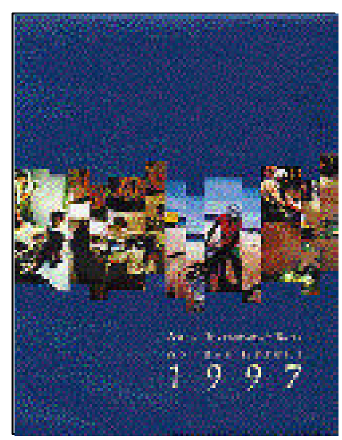
Asian Development Bank

Annual Report 1997



ASIAN DEVELOPMENT BANK
Manila

Office of the President

19 March 1998

Dear Mr. Chairman:

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the Annual Report of the Bank for 1997, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,

MITSUO SATO
President and Chairman
of the Board of Directors

Chairman of the Board of Governors
Asian Development Bank

THE BOARD OF DIRECTORS
(as of 31 December 1997)

President and Chairman of the Board of Directors
Mitsuo Sato

Directors	Alternate Directors
Rafiq A. Akhund	Romeo L. Bernardo
Makoto Hosomi	Tetsuji Nagatomo
Li Ruogu	Liu Liange
Jin-Gyu Park	Ruey-song Huang
Julian H. Payne	Jens Haarlov
Francesco Pittore	Thomas Eggenberger
Soegito Sastromidjojo	John Austin
Hans-Jürgen Stryk	Leander Treppel
Eric Thorn	John Russell
Prasit Ujjin	Sim Cheng Huat
K. Venkatesan	Muhammad Faizur Razzaque
Linda Tsao Yang	N. Cinnamon Dornsife

Capital Stock and Voting Power
(as of 31 December 1997)

	SUBSCRIBED CAPITAL[a] Percent of Total	VOTING POWER[b] Percent of Total
REGIONAL		
Afghanistan	0.035	0.385
Australia	5.952	5.119
Bangladesh	1.050	1.197
Bhutan	0.006	0.362
Cambodia	0.051	0.398
China, People's Rep. of	6.628	5.660
Cook Islands	0.003	0.359
Fiji	0.070	0.413
Hong Kong, China	0.560	0.805
India	6.512	5.567
Indonesia	5.602	4.839
Japan	16.054	13.200
Kazakstan	0.830	1.021
Kiribati	0.004	0.360
Korea, Republic of	5.182	4.503
Kyrgyz Republic	0.308	0.603
Lao PDR	0.014	0.369
Malaysia	2.801	2.598
Maldives	0.004	0.360
Marshall Islands	0.003	0.359
Micronesia, Fed. States of	0.004	0.360
Mongolia	0.015	0.370
Myanmar	0.560	0.805
Nauru	0.004	0.360
Nepal	0.151	0.478
New Zealand	1.580	1.621
Pakistan	2.241	2.150
Papua New Guinea	0.097	0.434
Philippines	2.451	2.318
Samoa	0.003	0.360
Singapore	0.350	0.637
Solomon Islands	0.007	0.363
Sri Lanka	0.597	0.834
Taipei,China	1.120	1.253
Thailand	1.400	1.478
Tonga	0.004	0.360
Tuvalu	0.001	0.358
Uzbekistan	0.693	0.911
Vanuatu	0.007	0.363
Viet Nam	0.351	0.638
Subtotal Regional	63.306	64.931

	SUBSCRIBED CAPITAL[a] Percent of Total	VOTING POWER[b] Percent of Total
NONREGIONAL		
Austria	0.350	0.637
Belgium	0.350	0.637
Canada	5.381	4.662
Denmark	0.350	0.637
Finland	0.350	0.637
France	2.394	2.273
Germany	4.450	3.917
Italy	1.859	1.844
Netherlands	1.055	1.201
Norway	0.350	0.637
Spain	0.350	0.637
Sweden	0.350	0.637
Switzerland	0.600	0.837
Turkey	0.350	0.637
United Kingdom	2.101	2.038
United States	16.054	13.200
Subtotal Nonregional	36.694	35.069
Total	**100.000**	**100.000**

Note: Figures may not add due to rounding. For details, see tables on pages 184 and 185.

a Subscribed capital refers to a member's subscription to shares of the capital stock of the Bank.

b The total voting power of each member shall consist of the sum of its basic votes and proportional votes. The basic votes of each member shall consist of such number of votes as results from the equal distribution among all members of 20 percent of the aggregate sum of the basic votes and proportional votes of all members. The number of proportional votes of each member shall be equal to the number of shares of the capital stock of the Bank held by that member.

Glossary

DEFINITIONS

0.0	data negligible
...	data not available
–	not applicable
—	not reporting
( )	negative
billion	1,000 million

NOTE ON DOLLAR AMOUNTS

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

Since 1 April 1978, when the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, the capital stock has been valued for purposes of the Bank's financial statements in terms of Special Drawing Rights (SDRs), at the value in current United States dollars as computed by the IMF. For a more detailed discussion, see OCR-8, Notes to Financial Statements of Ordinary Capital Resources.

ADF	– Asian Development Fund, the Bank's soft-lending window
BOO	– build-own-operate, a mechanism by which private investors build, operate, and continue to own infrastructure projects
BOT	– build-operate-transfer, a mechanism by which private investors build and operate infrastructure projects and then transfer them to the government after a period of time
CFS	– complementary financing scheme, under which two separate loans are extended to a DMC: one exclusively from the Bank and the other especially structured to meet commercial lender requirements. Any default on a CFS loan is a default on the Bank.
Credit Line	– government-guaranteed loan provided to selected financial intermediaries in DMCs for onlending to small- and medium-sized private enterprises
DFI	– development finance institution. The Bank uses such institutions in its DMCs as vehicles to finance small- to medium-sized projects in the private sector.
DMC	– developing member country of the Bank
GDP	– gross domestic product, the total value of a country's goods and services produced during a specific period, excluding external accounts
GNP	– gross national product, the total value of a country's goods and services produced during a specific period and combining domestic and external accounts
JSF	– Japan Special Fund, established in March 1988 and administered by the Bank to help DMCs restructure their economies and broaden the scope for new investments by recycling funds. JSF is also used to support DMCs' efforts toward industrialization, natural resource and human development, and technology transfer.
NGO	– nongovernment organization. NGOs work as special interest groups at all levels.
NIE	– newly industrialized economy. The term refers to Hong Kong, China; Republic of Korea; Singapore; and Taipei,China.
OCR	– ordinary capital resources, the interest-bearing window for the Bank's ordinary lending operations
PCR	– project completion report, which certifies the completion of a Bank project
PPAR	– project performance audit report, which provides the assessment of the long-run development effectiveness of a project
Program Loan	– loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. It helps meet short-term costs that policy adjustments entail.
Project Loan	– loan provided to finance a specific project
Sector Loan	– loan provided to develop a specific sector or subsector; finances a large number of subprojects in a single sector or subsector
TASF	– Technical Assistance Special Fund, the principal vehicle for providing technical assistance grants from the Bank's own resources

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BOXES

Overview

NINETEEN NINETY-SEVEN was a year of massive, unanticipated turbulence for the newly industrialized economies (NIEs) and Southeast Asia's currency and stock markets. Asia's economic progress was set back significantly by precipitous falls in the values of currencies and stock markets that began in mid-1997. The repercussions of these disturbances are still being felt throughout the region and beyond. For most of the Bank's members in Asia, particularly in some of the NIEs and Southeast Asian countries, the rate of economic growth fell in 1997 in relation to previous years. The outlook for 1998 has had to be revised downward sharply, not only for the afflicted economies, but for other economies of Asia as well. While the brunt of adjustment is likely to be felt in 1998 — some economies will actually contract — it may be several years before normal growth patterns reappear. The social costs of the "contagion" could be very high.

From mid-1997, the Bank monitored the rapidly unfolding situation of the region and determined appropriate Bank responses. It liaised closely with its member countries, the International Monetary Fund, the World Bank, and bilateral donors to develop its interventions. These efforts culminated in program loans to the Republic of Korea and Thailand, and a pledge of assistance to Indonesia. The loan to the Republic of Korea was the Bank's first to this country since 1988. These loans illustrated the Bank's ability to respond rapidly to the needs of the region.

The financial sector loans to the Republic of Korea and Thailand, both from the Bank's ordinary capital resources (OCR), boosted total Bank lending for the year to $9.4 billion, nearly $4 billion more than lending in 1996. As a result, the financial sector received nearly 50 percent of total lending.

While these extraordinary developments headed its agenda during the second half of the year, the Bank continued throughout the year with its normal country-based loan, technical assistance, and advisory operations. In these it continued to be guided by the strategic priorities identified in its *Medium-Term Strategic Framework* (MTSF) (*1995-1998*). The Bank again strove to meet five strategic objectives: promoting economic growth, reducing poverty, supporting human development, improving the status of women, and protecting the environment. It continued to consolidate its position as a broad-based development institution and not just a project financier.

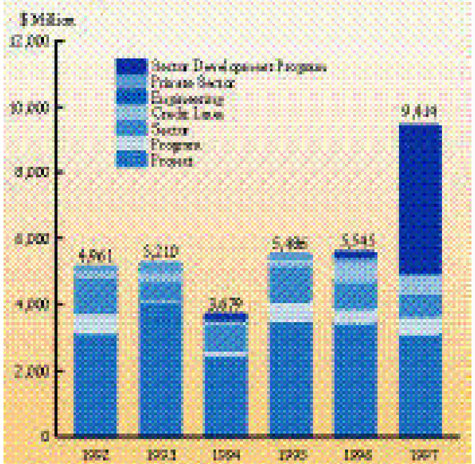
In terms of number of loans, more than 60 percent were for social, environment, or growth-oriented purposes, well above the Bank target of 50 percent.

Bank Operations

	$ Million 1996	$ Million 1997	% Change
Lending			
OCR	3,879.45	7,794.42	100.92
ADF	1,665.63	1,619.62	(2.76)
Total Lending	**5,545.08**	**9,414.04**	**69.77**
Equity Investments	107.28	74.29	(30.75)
Technical Assistance Grants[a]	174.47	162.50	(6.86)
Total	**5,826.83**	**9,650.83**	**65.63**

() negative.
a Includes regional activities.

Loan Approvals[a]



a Past years' data adjusted due to projects terminated.

Loans by Sector, 1997

	$ Million	%
Financial	4,663.00	49.53
Social Infrastructure	1,774.82	18.85
Agriculture and Natural Resources	1,004.02	10.67
Transport and Communications	933.00	9.91
Energy	668.40	7.10
Others	330.00	3.51
Industry and Nonfuel Minerals	40.00	0.42
Multisector	0.80	0.01
Total	**9,414.04**	**100.00**

Events later in the year overshadowed some otherwise significant events in the life of the Bank. Notable among them was the review of technical assistance operations, resulting in some changes in both emphasis and practice. The most important is the intention to take a longer-term perspective in technical assistance work and to forge continuing partnerships with developing member country (DMC) agencies.

The Bank took several steps in 1997 toward establishing a workable set of indicators to measure both its own performance and that of its members. The Project Performance Management System was piloted and the Project Performance Report System was introduced.

Negotiations were concluded at a donors' meeting in January on the sixth replenishment of the Asian Development Fund (ADF). The agreement, amounting to contributions from donors and OCR totaling $6.3 billion, was formalized in Tokyo in May.

Continuing its country outreach endeavors, the Board of Directors approved the establishment of three more resident missions (Kazakstan, Sri Lanka, and Uzbekistan) to assist in project formulation and implementation, and to improve dialogue with host governments. The Sri Lanka Resident Mission began operations in November.

The Asian Development Bank Institute opened in Tokyo in December. It will undertake research on development strategies and provide training in development management. It will identify approaches tailored to the needs of DMCs and improve their capacity for sound development management.

The Bank chaired consultative group meetings for the Cook Islands and Vanuatu, the latter the first such meeting in the country undertaken by the Bank.

The Bank's seminal study, *Emerging Asia: Changes and Challenges*, published in 1997, highlighted the long-term development prospects of the region.

The 30th Annual Meeting of the Bank's Board of Governors was held in Fukuoka, Japan, from 11 to 13 May 1997.

Operations

Cumulative Bank lending since the Bank's inception to the end of 1997 amounted to $71.6 billion for 1,448 projects in 35 DMCs. Cumulative equity investments and underwriting since the Bank's private sector operations started in 1983 amounted to $563 million for 105 projects.

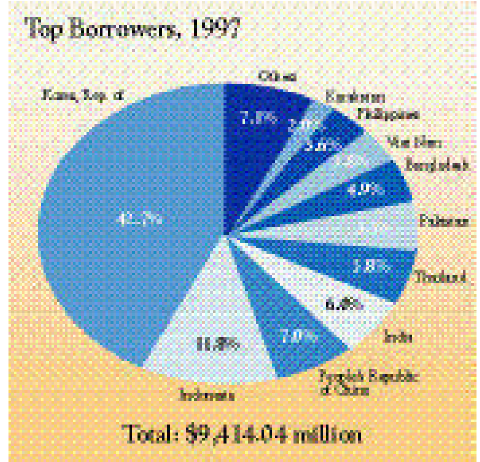
Lending: Total lending in 1997 comprising public as well as private sector operations amounted to $9,414 million (including loans of $4.015 billion to the Republic of Korea) for 75 projects, compared with the previous year's level of $5,545.1 million for 83 projects. This reflected an increase of about 70 percent in dollar amount and a decrease of 9.6 percent in number. Loans from OCR increased by 101 percent to $7,794.4 million, while concessional loans from ADF decreased by 2.8 percent to $1,619.6 million.

Excluding the $4,015 million loans to the Republic of Korea, total lending in 1997 amounted to $5,399 million, reflecting a 2.6 percent

Lending and Investment Modalities, 1996 and 1997

	1996		1997	
	Number of Loans	$ Million	Number of Loans	$ Million
LENDING				
Project Loans	51	3,463.53	53	3,145.72
Program Loans	5	400.00	5	510.00
Sector Loans	14	814.70	9	689.00
Credit Lines	10	650.00	6	591.10
Detailed Engineering (Technical Assistance) Loans	2	7.35	1	2.60
Private Sector Loans without Government Guarantee	6	156.00	2	45.00
Sector Development Program Loans[a]	4	53.50	15	4,430.62
Total Lending	**92**	**5,545.08**	**91**	**9,414.04**
EQUITY INVESTMENT	10	107.28	6	74.29

a A lending window that combines a program loan, sector/technical assistance loan, or credit line.

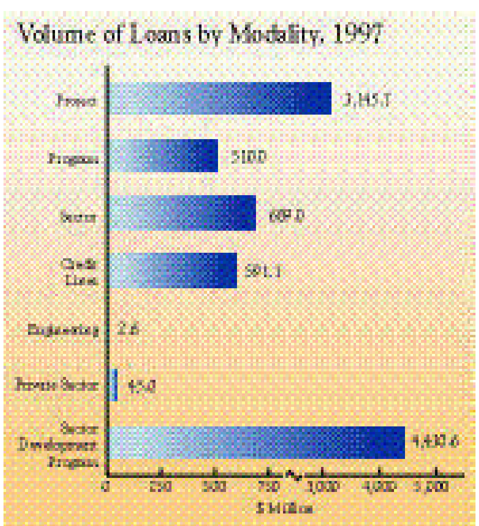


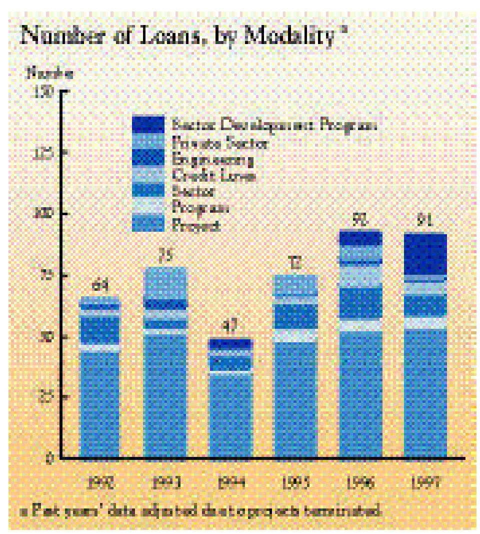
decrease from the previous year's level of $5,545.1 million. Loans from OCR amounted to $3,779.4 million, a 2.6 percent decrease from last year's level of $3,879.5 million.

Of the total lending, loans with government guarantee amounted to $9,369 million for 73 projects, comprising $7,749.4 million from OCR and $1,619.6 million from ADF. In the private sector, two direct loans without government guarantee, amounting to $45 million, were approved.

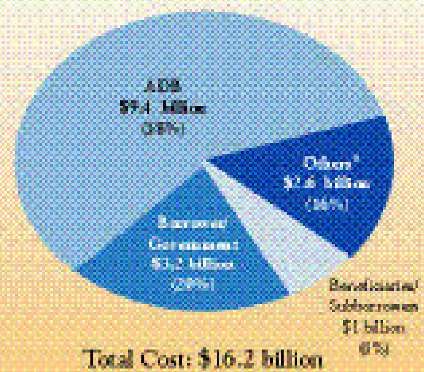
Equity investments: The Bank approved six equity investments in the private sector amounting to $74.3 million. The Bank's equity operations, which began in 1983, reached a cumulative total of $563 million.

Technical assistance: The Bank's technical assistance operations are financed through grants or loans, or a combination of both. Grants are funded from voluntary contributions to





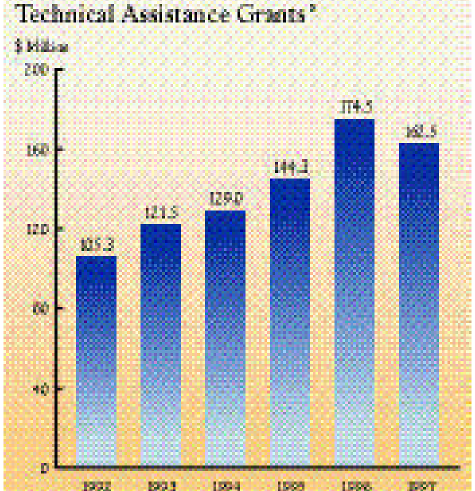
1997 Total Cost of Loan Projects and Sources of Financing



a Includes cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

Loan Disbursements

Technical Assistance Grants[a]



a Includes regional activities.

the Technical Assistance Special Fund (TASF) by members; reflows from reimbursable technical assistance; annual transfers of OCR net income to TASF; annual contributions from the Japan Special Fund (JSF); and monies from multilateral and bilateral sources (under joint and exclusive financing arrangements).

During 1997, technical assistance grants were approved for 298 projects amounting to $162.5 million (a decrease of 6.9 percent in dollar amount from 1996). This includes $27.4 million for regional activities. Of the 298 projects approved in 1997, 78 were project preparatory, 165 were advisory and operational, and 55 were for regional activities. Technical assistance components of loans amounted to $353.6 million (an increase of 5.6 percent from 1996).

Sixty three loans approved in 1997, involving $4,298.8 million, resulted from earlier technical assistance projects. Of this, $2,793 million were from OCR and $1,505.8 million from ADF.

Grant-Financed Technical Assistance from Other Sources,[a] 1997

	Number of Projects	$ Thousand
Australia	4	1,125.00
Belgium	2	809.00
Denmark	2	998.00
Finland	1	19.80
France	3	1,770.00
Netherlands	2	7,212.66
Norway	3	2,050.00
Switzerland	1	1,400.00
Total	**18**	**15,384.46**

a Administered by the Bank.

Total cost of projects

The 75 projects that received loans (or a combination of loan and equity investment) during the year involved an estimated total project cost of about $16.2 billion. Bank financing of these projects in loans and equities amounted to $9.4 billion or 58 percent of the cost. Borrowers, governments, or both provided $3.2 billion or 20 percent. About $2.6 billion or 16 percent were financed through cofinancing from official and commercial sources, equity sponsors, and local financial institutions. Project beneficiaries and subborrowers provided about $1 billion or 6 percent of the total project cost.

Review of operations

Lending to the public and private sectors during 1997 increased in dollar amount by 70 percent, while the number of loans decreased to 91 from 92 in the previous year. The rise was mainly due to the extraordinarily large Financial Sector Reform Program loan to the Republic of Korea, and an increase in the number of sector development program loans under the new program lending modality approved in 1996.

1997 Technical Assistance by Sector: Grant- and Loan-Financed
(amounts in $ million)

Sector	Component of Loan	Grant[a]	Total Loan and Grant	%
Agriculture and Natural Resources	92.40	28.55	120.95	24.8
Energy	10.55	11.90	22.45	4.6
Financial	20.00	13.32	33.32	6.8
Industry and Nonfuel Minerals	–	0.42	0.42	0.1
Social Infrastructure	143.93	30.29	174.22	35.6
Transport and Communications	82.75	15.45	98.20	20.1
Multisector	–	0.60	0.60	0.1
Others	4.00	34.52	38.52	7.9
Total	**353.63**	**135.05**	**488.68**	**100.0**

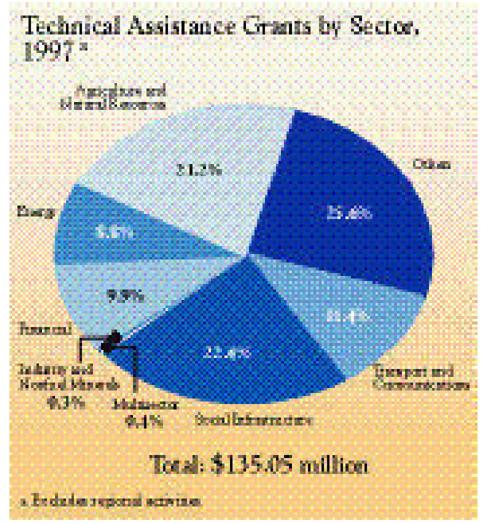
a Excluding technical assistance grants for regional activities amounting to $27.45 million.

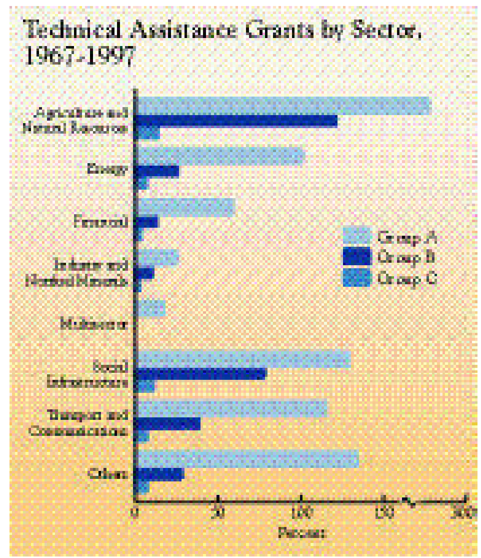
Excluding the large loan of $4 billion to the Republic of Korea, the average size of loans for the year was $61 million, a slight increase from the previous year's average of $60 million.

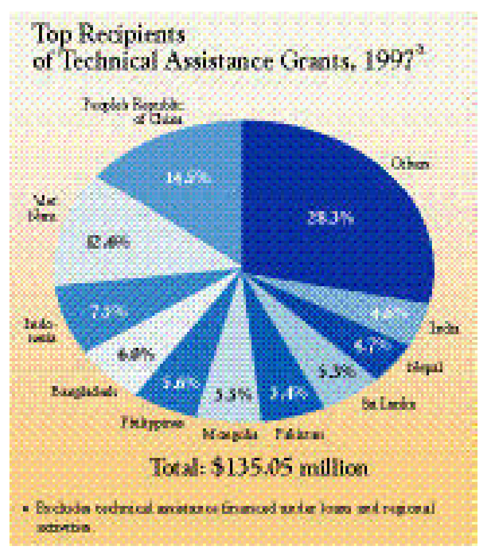
Twenty-four countries received Bank loans in 1997 with the Republic of Korea leading the top ten borrowers with $4,015 million, followed by Indonesia with $1,108.8 million, People's Republic of China ($656 million), India ($563 million), Thailand ($550 million), Pakistan ($501 million), Bangladesh ($459.7 million), Viet Nam ($359.6 million), Philippines ($341.6 million), and Kazakstan ($185 million).

The *financial sector* received the highest share of loans with 49.5 percent of the total lending in 1997, followed by *social infrastructure* (which includes water supply and sanitation, urban development and housing, education, and health and population) at 18.9 percent, and *agriculture and natural resources* at 10.7 percent. The share of lending to other major sectors was as follows: *transport and communications* at 9.9 percent; *energy*, 7.1 percent; *industry and nonfuel minerals*, 0.4 percent; and *multisector and others*, 3.5 percent.

Borrowings undertaken by the Bank during the year raised a total of $5,587.7 million, of which bridge financing accounted for $3,325 million and long-term borrowings for $2,262.7 million. The average life of long-term borrowings undertaken in 1997 was 12.7 years, compared with 9.5 years in 1996. The year's long-term borrowings included a $1 billion global bond issue, a deutsche mark (DM)1.5 billion Euro-fungible bond issue, a yen (¥)5 billion dual-currency private placement, a $300 million put bond issue, and a Swiss franc (SwF)100 million private placement. About $2,149.6 million of these long-term borrowings were fixed-rate US dollar liabilities with an average after-swap cost of 6.58 percent, compared with 5.92 percent in 1996.







The Financial Crisis in Developing Asia

THE MOST significant event in the world economy in 1997 was the financial crisis that affected much of Asia. The crisis began in Thailand in July 1997 when the value of the Thai baht plummeted, following the abandonment of the country's pegged exchange rate system. This crisis, which began as a currency crisis, spread and engulfed Indonesia, Republic of Korea, Malaysia, and Philippines by the end of 1997. The currencies of these countries depreciated sharply, bringing with them downward pressures on other currencies perceived to be vulnerable, not only in Asia but around the world. The financial crisis was reflected in the collapse in stock markets, and the poor health of bank and nonbank financial institution portfolios. The speed of the crisis took everyone by surprise. Even those skeptics who argued that the claims of an Asian economic miracle were overstated had not expected such a precipitous collapse.

From the end of June through the end of December 1997, the nominal exchange rate (dollar price of the local currency) depreciated significantly across the most affected countries. The Indonesian rupiah depreciated by about 80 percent; the Thai baht by about 50 percent; and the Korean won, Malaysian ringgit, and the Philippine peso by about 40 percent each. In hindsight, it can be seen that deterioration in investor confidence preceded the currency crisis. Stock markets in Thailand and the Republic of Korea had been under pressure since the beginning of 1996. In Malaysia and the Philippines, the pressure began in early 1997, and stock prices declined by about 50 percent and 60 percent, respectively, in local currency terms. In Indonesia, the stock market remained buoyant during the early part of the year, but with the onset of the currency crisis it declined sharply (about 80 percent).

This crisis was not limited to individual countries but spread across the region. The contagion effect of the crisis has been felt, to varying extents, not only in neighboring countries but also in financial markets as far away as Australia and New Zealand. The Singapore dollar depreciated by 40 percent, the Lao kip by about 19 percent, and the Indian and Pakistani rupees by about 10 percent from end-June to end-December. However, despite speculative attacks on a number of occasions and a sharp fall in the Hang Seng index by about 33 percent from its August peak, the Hong Kong dollar has remained firm.

While globalization rapidly brought substantial benefits to developing Asia, it also heightened the risks associated with failing to address inappropriate policies, weaknesses in financial sector institutions, and problems in corporate and public governance. The economies most affected by the crisis displayed relatively few vulnerabilities in their macroeconomic indicators, but a significant warning signal was there in the large and growing current account deficits in Malaysia and Thailand. During 1990-1996, the current account deficit to GDP ratio averaged 7 percent in Thailand and 6.3 percent in Malaysia. The current account deficits were somewhat lower in the Philippines (averaging 4 percent), Indonesia (2.8 percent), and Republic of Korea (1.7 percent).

These current account deficits were partly caused by structural changes in the "real" side of these economies and partly by appreciation of their real exchange rates. In recent years, countries such as Malaysia and Thailand have faced an erosion in their competitiveness in labor-intensive products vis-à-vis lower-wage Asian competitor countries. In 1996, an export slowdown was compounded by a sharp cyclical decline in the demand for semiconductors and other electronic products (as well as slower growth of world trade compared with previous years). In addition to the export slowdown, an increase in imports due to appreciation of the real exchange rates also caused increases in the current account deficits in the countries most affected by the crisis. During the period June 1995 to June 1997, the real exchange rate appreciated by 21 percent for the Philippines, 14 percent for Thailand, and 12 percent for Indonesia and Malaysia. The Republic of Korea also experienced some appreciation but only by a modest 1.5 percent.

The combination of increased current account deficits and rising real exchange rates was sustained by private capital flows from abroad. Since the late 1980s, many Asian developing economies have experienced surges in capital inflows. Aside from the PRC, the surges were largest in the countries that later experienced the strongest effects of the crisis. On a cumulative basis from 1987 through 1996, the Republic of Korea received $80 billion, Thailand $75 billion, Indonesia and Malaysia $68 billion each, and the Philippines $23 billion. These inflows were nearly 12 percent of GDP per annum on average in Malaysia, followed by 7.4 percent in Thailand, 5.7 percent in Indonesia, 5.1 percent in the Republic of Korea, and 4.3 percent in the Philippines. Only a small fraction of this flow came in the form of foreign direct investment; the remainder was either through portfolio investment or through the banking sector.

Once the surge of private capital inflows started — partly driven by the fundamentals of these economies and partly driven by the speculative tendencies of investors — a rampant increase in domestic asset prices ensued. This rise in asset prices, which increases returns to capital, in turn induced further capital inflows and by mid-1996, private capital flows into these countries had reached an all-time high.

The surge of private foreign capital brought about imbalances in the banking sector of the five most affected countries (Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand). First, the foreign liabilities of the commercial banks between 1993 and 1996 increased by about 12 percent per annum while foreign assets increased by only about 7 percent per annum. In contrast, in the less-affected Asian developing economies, such as Hong Kong, China; Singapore; and Taipei,China, foreign assets of the banking sector increased at the same rate as foreign liabilities and the net foreign debt position remained virtually unchanged. Second, much of the collateral which the banking sector accepted for loans was real estate and equities, assets whose prices contained a large "bubble" element. Finally, there was an imbalance in the maturity structure of assets and liabilities of the banks. As much of the capital inflow was short term, they were borrowing short and lending long.

Picture no. 13

Lending for financial market reforms has increased in light of the currency turmoil in Asian economies.

Some financial institutions — such as the Thai finance companies and Korean banks — reflected an implicit belief that their financial liabilities were guaranteed by their respective governments. This implicit guarantee was visible in the strong political connections of the ownership of these institutions and government assistance in times of financial distress. In addition, these financial entities were subject to nontransparent and lax regulatory enforcement. In the context of surging capital inflows, implicit government guarantees to creditors encouraged excessive risk-taking, raised investors' overoptimism, and allowed loan quality to deteriorate. The implicit belief that effectively fixed exchange rates would be maintained indefinitely also discouraged the prudent hedging of foreign liabilities.

Picture no. 28

Capital market development has received priority to facilitate long-term domestic debt financing to meet critical infrastructural needs.

The financial institutions of affected countries were ill equipped to deal with globalization's sudden surges in capital flows, and with the frenetic pace of economic activity during their period of rapid growth. Poorly regulated banks channeled funds from savers to investors in an inefficient manner, encouraged by rising asset prices. Standards of loan appraisal and portfolio management were generally inadequate, and weak or poorly enforced disclosure requirements deterred accurate information from coming to light. Thus, while saving was generally high, it often was not invested most productively. As returns began to disappoint investors, their irrational exuberance faded rapidly. The five economies most adversely affected by the crisis recorded an aggregate net foreign capital outflow of $12 billion in 1997, compared with aggregate net inflow of $93 billion in 1996, according to the Institute of International Finance. The value of currencies began to plummet and interest rates to skyrocket in these countries. High, unhedged debt-to-equity ratios, which had been a boon in better times, began to imperil company finances and those of the financial institutions which had lent to them.

As the crisis deepened and broadened, international institutions responded rapidly. The different dimensions of the crisis (for example, banking failures in the Republic of Korea and Thailand, and corporate failures in Indonesia) called for differing focuses in each country. In coordination with other multilateral financial institutions, the Bank, for example, approved a $300 million financial markets reform program loan for Thailand. The program was designed to (i) strengthen market regulation and supervision; (ii) improve risk management; (iii) facilitate investor access to domestic financial markets; and (iv) develop long-term institutional sources of funds by promoting an integrated system of pension and provident funds.

In the Republic of Korea, the Bank approved a $4 billion program loan for financial sector reforms in three major areas: (i) capacity building of banking and nonbank financial institutions; (ii) building financial market infrastructures; and (iii) improving corporate accounting and disclosure standards. This is the Bank's largest single loan ever. In addition, a technical assistance loan of $15 million was negotiated with the Korean Government to (i) create a Financial Supervisory Agency; (ii) assist the Korea Asset Management Corporation in managing nonperforming loans of commercial and merchant banks; (iii) strengthen credit rating agencies; and (iv) create a special purpose vehicle for a mortgage-backed securities market.

In Indonesia, the Bank has been working on a $1.5 billion capital market reform program to improve regulatory and supervisory functions, develop the fixed income securities and financial derivatives markets, and strengthen the institutional capability of contractual savings institutions. In addition, the Bank is expected to become involved with restructuring the banking system, focusing on private national banks and regional development banks.

The Republic of Korea and most of Southeast Asia are now undergoing wrenching macroeconomic and sectoral adjustments, but the implications for real economic activity, as opposed to the financial sector, are only gradually being revealed. The social consequences of the crisis are likely to be serious. Many of those least able to protect themselves, such as migrant workers, will be among those most severely affected. The expectations of many of Asia's emerging middle class have also suffered. Social safety nets, which are weak or poorly developed in many places, are coming under increasing stress. The Bank will continue to assist its developing members to address such difficulties.

Notwithstanding the current crisis, the longer-term outlook for the region is far from bleak. Human capacities have not been destroyed, social and physical infrastructure remain largely intact, and there has been a strengthening of policies and institutional structures that promote openness and macroeconomic stability. The capacity for resource mobilization (savings rates exceed 30 percent), reasonably good infrastructure, favorable demographics, an open trading system, and a general commitment to macroeconomic prudence — all these factors should stimulate growth. In time, structural weaknesses in financial systems can and will be rectified, more efficient capital markets will evolve, and foreign capital will return.

Economic growth will resume once appropriate adjustment policies are implemented and take effect. However, fast growth in Asia is unlikely to resume quickly. The necessary institutional responses to the crisis cannot be implemented overnight. For some economies, the road back may be longer than for others, but provided policy corrections are made and institutional reforms carried through, the foundations which propelled fast growth in the past should once again come to the fore.

The Record

(amounts in $ million)

	1966–1997 [a]	1994	1995	1996	1997
OPERATIONAL ACTIVITIES					
TOTAL LENDING *(amount)*	**71,568.0** [b]	**3,679.0**	**5,485.9**	**5,545.1**	**9,414.0**
Number of Projects[c]	1,448	47	71	83	75
OCR Loans *(amount)*	**50,790.4**	**2,502.3**	**4,031.0**	**3,879.5**	**7,794.4**
Number of Loans	822	23	36	48	42
Disbursements *(amount)*	29,549.6	2,501.4	2,442.1	2,562.6	5,303.7
ADF Loans *(amount)*	**20,777.6**	**1,176.7**	**1,454.9**	**1,665.6**	**1,619.6**
Number of Loans	765	26	37	44	49
Disbursements *(amount)*	13,135.5	1,186.5	1,144.9	1,234.1	1,154.1
A. Government and Government-Guaranteed Loans *(amount)*	**70,650.6**	**3,679.0**	**5,417.9**	**5,389.1**	**9,369.0**
Number of Projects[c]	1,386	47	66	78	73
OCR Loans *(amount)*	49,887.5	2,502.3	3,963.0	3,723.5	7,749.4
Number of Loans	764	23	31	42	40
Disbursements *(amount)*	28,858.8	2,375.2	2,341.6	2,521.1	5,237.5
ADF Loans *(amount)*	20,763.1	1,176.7	1,454.9	1,665.6	1,619.6
Number of Loans	760	26	37	44	49
Disbursements *(amount)*	13,120.1	1,186.3	1,144.9	1,234.1	1,154.1
B. Private Sector Loans[b] *(amount)*	**917.4**	**–**	**68.0**	**156.0**	**45.0**
Number of Projects[c]	62	–	5	6	2
OCR Loans *(amount)*	902.9	–	68.0	156.0	45.0
Number of Loans	58	–	5	6	2
Disbursements *(amount)*	690.8	126.2	100.5	41.5	66.2
ADF Loans *(amount)*	14.5	–	–	–	–
Number of Loans	5	–	–	–	–
Disbursements *(amount)*	15.3	0.2	–	–	–
EQUITY INVESTMENT[b] *(amount)*	**522.5**	**50.9**	**106.4**	**107.3**	**74.3**
Number of Investments	99	14	10	10	6
EQUITY UNDERWRITING[b] *(amount)*	**40.5**	–	–	–	–
Number of Commitments	6	–	–	–	–
TECHNICAL ASSISTANCE[d] *(amount)*	**1,454.7**	**129.0**	**144.3**	**174.5**	**162.5**
Number of Projects	3,692	290	296	285	298
COFINANCING[e] *(amount)*	**27,160.3**	**1,559.6**	**2,462.6**	**2,662.5**	**2,702.5**
Number of Projects	468	15	20	29	39
RESOURCES					
Ordinary Capital Resources					
Authorized Capital *(at end of period)*	47,102	50,789	51,893	50,103	47,102
Subscribed Capital *(at end of period)*	46,411	30,151	43,078	49,368	46,411
Borrowings *(gross)*	25,305	1,335	1,715	584	5,588
Outstanding Debt *(at end of period)*	17,542	13,717	14,636	13,697	17,542
Ordinary Reserve *(at end of period)*	5,867.4	4,650.3	5,003.3	5,522.7	5,867.4
Special Reserve *(at end of period)*	179.0	177.7	178.1	178.6	179.0
Gross Income	19,227.9	1,525.3	1,745.3	1,561.7	1,449.7
Net Income after Appropriation of Commissions/ Guarantee Fees to Special Reserve	7,139.9	513.1	660.0	571.6	467.5
Special Funds Resources					
Asian Development Fund: Total Resources *(at end of period)*	18,219.2	19,444.8	20,166.6	19,339.1	18,219.2
Technical Assistance Special Fund: Total Resources *(at end of period)* [f]	636.6	532.2	623.1	630.0	636.6
Japan Special Fund: Total Resources *(at end of period)*	657.8	490.8	601.7	671.1	657.8

a Cumulative totals may not add due to rounding.
b Amounts and numbers adjusted to exclude cancellations.
c Projects with multiple loans are counted only once. Cumulative number of projects excludes supplementary loans.
d Comprising technical assistance grants funded by the Bank and other sources. Regional technical assistance projects included.
e Adjusted to reflect changes in cofinancing arrangements.
f Figures revised to include other resources and transfers to ADF.

Operational Highlights, 1966–1997

Resources

- Authorized capital equivalent to $47.1 billion as of 31 December 1997.
- About $25.3 billion borrowed from international capital markets for ordinary capital lending and private sector investments.
- About $18.2 billion from the Asian Development Fund for concessional lending to lower-income developing member countries (DMCs), and about $636.6 million in Technical Assistance Special Fund (TASF) resources for financing technical assistance grants.
- $71.6 billion in total public and private sector loans involving 1,448 projects; $563 million in equity investments and equity underwritings.
- $1,455 million in technical assistance grants: $377.7 million for project preparation (resulting in 735 Bank loans, totaling $33 billion); $831.2 million for project implementation and advisory purposes; and $245.7 million for regional activities. Of this, $678.2 million was from TASF and ordinary capital resources; $504 million from the Japan Special Fund; and $272.5 million from others, which include multilateral and bilateral sources.
- $27.2 billion mobilized by way of cofinancing, of which official sources contributed $18.7 billion, and commercial sources (including commercial banks, insurance companies, and export credit sources), $8.5 billion.

Sectoral Activities

- Agriculture and Natural Resources: 202 irrigation and rural development projects; 102 fisheries, livestock, and forestry projects; 45 projects for industrial crops and agro-industry; and 95 projects for agricultural support services, including fertilizer production.
- Energy: 241 projects, including 201 power projects for the creation of 26,502 megawatts of generation capacity, and for about 188,755 kilometers of transmission/distribution circuits. Nonpower energy projects provided for expanded production of natural gas and coal, and rehabilitation of refineries and distribution networks for gas.
- Financial: 143 credit lines totaling $10.6 billion to 88 financial intermediaries in 24 DMCs, which have been used so far to create 23,929 subloans to small- and medium-scale enterprises, as well as 21 program loans amounting to $6.8 billion.
- Industry and Nonfuel Minerals: 70 projects, including 63 industry projects and 7 nonfuel mineral projects.
- Social Infrastructure: 102 water supply and sanitation projects benefiting nearly 140 million people; 88 education projects involving the establishment, as well as rehabilitation and expansion, of primary, secondary, and tertiary-level education and training institutions; 45 projects providing physical and institutional support for housing and/or a variety of urban infrastructure facilities; and 35 health and population projects, providing physical and institutional support.
- Transport and Communications: 55 projects in the ports and shipping sector for the construction, rehabilitation, modernization, and expansion of port facilities; 124 projects for the construction, rehabilitation, and maintenance of primary, secondary, and feeder roads; 14 railway projects primarily to increase freight capacity; 17 airport projects for the expansion and upgrading of airport facilities; and 23 telecommunications projects for the improvement and extension of services.
- Multisector: 34 projects aimed at more than one of the Bank's major economic sectors.
- Others: 14 projects not classified in any of the Bank's current major sectoral classifications. This classification category came into Bank use in 1992 with the first tourism project.

The Board of Directors

DURING 1997, the Board of Directors confronted the challenge of responding quickly and yet effectively to the "contagion" that swept through many financial markets of Asia in the latter part of the year. The Bank, acting in concert with other development organizations, responded by offering both financial and technical assistance. The strategy of a rapid and innovative response to the financial turmoil underscored the Bank's capacity as a broad-based development institution.

The Board, in addition to discharging its normal oversight role in respect to loan and technical assistance activities, continued to promote increased effectiveness, efficiency, and quality throughout the organization. These initiatives included the approval of new and revised policies and the revision of existing strategies.

General operations

In 1997, the Board met formally on 48 occasions (including executive sessions) and approved total lending of $9,414 million for 75 projects. This amount represents loans of $7,794.4 million from ordinary capital resources (OCR) and $1,619.6 million from the Asian Development Fund (ADF). Equity investments totaled $74.3 million. Government-guaranteed loans were approved for 73 projects, with an average project size of approximately $61 million over the total loan portfolio. (For purposes of comparability with prior years' analyses, the average project size excludes from the calculation the Financial Sector Program loan and institutional strengthening technical assistance loan to the Republic of Korea totaling $4.015 billion, as this amount represents 43 percent of total Bank lending for 1997.)

Twenty-four countries received Bank loans in 1997, including the Republic of Korea which returned as a borrower after ten years' absence.

In addition to loans, the Board, either directly or through the delegated authority vested in the President by the Board, approved 298 technical assistance grants totaling $162.5 million.

In addition to being fully in compliance with its policies, any loan, technical assistance, or equity investment extended by the Bank must also satisfy the Bank's strategic objectives. The strategic objectives are defined by reference to the following forms of intervention: economic growth, poverty reduction, human development, gender equity, and environmental protection.

The Board, in addition to the formal meetings, held five seminars and informal discussions. As in previous years, the agenda on these occasions covered a range of diverse matters, including the yearly review of the Bank's Three-Year Work Program and Budget Framework (1998-2000),

The Boards and Their Functions

THE BANK is governed by a **Board of Governors**, which, at the end of 1997, consisted of 56 members representing 40 regional and 16 nonregional. Under Article 28 of the Bank's Charter, the Board of Governors is vested with all the powers of the Bank. In turn, the Governors delegate their authority to the Board of Directors, except for certain powers reserved to them under the Charter.

The Board of Governors meets formally once a year for the Bank's Annual Meeting.

The resolutions approved by the Board of Governors during 1997 and its membership are shown in Appendixes 1 and 2, respectively.

Also under Article 28, the Board of Governors elects a 12-member **Board of Directors**, eight elected by regional members and four by nonregional members. Each Director appoints an Alternate. The President of the Bank is the Chairperson of the Board of Directors.

The Board of Directors performs its duties on a full-time basis at the Bank's Headquarters in Manila, Philippines, and meets in regular formal and executive sessions which the President chairs. The Directors exercise their authority and functions through their quarterly and annual supervision of the Bank's financial statements, their annual approval of the Bank's administrative budget, and their continuous review and approval of policy documents and all loan, equity, and technical assistance operations.

The Directors and the members they represent are shown in Appendix 3.

Postevaluation Reports Discussed by the Audit Committee in 1997

Project Performance Audit Reports

- Agriculture Diversification Program (Fiji) (29 September 1988)
- Special Assistance Project (Mongolia) (29 October 1991)
- Multiproject Loan (Vanuatu) (5 December 1985)
- Third Development Financing (Pakistan) (17 December 1987)
- Health and Population Project (Indonesia) (17 October 1985)
- Flood Damage Restoration Project (Pakistan) (30 March 1989)
- Pabna Irrigation and Rural Development Project (Bangladesh) (12 December 1978)
- First and Second Manila Water Supply Rehabilitation Projects (Philippines) (27 October 1983 and 24 January 1989)
- Ports Development Project (Papua New Guinea) (2 July 1985)
- Agriculture Program Loan (Sri Lanka) (28 November 1989)

Technical Assistance Performance Audit Reports

- Supporting Policy Analysis in the Ministry of Finance (People's Republic of China) (2 January 1992)
- Urban Transport Planning Project (Malaysia) (29 September 1993)

Impact Evaluation and Reevaluation Studies

- Reevaluation of the Lower Citanduy Irrigation Project (Indonesia)
- Evaluation of Bank Assistance to Developing Member Countries for Benefit Monitoring and Evaluation
- Bank Operations in the Industrial Crops and Agro-Industry Sector in Indonesia
- Bank Assistance to the Industrial Crops and Agro-Industry Sector in Sri Lanka
- Reevaluation of the Songkhla and Phuket Ports Project

certain country operational strategies, and the Report of the Task Force on Improving Project Quality.

Policy issues

During 1997, the Board considered and approved a number of major policy initiatives designed to improve the social and economic impacts of Bank interventions in its developing member countries (DMCs) or to enhance the internal effectiveness of the Bank in delivering its services. This approach of continuous review and improvement is consistent with the process of quality management, and forms part of the Bank's overall framework designed to ensure the continuing responsiveness of the organization to the needs of its DMCs.

Operational policy development – *technical assistance operations*: In 1997, the Board reviewed the Bank's technical assistance operations, noting that technical assistance plays an essential role in the Bank's efforts to achieve its development impact. The importance of technical assistance in Bank operations is highlighted in this year's special theme chapter, which addresses many of the points raised by the Board in their review.

Internal policy development – ***review of the financial planning framework for the management of ADF resources***: In January 1997, the Bank and donors agreed in Tokyo to replenish the ADB's soft loan facility, the ADF, with $6.3 billion. This replenishment will cover the four-year period from 1997 to 2000.

The resources mobilized for ADF VII will allow the Bank to continue to provide important financing for the priority investment needs in the poorer DMCs. As part of the negotiations, the Bank has agreed to review various policies, including its financial policy, the issue of graduation, and ADF lending terms during the ADF VII period.

The Bank's new financial planning framework will maximize efficiency in the use of resources other than donor contributions to the current replenishment to increase the ADF commitment authority.

Review of the Bank's income and reserves policy: The Board reviewed and approved the Income and Reserves Policy, which has as its major recommendations that the Bank adopt a long-term minimum policy objective for the interest coverage ratio, establish a planning goal of about 25 percent for the reserve:loan ratio, effect a medium-term plan to reduce the actual reserve:loan ratio, use the surplus account in the annual income planning process, give priority in the allocation of excess net income to the Technical Assistance Special Fund and then to the ADF, and maintain the Bank's current policy of funding liquidity with equity.

Institutional development – *Asian Development Bank Institute*: In December 1997, the ADB Institute was officially inaugurated in Tokyo. The Institute has been structured as a development "think tank" and a high-level training center. It will carry out innovative development research and provide management training for top-level policymakers and officials of public and private development institutions from the Bank's DMCs. The Institute will examine critical issues affecting the development of the Asian and Pacific region and, through this process, create a knowledge and information database around and upon which future development strategies for DMCs can be identified and structured. The Institute will offer not only innovative approaches to development interventions but also practical advice on how such approaches can be implemented and, hence, the importance the institution attaches to applied research and training. The Institute will be fully financed by the Government of Japan.

