)	\$ 42,872,992	\$ 33,607,830
Time deposits and certificates of deposit	102,638,888	70,693,814
LOANS (See Appendix 1-4) (Note 5)		
Loans approved - \$894,683,000 - 1976, \$658,823,000 - 1975	707,653,866	519,480,090
Effective loans held by Bank		
ACCRUED INCOME		
On investments	4,652,664	3,275,103
On loans	1,116,901	828,040
NOTES OF CONTRIBUTORS		
Non-negotiable, non-interest-bearing notes	519,486,456	402,164,060
RESOURCES AVAILABLE FOR DRAWING (See Appendix 1-5)		
Contributed Resources	-	2,784,082
OTHER ASSETS	1,739,041	2,754,422
TOTAL	\$1,412,475,074	\$1,043,414,058
<u>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</u>		
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-4)	\$ 509,988,912	\$ 386,585,658
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	3,027,354	4,414,057
ACCOUNTS PAYABLE		
Multi-Purpose Special Fund	\$ 66,304	\$ 3,598,266
Others	1,208,382	1,233
UNEXPENDED BALANCES AND CAPITAL		
Resources made available (See Appendix 1-5)		
Contributed Resources	826,141,625	587,532,038
Set-Aside Resources (Note 3)	57,433,902	57,433,902
Supplementary Resources (Note 4)	-	1,500,446
Other Resources	3,323,729	-
Total	886,899,256	646,466,386
Accumulated net income (See Appendix 1-2)	11,284,866	898,184,122
TOTAL	\$1,412,475,074	\$1,043,414,058

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND**STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME**

For the Years Ended 31 December 1976 and 31 December 1975

Expressed in United States Dollars (Note 2)

	<u>1976</u>	<u>1975</u>
INCOME		
From investments	\$10,903,498	\$ 3,495,819
From loans	3,456,074	692,248
GROSS INCOME	<u>14,359,572</u>	<u>4,188,067</u>
EXPENSES		
Administration Charge (Note 6)	5,824,394	1,575,395
Depository banks charges	3,193	515
GROSS EXPENSES	<u>5,827,587</u>	<u>1,575,910</u>
INCOME BEFORE CHANGES IN VALUE OF CURRENCIES	8,531,985	2,612,157
CHANGES IN VALUE OF CURRENCIES – NET (Note 7)	404,423	(151,191)
NET INCOME FOR THE YEAR	<u>8,936,408</u>	<u>2,460,966</u>
APPROPRIATION TO DEBIT ARISING FROM TRANSFER OF ADMINISTRATION CHARGE PAYABLE FROM THE MULTI-PURPOSE SPECIAL FUND (Note 6)	—	(112,508)
BALANCE OF ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR	2,348,458	—
BALANCE OF ACCUMULATED NET INCOME AT END OF THE YEAR	<u>\$11,284,866</u>	<u>\$ 2,348,458</u>

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1976 and 31 December 1975

Expressed in United States Dollars (Note 2)

	1976	1975
FUNDS WERE PROVIDED BY		
Operations		
Net Income	\$ 8,936,408	\$ 2,460,966
Items not requiring or providing funds:		
Accrued income including capitalized interest and service charges on loans	(1,650,340)	(1,579,717)
Administration Charge	5,824,394	1,575,395
Funds provided by operations	13,110,462	2,456,644
Increase in undisbursed balance of effective loans	186,760,000	189,600,000
Resources transferred from the Multi-Purpose Special Fund	21,818,673	263,647,945
Contributions drawn	199,794,967	173,730,224
Increase (decrease) in contributions drawn as a result of currency revaluations	21,603,312	(12,612,455)
Notes of contributors encashed	47,007,637	14,236,395
Loans collected	1,419,617	353,438
Other - net	1,884,626	1,667,605
Total	<u>493,399,294</u>	<u>633,079,796</u>
FUNDS WERE UTILIZED FOR		
Increase in effective loans	186,760,000	189,600,000
Loans disbursed	56,851,156	18,295,514
Increase (decrease) in loans disbursed and outstanding as a result of currency revaluations	6,216,806	(8,094)
Notes of contributors received	151,416,894	130,647,997
Increase (decrease) in notes of contributors as a result of currency revaluations	12,523,138	(8,098,679)
Administration Charge paid	7,211,097	4,249,434
Loans and other assets transferred from the Multi-Purpose Special Fund	6,332,317	204,135,272
Total	<u>427,311,408</u>	<u>538,821,444</u>
INCREASE IN CASH IN BANKS AND INVESTMENTS		
	<u>\$ 66,087,886</u>	<u>\$ 94,258,352</u>
INCREASE IN COMPONENTS OF FUNDS		
Cash in banks	\$ 24,877,650	\$ 4,845,036
Investments (excluding accrued interest)	41,210,236	89,413,316
Total	<u>\$ 66,087,886</u>	<u>\$ 94,258,352</u>