Institutional representation – *resident missions*: The Board agreed to the opening of three resident missions, two in the Central Asian republics (Kazakstan and Uzbekistan), and one in Sri Lanka. These missions will assist in project implementation and improving dialogue between the Bank and the countries concerned.

Policy Papers Discussed by the Board in 1997

Approved papers

- Review of the Bank's Income Outlook and Allocation of the 1996 Net Income
- Policy on Confidentiality and Disclosure of Information Implementation Report for 1997
- Legality of OCR Net Income and Surplus Transfer to the Asian Development Fund
- Transfer of OCR Surplus to the Asian Development Fund
- Change in the Loan Ceiling for Loans Processed under the Bank's Emergency Rehabilitation
- Establishment of Bank Resident Missions in the Central Asian Republics
- Establishment of Bank Resident Mission in Sri Lanka
- Review of the Bank's Technical Assistance Operations
- Review of the Bank's Income and Reserve Policy
- The Bank's Policy on Fisheries

Working papers

- Policy on Involuntary Resettlement – First Annual Report
- Cooperation between ADB and Nongovernment Organizations
- The Bank's Policy on Indigenous Peoples

Board committees

Audit Committee: In 1997, the Audit Committee of the Board met on 18 occasions. It reviewed ten project performance audit reports, two technical assistance audit reports, two reevaluation reports, and three impact evaluation studies (*see box*). In addition the Committee discussed special topics such as the role of the Audit Committee, provisioning for

A road improvement project in the Lao PDR gives rural producers better access to markets and promotes cooperation among countries of the Greater Mekong Subregion.

Afghanistan loans and for private sector operations, implementation of the recommendations of the Task Force on Improving Project Quality, the Bank's internal controls, a report on the audit of derivatives, the Bank's system for evaluating and rating project performance, benchmarking, and the Management Letter prepared by the Bank's outside auditors.

The Committee welcomed the Bank's new outside auditors, selected by competitive bidding in 1996. The Committee reviewed the 1996 Financial Statements with the Bank's outside auditors and discussed with them the scope of the outside audit of the 1997 accounts.

In its July 1997 Annual Report to the Board of Directors, the Committee noted the achievements made by staff in acting upon lessons learned from internal audits and postevaluations, and again emphasized that the Bank must strive for constant reassessment and improvement in its operations. In this context, it noted the importance of self-evaluation by the Bank, as well as evaluation by parties outside the Bank. The Committee emphasized the need for the Bank to develop relevant, clear, reliable, and measurable performance indicators to be incorporated in its projects at the design stage. It looked forward to the development and implementation of the project performance management system in 1998.

Budget Committee: The Budget Review Committee was convened from 10 to 21 November 1997 to review the Bank's operations during the year. Members discussed the work plans of various departments and offices, deliberated on substantive issues underlying Management's 1998 Budget proposal, and reached a consensus on its recommendations.

The Committee recommended further strengthening of the Bank's efforts to catalyze development assistance, while at the same time continuing to improve the quality of the Bank's integrated services to the DMCs.

The Committee noted the Bank's 1997 initiatives in its assistance to help resolve the currency turmoil affecting some DMCs, and recommended that the Bank build its in-house expertise to provide effective support to the highly technical and complex areas of establishing and maintaining sound and efficient financial and capital markets. It welcomed the creation of the Task Force charged with coordinating the Bank's response to the crisis and noted that additional budgetary resources had been allocated for processing planned program loans. This action by the Bank highlighted the need for flexibility in the use of budget provision to support urgent and priority programs not previously planned or envisaged and for responding to changing operational needs.

Finally, the Committee recommended that the Board approve the administrative budget for 1998, and authorized an expenditure of $204.8 million, which, excluding the general contingency provision of 1 percent, reflected an increase of 3.7 percent over the 1997 revised estimate. This administrative budget would support $6.1 billion lending, $155 million technical assistance, and $3.7 billion cofinancing programs in 1998, with no growth in the authorized staff positions.

Inspection Committee: During 1997, the Inspection Committee received the first request for inspection, relating to the Korangi Wastewater Management Project in Pakistan, which was referred to the President for handling as an "initial complaint" under the Bank's Inspection Procedures.

Detailed Inspection Procedures and general information on the Bank's inspection policy are included in *ADB's Inspection Policy: A Guidebook*. Similar information on the inspection policy is available on the Bank's *Internet* Web site.

The Committees of the Board of Directors are shown in Appendix 4.

Directors' visits

The Board of Directors undertook two group visits in 1997: the first to the Lao People's Democratic Republic (Lao PDR) and Thailand from 23 February to 8 March 1997; and the second to Indonesia from 31 August to 13 September 1997. During the course of each of the visits, Board members held wide-ranging policy discussions with government ministers, senior officials, business representatives and NGOs, and also saw firsthand ADB-sponsored projects. Directors' visits serve two important purposes. First, dialogue with the country in question is enhanced. Second, by gaining a better understanding of the challenges facing DMCs, Board members can support more effectively and encourage Bank initiatives designed to address the development needs in the countries concerned.

In Thailand, Board members met with the Deputy Prime Minister and Minister of Finance, His Excellency Dr. Amnuay Viravan, as well as other senior officials of the Government of Thailand. In the Lao PDR, they met with the Minister of Finance, Hon. Xaysomphone Phomvihane, and other senior government officials.

During the Indonesia visit, the Board members had the honor of meeting the President, His Excellency Soeharto, Minister of Finance, Hon. Mar'ie Muhammad, and other senior government officials.

Technical education (in this case in Indonesia, one of the countries visited by the Board) raises a country's international competitiveness by improving productivity.

Special Theme

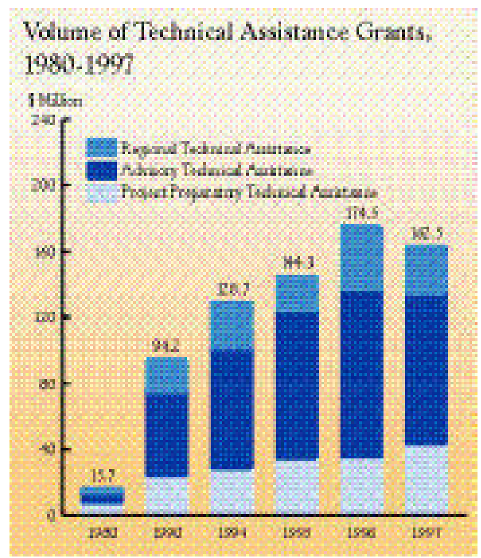
From Project Financier to Broad-Based Development Institution

EFFECTING CHANGE THROUGH TECHNICAL ASSISTANCE

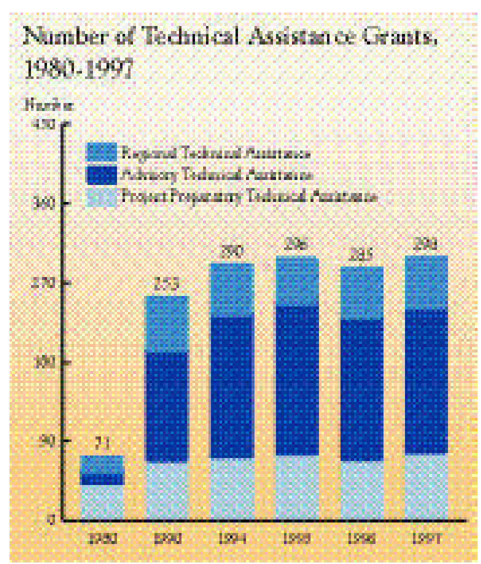
TECHNICAL ASSISTANCE is a vital element of the Bank's development strategy. Through its technical assistance operations, the Bank assists its developing member countries (DMCs) in identifying, formulating, and implementing projects; improving their institutional capabilities; formulating development strategies; promoting technology transfer; and fostering regional cooperation — elements which are essential to economic growth.

As a major provider of technical assistance in the Asian and Pacific region, in 1997 the Bank provided $162.5 million in grants to finance 298 technical assistance projects, and provided a further $353.6 million of technical assistance components in its loan-financed projects. During the year, 384 individual consultants and 169 teams from consulting firms were fielded to the Bank's DMCs through technical assistance grants to provide advice; help formulate policies, programs, and projects; carry out studies; and provide training. In addition, a number of regional conferences and workshops were organized with the aid of technical assistance.

The Bank's technical assistance projects address a wide range of development issues and challenges. For example, in 1997 technical assistance helped promote energy-saving construction materials in the People's Republic of China, promote public finance reforms at the state government level in India, promote pension reforms in Kazakstan, improve fisheries management in the Federated States of Micronesia, establish a tender support bureau in Sri Lanka, and strengthen the Securities and Exchange Commission's information disclosure and compliance requirements in Thailand.



Volume of Technical Assistance Grants, 1980-1997



Number of Technical Assistance Grants, 1980-1997

Historical perspective

During the past 31 years of the Bank's existence, there has been a shift in the focus of technical assistance. When the Bank was first established, the founders agreed that technical assistance should be an integral part of the Bank's operations (*Box 1*), but the emphasis was on the preparation of projects suitable for Bank financing. Most notably, technical assistance financed feasibility studies and other project preparation work. It also financed project implementation through the provision of supervision services and institutional strengthening of project executing agencies. In

Box 1: The Early Years

THE BANK'S first operational undertaking, approved on 24 May 1967, was a $155,000 technical assistance grant to survey Asian agriculture. This technical assistance was a harbinger of much of the emphasis of the Bank's early operations.

The objectives of this first technical assistance were to survey the needs, problems, and opportunities confronting the agriculture sector in Asia and to inform the world, including donor countries, of both the urgency and the promise of agricultural development in Asia. What followed were bilateral discussions to encourage the development of policies that promoted agricultural growth and a concentrated investment program to support those policies with the resources and expertise required to deliver that growth.

By 1978, the Bank had invested $1,385 million in the agriculture sector in Asia. This accounted for about 26 percent of total Bank lending during the period, and reflected the strong emphasis the Bank placed on development of the sector. The growth in agricultural production and productivity in the region has been spectacular, some of it a direct result of the seminal directions established in this first Bank technical assistance.

The next operational undertaking of the Bank was also a technical assistance, this one an advisory technical assistance to the Government of Indonesia. In 1967, food distribution and food sufficiency had become a serious issue for Indonesia. Much of the country's infrastructure was old and deteriorating and milling storage capacity was limited. The Bank's technical assistance focused on technical, administrative, and economic constraints inhibiting the production of food crops and their distribution. It resulted in the formulation of government policies on the pricing of rice, progressive decentralization of rice mills, improvements in the availability of credit to farmers, and pricing policies on the distribution of rice in urban centers.

These two projects were a powerful beginning to the Bank's technical assistance program.

other words, technical assistance was regarded primarily as a modality for supporting the project financing function of the Bank, which was perceived as its core function.

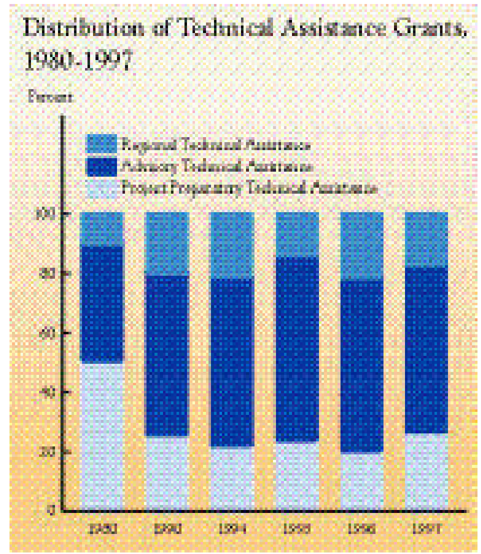
The emphasis changed in the 1980s and the 1990s. Experiences in the 1970s and the early 1980s had taught the Bank and its DMCs that effective development required much more than close attention to projects. More often than not, the success or failure of a project was decided not by the technical and financial quality of the project but by the economic environment both at the macro and sector levels. Technical and financial design and close supervision continued to be essential factors for the success of projects, but these were not enough: a project's success required the right economic environment. The Bank responded to this finding by intensifying policy dialogue with DMC governments, introducing a policy-based lending modality, i.e., the program loan, and, last but not least, using technical assistance to address key policy issues.

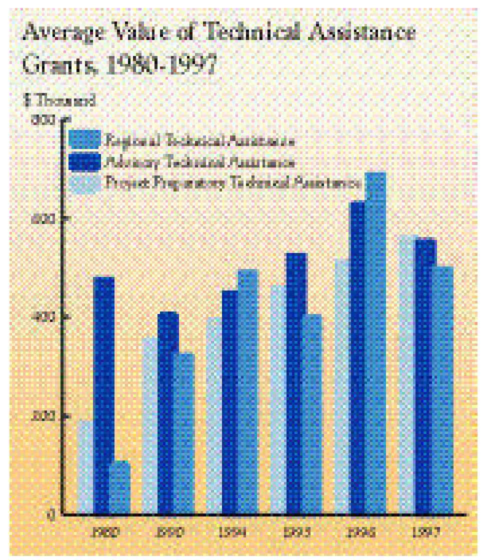
In the late 1980s and the 1990s, the emphasis on policy and broader institutional capacity was further intensified, and the role of technical assistance acquired new dimensions. Many DMCs embraced market-oriented, outward-looking economic management strategies and began to undertake various policy and regulatory reforms to move in that direction. Also, many of the region's centrally planned economies began the process of transiting to a market economy. These changes, combined with various factors in the industrial countries, resulted in the sudden surge of private capital flows to the DMCs. In 1986, the level of both private and official flows stood at about $14 billion. By 1996, private flows had reached $136 billion.

These private capital flows, however, were not shared equally by all DMCs. About 90 percent of such flows to Asia were concentrated in just five countries. There was a need to help other DMCs attract private capital through technical assistance for reforms in policy and regulatory frameworks. In the case of countries in transition, technical assistance was needed to help create and develop a set of institutions for a market economy. In many DMCs, rapid economic growth entailed infrastructure development needs which far exceeded the capacity of public sector financing. Hence, there was a need for a public-private partnership in the provision of infrastructure, and technical assistance had an important role to play in promoting this partnership. The region also faced persisting poverty, social exclusion of certain groups, especially women, and degradation of the environment. Technical assistance was an important tool in addressing these problems.

At the same time, as a result of the end of the Cold War, opportunities increased for regional and subregional cooperation. One aspect of this is cooperation and coordination in trade and investment. The other is cross-border development of infrastructure and management of natural resources. The Bank is uniquely positioned to act as broker, promoter, and financier for such cooperation, providing its knowledge, experience, and network to help its DMCs, especially through technical assistance.

Finally, to meet the increasingly complex needs of its DMCs effectively, the Bank has been redefining its role from that of a project financing institution to that of a broad-based development institution that provides integrated services of financing, policy support, and capacity building. In this context, technical assistance has become a key strategic tool for development assistance. Reflecting this change, the number and amount of technical assistance grants approved annually have increased dramatically in the past ten years, from 135 projects totaling $41.9 million in 1987 to 298 projects totaling $162.5 million in 1997.





Nature and structure of the Bank's technical assistance

Technical assistance is normally defined as activities aimed at strengthening the capacity of the recipient country by developing and improving human resources, institutional framework, and organization through the transfer of knowledge, skills, technology, and other nonphysical inputs. The term can sometimes refer to activities aimed at filling gaps in the recipient country in terms of knowledge, skills, technology, and organization to carry out specific development activities. Often, these two aspects are combined.

Technical assistance is distinguished from the Bank's project financing in that the former essentially provides nonphysical inputs. Usually the outputs are also nonphysical, in the form of improved skills and policies. By contrast, project lending activities usually result in physical facilities, such as an irrigation system, replanted forest, highway, telecommunications facility, or power station. Both technical assistance and project lending are considered essential tools for development assistance: physical facilities support development while improved skills and know-how help countries to manage and eventually initiate new projects and services in the continuation of the development cycle. Most bilateral donors provide both modalities, sometimes in combination but often in two distinct institutions each specialized in one or more fields.

Technical assistance is in essence the provision of expert services. In this sense, the first source of the Bank's technical assistance is the Bank's staff members. Through studies and research, preparation of country and sector operational strategies, processing and administration of projects, and policy dialogue and technical exchange carried out in these processes, the Bank's staff provide expert views, advice, and other inputs to their counterparts in DMCs. However, when the term "technical assistance" is used in the operational context, it usually refers to Bank financing of external expert services to be made available to DMC governments and agencies. These services are often provided by a team of experts from an engineering or management consulting company. In other cases, individual experts in specific areas of expertise are engaged.

Project identification, formulation, and implementation constituted the main focus of the Bank's technical assistance in its early years of operations, and these areas remain an important focus today. While DMCs have built their own capacity to carry out these tasks, as witnessed by an increased proportion of experts from DMCs in the total consultant resources engaged under the Bank's technical assistance, international expertise is still needed because the projects the Bank finances are mostly at the frontier of development efforts, both from technical and managerial points of view. Also, because of heightened awareness about the environmental and social impacts of projects, today's project preparation often involves extensive and sophisticated study of these aspects. International and domestic experts complement each other, with state-of-the-art technical and methodological know-how and wide experience of the former and the familiarity with the local situation of the latter.

Depending on the circumstances, the Bank uses grants or loans for the financing of project preparation. For a feasibility study of relatively limited size (not more than $1 million), the Bank can provide project preparatory technical assistance (PPTA), mostly on a grant basis. If the size of the study is large and requires more than $1 million of Bank financing, the Bank usually provides a technical assistance loan. Project preparation at the detailed engineering stage can be financed by an engineering loan. Consulting services for project implementation supervision are treated as a component of the project and costs are covered by the loan for the project itself.

The number and amount of PPTA approvals have increased from 45 projects for $10.5 million in 1987 to 78 projects for $43.7 million in 1997. The number of annual PPTA approvals is primarily determined by

Box 2: Sources of Funds for Technical Assistance

THE BANK'S technical assistance grants are financed by the Japan Special Fund (JSF), Technical Assistance Special Fund (TASF), and other sources. In recent years, financing from JSF has accounted for about 50 percent of all technical assistance financing, TASF for about 35 percent, and other sources for 15 percent.

The JSF was established in 1988 when the Government of Japan made an untied (consultants not necessarily from the contributing country and DMCs) contribution to the Fund. JSF quickly became a major financing source of the Bank's technical assistance. Priority areas set by the Government of Japan for the use of JSF include restructuring of economies, broadening the scope of new investment opportunities, and project preparation to assist in recycling funds to DMCs. The Government of Japan has emphasized protection of the environment, promotion of the private sector, and improvement of the status of women, by making supplementary contributions to JSF to address these concerns.

The TASF was established in 1967 with voluntary contributions from individual member countries. These contributions were, for the most part, tied to consultants from the contributing country, limiting the choice of experts and making administration of the funds cumbersome. As a result, the Bank has been encouraging donors to make their contributions either "partially tied" or "untied." In 1981, the Bank adopted the policy of not accepting contributions tied to the donor country starting in 1983. In 1986, at the time of the fourth replenishment of the Asian Development Fund (ADF), it was agreed to transfer an appropriate amount of ADF to TASF to secure adequate funds for steady technical assistance operations. A similar arrangement continued under the fifth ADF replenishment. As a result, all member countries contributing to ADF ceased to make voluntary contributions to TASF. Further, in 1992 the Bank started to transfer a part of the net income from its ordinary capital resources to TASF. This was a marked departure from the past, where OCR net income was used to supplement TASF only in a very limited way so that the maximum amount of OCR net income could be allocated to Bank reserves. The change in approach from relying on contributions of member countries to TASF, either voluntarily or through the earmarking of ADF replenishment, to funding the TASF with Bank resources was completed in 1997 at the time of the sixth replenishment of ADF. The donors decided that no funds from the sixth replenishment would be allocated to TASF and TASF requirements would be fully met by transfers of OCR net income. In 1997, the voluntary contributions to TASF amounted to only $1.3 million, all from DMCs. *For more details on JSF and TASF, see the Bank Resources and Financial Management chapter, page 161.*

In addition to TASF and JSF, the Bank has arrangements with several bilateral donors for financing/cofinancing of technical assistance with untied grants. These bilateral donors include, among others, the governments of Australia, Belgium, Denmark, Finland, France, Netherlands, Norway, Sweden, and Switzerland. Once a project to be financed is agreed upon, the Bank acts as the administrator of the funds. These bilateral funds are often used to finance a soft component, such as capacity building, in a project financed by the Bank's loan.

the level of the Bank's lending program in the coming years. Not all Bank loan projects are prepared with PPTA. Of the 73 loan public sector projects approved in 1997, 32 projects, or 44 percent, were preceded by PPTAs. *For more details, see Table 35 in the Statistical Annex.*

Technical assistance for transfer of technology, institutional strengthening, preparation of plans and programs, and conduct of studies is called advisory technical assistance (ADTA). With the increased emphasis on the Bank's policy support and capacity-building functions, ADTA has increasingly become a crucial tool for Bank operations. The annual approval of ADTAs, which are financed by grants, surged from 53 projects for $23.9 million in 1987 to 165 projects for $91.3 million in 1997. Major themes for ADTA are described in the following section.

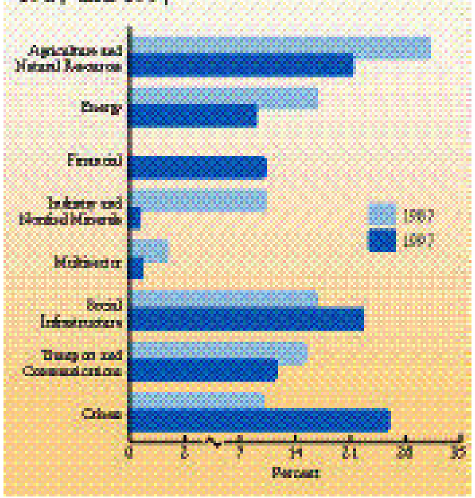
In some cases, technical assistance is provided for the benefit of an entire region or for more than one DMC. For example, a conference or study on a subject of common interest in the region, such as urban infrastructure financing and regional health policy priorities, or a study or training provided to a group of DMCs sharing the same concerns or facing similar problems, or project preparation and advisory activities for subregional cooperation, might warrant a regional technical assistance (RETA). The number and amount of annual RETA approvals increased from 37 projects for $7.5 million in 1987 to 55 projects for $27.5 million in 1997.

Themes of the Bank's technical assistance

The Bank's technical assistance grants cover a multitude of sectors and subsectors. Over the years, there has been a shift in the focal areas for assistance. In 1987, assistance in the agriculture and natural resource sector accounted for 31 percent of all technical assistance grants, followed by energy (17 percent), social infrastructure (16 percent), transport and communications (15 percent), and industry and nonfuel minerals (10 percent). In 1997, social infrastructure received the bulk of assistance (22 percent), followed by agriculture and natural resources (21 percent), and transport and communications (11 percent). While the share of the energy and industry and nonfuel minerals sectors dropped to 9 percent and 0.3 percent, respectively, the financial sector, which did not appear in the 1987 breakdown, now accounts for 10 percent. Similarly, various cross-sectoral technical assistance which accounted for 11 percent in 1987, has increased to 26 percent in 1997, addressing cross-sectoral public administration reform/improvements (9 percent), environmental protection and management (5 percent), pension reform and social safety net issues (2 percent), and strengthening of development-related legal systems and training of legal officers (2 percent).

These changes reflect the changing needs of the Bank's DMCs, which in turn reflect their different stages of development and changes in the global environment. For example, agriculture remains one of the most important sectors needing public sector intervention for development. By contrast, in a number of DMCs, industry and the exploitation of nonfuel minerals are increasingly left to the private sector. Reflecting still insufficient levels of social services, demand for technical assistance for this

Technical Assistance Approvals by Sector, 1987 and 1997



The Bank's first operational undertaking was a technical assistance grant to survey Asian agriculture. The scope of technical assistance has since expanded.

sector has been increasing. The requirements for assistance in the energy sector and the transport and communications sector remain high, reflecting the greater needs for infrastructure development to sustain a high level of economic growth. Many of the Bank's technical assistance projects in these sectors today are for the development of a conducive policy and regulatory environment for private sector provision of infrastructure. As many DMC governments embrace the private sector-led development approach, technical assistance for strengthening the financial sector and developing capital markets has increased. In this context, the need for improved public sector management has begun to be felt more acutely, including a new partnership with the private sector. What follows is a look at how the Bank has been responding to these changing needs of DMCs through its technical assistance grants and loans.

Encouraging public sector management and public-private partnerships

The main thrusts of the Bank's assistance for public sector management are provided in the policy paper "Governance: Sound Development Management" approved by the Board in October 1995.

The Bank's concept of good governance focuses on four elements of effective development management: (i) accountability, (ii) participation, (iii) predictability, and (iv) transparency. Priority issues of public sector management and governance to be addressed by the Bank's technical assistance include the following:

- at the central level, policy coordination, civil service reform, fiscal management, and the supreme audit function;
- at the line ministry and agency levels, effectiveness and efficiency of service delivery and strategic management of resources;
- at the subnational level, the breakdown of responsibilities between central, provincial, and local governments, local-level revenue raising, and local-level service delivery;
- public/private interface issues, including commercialization, privatization, and regulation and regulatory independence;
- law and development issues with particular reference to appropriate legislation in dealing with market-based requirements; and
- strengthening civil society with emphases on disclosure of information, participation, and NGO involvement in the delivery of development assistance.

Reforming the public sector at the central level: In the past, the Bank has assisted DMCs' public sector management reforms mostly at the line ministry and agency levels. Today, the need for Bank assistance at the central and subnational levels is increasing. At the national level, Mongolia and Sri Lanka have requested Bank assistance for public sector management reforms. In the case of Mongolia, the Government requested the Bank's technical assistance to help implement public service reforms based on the New Zealand model. Tailoring the New Zealand model to the quite different circumstances of Mongolia was an important element of the assistance, especially as the changes in New Zealand had been implemented over more than a decade and had required considerable resources to implement effectively. The Bank began this assistance to Mongolia by taking a delegation of Mongolian parliamentarians and senior officials to New Zealand to witness firsthand how the model worked, and then to the State of Victoria in Australia to see how the New Zealand model was adapted to a different set of circumstances. This initial work was followed by the provision of substantial technical assistance to provide expert advice to help design and implement a broad series of public sector management reforms.

In the case of Sri Lanka, the Bank's technical assistance catalyzed a reform program aimed at creating a results-oriented public service. The report of the Bank's technical assistance consultants helped the Government to establish institutional arrangements to guide and drive the reform program.

At the subnational level, the Bank provided technical assistance to the State Government of Gujarat in India for comprehensive public sector restructuring, including fiscal consolidation, public enterprise reforms, and public utility reforms. There are also cases of Bank technical assistance on specific functions at the central level, such as economic management, fiscal management, procurement, and audit (*Box 3*).

Reforming municipal management: In the area of municipal management, the most important role of the Bank will be to help DMCs develop a vision for the future, anticipate the scale and structure of their cities, and prepare well-framed investment programs and action plans to mobilize the resources required (*Box 4*). DMCs need not only develop their local governments, but also create new metropolitan institutions with well-defined functions and funding well suited to these functions. In addition, they need to encourage municipalities to tap the experience and funding of the private sector. In this endeavor, the Bank can liaise closely with other international development agencies and the private sector.

Encouraging privatization: An important agenda for public sector management reforms is restructuring of state-owned enterprises (SOEs). In many DMCs, SOEs are in trouble, causing a drain on public funds, and becoming a heavy burden in fiscal management. The restructuring of the SOEs and their privatization form an important agenda for fiscal reform in many DMCs (*Box 5*). The Bank assists these DMCs through technical assistance and loans. For example, a succession of technical assistance to Samoa in the period 1989-1992 resulted in the sale of two loss-making enterprises to the private sector as going concerns, liquidation of five enterprises, and contracting out the government transport pool to the private sector.

Developing the policy and regulatory framework for the private sector provision of infrastructure: The Bank's assistance in public-private

Box 3: Institutional Strengthening of Asia's Supreme Audit Institutions

SOUND ACCOUNTING and auditing practices are a precondition for transparent, efficient, and effective public financial management and good governance. Effective public auditing is essential to ensure uniform accounting standards, to prevent and detect deviations from good accounting practices in public resource management, and to induce improvements in both administrative reporting and internal control systems. In 1995, in recognition of this strong link between effective audit and sound development management, the Bank decided to fund a regional technical assistance to train regional auditors in "performance" audit. The program had as beneficiaries the Supreme Audit Institutions (SAIs) belonging to the Asian Organization of Supreme Audit Institutions (ASOSAI).

The training program consisted of a two-week workshop on fundamental principles, concepts, and methods of performance auditing. It was to serve the twofold purpose of (i) providing the participants — 25 were from the Bank's DMCs — with the basic knowledge and practical skills needed to carry out performance audits, and (ii) developing the trainees' ability to pass on the acquired skills to other staff in their institutions through a "train the trainers" component. To maximize impact, the program was targeted at senior auditors with audit supervisory and/or public sector managerial experience.

The success of this technical assistance led to another Bank technical assistance to ASOSAI, this time for a regional long-term training program designed to (i) assist ASOSAI to assume increasing responsibility for designing and organizing the regional training programs and information exchange facilities, and (ii) upgrade both the training and technical audit skills of individual SAIs. The program, approved in 1996, is ongoing with completion of the program expected in 1998.

Box 4: Municipal Management Reform in Lahore, Pakistan

WHEN THE Bank wanted to examine what effect citizens' involvement in municipal affairs might have on city management and urban governance, it looked to Lahore, Pakistan. Lahore's Chief Minister had indicated that he wanted some dramatic improvements in service delivery in the capital city of Punjab. A small-scale technical assistance was provided to test the approach of developing and implementing an action plan for municipal management reform through the participatory process as a means of starting a process that would lead to more accountable and effective city government.

A cross-section of the citizens of Lahore including representatives of business, NGOs, market committees, and the media were contacted and meetings involving both citizens and service providers were organized. Two workshops were held in which major issues relevant to effective city management were raised and discussed. The workshops led to a proposed action plan which targeted

- institutional restructuring with an emphasis on eliminating overlapping functional responsibilities between organizations, and devolution of service delivery responsibilities within the city to the zonal level;
- introduction of professional managers and staffing policies aimed at creating an effective work force;
- privatization where the need for an appropriate regulatory framework and transparency in the process was stressed;
- budgeting and finance, under which the use of budget as a planning and management tool and ways of increasing municipal revenues were recommended; and
- need for community involvement, particularly in setting investment priorities, establishing and monitoring performance indicators in service delivery, and solid waste collection.

Those involved in the process of formulating the action plan formed a concerned citizens' group to promote community involvement in managing Lahore. City managers and other professionals attending the seminar set up a South Asia Cities Association with the Secretariat to be based initially at the Calcutta Municipal Corporation.

partnership focuses on the private provision of infrastructure. Facing the enormous needs for developing and upgrading infrastructure, many of the Bank's DMCs are now tapping private funds and expertise, especially from industrial countries, for the provision of infrastructure through build-own-operate (BOO) or build-operate-transfer (BOT) schemes. The Bank has been encouraging such moves, as this helps governments meet infrastructure needs that cannot be met otherwise, allows the release of public funds for much-needed social services, and increases efficiency and quality of services through competition. Private sector provision of infrastructure requires appropriate arrangements for risk-sharing and the policy and regulatory framework to meet these requirements, and the wherewithal to develop appropriate institutional mechanisms to implement the framework. In some cases, technical assistance has been given to help develop national policy or sectoral frameworks for BOO/BOT schemes. In another case, the Bank has assisted a government in preparing and implementing a model BOO/BOT project which can be replicated. Also, a RETA has been provided to disseminate the collective experience and expertise on this issue and for capacity building of DMCs in the economic analysis of BOO/BOT projects.

Promoting the development of the financial sector and capital markets: In many of the Bank's DMCs, the domestic savings rate is relatively high. What is lacking is a mechanism to channel these savings to productive investments. A well-functioning financial sector and a capital market constitute such a mechanism. The Bank has been pursuing this in many DMCs through its program loan (policy-based lending) and technical assistance modalities (*Box6*). A typical reform agenda promoted by the Bank in the financial sector and capital markets includes (i) limiting the scope of direct credit; (ii) deregulating and/or rationalizing interest rates; (iii) reducing public sector preemption of financial sector resources; (iv) increasing the autonomy of state-owned financial institutions; (v) promoting private financial intermediation; (vi) enhancing competition within the financial sector by removing barriers to entry and market segmentation; (vii) improving the ability of the central bank to conduct monetary policy through open market operations; (viii) promoting development of a debt securities market by establishing interest rate benchmarks and enhancing liquidity; (ix) easing regulatory and infrastructure bottlenecks to capital market development, such as administrative controls over share issue prices, inadequate disclosure and investor protection rules, and outdated trading and clearance and settlement systems; and (x) strengthening the regulatory and supervisory framework for the financial system, including capital adequacy ratios, portfolio classification and loan-loss provisioning standards, and exposure guidelines. Technical assistance is often provided to accompany a program loan to help implement these reforms and strengthen required institutional capacity.

Assisting in the social sectors

The purpose of development is to improve the quality of life of people. In the Asian and Pacific region, impressive economic growth in the past few decades has contributed to dramatic improvements in the quality of life. However, there are countries, regions within the countries, and particular segments of population that have been left behind. There is a need to encourage governments to pay an increased level of attention to the quality-of-life aspect and strengthen their social services, especially those for disadvantaged regions and groups. At the same time, many DMC governments are operating under tight resource situations, facing trade-offs among competing development needs. There is a need to explore innovative approaches for the delivery of quality social services in cost-effective ways. The Bank's technical assistance can, and does, play an important role in this area.

In the health sector, for example, technical assistance is helping DMCs to decentralize health services, encouraging an increased level of community participation and public-private partnership, such as contracting out of health services. In the education sector, technical assistance is helping countries in transition to restructure their educational systems within the parameters of a market economy. This involves more market-oriented course development for higher education and an increased level of community participation for primary and secondary education, both in

Box 5: Privatization in the Kyrgyz Republic

AN IMPORTANT question about privatization is when to do it. Where there is not a reasonably developed market, financial institutions, capital base, or an effective private sector, any attempt at privatization risks failure or the need for further public support. In the Kyrgyz Republic, for example, early attempts at privatization sometimes resulted in a structure and dispersion of ownership which was detrimental to good corporate governance. The relative absence of proper legal conventions and arrangements resulted in an absence of protection for owners and incentives for management to operate the businesses as efficiently as possible. Ownership was either too dispersed among too many small outside shareholders, or concentrated in the hands of insiders who lacked incentive for restructuring and who ran the businesses for themselves rather than for the shareholders. Financial discipline was not exercised in a responsible way. Not only was it difficult for minority owners to exercise their rights; but also, by and large, they did not know what their rights were.

The Bank's technical assistance set about developing a capacity on the part of government officials to develop the diagnostic skills to review existing corporate governance practices in the Kyrgyz Republic, compare these with practices elsewhere in the world, and understand how these practices needed to be monitored to make them effective. The efforts of the working group set up under the technical assistance were closely paralleled in the Cabinet which openly debated the merits of the alternatives examined in the technical assistance. The principal outputs were a Company Charter which has been made mandatory for all medium- and large-scale enterprises, and an accompanying handbook on best practice in corporate governance. The Charter ensures that medium- and large-scale enterprises in the Kyrgyz Republic implement sound and effective systems of corporate governance. In addition, the technical assistance helped in the finalization of a new Bankruptcy Law which was enacted shortly after the Charter was promulgated. The Charter and the associated measures to implement and enforce its provisions form the core of the Corporate Governance and Enterprise Reform Program. The Bank is maintaining the impetus for reform through an associated loan.

Box 6: Financial Sector Development in Mongolia

IT WAS evident that the banking sector would play a key strategic role in Mongolia's transition to a market economy, especially after the 1990 promulgation of the Banking Law which separated the Central Bank from commercial banks. It was equally evident that the Mongolian commercial banking system needed to be strengthened. A combination of measures at the macroeconomic, sector policy, and individual institutional levels was needed. Complementary measures were also needed to address structural constraints to efficient commercial banking operations such as stabilization policies and a liberalized foreign exchange regime. Proper accounting standards and adequate banking supervision systems also were needed at the Central Bank level. Mongolia neither had the resources nor the expertise to address these issues.

The Bank designed a series of technical assistance and one loan to assist the Mongolian Government to address the financial sector. This assistance resulted in

- a new Securities Law and regulations;
- the establishment of the Securities Exchange Commission to oversee the securities market and its institutions;
- automation of the stock exchange trading operations;
- a review of loan portfolios;
- passage of a new central banking law and commercial banking law
- a strengthened commercial banking system and supporting accounting system, able to produce meaningful financial reports; and
- a general action program which is being implemented in the Financial Sector Program Loan.

A series of technical assistance to transitional economies has assisted the development of the financial sector.

curriculum development and financing. The Bank's technical assistance has also addressed the issue of education for disadvantaged segments of the population, in particular women and the poor. A RETA examined the impact of education on the status of women, and led to the formulation of a women's education project in the Lao PDR. In the water supply sector, Bank technical assistance has helped DMCs to improve the management of water supply utilities and restructure water tariffs. In some instances, the Bank's technical assistance has helped in the commercialization of water supply services and introduction of BOO/BOT schemes for water supply.

Improving the status of women

Interventions that benefit women are widely recognized as crucial to development, in that poor health, low levels of education and training, and limited access to resources constrain the quality of life, economic efficiency and growth, and the overall sustainability of development. Technical assistance grants have been used to

- help DMCs develop appropriate mechanisms to address equal opportunity issues at the policy level;

- assist DMC governments develop and improve their statistical databases to enable the collection and collation of gender-disaggregated data;
- strengthen the institutional capacity of government focal points on women;
- cosponsor activities with other development agencies;
- enhance the institutional capacity of nongovernment women's organizations; and
- conduct research and dialogue on regional gender issues.

The Bank has been active at the regional level to encourage a common approach to addressing the concerns of women throughout the region. For example, regional concerns such as the Asia-Pacific's preparatory activities for the 1995 Beijing World Conference, including the Ministerial and Senior Government Officials Meetings, were cosponsored by the Bank with the United Nations Economic and Social Commission for Asia and the Pacific. Similarly, in 1997 the Bank sponsored the participation of 15 women leaders from Asian and Pacific nongovernment organizations (NGOs) in the Global Summit on Women's Economic Empowerment to ensure that the region was represented at this important conference.

Addressing the question of poverty through the marketplace, a RETA has promoted women's microfinance institutions through capacity building in women's organizations in six of the Bank's DMCs that are primarily involved in delivering microfinance to poor women. The idea of continuous improvement is being introduced through encouraging these organizations to establish a network to share experiences and best practices and to support exchanges of successful women entrepreneurs to explain how they have succeeded and to encourage others to develop their own business ideas.

Country-specific technical assistance grants have enabled the Bank to place gender concerns on the mainstream development agenda of interested DMCs. For example, in Cambodia, technical assistance has led to the adoption of a National Policy on Women and the e stablishment of a Ministry of Women's Affairs.

Improving the status of women through greater access to education is integral to achieving other strategic development objectives.

Protecting the environment

The Bank has been increasing its technical assistance in the environmental field for a number of years (*Box 7*). During 1991–1997, the Bank provided a total of $132 million for 208 technical assistance projects to address environmental issues. Some of this assistance has been used to try to get environmental cells established in ministries and departments whose activities can have major impacts on the environment. For example, a succession of technical assistance established environmental cells in

Indonesia's Public Works Department, essentially to provide it with a capacity to produce environmental impact assessments of planned public works projects. Environmental subdirectorates have been established in each of the Directorates General comprising the Ministry of Public Works. In other cases, technical assistance was aimed at capacity building of institutions for conducting environmental impact assessments and for monitoring. For example, in the People's Republic of China, the Bank provided a series of technical assistance to train officials at the national and provincial levels on environmental impact assessment, develop an environmental management information system, and strengthen environmental legislation and enforcement.

There are also a number of RETA projects addressing environmental issues. For example, the teaching of environmental law is being strengthened through a RETA jointly financed by the Bank, the International Union for Conservation of Nature, the National University of Singapore, the United Nations Environment Programme, and the United Nations University.

Promoting regional and subregional cooperation

In the past decade, a number of forces have emerged in favor of closer regional and subregional cooperation, such as the end of the cold war, liberalization of economic policy in many DMCs, and increased levels of regional trade and investments. Regional and subregional cooperation is

Box 7: Environmental Management of Chao Lake, People's Republic of China

CHAO LAKE in the People's Republic of China is the main water source for the municipal, industrial, agricultural, and recreational uses of almost eight million residents living within its basin. But Chao Lake is polluted. The water quality in the lake has been deteriorating at an alarming rate, with the level of key nutrients having tripled during the past 15 years. Poor water quality has led to interruptions of supply in the summer months, leaving the 1.5 million urban residents who depend on the lake for their water with only partial water service for several weeks at a time. The seriousness of the environmental degradation of the lake was recognized by local authorities and the National Environmental Protection Agency alike. Restoration of water quality was given high priority by the national Government. The Bank was asked to assist with the formulation of an environmental program to reduce the major point source discharges from municipal and industrial sources and to tackle all sources of pollution, including nonpoint agricultural runoff in the longer term.

The main objective of the investment programs is to eliminate the major point sources of pollution into Chao Lake. The resulting $336 million investment program, supported by a $140 million finance package from the Bank, has already produced significant changes.

- Following a concerted policy dialogue by the Bank, wastewater tariffs were introduced in Hefei and Chaohu cities. The tariff, which is based on 85 percent of the monthly water bills, is paid by all water users, including industries which have their own water sources. From Hefei alone, the revenue is generating an annual $4 million, which is being used to finance $16 million of the construction cost during the four-year implementation period of the project.

- Both the Hefei and Chaohu wastewater treatment utilities have been corporatized. Their debt has been restructured so that they can operate without further subsidies. The wastewater tariffs and a connection fee which has also been introduced will ensure that they will be able to generate a minimum return on assets of 7 percent.

- Key discharges of organics, suspended solids, nitrogen, phosphates, and toxics such as cyanide and phenol into Chao Lake will be reduced significantly and reverse the current degradation of the water quality in the lake.

now considered an important means for accelerating economic growth and social development. The Bank is well positioned to promote regional and subregional cooperation and has four complementary functions for this purpose. First, through its research and regional technical assistance, the Bank provides information to increase its DMCs' understanding of the importance of cooperation. It applies its experience to identify possible bottlenecks to cooperation and suggests how these could be overcome. Second, because of its nonpartisan character, the Bank is in a position to act as an "honest broker." While cooperation depends on the individual and collective political will of the DMCs concerned, the Bank plays an important supportive role by encouraging dialogue, suggesting approaches, and identifying possible projects. Third, the Bank can finance investments in the subregion in such areas as transportation, communications, energy, forestry and other environmental management, poverty reduction, and human development. Fourth, the Bank can catalyze the mobilization of funds from other sources, such as bilateral and multilateral agencies and the private sector.

Regional Technical Assistance Approvals, 1997

Activity	$ Thousand	%
Policy and Other Studies	10,930	39.8
Research	6,345	23.1
Training	5,555	20.2
Other Activities	2,625	9.6
Conferences	1,997	7.3
Total	**27,452**	**100.0**

While the best known example of the Bank's involvement in subregional cooperation is that of the Greater Mekong Subregion (*Box 8*), there are a number of other subregional cooperation initiatives that the Bank has assisted. Some of these initiatives are based on the growth triangle concept, involving three or more countries sharing some geographical contiguity. Starting with the Southern China Growth Triangle in 1979, which was predominantly market- and private sector-driven, the growth triangle concept now includes those involving Singapore, the Malaysian state of Johore, and the Indonesian province of Riau; the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); and the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA). Bank technical assistance helped finance the study of the area's potential and the development of a comprehensive set of policies and projects to achieve the area's overall growth objectives. The Bank is also assisting subregional cooperation initiatives in South Asia, in Central Asian republics, and between the Central Asian republics and the People's Republic of China.

Yet another example of Bank technical assistance for regional cooperation is that for the development of new initiatives on infrastructure financing and capital market development in Asia-Pacific Economic Cooperation (APEC). The objective was to assist emerging market economies in the APEC region to mobilize more effectively their high savings through greater and more efficient capital market intermediation. The technical assistance resulted in a Voluntary Principles and Collaborative Initiatives paper which was adopted by the APEC Finance Ministers at their meeting in Cebu, Philippines in April 1997. This initiative has promoted greater understanding of the benefits of capital market integration and best practice in capital market development at a time when these markets have become subject to increased uncertainty and instability regionally.

Box 8: Technical Assistance for the Greater Mekong Subregion

SUBREGIONAL ECONOMIC cooperation in the Greater Mekong Subregion (GMS), with a combined population of nearly 240 million, was initiated by the Bank in 1992 through a regional technical assistance (RETA). There is good rationale for subregional cooperation among countries with close geographical, cultural, and historical links, and which share important natural resources. The onset of peace among the countries as well as the opening up and liberalization of centrally planned economies in the subregion offered the Bank a good opportunity to initiate a program of cooperation among the GMS countries. For a subregion with a long history of conflict, launching such a program was a very challenging task. Accordingly, when the GMS Program of Economic Cooperation was initiated in 1992, the Bank took a pragmatic, building-block approach, emphasizing action- and results-oriented initiatives. From the beginning, the Bank clearly defined its role in the Program as that of a facilitator, catalyst, and honest broker — promoting and encouraging dialogue, providing a forum for such dialogue, and assisting in project identification and development.

Following a building-block approach, the Bank's strategy for promoting economic cooperation in the GMS has been implemented in three phases. Phase I, which was funded by a RETA of $270,000, was the preparatory phase designed to reach consensus on the need for subregional cooperation and identify potential areas for such cooperation. During Phase I, the GMS countries agreed on an institutional framework for cooperation and identified seven sectors/areas under this framework: transport, energy, telecommunications, environment, human resource development, trade and investment, and tourism. A second RETA of $5.26 million was approved for Phase II, which carried the Program through its planning phase, involving the conduct of subregional sector studies and project identification for each of these sectors/areas. A third RETA of $3 million was granted in 1996 to carry the Program through its implementation phase, strengthen institutional arrangements, build intersectoral linkages to address broader development concerns, and develop consistency between subregional cooperation and domestic policies and programs.

After six years, the time, effort, and resources devoted to the Program appear to have paid off. A framework of cooperation in the seven priority sectors has been established. The process of subregional cooperation has been institutionalized, with the GMS countries adopting arrangements for coordinating and sustaining subregional cooperation activities at both the national and subregional levels. Seven ministerial-level conferences have been held so far, and various sector working groups and forums have met to discuss subregional activities. About 100 subregional projects have been identified and prioritized, and a number of these projects are already being implemented or entering the implementation stage. Increasing attention is also being given to the "soft" aspects of cooperation such as the liberalization and harmonization of rules and procedures governing the cross-border movement of people and goods. Social and environmental concerns are carefully considered in the planning, design, and implementation of all subregional projects.

The Bank's technical assistance has played a key role in supporting these activities. Since the Program started in 1992, the Bank has approved 22 technical assistance projects for the GMS with a total cost of $33.2 million. Less than 10 percent of the amount is from the Bank's Technical Assistance Special Fund; one-half have come from the Bank-administered Japan Special Fund; one-fourth was contributed by cofinancing sources, namely: Australia, Canada, Finland, France, Japan, Norway, Sweden, Switzerland, the UN Economic and Social Commission for Asia and the Pacific, and the UN Environment Programme; and the remainder was contributed by the recipient governments. Some of the technical assistance projects were for the preparation of investment projects, which so far have resulted in about $370 million of Bank lending. By leveraging these funds, the Bank was able to mobilize an additional amount of about $700 million from other donors and the recipient countries.

Used effectively, technical assistance is a potent instrument for supporting a sectoral or regional strategy and paves the way for loan assistance to address specific development needs. The technical assistance to the GMS, however, went beyond its pragmatic results. A notable achievement of the Program has been the friendship, mutual trust, and respect that now pervade the countries once beleaguered by conflict and strife. Through its technical assistance to the GMS, the Bank also contributed to fostering a conducive environment for private sector investments in the subregion. Partly as a result of the achievements under the GMS Program, there is now a growing demand for Bank assistance for promoting subregional cooperation in other parts of Asia, e.g., Central Asian republics and South Asia. In the context of shrinking availability of overseas development assistance and private capital, technical assistance for regional cooperation efforts, such as those exemplified in the GMS, provides the Bank with an effective mechanism to contribute to the economic growth of the DMCs in the region.

Key features of the Bank's technical assistance

Technical assistance comes in many forms. It is assistance in carrying out policy studies, providing advice, supporting project preparation and implementation, and enhancing capabilities of a country. Many bilateral and multilateral donors provide technical assistance for these same purposes. What then differentiates the Bank's technical assistance from that provided by other donors?