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1976

Expressed in 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	\$ 58,850,000	\$ 14,000,000	\$ —	\$ —	\$ 44,850,000	\$ 40,644,942	\$ 4,205,058
BANGLADESH	178,880,000	53,500,000	—	—	125,380,000	105,262,651	20,117,349
BURMA	106,100,000	—	—	—	106,100,000	97,837,677	8,262,323
CAMBODIA	1,670,000	—	—	—	1,670,000	1,026,808 ^d	643,192
GILBERT ISLANDS	1,750,000	1,750,000	—	—	—	—	—
INDONESIA	113,280,000	—	100	93,000	113,186,900	40,920,474	72,266,426
KOREA, REPUBLIC OF	3,700,000	—	—	—	3,700,000	1,244,167	2,455,833
LAOS	11,693,000	—	6,170	101,600	11,585,230	5,420,236	6,164,994
MALAYSIA	3,300,000	—	—	—	3,300,000	535,882	2,764,118
NEPAL	99,840,000	39,500,000	—	950,900	59,389,100	40,571,386	18,817,714
PAKISTAN	132,850,000	10,800,000	—	207,103	121,842,897	96,202,054	25,640,843
PAPUA NEW GUINEA	35,540,000	21,240,000	—	478,800	13,821,200	7,968,618	5,852,582
PHILIPPINES	15,300,000	—	372,660	331,332	14,596,008	5,096,107	9,499,901
SINGAPORE	3,000,000	—	—	—	3,000,000	777,305	2,222,695
SOLOMON ISLANDS	3,570,000	3,570,000	—	—	—	—	—
SRI LANKA	61,705,000	5,000,000	89,316	483,500	56,132,184	38,026,437	18,105,747
THAILAND	8,100,000	—	—	—	8,100,000	7,579,344	520,656
TONGA	1,300,000	—	—	—	1,300,000	1,246,131	53,869
VIET NAM ^e	40,670,000	20,400,000	244,715	97,700	19,927,585	14,475,106 ^f	5,452,479
WESTERN SAMOA	13,585,000	3,000,000	25,389	—	10,559,611	5,153,587	5,406,024
ADJUSTMENTS IN UNITED STATES DOLLAR EQUIVALENTS OF LOANS DISBURSED					(1,162,385) ^f	(1,162,385) ^f	
PORTIONS OF LOANS ALLOCATED TO THE MULTI-PURPOSE SPECIAL FUND (Note 5)					(9,624,464)	(9,624,464)	
TOTAL	\$894,683,000	\$172,760,000	\$ 738,350	\$ 2,743,935	\$707,653,866	\$509,988,912	\$197,664,954

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

a The Bank charges service charge on all Special Funds loans approved after 21 March 1974 at the rate of 1% per annum. On loans approved prior to 21 March 1974 the Bank charges interest (including service fee of 3/4 of 1%) ranging from 1% per annum to 3% per annum.

b Where necessary and when available the resources of the Multi-Purpose Special Fund will also be drawn upon to finance these loans (See Note 5).

c Of the undisbursed balance, the Bank has entered into irrevocable commitments to disburse \$441,358.

d Pending consultation with the government concerning its intentions with respect to the projects being financed, the Bank has suspended further disbursements of these loans.

e The Socialist Republic of Viet Nam, upon its assumption of full responsibilities as borrower of the loans extended by the Bank to the former Republic of South Vietnam, has with effect from 2 July 1976 been substituted for the latter as the borrower of these loans. Pending consultation with the borrower, disbursements under these loans remain suspended.

f This amount represents the adjustment 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 1976

Expressed in United States Dollars (Note 2)

	Resources Committed	Amounts Not Yet Made Available	Amounts Made Available	Amounts Drawn
CONTRIBUTED RESOURCES				
Australia	\$ 30,848,199	\$ 11,128,573	\$ 19,719,626	\$ 19,719,626
Austria	2,261,258	2,261,258	-	-
Belgium	9,968,677	2,344,068	7,624,609	7,624,609
Canada	54,784,555	-	54,784,555	54,784,555
Denmark	8,634,583	-	8,634,583	8,634,583
Finland	3,603,584	-	3,603,584	3,603,584
Germany, Federal Republic of	80,714,588	-	80,714,588	80,714,588
Italy ^a	22,058,797	-	22,058,797	22,058,797
Japan	421,569,724	-	421,569,724	421,569,724
Netherlands	23,292,375	-	23,292,375	23,292,375
New Zealand	4,585,042	-	4,585,042	4,585,042
Norway	6,193,603	-	6,193,603	6,193,603
Switzerland	8,100,446	-	8,100,446	8,100,446
United Kingdom	40,260,093	-	40,260,093	40,260,093
United States	125,000,000	-	125,000,000	125,000,000
TOTAL	841,875,524	15,733,899	826,141,625	826,141,625
SET-ASIDE RESOURCES (Note 3)	57,433,902	-	57,433,902	57,433,902
OTHER RESOURCES	3,323,729	-	3,323,729	3,323,729
GRAND TOTAL	\$902,633,155	\$ 15,733,899	\$886,899,256	\$886,899,256

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

^a Italy made its initial contribution to the Fund on 31 December 1976. Consequently, Italy's contribution to the Multi-Purpose Special Fund which was transferred to the Fund on 1 October 1975 and previously shown under Supplementary Resources pursuant to Section 7.03(b) of the Regulations of the Fund (See Note 4), was consolidated with Italy's initial contribution to the Fund.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1976 and 31 December 1975