Close integration with lending and policy dialogue

One important aspect of the Bank's technical assistance is its integration into the broad-based development assistance functions of the Bank. The Bank's technical assistance is often a result of intensive policy dialogue with the recipient government. Also, technical assistance provides valuable expert advice and inputs for the further advancement of policy dialogue. Further, the policy dialogue is backed by the Bank's lending, which would help the government to implement reform measures that have emerged from the policy dialogue and technical assistance. In the area of project preparation, the Bank has the advantage of being at the same time the provider of technical assistance and the future financier of the project to be prepared. The Bank knows key issues to be addressed during the feasibility study from the financier's viewpoint. The experience gained and lessons learned from the implementation of previous projects help the Bank design and implement PPTA.

Large pool of experts

When compared with bilaterally funded technical assistance, the Bank's technical assistance differs largely on the pool of consultancy assistance accessed to do the work. While bilateral donors generally restrict their pool of consultants to their nationals, the Bank's pool is limited only by its membership. More than 2,500 firms from 43 member countries, and more than 6,300 individual consultants from 48 member countries are registered in the Bank's database on consultants, covering a wide range of expertise. In addition, in recent years, the Bank's technical assistance is drawing on resources and expertise from NGOs through various cooperation programs (*Box 9*).

Being free of a political agenda

An important aspect of all Bank technical assistance is that they are perceived as being free of any political agenda. Hence, the Bank is called in to conduct studies and present alternatives, enabling governments to choose among them, depending on their own political preferences. Any new policy, if it is to be implemented effectively, must be politically marketable. Its political neutrality enables the Bank to influence policy in a number of sensitive areas, particularly in the economic and social fields, policy areas to which other donors might find it more difficult to

Box 9: Technical Assistance and Nongovernment Organizations

COOPERATION WITH nongovernment organizations (NGOs) is an important part of the Bank's overall operations, including its technical assistance activities. An increasing number of technical assistance projects are being implemented in cooperation or in partnership with NGOs. At the same time, a range of technical assistance projects addressing NGO issues are being undertaken to strengthen the role that NGOs play in national development efforts. Greater involvement of NGOs in technical assistance activities is consistent with the Bank's initiatives in developing stronger ties with NGOs in all aspects of its operations.

The overall objective of cooperation with NGOs in advisory and project-related technical assistance activities is to strengthen the effectiveness, sustainability, and quality of the technical assistance the Bank offers. NGOs often are aware of specific local development needs and circumstances and can identify innovative approaches toward meeting the objectives that technical assistance addresses. NGOs frequently are consulted in the development of technical assistance and, in a number of cases, are involved directly in the preparation and implementation of technical assistance projects. In an increasing number of projects, NGOs are being engaged as consultants to undertake necessary studies or to implement specific project components. In several cases, NGOs have been engaged as implementing agencies for entire projects. In Lao PDR, for example, technical assistance for the preparation of an education project for women engaged a local NGO as a resident coordinator, to serve as the functional link between the consultant team, the Bank, and the Ministry of Education. In Cambodia and Pakistan, technical assistance projects in the health sector are being designed with specific components to be implemented by NGOs. In Bhutan and the Philippines, NGOs will participate in technical assistance projects aimed at strengthening local capacities for environmental impact assessment and preparation of environmental guidelines and for the evaluation of environmental standards for

gain access. It also allows the Bank to play the role of "honest broker" and promoter for regional and subregional cooperation initiatives.

Promoting South-South cooperation and the use of DMC consultants

A trend in development assistance has been for donor agencies to provide expert advice to developing nations. Bilateral aid by its very nature tends to be locked into such a model. The Bank's technical assistance, by contrast, emphasizes a "South-South cooperation" — in other words, advice based on equivalent and recent experience. The model has been followed by the Bank in a number of areas, most notably in training. For example, certain kinds of training provided from a center in Bangkok, Kuala Lumpur, or Singapore are more effective than equivalent courses from a nation outside the region because trainers and trainees share similar experiences and problems. The model is being expanded by the selected industries. In a project preparatory technical assistance in Indonesia for an integrated area development project, NGOs have been engaged to undertake environmental and social assessment studies. In Nepal, NGOs have been engaged as implementing agencies for technical assistance projects, focused on environmental protection and microcredit for women.

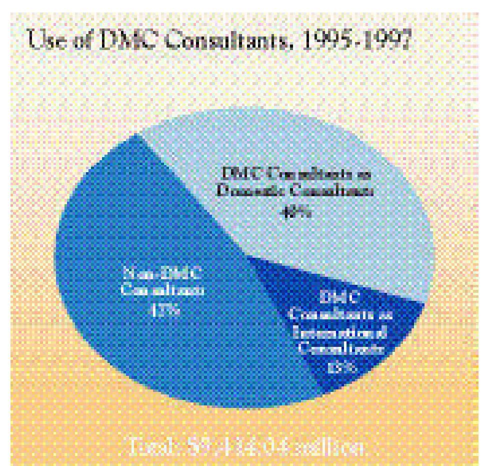
In addition to technical assistance addressing project development, the Bank also provides technical assistance that addresses capacity building for NGOs and the policy environments in which NGOs work. Where possible and appropriate, the Bank uses technical assistance to promote an enabling environment for partnerships that involve the Bank, NGOs, and governments. In a regional technical assistance project to strengthen the capacity of women's NGOs, training and capacity building are being provided for some 180 women's NGOs in seven of the Bank's DMCs. In Bangladesh, the Bank recently approved the third of a series of technical assistance projects to strengthen government-NGO cooperation, and the capacity of NGOs to participate in development projects supported by the Bank and other donor agencies. Nearing completion is a regional technical assistance project studying NGOs in nine DMCs, to establish an accurate profile of national NGO communities and identify specific approaches how the Bank, NGOs, and governments can together work more effectively and productively. The role of NGOs is a major focus in technical assistance, supporting implementation of the Agenda for Action on Social Development in Asia and the Pacific that emerged from the World Summit for Social Development held in Copenhagen. Recognizing their expertise and technical capacity, NGOs are invited often to participate in conferences and seminars supported by technical assistance.

Participatory development involving beneficiaries and NGOs helps lessen possible adverse impacts of projects on people and the environment.

Bank into other areas. For example, a proposed technical assistance in municipal government has an objective of establishing a network of municipal governments in Asia to benchmark their services and share information about continuous improvement.

Another area in which the Bank is able to use its regional presence effectively to build up alliances through technical assistance is in the more specific one-to-one relationships which can be established between agencies operating in the same field.

The Bank's technical assistance has had a profound impact on the establishment of viable, local consultancy industries in most of the large DMCs, leading to a reduction of a DMC's dependence on external expert assistance. During 1995–1997, consultants from DMCs accounted for 53 percent of persondays of consulting services contracted under the Bank's technical assistance grants, 40 percent as domestic consultants, and 13 percent as international consultants.



Ensuring more effective assistance

Recent review of technical assistance operations: The Bank's technical assistance interventions have had varied results. A recent review of Bank technical assistance found that, while 68 percent of the advisory technical assistance examined produced sustainable technical improvements, only 37 percent produced sustainable capacity-building results. Shortcomings noted by the review included (i) inadequate prior sector and institutional analysis; (ii) ad hoc, one-shot approach with relatively small technical assistance lacking long-term perspective and commitment; (iii) lack of measurable and monitorable indicators of success; (iv) overemphasis on production of reports and hardware supply and inadequate attention to strengthening of management ability; (v) limited recipient ownership and participation, reflected among others in the lack of active participation of higher management of the institutions concerned; (vi) inadequate attention during consultant selection to the special skills needed for delivering adult training and capacity-building services; and (vii) insufficient follow-up of technical assistance recommendations and follow-on assistance from the Bank.

These findings led to a major review of the Bank's technical assistance policies, which was discussed by the Board of Directors in July 1997. This review has resulted in a number of changes to the way in which assistance is to be delivered. A number of principles to guide the identification of technical assistance has also been adopted. The most important of these is the emphasis on a longer-term perspective and continuing partnership with the agencies working in a sector, noting that capacity building is essentially a long-term process. The move in this direction will require heightened attention to technical assistance in the formulation of the Bank's country operational strategies and country programs. A higher level of selectivity and focus will be needed

Technical assistance supports a farmer-driven approach, encouraging users to specify their needs.

Box 10: Participatory Approach in Livestock Development in Nepal

THERE ARE many ways to elicit effective community participation. One promising approach is the so-called "systems learning approach" which was first introduced to the Bank and DMCs in a workshop in 1986 on Livestock Development. This, in turn, led to two-day workshops on the approach to enable Bank staff to use it when developing terms of reference for project design.

The approach was pilot-tested in a technical assistance to develop a master plan for the livestock sector in Nepal. The process was effective at the government level, receiving strong support from the Ministry of Agriculture and Livestock and resulting in a master plan not only adopted formally but also enthusiastically implemented. The process was extended to the Third Livestock Development Project in Nepal which became the first "farmer-driven" project whereby conventional roles were reversed. Farmers specified what they wanted;

in choosing technical assistance projects. Ad hoc, one-shot technical assistance in a sector which is not central to the Bank's country strategy will no longer occur except in the most pressing circumstances. This will allow the Bank to provide adequate levels of technical assistance resources over an extended period for a limited number of strategically selected sectors, and at the same time facilitate follow-up of recommendations and identification of necessary follow-on assistance. The selectivity and focus of technical assistance should be based on ownership and commitment on the part of the recipient of the assistance, which will be demonstrated through the formation of a dedicated team from within the executing agency to produce the designated outputs with the assistance of the consultancy team, rather than consultants carrying out tasks on their behalf.

The design and implementation of technical assistance will be improved by focusing more clearly on outputs and impacts rather than inputs (*Box 10*). To facilitate this move, the new policy has made it mandatory to use the logical framework in design, implementation, and evaluation of technical assistance. The use of a logical framework will also encourage the Bank and the recipient to examine better the project proposal in the strategic perspective for the sector concerned.

One cause for the unsatisfactory result of the Bank's advisory technical assistance in capacity building is that, in the past, such technical assistance focused on specific technical skills. Often, training was done by the technically well-qualified consultants responsible for the technical aspects of the project but who did not have enough experience in training. Such training rarely achieved the desired results. The Bank's Governance and Capacity Building Resource Group, established in February 1997, provides internal expert support to Bank staff in project design to ensure that the technical challenges aspired to by a project are balanced with the delivery systems which are required to support the technical innovation.

public servants facilitated their achieving these objectives. The process has formally linked District Livestock Officers with farmers' associations in action teams which are able to co-opt other specialists whenever required. One of the roles of the District Livestock Officer is to facilitate participatory planning so that members of a farmers' association are able to decide what their needs are, what resources and support they need to achieve their goals, and the set of actions they need to implement to achieve these ends. The facilitation team assists the farmers by organizing and coordinating technical inputs, training, and credit as may be required. A local monitoring system has also been introduced which enables impact to be monitored at the farmer level so that a feedback loop exists from the farmers' associations to the central level. This qualitative system of checks and balances augments the conventional monitoring system conducted by the executing agency.

The Bank's Post-Evaluation Office is currently reviewing project preparatory technical assistance. In the meantime, the review conducted in conjunction with the technical assistance policy review indicates that PPTA has been generally successful in the technical preparation of the

Box 11: Technical Assistance for Countries Affected by the Current Financial Crisis

THE RECENT Bank assistance packages to Thailand and the Republic of Korea, which were provided as part of the IMF-led assistance packages, illustrate the role of technical assistance in the Bank's support. In both cases, the Bank's assistance took the form of a program loan (policy-based lending) aimed both at providing quick liquidity to help the countries overcome the immediate liquidity crunch and help them carry out reforms to address the structural weaknesses in the financial sector underlying the crisis. Technical assistance constituted essential components for the latter objective.

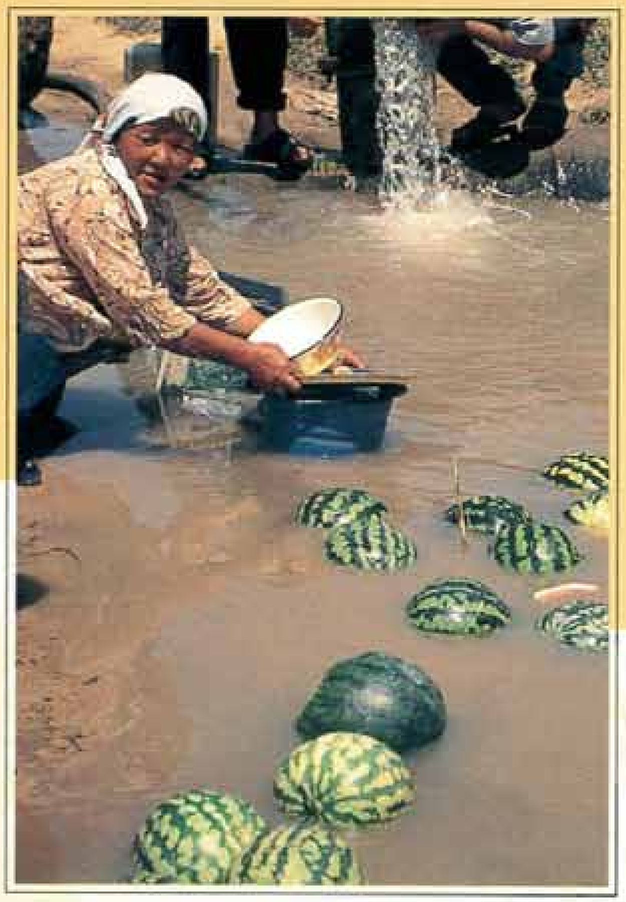
In the case of Thailand, three technical assistance grants totaling $2.39 million were provided, accompanying a loan of $300 million for the Financial Markets Reform Program. The Reform Program supported by the loan was aimed to (i) strengthen market regulation and supervision; (ii) improve risk management; (iii) diversify the means of intermediating funds within the economy, and develop the securities markets to facilitate investor and issuer access to investment vehicles and instruments that more appropriately match their requirements; and (iv) develop long-term institutional sources of funds by promoting the development of pension and provident funds. The three technical assistance grants were to (i) assist reforms in pension and provident funds through studies on the integration of social security and pension and provident funds into a single system, and measures to support greater investment of pension and provident funds in the capital markets; (ii) study disclosure and compliance requirements of the Securities and Exchange Commission; and (iii) assist in operationalizing the Government's decree on securitization through drafting legislation on trusts, preparing a strategic and operational plan for the Secondary Mortgage Corporation, and undertaking a study on measures for credit enhancement of securitized assets and a study on pricing and tax structure.

In the case of the Republic of Korea, a technical assistance loan of $15 million accompanied a loan of $4 billion for the Financial Sector Program. The Program was designed to support financial sector reform through increased reliance on market forces and independent regulatory oversight. It addresses four major areas: (i) commercial banks; (ii) nonbank financial institutions; (iii) financial markets; and (iv) corporate accounting and disclosure standards. The accompanying technical assistance will (i) strengthen the Financial Supervisory Agency in establishing a basic institutional framework, policies regarding the entry and exit of financial institutions, operational regulation procedures, and supervisory measures and practices; (ii) strengthen the Korea Asset Management Corporation through estimating the amount required for the fund which is being established for troubled financial institutions, review its financial plan and operational strategy, and examine the lessons from similar experiences in other countries; (iii) upgrade the credit information and rating systems; and (iv) review institutional and other aspects of the introduction of mortgage-backed securities.

project. In the past, weaknesses were found in the attention to the organization and human resources aspects of the projects as well as the environmental and social impacts. In recent years, however, the Bank has strengthened the treatment of environmental and social impacts substantially by issuing new policies and guidelines and providing staff training. The Bank has also promoted the adoption of a participatory approach in project design and implementation to directly involve project beneficiaries and other stakeholders. At one level, the thrust in participation has been to encourage a greater partnership between the Bank and the project executing agency with higher levels of participation of the executing agency staff in design work. At another level, the Bank has promoted participation at the community level to ensure relevance and to generate an appropriate degree of community ownership of a project.

Continuing challenges

The Bank has been providing development assistance to DMCs for over 31 years. Technical assistance has played a key strategic role in the Bank's operations. The efforts have been amply rewarded. As was noted in the Bank's study on *Emerging Asia: Changes and Challenges*, most Asians have had their incomes increased and become healthier, better fed, and more educated, supported by impressive economic growth. However, the challenges that lie ahead are still enormous. Issues of poverty and environmental degradation will require more comprehensive and better-coordinated programs, linking policies at the macro level to targeted interventions. There are still some DMCs making the transition from centrally planned to market economies. Further, as DMCs climb the ladder of development, they face challenges of a different nature and magnitude, as demonstrated in the recent financial turmoil in some of the DMCs. Globalization of economy and development of information technology are making these challenges extremely complex, although they are benefiting DMCs in many ways. To assist DMCs effectively in this changing environment, the Bank cannot help but make its services more broad-based. The importance of the role played by technical assistance will continue to grow.



Operational Priorities

Strategic development objectives

THROUGHOUT 1997, the Bank continued to pursue the strategic development objectives identified in its *Medium-Term Strategic Framework (MTSF) (1995-1998)*, i.e., economic growth, reducing poverty, supporting human development, improving the status of women, and protecting the environment, in fulfilling the Bank's mandate to contribute to the sustainable development of the region's countries. Effective realization of the strategic development objectives was made possible by maintaining a balance between the strategic objectives and by focusing on the four operating objectives: policy support; capacity building and governance for development management; creating/strengthening productive capacity, infrastructure, and services; and regional cooperation. Achievement of this balance was monitored by the Bank through its project classification system. For the third consecutive year, the Bank exceeded its target of a 50:50 split between projects with economic growth as the primary objective, and projects with social or environmental concerns as the primary or secondary objectives. The share of projects with social or environmental concerns as the primary or secondary objectives reached 61 percent in 1997. In terms of volume of lending, these projects accounted for 56 percent (excluding the large Financial Sector Program loan to the Republic of Korea) of total lending. (*See table on Classification of Projects by Objective, 1994-1997, pages 42-43.*)

Nineteen ninety-seven was an exceptional year with several of the Bank's newly industrialized economies and Southeast Asian developing member countries (DMCs) undergoing severe financial crises. The Bank showed considerable flexibility in responding to the crises by contributing to the emergency assistance packages, both financially and in terms of guiding DMCs toward needed policy reforms. More generally, the Bank reaffirmed its role as a broad-based development institution by complementing its traditional role of project financier with support of critical policy and institutional reforms, particularly in the crucial area of public sector reforms and support, and financial and capital markets.

Underpinning the Bank's efforts in 1997 to promote the five areas of strategic priority were several new sector policy initiatives. The Board approved a policy paper on the fisheries sector which prescribed the use of sustainability, equity, and efficiency as the primary criteria in the appraisal and evaluation of fisheries projects. In addition, work continued on developing policies to recognize and protect the interests of indigenous peoples and to strengthen the Bank's involvement in the health and water supply sectors. Efforts were undertaken to enhance existing policies regarding

Classification of Country Groups

UNDER THE Bank's general classification, Group A countries are those with a per capita GNP of less than $695 in 1995. Twenty-four DMCs have been classified as Group A. These include some Pacific DMCs with a per capita GNP higher than $695 in 1995. They have been classified as Group A because of their special economic circumstances.

Group B countries are those with a per capita GNP between $866 and $1,618. Group B includes Indonesia with a 1995 per capita GNP of $980, and Papua New Guinea and the Philippines with a per capita GNP of $1,160 and $1,070, respectively. Kazakstan, Nauru, and Uzbekistan have also been classified as Group B countries.

Group C countries had per capita GNP of $2,017 or more in 1995.

However, the Bank's policy is that such cutoff points need not be used rigidly for classifying countries. Size, remoteness, and other distinctive features also influence classification.

Energy Loans[a] and Technical Assistance Grants, 1997

	Loan		Technical Assistance Grant	
	No.	$ Million	No.	$ Million
Electric Power	5	478.40	15	7.27
Natural Gas	1	150.00	7	4.13
Others	1	40.00	–	–
Fuel Minerals	–	–	1	0.50
Total	7	668.40	23	11.90

a Excluding private sector loans.

the Bank's cooperation with nongovernment organizations (NGOs), gender and development, and poverty reduction.

Economic growth

In 1997, the Bank lent nearly $6.4 billion for 28 traditional growth projects. The unusually large volume of lending for economic growth projects was because of the program loan to the Republic of Korea. Excluding the Financial Sector Program loan to the Republic of Korea, the total lending for growth projects would be $2.4 billion. These projects covered most of the Bank's DMCs and were widely spread across sectors, including agriculture, energy, finance, and transport and communications.

As discussed below, the traditional growth projects approved in 1997 contributed significantly toward the achievement of the Bank's operating objectives in each targeted sector.

Agriculture: In the agriculture sector, the projects with a growth focus had diversified emphases: from building irrigation systems in Indonesia, to developing rural financial institutions in the Kyrgyz Republic. *For more details on agriculture, see box on Agriculture and Natural Resources, page 45.*

Energy: Energy projects financed power transmission in People's Republic of China (PRC), Lao People's Democratic Republic (Lao PDR), Maldives, Philippines, and Viet Nam; liquefied petroleum gas transmission in India; and rehabilitation of the Ulaanbaatar district heating in Mongolia. The broad focus for the energy sector was restructuring of the power sector,

Classification of Projects by Objective, 1994–1997[a, b]

Classification	1994				1995			
	No.	%	$ Million	%	No.	%	$ Million	%
Traditional Growth Projects[c]	24	51	2,324.7	63	25	38	3,211.0	59
Social Projects	10	21	514.4	14	21	32	1,143.1	21
Poverty Reduction	0	0	0.0	0	4	6	88.0	2
Human Development	9	19	460.4	13	17	26	1,055.1	19
Improving the Status of Women	1	2	54.0	1	0	0	0.0	0
Environmental Projects	1	2	157.0	4	5	8	376.0	7
Growth-Oriented Projects[f]	12	26	682.9	19	14	22	684.5	13
Total	47	100	3,679.0	100	65	100	5,414.6	100

a Loan projects are classified in terms of the Bank's strategic development objectives: (i) promote economic growth; (ii) reduce poverty; (iii) support human development; (iv) improve the status of women; and (v) protect the environment. Public sector projects are assigned a maximum of two objectives, one primary and one optional secondary. Projects are classified as having social or environmental objectives only if they are designed to specifically and primarily address poverty, human development, status of women, or the environment, and if their expected impact in terms of benefits and beneficiaries is adequately documented and fulfills the relevant classification criteria.

b Excludes private sector loans/equity, and technical assistance loans. Percentages and figures may not add due to rounding.

expansion of power supply, and enhancement of power companies' operational efficiency. *See also, box on pages 46-47.*

Transport and communications: The largest number of growth projects was in the transport and communications sector (twelve projects), including three airport projects (Indonesia, Nepal, and Philippines), two port projects (the PRC and Indonesia), two railway projects (Bangladesh and the PRC), and three road projects (Fiji, Lao PDR, and Sri Lanka). Significant emphasis was placed on promoting sector and institutional reforms to enhance the commercialization of, and private sector participation in, the provision and operation of transport and communications infrastructure.

Capital and financial markets: The numerous projects in the capital and financial markets sectors reflect the key role that these sectors play in the development process, and the Bank's emphasis on being a catalyst of financial resources rather than simply a provider of financial assistance. The role of the Bank in promoting reforms in the capital and financial markets became particularly critical in the wake of the financial crisis affecting Asian markets. The five financial sector projects included, among others, a $4 billion Financial Sector Program loan to the Republic of Korea, as part of a total assistance package amounting to more than $57 billion to be contributed by ADB, International Monetary Fund (IMF), World Bank, and bilateral sources. In addition, the Bank provided $300 million for the Financial Markets Reform Program loan to Thailand, which is part of the Bank's pledge of $1.2 billion in the context of the assistance package to

Transport and Communications Loans[a] and Technical Assistance Grants, 1997

	Loan		Technical Assistance Grant	
	No.	$ Million	No.	$ Million
Railways	2	310.00	3	1.40
Ports and Shipping	4	263.00	5	3.13
Airports and Civil Aviation	3	244.00	2	1.48
Roads	3	116.00	14	9.34
Telecommunications	–	–	1	0.10
Total	12	933.00	25	15.45

a Excluding private sector loans.

1996				1997				1994–1997			
No.	%	$ Million	%	No.	%	$ Million	%	No.	%	$ Million	%
30	39	3,042.3	57	28	39[d]	6,382.9	68[d]	107	41[e]	14,960.9	63[e]
31	41	1,343.3	25	27	38	1,752.1	19	89	34	4,752.9	20
9	12	187.2	3	2	3	114.6	1	15	6	389.8	2
21	28	1,111.1	21	23	32	1,577.8	17	70	27	4,204.4	18
1	1	45.0	1	2	3	59.7	1	4	2	158.7	1
8	11	368.1	7	7	10	378.8	4	21	8	1,279.9	5
7	9	628.0	12	10	14	852.6	9	43	17	2,848.0	12
76	100	5,381.7	101	72	101	9,366.4	100	260	100	23,841.7	100

c A project is classified as a growth project if its primary aim is to promote economic growth through investments that increase economic production capacity and/or enhance economic efficiency.

d Excluding the Financial Sector Program loan to the Republic of Korea, the share of economic growth projects in terms of number of projects would be 38 percent; in terms of lending volume, economic growth projects would account for 44 percent of the total.

e Excluding the Financial Sector Program loan to the Republic of Korea, the share of economic growth projects in terms of number of projects would be 41 percent; in terms of lending volume, economic growth projects would account for 55 percent of the total.

f A project is classified as a growth-oriented project if social or environment emphasis is a secondary aim.

Financial Sector Loans[a] and Technical Assistance Grants, 1997

	Loan		Technical Assistance Grant	
	No.	$ Million	No.	$ Million
Capital Market Development	6	4,650.00	15	7.00
Development Finance Institutions	2	8.00	11	4.40
Privatization	–	–	4	1.92
Total	8	4,658.00	30	13.32

a Excluding private sector loans.

be provided also by ADB, IMF, World Bank, and several bilateral donors.

The main objective of the Bank's support of financial and capital markets reforms was to help restore investor confidence in the short run and develop more stable, more suitably matched long-term sources of funds to meet critical industrial and infrastructural needs over the long run, and to improve the efficiency of resource allocation. Key components of most of the interventions were the creation of an enabling policy environment and a level playing field; strengthening of the governance, institutions, regulation, and supervision of the securities markets; improving and modernizing capital markets infrastructure and linkages; developing the corporate debt market; introducing reforms in the mutual fund industry; and promoting savings through reforms of the insurance sector, and of pension and provident funds.

The Bank's direct support of policy reform extended well beyond the financial sector. In the context of its intensified governance program, for example, the Bank provided two public sector reform programs to the Marshall Islands and the Federated States of Micronesia. The Marshall Islands program covered reforms in civil service and taxation, and the transport sector, to help develop a more self-reliant economy. The program for the Federated States of Micronesia is aimed at reducing the size of the public sector and encouraging private sector involvement through civil service retrenchment and restructuring of government operations and public enterprises. Attention was paid to mitigating any adverse social impacts of these reforms. In the Kyrgyz Republic, a program financed by the Bank focused on improving the performance of the enterprise sector as a whole through reforms of the corporate structure, and governance of both public and private enterprises.

Technical assistance: The Bank's technical assistance program continued to support the preparation of numerous projects promoting economic growth and to assist in policy reforms, institution building, and the creation of an enabling environment for private sector development. Examples include technical assistance for investment promotion in the Pacific DMCs, which assisted improvements in the policy, regulatory, and institutional frameworks relating to foreign direct investment; and technical assistance complementing the first major power project with private sector participation in Bangladesh (Meghnaghat Power), which assisted the Government in developing procedures, guidelines, and documents for bidding, as well as evaluation of proposals. The Bank also continued to assist the People's Republic of China in the competitive bidding process for build-operate-transfer (BOT) power projects using the Changsha BOT Power Plant in Hunan Province as a pilot project. Technical assistance was employed to back up subregional growth efforts in the Greater Mekong Subregion, Central Asian republics, and the recently identified South Asia Growth Quadrangle (Bangladesh, Bhutan, India, and Nepal).

Finally, among its broad-focused regional initiatives in support of economic growth, the Bank also provided support for the Asia-Pacific

Economic Cooperation (APEC). In 1997, the Bank assisted the development of the voluntary guidelines for (i) facilitating private sector participation in infrastructure development, and (ii) promoting financial and capital market development, both of which were approved by the APEC Finance Ministers in Cebu, Philippines. Following these Voluntary Guidelines, Collaborative Initiatives were agreed under the leadership of various APEC

Agriculture and Natural Resources

WITH RAPID economic development in Asia, the share of agriculture in gross domestic product (GDP) has declined across all DMCs. However, the majority of the region's population continues to reside in rural areas and, in most of the Bank's DMCs, a large share of the work force is employed in agriculture and related activities. Agricultural production increases and growth in the rural economy have provided an important foundation for the economic transformation in Asia and remain a necessary prerequisite to sustained and equitable growth of GDP. They are also major factors in the reduction of poverty and regional inequalities.

The Bank's strategy for agriculture is to improve productivity and sustainability of existing agricultural systems, to encourage sustainable use of the natural resource base, to improve market efficiency, and to promote a viable and self-sustaining rural development process. Economic, social, and environmental concerns of the DMCs have been integrated into the program for agriculture. As a result, most loans in the sector focus on social and environmental issues as either the primary or secondary objective along with economic growth. The 1997 program, in particular, reflected the Bank's concerns with poverty reduction, environmental issues, and gender equity. In addition, there has been greater effort to incorporate capacity-building measures into the design of agricultural projects and to reduce the direct role of governments in agricultural production or marketing in favor of an expanded role for private enterprise. In support of the devolution process under way in many of the Bank's DMCs, there has also been more emphasis on promoting the decentralization of decision-making processes from national to regional and local levels and to community/farmer-managed organizations. This has been of particular relevance in transition economies, especially the Central Asian republics. Loans in the sector have included policy reform in the project design, covering both project-specific and sectoral concerns.

Projects in the agriculture sector, particularly those for natural resource management, have increasingly incorporated beneficiary participation, and involvement of nongovernment organizations and local communities; credit for microenterprise development has been focused on reducing poverty and expanding self-employment opportunities. This has been part of a sustained effort to improve project quality through increased ownership, improved operational efficiency, increased transparency, and reduced dependence on government institutions. During 1997, loans to the agriculture and natural resource sector totaled $1,004 million for 17 projects in nine countries. In addition, 36 technical assistance grants were approved amounting to $28.6 million in support of project preparation, institutional strengthening, research activities, policy reform, and service enhancement.

Agriculture and Natural Resource Loans[a] and Technical Assistance Grants, 1997

	Loan		Technical Assistance Grant	
	No.	$Million	No.	$Million
Irrigation and Rural Development	9	500.20	10	6.69
Agricultural Support Services	4	354.90	16	9.33
Fisheries	4	76.22	4	2.23
Forestry	1	33.00	2	7.80
Livestock	1	19.70	1	0.75
Industrial Crops and Agro-Industry	1	20.00	3	1.75
Total	20	1,004.02	36	28.55

a Excluding private sector loans.

members in the areas of enhancing cooperation among export financing institutions, strengthening financial market supervision, strengthening clearing and settlement infrastructure, supporting development of rating agencies and strengthening disclosure standards, securitization, and promoting a free and stable flow of capital. Activities within the Collaborative Initiatives are ongoing, and the Bank is extending assistance whenever requested.

Poverty reduction

Poverty reduction is a strategic objective of the Bank. Poverty remains a trap for more than 950 million people in the Asian and Pacific region, with a large part of this total facing absolute poverty. The total number of poor in the region represents nearly three quarters of all the world's poor. While the absolute number of poor persons in the region is expected to decrease gradually, by 2000, the region will still have more than half of the world's poor. The roots of poverty lie in a complex fabric of social

Bank's First Loan for Renewable Energy

AN INADEQUATE power supply has emerged as one of the most serious infrastructure constraints in sustainable economic growth in India. Improvements in efficiency of existing facilities and additional investment in traditional commercial power supply sources alone will not be sufficient to bridge the demand-supply gap. Further, India's heavy reliance on coal as a fuel source for power generation has significant detrimental environmental impacts. Thus, power systems based on renewable energy sources (RES), such as wind, solar, bagasse, biomethanation, municipal and agricultural wastes, and hydro, are suitable candidates for reducing power shortages. Power generation systems, based on RES, can be deployed with much less capital and in relatively shorter periods of time. RES technologies offer the investment opportunities to small entrepreneurs in power generation and provide alternative sources of energy that cannot be supplied by the grid. Power generated from RES is economically attractive when compared with power generated from commercial energy sources if the economic costs of inputs and the environmental costs of the fossil-based generation they displace are considered. The competitiveness of RES vis-à-vis commercial energy sources rises further when the electricity tariffs are aligned with the long-run marginal costs.

India's experience in the application of RES technologies is about 20 years old and is the most extensive among the Bank's developing member countries, with the possible exception of the PRC. The share of renewable energy in India at present is about 1,200 megawatts (MW), constituting just over 1 percent of the overall generating capacity in the country. By 2005, an additional 2,200 MW is expected to be generated utilizing RES technologies. Although the potential supply of RES in India is significant, the pace and magnitude of commercialization has been slow. The lack of access by users and developers to appropriate financing mechanisms has been a constraint to RES adoption. The lack of a commercial market base has prevented a faster buildup of the necessary infrastructure support and has inhibited the opportunities for expanding the production of these systems. Policy measures, adopted recently by the Government of India, will facilitate the expansion of and economic factors, making poverty reduction one of the most persistent development challenges the Bank addresses. Further exacerbating the challenge of poverty is that, with its complexity and multifaceted nature, there is difficulty in defining and measuring its many aspects.

Poverty reduction has been an implicit element of all operations since the Bank was established. The Bank pays close attention to poverty reduction issues in the formulation and implementation of its project and technical assistance activities. The Bank also provides support for policy reform in individual countries that would provide more opportunities for the poor. In terms of specific projects, during 1997 two projects approved had poverty reduction as a specific primary objective: the Rural Income Generation Project in Indonesia and

Heightened concern for poverty reduction has led the Bank to undertake projects that increase incomes and provide jobs.

RES. Principal among these are reform measures toward a pricing policy that reflects more closely the economic costs of commercial energy supply, the trade and industrial policy reforms, and the entry of the private sector to augment power generation capacity. These policy instruments will accelerate the commercialization and use of RES.

The Bank's policy for the renewable energy sector supports the development of RES and recommends assistance for programs that are economically and financially viable. By supporting the development of RES, of which India has substantial potential, Bank assistance will offer an important contribution to address India's power shortages, reduce the energy sector dependence on fossil fuel, develop an environment-friendly energy supply through renewable sources, and prevent depletion of India's limited resources including forests. The Bank implemented a $100 million loan (which had been approved in late 1996) to support the Government's plan for expanding the development of four major RES technologies: biomethanation for production of energy, bagasse-based cogeneration of power, wind energy development, and solar-thermal system; and for facilitating the transition of RES technologies to mainstream status. The Bank-funded project will tap financial and managerial resources from the private sector and help promote environmentally sound investments in small-scale power generation using RES technologies. The Bank loan, onlent to private entrepreneurs at commercial terms, will facilitate the generation of about 125 MW equivalent which will reduce coal consumption in the country by about 625,000 tons per year, and improve proportionately the air and water quality. Provisions have been made for capacity building of the institutions tasked with promoting and financing RES technologies in India. This is the Bank's first loan in the renewable energy sector. It may serve as a model for replication in other DMCs of the Bank in formulating appropriate regulatory and institutional framework, as well as designing an economically, financially, and technically viable program for RES development to meet Asia's needs for sustainable human and economic development.

the D.G. Khan Rural Development Project in Pakistan. Ten additional projects had poverty reduction as a secondary objective.

One approach in the Bank's poverty reduction efforts is the promotion of broad-based economic growth and support for targeted interventions. This approach is based on the experience of countries that have been most successful in reducing poverty. Sustained rates of economic growth, in turn, provide opportunities for the poor to participate in and benefit from this growth. Support for basic social services, particularly in education and health, helps the poor participate more effectively.

At the same time, the Bank pursues poverty reduction through initiatives that are oriented toward the needs of specific countries. These initiatives are based on particular country-level conditions and concerns and have a specific country-based focus. Poverty reduction efforts increasingly are becoming an element of country strategy studies and country programming processes.

During 1997, the Bank undertook a range of initiatives addressing poverty reduction. The Bank is an active member of the broad-based Consultative Group to Assist the Poor (CGAP), and during the year hosted a CGAP meeting at Bank Headquarters in Manila. Similarly, the Bank actively participated in the international Microcredit Summit, held in Washington, DC. Within the Bank, efforts were maintained to shift the focus of project design, monitoring, and evaluation away from emphasis on project inputs and toward emphasis on project outputs, benefits, and impact. Studies are under way on a variety of poverty issues, both urban and rural. The Bank also undertook assessments of the impact of policy-based lending on the poor and methods to measure the overall effects of the Bank's operations on the poor. Staff training in poverty reduction issues is being provided, including assignment to external institutions such as the Grameen Bank in Bangladesh.

The Bank currently is engaged in a review of its overall strategies and policies for poverty reduction, with a view to drafting a guiding policy on poverty reduction. This will be a significant effort involving both the Bank and its DMCs. A series of country-level consultation meetings are planned, to broaden the perspective on this central question of development.

Supporting human development

The Bank has continued to emphasize its strategic objective of promoting human development by expanding investments in the critical sectors of education, health and nutrition, water supply and sanitation, and urban development. Human development is an expanding area of activity for the Bank. Of a total of 72 public sector projects approved during 1997, excluding private sector and engineering technical assistance loans, 26 projects were for social infrastructure projects, with human development as the primary aim for 23 projects.

Supporting human development is not only a means to achieving sustainable and long-term development, but is also an end in itself. Sustained economic growth requires educated, skilled, and healthy people. At the same time, the objectives of reducing poverty, meeting basic needs, and providing access to a better quality of life now and for future generations cannot be achieved without investing in human development.

Bank projects and technical assistance support improvements in access to, and quality of, human development services. The poor and women are priority target groups for most of these projects. The Bank is paying greater attention to promoting private sector participation in the financing and provision of human development-related services. More effective financing mechanisms for these services are given high priority, as is greater decentralization and devolution of authority to local governments. Special emphasis is being given to issues related to governance and management capacity of social sector services. Some examples of Bank activities in human development follow.

Social Infrastructure Loans[a] and Technical Assistance Grants, 1997

	Loan[b]		Technical Assistance Grant	
	No.	$Million	No.	$Million
Education	14	627.70	18	10.15
Urban Development and Housing	8	513.80	15	9.33
Water Supply and Sanitation	6	430.00	10	5.50
Health and Nutrition	7	203.32	9	5.31
Total	35	1,774.82	52	30.29

a Excluding private sector loans.

b The majority of projects in the social infrastructure sector have human development as their primary objective.

Education: The Bank aims to support the education sector in its DMCs by investing in basic education, improving the quality of education, and making education in general – and skills training in particular – more relevant to market needs. Consistent with the Bank's goal of investing in projects with the highest returns, new Bank projects in Bangladesh, Indonesia, Kazakstan, Uzbekistan, and Viet Nam emphasize basic education. A project in Indonesia aims to improve the quality and management of, and access to school for students in poor rural areas. Bank projects in Malaysia and Sri Lanka focus on improving the quality of technical and higher education systems to address the key constraint of shortage of engineers and technically skilled labor. A sector development project in the Kyrgyz Republic supports a comprehensive review of education sector policies and provides investments for education infrastructure. A project in Uzbekistan supports the development of textbooks in basic education, incorporating new areas of knowledge and skills required for the transition to a market economy.

The Bank's technical assistance is supporting the preparation of education projects in Bangladesh, Indonesia, Lao PDR, Malaysia, Maldives, Pakistan, Philippines, and Viet Nam. Efforts in Indonesia and Viet Nam support improvements in the quality of education through teacher training. In the Lao PDR and Pakistan, the Bank's assistance specifically targets women, girls, and ethnic minorities. Technical assistance in the Philippines focuses on basic education development in the Mindanao region. In addition, the Bank is supporting capacity development in the education sector in Bangladesh, Cambodia, Indonesia, Kazakstan, Kyrgyz Republic, Malaysia, Philippines, Thailand, and Uzbekistan. These efforts include strengthening administration and management at the central and local levels, developing education information and monitoring systems, reviewing technical education and skills training, supporting decentralization, and improving capacity for textbook production.

A regional technical assistance (RETA) grant is examining recent trends, issues, and policies in education to help assess the evolving role of the Bank in the sector. This will provide the basis for developing a new education policy for the Bank. Another RETA grant will explore the potential for using the power of mass media for improving the human capital of the disadvantaged, including women, people from ethnic minorities, the disabled, and the poor. *See also Table 10 in the Statistical Annex.*

Health and nutrition: The Bank's main strategies for supporting the health improvement efforts of its DMCs are focused on primary health care services, control of communicable diseases, and capacity building. An innovative Bank project in Bangladesh seeks to improve the provision of primary health care in four large urban areas by contracting out services to NGOs and the private sector (*see box on page 55*). A new project in Indonesia supports government efforts to control communicable diseases, since such efforts have large positive externalities and target the poor. A sector development program in Mongolia is supporting the comprehensive reform of health sector policies, including the introduction of private sector delivery of health services and key investments. In a sector development program in Papua New Guinea, the focus is on introducing key reforms in the health care delivery system, including the establishment of a competency-based health personnel training system.

A technical assistance grant in Pakistan supports the development of a project specifically designed to meet the needs of rural women. Technical assistance grants in Bangladesh, Cambodia, Indonesia, and Mongolia build institutional capacity. A technical assistance grant in Papua New Guinea seeks to link expenditure in the health sector with health status.

Health projects are designed to improve the quality of, and widen access to, health services.

A RETA has developed the draft of a new health policy for the Bank based on extensive review of the health priorities and policies of DMCs. The draft policy will be reviewed before being presented to the Board for consideration in 1998. A RETA partly supported the organization of the Fourth International Congress on HIV/AIDS (human immuno deficiency virus/acquired immune deficiency syndrome) in Asia and the Pacific. The Bank also financed a regional technical assistance in the Greater Mekong Subregion to identify viable projects addressing the issues related to HIV/AIDS in the region. A RETA was provided to develop investment priorities to reduce child malnutrition in eight countries and to assist in developing a Bank nutrition policy paper.

Water supply and sanitation: The Bank's main objective for the water supply and sanitation subsector is to increase the availability of safe drinking water and adequate sanitation facilities. Appropriate water and sanitation services are essential for the health and well-being of the population; and the provision of such services should be cost-effective, sustainable, and affordable. In addition to financing stand-alone projects, the Bank typically incorporates water supply and sanitation components into integrated urban development projects to provide a balanced package of development benefits. The Bank also supports institutional strengthening and capacity-building programs aimed at improving service provision, financial management, cost recovery, and facility maintenance. Private sector participation, environmental protection, and involvement of NGOs and local communities in project selection, design, and implementation are promoted and were continued in 1997.

Following the Bank's regional water policy consultations in 1996, preparation of the Bank's water sector policy paper continued in 1997.

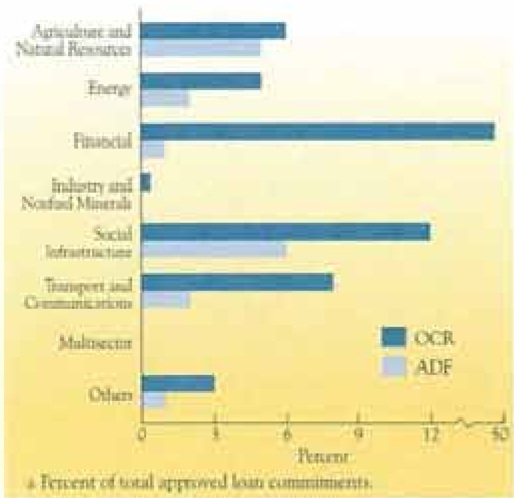
In June 1997, the Bank hosted a meeting on water resources management in Southeast Asian countries together with the Global Water Partnership. As a result of this meeting, the heads of state of the Association of Southeast Asian Nations (ASEAN) approved an initiative to increase water sector cooperation among ASEAN member countries during their summit in December 1997.

In 1997, the Bank approved a water supply project in the PRC which will supply water to three urban areas in Zhejiang Province, provide irrigation water to surrounding rice fields, improve flood protection, generate hydroelectricity for the Wenzhou grid, and build the capacity of local resettlement bureaus. In Indonesia, a capacity-building project for water supply enterprises to improve water loss reduction was approved, focusing not only on physical infrastructure but also on a broad range of related administrative and management aspects to enhance the cost effectiveness of services. In Thailand, a project will provide water supply facilities to the two provincial capitals of Nong Khai and Udon Thani as well as 12 major villages that are currently without piped water. In Sri Lanka, another project will provide improvements to the urban and rural water supply and sanitation systems in six districts, benefiting about one million people. In this project, the Bank loan will also leverage significant sector reforms through the introduction of private sector management of water supply and sewerage in Greater Colombo. The Bank also approved a wastewater management project in Pakistan which will finance infrastructure for wastewater collection and treatment in the Korangi/Landhi area, Karachi. In Viet Nam, a Bank-funded project will expand the availability of piped water supplies and sanitation facilities to households, businesses, industries, and institutions in seven dispersed provincial towns.

Technical assistance activity in the water supply and sanitation subsector during 1997 covered PRC, Indonesia, Kiribati, Philippines, and Thailand. Advisory technical assistance focused on cost-recovery studies and reforms, as well as capacity-building support, including private sector participation. In the PRC, technical assistance was provided to help package what will be the first build-operate-transfer (BOT) water supply project in the country, located in Chengdu, Shichuan Province. The Bank also published the *Second Water Utilities Data Book for the Asian and Pacific Region*, which provides information on 50 water utilities in 31 DMCs. The *Data Book* was launched and made available to the public at the Fourth Global Forum of the Water Supply and Sanitation Collaborative Council in November, for which the Bank served as cosponsor.

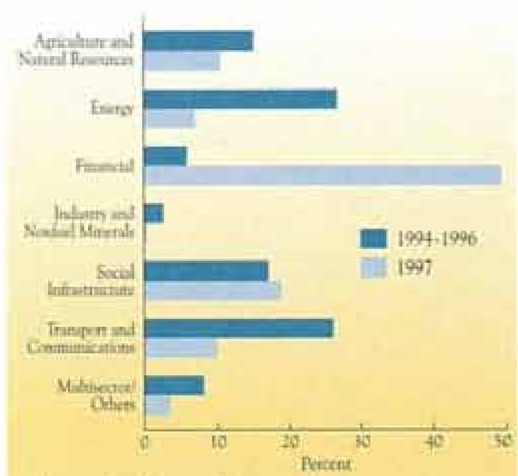
Urban development: Addressing the rapid pace of urbanization throughout Asia is a formidable challenge facing the majority of the Bank's DMCs. The Bank encourages an integrated approach to urban

Sectoral Distribution of Loan Approvals from OCR and ADF, 1997[a]



a Percent of total approved loan commitments.

Sectoral Distribution of Loan Approvals: 1994-1996 (average) and 1997 - By Value[a]



a Percent of total approved loan commitments.

development by supporting investments for a balanced range of infrastructure and services, targeted at meeting the basic needs and improving the living conditions of the urban poor. Subsectors incorporated into integrated urban development projects include water supply and sanitation, solid waste management, flood control, drainage, roads, urban transport, land development, slum improvements, and low-income housing. The Bank considers institutional capacity building as essential for promoting the efficient delivery, management, and maintenance of urban services on a sustainable basis. Urban development projects also promote private sector participation, especially in the water supply, wastewater, and solid waste subsectors. Technical assistance and training activities for urban sector projects introduce relevant institutions and agencies to different techniques and approaches for recovering costs, mobilizing local resources, and collecting revenues.

During 1997, the Bank approved an integrated urban development project in the Lao PDR which will support the development of primary urban infrastructure in the four largest secondary towns of Luang Prabang, Pakse, Savannakhet, and Thakhet. The project also includes an extensive capacity-building component aimed at strengthening the urban services management capabilities of local administrations. The Bank also approved a housing finance project for India which is designed to (i) expand the national housing finance system by establishing lending linkages between the formal housing finance sector and community-based finance institutions, thereby increasing access to housing finance by low-income households; (ii) increase the availability of housing finance by leveraging public and private sector capital; (iii) support innovative projects for low-income housing and slum improvement; and (iv) expedite policy reforms in the sector to alleviate existing constraints to effective housing delivery.

Problems of water supply and quality are a major concern in Asian cities.

In Indonesia, the Bank's first stand-alone urban sector capacity-building project was approved to improve the effectiveness and efficiency of urban infrastructure through a combination of human development, institutional strengthening, and policy and implementation support. In addition, an integrated urban development project was approved for Metro Medan, which complemented the Bank's two earlier projects for Medan, accommodating the metropolitan nature of urban growth in the area in a regional context and emphasizing public-private partnerships. In Mongolia, the Bank approved its first urban sector project for provision of urban services to five provincial capitals in western and northwestern provinces. The project focus is on a variety of basic urban services, promoting appropriate and sustainable technologies and involving local communities. The project also has an associated technical assistance for capacity building. In the Philippines, a project for the development of the municipalities around the Subic Bay area was approved to provide urban infrastructure, as well as strengthen the institutional capacity of the local government units concerned.

Urban sector technical assistance was approved to prepare integrated urban development projects in Bangladesh, India, Philippines, and Sri Lanka. The Bank also approved a project to develop a revolving loan fund in India to finance commercially viable urban and environmental infrastructure projects that include private sector participation. Moreover, in 1997, technical assistance was primarily directed toward capacity-building programs in the areas of urban management and private sector participation in the delivery of urban services. In Mongolia, technical assistance was provided to review housing sector laws and strategies which form the basis for more substantial work in the sector. A RETA was approved to address a number of urban development and housing issues, including best practices for promoting private sector investment in infrastructure, and the status of mortgage-backed securities markets in DMCs.

In the Pacific DMCs, Bank assistance for urban development, including water supply and sanitation, was integrated into a framework of national economic and policy reforms. The thrust of these reforms is improved self-reliance, and the Bank is encouraging corporatization and private sector participation to translate this objective into the urban development subsector. In 1997, the Bank implemented technical assistance for the management of water supply and sanitation services in Fiji and for the corporatization of public utilities in Kiribati. Institutional, policy, and fiscal reforms are important components of water supply and sanitation projects currently under implementation in the Marshall Islands and the Federated States of Micronesia, and in a housing and urban infrastructure project under consideration in Samoa. Reforms are supported by technical assistance for capacity building, and development objectives are being identified.

Gender and development

Improving the status of women is one of the strategic objectives of the Bank. Gender and development is no longer seen as merely an issue of human rights or social justice; investment in women is now widely recognized as crucial to achieving sustainable development. Economic analysis recognizes that low levels of education and training, poor health and nutritional status, and limited access to resources not only depress the quality of life for women, but also limit the productivity of women and their contribution to economic efficiency, growth, and development. Public policies and investments that raise the status of women have specific benefits such as improved public health, lower infant and maternal mortality, lower fertility rates, increased life expectancy, and reduced welfare costs. Development programs that include measures to expand economic opportunities for women and increase their incomes, combined with efforts to improve women's health and education, result in greater economic efficiency and decreased levels of poverty. Discrimination against women, whether in the household, in the public realm, or in markets, carries both personal costs for the individual and social and economic costs for society at large.

The Bank's first policy on women in development was adopted in 1985. The initial approach under this policy was to implement a range of activities within its regular operational program that cited women as a specific target group. Emphasis was placed on the provision of finance for projects in areas such as social infrastructure that would benefit women directly, as well as projects in agriculture, rural development, and small-scale industry that would create income-earning and employment opportunities for women.

Women are increasingly assuming nontraditional roles in development.

By 1992, the Bank's approaches to improving the status of women were strengthened and gained momentum when they were included as one of the Bank's five strategic development objectives. Through this increased emphasis, women in development was brought into the mainstream of the Bank's development agenda. In all its operations, women's concerns and gender analysis came to be addressed systematically, and operational procedures to guide staff in addressing women's issues were developed.

During 1997, substantial efforts toward consideration of women's issues and development were undertaken, including revision and updating of the 1985 policy on women in development. The Bank is considering a number of steps to strengthen the Bank's involvement in gender and development.

A major focus in the relationship between women's issues and development activities has been the identification of projects addressing women or mainstreaming women's concerns. At the same time, through regional technical assistance, the Bank has undertaken a number of sector studies dealing with women's issues. The Bank has moved to integrate consideration of women's issues in its macroeconomic work, particularly in its country operational strategies and country programming. This step is key to ensuring that gender-based issues are addressed systematically in all Bank operations. Country briefing papers addressing women's issues now are prepared concurrently with the country operational strategy to ensure that gender-based issues are mainstreamed into the country programming processes. In addition, the country operational strategy now includes a separate strategy for women that clearly identifies and elaborates on how, at the country level, the Bank will operationalize the strategic objective of improving the status of women.

Ongoing regional technical assistance projects addressing women's concerns include the Low-Income Women Entrepreneurs in Asia project, covering six countries; the Socio-Legal Status of Women in Selected DMCs project, covering four countries in Southeast Asia; and the Institutional Strengthening of Women's NGOs project, covering seven countries. A regional workshop at ADB headquarters under the Socio-Legal Status of Women project brought together leaders in the field of women's issues to discuss country-level and regional strategies to improve the socio-legal status of women.

In 1997, two projects were assigned women in development as their primary project classification. These were the Participatory Livestock Project and the Urban Primary Health Care Project, both in Bangladesh *(see box at right)*.

Environment

The Bank's commitment to the principles of sustainable development and environment protection is one of the primary strategic objectives of the Bank.

The Bank's major environmental activities in 1997 included (i) providing financial and technical assistance to facilitate institutional and policy reforms, and build staff capacity in environmental agencies, enabling staff to carry out effectively their mandate for environmental protection and management; (ii) promoting cooperation among countries in the region or subregion to address transboundary environmental concerns, and to enhance possible environmental benefits occurring from subregional cooperation; (iii) ensuring, through the use of environmental assessment and review procedures, that Bank-funded projects are environmentally sustainable; (iv) financing projects that promote sound management of natural resources, and rehabilitate and protect the environment; (v) undertaking resource center activities to enhance Bank staff and DMC staff awareness on current and emerging environmental issues; and (vi) ensuring interagency collaboration to avoid costly duplication of efforts, and to enable the Bank to focus its assistance in critical areas.

The Bank's achievements in 1997 were in the following areas: (i) capacity building of environmental institutions or agencies in key ministries; (ii) preparing investment projects with environmental objectives; (iii) conducting comprehensive environmental impact assessment to ensure that impacts of development projects on environment are within acceptable levels; (iv) promoting subregional and interagency cooperation on

Bangladesh's Urban Primary Health Care Project: An Innovation in Health Care Provision

BANGLADESH'S URBAN poor suffer from the worst health conditions in the country and the situation is likely to worsen since most of the growth in the urban population is concentrated among the poor. The primary health care (PHC) system that can help improve the health of the urban poor is severely underdeveloped and cannot provide urgently needed services.

As part of the Urban Primary Health Care Project in Bangladesh, the Bank is supporting the testing of an innovation wherein the provision of PHC services is contracted to NGOs and the private sector. The Government has developed a package of essential health services which includes immunization, micronutrient support, family planning, prenatal care, basic curative care, and health education. NGOs and private sector groups will be invited to bid on providing these services in defined geographical areas in the four major cities of Bangladesh: Chittagong, Dhaka, Khulna, and Rajshahi. Each area will comprise about 500,000 people with ten health centers to be constructed under the Project. The successful bidders will be able to use government health centers and equipment, and will be responsible for delivering services up to standards established by the Government. Performance of the NGOs will be monitored by regular supervisory visits and be carefully evaluated using household and health facility surveys. Performance bonuses, directly linked with the achievement of tangible results, will be paid to successful contractors. Performance assessment will include examining whether the urban poor are receiving the full benefits of these services.

There are a number of reasons for believing that contracting for health services will be successful.

(i) There is greater focus on achieving tangible results because payment is linked with measurable accomplishments.
(ii) The tendering process uses competition to improve quality and promote efficiency. Contractors have a clear motivation to contain their costs.
(iii) The contracting mechanism allows for greater flexibility in responding to new requirements and changing circumstances.
(iv) The experiences of NGOs and other groups can be mobilized to improve service delivery and build the capacity of public sector managers.
(v) Governments can devolve day-to-day management to the contractors and focus instead on financing and regulating health services.
(vi) Health and family planning services will become integrated because the contractor is required to provide all services under one roof.

To evaluate whether these expected advantages are real, a rigorous pilot test will be carried out. The Project will define 20 catchment areas and carry out baseline surveys in each. Fifteen areas will be randomly selected to participate in the contracting out of services and the remaining five areas will serve as a comparison group. The City Corporations will continue to be responsible for service delivery in the comparison areas. Follow-up household and health facility surveys will be carried out after four years and the results used to assess the effectiveness, costs, and efficiency of contracting out health services.

Environmental Challenges in the 21st Century

ENVIRONMENT WAS one of the major themes of the Bank's study on *Emerging Asia: Changes and Challenges*. The study shows that Asia's environment record is dismal. Asia's environment has become so polluted and degraded that it poses a threat not just to the quality of life of its people but also to economic growth. The costs of this environmental neglect are massive.

Many argue that Asia cannot spare the resources needed to clean up its environment. But the solution to Asia's environmental problems does not lie in a mammoth environmental bureaucracy charged with the responsibility of investing billions of dollars in environmental infrastructure. Rather, what is needed is a redeployment of existing resources within the public sector to ensure that environmental issues are fully reflected in macroeconomic and sectoral policies. The environment should be regarded as a dimension that cuts across sectors, policies, and institutions. The energies of both the private sector and civil society must also be better harnessed for environmental management.

Unfortunately, Asia's environment is likely to get much worse before it gets better. Most economies are still a long way from the point where rising incomes will create the demands for better environmental standards, and induce a shift in economic structure toward less polluting economic activities. However, it would be wrong to conclude that economic growth per se is the cause of Asia's environmental woes. The major culprits are failed policies and institutions, and reckless neglect.

How to improve policies and establish efficient and effective institutions are expected to be among the major challenges of the 21st century. Other challenges include environmental improvement in megacities, environmental enhancement in the rural areas due to poverty, addressing trade- and environment-related issues, compliance to commitments under international conventions and treaties, and transfer of environmental technology.

selected environmental themes; and (v) undertaking key environmental studies and training activities of interest to the Bank and its DMCs.

Financial and technical assistance amounting to over $5 million were provided to PRC, Kyrgyz Republic, Nepal, Sri Lanka, and Uzbekistan to build or strengthen their environmental institutions or agencies in key line ministries. The primary objective of Bank assistance was to enable these institutions to carry out their mandate for environmental protection. Specifically, the Bank assisted in building human capacity in environmental impact assessment and planning through training and education programs; developing guidelines, systems, and procedures for environmental appraisal; improving the administration of environmental impact assessment requirements of governments; and developing environmental monitoring and enforcement capacity. The Bank also assisted three provinces in the PRC by conducting sector- and industry-specific analyses of the suitability of different market-based instruments to achieve effective environmental management.

The Bank funded various technical assistance projects amounting to nearly $20 million, aimed at improving the efficiency of resource management and pollution prevention and control in the agriculture, fisheries, forestry, water resources, energy, and industry sectors. The Bank also provided technical assistance to study the establishment of a national biodiversity information network in Indonesia; strengthen urban waste management policies and strategies in Indonesia; promote industrial pollution control management in Malaysia; strengthen land use policies in Mongolia; implement the pesticides regulatory framework in Nepal; improve air quality in Metro Manila, Philippines; and rehabilitate and manage the Pasig River, also in Metro Manila. In the PRC, the Bank's technical assistance covered capacity-building activities for energy conservation, wastewater treatment operations, identification of financing mechanisms for energy efficiency investment, environmental improvement in two provinces, and a study of clean-coal integrated gasification combined-cycle technology. Various technical assistance projects focused on coastal environmental management and urban development in Karnataka, India; fisheries management in the Marshall Islands; capacity building for waste management administration in Thailand; and environmental improvement in Ho Chi Minh City, and water resource management in the Red River basin, both in Viet Nam.

In the area of regional cooperation, the Bank continued to assist the Greater Mekong Subregion (GMS) member countries to enhance their institutional and staff capacity in environmental planning and management. The GMS working group meeting on environment was held at Siem Reap, Cambodia; NGOs as well as working group members attended. The Bank conducted a participatory approach workshop on the development of strategies and policies for environmental management in GMS. The Bank also continued to assist various DMCs in addressing regional and global environmental concerns such as climate change and acid rain-related issues. The Bank has responded through technical assistance to the request of the Government of Indonesia and ASEAN Secretariat in addressing the forest fires in Indonesia as well as in the preparation of transboundary haze action plan. *(See box on page 58.)*

To ensure that Bank-funded projects are environmentally sustainable, the Bank reviewed all 1997 projects for potential environmental impacts. The Bank actively sought to include environmental provisions in project, sector, and program loans, including loans involving development finance institutions. In 1997, a total of 20 summary environmental impact assessment (EIA) reports were circulated 120 days before the ADB Board of Directors' consideration of the respective projects, giving interested groups another opportunity to comment on the environmental aspects of the projects. Queries forwarded to the Bank concerning some of these projects were resolved. Also, the Bank continued its initiative, which was started two years ago, of undertaking environmental economic analysis on a number of projects. Expanded analysis was found to improve the economic internal rate of return of these projects.

This year, increased emphasis was placed on EIA compliance-monitoring of projects. Seven projects, mostly hydropower projects in the Lao PDR and Nepal, were closely reviewed and monitored. By participating in various project completion and postevaluation missions, the Bank's environment specialists also identified various lessons which will be fed into similar projects upstream of loan processing.

The Bank's attention was focused on the prevention, abatement, and mitigation of potential environmental impacts of projects, as well as on programming projects with environmental objectives and on improving project design to enhance further environmental benefits. This year, the Bank approved over $378.8 million in loan projects with environmental objectives; three loan projects in PRC, Indonesia, and India were on ordinary capital resources terms. Situated in various biogeographic ecosystems, these projects comprise upland watershed management, coastal community development and fisheries resource management, ports rehabilitation, and urban environmental improvement. For example, the Upper Watershed Management Project in Sri Lanka is expected to protect the environment and reduce poverty in the project area. Specifically, it will rehabilitate and sustainably manage and protect critical watersheds, improve income of project beneficiaries, and facilitate the establishment of a medium- to long-term watershed management policy. The Forestry Sector Project in Viet Nam, designed with target beneficiary participation in the planning and implementation of various activities, will restore the vegetative cover of the hilly and mountainous areas in critical watersheds and raise the productivity of the country's forestry resources.

In the Philippines, the Bank is supporting the Government's efforts to achieve sustainable development of the fisheries sector and poverty reduction among the local fisherfolk. The project will establish and implement a set of fisheries resource management systems, promote income diversification, and strengthen the institutional capacity of the public agencies in charge of fisheries resource management.

In Indonesia, Bank assistance will promote the sustainable management of coastal fisheries resources, and reduce the extensive poverty in coastal areas by providing opportunities for increasing income and improving the living standards of coastal communities. The Bank will also assist in rehabilitating two major ports in India — the Mumbai and Chennai ports. Aside from supporting the commercialization and corporatization of selected

Measuring Environmental Quality in Asia

IN 1996, the Bank, in collaboration with Harvard University, completed a research study on environmental indicators. Three sets of indexes for monitoring environmental changes were developed: cost of remediation, environmental elasticity, and environmental diamond.

The cost of remediation reflects the cost of moving the environment from its present state to a more desirable level in the future. This index has strong policy implications for national governments and multifinance institutions since it reveals the amount of wealth that a society has to forego to restore the environment to a more livable level. The index relates environment to the cost of repairing damages done to it in dollar terms.

Environmental elasticity is a dynamic ratio that measures the percentage change of an aggregate measure of environmental quality for every 1 percent increase of a country's per capita GDP. The environmental changes are generally defined by several selected environmental indicators and are aggregated through a weighting scheme.

The environmental diamond measures and presents the state of the environment graphically, in terms of overall quality of air, water, land, and ecosystem. This indicator reveals a general picture without concealing the multiple dimensions of the environment.

The three indexes can be used by multifinance institutions and governments in determining the state of the environment, the rate of environmental degradation as compared to economic growth, and the costs of improving the environment. In terms of environmental investments, multifinance institutions may give added emphasis to countries with high cost-of-remediation/GDP ratios and negative environmental trends. The green side of environmental degradation (land and ecosystem) should receive greater attention and investments. Systematic and standardized data gathering, however, should constitute a priority for the Bank's DMCs.

major ports and a privatization policy for the port sector, the project will replace old submarine oil pipelines, which are leaking and causing serious environmental damage. The Bank also approved financing for improvement of the urban environment of selected areas in Lao PDR, Pakistan, and Viet Nam through the development of appropriate urban infrastructure and effective and sustainable management of urban services. In the PRC, the Bank approved a project to promote sustainable regional development by supporting

Land and Forest Fires in Indonesia and the Bank's Response

LONG-TERM climate variability (glacial versus nonglacial climate) and short-term climate oscillations caused by the El Niño-Southern Oscillation (ENSO) have regularly created conditions that make even rainforests vulnerable to wildfires. El Niño is a global climate phenomenon that occurs every two to seven years, and lasts up to 18 months. The onset of El Niño is indicated by warming of the surface waters in the eastern Pacific near the equator, which dramatically rearranges global wind and rainfall patterns. The present episode of El Niño started in early March 1997 and may continue into May 1998.

Fire is also linked to human interventions, which include (i) temporary forest conversion by traditional slash-and-burn systems; (ii) permanent forest conversion for the establishment of agriculture, including estate crops, food crops, horticulture, and livestock; (iii) conversion of natural forest (mainly exploited or otherwise degraded secondary forest) into industrial timber plantations; (iv) drainage of peat swamps; and (v) wildfires (fires escaping from land clearing or land preparation fires into surrounding natural forests, peat lands, and plantations).

Prolonged droughts during previous El Niño events in 1982-1983, 1987, 1991, 1994, and 1997 favored land-clearing activities as well as the spread of fires into standing forests and coal and peat areas, with consequent emission of smoke and development of transboundary haze pollution. The smoke emitted from the Indonesian archipelago in 1987, 1991, 1994, and 1997 came mainly from land-clearing or land preparation fires and forest land-conversion fires. The forest area burned from year to year is reported to be strongly related to the increasing length of the dry season, and since 1987 it has increased with each successive extended dry period. During 1997, more than 1,000 fires have affected an area estimated to range from 300,000 hectares (ha) to over 1 million ha. The smoke emitted from these fires concentrated into a regional haze plume due to the abnormal wind pattern associated with ENSO. The haze that engulfed the region caused enormous health and safety problems in Indonesia and its neighboring countries, particularly in Malaysia and Singapore. The haze resulted in the worst pollution ever recorded in Southeast Asia, with visibility reduced to several meters for several months. In the city of Kuching (Malaysia), the Government was close to evacuating its 400,000 inhabitants. Health officials estimated that in Indonesia alone, some 20 million people suffered from smoke- and haze-related health problems. In the region, the haze also caused disruptions in international air traffic, including closure of airports and cancellation of flights, as well as disruptions in river transport in Borneo and marine traffic, e.g., in the Strait of Malacca. Besides the economic losses due to closure of airports, cancellation of flights, and aircraft and maritime accidents, the haze also had negative impacts on the tourism sector of Indonesia and neighboring countries.

In view of the severity of land and forest fires in Indonesia and the associated smoke and haze pollution in the region, and its impact on the regional economy, the Bank fielded several missions to Indonesia in 1997 to determine the need for Bank support. Following consultations with senior officials of the Association of Southeast Asian (ASEAN) Secretariat and the Government of Indonesia, and in response to the ASEAN Environment Ministers' Jakarta Declaration on Environment and Development (18 September 1997), the Bank is considering a two-pronged prevention and control approach in tackling the environmental consequences of these fires. This approach comprises provision of $1 million through a regional technical assistance (RETA) grant to assist ASEAN in strengthening its capacity to prevent and mitigate transboundary pollution, including haze. The proposed RETA will help formalize the cooperation between affected countries through implementation of the recently completed Regional Haze Action Plan. It will complement and reinforce, at the regional level, a national-level initiative through an advisory technical assistance (ADTA) grant of $1 million to Indonesia. The ADTA is being designed to estimate the economic damage caused by the 1997 fires to provide a basis for policy change, and identify investments needed for the prevention and mitigation of forest fires at the country level.

Because of social, environmental, and economic impacts associated with the El Niño phenomenon, the Bank is also undertaking an internal study in the Philippines and Indonesia, in particular Irian Jaya Province. The emphasis of the study is on the effects of the El Niño phenomenon at the local level in socioeconomic terms. The information generated will be organized, analyzed, and presented in a form that will enable the Bank and other donors to develop a clear view of current and future development options to address the socioeconomic and environmental impacts associated with El Niño.

Shaanxi Province in implementing its environmental plan for improving the ambient air quality in Xi'an, Xianyang, and Tongchuan cities.

The Bank also undertook several resource center activities. To build the environmental management capacity of DMCs, studies focused on the use of market-based instruments in environmental management in Indonesia and the Philippines; and development of environmental indicators and indexes to aid in policy and decision making. Environmental profiles of Kazakstan, Kyrgyz Republic, and Uzbekistan were prepared to improve the understanding of the environmental problems in these economies. Other studies focused on environmental compliance and enforcement, and government nonformal sector cooperation in protected area management. A compilation of environmental economic case studies was also undertaken for selected Bank projects. Seminars and training for Bank staff covered various topics such as the El Niño phenomenon and its impacts in Asia, least-cost greenhouse gas abatement strategy, environmental issues in the GMS, and environmental considerations in agriculture and energy sectors. To share its experiences and exchange views on key regional or country-specific environmental issues, the Bank cofinanced projects with various organizations, including the Economic and Social Commission for Asia and the Pacific, United Nations Development Programme, United Nations Environment Programme, multilateral financial institutions, and several bilateral organizations. The Bank also participated actively in selected seminars, workshops, and meetings within and outside the region, such as the Conference of the Parties at Kyoto, Japan, APEC Environmental Workshop at Vancouver, Canada, and Eco-Asia at Tokyo, Japan.

The Bank also completed a major study on "Measuring Environmental Quality in Asia" which has been well received (*see box on page 57*). *For environment indicators, see Table 9 in the Statistical Annex.*

Governance: sound development management

In 1997, the Bank expanded its activities on issues of governance and capacity building. Part of this effort has been to further the conceptual discussion on what governance entails and how it is related to capacity building.

A certain amount of ambiguity is inevitable in an area as vast as good governance and capacity building. The subtitle of the Bank's Board paper identified governance with "sound development management." "Governance" has been defined as "the manner in which power is exercised in the management of a country's social and economic resources for development." These definitions, although very broad, make clear that governance has to do with the manner in which policies and decisions are defined and implemented, and not with the policies or decisions themselves. This is why the key elements of good governance are identified as (i) accountability of public officials; (ii) participation in decision making; (iii) transparency of information; and (iv) predictability, particularly

Capacity building aims to strengthen the institutional environment for more efficient, effective, and sustainable development.

through the rule of law. Thus, "good governance" is characterized by decision-making processes that hold individuals accountable for their decisions; encourage appropriate participation by those concerned; facilitate the flow of information; and rely on open and clear rules, fairly and uniformly enforced.

Conceptually, capacity building has three key elements: (i) institutional development, i.e., a move from a less efficient to a more efficient set of functions and rules; (ii) organizational development, or the evolution of organizational forms better suited to the new functions and rules; and (iii) human resource development training. Accordingly, while every program, sector strategy, or project should have an appropriate capacity-building component, not all projects are good vehicles for governance improvement, and only a few activities (usually called public sector management) have governance improvement as their central objective.

Substantial policy development, consistent with the governance policy, has taken place in the Bank in 1997. This concerns particularly the preparatory work for an anticorruption policy.

An informal Resource Group on Governance and Capacity Building was established in February 1997 to strengthen Bank policy and programming on governance and capacity-building issues, and help build the Bank's capacity with regard to staffing, organization, and work processes. Since its establishment, the Group has made progress in helping to increase the emphasis on governance and capacity-building concerns in Bank operations. A Learning Group was formed to disseminate good practice to interested staff on various governance and capacity-building topics.

Through dialogue with governments of member countries, the Bank is able to assist in policy formulation and reform.

With respect to capacity building, a qualitative review of loans approved in the period 1995–1997 indicates that almost every loan project approved included some element of capacity building. In most cases, this concerned a focus on human resource development. Although still relatively few, projects addressing organizational development, the modification of organizational structures and work processes, and institutional development have increased in 1997. Examples of loans approved in 1997 which include all three elements of capacity building are the Urban Primary Health Care Project in Bangladesh (*see box on page 55*) and the Participatory Development of Agricultural Technology Project in Indonesia. Relevant technical assistance projects included Capacity Building of the Ministry of Health for Strategic Development in Indonesia, Capacity Building for Pension Reform in Kazakstan, and Institutional Strengthening of the Department of Social Welfare and Development in the Philippines.

Concerning governance, a qualitative review shows that its role in Bank loans and technical assistance has increased significantly. The growing importance attached to governance is well illustrated by loans approved in 1997 such as the Corporate Governance and Enterprise Reform Program in the Kyrgyz Republic and the Public Sector Reform Program Loan for the Federated States of Micronesia. Examples of technical assistance projects with a strong governance character are Support for the Government of Madhya Pradesh Public Finance Reform and Institutional Strengthening in India, Capacity Building of the Ministry of Law and Justice in Nepal, and Strengthening Information Disclosure and Compliance in Thailand.

A number of seminars and workshops were carried out in 1997 to raise DMCs' awareness of the importance of governance and capacity building. An example of these was the seminar on Promoting Governance: Sound Development Management, which was conducted in connection with the 30th Annual Meeting of the Bank in Fukuoka, Japan. Other examples included workshops on municipal management in Pakistan and workshops on local government in the Philippines.

On a different level, follow-up was given to another key element of the governance policy: participation through, among others, the RETA on Facilitating Capacity Building and Participation Activities, approved in late 1996. Fourteen requests amounting to $245,000 have been funded. The proposals approved have supported a diversity of participatory practices across countries and sectors. Relatively small amounts of money have served as a catalyst for locally responsive and innovative activities in a number of Bank projects and country programming exercises. Initial feedback has indicated a substantial quality impact. Efforts are now under way to document lessons learned with the objective to mainstream these into the Bank's operations.

In another related area, in coordination with the World Bank and the United Nations Development Programme, the Bank provided $245,000 to the International Federation of Accountants for developing and issuing a series of accounting guidelines and standards to enhance financial reporting, accounting, and auditing in the public sector of its DMCs. This is in line with the MTSF which emphasizes the Bank's role in catalyzing development assistance that links project financing with policy review, capacity building, good governance, and support for regional cooperation.

Law and development

Guided by the Bank's five strategic objectives identified in the MTSF, the Bank's law and development activities in 1997 promoted legal reforms to create policy, legal, and regulatory frameworks supportive of economic growth, poverty reduction, development of human resources, enhancement of the status of women, and protection of the environment. Given the important role of the private sector in furthering economic growth, the Bank's law and development activities have focused particularly on the development of legal and regulatory frameworks that support private sector development. These law and development activities are being carried out through loan conditions and covenants in project, sector, and especially program loans, as well as through technical assistance providing consulting services for development of policy, legal, regulatory, and institutional issues.

In 1997, the Bank approved eight law-related regional technical assistance projects, 54 law-related technical assistance projects in 20 DMCs, as well as three technical assistance loan projects. Such technical assistance included capacity building for legal education and training, economic law reform, support for private sector and other sectoral operations, enhanced access to legal information, research on the relationship between law and economic development in the Asian and Pacific region, and judicial reform. The three technical assistance loan projects involved a loan to the Republic of Korea, including legal and regulatory reforms in the domestic financial markets and capital markets as part of the international financial community's response to the Asian currency crisis; a loan to the Kyrgyz Republic for capacity building for corporate governance, insolvency procedures, and related strengthening of Arbitrazh Courts; and a loan to Pakistan for regulatory reforms in the securities market.

Continuing legal education and training of public sector lawyers, including members of the judiciary, constitute a primary focus of the Bank's law and development programming. In 1997, the Bank approved a technical assistance project for retraining of government legal officers in Viet Nam. Under this project, assistance will be provided to the Government to enhance its institutional capabilities for providing continuing legal education to Vietnamese lawyers operating in a market economy. The project will assist in the development and delivery of a long-term countrywide legal retraining program, including a significant faculty development component. A similar technical assistance project in Mongolia will establish a retraining program in Ulaanbaatar to provide continuing legal education for government lawyers, judges, prosecutors, and other legal professionals for work in Mongolia's evolving market economy. A technical assistance project in the Maldives will strengthen the legal system by identifying measures to improve court administration, lawmaking, and legal education, including steps to be taken to establish a program for continuing legal education of judges, court administrators, government and private lawyers, and civil servants dealing with law-related issues. In Nepal, Bank assistance is being provided for the continuing legal education of lawyers in the Ministry of Law and Justice to enhance their capacity to advise the Government on international financial and investment transactions.

Another element of the Bank's law and development programming is economic law reform. To support Pakistan's capital market reforms, a capital market and insurance law reform technical assistance project will assist in developing legal frameworks for an independent and autonomous securities regulatory body and an insurance regulatory body. A particular feature of the Bank's 1997 activities in economic law reform was the creation of efficient legal frameworks for secured transactions in its DMCs. For this purpose, a technical assistance project in Viet Nam will assist in the creation of a registration system for secured transactions, including assistance in designing a centralized and publicly accessible computerized system to register property, security, and other interests in property. The Bank also approved a RETA to study and recommend, through a participatory process, improvements to existing systems for secured transactions in PRC, India, Indonesia, Pakistan, and Thailand.

In the PRC, technical assistance to restructure insolvent state enterprises will assist the Government to train officials, judges, and administrators responsible for reorganization or liquidation of insolvent state-owned entities.

A RETA grant was also approved to provide in-country training workshops in PRC, India, and Indonesia for government lawyers who provide legal advice on private development of infrastructure through BOT and build-own-operate (BOO) transactions.

To support the Bank's private sector operations, law-related technical assistance projects, approved in 1997, included provision of training for public sector sponsors in negotiating a joint venture to build and operate a liquefied natural gas terminal in India, a regional study on development of best practices to promote private sector investment in infrastructure, and a regional study on governance and regulatory regimes for private sector infrastructure development.

Other law-related technical assistance projects approved by the Bank in 1997, strengthened legal aspects of the Bank's sectoral work in several areas, including projects for (i) insurance industry and pension and provident fund reforms in Bangladesh; (ii) strengthening the legal and regulatory framework for water users associations in Bhutan; (iii) strengthening the institutional and legal framework for the energy and mineral sectors in Cambodia; (iv) developing a legal framework for the electricity sector in Madhya Pradesh, India; (v) supporting urban waste management policies and strategies in Indonesia; (vi) capacity building for pension reform in Kazakstan; (vii) a corporatization plan for the Public Utilities Board in Kiribati; (viii) foreign investment capacity enhancement in the Lao PDR; (ix) fisheries management and development in the Federated States of Micronesia; (x) institutional strengthening of Nepal's Ministry of Population and Environment; (xi) fisheries management and industry support in Papua New Guinea; (xii) Pasig River environmental management and rehabilitation in the Philippines; (xiii) implementation of a privatization strategy in Samoa; (xiv) institutional strengthening for comprehensive water resource management in Sri Lanka; and (xv) strengthening of institutions engaged in environmental protection in Uzbekistan.

Inadequate access to legal information is a major constraint to economic activity in many of the Bank's DMCs. Creating a transparent and easily accessible legal information system is, therefore, an important element of the Bank's law and development programming. Under a Bank technical assistance project, a study has been carried out on ways of improving the dissemination of information concerning PRC laws and regulations. Based on this study, proposals have been formulated to create and disseminate authorized translations of the PRC's principal economic laws and regulations through a loose-leaf publication service and an electronic database.

In September 1997, the Bank held a symposium to consider a seminal study completed under a previously approved RETA on the relationship between legal change and economic development in PRC; India; Japan; Republic of Korea; Malaysia; and Taipei,China from 1960 to 1995. The study, conducted by interdisciplinary teams of lawyers and economists, found marked parallels in the patterns of legal system change in the countries under study over the 35-year period of rapid economic growth. The study demonstrated that during this period, law was important to private sector development and, in particular, to the development of financial and capital markets, and pointed to the increased use of courts

Project DIAL

BANK TECHNICAL assistance has created an important "virtual" resource for policymakers and law reform personnel in the Bank's developing member countries.

Project DIAL (Development of the *Internet* for Asian Law) is an *Internet*-based system which provides access — in its current prototype stage — to the full texts of 40,000 legislative precedents from more than 40 countries worldwide. Project DIAL provides policymakers, law reform personnel, and interested members of the public free access to such materials for use in the policy formulation and law reform process.

In addition to the texts of legislative materials, Project DIAL gives selected "authorized users" e-mail access to panels of international experts who can provide preliminary guidance for their research with such materials.

Project DIAL has been created under a Bank small-scale technical assistance to undertake a feasibility study and to create a demonstrative prototype of an *Internet* research facility for law reform personnel.

Project DIAL may be accessed by the public at

http://www.austlii.edu.au/au/special/dial/

and administrative tribunals as economic activities increased. The study's results also reflect the importance of viewing law reform as a process: the legal tradition from which particular laws were drawn was of less importance than the consultative process by which law reform takes place. The broader the consultative process, the greater the likelihood of congruence between economic policy and legal reform, and with it the greater likelihood that governments allocate adequate resources for administration and enforcement. The study, *The Role of Law and Legal Institutions in Asian Economic Development, 1960–1995*, is scheduled for publication in 1998 and for further consideration at a number of national and international seminars.

Judicial reform is another element of the Bank's law and development efforts. One of the Bank's RETA projects financed a Roundtable Meeting of Chief Justices and Ministers of Justice of the Asian and Pacific region, which was held at the Bank's Headquarters in August 1997 to consider emerging trends in legal and judicial reform in the region. The Roundtable Meeting provided an opportunity for Bank staff to assess emerging trends in legal and judicial reforms in the region and to obtain the participants' guidance on the future direction of the Bank's law and development programming.

Cooperation with nongovernment organizations

Cooperation with nongovernment organizations (NGOs) is an expanding and an increasingly important element in the Bank's operations. Cooperation with NGOs involves establishing and further developing relationships with NGOs in project activities as well as country-specific operations and policy development. In its operations, the Bank seeks to cooperate with competent and capable NGOs that have substantial knowledge of their fields of focus and with which cooperation would be appropriate and mutually beneficial. Where desirable and appropriate, the Bank works to promote dialogue between governments and NGOs and to support government-NGO cooperation in national development efforts.

The objective of cooperation with NGOs is to strengthen the effectiveness, sustainability, and quality of development initiatives and interventions offered to DMCs. Over the past decade, sectors in which the Bank and NGOs have realized the greatest cooperation include agriculture and rural development, social infrastructure, urban development, water supply and sanitation, health and population, education and training, microcredit and small-scale enterprise development, and environmental protection and management. In project activities, roles for NGOs are emerging at each level, from project identification and design, to project implementation, to project monitoring and evaluation.

For 1997, a total of 27, or 36 percent, of all projects approved involved NGOs significantly. NGO roles in these projects ranged from consultation in project design, to implementation of individual project components, to complete responsibility for project implementation. Sectors where NGO involvement was most significant during the year were in agriculture and natural resources, and social infrastructure. Countries in which cooperation with NGOs was most significant include Bangladesh, Indonesia, Pakistan, and Viet Nam.

In addition to their involvement in project activities, there is increasing NGO involvement in country-level programming activities. In 1997, NGOs contributed to country-level work in a number of countries. During the year, work started within the Bank on a project addressing the broadening of participation in country programming activities, with NGOs being a specific focus for expanded participation.

Specific processes for consultation with NGOs in policy development were identified. NGO review and comment were part of several operational policies under development during 1997, including those for fisheries, water resources, gender and development, and indigenous peoples. During 1997, work on developing a new policy addressing the Bank's cooperation with NGOs was completed, with NGOs contributing to the formulation and shaping of this policy.

Work was completed in 1997 on a RETA project entitled "NGOs in Development in Selected Asian Developing Member Countries." The countries covered were Bangladesh, Cambodia, Indonesia, Lao PDR, Nepal, Pakistan, Philippines, Sri Lanka, and Viet Nam. This project sought to survey NGO communities in the nine DMCs, and to identify the scope of the NGO sector and its contributions to national development efforts. The project included a regional workshop involving NGOs, government representatives, other donors, and the Bank that worked to develop recommendations as to how NGOs, governments, the Bank, and other donors can work together more effectively and sustainably.

Private sector activities

The Bank provides direct financial assistance to selected private sector projects. The main focus of assistance is currently on projects for financial intermediation, capital market development, and infrastructure provision, with projects in the industry and other sectors being considered only if justified by strong socioeconomic merits. Through loans without government guarantees and equity investments, the Bank's participation in private sector projects is seen as a source of comfort for other lenders and investors in these projects.

In 1997, the Bank approved six private sector operations involving a total commitment of $119.3 million, comprising $45 million of unguaranteed loans and $74.3 million of equity investments. *For details, see Table 18 in the Statistical Annex.* Direct assistance by the Bank for these projects is expected to facilitate investments and investible funds totaling $1.14 billion, an amount which is about ten times the Bank's own funding commitment.

The 1997 approvals fell short of the levels achieved in 1996, during which ten projects committing $263.3 million were approved by the Bank. The slowdown of approvals in 1997 was due partly to delays in the processing of three complicated pioneering BOO/BOT projects in the telecommunications and power sectors, and partly to the suspension of a toll road project in one of the DMCs adversely affected by the Asian currency turmoil.

Of six operations approved in 1997, three are in the financial sector, three in funds operations, and one in the industry sector. In the financial sector, an equity investment in the Bhutan National Bank (BNB) is intended to boost public confidence in BNB and attract increased private sector participation in its equity capital. Another equity investment, in the newly established Infrastructure Development Finance Company (IDFC) in India, will provide an opportunity to leverage the Bank's limited resources for financing private sector infrastructure projects in the country. If successful, IDFC could be a model for other DMCs looking for an institutional arrangement to stimulate infrastructure sector reform, private participation in infrastructure finance, and domestic debt market development. An unguaranteed loan to the National Development Bank of Sri Lanka (NDBSL) is combined with a syndicated loan to give NDBSL funding access to international banks and provide resources for onlending to small- and medium-sized enterprises in Sri Lanka. The syndicated loan is to be covered by a partial credit guarantee provided by the Bank against a counter-guarantee from the Government of Sri Lanka.

With the help of the private sector, the Bank addresses the need for infrastructure to maintain the momentum of economic development.

The Kula Fund is one of the three funds projects approved in 1997. It is the first venture capital fund in the Pacific and is aimed at developing the private sector in the small DMCs in the region. Due to limited sound investment opportunities in the Pacific DMCs, assistance from the Kula Fund will target private enterprises in a wide range of sectors, including agribusiness and food processing, tourism, fishing and marine resources, transportation, forestry, minerals, light manufacturing, and financial services. The Fund's demonstration effect is expected to be an important factor in inducing further inflows of capital to the Pacific region. The Bank's investments in another fund operation, viz., Capital Asia Infrastructure/Investment Limited, represents a vital effort to attract significant amounts of long-term capital from major pension funds in Canada and other members, including the newly industrialized economies, for investment in the DMCs.

The only industry sector project approved in 1997, Lafarge Surma Cement Ltd., is a joint venture between the second largest cement producer in the world based in France and one of the largest business groups in Bangladesh. The project will establish in Bangladesh the largest and most modern cement plant with an annual production capacity of 1.2 million tons of gray portland cement thereby saving the country substantial foreign exchange through efficient import substitution.

Private sector investment portfolio: Starting with small stand-alone equity investments in 1983, followed by loans without government guarantee two years later, the Bank's private sector operations have built up a portfolio which totaled $1,017 million as of 31 December 1997. The total portfolio consisted of $610 million in outstanding investments and $407 million in undisbursed commitments. About 58 percent of the total portfolio was in loans amounting to $593 million and $424 million in equity investments.

Twenty-eight percent of the total portfolio was accounted for by loans and equity investments in infrastructure projects, which are being given priority by the Bank's private sector operations in line with the DMCs' efforts to open the infrastructure sector to private investment. Another 29 percent of the portfolio consisted of equity investments in pioneering private financial institutions, including those that help promote capital market development (e.g., securities firms and rating agencies), and loans to selected private finance companies and banks for onlending to small and medium enterprises *(see Portfolio Distribution by Sector, 1997 table, at right)*.

The portfolio also included, to the extent of 19 percent, equity stakes in investment funds and fund management companies, which enable the Bank to leverage its own resources for supporting private investment. These funds comprised venture capital funds, mutual funds, private equity funds, and lately, larger funds that provide equity and/or debt financing to infrastructure projects. The balance of the portfolio (24 percent) consisted of loans and equity investments in manufacturing, agriculture, and other industries. Bank support for these sectors started in the mid-1980s when several DMC governments began to encourage the private sector to undertake large industrial ventures, particularly with foreign technology and investment.

At the end of 1997, the total portfolio included loans and equity investments in 104 companies, comprising 88 country-specific companies in 13 DMCs, and 16 regional financial entities and funds. Seven companies were added to the portfolio and five were removed as a result of loan cancellation, loan repayment, and equity divestment. Of the 104 companies comprising the portfolio, 46 were operating profitably, 27 were in various stages of implementation, and 31 were underperforming.

Disbursements in 1997 amounted to $112 million, an increase of 58 percent from $71 million during 1996. At the end of 1997, disbursements to 28 companies had yet to be completed.

Interest and other income earned on the private sector portfolio in 1997 totaled $29 million, compared with $32 million in 1996. Dividends received amounted to $5.9 million (2.7 percent yield), compared with the previous year's $6.9 million (3.1 percent yield). Capital gains made on equity divestments during the year amounted to $3.3 million, compared with $5.9 million in 1996.

Allowance for possible losses on impaired loans and equity investments in 1997 totaled $89.6 million, representing 14.7 percent of outstanding loans and equity investments. This allowance included specific loss provisions amounting to $56.4 million on impaired loans and equity investments, and general loss provisions of $33.2 million on the balance of outstanding loans and equity investments not specifically provided for.

Private Sector Loans[a] and Equity Investments

a Past years' data adjusted due to projects terminated.

Portfolio Distribution by Sector,[a] 1997

	Investments Held		
	No. of Companies	$ Million	%
Infrastructure	10	284	28
Financial Institutions	36	299	29
Investment Funds	30	195	19
Agriculture, Manufacturing, and Other Industries	28	239	24
Total	104	1,017	100

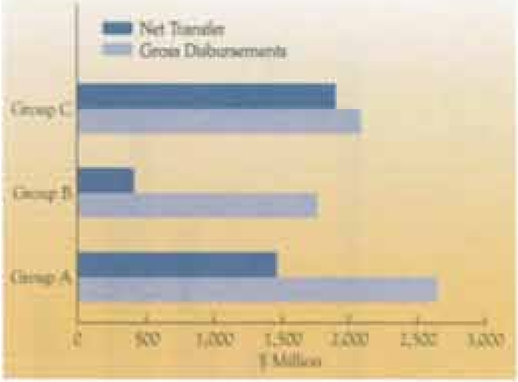
a At exchange rates as of 31 December 1997.

Bank's role in resource transfer

The net transfer of resources[1] from the Bank to the DMCs increased from $34 million in 1996 to $3,753.9 million in 1997. This sharp increase was

1 Defined as disbursements less principal repayments and prepayments, payments of interest, and other charges plus net equity investments.

1997 Net Transfer of ADB Resources to DMCs



Resource Transfers to DMCs
($ million)

	1996	1997
OCR	(943)	2,869[a]
ADF	977	885
Total	34	3,754[a]

a Including disbursements of $2,000 million for the Republic of Korea's Financial Sector Program.

caused mainly by the large disbursement for the Financial Sector Program loan to the Republic of Korea. However, even if this amount is excluded, the total net transfer during 1997 would still be considerably higher than in 1996 due to Indonesia's much higher level of prepayment in 1996, compared with 1997 and a $300 million disbursement for the Financial Markets Reform Program loan to Thailand in 1997. *For details, see Tables 39-41 in the Statistical Annex.*

Of the total net transfer, a positive $2,869.3 million was from OCR ($869.3 million if the disbursement to the Republic of Korea is excluded) and $884.6 million was from ADF.

Loan disbursements reached $6,457.8 million, compared with $3,796.7 million in 1996. Excluding the Financial Sector Program loan to the Republic of Korea, loan disbursements exceeded the year's target by 13 percent and the 1996 disbursements by 17 percent. Disbursements from OCR increased by 107 percent (29 percent if the program loan to the Republic of Korea is excluded). Disbursements from ADF declined by 6 percent, compared with 1996. *For details, see Table 22 in the Statistical Annex.*

The disbursement ratio,[2] including program loans, increased to 25.2 percent (20.5 percent excluding the Financial Sector Program loan to the Republic of Korea) from 17.7 percent in 1996. If all program loans are excluded, the 1997 ratio of 18.6 percent still compared favorably with the ratio of 17.4 percent in 1996.

By volume of net flow, Republic of Korea, Thailand, PRC, and India were the top four beneficiaries of net transfers from the Bank.

Cofinancing and guarantee operations

During 1997, cofinancing played an increasingly important role in resource mobilization. The Bank continued to act as a leading catalyst of private financing for the Asian and Pacific region, especially infrastructure development. Further, given the significant macroeconomic impacts of the prevailing regional currency crisis, the Bank took initiatives to help stabilize the economies of the DMCs which are suffering from the currency crisis and restore investor confidence through direct lending and cofinancing operations in Thailand. The Bank has progressively stressed its cofinancing strategy and modalities, and increasingly integrated cofinancing operations into the process of country strategy formulation, programming, and project preparation.

In 1997, cofinancing mobilized from all sources amounted to $2,702.5 million. This represented a slight increase of 2 percent over the $2,662.5 million achieved in 1996, and was equivalent to 29 percent of the Bank's total lending of $9,414 million committed during the year. Thirty-nine Bank-assisted projects obtained cofinancing in 1997 compared with 29 projects in the previous year, an increase of 34 percent. The finance, transport and communications, and energy sectors accounted for 59, 14, and 12 percent,

2 Defined as the ratio of disbursement during the year over the undisbursed net loan balance at the beginning of the year plus effective loans approved during the year; excludes private sector loans.

respectively, of the cofinancing volume for 1997. In terms of number of projects that received cofinancing, the social sector had nine, while the agriculture and natural resources and the transport and communications sectors had eight each. Cofinancing came from official, export credit, and commercial sources. *For details, see Table 17 in the Statistical Annex.*

A total of 14 DMCs received cofinancing in 1997 with Thailand as the top recipient for $1,000 million, followed by People's Republic of China with $438 million, India with $368 million, and Pakistan with $320 million.

During the period 1970-1997, the cumulative total cofinancing amounted to $27.2 billion. Of this total, the energy sector had the largest share, amounting to $12.8 billion or 47 percent; followed by transport and communications, $4.3 billion or 16 percent; agriculture and natural resources, $3.6 billion or 13 percent. The balance of $6.5 billion or 24 percent was to other sectors. Large infrastructure projects have generally attracted substantial cofinancing more often than other projects.

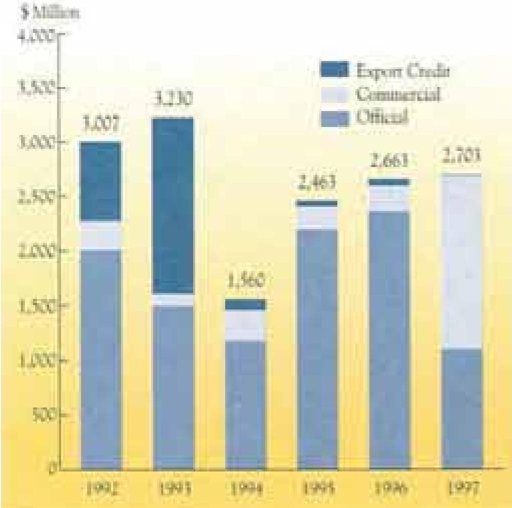
Official cofinancing

Cofinancing from bilateral donors and multilateral agencies increased in number of projects but declined in overall amount, from $2,365 million in 1996 to $1,103.6 million in 1997, and accounted for 41 percent of total cofinancing mobilized in 1997. This reduction in official cofinancing reflected a change in the composition of public sector projects requiring cofinancing, which shifted from large infrastructure projects to small- and medium-sized social sector projects. The share of bilateral sources amounted to 82 percent or $908 million, while the share of multilateral sources amounted to 18 percent or $196 million. Bilateral cofinancing support was received from 11 countries: Australia, Belgium, Denmark, France, Germany, Japan, Netherlands, Norway, Spain, Sweden, and United Kingdom. Japan continued to be the largest source of official cofinancing. It cofinanced seven projects for a total of $727 million, of which $630 million came from the Export-Import Bank of Japan and $97 million from the Overseas Economic Cooperation Fund. Spain, for the first time, contributed $15.4 million for three projects in Bangladesh, Mongolia, and Philippines. Multilateral agencies, including the European Investment Bank and OPEC Fund, have provided parallel and joint cofinancing support.