CONTINUED

NOTE 1 -

GENERAL

- (a) In April 1973, the Board of Governors authorized the establishment of a new Special Fund to be known as the Asian Development Fund (the Fund). Subsequently, the Board of Governors also authorized initial resource mobilization arrangements for the Fund during the three years ending 31 December 1975 under a two-stage programme providing for a total amount equivalent to US\$525,000,000. In April 1974, the Board of Directors adopted Regulations for the administration of the Fund. On 28 June 1974, the Fund was established when Instruments of Contribution were deposited with the Bank by ten contributors with contributions in an aggregate amount exceeding US\$225,000,000, this being the minimum amount required to establish the Fund.
- (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 in the First Stage aggregating the equivalent of US\$104,940,935 at 31 December 1976 (US\$105,246,461 - 1975) be restricted to procurement of goods and services from their respective countries.
- (d) On 30 June 1975, the Second Stage of the initial resource mobilization arrangements for the Fund became effective when Instruments of Contribution were deposited with the Bank by eleven contributors in an aggregate amount exceeding US\$94,000,000, this being the minimum amount required to bring the Second Stage into effect.
- (e) 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 contributions of eight contributors, a portion of the contribution of Canada and the accumulated net income of the Accrued Resources as of 31 December 1975, have been transferred from the Multi-Purpose Special Fund to the Fund.
- (f) In December 1975, the Board of Governors authorized the first replenishment arrangements for the Fund during the three years ending 31 December 1978 under a

three-instalment programme providing for a total amount equivalent to US\$830,000,000. On 28 June 1976, the first instalment of the first replenishment arrangements became effective when Instruments of Contribution were deposited with the Bank by eight contributors in an aggregate amount exceeding US\$475,000,000, this being the minimum amount required to bring the first instalment into effect.

NOTE 2 -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) **Unit of Account**
The financial statements of the Fund are expressed in current United States Dollars.
- (b) **Translation of Currencies**
Assets, liabilities and unexpended balances in currencies other than United States Dollars were translated at the market rates which prevailed at the end of the year.
The capital stock of the Bank is defined in Article 4, paragraph 1 in terms of the United States Dollars of the weight and fineness in effect on 31 January 1966. Capital set-aside was therefore translated into current United States Dollars on the basis of 1.20635 current dollars per 1966 dollar. (See Note 3).
Income and expense amounts in currencies other than United States Dollars were translated for each quarter generally at the market rates 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 were offset by increases or decreases in the contribution accounts. Translation adjustments relating to capital set-aside were recorded as receivable from or payable to Ordinary Capital Resources. Other translation adjustments were credited or charged to income.
No representation is made that any currency held by the Fund is convertible into any other currency at the rate or rates specified above.
- (c) **Contributions**
Amounts contributed by member countries are included in the financial statements as contributions committed from the date contribution agreements are signed and related formalities are completed.
- (d) **Restatement of Certain Amounts**
Certain 1975 amounts have been restated to conform to 1976 classifications.

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1976 and 31 December 1975

NOTE 3 –

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 \$57,433,902 (\$47,609,651 in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966), were allocated and transferred to the Multi-Purpose Special Fund. On 1 October 1975, these resources were transferred to the Fund.

In April 1976, the Board of Governors of the International Monetary Fund (IMF) approved proposed amendments to the Articles of Agreement of the IMF under which, when they become effective, gold will be abolished as a common denominator of the monetary system, currencies will no longer have par values, and all computations relating to currencies of members for the purpose of applying the provisions of the Articles of the IMF will be made on the basis of the Special Drawing Right (SDR). As a result, upon the effectiveness of the amendments to the IMF Articles, it will no longer be possible to determine, in current monetary terms, the value of the unit in which the Bank's share capital is denominated, namely, the United States Dollar of the weight and fineness in effect on 31 January 1966. The Bank has under consideration the effect of the IMF amendments on the unit of denomination of its capital and the rights and obligations of members with respect thereto. If the SDR were substituted for the 1966 United States Dollar in the Bank's Articles of Agreement, the Bank's capital stock would then consist of shares having a par value of SDR 10,000 each, the value of which in current monetary terms would vary from day to day corresponding to variations in the current monetary value of the SDR. Therefore, Capital Set-Aside for Special Operations, expressed in United States Dollars, could differ from the amount shown in these financial statements. If such a substitution were made as of 31 December 1976, Capital Set-Aside for Special Operations would be \$55,314,300. It is not expected, however, that this substitution would have a material effect on the financial position or results of operations of the Fund.

NOTE 4 –

SUPPLEMENTARY RESOURCES

The term "Supplementary Resources" refers to the resources accepted by the Bank from any member or non-member govern-

ment or any national or international entity, public or private, as provided in Section 2.06 of the Regulations of the Fund and to any contribution transferred from the Multi-Purpose Special Fund where the concerned contributor has not yet made its initial contribution to the Fund, as provided in Section 7.03(b) of the Regulations.

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 Fund may be used either singly or jointly to finance such loans.

Prior to 1 October 1975, the Summary Statement of Loans of the Fund included only Special Funds loans approved after the establishment of the Fund. From 1 October 1975, the Summary Statement of Loans included all approved Special Funds loans. Accordingly, at 31 December 1976, the portion of loans allocated to the Multi-Purpose Special Fund, representing disbursements in respect of individual loans made from resources remaining in that fund, were shown as an adjustment to the Summary Statement of Loans.

NOTE 6 –

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. Upon transfer of the Set-Aside Resources and certain contributions from the Multi-Purpose Special Fund [See Notes 1(b) and 1(e)] the Administration Charge Payable to Ordinary Capital Resources applicable to such resources and contributions was also transferred, resulting in a net debit arising from such transfer of the liability. This debit has been offset by appropriations of accumulated net income of the Fund.