The Bank actively pursued cofinancing for technical assistance with official donors. This included voluntary contributions to the Bank's Technical Assistance Special Fund (TASF), annual contributions to the Japan Special Fund (JSF), and untied grants from bilateral sources. The mode of cofinancing used was normally exclusive or joint-financing arrangements. Donors from bilateral sources included the governments of Australia, Belgium, Denmark, Finland, France, Netherlands, Norway, and Switzerland. During 1997, untied grants from bilateral sources, where the Bank acted as the grant administrator, amounted to $15.4 million inclusive of grant assistance from Australia, Belgium, and Netherlands, to finance soft components included in Bank-assisted loans.

Under the existing JSF program financed by the Government of Japan, a total of $90.3 million for 139 technical assistance projects, including RETA, was financed in 1997, accounting for 55 percent of total technical

Cofinancing Arrangements



assistance approvals. *For details, see Japan Special Fund Technical Assistance by Sector, 1997 on page 170.*

During 1997, the Government of Belgium made available to the Bank an additional contribution in Belgian francs (BF)20 million ($500,000 equivalent) to finance, on an untied basis, technical assistance projects under the Channel Financing arrangement administered by the Bank. In addition, the Bank also assisted some DMCs in obtaining grant financing on a parallel basis as complementary to Bank loans.

Commercial cofinancing

As a result of continued Bankwide efforts to seek commercial funding, cofinancing from market sources increased significantly to $1,591.9 million[3] in 1997 from $232.8 million in 1996. The year saw the share of commercial cofinancing in the total cofinancing exceeding that of official cofinancing, and it is expected that the relative share of commercial cofinancing will continue to increase in the future. During the year, eight transactions were completed, including seven loans arranged for public sector borrowers and one loan arranged for a private sector borrower. Nearly all commercial cofinancing in 1997 was on a parallel basis, except for a $50 million ten-year syndicated loan facility for the National Development Bank of Sri Lanka using the partial credit guarantee. In this transaction, the Bank guaranteed the principal amount at the final maturity and the Government of Sri Lanka guaranteed the interest payments. One large market cofinancing was successfully arranged, but approval of the project slipped to 1998. Given the uncertain market conditions, the Bank can expect an increase in the use of credit enhancement in future commercial cofinancing transactions.

Export credit cofinancing

During the year, export credit cofinancing of $7 million was contributed by the Export Development Corporation of Canada for a railway project in Bangladesh.

Portfolio management

Administration: A total of 500 projects were under administration as of end-1997. These included 445 projects in the public sector and 55 projects in the private sector. Of the public sector projects, 420 were performing satisfactorily (by conforming to target dates and project costs, and by complying with loan covenants established during appraisal), 24 faced implementation or operational problems, and one was considered inactive.

Altogether, 749 project administration missions, including private sector loan missions and multiproject missions, were fielded to review the progress of projects and to discuss problems, if any, with executing agencies.

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3 Includes $1,000 million parallel commercial cofinancing for Thailand.

These missions spent a total of 7,869 persondays, or an average of 12.1 persondays per project, which was higher than last year's average of 11.8 persondays per project. Implementation support was provided to executing agencies by the Bank's regional and resident missions. Portfolio performance reviews were carried out to improve disbursements by restructuring or reformulating slow-moving projects and identifying loan proceeds for cancellation.

Country project review missions (CPRMs) were undertaken in 14 DMCs in 1997 to discuss implementation problems, cross-sectoral issues, and remedial measures with senior government officials. The format and content of the CPRM paper were further revised to make the CPRMs more effective and results oriented.

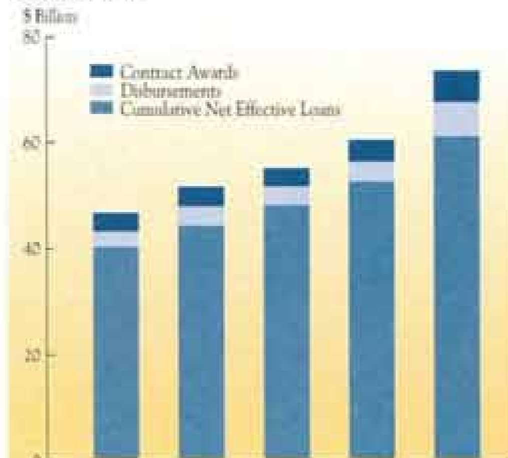
The implementation of 76 projects was completed during the year, bringing the cumulative number of completed projects to 1,127. Project completion reports were circulated for 49 projects, bringing the total number of reports prepared as of end-1997 to 768. *For details, see Table 23 in the Statistical Annex.*

As in earlier years, project administration procedures continued to be revised in light of the Bank's strategic plan. Computer systems continued to be developed for better monitoring and evaluation of benefits. Ten seminars and workshops were held to enhance the implementation capabilities of executing agencies, the activities of which benefited a total of 332 senior and middle-level officials. In addition, 23 in-house seminars were held for Bank staff dealing with project processing and administration.

Contract awards: During 1997, contracts totaling $5,948.5 million (excluding contracts for technical assistance projects) were awarded by executing agencies in DMCs for consulting services and procurement of goods and related services and civil works. This represented a 49 percent increase from 1996, which was entirely attributed to contracts awarded under a sector development program loan to the Republic of Korea. Consultancy contracts under loan projects totaled $192.3 million. These involved 217 consulting contracts (107 international and 110 domestic). *For details, see Tables 24 and 25 in the Statistical Annex.*

For technical assistance projects, 553 contracts were awarded for consultancy services, amounting to $139.9 million, involving 169 consulting firms and 384 individual consultants. *For details, see Tables 32 and 33 in the Statistical Annex.*

Contract Awards and Disbursements, 1993-1997



Loan disbursements: The 1997 loan disbursements, a new disbursement record, accelerated to $6,457.8 million, exceeding the year's target of $3,955.5 million by 63.3 percent and 1996 figures by 70.1 percent. Of the 1997 total, OCR disbursements amounted to $5,303.7 million and ADF disbursements to $1,154.1 million, representing 82.1 percent and 17.9 percent of the total amount, respectively. The significant increase resulted from disbursements of program loans to the Republic of Korea of $2,000 million and Thailand of $300 million. Without these program loan disbursements, the 1997 projection was still exceeded by 5.1 percent, or $202.3 million. The comparative details of disbursements in 1996 and 1997 by lending modality are shown in Table 22 in the Statistical Annex.

Business seminars: Seminars on business opportunities were held in Australia; Austria; People's Republic of China; India; Italy; Malaysia; Netherlands; Singapore; Taipei,China; Thailand; Turkey; United Kingdom; and United States of America.

Performance evaluation and development impact

The Bank recognizes that development encompasses more than economic growth. Development has become multidimensional, and development programs must provide benefits in terms of promoting equitable growth, human resource enhancement, policy improvement, environmental sustainability, and institutional strengthening. Concerns about the effectiveness of development assistance programs have created a growing demand for performance evaluation and indicators that can give an objective basis for assessing development impact. There is also pressure for more immediate feedback of performance evaluation results and dissemination of best practices.

The Bank took several initiatives in 1997 toward improving performance evaluation and the quality of Bank assistance to DMCs. A Project Performance Management System (PPMS) was formulated to serve as a management tool for planning, managing, monitoring, and evaluating progress and impacts during the entire project cycle. The keys to the success of PPMS are (i) identification of indicators to monitor the achievement of expected impacts; and (ii) continuing efforts to observe progress of the indicators. The PPMS is currently being tested in a number of projects.

Within the framework of PPMS, another initiative in 1997 was to improve the administration and supervision of ongoing projects by introducing the Project Performance Report (PPR). The existing approach to reporting on project administration did not capture the accomplishment

Performance Classification by Sector, 1997

Sector	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	2	25.0	4	50.0	2	25.0	8	100.0
Energy	3	100.0	–	–	–	–	3	100.0
Financial	1	50.0	1	50.0	–	–	2	100.0
Multisector	–	–	–	–	1	100.0	1	100.0
Social Infrastructure	2	28.6	3	42.9	2	28.6	7	100.0
Transport and Communications	3	100.0	–	–	–	–	3	100.0
Total	11	45.8	8	33.3	5	20.8	24	100.0

of development impact. The PPR, currently under trial implementation in selected projects, not only records the physical and financial progress of ongoing projects, but also highlights progress on achieving development objectives. Key assumptions influencing project results and potential risks in the achievement of development objectives are also reviewed and indicated on the PPR.

Realizing that good evaluation should meet participants' needs, the Bank conducted a staff survey in 1997 to ascertain the relevance, importance, and extent of use of its evaluation work by the Bank's operations departments. The survey also sought staff suggestions to improve and upgrade evaluation reports, feedback, and dissemination of the evaluation findings. Recommendations included the need to (i) shorten the evaluation feedback loop to ensure that timely evaluation results are available to benefit the design of new projects; (ii) conduct more thematic special studies of operational relevance; (iii) prepare more updated and expanded country and sector syntheses of evaluation findings; and (iv) make the postevaluation information system (PEIS) more user-friendly and widely available.

Performance Classification by Project Cost and Loans Disbursed, 1997

	Project Cost		Loan Disbursed	
	$ Million	%	$ Million	%
Generally Successful	1,092.6	57.8	537.6	47.9
Partly Successful	524.7	27.8	457.3	40.8
Unsuccessful	271.7	14.4	126.7	11.3
Total	1,889.0	100.0	1,121.6	100.0

Project Performance Report System

THE BANK's current system of supervision and administration of ongoing projects has placed great emphasis on the physical and financial aspects of project progress. For instance, the ratings of ongoing projects in the Project Administration Committee (PAC) Notes are based on project progress in terms of (i) meeting the implementation schedule, (ii) adhering to the original project cost structure, and (iii) compliance with loan covenants. Based on experience, the ratio of successful ongoing projects has been found to be substantially higher than that of projects independently postevaluated after completion. In 1997, the Bank examined this issue and proposed an alternative classification system that will (i) bring project ratings of self-evaluation and independent evaluation closer, and (ii) allow monitoring of development objectives at an earlier stage of project implementation.

To this end, and with a view to harmonizing the Bank's own project administration system with other multilateral development banks, an Interdepartmental Working Group on Project Classification System was set up in February 1997 in coordination with staff formulating the PPMS to review the Bank's current project administration and project classification system. The Group recommended the replacement of the current PAC Notes with the Project Performance Report (PPR). Like PAC Notes, the PPR provides information on physical and financial progress; but, it also highlights the progress on achieving development objectives. In addition, the PPR provides timely information on potential risks and key assumptions influencing project results, offers timely remedial actions for problems encountered during implementation, and gives project ratings not only in terms of implementation progress but also in accomplishment of development objectives.

The PPR has been implemented on an experimental basis since October 1997 in selected projects from all the Projects Departments for a trial period of 9 to 12 months.

Economic and Social Benefits of Selected Projects

A NUMBER of projects evaluated in 1997 were found to have provided tangible economic and social benefits to the DMCs concerned. They also addressed crosscutting issues, such as poverty reduction, gender and development, and environmental protection.

For example, some plantations successfully established under the Forestry Development Project in the Philippines have contributed to positive environmental benefits in terms of reduced soil erosion, improved water yields, and increased biodiversity. The forest road network constructed under the Project also provided better access to extension, trade, health, and other social services for the local residents.

In Bangladesh, the Ganges-Kobadak Rehabilitation Project resulted in major improvements in water management, thus reducing by half the cost of pumping. The project included activities supportive of the environment such as integrated pest management, pond fisheries, and tree production along the canals. Many women were employed under the Food-for-Work Program activities of the project.

The gravity schemes in the hills constructed under the Rural Water Supply Sector Project in Nepal have reduced the time and drudgery of collecting water, especially for women. In addition, the quality of water has improved; consumption of water has increased; hygiene practices have improved with more frequent bathing and laundry; and disease incidence in the area has been reduced.

In Indonesia, the Health and Population Project resulted in the construction of infrastructure facilities for training paramedical staff. Through the project, family planning methods were made more readily available in four provinces.

The Sigatoka Valley Rural Development Project in Fiji had a sustainable impact on most households in the project area, particularly on the users of irrigation facilities. The Project provided low-lift pumps, improved road access, and more intensive extension activity. The beneficiaries of low-lift pumps reported substantial improvements in their income and living standards.

Continuing its ongoing commitment to the MTSF and in line with the Report of the Development Committee Task Force on Multilateral Development Banks in 1996, the Post-Evaluation Office undertook various activities during the year aimed at enhancing the Bank's development effectiveness. These include increased focus on the preparation of impact evaluation, reevaluation, and special evaluation studies, while reducing the coverage of Project Performance Audit Reports (PPARs) to a minimum required 30 percent. These activities help assess the long-run development effectiveness of a wide range of operations, bringing out implications for policies and programs. In addition, PEO processed a number of technical assistance projects to help DMCs develop their own performance evaluation capability. In total, PEO prepared 51 evaluation reports during the year.

Project performance audit reports

PPARs were prepared for 24 project and program loans selected at random from a stratified sample. These PPARs covered various sectors including agriculture and natural resources, transport and communications, social infrastructure, energy, and financial. Cumulatively, by the end of the year, 500 PPARs had been prepared for 521 projects and programs covering all major sectors and subsectors in 26 DMCs.[4]

Of the 24 projects and programs evaluated in 1997, 11 (46 percent) were classified as generally successful, 8 (33 percent) as partly successful, and 5 (21 percent) as unsuccessful. Such ratings are the result of a combination of factors, particularly the country and sector/subsector mix for which Project Completion Reports are available for postevaluation during the year. Performance of projects varied among different sectors. The projects in the energy and transport and communications sectors continued to have traditionally high success rates, reflecting their straightforward design based on known technology and limited social complexities. Projects in the agriculture and social infrastructure sectors, however, were adversely affected by more endogenous and exogenous uncertainties and lack of supportive macroeconomic and sectoral policies, and were more complicated and difficult to supervise. The capability of institutions implementing them were relatively weak. Recognizing the problems, the Bank continued to provide assistance to these sectors for capacity building and economic and sector studies, among others, to support policy and institutional reforms.

Total investment costs of the evaluated projects in 1997 came to $1,889 million, compared with the original estimate of $1,970.2 million. The factors responsible for cost underruns included savings from the depreciation of the local currency against the dollar, interest during construction, and unused contingency allocation; scaling down of original project scope; and lower actual costs of equipment and supplies compared with appraisal estimates. In terms of actual investment costs, about 58 percent of the projects evaluated in 1997 were generally successful, 28 percent

[4] The difference of 21 is explained by the fact that 17 PPARs covered two projects each and two covered three projects each.

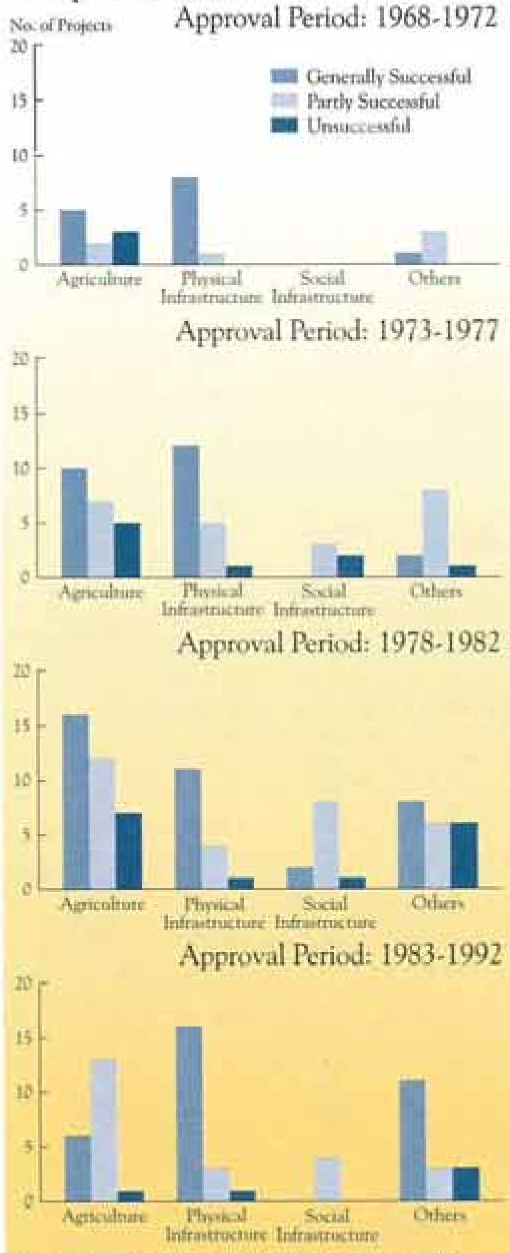
were partly successful, and 14 percent were unsuccessful. This indicates that, on average, evaluated projects rated generally successful involved large investment costs, as in the energy and transport and communications sectors which also have traditionally achieved high success rates.

For most of the projects evaluated in 1997, the average implementation delay was estimated at about two years.[5] Factors responsible for the delay included shortage of local funds; cumbersome government procedures in consultant appointments, procurement, and awards of construction contracts; and overly optimistic implementation schedules during appraisal. The other factors cited included frequent redeployment of project equipment to other work, delays in loan effectiveness, unsatisfactory performance of contractors, inexperience and lack of authority of executing agencies, land acquisition problems, and civil disturbances.

A number of projects evaluated during 1997 have contributed to the social and economic development of the countries concerned *(see box on Economic and Social Benefits, page 74)*.

Overall, the experience of 1997 evaluated projects/programs highlights several lessons which are relevant to future Bank operations. Among these are (i) the importance of an accurate analysis of a project's financial implications (to ensure that counterpart funds and operating budgets are available), and the risks of nonavailability of local funds (even when prior assurance of government has been received); (ii) the need to establish a performance monitoring system with clearly defined indicators and an adequate feedback mechanism so that timely remedial actions can be taken to realign project activities; (iii) the need for adoption of a pilot approach accompanied by a strong research and development program for large-scale project activities when technologies are tested in the local setting; (iv) the importance of project supervision from resident and regional missions (instead of from the Bank's Headquarters), which is often more effective, resulting in better understanding of local problems and, when needed, more timely reallocation of loan proceeds; (v) the need for the Bank's agricultural credit operations through agricultural development finance institutions (DFIs) to be preceded by rigorous assessment of the DFI's institutional capacity and financial health; and (vi) the importance of careful analysis of institutional capacity and executing agency arrangements for integrated rural development projects where coordination among different government agencies is critical.

Performance of Postevaluated Projects, by Sector and Approval Period: Group A Countries



Note: "Physical Infrastructure" includes transport and energy sectors. "Others" includes multisector, development finance institutions, and industry.

See page 41 for classification of country groups.

Technical assistance performance audit reports

With a view to capturing the impact and development effectiveness of the Bank's technical assistance operations, PEO switched from performance audit of individual technical assistance to evaluating a cluster of technical assistance projects. Three such technical assistance performance audit reports (TPARs) were prepared in 1997. They related to two advisory technical assistance on institutional development and

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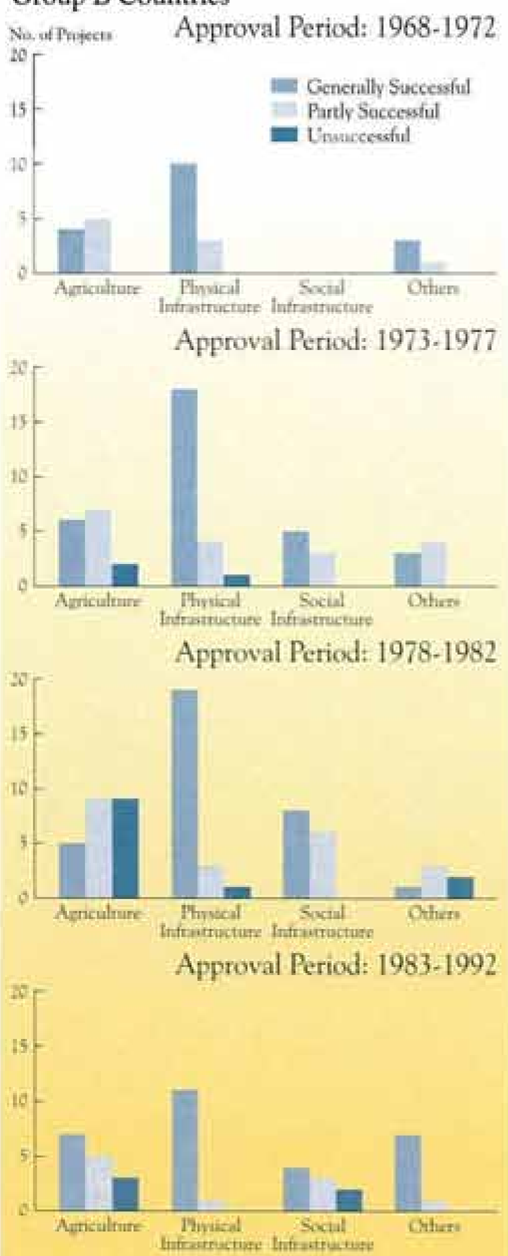
[5] This excludes one water supply project in Pakistan (ten-year delay) and two energy projects in Bangladesh and the Philippines (six-year delay each).

Performance of Postevaluated Projects, by Sector and Approval Period: Group B Countries



Note: "Physical Infrastructure" includes transport and energy sectors. "Others" includes multisector, development finance institutions, and industry.

See page 41 for classification of country groups.

strengthening of the Ministry of Agriculture and Forestry in the Lao PDR; eight technical assistance in the banking sector of Mongolia; and three technical assistance projects in the environment sector in the People's Republic of China. All three TPARs indicated that the implementation of most of the technical assistance in these countries was generally successful.

Impact evaluation and reevaluation studies

Impact evaluation studies review a number of projects and programs in a given sector in an individual member country or group of countries, several years after completion, to assess what lasting contributions the Bank has been able to make in the member countries' development. PEO carried out four such studies during the year: (i) health and population sector in Bangladesh, Pakistan, Papua New Guinea, and Sri Lanka; (ii) urban development and housing sector in Indonesia, Malaysia, Pakistan, and Thailand; (iii) road sector in the Philippines; and (iv) industrial crops and agro-industry sectors in Indonesia. Similarly, five reevaluation studies, which focus in greater depth on the impact and sustainability of a single project four or five years after its audit, were also undertaken in 1997.[6] *See box on Selected Impact Evaluation and Reevaluation Studies, at right.*

Special studies

Special studies involve intensive analysis of a particular issue of operational importance in a specific country, sector, or in the region. PEO carried out four such studies in 1997. The special study on Sri Lanka aimed to assess the country's macroeconomic conditions and policies at the time of project implementation, evaluate the impact of such conditions and policies on the projects, and establish lessons associated with policy changes. The study revealed that the success of evaluated projects in Sri Lanka was substantially affected by changes in economic policy and the economic environment, with no systematic differences in vulnerability of projects across sectors. Being a relatively open and small economy, the Sri Lankan projects were most seriously affected by changes in world prices, foreign trade policies, and real effective exchange rates. The civil conflict also had a profound effect on the outcome of the Bank-assisted projects.

The special study on Issues Pertaining to the Engagement of Consultants in Bank Loan Projects and Their Effect on Project Performance covered six countries[7] and it aimed at identifying factors contributing to delays in consultants' engagement in Bank projects, examining the implications of such delays, and proposing measures for timely engagement. The study found that the most common reasons for delays in consultants' engagement were, among others, (i) DMCs' lack of familiarity with the Bank's guidelines

[6] These reevaluation studies included (i) the Fourth Industrial Development Bank of Pakistan Project; (ii) the Bali Irrigation Sector Project in Indonesia; (iii) the Second Senior Technical Schools Project also in Indonesia; (iv) the Vientiane Plain Rural Electrification Project (Phases I and II) in the Lao PDR; and (v) the Rubber Rehabilitation and Expansion Project in Bangladesh.

[7] Bangladesh, People's Republic of China, Indonesia, Pakistan, Philippines, and Viet Nam.

and procedures, and in some cases, nonadherence to them; (ii) highly centralized, cumbersome, and nontransparent decision-making procedures

Selected Impact Evaluation and Reevaluation Studies

THE IMPACT evaluation study on the Bank's assistance in the health and population sector had a positive impact as reflected by demographic and health indicators, morbidity indicators, and beneficiary perceptions of the facilities and services provided under the projects. Bank assistance has also contributed to increased family planning acceptance in these countries, establishment of health-related facilities, and the implementation of training programs. In particular, the projects in Sri Lanka helped the Government make policy changes to focus more on the delivery of health services through peripheral health centers.

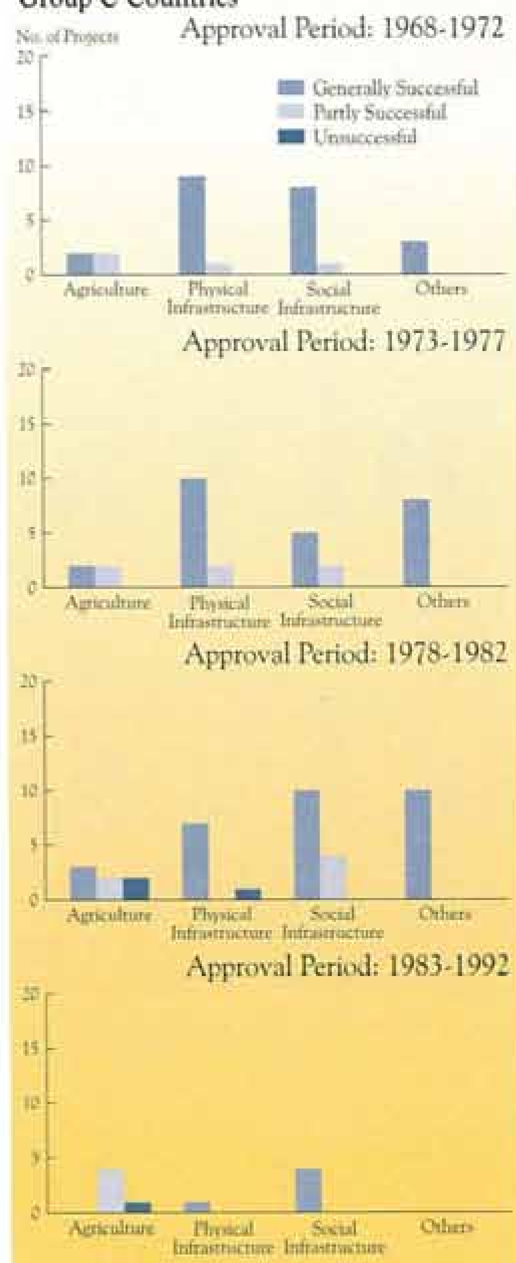
The study on Bank's assistance in the urban development and housing sector showed that projects succeeded in improving living conditions. They also helped facilitate industrialization, especially when the projects included support for training, employment creation, and complementary infrastructure. Furthermore, findings of the study underpinned the importance of involving local governments and beneficiaries.

The reevaluation of the Second Senior Technical Schools Project in Indonesia, reconfirmed a PPAR's conclusion that the project was generally successful. The project has continued to perform well, achieving its objectives and targets set out at the time of appraisal. Through closer cooperation of industry and aid agencies, the internal and external efficiency of technical education has improved. The project has also assisted the Government in achieving more balanced regional growth by providing equitable access to quality technical education in six provinces where previously donor assistance had not been provided. The success of the quality upgrading of senior technical high schools in Indonesia highlights the importance of providing assistance and policy guidance over the long term in the education sector.

The reevaluation of the Fourth Industrial Development Bank of Pakistan (IDBP) Project reclassified the project from partly successful to unsuccessful. The review revealed poor and worsening subborrower project performance, a high incidence of closures, and nonsustainability of institutional strengthening measures. The overall outcomes of subprojects were markedly less favorable than expected at appraisal and during completion and postevaluation. The prevailing macroeconomic conditions in the country made debt servicing difficult and contributed to IDBP's worsening performance. With the benefit of hindsight, the Bank's assistance could have focused on improving the operational environment and regulatory framework of the banking and financial sectors.

The Vientiane Plain Rural Electrification Project (Phases I and II) was rated partly successful at reevaluation. The project's performance indicated that the people living in the area benefited substantially from their access to electricity, including increased learning opportunities and enhanced living standards. However, the project is not financially viable because of insufficient sales revenues to recover electricity supply costs. The project experience highlighted the importance of providing infrastructural support such as transport and communications, marketing, and credit to rural electrification undertakings; and the need to resolve the level and structural problems of tariffs.

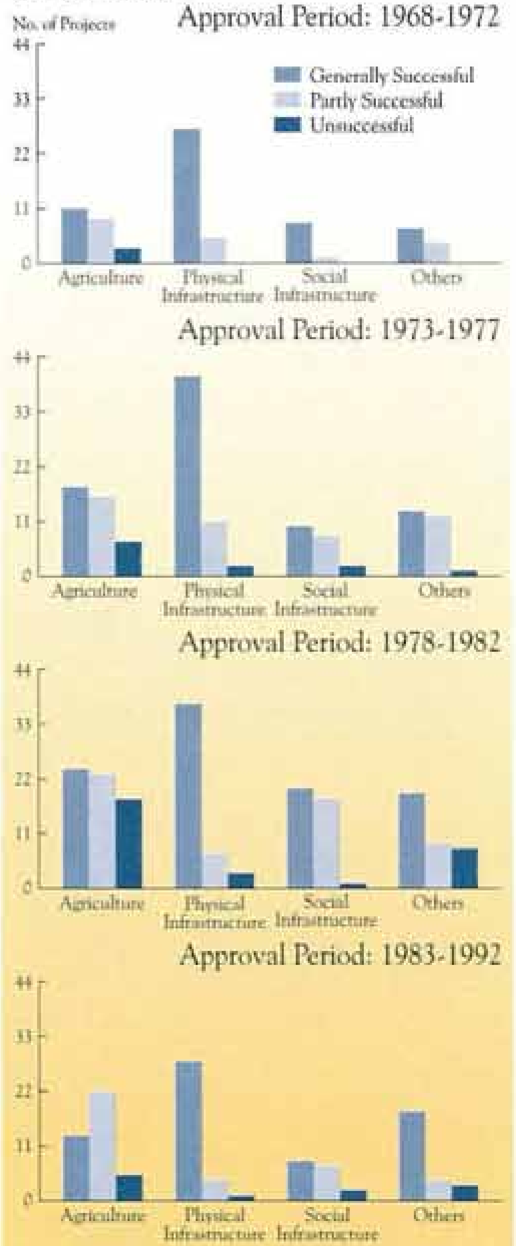
Performance of Postevaluated Projects, by Sector and Approval Period: Group C Countries



Note: "Physical Infrastructure" includes transport and energy sectors. "Others" includes multisector, development finance institutions, and industry.

See page 41 for classification of country groups.

Performance of Postevaluated Projects, by Sector and Approval Period: All Countries



Note: "Physical Infrastructure" includes transport and energy sectors. "Others" includes multisector, development finance institutions, and industry.

See page 41 for classification of country groups.

at various stages of selecting consultants; (iii) inadequate delegation of authority to the executing agencies and in some cases reluctance to exercise available authority; and (iv) lobbying and political interference. On the Bank's side, one major factor contributing to the delays included insufficient attention to the institutional strengths and weaknesses of the executing agencies during project formulation. The study's recommendations included, among others, the need for (i) the Bank to engage in a serious policy dialogue with DMCs on the issues raised by the study, particularly toward helping make the process of consultants' engagement more transparent and with reduced scope for lobbying and political interference; (ii) alerting DMCs of the Bank's readiness and seriousness in canceling loans when satisfactory progress is not demonstrated; and (iii) forewarning DMCs that the Bank will audit consultants' contracts when evidence warrants.

Strengthening the performance evaluation capability of DMCs

To strengthen the member countries' evaluation capability to carry out evaluation work on their own and enhance their overall project performance management system, PEO processed four advisory technical assistance projects in 1997. Three of these were for helping develop/strengthen project performance management systems in Nepal, Philippines, and Sri Lanka. Assistance to the PRC was for strengthening the evaluation capacity of four agencies: the China National Audit Office, the State Planning Commission, the State Development Bank, and the China International Engineering Consulting Corporation. Two technical assistance completion reports prepared in 1997 also concluded that the assistance provided was generally successful in strengthening the evaluation capability of the Implementation Monitoring and Evaluation Division in Bangladesh, and the Central Monitoring and Evaluation Division of the National Planning Commission Secretariat in Nepal.

Feedback of postevaluation findings

The computerized Postevaluation Information System (PEIS), which was redesigned in 1995, was made accessible on-line to all Bank staff in 1997. Under the system, information on PCRs, PPARs, TCRs, TPARs, impact evaluation studies, reevaluation studies, and other evaluation reports was made available for use by staff from operations departments.

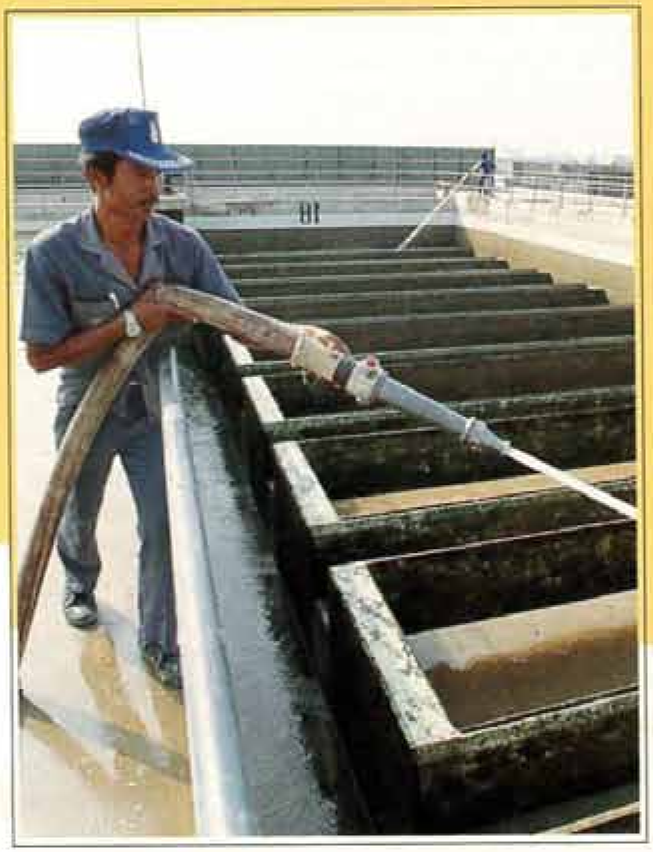
Annual performance evaluation program

The 1997 Annual Performance Evaluation Program (APEP) reviews the 1996 program of activities of the Bank's various departments and offices as they relate to project performance and presents the program of activities planned for 1997. The APEP is part of the feedback process on the entire project cycle, covering strategy formulation, country programming, project preparation, project implementation, and evaluation. To maximize APEP's effectiveness, the timing of the preparation of the 1997 APEP was adjusted to allow its completion prior to the preparation of the

1998 budget. While many of the earlier recommendations to improve feedback were being implemented, a more thorough assessment is expected to be made in the 1998 APEP.

Interagency cooperation

The Bank maintained close coordination with other multilateral and bilateral donors on evaluation activities through the Expert Group on Aid Evaluation of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development, and the Evaluation Cooperation Group (ECG) of the multilateral development banks. The major accomplished tasks of the ECG, which the Bank chaired in 1997, included (i) a study on harmonization of performance management and completion reporting, and (ii) stocktaking of the existing framework and practices of assessing development effectiveness. Collaborative work has been initiated in the areas of joint evaluation, country program evaluation, evaluation of capacity building in developing countries, and evaluation of private sector projects.



Regional Highlights

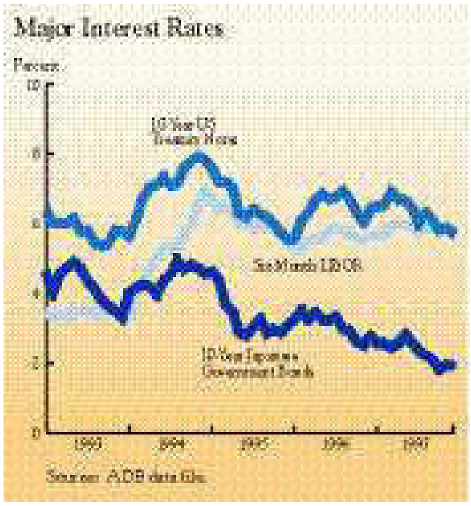
Global economy

THE FINANCIAL crisis that unfolded in Thailand in July 1997 has subsequently spread to the rest of Asia and to the rest of the world. On balance, industrial countries continued to perform well in 1997 — growth remained strong with the exception of Japan, external imbalances were the lowest in decades, and price stability was better than it has been for decades. The global economy remained strong during 1997 with aggregate world output estimated to have risen by 3.2 percent. Solid growth and low inflation in the United Kingdom (UK) and the United States (US), aided by strong recovery in Canada, and a gradual revival of economic activity in Western Europe, underpinned the strong performance in 1997. Although some countries experienced a setback associated with the recent crisis in financial markets in the Asian newly industrialized economies (NIEs) and Southeast Asia, growth was robust in most of the developing world, particularly in the People's Republic of China (PRC) and much of the rest of Asia. There was evidence of an end to the decline in output in the Russian Federation and in the transitional economies as a group. Inflation remained low in most countries, reflecting a commitment to price stability. The steep fall in oil prices and a moderate decline in non-oil commodity prices helped keep the inflation rate in check. Low inflation rates and stable exchange rates in the advanced economies resulted in relatively low world interest

Economic Indicators of ADB DMCs and Rest of Developing World

	DMCs			Western Hemisphere			Africa		
	1995	1996[a]	1997[a]	1995	1996	1997	1995	1996	1997
GDP Growth Rate (%)	8.2	7.5	6.1	1.2	3.5	5.2	2.9	5.3	3.4
Inflation Rate (%)	9.5	6.7	4.3	41.6	20.7	13.7	32.9	25.2	14.1
Merchandise Exports Growth Rate (%)	22.2	6.8	7.2	21.0	11.8	7.0	16.6	10.5	5.9
Merchandise Imports Growth Rate (%)	23.4	7.5	3.0	10.0	11.5	14.7	17.4	1.5	7.6
External Debt Outstanding ($ billion)	596.9	622.0	645.1	648.0	674.0	699.0	290.0	290.0	278.0
Debt-Service Ratio[b]	14.4	14.1	14.8	41.0	45.7	45.5	21.0	24.2	24.2

a Preliminary estimates.
b As percentage of exports of goods and services.
Sources: International Monetary Fund, *World Economic Outlook* (Washington, DC, October 1997); Interim Assessment, December 1997; and ADB data file.



rates. World export volume expanded by 7.8 percent after slowing down to 6.3 percent in 1996. This was mainly attributable to a recovery of trade among the industrial countries. Import volume of the US increased rapidly while export performances of France, Germany, and Japan showed marked improvement.

The outlook for the global economy in 1998 will depend on a satisfactory resolution of the financial crisis in Asia, particularly in the NIEs and Southeast Asia. The impact of the crisis on the world economy will be significant and will most adversely affect developing countries through a substantial deterioration in their terms of trade. World economic growth is expected to moderate to 2.6 percent in 1998 and world trade volume will increase at a slower pace. Inflation and interest rates will remain low with the gross domestic product (GDP) deflator for advanced economies below 3 percent.

There are downside risks in the medium term, including a risk that the uncertainties about the economic and monetary union will continue even as European interest rates converge. An inappropriate fiscal response to rising unemployment could shift market sentiment and bring about interest rate and exchange rate turmoil.

Advanced economies

The Japanese economic recovery faltered in 1997 as the effects of the substantial fiscal tightening implemented during the second quarter of 1997 constrained consumer spending. Spending on private capital and housing also weakened. Aside from the depressant effects of higher taxes, the sluggishness can be attributed to the deterioration in consumer and business confidence arising from the scandals and bankruptcies in the financial sector. This resulted in a growth of less than 1 percent in 1997, compared with 3.8 percent in 1996. Japanese interest rates have remained low, reflecting the weak economic growth. The financial crisis in Asia has also affected Japan more than any of the major developed economies as exports to the most-affected countries declined and Japanese goods faced greater competition. By the end of 1997, Japanese exports to Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand had declined steeply. In Australia, growth was driven by a recovery in domestic demand in response to reductions in interest rates while in New Zealand, imbalances in economic policy continue to weaken the economy.

Some advanced economies recorded robust growth in 1997, while others grew more slowly. The US economy continued its noninflationary expansion, registering GDP growth of 3.8 percent in 1997, combining solid growth of output and employment with low inflation and a diminishing fiscal balance. This reflects prudent macroeconomic policies with an exceptionally dynamic private sector and a responsive labor market. In Canada, economic growth was spurred by increased business and household spending, declining short- and long-term interest rates, and improved external competitiveness. Growth in Western Europe was primarily export-led although there was evidence of improving domestic demand, particularly in France and Spain. In Germany, investment spending continued to lag. In Switzerland, economic activity expanded by 0.5 percent after six years of broad economic stagnation. Recent unemployment figures in France, Germany, and Italy indicate relatively low levels of resource utilization, in marked contrast with those for the UK and the US. Growth in the European Union was 2.6 percent in 1997 with growth picking up in France, Germany, and UK, while growth in Italy was subdued. With a few exceptions, the small- and medium-sized advanced economies also enjoyed relatively solid economic growth with moderate inflation.

The high degree of price stability remains an impressive achievement, shared by almost all the advanced economies. Significant inflation pressures neither exist nor are foreseen. A problem, however, is the variable labor market performance. Some economies have posted record high unemployment rates. There has been substantial effort in many of the economies to reduce fiscal imbalances that had reached unsustainable levels in the past. Fiscal tightening became a restraining force, both in terms of growth and employment. However, buoyant household spending, vigorous business investment and, in some economies, strong export demand compensated sufficiently to increase output.

Developing economies

Tensions in the financial markets of Southeast Asia in the second half of 1997 spread to the rest of the developing world, resulting in a decline in GDP growth to 5.9 percent in 1997 from 6.4 percent in 1996. While growth in the Asian region moderated further in 1997, growth trends in other regions were particularly encouraging. In most developing economies, low or declining inflation and generally prudent fiscal policies suggest that threats to growth, arising from policy imbalances, have been significantly reduced, although challenges in governance remain. There are, however, a number of developing economies which are lagging in policy reforms and risk being marginalized in a fast-integrating world economy. Private capital flows to emerging markets fell to an estimated $200 billion in 1997, compared with $295 billion in 1996, according to information released by the Institute of International Finance. The data reflect a sharp decline of $105 million in capital flows to Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand. Excluding the five Asian economies most adversely affected by the financial crisis, net private capital flows to emerging markets rose by $12 billion in 1997.

Economic growth in Africa declined in 1997 to 3.4 percent from 5.3 percent in 1996 as drought and civil wars led to the slowing down of several economies and weakening non-oil commodity prices affected growth. Some countries, however, benefited from the implementation of stronger macroeconomic and structural policies. In Latin America, growth remained strong with lower inflation. This was largely the result of prudent fiscal and monetary policies and continuing economic reforms. Economic activity was particularly buoyant in Argentina, Chile, Mexico, and Peru with

Net Private Capital Flows to Selected DMCs
(in percent of GDP)

	1983–1998	1989–1995	1996	1997
Newly Industrialized Economies				
Korea, Rep. of	(1.1)	2.1	4.9	2.8
Singapore	5.0	3.8	(10.1)	(5.5)
Taipei, China	0.2	(4.0)	(3.2)	(3.8)
China, People's Rep. of	1.2	2.5	4.7	3.7
Southeast Asia				
Indonesia	1.5	4.2	6.3	1.6
Malaysia	3.1	8.8	9.6	4.7
Philippines	(2.0)	2.7	9.8	0.5
Thailand	3.1	10.2	9.3	(10.9)
South Asia				
India	1.5	1.2	2.0	2.9

() negative

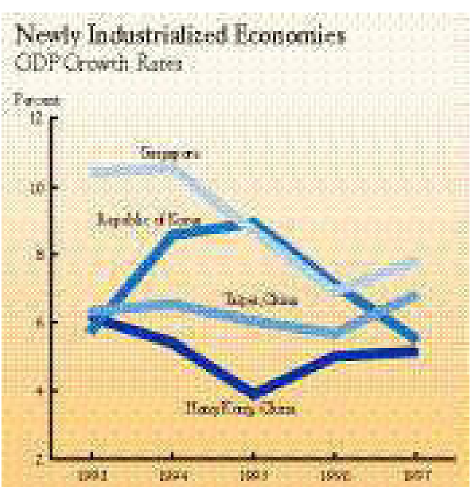
a Excluding private sector loans.

GDP growth in the range of 5.5 percent to 8 percent. The economic performance of the developing economies in the Middle East and Europe continued to register significant improvements despite a slight decline in oil prices. Economic growth in Central and Eastern Europe (excluding the Russian Federation) is estimated to have slowed down to 2 percent in 1997, compared with over 3 percent in 1996. The slowdown highlights the enormous difficulties facing most of the transitional economies.

Developing Asia

Asia continued to be the fastest-growing region in the world although real GDP growth declined further to 6.1 percent in 1997 from 7.5 percent in 1996. The decline in growth is mainly attributable to the financial crisis which unfolded in Thailand in July 1997 and rapidly infected a number of countries in Southeast Asia and the Republic of Korea. The pressures have been acute in Thailand where fragilities in the banking sector aggravated the situation, resulting in slightly negative growth for the year. Spillover from the crisis was also felt strongly in Indonesia, Malaysia, and Philippines. Toward the end of 1997, the Republic of Korea followed suit. As a result of these developments in the region's financial markets, economic growth among the NIEs declined slightly from 6.4 percent in 1996 to 6 percent in 1997, while in Southeast Asia, growth declined substantially from 7.1 percent to 3.8 percent. Inflation declined substantially to 4.3 percent from 6.7 percent in 1996 as conservative monetary and fiscal policies continued to be enforced, and partly due to the economic slowdown in the region.

The financial turmoil has not only deepened; it has also widened as the spillover effects are being felt throughout the region and beyond. The Southeast Asian currencies and the Korean won have depreciated sharply, and have yet to show improvements on a trend basis. This has brought about downward pressures on the currencies perceived to be vulnerable, not only in Asia but also all over the world. Many emerging and industrial markets have also experienced sizable declines in their stock markets.



Newly industrialized economies

The NIEs have achieved high levels of per capita income and fast-maturing industrial structures. An important challenge they face is to maintain rapid growth, while structurally changing their economies by moving into more skill- and capital-intensive product lines. Economic growth in the NIEs weakened beginning in 1996, slipping further from 6.4 percent to 6 percent in 1997. Among the NIEs, only the Republic of Korea remained in a downturn phase in 1997. Internal financial problems and external liquidity shortages were aggravated by the regional financial crisis in the latter part of 1997. This resulted in a call for the International Monetary Fund (IMF) to broker an assistance package for the Republic of Korea amounting to $57 billion, including Bank assistance of $4 billion. In the case of Hong Kong, China, the impact of the regional financial crisis was felt through high interest rates which adversely affected the financial and property markets in the fourth quarter of 1997. Singapore was affected less severely, but still suffered currency and stock market declines. Except for mild effects on the currency and stock markets, Taipei,China remained virtually unscathed by the region's financial crisis, aided by exceptionally high foreign reserves relative to foreign liabilities. On the inflation front, the NIEs have been successful in controlling consumer price increases, as inflation rates further declined to 3.5 percent in 1997 from 4.3 percent in 1996.

Hong Kong, China

Economic performance

Economic growth: After a smooth handover to the PRC in July and robust economic activity in the first nine months of 1997, Hong Kong, China's economy slowed down in the fourth quarter as the effects of the regional currency crisis spread to the local financial markets. Domestic demand remained vigorous in the first three quarters, underpinned by the continued strength of both consumer and investment spending. The impact of the regional crisis on the economy has been felt through high interest rates adversely affecting the financial and property markets. The Hong Kong dollar, which has been linked to the US dollar since 1983, came under pressure in October 1997. The Government of the Hong Kong Special Administrative Region (HKSAR) had allowed a prompt tightening of domestic monetary conditions caused by the automatic adjustment mechanism of the currency board system to counter the pressure in the foreign exchange market. By the end of 1997, the benchmark Hang Seng Index declined by about 33 percent below its August peak and property prices had dropped by 14 percent since October 1997. Despite the fourth quarter slowdown, GDP grew by 5.2 percent in 1997.

Inflation: Inflation in 1997, as measured by the consumer price index (CPI), was moderate at 5.7 percent. Upward pressure on inflation from the tightening labor market and rising property prices in the first three quarters of 1997 was countered by the decline in asset prices and the economic slowdown in the last quarter of the year. Imported inflation also remained subdued, amid low inflation in the major supplier economies, continued strength of the US dollar, and generally soft world commodity prices.

External sector: Export growth was restrained by the modest import demand in some of the major markets (PRC, Japan, Republic of Korea, and Singapore) and the continued strength of the US dollar and consequently the Hong Kong dollar. The substantial currency depreciation in a number of Asian economies since the middle of 1997 did not noticeably affect Hong Kong, China's exports performance. Inbound tourism, however, weakened considerably. For 1997, total merchandise exports grew by 4 percent and merchandise imports rose by 5.1 percent in value terms. This was mainly attributed to a resurgence in retained imports which increased by 6 percent.

Domestic policies Hong Kong, China's economy is faced with strains on the currency and financial crisis engulfing the NIEs and Southeast

Asia. In 1997, the fallout of the Asian financial crisis and the subsequent tight domestic monetary conditions have brought about an adjustment in asset prices. The key challenge to the Government of the HKSAR is to moderate the economic slowdown, while at the same time preserving the linked exchange rate system that has served the country well for more than a decade.

Republic of Korea

Economic performance

Economic growth: After reaching its peak at the end of 1995, growth in the Republic of Korea's economy began to slow down and has remained in a downturn phase. The growth rate, which rose to as high as 8.9 percent in 1995, dropped to 7.1 percent in 1996, and declined further to 5.5 percent in 1997. The slowdown in 1996 largely resulted from slack in external demand, falling prices of semiconductors, and sluggish capital investments. In 1997, even though exports increased in real terms, the downward trend in other major sectors of the economy continued from the previous year. Equipment investment decreased through the year due to the weakened profitability of businesses and the uncertainty of future economic prospects. Construction investment also continued its subdued pace, as slackening building construction was barely offset by robust infrastructure-related construction. The growth of consumer spending dropped steeply, compared with the previous year, in view of concerns over job security and the level of corporate bankruptcies. Exports, in real terms, increased sharply after the second quarter, helped by a sharp pickup in exports of heavy industrial and chemical products, such as semiconductors and refined petroleum products. As an outcome of slower economic growth, the unemployment rate rose from 2 percent in 1996 to 2.6 percent in 1997. This was despite a decrease in the economically active population as many ceased their job search due to the continued economic slowdown.

Inflation: The Republic of Korea's inflation rate decreased to 4.5 percent in 1997 from 4.9 percent in 1996. The prices of manufactured goods showed a rapid increase due to higher import prices induced by the weakening of the won against the dollar, more than offsetting the slack domestic demand. Prices of farm products declined owing to good harvests. The pace of wage increases, which has played a crucial role in aggravating the business environment, moderated from 11.9 percent in 1996 to 8.5 percent in 1997.

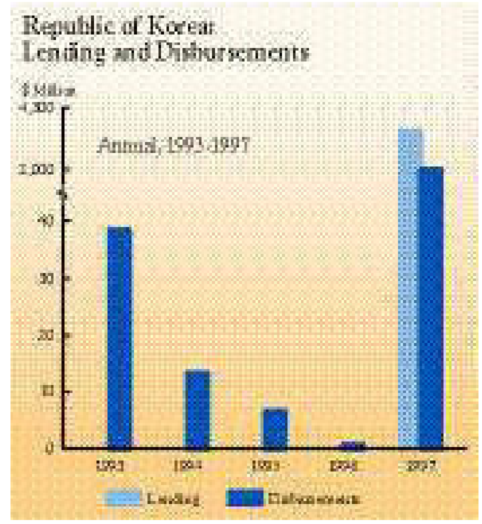
External sector: The Republic of Korea suffered serious deterioration in its balance of payments in 1996. However, its exports reversed their trend in the second quarter of 1997 and continued a strong expansion thereafter. Merchandise exports increased by 7.2 percent during 1997, compared with 4.1 percent in 1996. This was mainly due to the increase in export volumes, helped by the sharp pickup in exports of heavy industrial and chemical products. Meanwhile, the unit price index of exports dropped, owing to such factors as the steady weakening of semiconductor prices. Merchandise imports decreased by 2.3 percent in 1997 following a 12.2 percent increase in 1996, largely in response to the sluggish

Republic of Korea: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Financial	22	4,710.0	74.3
Social Infrastructure	22	635.1	10.0
Transport and Communications	11	459.5	7.3
Energy	10	234.4	3.7
Agriculture and Natural Resources	8	163.8	2.6
Industry and Nonfuel Minerals	8	135.5	2.1
Total	**81**	**6,338.3**	**100.0**

consumption and the decline in investments. The trade balance, which shifted into the black in August, registered a deficit of $2.8 billion for the year. The deficit on invisibles and transfers, which grew very rapidly until the third quarter and then reverted into surplus in the fourth quarter, ended at $6 billion. The current account deficit improved to $8.8 billion from the previous year's level of $23.1 billion.

Domestic policies Internal financial problems and external liquidity shortages, which were aggravated in the latter part of 1997, resulted in the deterioration of the Republic of Korea's creditworthiness in international financial markets and reduction in capital inflows. In December 1997, the Government sought an IMF financial assistance package totaling $57 billion, including ADB assistance of $4 billion. In accordance with the standby arrangement, the Government adopted a number of measures to strengthen its economy and pledged to continue implementing reform policies. Many measures in the IMF restructuring program are in accordance with the policy direction that the Government adopted in response to the economic slowdown in 1996. The onset of the financial crisis, however, provided momentum for a rapid implementation of the necessary macroeconomic and financial reforms. The main objective of the monetary policy is to contain inflation and limit the downward pressure on the won. A tight fiscal policy will be maintained to alleviate the burden on monetary policy and to provide for the still uncertain costs of restructuring the financial sector. In December 1997, the Korean Asset Management Corporation started to purchase nonperforming assets from banks and merchant banks. The Government suspended the operations of 14 troubled merchant banks. To strengthen supervision over the financial sector, the Financial Supervisory Institution was established. The autonomy of the Central Bank has also been strengthened.



Bank operations

Operational strategy: In the backdrop of the serious financial difficulties encountered toward the end of the year, the Republic of Korea approached IMF for assistance. The basic objective of the IMF-led assistance package was to restore market confidence, which is to be achieved using a two-pronged strategy. First, a strong economic program, i.e., macroeconomic stabilization with bold policy action and structural reforms designed to tackle weaknesses, was needed. Second, a sufficiently large package of assistance was needed so that markets would be reassured that the country could meet its external payment obligations. On the basis of an assessment of requirements, IMF originally estimated that official assistance of the order of $55 billion would be needed. An IMF-led international assistance package was put together. IMF would provide $21 billion over a three-year period. This would be supplemented by assistance of $14 billion from ADB and World Bank. The balance of $20 billion would be provided through bilateral assistance from Australia, Canada, France, Germany, Italy, Japan, UK, and US.

Policy dialogue: The ADB's Financial Sector Program loan to the Republic of Korea was designed to complement the Government's macroeconomic stabilization and structural reforms being supported by

IMF under the Standby Arrangement. As the recent crisis has served to highlight certain basic weaknesses in the Republic of Korea's financial sector, the Bank's operations sought to restore market confidence and prevent recurrence of such events through support for far-reaching financial sector reforms. The Government embarked on an ambitious program for reforming the financial sector. The Bank's program l oan will carry this reform forward through increased reliance on market forces and independent regulatory oversight. The goal is to transform the financial system by making it competitive and placing it on a sound basis by correcting policy and structural weaknesses. The loan has been designed to (i) provide for prudential and regulatory supervision of the banking and other subsectors through an independent agency; (ii) increase competition within the sector and thus subject firms to market discipline; (iii) enhance efficiency by promoting the orderly development of capital markets and the introduction of new financial products and participants; and (iv) provide the market — investors and creditors — with transparent financial and accounting information.

Picture no. 10

Newly industrialized economies are concerned with sustaining global competitiveness by increasing productivity of labor.

Loans and technical assistance: As part of the overall international donor community's effort, the Bank processed a $4.015 billion Financial Sector Program loan, the single largest assistance package ever advanced by the Bank, to assist the Republic of Korea. In the face of the currency and liquidity crises, the crucial component was the availability of adequate supplies of foreign exchange. As part of the assistance package, a technical assistance loan of $15 million was provided for institutional strengthening of the financial sector.

Project implementation: All 79 loans which the Bank had previously provided prior to 1988, when the Republic of Korea stopped borrowing, have been financially closed and fully disbursed as of end-1996. The first tranche of $2 billion of the $4.015 billion Financial Sector Program loan was disbursed by the end of the year.

Singapore

Economic performance

Economic growth: Singapore's economic growth slowed down in 1996, as world demand for computer-related electronics (especially semiconductors) declined, but surged ahead in 1997 with 7.8 percent growth in GDP. Manufacturing output rose by 4.3 percent, spurred by chemicals, petroleum, and electronics. Electronics account for roughly half of manufactures, which in turn account for more than three fourths of exports, as Singapore now has the world's largest disk drive industry. There was significant expansion in the petrochemical sector as new plants came onstream. Commerce, in particular tourism, suffered from reduced regional demand. The services sector, which now accounts for 66 percent of GDP, grew by

8.8 percent. Financial and business services, particularly foreign exchange activity and provision of business-hub services, have grown rapidly by 11 percent in 1997, assisted by tax breaks. The construction industry, which benefited from public investment in infrastructure, expanded by 13.3 percent and led employment growth. Except for its currency and stock market, Singapore was mildly affected by the region's financial crisis in 1997.

Inflation: Money supply (M2) growth averaged 10.3 percent for the year, and inflation increased slightly to 2 percent from 1.4 percent in 1996. Although prices for imported food from neighboring countries with depreciated currencies declined, prices for administrative charges, transportation, communications, water, health care, and housing increased.

External sector: The country's high savings rate, fiscal surplus, current account surplus, limited foreign debt, and the world's highest per capita foreign reserves helped the country come through the regional currency and financial crises relatively unscathed. While the Singapore dollar depreciated about 17 percent relative to the US dollar, it appreciated substantially relative to most regional currencies. Exports declined by 3 percent in US dollar terms in 1997. Slow import growth compensated for the decline in exports, and the current account surplus as a percentage of GDP remained substantial at 15 percent. The steady rise in net services income has played an important role in the current account surplus, although this was tempered in 1997 by the slowdown in tourism, resulting from the financial crisis and environmental haze from forest fires affecting the region. Increased emphasis on outward direct investment, successive current account surpluses, and substantial inward-bound foreign direct and portfolio investment have led to steady growth in international reserves.

Domestic policies Singapore maintains a concerted effort to broaden and deepen its economy, particularly in relation to the Southeast Asian region. The three main components of this policy are to attract foreign investment, promote and develop the services sector, and develop small- and medium-sized enterprises. Infrastructure and technological innovation are increasingly being stressed by the Government to boost productivity and attract foreign investment. The Singapore ONE (One Network for Everyone) plan to link every home by computer is intended to help establish the country as a regional financial and product design center. To promote its efforts to expand as a regional financial center, the Government has undertaken a review of the banking and financial sectors.

Taipei,China

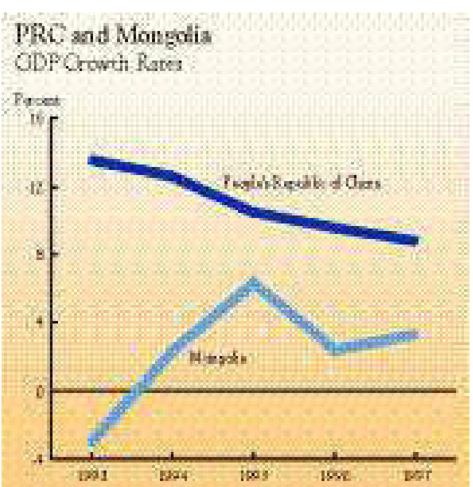
Economic performance

Economic growth: In a year of unprecedented turmoil in the financial markets and economic slowdown in Asia, Taipei,China avoided any major financial crisis in 1997 although the domestic currency has depreciated by 15 percent since July 1997. Stimulated by the strong growth of private consumption and investment, the real GDP growth rate in 1997 was 6.8 percent, higher than the 5.7 percent growth achieved in 1996. Sustained growth in finance, insurance and real estate, and business services underpinned the 7.9 percent expansion in the services subsector, compared with 7.3 percent in 1996. Industry sector growth remained modest at 5.7 percent. Real private consumption increased by 7.7 percent from 6.2 percent in 1996. Real government consumption also grew strongly at 5.4 percent mainly because of a large increase in military expenditure.

Inflation: Inflation declined to 0.9 percent in 1997, the lowest in the last decade, from 3.1 percent in 1996. This reflects stable food prices due to favorable weather conditions, decelerating money supply growth, and lower imported inflation due to a decline in the world prices of industrial raw materials.

External sector: The external trade account has consistently been in surplus since the mid-1970s. In 1997, the trade surplus declined to $13.9 billion from $17.6 billion in 1996 because of higher imports. Taipei,China experienced a deficit on the services account in 1997, reflecting primarily rising insurance and freight charges in line with strong import growth and increasing amounts spent abroad by tourists. Because of the smaller trade surplus and the continuing services deficit, the current account surplus fell to $7.7 billion in 1997 from $11 billion in 1996. Successive current account surpluses have helped the economy to build up substantial amounts of international reserves of $83.5 billion at the end of 1997, sufficient to cover eight months of imports.

Domestic policies: The financial storm swept across Taipei,China's stock and foreign exchange markets. To stem the fall of the New Taiwan (NT) dollar, the central bank intervened heavily in August and September. However, as the financial crisis showed no signs of abating and the US dollar strengthened, the central bank, in mid-October, allowed the NT dollar's exchange rate to be fully determined by market forces. Taipei,China has been relatively insulated from the currency crisis, the stock market decline, and the growth slowdown experienced in the region. This was mainly because of its sound macroeconomic fundamentals and the exceptionally high foreign exchange reserves relative to the country's foreign liabilities. The key challenge for Taipei,China is to moderate the spillover effects of the Asian financial crisis and strengthen its financial system.



PRC and Mongolia

People's Republic of China

Economic performance

Economic growth: The PRC's economy continued to grow rapidly in 1997, accompanied by a sharp decline in inflation. Real GDP growth at 8.8 percent was, however, lower than the growth achieved in 1996. The slowdown was noticeable primarily in the industry sector which accounts for about half of the PRC's GDP. Agriculture sector growth in 1997 was lower at 3.5 percent, compared with 5.1 percent in 1996. Industrial output growth decelerated further to 10.8 percent in 1997 from 12.1 percent in

1996. Although state-owned enterprise (SOE) industrial production improved slightly compared with the 1996 level, it continued to grow at a much slower pace than that of the nonstate enterprises. The rapidly growing and modernizing economy has generated a huge demand for financial, accounting, legal, wholesaling, retailing, and other support services, boosting services sector growth by 8.2 percent in 1997. Investment growth was kept in check by tight administrative controls on new investments by planning authorities, a sharp slowdown in net lending by the central bank, tighter screening by state commercial banks, increases in real interest rates, and excess capacity in many industries. Consumption demand was restricted by the slow rise of real income, and tight monetary and fiscal policies. The financial crisis in the NIEs and Southeast Asia has not affected the PRC's economy significantly. Since the Government has not made the renminbi convertible on the capital account, worldwide short-term capital cannot flow into the PRC on a large scale.

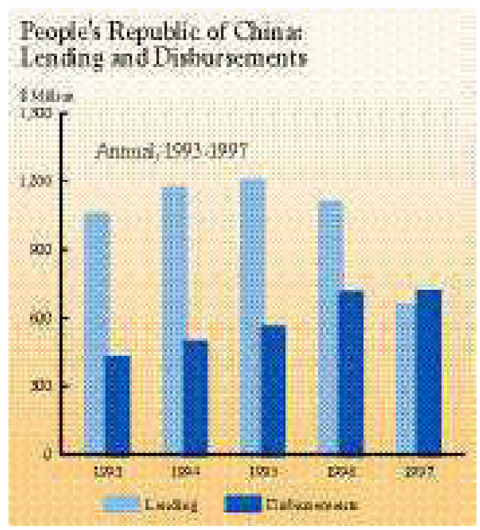
Inflation: Inflation, as measured by the CPI, fell sharply to 2.8 percent from 8.3 percent in the previous year. Retail price index inflation also declined in 1997 to 0.8 percent from 6.1 percent in 1996. The easing of inflationary pressures was mainly due to bumper harvests for the past three years, excess production capacity and supplies in many industry sectors, reduction of infrastructure bottlenecks, tighter control over credit for fixed asset investment, and modest consumer demand.

External sector: The trade account was in surplus for the fourth consecutive year and the exchange rate has also been stable. Total exports continued to grow impressively in 1997, registering a growth rate of 20 percent. Weak domestic demand contributed to a moderate growth of 2.5 percent in imports. This generated a record trade surplus of $46.4 billion and a current account surplus of $20 billion or 2.2 percent of GDP. The services account, however, remained in deficit, reflecting the underdeveloped state of the sector. The capital account showed a sizable surplus because of the continued large inflows of foreign direct investment (FDI) at $45 billion. The PRC ranks second among all countries of the world in terms of FDI inflows and the first among developing countries. FDI grew by 13 percent and total foreign exchange reserves reached a new high level of $140 billion at the end of 1997 or more than ten months of import cover. Total outstanding external debt was $119 billion in 1997, of which long- and medium-term debt was accountable for 85 percent. The debt-service ratio has declined continuously from 12.6 percent in 1993 to 6.8 percent in 1996. The high level of reserves and the nonconvertibility of the renminbi in the capital account has enabled the PRC to avoid the adverse effects of the regional financial crisis.

Domestic policies: Reform in the SOEs progressed in 1997 and will gather momentum in the coming years. The Fifteenth Party Congress in September 1997 placed high priority on reforming the SOEs, which now incur annual losses of about $80 billion. The main reason for the poor performance of SOEs is the weak governance structure due to ill-defined rights and duties of enterprise managers and the Government. The core of the SOE reform is to convert the more than 300,000 SOEs into shareholder-owned corporations and open them to foreign competition. This would involve mergers of many companies into large corporations

People's Republic of China: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Transport and Communications	25	2,888.0	41.1
Energy	13	1,566.3	22.2
Industry and Nonfuel Minerals	5	686.8	9.8
Financial	6	530.0	7.5
Agriculture and Natural Resources	8	519.6	7.4
Multisector	3	400.0	5.7
Social Infrastructure	3	288.0	4.1
Others	1	156.0	2.2
Total	**64**	**7,034.7**	**100.0**



and result in laying off redundant workers in these enterprises. Another key challenge facing the PRC is the reform of its financial sector. The asset quality of the banks has deteriorated over time and doubtful assets now constitute a significant portion of the banking sector's portfolio. A substantial part of these doubtful assets is accounted for by loans to the SOEs. Cleaning the banking system's portfolio is inextricably linked to the reform of the SOEs. A notable institutional development in the field of monetary policy is the formation of the Monetary Policy Committee by the State Council in April 1997, which is in accordance with the recently enacted Central Banking Law and reflects the resolve of the Government to pursue a more independent monetary policy. With the wide disparity in economic development among provinces, the Government has adopted economic policies to reduce regional disparities and to accelerate development in the interior provinces.

Bank operations

Operational strategy: The Bank's revised country operational strategy for the PRC was discussed with the Government in 1996 and subsequently with the Board of Directors in February 1997. The strategy emphasizes three broad objectives: (i) enhancing economic efficiency; (ii) promoting growth to reduce poverty in poor inland provinces; and (iii) improving environmental protection and natural resource management. These three broad objectives will help maximize employment creation, further eliminate factor market distortions, and address market failures of rapid growth by spreading the benefits of growth more evenly and reducing environmental degradation. This strategy is fully supportive of the Government's objective of preserving social stability and maintaining public support for the continued implementation of the reform program. In line with this strategy, about two thirds of the proposed projects that are location-specific (excluding lines of credit and sector-type projects that have national coverage) during the period 1998-2000 will be located in the inland provinces. Within the framework of the country operational strategy, Bank operations in the PRC will focus on (i) strengthening macroeconomic management and the policy, legal, and regulatory frameworks necessary to support the continued implementation of market-oriented reforms; and (ii) addressing issues and constraints primarily in three key sectors: physical infrastructure (covering energy, transport, communications, and water supply); finance and industry; and agriculture and rural development. To achieve macroeconomic stability and improve investment efficiency, the Government will need to continue to (i) develop greater expertise in the use of effective fiscal and monetary policy tools; (ii) establish efficient financial markets; (iii) accelerate enterprise reforms; and (iv) strengthen the legal and regulatory frameworks. These four areas will be the focal points of much of the Bank's economic and sector work and related advisory technical assistance.

Policy dialogue: The policy dialogue between the Government and the Bank covered a broad range of areas to support the PRC operational program. At the macro level, the Bank is supporting fiscal reforms through an ongoing series of technical assistance grants. During 1997, discussions in the area of fiscal reform focused on social security, off-budget revenues and expenditures, and municipal finance. As part of the ongoing Bank assistance in strengthening governance in the financial sector, issues were addressed related to developing a national payments system, policies affecting foreign and joint-venture banks, and reforming the rural cooperative system. Enterprise reform to increase commercialization and responsiveness to market forces was promoted in the context of individual projects, as well as by providing broader assistance to address issues related to restructuring insolvent state enterprises. Improving environmental management continues to be a major element of the Bank's policy dialogue in the PRC. Environmental issues addressed in 1997 included the use of market-based instruments for environmental management, building capacity related to environmental impact assessment procedures, and promoting clean coal technology. The Bank also promoted energy conservation through policy dialogue, price adjustments to provide incentives for energy conservation, and the provision of technical assistance. To help mobilize the resources necessary to finance the huge infrastructure expenditures that are needed in the PRC, the Bank is actively promoting tariff adjustments to enhance cost recovery. The Bank also plays a leading role in promoting alternative sources of financing (e.g., build-operate-transfer; leasing and securitization) in the transport, energy, and water resources sectors.

Loans and technical assistance: Five loans totaling $656 million were approved in 1997, which was a decline in volume from recent annual levels. The Government's attention to project quality, provision of adequate counterpart funds, and careful preparation of new projects, particularly in the context of declining domestic growth rates and concerns about foreign debt exposure and currency risks, largely accounted for the slowdown. Of the five loans approved, two were for transport projects ($250 million), and one each for environmental improvement ($156 million), energy ($150 million), and social infrastructure ($100 million). Thirty-six technical assistance grants were approved in 1997, amounting to $19.5 million. Of these, ten were for the preparation of new projects.

Project implementation: Of the 64 loans approved as of end-1997, 17 had been closed and 47 were under implementation, including six waiting to become effective. During the year, contracts amounting to $693.6 million were awarded, bringing cumulative contract awards to $3,897.4 million. The contract award ratio for 1997 was 25.6 percent. Disbursements for the year amounted to $714.7 million. Cumulative disbursements reached $3,355 million. The disbursement ratio for 1997 was 19.6 percent. The PRC portfolio performed generally well due to several contributing factors: (i) rigorous screening process before projects are proposed for Bank financing; (ii) strong technical capabilities of the executing and other government agencies; (iii) strong ownership of the projects by executing agencies, local governments, and government authorities; and (iv) clear accountability for project implementation. However, some difficulties were experienced in securing counterpart funds in a timely manner; high cost of domestic borrowing; insufficient coordination and synchronization of the Bank's processing cycle; and the Government's internal approval procedures. The Bank has been closely involved in improving project implementation in the PRC by providing a series of

Picture no. 45

The Bank promotes clean technologies and ways to reduce pollution as part of its environmental improvement efforts.

training seminars on the Bank's operational and implementation procedures, and training-of-trainers program to augment the sustainability of the Bank's efforts toward that end. In addition, the Bank is providing assistance in developing the national bidding law, and the policies and regulatory framework for the contracting industry.

Mongolia

Economic performance

Economic growth: Economic growth recovered despite continuing problems in the banking sector, a softening of international copper prices, and constraints in energy supplies. Real GDP growth in 1997 increased to 3.3 percent from 2.4 percent in the previous year. The services sector, growing by 5.3 percent, provided the main impetus for the improved economic performance. The stability in the exchange rate, the initiation of bank restructuring and reforms, and the abolition of price controls contributed to the services sector growth. Agricultural output, which accounts for almost 37 percent of GDP, grew by 2.6 percent. The increase in livestock and higher cashmere output was offset by weak meat prices and lower international prices of cashmere. Crop harvest, however, improved as a supply response to an improved policy environment, due to the liberalization of wheat prices and favorable weather conditions. The industry sector recovered with a 2.3 percent growth, compared with 0.5 percent in 1996. The decline in output of SOEs continued to offset the gains made in the private manufacturing sector.

Inflation: The inflation rate began to decline during the latter half of 1997 as seasonal factors became positive with the beginning of the livestock slaughtering season and the onset of the new wheat harvest in October. Also, most large price adjustments have been completed, pushing down inflation to an annual average rate of 20 percent from 49.6 percent in 1996.

External sector: Total export earnings reached $461 million, an increase of about 9 percent from the 1996 level, owing to the increase in copper and gold exports. Cashmere exports continued to decline, reflecting the drop in international prices. Imports declined by 1.5 percent. The trade deficit has become smaller and the current account deficit improved to 5.6 percent of GDP. The inflow of concessional external finance was substantially larger in 1997 and was sufficient to finance the current account deficit and build up net foreign exchange reserves to $89.9 million by the end of 1997.

Domestic policies The Government has restored the momentum of reforms, and reached agreement with IMF on a new three-year stabilization and structural reform program which provides the framework for maintaining macroeconomic stability in the near term. The uncertainties associated with the transition process are still significant but the completion of price and tariff reforms, accelerated privatization, and a greater role of the private sector are gradually creating the basis for more stable growth in the country. With fiscal balance as one of the main components of the stabilization program, fiscal stability will continue over the duration of the program. A tight monetary policy will continue to be in place to keep inflation in check.

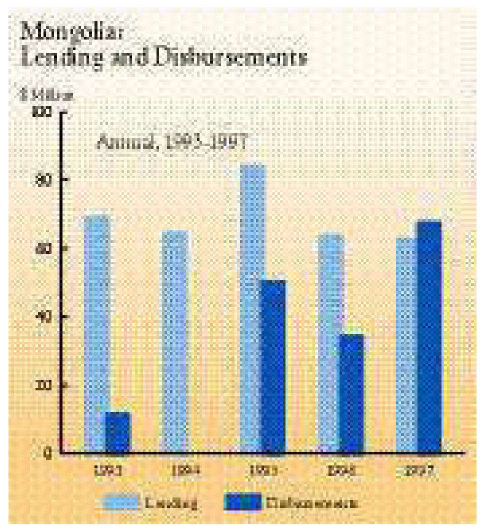
Bank operations

Operational strategy: The thrust of the Bank's operational strategy for Mongolia is to support the ongoing process of economic transition to a market economy. To promote the transition, the strategy stresses (i) creating an environment in which a competitive, efficient market economy can flourish; (ii) developing the human resource skills necessary for a market economy; and (iii) developing the physical infrastructure needed for a market economy. The operational strategy emphasizes the need to promote the kind of growth that is financially and environmentally sustainable. While the strategy is designed to promote efficient resource use and a competitive private sector, it is sensitive to the need to address the rising unemployment and poverty. Growing unemployment, poverty, and the deterioration of health, education, and other social services have become major areas of concern. While the long-term solution to the rising social concerns rests on sustained economic growth, these social problems must also be addressed to alleviate further deterioration of the quality of life and to ensure continuing public support for the Government's reform program. Within the framework of the strategy, necessary alignments will be made to the operational program to accommodate these shifting development emphases and priorities as economic recovery progresses.

Policy dialogue: The Bank's 1997 program reflected the policy dialogue undertaken with the Government on major issues in Mongolia's energy, health, urban, and water supply sectors. As a result of the Bank's policy dialogue in the energy sector, the Energy Authority is on track in implementing the Energy Law of 1996, increasing tariffs in January 1997 and removing subsidies for small consumers in May 1997. In addition, the Government has agreed to implement an automatic quarterly tariff adjustment mechanism to cover cost increases arising from higher fuel costs, inflationary trends, and exchange rate depreciation. The Bank provided policy advice to the Government with respect to restructuring the electricity and heat sector and to introducing private sector participation. A major focus of the policy dialogue was the improvement of primary health care systems with increased private sector participation. The resulting introduction of family group practices and a capitation payment system — changing the modes of payment to health service providers to introduce market signals and incentives for improving cost efficiency for the delivery of primary health care — will result in the provision of cost-efficient services. The Bank provided policy advice regarding issues related to the urban and water supply sectors which covered decentralization, investment priorities, institutional reforms and strengthening of local agencies, and cost recovery. As a result, the Government agreed to undertake a thorough reassessment of its investment plans and priorities in the urban sector. The Government is more committed to increase self-financing capabilities for infrastructure development in provincial capitals through tariff reforms and introduce appropriate cost-recovery mechanisms. The Bank coordinated

Mongolia: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Transport and Communications	4	109.5	29.0
Energy	4	93.8	24.8
Industry and Nonfuel Minerals	2	60.0	15.9
Social Infrastructure	5	38.2	10.1
Agriculture and Natural Resources	2	38.0	10.1
Financial	2	38.0	10.1
Total	**19**	**377.5**	**100.0**

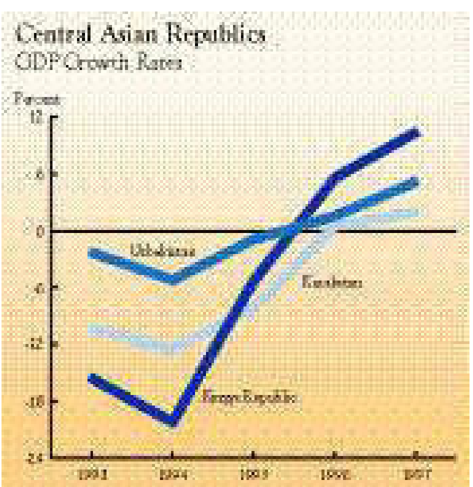


its policy dialogue with the Government, IMF, World Bank, and other aid agencies.

Loans and technical assistance: Four loans for three projects totaling $62.7 million were approved in 1997 in the energy and social infrastructure sectors. The Ulaanbaatar Heat Efficiency Project will improve district heating in the world's coldest capital and will improve sector efficiency by introducing a tariff and billing system based on metered heat consumption. The Health Sector Development Program and Provincial Towns Urban Services Project will support policy reforms in the social infrastructure sector, particularly health, water supply, sanitation, and solid waste disposal services. Fourteen technical assistance grants totaling $7.4 million were approved, of which five were for the preparation of new projects.

Project implementation: Of the 19 loans approved as of end-1997, three had been closed and 16 were under administration. During the year, contract awards and disbursements amounted to $52.2 million and $67.4 million, respectively. The respective cumulative figures were $257.7 million and $210.2 million. The contract award ratio for 1997 was 37.1 percent, while the disbursement ratio was 39.4 percent. In September 1997, a country project implementation and administration seminar was held to familiarize staff of executing agencies and other government offices with the Bank's policies and procedures on procurement, use of consultants, and disbursements. During the country portfolio review undertaken in September, the Mongolian project directors and managers agreed to establish a forum and hold informal meetings on a quarterly basis to address problems related to project implementation. The Bank plans to provide technical assistance to help the Government identify and address key implementation issues. The Bank is also preparing a technical assistance in the development of procurement legislation and implementing guidelines and capacity building for project accountants in the executing agencies of Bank-financed projects.

Central Asian republics



Kazakstan, Kyrgyz Republic, and Uzbekistan are in the process of converting their centrally planned economies into market-oriented systems. All are implementing IMF-agreed programs with varying degrees of success. Within this context, active programs of assistance are being provided by multilateral institutions and the European Bank for Reconstruction and Development which has specific focus of providing direct assistance to the private sector in the economies of Eastern Europe and the former Soviet Union. Since the Central Asian republics were in the process of making radical economic transformation, their economies have recorded negative growth in the past several years. In 1996, however, their economies began to stabilize and recorded expansions for the first time. These continued in 1997. The expansion was led by the Kyrgyz Republic, registering a GDP growth of 10.4 percent in 1997, followed by Uzbekistan with 5.2 percent, and Kazakstan with 2 percent. Economic recovery and the successful containment of monetary growth resulted in further moderation of inflation rates.

Kazakstan

Economic performance

Economic growth: The economy of Kazakstan grew at an annual rate of 2 percent in 1997, higher than the 0.5 percent expansion in 1996. The strength of the economy comes from the export-oriented sectors dealing with oil, gas, and some nonferrous metals. These sectors have benefited relatively from the terms-of-trade shift since independence and have received the bulk of FDI in the country. Agriculture depends heavily on rainfed grain and while crop production improved, there is little sign of underlying growth in productivity. In the informal or unregistered economy, there is evidence of strength in some sectors, including retail trade and private housing construction.

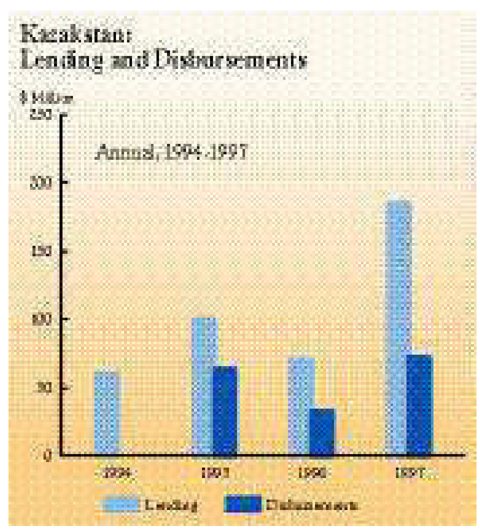
Inflation: The current small recovery in output followed the success in lowering inflation that became apparent in 1995. In 1997, inflation moderated further to 20.4 percent, down from well over 1,000 percent in 1994. Lower inflation has allowed the development of some capital markets' segments, including those concerning treasury bills and interbank credit. The banking sector remains weak and unable to provide any meaningful intermediation for loanable funds.

External sector: The moderate growth achieved in the past years has resulted in large trade and current account deficits. In 1997, the current account deficit was 4.6 percent of GDP. These were financed by capital flows, especially those related to the large foreign investments in oil and gas, mining, and metallurgy. The development of new markets has slowed down and the Russian Federation remains Kazakstan's largest trading partner.

Domestic policies: Maintaining fiscal balance has proven extremely difficult for the Government, given the general decline in revenue and the many expenditure needs. Revenue efforts have been hampered by the poor economic situation of the larger enterprises in the formal registered economy and administrative difficulties in taxing the smaller enterprises in the nonformal economy. Expenditure control was complicated by the need to create public sector institutions in the wake of independence and to provide for social protection to offset the sharp increase in the incidence of poverty during the five-year depression. Kazakstan's landlocked status and inadequate transport and communications infrastructure present severe challenges to successfully attracting foreign investment needed in restructuring the economy on the basis of internationally competitive firms and farms. This, plus the structural features of the nation, underscore the importance of economic cooperation within the region. Regional cooperation offers the potential for broader markets, providing for economies of scale in production; and through infrastructure improvements, a reduction in transport and communications barriers to international markets.

Kazakstan:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	3	140.0	33.7
Others	1	100.0	24.1
Social Infrastructure	3	65.0	15.7
Multisector	2	60.0	14.5
Transport and Communications	1	50.0	12.0
Total	**10**	**415.0**	**100.0**



Bank operations

Operational strategy: The main objectives of the country operational strategy include (i) encouraging the transition to a market-based economy by supporting the Government's reform agenda, promoting institutional change and strengthening social protection; (ii) promoting the rehabilitation of the environment; (iii) strengthening the long-term potential for sustainable growth; and (iv) encouraging the creation of a new output structure and new production capacity through private sector investment. Cofinancing with other donors is actively sought to address difficulties in sourcing local counterpart funds.

Kazakstan's developmental needs are vast, but the Bank's resources and experience in working with the country are limited. Moreover, other funding agencies provide extensive support and technical assistance. Therefore, Bank activities will focus on a limited number of strategic sectors and subsectors: (i) strengthening the management of reform at the Central Government and local government levels; (ii) infrastructure, especially rehabilitation projects; (iii) education and training; (iv) industry, focusing on the problems of medium-sized enterprise reform; and (v) agriculture. In implementing this strategy, a number of strategic considerations must be addressed, including coordination with other multilateral finance institutions.

Several of the sectors in which the Bank will be active involve cross-border issues within the subregion of Central Asia. Notable examples are transport, electric power, the environment, and water resources. Beyond ensuring that its activities in each country are consistent with what is being done in the others, the Bank will endeavor to undertake regional investment and policy coordination, and promote efforts to ensure a rational pattern of resource use in the area as a whole.

Policy dialogue: Discussions were held in support of policy and institutional reforms in agriculture, education, and the pension system. The main objectives of policy dialogue were to (i) improve the efficiency of water resource management in selected areas in south Kazakstan; (ii) rationalize the education sector and improve the efficient use of basic education resources; and (iii) support the transition of the existing pay-as-you-go pension system to a fully funded, defined contribution system. The policy support program also explored possibilities of regional cooperation among PRC, Kazakstan, Kyrgyz Republic, and Uzbekistan in areas such as transport and communications, energy, payment systems, and trade policy.

Loans and technical assistance: Five loans totaling $185 million were approved in support of the Government's efforts in strengthening basic education and water resource management, and reforming the pension system. The Bank also approved seven technical assistance grants amounting to $3.9 million. Of these, two were for the preparation of new projects.

Project implementation: Of the ten loans extended to Kazakstan since it became a member in 1994, nine are under implementation. In 1997, contracts amounting to $99.5 million were awarded, resulting in a contract award ratio of 36.4 percent, while disbursements were $71.6 million. The disbursement ratio for 1997 was 54 percent. Cumulative contracts awarded totaled $198.2 million and disbursements were $167.6 million.

In view of the continuing expansion of the Bank's loan and technical assistance portfolio, the approval of the establishment of the Kazakstan Resident Mission in 1997 is expected to help expedite project implementation.

Kyrgyz Republic

Economic performance

Economic growth: Following severe economic dislocation, growth in the Kyrgyz Republic has recovered, spearheaded by both the agriculture and industry sectors. After six difficult years, real GDP grew by 5.6 percent in 1996 and by an impressive 10.4 percent in 1997. Solid growth of the agriculture sector in the past two years was underpinned by favorable weather conditions and economic reforms. The spurt in GDP growth in 1997 was largely due to a significant increase in industrial production. Much of this is attributed to the commencement of production from the Kumtor gold mine in January 1997. Stronger industrial growth has also been assisted by a recovery in food processing activity. Demand for industrial output has also increased as the economies of former Soviet Union partners have begun to stabilize. Compared with agriculture and industry, the services sector has been somewhat sluggish in 1997. The progress made in macroeconomic stabilization and structural reform has laid the basis for the country's economic recovery.

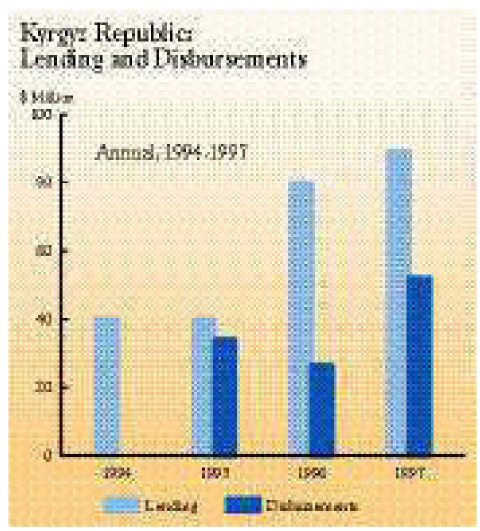
Inflation: Inflation continued to decline from 30 percent in 1996 to 26 percent in 1997. The successful containment of monetary growth helped to subdue domestic inflationary pressures, as did greater stability in nominal exchange rates. Broad money growth slowed down from 78 percent in 1995 to 22 percent in 1996 and further to 17 percent in 1997 as the expansion of credit was brought under control.

External sector: External balances remain fragile, although some improvement is detectable. The importation of capital goods needed to develop the Kumtor mine has, to some extent, exacerbated trade and current account deficits, but structural weaknesses are also apparent. Although investment-related imports for the Kumtor gold mine were reduced in 1997, the current account deficit was still substantial at 10.5 percent of GDP. Imports for consumer goods have gone up as the continued economic recovery increased the demand for consumer goods. The Kyrgyz Republic continues to rely largely on official transfers to finance its current account deficits.

Domestic policies Significant progress has been made in achieving macroeconomic stabilization. The contraction in output has ended; inflation and the fiscal deficits have been reduced; external trade has expanded; a credible stabilization policy has been established; and international reserves have been built up. The Government has made efforts to accelerate structural reform, including privatization of many SOEs; long-term leases of agricultural land; restructuring of the banking sector; liberalization of the external trade and exchange rate system; and the development of a legal framework required for a market economy.

Kyrgyz Republic: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	2	52.5	21.1
Transport and Communications	1	50.0	20.1
Others	2	44.0	17.7
Multisector	1	40.0	16.0
Social Infrastructure	2	32.7	13.1
Energy	1	30.0	12.0
Total	**9**	**249.2**	**100.0**



Bank operations

Operational strategy: The primary objective of the operational strategy is to facilitate the country's transition to a market economy and to help the country build a solid base for sustainable development. The basic elements of the strategy include (i) supporting the Government's reform agenda, encouraging institutional change, and strengthening social protection; (ii) arresting the rapid deterioration of economic potential by investing in physical infrastructure and human development; and (iii) encouraging the creation of a new output structure, and new production capacity through private sector investment and job creation. The strategy concentrates the Bank's operations on four priority areas: (i) improvements in the provision of public services, particularly social services provided by local governments, and management of reform by the Central Government; (ii) agriculture, including rural finance; (iii) human development; and (iv) infrastructure, especially in the road and energy sectors.

Policy dialogue: The Bank's policy dialogue with the Government focused on supporting policy and institutional reforms in the infrastructure, rural finance, and education sectors and strengthening the competitiveness of enterprises as well as improving their corporate governance. Key policy areas addressed included (i) establishing appropriate funding and cost-recovery mechanisms in the road subsector; (ii) providing the institutional framework to support a credit union system for rural finance; (iii) improving the efficiency of the education sector and the quality of basic education; and (iv) encouraging greater efficiency through incentives and improved corporate structure and governance in public and private enterprises. Special efforts were also made to promote regional cooperation among neighboring DMCs in communications, transport, energy, and payment systems.

Loans and technical assistance: Five loans totaling $89.2 million were approved to support the Government's efforts in strengthening the education sector and corporate governance and in establishing a rural credit union network. Five technical assistance grants amounting to $3.6 million were also approved. Of these, two were for the preparation of new projects.

Project implementation: As of end-1997, nine loans totaling $249.2 million had been approved for the Kyrgyz Republic. Contract awards in 1997 amounted to $55.2 million, while disbursements reached $51.9 million. In 1997, the contract award and disbursement ratios were 42.4 percent and 36.8 percent, respectively. A country project implementation and administration seminar was held in October 1997 to familiarize executing agency staff with the Bank's procedures and guidelines on procurement and use of consultants.

Uzbekistan

Economic performance

Economic growth: Uzbekistan has contended with difficult economic conditions since it gained independence in 1991. In response to economic difficulties, the Government adopted programs of macroeconomic stabilization and structural reform to contain the decline in output, reduce inflation and the fiscal deficit, and improve the balance-of-payments position. Progress has been made in achieving many of these objectives. After a persistent decline from 1990 through 1995, real GDP grew by 1.6 percent in 1996, led by a strong performance of the trading sector and a recovery in industry. Economic performance improved further in 1997, registering growth of 5.2 percent. The recovery in income was reasonably broad-based, with agriculture sector growth at 5.8 percent and industry sector growth at 6.5 percent. The agriculture, energy, mining, and services sectors performed well due to their comparative advantage and growing private sector activity. Output of petroleum and natural gas continued to increase as a result of the Government's efforts to encourage development of the sector. The services sector also expanded in 1997 as private sector activity grew significantly in urban retail trading, restaurants, bars, hotels, and taxi services. Industry continued to experience difficulties as enterprise reforms resulted in downsizing and closure of nonviable state enterprises.

Picture no. 9

Smallholder estate crop farmers are assisted in managing their farms.

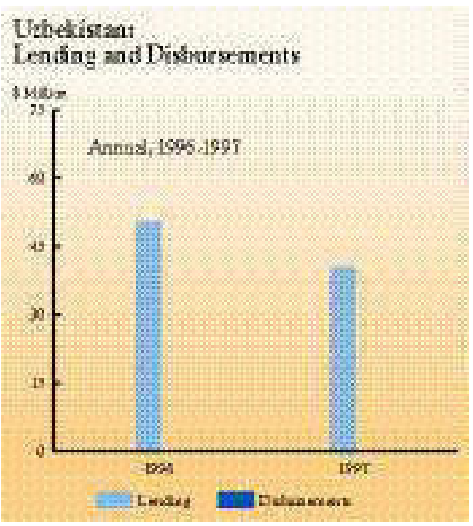
Inflation: Inflation declined further to about 30 percent in 1997 from more than 60 percent in 1996. The Government's tighter fiscal stance, an expansion in agricultural output, and a general easing of shortages and bottlenecks all helped to reduce inflation.

External sector: The balance-of-payments situation improved in 1997 after difficulties in 1996. The current account deficit declined from 7.9 percent of GDP in 1996 to about 6 percent of GDP in 1997, resulting from an improvement in the merchandise trade account. Total exports grew steadily in 1997 because of increases in exports of energy and manufactured goods. Import growth was constrained in 1997 as the Government's efforts to increase grain production reduced the need for grain imports. Imports were also restrained by foreign exchange restrictions introduced by the authorities in late 1996.

Domestic policies: Uzbekistan adopted a gradual approach to structural reform and progress has been achieved in the transition to a market economy. Prices of consumer goods were liberalized; prices of oil and oil products were brought closer to world market levels; and privatization of small enterprises and housing is virtually complete. To offset the impact of price increases, the Government continued to adjust the minimum wage, thus imposing additional burden on the budget. Conscious of the need to minimize the social cost of the transition from a centrally planned to a market economy, the Government considers the provision of social services and protection for vulnerable groups as integral components of the reform process. The restoration of fiscal balance is also a principal goal of the Government's macroeconomic stabilization program. During 1997, the Government persevered with a conservative fiscal policy stance and the consolidated state budget deficit was maintained at 3 percent of GDP. Despite resource constraints,

Uzbekistan:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	1	50.0	55.6
Social Infrastructure	2	40.0	44.4
Total	**3**	**90.0**	**100.0**



capital expenditures — viewed as crucial for economic recovery and expenditures for social services — were priority categories in the budget.

Bank operations

Operational strategy: The Bank's interim operational strategy for Uzbekistan is aimed at assisting the Government to further the transition to a market economy. This entails providing support for policy reforms, capacity building, and institutional strengthening; and sector investments that promote growth, improve efficiency, and rehabilitate deteriorating infrastructure. The strategy sharply focuses the Bank's assistance program in the near term on three priority sectors: (i) agriculture, including financial support of small and medium agro-industrial enterprises; (ii) infrastructure rehabilitation, especially in the road and railway subsectors; and (iii) education. The Bank's technical assistance projects will focus on sector studies to lay the foundation for future sector lending programs, institutional strengthening, and capacity building. In addition, the Bank will play a catalytic role in mobilizing cofinancing sources.