NOTE 7 –

CHANGES IN VALUE OF CURRENCIES

In 1976, there was an increase in the value of most major currencies relative to the current United States Dollar, which is the Bank's unit of account. This accounted for the net gain of \$404,423 on translation of currencies derived from earnings. In 1975, there was a decrease in the relative value of most major currencies, which similarly accounted for a net loss of \$151,191 in that year.

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 1976 and 31 December 1975	1 - 1
Statement of Income and Expenses and Accumulated Net Income for the years ended 31 December 1976 and 31 December 1975	1 - 2
Statement of Changes in Financial Position for the years ended 31 December 1976 and 31 December 1975	1 - 3
Summary Statement of Loans, 31 December 1976	1 - 4
Statement of Resources, 31 December 1976	1 - 5
Notes to Financial Statements, 31 December 1976 and 31 December 1975	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 1976 and 31 December 1975 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.

HASKINS & SELLS

18 February 1977

SUMMARY OF BUDGET FOR 1977
INTERNAL ADMINISTRATIVE EXPENSES

	1976 ¹			1977 Budget	
	Budget		Actual		
	Original	After Transfer ²			
I. BOARD OF GOVERNORS	\$ 116,000	\$ 116,000	\$ 107,588	\$ 75,000	
II. BOARD OF DIRECTORS	1,448,400	1,444,000	1,405,683	1,809,000	
Salaries	858,000	851,000	820,155	858,000	
Benefits	300,400	299,000	297,475	369,000	
Business Travel	111,000	106,000	102,834	141,000	
Relocation	59,000	68,000	67,272	305,000	
Staff Services	120,000	120,000	117,947	136,000	
III. STAFF	13,388,800	13,662,000	13,659,796	15,373,000	
Salaries	8,454,000	8,583,200	8,582,418	9,659,000	
Benefits	3,258,000	3,449,100	3,448,573	3,974,000	
Relocation	695,000	688,100	687,556	690,000	
Consultants	981,800	941,600	941,249 ³	1,050,000	
IV. BUSINESS TRAVEL & REPRESENTATION	1,445,000	1,446,000	1,444,619	1,720,000	
Business Travel	1,395,000	1,396,000	1,395,575	1,670,000	
Representation	50,000	50,000	49,044	50,000	
V. OTHER ADMINISTRATIVE EXPENSES	2,909,800	3,026,000	3,021,083	3,426,000	
Communications	474,000	501,000	499,419	600,000	
Office Occupancy	1,079,000	1,187,700	1,186,967	1,353,000	
Library	88,000	88,000	87,399	101,000	
Expendable Supplies	324,000	305,100	304,867	327,000	
Office Equipment	253,000	277,700	277,373	253,000	
Contractual Services	580,000	556,200	555,777	641,000	
Insurance	55,000	48,000	47,105	60,000	
Miscellaneous	56,800	62,300	62,176 ⁴	53,000	
Special Activity	-	-	-	38,000	
VI. GENERAL CONTINGENCY	386,000	-	-	225,000	
TOTAL	\$19,694,000	\$19,694,000	\$19,638,769 ^{3, 4}	\$22,628,000	

1 The Budget and Actual Expenses for 1976 have been recast in accordance with the new classifications incorporated in the 1977 Budget.

2 The Contingency provision of \$386,000 was used and transfers were effected between items without exceeding the total Budget amount.

3 Includes \$838,778 from the Technical Assistance Special Fund.

4 Includes \$4,324 from the Technical Assistance Special Fund.

SUMMARY OF BUDGET FOR 1977
SERVICES TO MEMBER COUNTRIES¹

CONTINUED

	1976				1977	
	Commitments		Disbursements		New	
	Budget	Actual	Budget	Actual	Commitments	Disbursements
Project Preparation	\$2,700,000	\$1,679,000	\$1,937,500	\$1,771,206 ²	\$4,550,000	\$2,050,000
Advisory and Operational	1,600,000	1,030,000	2,078,900	667,861 ³	550,000	1,510,000
Regional Services	1,000,000	985,500	609,000	671,421 ⁴	950,000	837,000
TOTAL	\$5,300,000	\$3,694,500	\$4,625,400	\$3,110,488	\$6,050,000	\$4,397,000

¹ In addition to the above, commitments and disbursements amounting to \$1.9 million and \$1.4 million, respectively, were effected by the Bank in 1976 as Executing Agency for the UNDP; in 1977 it is estimated that \$1.0 million and \$1.7 million, respectively, will be committed and disbursed under similar arrangements.

² Includes \$1,323,510 from the Technical Assistance Special Fund.

³ Includes \$ 663,851 from the Technical Assistance Special Fund.

⁴ Includes \$ 482,595 from the Technical Assistance Special Fund.

RESOLUTIONS OF BOARD OF GOVERNORS DURING 1976

Resolution Number	Subject	Date Adopted
93	Further Extension of Time for Subscription to Increase in Authorized Capital Stock	19 January
94	Amendment of Section 7 (B) of the By-Laws of the Bank	29 March
95	Admission of the Cook Islands to Membership in the Asian Development Bank	31 March
96	Financial Statements and Auditors' Reports	24 April
97	Allocation of Net Income	24 April
98	Place and Date of Tenth Annual Meeting	24 April
99	Amendment of Resolutions Nos. 10 and 46 and Increase in Capital Subscription of Canada	12 April
100	Increase in Authorized Capital Stock and Increase in Capital Subscription of the Federal Republic of Germany	24 April
101	Replenishment of the Asian Development Fund: Increase in Canadian Allocation and Extension of Time for Other Adjustments under Resolution No. 92	24 April
102	Further Extension of Time for Subscription to Increase in Authorized Capital Stock	23 July
103	Replenishment of the Asian Development Fund: Adjustment of Contribution Amounts and Arrangements to Facilitate Commitments and Payment of Certain Contributions	10 September
104	Increase in Authorized Capital Stock and Subscriptions Thereto	29 October
105	Arrangements to Facilitate Contributions to the Second Stage of the Initial Resource Mobilization for the Asian Development Fund	31 October

APPENDIX 4

CHANNELS OF COMMUNICATION

(As of 31 December 1976)

COUNTRY	CHANNEL	COUNTRY	CHANNEL
Afghanistan	President of Revenues Ministry of Finance Kabul cc: Ministry of Planning Kabul	Finland	Ulkosaainministerion Kehitysyhteist-yoosasto Pitkansillanranta 3 SF 00530, Helsinki 53
Australia	Secretary Commonwealth Treasury Canberra, A.C.T.	France	Ministere de l'Economie et des Finances 93, rue de Rivoli 75001 Paris
Austria	Bundesministerium fur Finanzen Postfach 2 A-1015 Wien	Germany, Federal Republic of	Bundesministerium fur Wirtschaftliche Zusammenarbeit Referat 212 53 Bonn 12 Friedrich-Ebert-Allee 114-116 Postfach 12 03 22
Bangladesh	Ministry of Finance Bangladesh Secretariat Dacca	Gilbert Islands	Financial Secretary Central Government Office P. O. Box 68 Bairiki, Tarawa
Belgium	Ministere des Finances Services des Relations Financieres avec l'Etranger 30, avenue des Arts, Brussels	Hong Kong	The Financial Secretary c/o Colonial Secretariat Lower Albert Road Hong Kong
Burma	Ministry of Planning and Finance Rangoon	India	Secretary to the Government of India Ministry of Finance Department of Economic Affairs New Delhi
Cambodia	National Bank of Cambodia Phnom-Penh	Indonesia	Ministry of Finance Jalan Lapangan Banteng Timur No. 6 Jakarta
Canada	Department of Finance Ottawa, Ontario Canada K1A OG5	Italy	Ministero del Tesoro D.G. Tesoro - Div. XVI Via XX Settembre Roma
China, Republic of	Governor Central Bank of China Taipei	Japan	Minister of Finance Tokyo c/o Embassy of Japan Makati, Rizal
Cook Islands	Financial Secretary P. O. Box 99 Rarotonga		Minister of Finance Ministry of Finance 3-1-1, Kasumigaseki, Chiyoda-ku Tokyo
Denmark	Ministry of Foreign Affairs Amaliegade 7 DK-1256, Kovenhavn K		
Fiji	Ministry of Finance Suva		

CONTINUED

COUNTRY	CHANNEL	COUNTRY	CHANNEL
Korea, Republic of	Minister of Finance Ministry of Finance Seoul	Singapore	Permanent Secretary (Economic Development) Ministry of Finance Fullerton Building 5th Floor, Singapore 1
Lao People's Democratic Republic	National Bank of Laos Vientiane	Solomon Islands	Ministry of Finance Secretariat Honjara
Malaysia	Secretary to the Treasury The Treasury Jalan Raja Kuala Lumpur	Sri Lanka	Secretary Ministry of Planning and Employment P. O. Box 277 Colombo 1
Nepal	Secretary Ministry of Finance Babar Mahal Kathmandu	Sweden	Ministry for Foreign Affairs Box 16121 103-23, Stockholm 16
Netherlands	Ministerie van Financien The Hague	Switzerland	Departement federal de l'économie publique Division du commerce Palais federal 3003 Berne
New Zealand	Secretary of Foreign Affairs Ministry of Foreign Affairs Wellington cc: Secretary to the Treasury The Treasury P. O. Box 5010 Wellington	Thailand	Ministry of Finance Bangkok 2
Norway	Royal Ministry of Commerce and Shipping Foreign Exchange Department Oslo	Tonga	Ministry of Finance Nuku'alofa
Pakistan	Ministry of Finance Government of Pakistan Islamabad	United Kingdom	Ministry of Overseas Development Eland House, Stag Place London S.W. 1
Papua New Guinea	Secretary for Finance Department of Finance Post Office, Wards Strip Waigani, Port Moresby	United States	Secretary of the Treasury Treasury Department Washington, D.C. 20220 cc: The Secretary National Advisory Council on International Monetary and Financial Policies U.S. Treasury Department Washington, D.C. 20220
Philippines	Department of Foreign Affairs Manila	Viet Nam, Socialist Republic of	The State Bank of Viet Nam Hanoi
		Western Samoa	Secretary to the Government Government of Western Samoa Apia

APPENDIX 5

OFFICIAL DEPOSITORYRIES

(As of 31 December 1976)