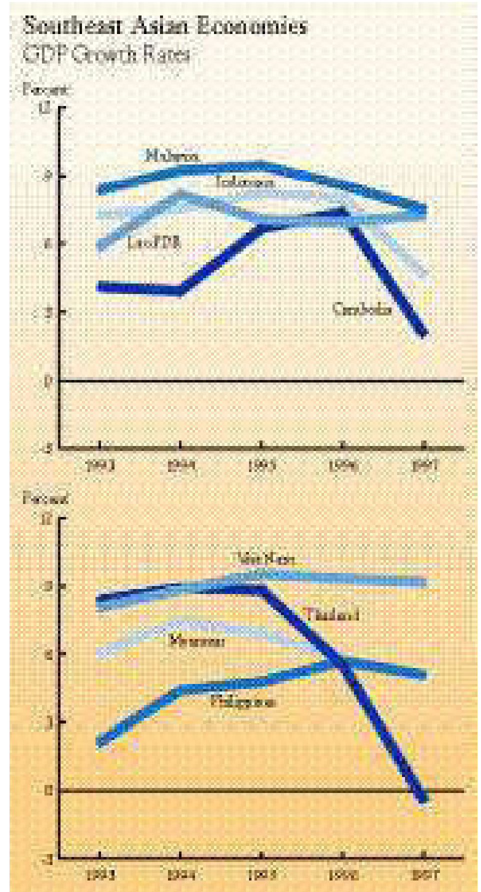
Policy dialogue: The Bank's operations in Uzbekistan began in 1996. In developing the first loan project, the Bank started the process of policy dialogue. The initial focus was on reforms needed to create a market-oriented, competitive, and efficient agro-processing subsector. During 1997, extensive discussions were held with the authorities to accelerate the overall pace of structural reforms. The policy dialogue in 1997 focused on the following areas: (i) policy and institutional reforms in the roads subsector; (ii) restructuring of the national railways and policy initiatives to enhance financial sustainability; and (iii) reforms in agriculture to provide incentives for augmenting productivity and increasing private investment. The Bank also actively supports regional cooperation of Uzbekistan with other DMCs in the areas of transportation, energy, trade, and payments systems.

Loans and technical assistance: Two loans for one project amounting to $40 million were approved in 1997. Six technical assistance grants amounting to $4.35 million were also approved. Two of these were for the preparation of new projects.

Project implementation: A Rural Enterprise Development Project amounting to $50 million, approved in December 1996, became effective in June 1997. Two new loans amounting to $40 million were still waiting to become effective. No contract awards or disbursements were made in 1997. During the year, a seminar was held to familiarize government officials with the Bank's operational policies and procedures, including those relating to project implementation. During 1997, the Bank approved the establishment of the Uzbekistan Resident Mission, which is expected to expedite project implementation.

Southeast Asia

Aggregate growth for Southeast Asia in 1997 is estimated at 3.8 percent, compared with 7.1 percent achieved in 1996. The collapse of the Thai baht in July 1997 led to enhanced volatility in other financial markets in the subregion. Since then, the Indonesian and Philippine governments have floated their currencies and the Malaysian ringgit has depreciated as well. These events have put pressure on banks and other financial institutions. The most severely affected country in terms of economic growth was Thailand, which registered negative growth, followed by Indonesia with 4.6 percent, Philippines with 5.1 percent, and Malaysia with 7.5 percent. Following the depreciation of the Thai baht, the Lao kip depreciated by as much as 40 percent although the low level of monetization of the Lao People's Democratic Republic (Lao PDR) has buffered the real economy from the contractionary effects of the crisis. Viet Nam, with a closed capital account, has remained relatively insulated from direct financial pressures of these currency depreciations. Cambodia's economic slowdown was largely due to the political crisis in July 1997, while Myanmar's dual exchange rate system has increased its economy's vulnerability to the regional financial crisis. The subregion's countries confront this financial crisis with comparatively high savings ratios, historically strong fiscal positions, and a history of market-friendly policies which have produced economic success. These fundamentals suggest that if ongoing reforms, especially in the financial and public sectors, are implemented swiftly, the countries are well positioned to regain the growth momentum that has been their hallmark in recent years.



Cambodia

Economic performance

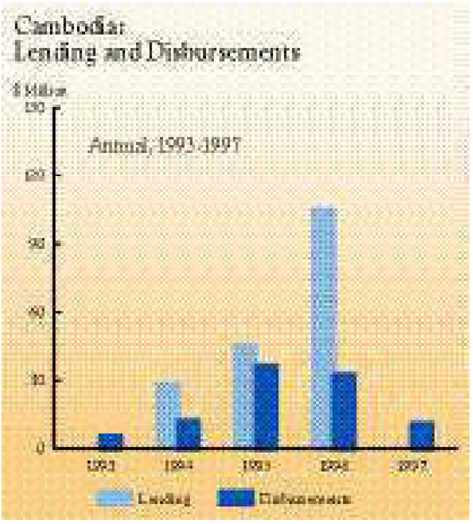
Economic growth: Cambodia's economy in 1997 exhibited a general slowdown in growth. GDP growth was 2 percent (5 percent below target), compared with robust growth of 7.4 percent in 1996. The sharp reduction in real GDP growth is largely due to the political crisis in early July that severely disrupted economic activity and slowed the economy's regional integration. In particular, the rapidly expanding key subsectors of the garment industry, construction, and tourism were seriously affected. The extent of the economic slump is manifested in the contraction of the services sector by 0.4 percent, after an average growth of 8 percent in previous years, and the sharp downturn in industry sector growth to 0.6 percent, compared with 11 percent growth in previous years. The agriculture sector, which contributes 44 percent of GDP and provides employment to 75 percent of the labor force, grew by 4.9 percent, due in part to the success of new production techniques and favorable weather conditions.

Inflation: The political crisis also led to rapid price increases which undermined the successful reduction in inflation. Consumer price increases averaged 8 percent in 1997, or 3 percent above target. The weak budget position further fueled inflationary pressures.

External sector: Tourism slumped and there was a marked decline in trade. Customs duty receipts, which provide more than 70 percent of government revenue, have fallen sharply. The trade deficit was around $388 million in 1997. FDI, which amounted to $240 million in 1996, fell

Cambodia:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Social Infrastructure	4	80.0	32.3
Multisector	1	67.7	27.3
Agriculture and Natural Resources	2	55.1	22.2
Energy	2	29.9	12.1
Transport and Communications	1	15.0	6.1
Total	**10**	**247.7**	**100.0**



substantially in 1997. Some bilateral donors have suspended their programs, and planned membership in the Association of Southeast Asian Nations (ASEAN) has been put on hold. The IMF and the World Bank have suspended budgetary support because of the inability of the Government to meet formally agreed performance criteria.

Domestic policies: Cambodia urgently needs a revival in foreign tourism, FDI, and external assistance. Political stability and a permanent cessation of hostilities in the northwest of the country will, in part, determine the pace of much-needed recovery, particularly in regard to tourism and foreign investment. External assistance providers are closely monitoring the actions of the Government in implementing the structural reform agenda, which aims to complete the transition to a durable market economy. The main thrust of the fiscal policy is taxation reform to broaden the revenue base, maintain spending within acceptable levels, and mobilize more revenue through improved tax and revenue collection measures. The adoption of the Law on Taxation in February 1997 was aimed at expanding the revenue base. However, the Government has been slow in implementing the provisions of the law, which inhibited the achievement of the budget revenue targets.

Bank operations

Operational strategy: The Bank's operational strategy in Cambodia is focused on (i) building capacity for good governance and project management through an integrated program of technical assistance and sector/program lending activities; (ii) human development as a national priority with a focus on the provision of basic health and education services, especially in rural areas; (iii) promoting economic growth as the principal means of creating employment and reducing poverty; and (iv) natural resource conservation and environmental protection as critical inputs for sustainable development, taking account of the Government's limited financial and technical resources.

Policy dialogue: In light of Cambodia's nascent stage of economic development and transition to a market economy, it is essential for the Bank to continue dialogue with the Government on macroeconomic management, particularly public investment planning, and policy reform in the agriculture, finance, and trade and industry sectors. The Bank also assisted in strengthening good governance practices in Cambodia in various areas such as external auditing, public procurement, project accounting, external aid management, and national account statistics.

Loans and technical assistance: No new loans were approved in 1997. Three technical assistance projects were approved for a total amount of $1.91 million.

Project implementation: Ten loans totaling $247.7 million had been approved as of end-1997. Eight loans are currently under administration. Contracts amounting to $41.5 million were awarded, bringing the cumulative total to $129.7 million. The contract award ratio for 1997 was 31.1 percent. Disbursements in 1997 totaled over $10.7 million, with cumulative disbursements totaling $96.8 million. The disbursement ratio for 1997 was 6.9 percent. Due to rapid expansion of the loan portfolio in 1996 with five new loans totaling $105 million, the disbursement ratio deteriorated rapidly in 1997. The political disturbance in July 1997 also delayed project implementation. Institutional strengthening and capacity building are keys to efficient project implementation. As of end-1997, the Bank had provided technical assistance amounting to about $40.8 million, along with cofinancing of about $9.8 million from other sources. Approximately 60 percent of the technical assistance is focused on capacity building and institutional development. A regional technical assistance was provided by the Bank for capacity building in project accounting in Cambodia, Lao People's Democratic Republic, and Viet Nam, to help improve good governance through the Government's adherence to submission of audited financial accounts.

Indonesia

Economic performance

Economic growth: Despite the economy's strong performance during the first half of 1997, the rupiah began to weaken in the second week of July 1997, following the floating of the Thai baht, and by the end of the year had fallen precipitously. GDP growth for the whole of 1997 declined to 4.6 percent owing to subdued increases in all components of aggregate demand. Growth in the manufacturing sector slowed to 6 percent on account of liquidity constraints. Agriculture sector performance was seriously hampered by the El Niño-related drought. At the same time, the forest fires in Sumatra and Kalimantan have imposed real resource costs and dampened tourism, which is a major foreign exchange earner.

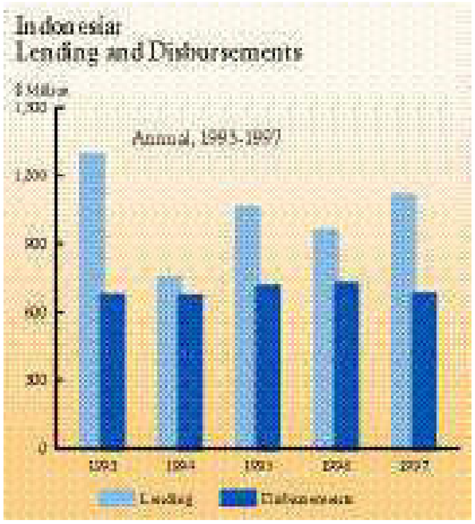
Inflation: The steep decline in the rupiah's exchange rate fueled inflation. This was evident in the last two months of 1997 when the CPI increased by more than 10 percent, although for the whole year inflation was recorded at only 6.6 percent. Following the currency's depreciation, the prime lending rate reached 30 percent, compared with 20 percent in 1996.

External sector: Export growth in 1997 rose to 11.2 percent. Import growth, on the other hand, decelerated markedly, resulting in a larger trade surplus and smaller current account deficit. With the depreciated currency, debt service in rupiah terms is significantly higher. Public sector debt continued to drop due to accelerated repayment of high-cost loans. Nevertheless, the apparent creditworthiness of Indonesian borrowers, coupled with low-interest foreign commercial loans, increased corporate exposure to short-term external debt. International reserves were about $19 billion by the end of December, including $3 billion drawn from the IMF standby facility in November 1997.

Domestic policies: To restore investor confidence and shore up foreign exchange reserves, the Government and IMF in late 1997 agreed upon a financial assistance package of $23 billion, including ADB support of $3.5 billion over the next three years. The Government has committed to implement a range of reforms, including restructuring the financial sector; reducing import and export tariffs; removing trading monopolies for some key staple foods; and allowing foreign companies to set up their own

Indonesia:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Social Infrastructure	60	3,854.1	27.1
Agriculture and Natural Resources	92	3,685.2	26.0
Energy	26	2,730.0	19.2
Transport and Communications	30	2,354.9	16.6
Financial	7	940.0	6.6
Industry and Nonfuel Minerals	13	431.7	3.0
Others	4	140.6	1.0
Multisector	3	69.0	0.5
Total	**235**	**14,205.5**	**100.0**



wholesale distribution outlets. Several high-cost infrastructure projects, especially in the energy and roads sectors, have also been postponed. The implementation of urgently needed structural reforms is critical to restoring stability in the foreign exchange and capital markets and resuming sustained long-term economic growth.

Bank operations

Operational strategy: The Bank's current operational strategy for Indonesia supports the Government's objectives of growth with stability and equity. The current strategy emphasizes promotion of efficient growth as its centerpiece to raise the country's international competitiveness by improving total factor productivity. This is to be achieved by (i) improving physical infrastructure; (ii) enhancing the quality and productivity of human resources; and (iii) integrating sustainable resource management and environmental protection. The strategy calls for the Bank to actively support the Government's ongoing efforts at liberalizing the economy and carrying out policy changes to improve efficiency. The strategy also underscores the importance of more balanced regional development by intensifying the Bank's support of activities in less-developed areas, including the eastern islands where poverty is more severe than the national average. In light of the financial turmoil that began in mid-1997 and intensified later in the year, the Bank is reviewing the strategy and reprioritizing the operational program. The new strategy will have to pay closer attention and put greater emphasis on key issues in the banking sector and capital markets, public sector financial management, and further industry and trade sector reforms. At the same time, the new strategy will need to address social and economic dislocations arising out of the economic crisis.

Policy dialogue: A centerpiece of policy dialogue during the year was the currency and financial crises, including problems in the banking sector, capital markets, and public finance. The ADB's policy dialogue on the financial sector was carried out in coordination with IMF and the World Bank toward the formulation of a major financial sector program loan as part of the bigger IMF assistance package. Policy dialogue also dealt with other major sectoral issues. In the agriculture/water resource subsector, the dialogue addressed (i) beneficiary participation in planning, implementation, and management; (ii) options for sustainable management of irrigation and water supply systems, and enhanced cost recovery; (iii) innovative financial and technical assistance modalities to farmers or farmer groups; and (iv) policy and institutional reforms for the sector to respond more efficiently to the changing domestic and global trade environment. In the urban sector, substantive progress was made in decentralization, with provincial and local governments being fully involved in project planning, implementation, and financing a portion of investment requirements. In the transport sector, policy dialogue focused on issues of public-private partnership in infrastructure financing, financial and administrative autonomy of state-owned corporations, transport sector safety, service charges, and cost recovery. In the education and health sectors, policy dialogue continued to focus on closer interagency cooperation and coordination, efficient planning of education and health financing, and promotion of private education and health systems.

Loans and technical assistance: Fourteen loans for 12 projects, totaling $1,108.8 million, were approved during the year, of which $30 million for two projects were financed from the Bank's concessional funds to blend with loans funded by the Bank's ordinary capital resources. The total approved amount was higher than the approved lending of $952.1 million in 1996. Five loans were for the agriculture/water resource development sector ($313.4 million), two for education ($260 million), one for health ($87.4 million), three for the urban sector ($224 million), and two for transport ($224 million). The Bank also approved 20 technical assistance grants totaling $10.16 million. Of these, ten were for the preparation of new projects.

Project implementation: Of the 235 loans approved as of end-1997, 153 were closed and 82 were under administration. Eleven loans were waiting to become effective. Contract awards during the year totaled $422.4 million, bringing the cumulative total to $7,671.6 million. The contract award ratio for 1997 was 11 percent. Total disbursements for the year amounted to $676.6 million, with cumulative disbursements, including interest during construction and private sector loans, reaching $8,218.2 million. The disbursement ratio for 1997 was 14.7 percent. The disbursements for the year were lower than projected due mainly to shortage in counterpart funds because of the economic difficulties stemming from the currency turmoil encountered since the middle of the year. Project implementation continued to be generally satisfactory with the Indonesia Resident Mission (IRM) providing assistance to the Government and executing agencies. An increasing number of projects have been delegated to IRM for administration; and a disbursement unit was also established within IRM in October 1997 to expedite disbursements. With a view to address several cross-sectoral project implementation issues, a country portfolio review was conducted jointly with the Government in November 1997. Also, a country project implementation and administration seminar was held in April 1997 to familiarize executing agency staff with the Bank's procedures and guidelines on procurement, use of consultants, and disbursements.

Lao PDR

Economic performance

Economic growth: The Lao PDR continued its steady growth of the 1990s through 1997, although flooding in 1996 took its toll on growth in GDP which slipped to 6.9 percent. In 1997, more favorable weather conditions and increased government incentives to farmers augured well for the agriculture sector (particularly crops) as it recorded a substantial increase in output from the 1996 level. Being a landlocked economy heavily dependent on trade with its neighbors, particularly with Thailand, the Lao PDR has not escaped the effects of the Southeast Asian financial crisis. However, the heavy dependence of the economy on subsistence agriculture and a correspondingly low level of monetization buffered the

Lao People's Democratic Republic: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Transport and Communications	9	247.0	32.9
Energy	13	223.3	29.8
Social Infrastructure	9	123.4	16.5
Agriculture and Natural Resources	9	105.7	14.1
Financial	2	50.0	6.7
Total	**42**	**749.4**	**100.0**

real economy from the contractionary effects of the crisis to some extent. The improved performance in the agriculture sector as well as the expansion in the services sector boosted GDP growth to 7.2 percent in 1997.

Inflation: With the Thai baht as the principal currency for cross-border trading between the Lao PDR and Thailand, much of the inflation has been imported. Estimates indicate that inflation edged up to over 19 percent in 1997 due to the effects of the floods on agricultural prices, and the financial crisis in the region.

External sector: Following the rapid depreciation of the Thai baht, uncertainty spread to the Lao kip which depreciated to a level more than 40 percent lower than at the beginning of 1997. This has improved the Lao PDR's export prospects. Thailand remains the principal source of imports by a large margin but since 1994, Viet Nam has been the leading destination for Lao PDR exports. At present, wood products remain the largest source of export earnings followed by electricity sales.

Domestic policies: Widespread use of the Thai baht and the US dollar limits the Central Bank's implementation of effective monetary policy. As the kip depreciated, restrictions were placed on the use of foreign currency for imports. Foreign currency restrictions limited the dollars available to the banking system and further undermined public confidence in the Government and banks. Membership in ASEAN is expected to increase trade liberalization and facilitate foreign investment, as is the promise of most-favored-nation (MFN) status from the US. As a requirement for MFN status, the Government has adopted a legal framework which should also facilitate accession to the World Trade Organization.

Bank operations

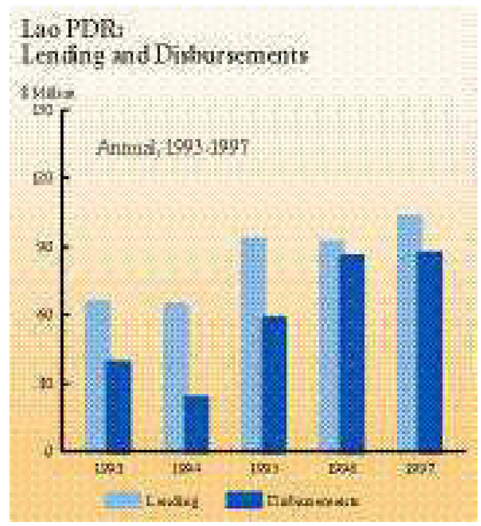
Operational strategy: The Bank's operational strategy for the Lao PDR places high priority on sustainable economic growth to raise the level of national income. The Bank also emphasizes policy reform, social services, and human development to enhance the economic environment and market framework. The Bank's priority is to support sustainable economic growth and development through infrastructure investment that will have an impact on the domestic economy. The Bank assists in developing social services and building the country's institutional capacity to manage a growing economy. The Bank promotes subregional cooperation to enhance market opportunities for the Lao PDR's landlocked economy. Bank support is also directed at bringing the rural sector into the market economy by extending the transport, energy, and communications infrastructure to rural growth points. This gives rural producers better access to markets and to technical and commercial services.

Picture no. 11

Projects for the construction, rehabilitation, and maintenance of roads facilitate the movement of passengers and goods.

Policy dialogue: The Bank's policy dialogue with the Government focused on energy sector efficiency. Power sector agencies were reorganized and a new grid company is expected to be established with Bank technical assistance. Policy dialogue resulted in an increased electricity tariff to a level which complies with the financial covenants. In the financial sector, restructuring the commercial banks and encouraging transparent operation under prudential regulations continued to be emphasized during policy dialogue. Under the Secondary Towns Urban Development Project, a decree was issued to create Urban Development and Administration Authorities, which enabled overall planning and management for four provincial towns in the country. In the road sector, the Bank has discussed institutional capacity building, privatization, and the development of a viable and efficient domestic construction industry, and adequacy of road-user charges. Policy dialogue also focused on developing National Procurement Guidelines and Regulations, and on establishing an independent national audit office for the country.

Loans and technical assistance: Three loans totaling $103 million were approved in 1997. Nine technical assistance grants were also approved for a total of $5.1 million, of which three were for project preparation. The remaining six were advisory technical assistance.



Project implementation: Of the 42 loans approved as of end-1997, 23 had been closed and 19 were under administration. During the year, contracts amounting to $65.9 million were awarded, bringing the cumulative total to $540.2 million. The contract award ratio for 1997 was 31.2 percent. Disbursements in 1997 totaled $87 million and cumulative disbursements amounted to $451.9 million. The disbursement ratio for 1997 was 32 percent. Overall performance of ongoing Bank projects was generally good. To help improve the Government's adherence to submission of audited financial accounts, the Bank provided a regional technical assistance for Lao PDR, Cambodia, and Viet Nam for capacity building and good governance in project accounting. The Bank has been also assisting the Government in preparing national procurement regulations and strengthening its Procurement Monitoring Office.

Malaysia

Economic performance

Economic growth: The financial crisis in the region that unfolded during the second half of 1997 dampened Malaysia's economic performance. Economic growth for the year slowed to 7.5 percent owing to a smaller increase in all components of aggregate demand, in turn attributable to diminished confidence in the markets and negative wealth effects. Fiscal and monetary restraints also contributed to the growth slowdown. The agriculture sector performed well, expanding by 3.5 percent in 1997. Palm oil, sawnlogs, and livestock output improved, but rubber and cocoa production declined as a result of land use conversion and labor shortages. Manufacturing output growth eased, particularly due to the weak performance of the electrical and electronics industry. Growth in the construction sector also decelerated due to the imposition of a cap on bank lending to the broad property sector and the slackening of demand

Picture no. 12

Development finance loans are extended for onlending to viable enterprises.

for office spaces, condominiums, and retail outlets. The services sector was buoyant on the back of strong performance of the storage and transport and communications subsectors. However, finance, insurance, real estate and business services, as well as wholesale and retail trade, hotel and restaurants, recorded lower growth.

Inflation: The aim of Malaysia's monetary policy in 1997 was to sustain high growth in a stable price environment. The inflation rate, as measured by the CPI, was slightly higher at 4 percent for the year. During the first half of the year, the monetary policy tried to accommodate strong growth in loans to the private sector. Since July when the effects of the Thai financial crisis began to spill over into Malaysia and the ringgit came under pressure, the Central Bank intervened by raising interest rates. However, this had the effect of channeling liquidity from the stock exchange to the money market, causing a decline in equity prices. It also dampened private sector investment.

External sector: Merchandise exports increased by about 6 percent in 1997, slightly lower than the increase in the previous year due mainly to continued soft global demand for electrical and electronics products. Commodity exports increased marginally by just under 1 percent, reflecting the higher export volume of palm oil and palm kernel oil. Export earnings from crude petroleum declined by 1.7 percent as global prices softened. Mining exports registered a high growth of above 15 percent, underpinned by a sharp increase in export of liquefied natural gas. However, growth in exports of textiles, clothing, and footwear — traditionally the second largest foreign exchange earner among manufactured goods — grew only slightly owing to stiffer competition from low-cost countries. Growth in imports rose to around 7 percent in 1997, reflecting largely capital goods imports and such lumpy items as ships and commercial aircraft. Imports of intermediate and consumption goods grew more moderately due to the ringgit's depreciation. The higher growth of imports relative to exports resulted in a smaller trade surplus in 1997, contributing to a wider current account deficit of 5.5 percent of gross national product (GNP).

Domestic policies: In response to the regional financial crisis, the Government instituted foreign exchange controls in August to stabilize the foreign exchange and equity markets. These include restrictions on access to ringgit in the offshore swap market, trading curbs on 100 designated blue-chip stocks, and the use of pension and unit trust funds. However, these proved counterproductive, stepping up the ringgit's decline and the exodus of investors from the stock market, prompting the lifting of these measures. The high dependence on imports, lack of interindustry linkages, structural weaknesses of the services sector, and high rate of investment in the nontradable sector are being addressed to improve the current account position. The decision to scale back or defer the implementation of several large projects and to review the purchase of expensive foreign goods by government agencies represented further efforts to strengthen the balance-of-payments position. The Government also announced a number of measures to curb imports of luxury products, increase the savings rate, encourage exports, and develop the financial and services sectors to reduce the country's reliance on external resources.

Bank operations

Operational strategy: The objectives of the Bank's operational strategy for Malaysia are to support human development, reduce socioeconomic disparity across states and regions of the country, promote sustainable environmental management, and support capacity building in selected areas. Support for human development is focused on technical and vocational education, while assistance for balanced regional development is centered on Sabah and Sarawak and support for Malaysia's participation in subregional economic cooperation. Capacity-building support will be provided to the financial sector to assist in improving environmental management and to strengthen the Department of Women's Affairs.

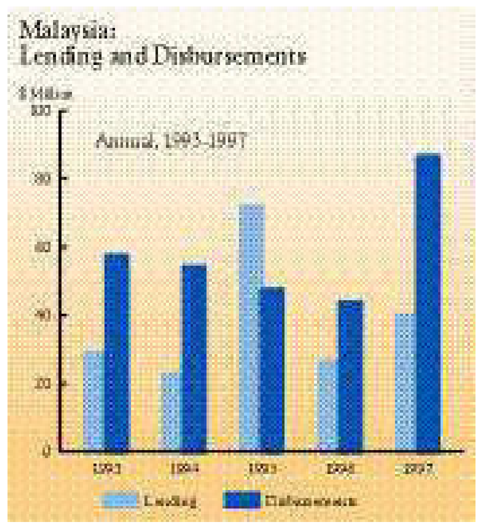
Policy dialogue: Staff held discussions with the Government as the currency crisis unfolded during 1997 and offered to increase cooperation in regard to financial sector policy development and regulation. The Bank also worked closely with the Government in developing new approaches to rural development which place emphasis on sustainable development and private sector-led growth. Dialogue also took place on the future of technical and vocational education in Malaysia and the need for adopting market-oriented approaches in providing that. The Bank and the Government also initiated joint assistance aimed at sharing Malaysia's development experiences with the Bank's DMCs in Central Asia.

Loans and technical assistance: The Bank approved a $40 million loan to strengthen technical education. The project will assist the Government in improving the quality and expanding the capacity of the technical education system, and will support the development of contextual learning and pilot the introduction of "smart" schools using advanced information technology. Four technical assistance grants totaling $1.3 million were approved to prepare the Technical Education Project, to support a Strategic Review of Technical Education and Skill Training, to prepare an Industrial Pollution Control Management Project, and to support Malaysia-Central Asian Republics Development Cooperation.

Project implementation: Of the 76 loans approved as of end-1997, 66 had been closed and ten were under administration. The contract awards for the year amounted to $59.3 million, bringing cumulative contract awards to $1,251 million. The contract award ratio for 1997 was 21 percent. Disbursements amounted to $86.4 million, bringing cumulative disbursements to $1,212.6 million. The disbursement ratio for 1997 was 25.8 percent. Progress in project implementation was generally satisfactory.

Malaysia:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Social Infrastructure	21	750.6	37.8
Agriculture and Natural Resources	26	566.0	28.5
Energy	11	321.5	16.2
Transport and Communications	15	255.1	12.8
Industry and Nonfuel Minerals	1	53.0	2.7
Others	1	26.3	1.3
Financial	1	15.0	0.7
Total	**76**	**1,987.5**	**100.0**



Myanmar

Economic performance

Economic growth: In the last few years, despite its economic and political problems, Myanmar has managed to achieve fairly respectable growth rates. Real GDP growth in fiscal year 1997/98 (ending 31 March) is estimated at 5 percent, slightly lower than 5.8 percent achieved in 1996. Myanmar continues to face the same structural problems as in previous

Myanmar:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	15	316.1	59.5
Social Infrastructure	6	99.1	18.7
Transport and Communications	2	42.5	8.0
Energy	5	31.8	6.0
Industry and Nonfuel Minerals	2	21.4	4.0
Financial	2	20.0	3.8
Total	**32**	**530.9**	**100.0**

years which prevent the economy from moving to a higher growth path. Myanmar's accession to the ASEAN in 1997 is expected to further boost trade and investment. Despite being a closed economy to a large extent, Myanmar felt the impact of the financial crisis in the region which highlighted the country's economic frailty and policy shortcomings.

Inflation: The fiscal deficit and expansionary monetary policy have kept the inflation rate at high levels. Serious flooding in July and August 1997 in the south and in the Irrawaddy delta region destroyed 1.2 million hectares of rice crop. This drove up food prices in late 1997 which is expected to result in a substantial increase in consumer prices during the year.

External sector: Although financing problems have kept import growth at moderate levels, weak export growth has kept the current account deficit high. International reserves stood at $200 million, equivalent to about one and a half months of imports.

Domestic policies: The single most critical issue Myanmar faces is the dual exchange rate system which, in light of the devaluations throughout the region, has made it difficult for the country to spur growth, investment, and trade; hold inflation at bay; and keep its shaky economy on track. The second important issue that needs to be resolved is the recurrent large fiscal deficit which results from a small tax base. Despite a significant reduction in government expenditures, the nonfinancial public sector deficit remains at 5-6 percent of GDP. This has been routinely financed with credit from the Central Bank which contributes to inflationary pressures.

Bank operations

Operational strategy: The Bank continued to monitor economic developments in Myanmar. An operational strategy will be formulated when appropriate.

Loans and technical assistance: No loan has been provided to Myanmar since 1986 and no technical assistance since 1987.

Project implementation: Of the 32 loans approved, 31 have been closed and one loan, which was approved in 1986, remains open with no project activity carried out. Very little disbursement had taken place under this loan before Bank operations in Myanmar were held in abeyance. The loan has been kept open at the Government's request. No contract award or disbursement was made in 1997.

Philippines

Economic performance

Economic growth: Economic performance in 1997 was satisfactory despite disruptions caused by the regional currency crisis in the latter half of the year. Real GDP posted a growth rate of 5.1 percent, slightly lower than 5.7 percent achieved in 1996. Fairly creditable growth rates were achieved by the industry and services sectors at 5.7 percent and 5.6 percent, respectively. Notwithstanding pessimistic expectations based on the El Niño phenomenon which caused adverse weather conditions, including severe droughts, the agriculture sector posted a growth rate of 2.8 percent which was better than anticipated. The year witnessed substantial buildup in stocks, sharp slowdown in imports of raw materials, and higher interest rates. With the continuing financial market turbulence, pressure on the peso was intense. Overall aggregate employment growth slowed down to 1.9 percent in 1997 with the agriculture sector most adversely affected.

Inflation: Inflation averaged 5.1 percent in 1997 despite the sharp peso depreciation. Tight controls on money supply expansion, which were maintained until about the middle of 1997, and the moderate growth in the year, resulted in low inflation.

External sector: The Philippines continued to sustain robust export growth. Merchandise exports, boosted by a strong electronics sector performance, grew by 22.8 percent in 1997, while imports grew by 14 percent. The trade deficit narrowed to $11.1 billion but the current account deficit increased to $4.3 billion. Following the currency instability, private capital inflows slowed markedly. By the end of 1997, overall balance of payments recorded a deficit of $3.4 billion, which was financed through a drawdown of reserves.

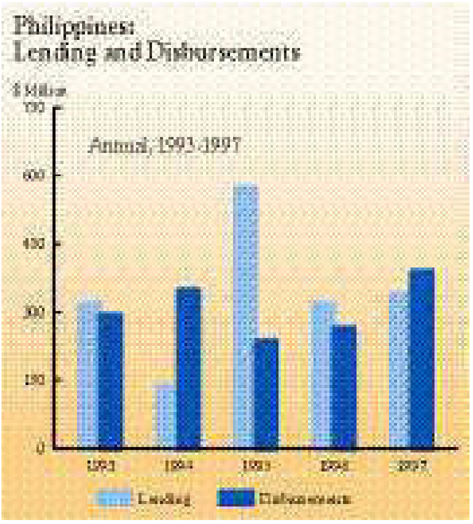
Domestic policies: The economic recovery in recent years has been the product of stabilization and structural reforms on the one hand, and political stability on the other. The public sector and fiscal imbalances have been reduced and many public enterprises have been privatized. Quantitative restrictions on foreign trade have been substantially reduced and the tariffs rationalized. FDI in almost all sectors is now allowed. A number of domestic industries including telecommunications, shipping, and power generation have been opened to market competition. Some important tax reform measures, such as the Comprehensive Tax Reform Program, have been implemented recently. In July 1997, the Government responded to mounting pressures in the currency market by floating the peso and tightening fiscal and monetary policies. Since then, interest rates have also increased sharply.

Philippines: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Energy	26	1,957.6	30.4
Agriculture and Natural Resources	58	1,517.2	23.6
Transport and Communications	24	1,020.8	15.9
Social Infrastructure	28	1,013.8	15.8
Financial	14	595.0	9.2
Multisector	6	283.7	4.4
Industry and Nonfuel Minerals	4	42.8	0.7
Total	**160**	**6,430.9**	**100.0**

Bank operations

Operational strategy: The Bank's operational strategy for the Philippines was revised in 1997. In line with the Government's updating of the national development plan, the Bank's new strategy gives increased importance in Bank operations to the reduction of poverty, human development, promotion of regional equity, and improved environmental management. While concern with sustaining economic growth through support for physical infrastructure development continues to be an important element of the Bank's strategy, the Bank's assistance program has begun to be oriented toward an increased allocation of Bank resources for promoting more equitable development throughout the country, improving the provision of social services in key areas such as primary health care and basic education, and sustaining the development of the natural resource base and better managing and protecting the rural and urban environment. The promotion of more equitable growth will require increased attention to rural development, more balanced regional development (with special emphasis on programs and projects for the southern Philippines), and continuation of policies to improve the country's infrastructure, with increased emphasis on participation of the



private sector in the development process. Since many key sector development responsibilities have now been devolved to local governments, implementation of the strategy has necessitated greater interaction between the Bank and municipal and provincial officials in the formulation and implementation of projects for local development.

Policy dialogue: The Bank's policy support program in 1997 built on earlier interventions in key sectors. The issue of governance has figured prominently in the Bank's policy agenda with the Government. Discussions have focused on the Government's efforts to improve public sector management, upgrade planning and administrative capacity within agencies, develop and strengthen independent regulatory bodies, decentralize functions to local governments, and privatize public sector enterprises — all with a view to enhancing transparency and accountability and promoting efficiency and economy. In addition to these broad issues of development administration, the Bank's policy dialogue with the Government also continued to focus on the refinement of micro policies in the agriculture, water supply, road transport, power, health, education, and environment sectors to improve overall sector efficiency and performance.

Loans and technical assistance: Five loans for four projects totaling $341.6 million were approved in 1997 for power ($191.4 million), transport and communications ($93 million), agriculture ($35.2 million), and social infrastructure ($22 million). In 1997, the Bank also approved 15 technical assistance grants amounting to $7.6 million, of which seven were for the preparation of new projects.

Project implementation: Of the 160 loans approved as of end-1997, 107 had been closed and 53 were under administration. Contract awards totaled $137 million, bringing the cumulative total to $3,903.1 million. The contract award ratio for 1997 was 10.3 percent. Total disbursements for the year amounted to $389.6 million and cumulative disbursements reached $4,193.1 million. The disbursement ratio for 1997 was 24.5 percent. A joint portfolio review with the Government was conducted to find solutions to residual issues from the past and to address new ones that had emerged due to such factors as decentralization of national government functions and ongoing or intended privatization of government agencies. To improve coordination between the Bank and the Government on the processing of projects and to improve monitoring of project implementation, agreements on many issues were concluded and an action plan, incorporating concrete and monitorable measures on both sides, was drawn up to address the issues raised during the review. A joint working team of the Bank and the Government will be set up to undertake detailed monitoring, including counterpart budget provision. To expedite the procurement process under Bank-financed projects, the Bank held procurement seminars during the year.

Thailand

Economic performance

Economic growth: Thailand's recent era of high growth ended in 1997. Initially, the downturn was mainly due to the virtual stagnation of export growth, the Government's restrictive monetary policy, and the political uncertainty prevailing throughout the year. This was followed by severe pressure on the baht and the closure of several finance companies constituting the prelude to a financial crisis of unprecedented magnitude, which spread to other economies of the region. Given the magnitude of the crisis and the poor performance of the economy in the second half of the year, GDP growth for the whole of 1997 was negative 0.4 percent. The lack of liquidity, caused by the financial crisis, has severely affected manufacturing.

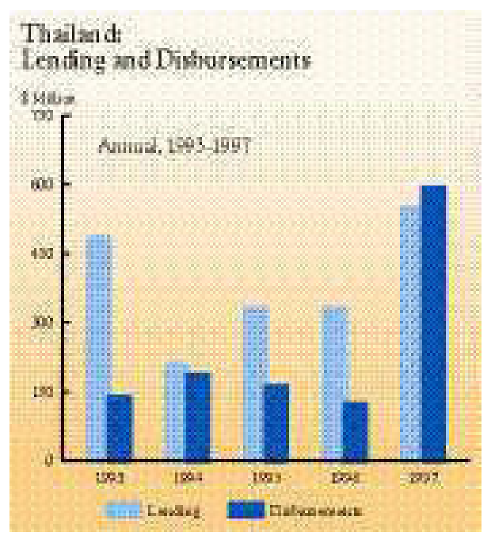
Inflation: The inflation rate started rising in August 1997 mainly on account of the higher unit value of all imports following the depreciation of the baht. The price rise also reflects the first-round effects of an increase in the value-added tax from 7 percent to 10 percent. By December 1997, the year-on-year inflation rate was 7.7 percent although the average inflation rate for the whole of 1997 was contained at 5.6 percent.

External sector: After the poor performance in 1996, total exports grew by 3.2 percent in 1997. This was due mainly to the good performance of medium-technology exports. Imports, on the other hand, declined by 9.3 percent. Due to the general deceleration of the economy, a substantial decline was observed in non-oil imports linked to domestic expenditure. The trade and current account balances in 1997 recorded smaller deficits compared with 1996. On the other hand, the capital account deteriorated due to lack of confidence in the Thai economy and expectations of further devaluations. This gave rise to an outflow of domestic capital and to a smaller inflow of foreign capital, resulting in depleted foreign exchange reserves.

Domestic policies: In August 1997, the Government negotiated a $17 billion financial assistance package with the IMF, including ADB support of $1.2 billion on the condition that the country implement an austerity plan. However, six months after the implementation of the IMF program, the economy showed few signs of improvement, prompting the review of the policy mix that was adopted. Subsequently, the Government was allowed a budget deficit of 2 percent of GDP in 1998 to shore up the economy. The current economic crisis has revealed flaws in Thailand's economic policy and in its institutional and sectoral structures. Many aspects of Thailand's current economic crisis remain obscure because of a lack of transparency and inadequate information, particularly in the financial sector. However, the current crisis is primarily traceable to an exchange rate policy of tying the baht to a basket of currencies heavily weighted by the dollar, combined with imprudent lending policies, and inadequate supervision of banks and private finance companies. These factors also brought to the surface Thailand's declining competitiveness in low-technology, labor-intensive products, the shortage of skilled labor, and the consequent difficulties of shifting to a high-technology production structure. The severe deterioration of the Thai economy reflected the need for correction of some accumulated structural imbalances. These adjustments need to work within a framework of stabilizing macroeconomic policies, combined with microlevel reforms in the financial sector, and measures to improve supply-side efficiency. Stable political conditions and sound development management are also necessary.

Thailand:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Energy	27	1,632.3	37.5
Transport and Communications	17	1,214.5	27.9
Social Infrastructure	13	619.4	14.2
Financial	7	440.0	10.1
Agriculture and Natural Resources	12	409.1	9.4
Industry and Nonfuel Minerals	1	39.0	0.9
Total	**77**	**4,354.3**	**100.0**



Bank operations

Operational strategy: The operational strategy is under review in response to the current economic crisis in the country. The new strategy is expected to redress the causes of the crisis and the longer-term factors that impede development and undermine the quality of life. Its objectives are, therefore, expected to be to assist the country in (i) restoring stability in the economy; (ii) strengthening competitiveness and sustainable growth; and (iii) improving Thailand's quality of life, with a focus on social and environmental goals. To attain these objectives, the Bank will focus on policy reform in key sectors; key supporting factors for improved competitiveness, through support for human development, selective physical infrastructure, rural development, and subregional economic cooperation; and sectoral crosscutting issues with special emphasis on natural resource management and improvement of the environment. The new strategy is scheduled to be finalized in 1998.

Policy dialogue: Dialogue in 1997 was extensive at both the macro and micro levels, including the reform program of the financial and social sectors in light of the current economic crisis in Thailand, and key issues in water resource management. The dialogue led to formulating a financial sector reform program loan approved in December 1997. This reform program included a comprehensive package of policy measures to strengthen financial markets regulation and supervision, facilitate access to domestic financial resources, and develop long-term institutional sources of funds. It was also followed by a number of policy actions and measures, including the strengthening of the autonomy of the Securities and Exchange Commission of Thailand. Dialogue for the water resource sector focused on cost recovery of water services and restructuring of water tariffs. Capacity building and decentralization were also in the dialogue agenda for all Bank operations in the country.

Picture no. 21

The development of natural gas is being promoted by the Bank.

Loans and technical assistance: Three loans totaling $550 million were approved in 1997 for water supply in the northeast region ($50 million), rural enterprise credit ($200 million), and financial markets sector reform ($300 million). The last two loans were extended in response to the Government's urgent need, internationally supported in light of the current economic crisis of the country. Commercial cofinancing in the amount of $1,000 million was mobilized for the Financial Markets Reform Program loan. Technical assistance grants totaling $4.45 million for nine projects were also approved, two of which were for project preparation.

Project implementation: Of the 77 loans approved as of end-1997, 58 had been closed and 19 were under administration. Contracts amounting to $632.5 million were awarded, bringing the cumulative value to $2,886 million. The contract award ratio for 1997 was 42.4 percent. Disbursements totaled $592.9 million with cumulative disbursements reaching $2,725.3 million. The disbursement ratio for 1997 was 38.3 percent. A portfolio performance review was undertaken to identify country project implementation constraints to improve project implementation and quality. A country project implementation and administration seminar was also conducted during the year to help executing agencies, particularly those that are implementing Bank-assisted projects for the first time, to improve project implementation performance and be familiarized with Bank procedures and requirements. The financial crisis which occurred during the latter half of the year had serious effects on project implementation and will require the Bank's close monitoring on future development. As part of the financial assistance package arranged by the IMF to deal with the crisis, ADB provided a financial markets reform program loan amounting to $300 million, which was fully disbursed by the end of the year. Another $30 million was disbursed under the Rural Enterprise Credit Project.

Viet Nam

Economic performance

Economic growth: Viet Nam continued its fast pace of growth in 1997, with real GDP growth of 9.2 percent. This impressive performance is in large measure a reflection of sound macroeconomic and supply-side management. The industry sector escaped the worst effects of the regional financial crisis as growth was underpinned by a strong performance of the private sector. Services output grew a little more slowly in 1997 than in 1996. Agriculture sector growth, assisted by a good rice crop, was impressive at 4.9 percent. Despite economy-wide growth, the state-owned enterprise sector continued to have difficulties which had adverse effects on the financial sector in 1997.

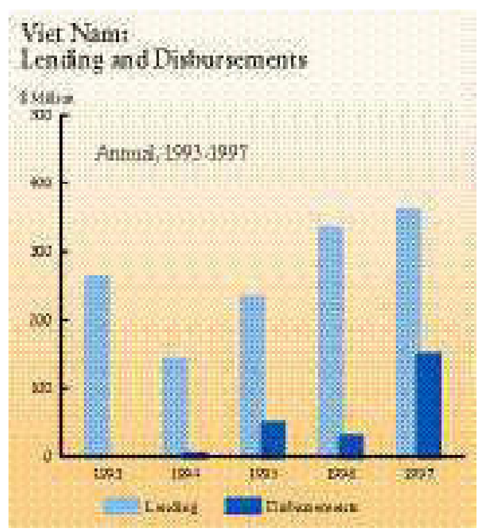
Inflation: Viet Nam has made remarkable headway in promoting price stability. Consumer price inflation edged down to 3.2 percent in 1997, which is low relative to the rapid rate of income growth. Consistently tight monetary policy has been largely responsible for keeping price inflation in check.

External sector: Both exports and imports grew rapidly in 1997, though not as fast as in recent years. Total merchandise exports in 1997 reached $9 billion, equivalent to an increase of 22 percent over the previous year. To some extent, export growth may have been held back by the regional currency crisis and by a sharp real appreciation of the dong against the currencies of Viet Nam's trading partners. Import growth was subdued by the introduction of import restrictions on a number of goods. The scarcity of foreign exchange and accumulating inventories of domestic products, particularly with the state enterprises, have prompted the Government to reimpose import restrictions on a number of commodities. The current account deficit in 1997 was substantial at 7.7 percent of GDP and was financed largely by FDI and official flows.

Domestic policies Although Viet Nam was largely spared from the adverse effects of the regional financial crisis in 1997, its terms of trade are likely to be affected in 1998. Viet Nam's vulnerable balance-of-payments position could be further eroded by a slowdown in export growth and a

Viet Nam:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	13	484.6	35.3
Social Infrastructure	7	297.6	21.7
Transport and Communications	5	276.2	20.1
Energy	3	186.3	13.6
Financial	2	97.0	7.1
Industry and Nonfuel Minerals	1	30.0	2.2
Total	**31**	**1,371.7**	**100.0**



Picture no. 25

Port improvement and strengthening of the shipping sector help boost subregional trade.

contraction in FDI. To mitigate inflation and foreign exchange risks, more contractionary economic policies may be needed. A managed depreciation of the local currency would help preserve competitiveness in key export sectors. To secure future growth in a context where other regional economies are strengthening their industry and financial sectors, there is a pressing need to accelerate the economic reform process. In particular, this calls for expediting the restructuring of state enterprises and implementing reforms for making the financial and banking sector more efficient and transparent.

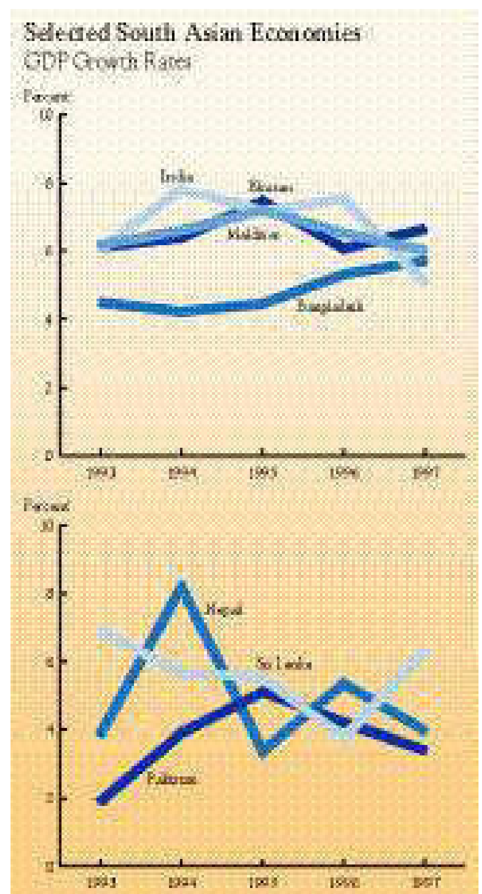
Bank operations

Operational strategy: The principal objective of the Bank's operational strategy for Viet Nam is to promote efficient economic growth and reduce poverty. The strategy is designed to facilitate the transition to a market economy, while promoting balanced and sustainable development. The Bank's support to Viet Nam in the medium term addresses critical constraints in the following areas: (i) policy reform and institutional development; (ii) infrastructure development; (iii) rural development; (iv) human development; and (v) environmental and natural resource management.

Policy dialogue: A vital component of the Bank's operations in Viet Nam is to encourage policy and structural reforms to improve public sector efficiency, and develop the private sector. The Bank's first policy-based loan to support the Government's Agriculture Sector Program has been concluded successfully. The major achievement of this Program is the enhancement of market orientation and economic efficiency through trade liberalization in input and output markets. Another policy-based loan in the financial sector is under implementation, and aims at facilitating policy reforms to increase efficiency of the banking sector. In addition to program lending, policy dialogue is an important feature in all of the Bank's loan projects. Dialogue includes support for increased efficiency through tariff reform and other measures to increase cost recovery and strengthen financial management, policy analysis, and planning within state-owned utilities. Policy dialogue also plays an important role in improving natural resource management and environmental protection. To facilitate policy dialogue, advisory technical assistance was provided to key government agencies that formulate and implement policy changes.

Loans and technical assistance: The Bank approved six loans totaling $359.6 million for the agriculture, social infrastructure, and energy sectors. Sixteen technical assistance grants totaling $16.5 million were also approved, three of which were for project preparation.

Project implementation: Of the 31 loans approved as of end-1997, 11 had been closed and 20 were under administration. Contract awards in 1997 amounted to $154.31 million, bringing the cumulative figure to $351 million. The contract award ratio for 1997 was 14.5 percent. Disbursements amounted to $149.3 million, with cumulative disbursements reaching $254.7 million. The disbursement ratio for 1997 was 15.8 percent. Viet Nam has experienced project implementation difficulties due to centralized decision-making procedures, lack of counterpart funds, and lack of project management know-how. The Bank has engaged the Government in policy dialogue and also provided technical assistance for resolving these issues. As a result of efforts made by the Government as well as the Bank, there has been an improvement in project implementation. Project implementation reviews were frequently conducted and regular monthly meetings held. These deliberate efforts and the cooperation extended by the authorities have increased the disbursement ratio. However, improved project implementation performance was largely attributed to the smooth implementation of program loans. Greater efforts are still required to improve disbursements under project loans and to understand better the Government's processing and implementation procedures. Through a series of workshops and discussions with the Government, the Bank prepared a list of recommendations to improve project implementation in Viet Nam in certain key areas such as counterpart funding/fund release system, procurement and contract administration, and the Government's approval procedures. Several recommendations have already been implemented by the Government, and the Bank will continue to monitor the progress. The Bank is also preparing a technical assistance to strengthen the financial management capacity of the Ministry of Finance. A regional technical assistance was provided to Cambodia, Lao PDR, and Viet Nam for capacity building in project accounting to improve the Government's good governance and financial control through adherence to submission of audited financial accounts.



South Asia

South Asia's economies remained buoyant with an average 4.9 percent growth in 1997 after an impressive growth of 6.8 percent in 1996. South Asia's export growth remained strong, helped by further liberalization of trade regimes and domestic deregulation, along with an expansion of market access for the subregion's textile exports and a slowdown in exports in the NIEs and the PRC. Largely because of the relative smallness of the subregion's financial sectors and limited exposure to external capital flows, the regional financial crisis had minimal impact on economic performance in 1997. Strong economic growth in Bangladesh and Sri Lanka was mainly attributable to rebounds in agricultural production. In Bhutan, the increase in GDP growth was predominantly due to a hefty service sector. In India, growth moderated in 1997 after two years of strong growth due to slowdown in agriculture and industry. Maldives, Nepal, and Pakistan likewise experienced declines in their GDP growth due to sluggish agriculture and industry sectors. A major challenge facing the economies of South Asia is the reduction in fiscal deficits to sustainable levels. This is complicated by low tax elasticity due to weak enforcement and exemptions. Although some long-term measures have been taken to reverse this position in the intervening period, additional efforts may be required to curtail the current account deficits.

Bangladesh

Economic performance

Economic growth: GDP growth accelerated to 5.7 percent in fiscal year (FY)1996/97 (ending 30 June), the highest achieved since FY1990/91. The performance of the agriculture sector was particularly impressive with a growth rate of 6 percent for the year. This achievement was attributable mainly to favorable weather, although the improved availability of agricultural inputs such as seeds, urea, and other fertilizers helped boost foodgrain production. However, growth in the industry sector was disappointing at 3.6 percent, the lowest in the 1990s. Unresolved supply bottlenecks in the power sector and sluggish private investment contributed to the weak performance. The services sector grew by 6.2 percent. The slack in trading services reflected low imports and reduced industrial activities. The pace of economic reforms in finance, public enterprise, and trade remained slow. Aid utilization and reforms in the implementation of the Annual Development Program remained stagnant. Although stock market capitalization is small, a tumultuous boom followed by a drastic bust in the stock market affected investor confidence negatively. While the fiscal deficit was largely under control, its financing was a cause for concern. Rapid growth of public borrowing from the limited resources of the banking sector resulted in slow growth of credit to the private sector.

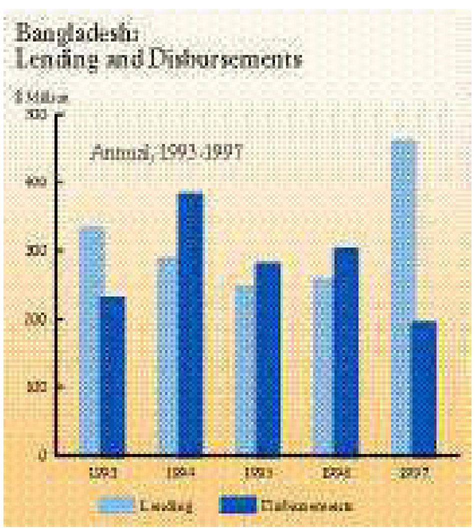
Inflation: Sufficient food crop production and moderate monetary expansion kept inflation under control. The inflation rate measured by the Dhaka Middle Class Index was 3.9 percent during FY1996/97. Inflationary pressure, however, built up in the last quarter of FY1996/97 when food prices started to rise.

External sector: Export growth was buoyant at 13.8 percent, with merchandise exports at $4.4 billion in FY1996/97. Imports, on the other hand, grew slowly at 3.5 percent, mainly due to a decline in food grain imports. The weak growth of the industry sector and stagnant private investment also reduced the import demand for raw materials and machinery. Slow import growth and a surge in workers' remittances brought down the current account deficit to 2.7 percent of GDP from 5.2 percent in the previous year. However, the deterioration in the capital account outweighed the improvement in the current account. Food and commodity aid decreased and many project aid disbursements were behind schedule. Net private capital inflows showed a $120 million deficit, reflecting a large outflow of foreign portfolio investments. As a result, foreign exchange reserves fell below three months of import cover at the end of the fiscal year.

Domestic policies: On the reform front, the Government has increased some key administered prices which could have a positive impact on the budget. Reforms in banking and capital market areas have also made some progress. To improve the country's international competitiveness, the Government has been pursuing a more flexible exchange rate policy. However, progress on structural reforms remains sluggish. There has been little progress in the restructuring and privatization of SOEs and in the implementation of trade policy reforms. Following the extreme move-

Bangladesh: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	58	1,971.9	36.6
Energy	18	1,069.8	19.9
Transport and Communications	15	965.1	17.9
Social Infrastructure	22	896.4	16.7
Industry and Nonfuel Minerals	8	262.5	4.9
Financial	8	217.6	4.0
Total	**129**	**5,383.3**	**100.0**



ments in the stock market, the Government exerted considerable efforts to develop a more efficient capital market. Other concerns include issues of governance, especially public sector management and local government reform, and the slow pace of aid-related project implementation.

Bank operations

Operational strategy: The Bank's operational strategy for Bangladesh focuses on poverty reduction. Ways to create economic opportunities for the poor and improve their access to basic social services through equitable and sustainable growth are being emphasized. A significant component of the Bank's operations in the country in support of economic growth is human development, particularly of women, through education, and the provision of employment and income opportunities. The Bank pays attention to protecting and improving the environment, promoting broad-based and equitable economic growth through greater market orientation and support, and enhancing private sector participation.

Policy dialogue: During 1997, extensive policy dialogue was conducted on issues in a number of sectors. One major area was the restructuring and reform of the capital markets in Bangladesh through a capital market development program loan. The Bank continued its long-standing dialogue to improve the efficiency of the Bangladesh Railways with the ultimate objective of corporatization. Increasing the role of nongovernment organizations (NGOs) and beneficiaries in development activities was encouraged through an innovative approach to deliver basic health services in urban areas and by promoting microcredit for rural livestock development. The Bank also provided technical assistance for improving cooperation between NGOs and the Government, establishing a regulatory agency in the natural gas sector, and improving the training of civil servants.

Picture no. 1

The Bank's energy policy focuses on improving energy efficiency and integrating environmental and social costs into energy projects.

Loans and technical assistance: In 1997, the Bank provided seven loans amounting to $459.7 million to Bangladesh for six projects in the agriculture, social infrastructure, transport, and financial sectors, and one private sector loan without government guarantee. The Bank also approved 15 technical assistance grants totaling $8.1 million.

Project implementation: Of the 129 loans approved as of end-1997, 90 had been closed and 39 were under administration. Contracts worth $202.8 million were awarded during the year, bringing the cumulative total to $3,616.8 million. The contract award ratio for 1997 was 17.9 percent. Disbursements for the year totaled $193 million, bringing cumulative disbursements to $3,683.8 million. The disbursement ratio for 1997 was 16.2 percent. Disbursement performance was adversely affected by project implementation and procurement delays. Discussions were held with the Government to address this persistent problem.

Bhutan

Economic performance

Economic growth: Macroeconomic developments in FY1996/97 (ending 30 June) were generally favorable, with real GDP growth increasing to 6.6 percent from 6.1 percent in the previous year. While the agriculture and services sectors maintained their respective average growth rates, industry sector growth was largely determined by the commissioning of projects under construction, particularly in the power sector.

Inflation: Monetary growth, which remained at 20 percent in FY1996/97, was mainly attributed to the increase in reserves resulting from grant aid and the accumulation of net domestic credit by the private sector. Inflation averaged 7 percent for the fiscal year, largely reflecting price movements in India.

External sector: Exports in FY1996/97, 94 percent of which went to India, increased by 8.5 percent as the output of recently commissioned projects was exported. Import growth expanded to 25 percent due to the construction of major infrastructure projects. As a result, the current account deficit deteriorated to 22 percent of GDP. However, with the net external resource flows from abroad — mainly concessional official loans and grants — being much larger than the current account deficit, the overall balance-of-payments position remained strong. Although Bhutan's external debt will expand as a result of major projects under construction, the country's debt situation will remain comfortable due to the highly concessional nature of bilateral assistance financing these capital investments.

Domestic policies: Fiscal policy continued to be prudent. Measures aimed at encouraging efficiency in the financial sector include: (i) liberalization of rates for deposits above ngultrum (Nu)5 million; (ii) introduction of a government securities auction; (iii) the conversion of Unit Trust of Bhutan to a second commercial bank; and (iv) actions to strengthen the legal framework in commercial and business activities. The Eighth Five-Year Plan (FY1997/98-FY2001/02) retains the thrust of the macroeconomic objectives and policy strategy of earlier plans, aiming for accelerated growth and improved living standards while ensuring the preservation of Bhutan's environment and cultural heritage. While the public sector continues to dominate the economy, the Government is committed to reducing the state's role in the commercial sectors of the economy.

Bank operations

Operational strategy: The Bank seeks to assist Bhutan's efforts for a further shift from a subsistence to a more diverse and modern economy, with emphasis on (i) improving the capacity of macroeconomic management and development administration; (ii) developing infrastructure; and (iii) protecting the environment. Due to the limited absorptive and debt-servicing capacities of the countries, the Bank has limited its lending volume and aims to play a catalytic role, using technical assistance and mobilizing cofinancing, especially grant financing. Lending will be mainly in physical and social infrastructure projects, such as power, roads, urban infrastructure improvement, and basic skills development. The financial sector will also be strengthened and preservation of the natural and cultural environment will be given special attention in all Bank assistance. Technical assistance will continue to be focused on strengthening institutions, particularly in physical and social infrastructure.

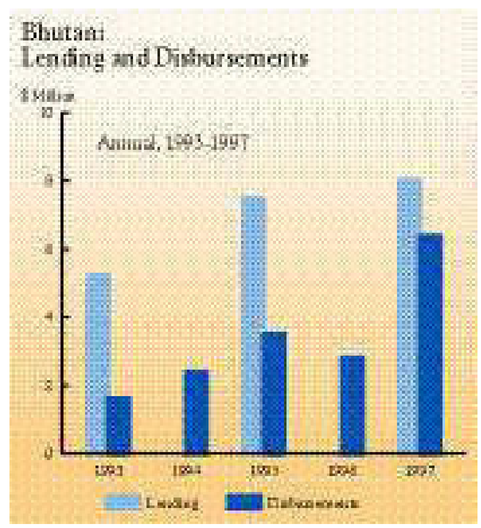
Policy dialogue: Private sector development has been constrained by lack of infrastructure, a small base of entrepreneurs, labor shortage, and the difficult terrain. The Bank encouraged a more transparent and liberal commercial environment to help promote private sector activities. The Government continues to aim at financing all its recurrent expenditures by domestic resources, and development expenditures by external grants and soft loans. To improve revenue prospects before major projects come onstream, it will be particularly important to broaden the base for tax revenues, introduce user fees, and improve cost recovery. The Bank will continue to play the role of lender of last resort and a catalyst in external resource mobilization, whenever possible on grant financing, to soften the terms of lending.

Loans and technical assistance: In 1997, the Bank provided a package of assistance for the Financial Sector Intermediation Facility, consisting of two loans amounting to $8 million and an equity investment up to $790,000. Six technical assistance grants amounting to $2.3 million were also approved.

Project implementation: Of the 13 loans approved as of end-1997, eight had been closed and five were under implementation. Contracts amounting to $1.6 million were awarded during 1997, bringing the cumulative total to $41.2 million. The contract award ratio for 1997 was 12.8 percent. Disbursements during the year amounted to $7.2 million and brought cumulative disbursements to $40.9 million. The disbursement ratio for 1997 was 49.7 percent. Common implementation issues impeding timely project implementation in nearly all sectors were (i) shortage of skills, (ii) weak procurement and contracting regulations, (iii) inadequacies in monitoring and coordination, (iv) delays in the recruitment of consultants, and (v) poor performance of some contractors. Although disbursement performance exceeded the projection for the year, it is likely to fall next year unless contracts are awarded on time. The Bank's assistance in the improvement of the regulatory framework for the procurement and contracting industry would help improve project implementation in Bhutan.

Bhutan:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Multisector	2	12.4	20.8
Financial	3	10.5	17.7
Social Infrastructure	2	10.4	17.5
Transport and Communications	2	9.7	16.3
Agriculture and Natural Resources	2	7.8	13.1
Energy	1	7.5	12.6
Industry and Nonfuel Minerals	1	1.2	2.0
Total	**13**	**59.5**	**100.0**



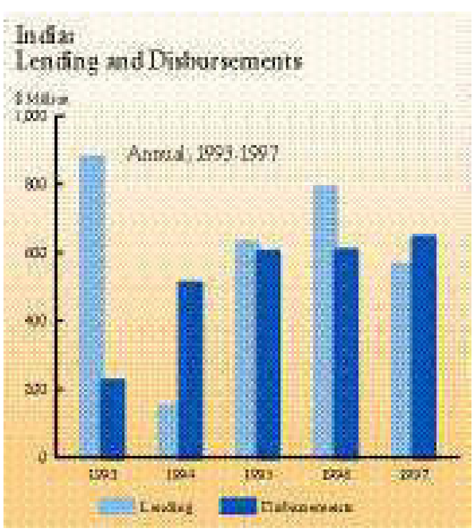
India

Economic performance

Economic growth: Following two years of strong performance, growth in the Indian economy moderated in FY1997/98 (ending 31 March) to an estimated 5 percent. After a strong recovery in the previous year, agriculture sector contracted by 2 percent. The delay in the onset of the monsoon in some areas led to a fall in the area under cultivation and, hence, a decline in the production of *kharif* crops, while heavy off-season rainfall

India:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Energy	16	2,816.8	39.6
Transport and Communications	13	2,088.6	29.3
Financial	10	1,080.0	15.2
Social Infrastructure	5	405.0	5.7
Multisector	3	300.0	4.2
Others	1	250.0	3.5
Industry and Nonfuel Minerals	4	175.9	2.5
Total	**52**	**7,116.3**	**100.0**



in much of the country in October/November adversely affected *rabi* crops. Industry sector growth is also estimated to have slowed down to 6 percent, compared with 7.2 percent in the previous year. The sector's performance in both years was well below the 12 percent per annum growth target set under the Government's Common Minimum Program. Continued slow growth in consumer demand, subdued export demand, and worsening infrastructure constraints were the main factors accounting for the slowdown in industrial growth, although heightened political uncertainty, which finally led to the dissolution of Parliament in December 1997, was also a factor. Despite the success of the Government's tax amnesty scheme, the Voluntary Disclosure Income Scheme, the economy, and especially industry, failed to respond to the budgetary stimulus and revenues fell short of target. The Government's plans for disinvestment had to be cut back due to the downturn in global stock markets in the latter half of 1997. At the same time, the Government's decision in July 1997 to grant major pay increases raised expenditure above the level budgeted. Even allowing for certain fiscal corrections introduced by the Government in September 1997 to deal with the revenue shortfall, the gross fiscal deficit of the Central Government is likely to exceed the budget estimate of 4.5 percent of GDP in FY1997/98.

Inflation: Inflation, as measured by the CPI, is expected to fall to about 6.5 percent on an annual basis in FY1997/98 from 9 percent in 1996/97. The wholesale price index, another indicator published by the Government of India, is also expected to show a slower growth rate in FY1997/98 of about 5 percent, compared with 5.6 percent in FY1996/97.

External sector: In FY1997/98, total exports are expected to grow by about 5 percent while imports are estimated to rise by 8.2 percent. The major reason for the slow export growth was the fall in exports of primary products. The slow import growth primarily reflected the continued slow growth of the industry sector and, hence, reduced demand for imported capital goods. It also reflected a fall in crude oil imports as a result of increased domestic production. The current account deficit may increase slightly from 1 percent of GDP in FY1996/97 to 1.2 percent of GDP, reflecting a small decline in the surplus on the invisible account. Capital inflows remained strong in FY1997/98. In particular, FDI inflows increased to around $4 billion, almost 50 percent higher than in the previous year. Although foreign portfolio investment remained strong, inflows for the year were marginally lower than in FY1996/97. In fact, India experienced net outflows of portfolio investment in November and December as a result of the worsening Asian financial crisis.

Domestic policies: Fiscal reform, designed to achieve a substantial reduction in the fiscal deficit while reducing fiscal disincentives, has been a key component of India's economic reforms. The Central Government's 1997/98 budget was designed to continue this process while at the same time giving a strong push to growth, particularly in industry. Besides deep cuts in direct taxation, the budget also included a range of other measures designed to boost saving and investment and revive the capital market. Progress continued to be made in the area of economic reform, although with heightened political instability which finally led to the dissolution of Parliament in December, this development was slow. The most important reform, announced along with the much-delayed increase in the price of petroleum products, was the decision to phase out the Administered Price Mechanism for these products by the year 2000. As an important step in this direction, subsidies on diesel, fuel oil, and naphtha (other than for use in fertilizers) were completely removed, their prices being adjusted monthly in line with international prices. At the same time, measures were taken to clear the arrears owed to oil companies from the oil pool account. In a significant move to strengthen fiscal discipline while providing greater autonomy to the Reserve Bank of India (RBI), the Government announced in the budget that from April 1997, it would discontinue the use of ad hoc Treasury Bills. The RBI also outlined a series of measures to continue the liberalization of the financial sector. Apart from efforts to give a boost to economic growth, particularly industry growth, economic management in 1997 was dominated by concerns over the exchange rate and, at least by the latter part of the year, by efforts to limit contagion from the Asian financial crisis. Monetary policy was eased further in April and October 1997 to encourage credit offtake and boost industry growth. However, in November, the central bank tightened monetary policy in an effort to ease pressure on the rupee. Other than the exchange rate, the adverse impact of the crisis on the economy has been limited. Given the massive devaluations that have occurred in Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand and in order to maintain external competitiveness, some correction is possibly needed in the rupee's exchange rate.

Picture no. 44

The Bank's private sector operations are intended to help private enterprises undertake financially viable projects with significant economic merit.

Bank operations

Operational strategy: The Bank's operational strategy for India is to assist the Government of India to promote employment and reduce poverty through support for improved efficiency and higher sustainable economic growth. These objectives are to be accomplished through (i) improving the supply-side efficiency of the economy; (ii) developing and improving the policy, institutional, and regulatory framework so as to enhance the efficiency of public sector operations; (iii) encouraging private sector investment through an improved incentive framework; and (iv) supporting improved public resource mobilization and management at the state level. While support for financial and capital market reforms continues to be an important area of Bank activities, the Bank is also providing critical support in the infrastructure sectors. Consistent with the Bank's overall strategy, the Bank's operational program is guided by the principle of selectivity in both sectoral and geographical aspects. At the sector level, assistance has focused on energy (power and hydrocarbon), transport (ports, railways, and roads), urban development, and housing finance. Geographically, state-level operations are under way in two states (Gujarat and Madhya Pradesh). State-level operations will account for about 50 percent of annual lending in the next few years.

Policy dialogue: Policy dialogue with the Government of India continued during the year on tax reforms, infrastructure development, resource mobilization in housing finance, and the establishment of the Development Finance Corporation. Policy dialogue with the State of Gujarat also continued with regard to the restructuring of the power sector, including tariff adjustment and legislative reform. In preparation for the Madhya Pradesh Public Resource Management Program Loan, intensive policy dialogue was initiated with the State Government of Madhya Pradesh, the second state the Bank selected for state-level operations. The program loan will support structural reform in Madhya Pradesh and will focus on improving efficiency in the public sector, including SOEs. It will also seek to promote greater participation of the private sector in infrastructure development. The Bank has also played an active role in promoting increased commercialization in the energy, transport, financial, and social infrastructure sectors with a view to improving efficiency and encouraging increased private sector participation. The activities of policy dialogue were undertaken in close consultation with IMF, World Bank Group, and Overseas Economic Cooperation Fund.

Loans and technical assistance: In 1997, the Bank approved six loans amounting to $563 million in the housing, energy, ports, and financial sectors. In addition, the Bank provided ten technical assistance grants totaling $6.27 million.

Project implementation: Of the 52 loans approved as of end-1997, 16 had been closed and 36 were under administration, including six waiting to become effective. Contract awards for the year totaled $550.1 million, bringing the cumulative total to $4,074.6 million. The contract award ratio for 1997 was 17.6 percent. Total disbursements for the year amounted to $645 million, with cumulative disbursements reaching $3,827.7 million. The disbursement ratio for 1997 was 24.6 percent. The Bank emphasized the need to formulate a project administration strategy to expedite project implementation and provided assistance to the working group established by the Government to evolve the strategy. The country portfolio review mission, conducted during the year, identified and discussed with the Government the reasons for project implementation delays which include systemic problems across most sectors, both at the policy and operational levels, and technical problems in individual projects.

Maldives

Economic performance

Economic growth: Preliminary estimates indicate that GDP growth in 1997 should be approximately 6 percent. Higher tourist arrivals and brisk construction activity offset a relatively stable output of the fisheries sector. Construction was mainly related to infrastructure (ports, schools, and hospitals) in the outlying atolls and the start of construction of new tourist resorts.

Inflation: Inflation in the Maldives is expected to be about 8 percent for 1997, somewhat higher than the 6.2 percent observed in 1996. The increase in the price of fish, caused by the lower catch, was the main reason behind the increase.

External sector: The trade deficit is estimated to have deteriorated to $200 million in 1997, compared with $168 million in 1996. The increase in fish prices partly offset the reduced catch, while higher tourism receipts compensated for the growth in imports. As a result, the overall balance-of-payments position improved. At the end of 1997, international reserves stood at about four months of imports, despite the repayment of a balance-of-payments support loan contracted earlier.

Domestic policies: The Maldives continued to pursue a prudent fiscal policy in 1997, and it is expected that the modest deficit will be financed through concessional foreign loans, thus eliminating for the second consecutive year the need to resort to monetary financing from the Monetary Authority. Over 90 percent of government revenues are still dependent on import duties and tourism tax receipts, but some diversification is expected in 1998, with the introduction of a rental income and business turnover tax. There is also considerable scope for liberalization of the financial sector and, in the medium term, for shifting from direct to indirect instruments of monetary control, accompanied by conversion of the existing debt of the Monetary Authority into government-issued bonds.

Bank operations

Operational strategy: The Bank's strategy aims to promote equitable and sustainable economic growth in the Maldives. To achieve this objective, the Bank's operations over the medium term will accord priority to improving regional planning and atoll development as well as improving human development.

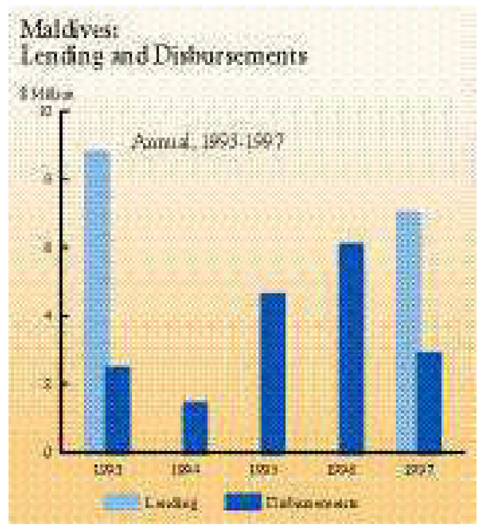
Policy dialogue: Policy and institutional matters in the power sector were the principal areas of dialogue with the Government during 1997. Bank technical assistance also facilitated dialogue in the areas of legal development, post-secondary education, and regional development.

Loans and technical assistance: One loan amounting to $7 million was approved during 1997. The Bank also approved four technical assistance grants amounting to $1.5 million.

Project implementation: Of the seven loans approved as of end-1997, four had been closed and three were under administration. Contracts worth $300,000 were awarded during the year, bringing the cumulative total to $34 million. The contract award ratio for 1997 was 4.8 percent. Disbursements amounted to $2.9 million in 1997, with cumulative disbursements reaching $33.8 million. The disbursement ratio for 1997 was 55.7 percent. Technical assistance was provided to strengthen the institutional capacity of the Maldives Audit Office, which would help the Government achieve a greater degree of financial accountability in its activities, including Bank-financed projects. A country loan and technical assistance portfolio review was also conducted in joint effort with the Government.

Maldives: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Energy	3	22.3	54.5
Transport and Communications	3	16.2	39.6
Multisector	1	2.4	5.9
Total	**7**	**40.9**	**100.0**



Nepal

Economic performance

Economic growth: The overall economic performance during FY1996/97 (ending 15 July) was mixed. While economic growth slowed down moderately, the external position improved although the trade deficit continued to widen. The fiscal position also improved marginally. Real GDP growth in FY1996/97 declined to 4 percent, compared with 5.3 percent in FY1995/96. The slowdown was evident in all sectors, particularly the industry and services sectors. Growth in the agriculture sector was 4.1 percent, close to the average annual growth rate of the sector for the past two decades. Industry growth slowed to 3.2 percent from 5.9 percent in FY1995/96 mainly due to a continued decline in the growth of construction and manufacturing. Limited infrastructure, power shortages, and lack of skilled human resources are the main obstacles to further industrial development. The services sector grew by 5 percent, down from 7.9 percent in 1996. This reflected significant slowdown in finance and real estate, and of community and social services. The overall budget deficit (including foreign grants) improved slightly from 5.6 percent of GDP in 1996 to 5.3 percent in 1997.

Picture no. 49

Investments in human development yield significant gains in productivity and income.

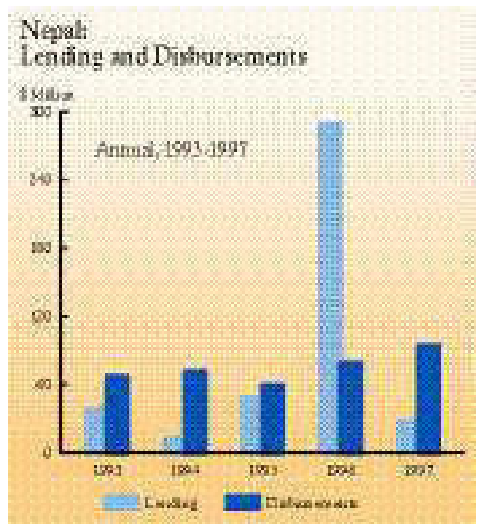
Inflation: Monetary expansion continued to slow down to 10.7 percent, mainly due to the slowdown in accumulation of net domestic assets, particularly domestic credit to the private sector. Consumer price increases declined to 7.8 percent in FY1996/97 from 8.1 percent in FY1995/96. This was largely the result of price changes in food and beverages, which constitute about 62 percent of the commodity basket, as well as in non-food and services. The increase in electricity tariffs did not have a significant impact on overall inflation. Due to open-border trading with India, price developments in Nepal often closely reflect those in India. The exchange rate was relatively stable, with a depreciation of about 3 percent against the dollar during FY1996/97, and exerted no inflationary pressure on the economy.

External sector: Export growth recovered to 10.3 percent in FY1996/97. Exports are heavily dependent on two countries, Germany and the United States, and two products, carpets and garments. Earnings from carpets and garments contributed 65 percent of export earnings in FY1996/97. Import growth increased to 10 percent in FY1996/97, widening the trade deficit to 23 percent of GDP. Significant increases in workers' remittances and investment income contributed to the improvement in the service account. As a result, the current account deficit was reduced by 38 percent to 7.2 percent of GDP in FY1996/97. Inflows of official grants and concessional aid continued to finance a substantial portion of the current account deficit. Total foreign reserves at mid-July 1997 amounted to about $812 million, which was equivalent to six months of imports. The debt-service ratio stood at 8.2 percent of exports; however, outstanding external debt remained at more than 50 percent of GDP.

Domestic policies: Despite substantial development efforts and generous financial support by external agencies, Nepal's economy has not been able to produce adequate growth due to the low productivity of the agriculture sector, on which overall output remains substantially dependent. Several factors such as the difficult terrain, lack of infrastructure, and power shortages continue to constrain growth in the manufacturing and services sectors. The Government's Ninth Five-Year Development Plan, covering FY1997/98-2001/02, incorporates a sustainable macroeconomic framework, which involves prioritization of expenditures and preparation of a three-year rolling expenditure plan. Nepal's structural reform program has been seriously delayed during the past three years. Steps have been taken to initiate financial sector reform, continue efforts in privatization, and simplify tax and tariff structures as well as strengthen their administration. The challenges for the new Government remain at building a consensus to reinvigorate the reform process, reinstalling fiscal discipline and investor confidence, and restoring political stability.

Nepal:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	47	677.5	44.4
Energy	13	382.4	25.0
Transport and Communications	12	224.7	14.7
Social Infrastructure	10	132.1	8.7
Industry and Nonfuel Minerals	5	75.1	4.9
Others	3	35.6	2.3
Total	**90**	**1,527.4**	**100.0**



Bank operations

Operational strategy: Poverty reduction remains the overall objective of the strategy through broad-based, labor-absorbing economic growth, and expansion of basic social services that would create job opportunities and increase incomes for the poor. Structural reform is supported to create the right policy environment for private sector development. Further support will be provided for reforms in the agriculture sector and the implementation of the Agricultural Perspective Plan prepared with Bank assistance, which has identified the priority areas for intervention toward a growth-oriented strategy. The Bank will also continue to support physical and social infrastructure projects, capacity building, human development, poverty reduction, and natural resource management, particularly environment protection.

Policy dialogue: Economic liberalization to increase reliance on market forces and promotion of the private sector were the main focus of the discussion. To maintain fiscal and macroeconomic stability, the Government was encouraged to mobilize domestic resources, including streamlining the collection and administration of taxes. The Government was able to introduce a value-added tax with effect from November 1997. The Government was also urged to prioritize development expenditure for both ongoing and new projects, and to improve budgeting, release, and reimbursement procedures. Improvements in the institutional, financial, and technical capacity of implementing agencies were also emphasized, including the performance of the portfolio of Bank-assisted projects.

Loans and technical assistance: Only one loan of $27 million was approved in 1997 to provide for the expansion and improvement of key facilities at the Tribhuvan International Airport and to assist in the reform of the civil aviation management. The loan was cofinanced by the Organization of Petroleum Exporting Countries (OPEC) Fund for International Development with $11 million. Twelve technical assistance grants amounting to $6.32 million were also approved.

Project implementation: Of the 90 loans approved as of end-1997, 63 had been closed and 27 were under implementation. Contract awards in 1997 totaled $166.7 million, bringing the cumulative total to

$1,060.9 million. The contract award ratio for 1997 was 49.1 percent. Disbursements for the year totaled $106 million, with cumulative disbursements standing at $953.9 million. The disbursement ratio for 1997 was 21.8 percent. Improved project implementation performance has been exhibited in some areas such as contract awards and disbursements, despite other issues that continued to delay implementation. The first country portfolio review led by the Nepal Resident Mission was undertaken during the year. An agreement was reached with the Government on time-bound actions to address issues of (i) staffing, (ii) time-consuming administrative procedures, (iii) the need for improved project coordination and monitoring at the national and project levels, (iv) delays in consultant recruitment, and (v) inadequate counterpart budget allocations. To improve project implementation further, a technical assistance grant was approved during the year to strengthen the capacity of the Government's programming, budgeting, and management of development projects. A country project implementation and administration seminar was conducted during the year to familiarize staff of executing agencies and other government officials with the Bank's policies and procedures on procurement, use of consultants, and disbursements.

Pakistan

Economic performance

Economic growth: Pakistan's real GDP registered a growth rate of 3.4 percent for FY1996/97 (ending 30 June), compared with 4.2 percent in the previous year. The slowdown was largely due to sluggish growth in agriculture and manufacturing. The agriculture sector registered a growth rate of 0.7 percent in FY1996/97, compared with 5.3 percent in the preceding year. Manufacturing's poor performance can be attributed to a fall in cotton production and the impact on industrial output with its strong textile component, lack of credit, slow exports and outdated production capacity. Investment and savings rates remained very low at 18.4 and 11.4 percent of GNP, respectively. A variety of internal and external factors were responsible for the economy's weak performance as domestic political developments and uncertainties about the availability of external resources complicated the task of sound macroeconomic management. Economic performance also suffered from weaknesses stemming from infrastructure inadequacies, environmental degradation, and human resource constraints.

Inflation: Inflationary pressures remained uncomfortably high. Measured by the CPI, inflation rose from 10.8 percent in FY1995/96 to 11.8 percent in FY1996/97, compared with the target of 9 percent for the year. The sensitive price indicator, which is more relevant for the cost of living of the low-income groups, increased even faster by 12.4 percent in FY1996/97. This was the fourth consecutive year of double-digit inflation in the country.

External sector: The balance-of-payments position weakened considerably in FY1996/97. Exports declined by 2.7 percent mainly because excessive rains curtailed cotton production. Persistent inflation, low technology, and a shortage of financial resources constrained the recovery of exports despite the sharp depreciation of the rupee. The rise in capital goods imports was offset by the decline in imports of food, chemicals, and metals, resulting in a contraction in imports by 5 percent. Increased debt servicing, reflected in a debt-service ratio of 37 percent, exacerbated the deficit on the service account which increased the current account deficit to $4.2 billion or 6.5 percent of GDP in FY1996/97. At the end of June 1997, gross foreign exchange reserves fell to about $1 billion, equivalent to only four weeks of imports, and total external debt rose to $29 billion. Moreover, mounting demand pressures and market speculations led to a sharply widening gap between the official and the free-market exchange rates, adding to the balance-of-payments difficulties. In October 1997, the IMF announced a new three-year, $1.56 billion loan agreement. The agreement helped alleviate some pressure on Pakistan, which was facing difficulties meeting payments both on its current account deficit and foreign debt obligations.

Domestic policies: A strong reaction of the business community to taxation measures in the FY1996/97 budget adversely affected the economic and financial conditions, contributing to market uncertainties and slippages in several areas. To offset the slippages, additional measures, including further fiscal contraction, a tightening of the monetary policy, and a substantial devaluation of the rupee, were introduced in the second quarter. The Government, which assumed office in February 1997, adopted a supply-side strategy of broad-based structural reforms which was expected to stimulate growth and thus restore macroeconomic stability. A series of measures — including tariff and tax reductions, encouraging agricultural production, reviving industrial activity, reforming the banking system, and improving governance — was introduced in quick succession. On the demand side, greater reliance was placed on expenditure controls to contain the budget deficit and the level of government bank borrowings. Unlike demand-related measures which impact more swiftly, a positive outcome of supply-side measures emerges after a lag as investors gain confidence that those policies will not be reversed.

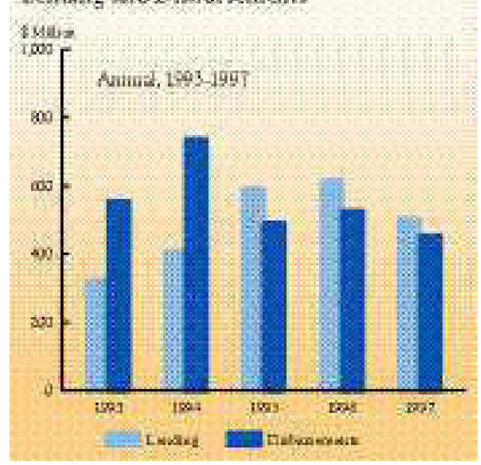
Bank operations

Operational strategy: The Bank's current strategy for Pakistan focuses on human development (including education, health, population welfare, and water supply and sanitation). High priority is particularly given to improving the situation of women as beneficiaries as well as providers of social services. The Bank also continues to support economic growth to ensure job opportunities for a rapidly growing population and to generate the financial resources for sustained investment in human and physical capital in both the private and public sectors. Infrastructure bottlenecks in the agriculture, transport, and energy sectors will be addressed on a priority basis, and natural resource management remains an important consideration. To underpin the ongoing comprehensive economic reform program of the Government, the Bank also highlights policy-based lending assistance in key economic sectors, as well as support in the areas of governance, economic management,

Pakistan:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	53	2,783.8	29.4
Energy	43	2,707.0	28.6
Financial	33	1,427.0	15.1
Social Infrastructure	24	1,101.2	11.6
Transport and Communications	11	767.0	8.1
Industry and Nonfuel Minerals	12	341.4	3.6
Multisector	3	344.0	3.6
Total	**179**	**9,471.4**	**100.0**

Pakistan:
Lending and Disbursements



and public sector restructuring. The Bank's country operational strategy for Pakistan will be reviewed and updated in 1998.

Policy dialogue: Extensive policy dialogue was conducted on macroeconomic reforms, financial management, and aid utilization, in close coordination with the Bretton Woods institutions and bilateral donors concerned. On the sectoral level, the focus was on the financial and trade sectors. The Capital Market Development Program loan, approved in November 1997, includes a number of measures to increase the mobilization of long-term resources and improve the efficiency of their allocation through a diversified and efficient capital market. Cross-sectorally, the main areas of policy interventions included participatory approaches to beneficiaries and the private sector, cost-recovery mechanisms for operation and maintenance, and domestic resource mobilization, as well as strengthening management capacities of provincial and local governments. A dialogue for strengthening the country's legal and judiciary system was also initiated in the latter part of the year.

Loans and technical assistance: Six loans, including one program and one technical assistance loan, were approved in 1997 totaling $501 million in the agriculture, financial, and social infrastructure sectors. Fourteen technical assistance grants amounting to $7.3 million were also approved during the year.

Project implementation: Of the 179 loans approved as of end-1997, 107 had been closed and 72 were under administration, including seven yet to become effective. Contract awards during the year amounted to $424.3 million, bringing the cumulative figure to $6,389.3 million. The contract award ratio for 1997 was 20.2 percent. Disbursements for the year totaled $451.9 million, with cumulative disbursements reaching $6,327 million. The disbursement ratio for 1997 was 15.7 percent. The Bank undertook a country portfolio review during the year to assist the Government in identifying and resolving project implementation constraints. Timely implementation of Bank projects has been hampered by a number of project management, financial, and procurement constraints. Timely and adequate release of counterpart funds also remains a problem. Many issues raised during the previous country reviews still require urgent action by the Government. A time-bound action plan was agreed with the Government in resolving problems which will be followed up by missions concerned with its implementation.

Sri Lanka

Economic performance

Economic growth: Real GDP growth in Sri Lanka recovered to 6.3 percent in 1997, after the slowdown to 3.8 percent in 1996. Rebounds in agricultural production, tourist arrivals, and manufacturing exports all contributed to bringing the growth rate back to its 1990s average. The agriculture sector grew by 5.4 percent, following a contraction of 4.6 percent in 1996. Manufacturing was the most dynamic sector, growing at around 9 percent, stimulated by buoyant demand for Sri Lanka's manufactured exports, such as garments and rubber goods. Growth in the services sector was also robust, particularly in the communications, banking and finance, and tourism-related subsectors. The investment rate improved to 25.8 percent of GDP and domestic savings rate to 16.5 percent of GDP, compared with 24.2 percent and 15.5 percent, respectively, in 1996. Increased business confidence and the recent decline in interest rates translated into higher private domestic investment. The reduction of the budget deficit and the use of privatization proceeds to retire public debt also stimulated private investment. The country started to diversify its power supply away from hydroelectric plants to reduce dependence on weather conditions. Resumption of growth had a positive impact on unemployment, which declined to about 10 percent of the labor force.

Inflation: The inflation rate declined to 9.6 percent in 1997 from 15.9 percent in 1996. Improved supplies of rice, vegetables, coconut, and other food crops; a reduction in the fiscal deficit; low increases in the money supply; and a decline in interest rates all contributed to more moderate price dynamics.

External sector: Exports grew by approximately 13 percent while imports expanded by nearly 7 percent in 1997. Consumer goods exports, particularly garments, leather, and rubber products, led export growth. Agricultural exports also improved, largely due to favorable tea prices and increased export volumes of tea and coconut. Investment and intermediate goods dominated imports, followed by consumer products, reflecting a rebound in consumer demand. Tourist arrivals and earnings as well as workers' remittances also registered robust growth, bringing the current account deficit to 2.1 percent of GDP, compared with 5 percent in 1996. Improved business confidence, stock market recovery in the first half of the year, and significant privatization undertaken during 1997 have resulted in net capital flows totaling $776 million, resulting in a balance-of-payments surplus of $362 million and strengthening the international reserves position to approximately five months of imports.

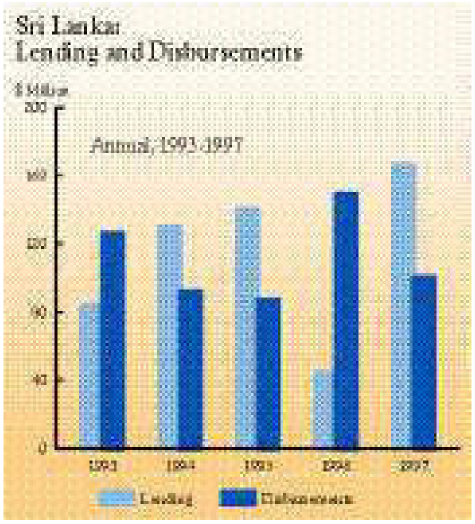
Domestic policies Despite being plagued by prolonged ethnic strife, there has been continuing improvement in the economic fundamentals in Sri Lanka. Commitment to budget discipline and to economic liberalization, aided by fair weather conditions, led to improved growth, reduced inflation, and a declining current account deficit in 1997. Sri Lanka continued on the path of fiscal deficit reduction. The deficit decreased from 8.9 percent of GDP in 1996 to 4.9 percent in 1997. Privatization proceeds were used to reduce the amount of public debt outstanding, sending a positive signal to the markets. Some relaxation of monetary policy took place at the beginning of the year to support an orderly reduction in interest rates. Action on large structural items of expenditure would be necessary to support further the process of fiscal consolidation. Strengthening the financial sector — through improved accountability and performance of the two state-owned commercial banks, and more stringent prudential regulations and banking supervision – should also be considered in the future.

Picture no. 20

In the agriculture sector, the Bank aims at improving productivity and sustaining existing agricultural systems to ensure food security.

Sri Lanka:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	37	781.6	39.3
Social Infrastructure	13	358.5	18.0
Financial	12	341.0	17.1
Energy	9	265.8	13.4
Transport and Communications	10	222.3	11.2
Multisector	1	14.7	0.7
Industry and Nonfuel Minerals	2	5.1	0.3
Total	**84**	**1,989.0**	**100.0**



Bank operations

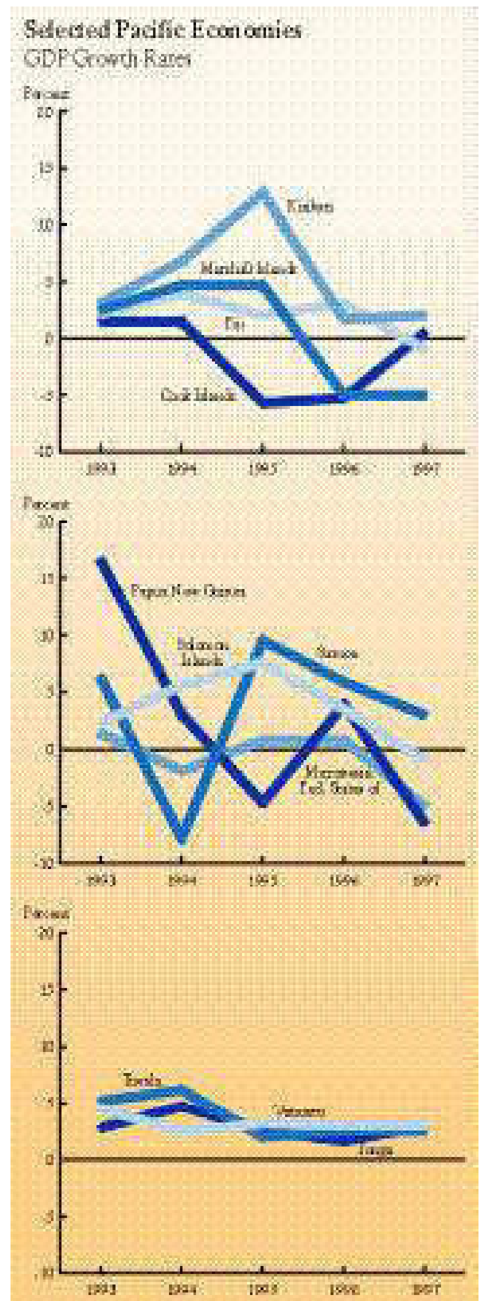
Operational strategy: Bank operations in Sri Lanka aim to reduce poverty and unemployment through supporting measures which would raise the level of economic performance and efficiency. The key objectives of the strategy are to (i) promote sound macroeconomic and sector policies to improve domestic resource mobilization; (ii) improve the capacity and efficiency of the public sector; (iii) provide adequate basic infrastructure to avoid bottlenecks to balanced national development; and (iv) ensure an appropriate matching of labor force skills to meet market requirements. Efficiency gains are expected to emerge through supporting public sector reforms and increasing the scope for private sector participation in the economy.

Policy dialogue: Policy discussions were a feature of Bank operations during 1997, particularly in the roads and water sectors. In the roads sector, agreements were reached on improved operation and maintenance and institutional arrangements and increased participation of the private sector in road works in the Southern Province. This model for the efficient management of provincial roads is expected to be extended nationally in the coming years. In the water sector, a comprehensive dialogue was undertaken, including water and sewerage tariffs, private participation in the sector, institutional autonomy for water utilities, and operation and maintenance. In the energy sector, technical assistance was approved to examine the main policy and investment issues for the future development of the sector. In the interim, dialogue was continued on the key issues of electricity tariffs and the financial performance of public sector electricity utilities.

Loans and technical assistance: Six loans amounting to $166.6 million were approved during the year in agriculture and natural resources ($36.6 million), social infrastructure ($95 million), transport ($30 million), and financial ($5 million) sectors. The Bank also approved 11 technical assistance grants amounting to about $7 million.

Project implementation: Of the 84 loans approved as of end-1997, 57 had been closed and 27 were under administration, including six yet to become effective. Contract awards during the year amounted to $128.9 million, bringing the cumulative total to $1,421.4 million. The contract award ratio for 1997 was 21.1 percent. Disbursements during the year amounted to $100.5 million, with cumulative disbursements reaching $1,377.7 million. The disbursement ratio for 1997 was 20.8 percent. Technical assistance was provided to improve the implementation of Bank projects and an action plan was agreed with government authorities on measures to streamline portfolio implementation and performance. A project implementation and administration seminar was also held in Colombo to familiarize executing agency staff with the Bank's loan administration procedures and requirements. Specific measures were undertaken to improve portfolio performance: (i) a project implementation and administration seminar was held to familiarize staff of executing agencies with the Bank's procedures and requirements; (ii) the Bank provided technical assistance to improve procurement procedures, resulting in the establishment of the Sri Lanka Tender Support Bureau; and (iii) two workshops were held during the year with participants from the various executing agencies, during which an action plan was agreed upon to improve project implementation. During the year, the Sri Lanka Resident Mission was established; and it plans to hold regular meetings with various government officials concerned to discuss implementation issues.

Pacific islands



In terms of overall economic performance, 1997 was a tough year for the Pacific DMCs. Most Pacific DMCs experienced contractions in their real GDP growth rates, compared with 1996 and five — Fiji, Marshall Islands, Federated States of Micronesia, Papua New Guinea, and Solomon