COUNTRY	DEPOSITORY	COUNTRY	DEPOSITORY
Afghanistan	Da Afghanistan Bank Kabul	Korea, Republic of	Bank of Korea Seoul
Australia	Reserve Bank of Australia Sydney	Lao People's Democratic Republic	Banque Nationale du Laos Vientiane
Austria	Oesterreichische Nationalbank Wien	Malaysia	Bank Negara Malaysia Kuala Lumpur
Bangladesh	Bangladesh Bank Dacca	Nepal	Nepal Rastra Bank Kathmandu
Belgium	National Bank of Belgium Brussels	Netherlands	De Nederlandsche Bank N.V. Amsterdam
Burma	Union of Burma Bank Rangoon	New Zealand	Reserve Bank of New Zealand Wellington
Cambodia	National Bank of Cambodia Phnom-Penh	Norway	Norges Bank Oslo
Canada	Bank of Canada Ottawa	Pakistan	State Bank of Pakistan Karachi
China, Republic of	Central Bank of China Taipei	Papua New Guinea	Bank of Papua New Guinea Port Moresby
Cook Islands	National Bank of New Zealand, Ltd Rarotonga	Philippines	Central Bank of the Philippines Manila
Denmark	Danmarks National Bank Copenhagen	Singapore	Monetary Authority of Singapore Singapore
Fiji	Central Monetary Authority of Fiji Suva	Solomon Islands	Australia and New Zealand Banking Group, Ltd Honolulu
Finland	Souomen Pankki-Finlands Bank Helsinki	Sri Lanka	Central Bank of Ceylon Colombo
France	Banque de France Paris	Sweden	Sveriges Riksbank (Bank of Sweden) Stockholm
Germany, Federal Republic of	Deutsche Bundesbank Frankfurt	Switzerland	Banque Nationale Suisse Zurich
Gilbert Islands	Bank of New South Wales Bairiki, Tarawa	Thailand	Bank of Thailand Bangkok
Hong Kong	Hongkong and Shanghai Banking Corporation Hong Kong	Tonga	Accountant-General Treasury Department Nuku'alofa
India	Reserve Bank of India Bombay	United Kingdom	Bank of England London
Indonesia	Bank Indonesia Jakarta	United States	Federal Reserve Bank of New York New York
Italy	Banca d'Italia Roma	Viet Nam, Socialist Republic of	State Bank of Viet Nam Head Office - Hanoi Southern Office - Ho Chi Minh City
Japan	Bank of Japan Tokyo	Western Samoa	Bank of Western Samoa Apia

BOARD OF GOVERNORS

(As of 31 December 1976)

TENGKU RAZALEIGH HAMZAH (Malaysia) Chairman**HALLVARD BAKKE** (Norway) Vice-Chairman**C.P. HADDON-CAVE** (Hong Kong) Vice-Chairman

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	ZIR GUL President of Revenues Ministry of Finance	
AUSTRALIA	P.R. LYNCH Treasurer	L. CORKERY ¹ Acting Director Australian Development Assistance Agency
AUSTRIA	HANNES ANDROSCH Federal Minister of Finance	ERICH SCHMID Ambassador to Indonesia and the Philippines Jakarta
BANGLADESH	M.N. HUDA ² Advisor-in-Charge Ministry of Planning	M. SYEDUZZAMAN Secretary Ministry of Finance
BELGIUM	M.W. DE CLERQ Minister of Finance	M. D'HAEZE Vice-Governor National Bank of Belgium
BURMA	U LWIN Deputy Prime Minister and Minister Ministry of Planning and Finance	U MAUNG SHEIN ³ Deputy Minister Ministry of Planning and Finance
CAMBODIA		
CANADA	DONALD S. MACDONALD Minister of Finance	PAUL GERIN-LAJOIE President Canadian International Development Agency
CHINA, REPUBLIC OF	YU KUO-HWA Governor The Central Bank of China	ALBERT L.T. HSU ⁴ Vice Minister of Finance
COOK ISLANDS	GEOFFREY ARAMA HENRY ⁵ Minister of Finance	ANTHONY DIBLEY ⁶ Financial Secretary
DENMARK	W. ULRICHSEN Deputy Under-Secretary of State for International Development Co-operation and Head of Danish International Development Agency Ministry of Foreign Affairs	BJORN OLSEN Head of Department Danish International Development Agency Ministry of Foreign Affairs

¹ Succeeded L.W. Johnson in September.² Succeeded Kafiluddin Mahmood in March.³ Succeeded U Chit Moung in May.⁴ Succeeded Wang Shao-Yu in July.⁵ Appointed in April.⁶ Appointed in April.

APPENDIX 6

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
FIJI	C.A. STINSON Minister of Finance	S. SIWATIBAU Permanent Secretary for Finance
FINLAND	PEKKA MALINEN Director of the Department for International Development Cooperation Ministry for Foreign Affairs	EERO ASP Managing Director Finnish Export Credit, Ltd.
FRANCE	MICHEL DURAFOUR ⁷ Minister Delegate for Economy and Finance	JEAN-YVES HABERER ⁸ Director at the Treasury and Chief of Cabinet of the Minister Delegate for Economy and Finance
GERMANY, FEDERAL REPUBLIC OF	EGON BAHR	KARL OTTO POEHL State Secretary Federal Ministry of Finance
GILBERT ISLANDS	P.W. REARDON Financial Secretary	OTIUEA TANENTOA Minister for Commerce and Industry
HONG KONG	C.P. HADDON-CAVE Financial Secretary	
INDIA	C. SUBRAMANIAM Minister of Finance	MANMOHAN SINGH ⁹ Secretary Ministry of Finance Department of Economic Affairs
INDONESIA	ALI WARDHANA Minister of Finance	RACHMAT SALEH Governor Bank Indonesia
ITALY	PAOLO BAFFI Governor Bank of Italy	SILVANO PALUMBO Director-General Ministry of the Treasury
JAPAN	MASAYOSHI OHIRA	TEIICHIRO MORINAGA Governor Bank of Japan
KOREA, REPUBLIC OF	YONG HWAN KIM Minister of Finance	SUNG WHAN KIM Governor Bank of Korea
LAO PEOPLE'S DEMOCRATIC REPUBLIC	BOUSBONG SOUVANNAVONG Secretary of State for Finance Ministry of Finance	
MALAYSIA	TENGKU RAZALEIGH HAMZAH ¹⁰ Minister of Finance	ISMAIL BIN MOHAMED ALI Bank Negara Malaysia
NEPAL	B.B. THAPA Minister of Finance and General Administration	BHARAT BAHADUR PRADHAN
NETHERLANDS	W.F. DUISENBERG Minister of Finance	J.P. PRONK Minister for Development Cooperation Ministry for Foreign Affairs
NEW ZEALAND	R.D. MULDOON ¹¹ Prime Minister and Minister of Finance	H.G. LANG Secretary to the Treasury
NORWAY	HALLVARD BAKKE ¹² Minister of Commerce and Shipping	PER MARTIN OELBERG ¹³ Under Secretary Ministry of Commerce and Shipping

⁷ Succeeded Jean-Pierre Fourcade in September.

⁸ Succeeded Yves-Louis Fievet in March.

⁹ Succeeded M.G. Kaul in November.

¹⁰ Succeeded Chong Hon Nyan in March.

¹¹ Succeeded R.J. Tizard in February.

¹² Succeeded Einar Magnussen in January.

¹³ Succeeded Thorvald Stoltenberg in January.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
PAKISTAN	RANA MOHAMMAD HANIF KHAN Minister for Finance, Planning and Development	AFTAB AHMAD KHAN Secretary Economic Affairs Division Ministry of Finance, Planning and Development
PAPUA NEW GUINEA	JULIUS CHAN Minister for Finance	MEKERE MORAUTA Secretary for Finance
PHILIPPINES	CESAR VIRATA Secretary of Finance	GREGORIO LICAROS Governor Central Bank of the Philippines
SINGAPORE	HON SUI SEN. Minister for Finance	J.Y.M. PILLAY Permanent Secretary Revenue Division Ministry of Finance
SOLOMON ISLANDS	WILLY BETU Minister of Finance	DAVID NANAU KAUSIMAE Chairman Commerce and Industry Committee of Governing Council
SRI LANKA	FELIX REGINALD DIAS BANDARANAIKE Minister of Finance	LAL JAYAWARDENA Secretary to the Minister of Finance and Secretary to the Treasury
SWEDEN	HANS BLIX ¹⁴ Undersecretary of State Office for International Development Cooperation Ministry for Foreign Affairs	FRANK BELFRAGE Head Multilateral Department Office for International Development Cooperation Ministry for Foreign Affairs
SWITZERLAND	KLAUS JACOBI ¹⁵ Ambassador Delegate of the Federal Council for Trade Agreements	JOHN LADEMANN ¹⁶ Deputy General Manager Swiss National Bank
THAILAND	SUPHAT SUTHATHAM ¹⁷ Minister of Finance	AMNUAY VIRAVAN ¹⁸ Under-Secretary of State for Finance Ministry of Finance
TONGA	S. TAPA Acting Minister of Finance	BARON VAEA Minister of Labour, Commerce and Industries and Assistant Minister of Finance
UNITED KINGDOM	FRANK JUDD ¹⁹ Minister for Overseas Development	R.A. BROWNING ²⁰ Under Secretary Ministry of Overseas Development
UNITED STATES	WILLIAM E. SIMON Secretary of the Treasury	WILLIAM D. ROGERS ²¹ Under Secretary of State for Economic Affairs
VIET NAM, SOCIALIST REPUBLIC OF	TRAN DUONG Vice Minister Deputy Director General State Bank of Viet Nam	MAI HUU ICH Deputy Chairman Bank for Foreign Trade of Viet Nam
WESTERN SAMOA	VAOVASAMANAIA R.P. PHILLIPS ²² Minister of Finance	A.L. HUTCHISON Financial Secretary

¹⁴ Succeeded Lennart Klackenberg in November.¹⁵ Succeeded Edwin Stopper in January.¹⁶ Succeeded Klaus Jacobi in January.¹⁷ Succeeded Sawet Piampongsant in October. Sawet Piampongsant succeeded Boonchu Rojanastien in April.¹⁸ Succeeded Sanoh Unaku in December.¹⁹ Succeeded Reg Prentice in December.²⁰ Succeeded M.G. Smith in May.²¹ Succeeded Charles W. Robinson in December.²² Succeeded Aumua Ioane in April.

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1976)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED ¹
Francois Dupont	Paul Aenishänslein	Belgium France Italy Switzerland
Anthony T. Eyton	Jan J. Wijenberg	Canada Denmark Finland Netherlands Norway Sweden
Stanley Fryer	Peter von Brevern	Austria Federal Republic of Germany United Kingdom
Harold G. Heinrich ²	A. Agafonoff	Australia Gilbert Islands Hong Kong Papua New Guinea Solomon Islands
R.A. Kartadjoemena	J.J. Bryant	Cook Islands Fiji Indonesia New Zealand Tonga Western Samoa
B.H. Kay	(Vacant)	Republic of China Republic of Korea Socialist Republic of Viet Nam ³
A. Melchor, Jr.	M.R. Khan	Pakistan Philippines
A.M.A. Muhith	Ajit Mozoomdar ⁴	Bangladesh India
L. Roy Papp	James W. Westcott ⁵	United States
Kiatikorn Phromyothi	Kalyana Bikram Adhikary	Burma Malaysia Nepal Singapore Thailand
Haruhisa Segawa	Hidetoshi Miyamoto	Japan
Sitha Sisombat	C.A. Coorey	Afghanistan Lao People's Democratic Republic Sri Lanka

¹ In alphabetical order within each group.² Succeeded J.W. Keany (resigned with effect from 11 June) on 14 June.³ Substituted for the former Republic of Viet Nam (see page 55).⁴ Succeeded A.T. Bambawale (resigned with effect from 16 October) on 18 October.⁵ With effect from 22 December filling the vacancy created by the death of Mr. Henry F. Lee in September.

PRINCIPAL OFFICERS

(As of 31 December 1976)

TAROICHI YOSHIDA	President
C.S. KRISHNA MOORTHI	Vice-President
OFFICE OF THE SECRETARY	
Douglas C. Gunesekera	Secretary
Wilfred A. Vawdrey	Assistant Secretary
OFFICE OF THE GENERAL COUNSEL	
Graeme F. Rea	General Counsel
Chun Pyo Jhong	Deputy General Counsel
Robert L. Mueller	Special Counsel
Daud Ilyas	Assistant General Counsel
OPERATIONS DEPARTMENT	
David F. Fisher	Director
Song Chil Lee	Operations Manager concurrently Deputy Director
Akira Tsusaka	Operations Manager concurrently Deputy Director
Sayed A. Baha	Operations Manager (Indonesia, Singapore)
Robert H. Byrnes	Operations Manager (Afghanistan, Nepal, Pakistan)
Ernest J. Ettlinger	Operations Manager (Burma, Hong Kong, Sri Lanka)
Klaus J. L. Hoffarth	Operations Manager (Malaysia, Thailand)
Mazhar Ali Khan	Operations Manager (Cook Islands, Fiji, Gilbert Islands, Papua New Guinea, Solomon Islands, Tonga, Western Samoa)
Patrick J. Knapp	Operations Manager (Republic of China, Republic of Korea, Philippines)
Zia Noorzoy	Operations Manager (Bangladesh, Cambodia, Lao People's Democratic Republic, Socialist Republic of Viet Nam)
PROJECTS DEPARTMENT I	
Sam-Chung Hsieh	Director
Luis V. Sison	Project Manager concurrently Deputy Director
Kazuaki Suma	Project Manager concurrently Deputy Director
M. Zaki Azam	Project Manager (Fisheries and Livestock)
Herbert F. Huehne	Project Manager (Development Banks)
Stephen Y. C. Lau	Project Manager (Industry including Education)
(Vacant)	Project Manager (Irrigation)
E. Frank Tacke	Project Manager (General Agriculture)

Note: Names of Deputy Directors, Assistant Directors and Managers are listed in alphabetical order.

CONTINUED

PROJECTS DEPARTMENT II

Jay B. Carter	Director
Wolf D. Kluber	Project Manager concurrently Deputy Director
Kasturi L. Luthra	Project Manager concurrently Deputy Director
Mahesan Ganesan	Project Manager (Highways and Airports)
Alfred T. Heron	Project Manager (Power)
Erkki I. Justen	Project Manager (Consulting Services)
Leonard I. Schiffman	Project Manager (Ports, Railways and Telecommunications)
Keshav C. Sen	Project Manager (Water Supply and Urban Development)

ECONOMIC OFFICE

(Vacant) ¹	Chief Economist
Kedar N. Kohli	Assistant Chief Economist
Koji Nakagawa	Assistant Chief Economist
Burton T. Ohnate	Chief Statistician

ADMINISTRATION DEPARTMENT

Isao Kanamoto	Director
Raymond B. Lyon	Deputy Director
F.R.S. Weeraratne	Deputy Director
Dang Fook Lee	Assistant Director (Budget & Planning)
Pyong Whi Min	Assistant Director (Administrative Services)
C.M. Whiticar	Assistant Director (Personnel)

CONTROLLER'S DEPARTMENT

S.M.A. Kazmi	Controller
Chia-Ching Mok	Assistant Controller
Alan L. Pan	Assistant Controller
Eiichi Watanabe	Assistant Controller

TREASURER'S DEPARTMENT

Wolf Preuss	Treasurer
G.M. Lambert	Deputy Treasurer
M. Ikramullah Khan	Assistant Treasurer
Yukiji Miyazaki	Assistant Treasurer

OFFICE OF THE INTERNAL AUDITOR

Carl J. Lemvig-Fog	Internal Auditor
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INFORMATION OFFICE

P.S. Hariharan	Chief Information Officer
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¹ Mr. Kohli has been Officer-in-Charge since June.



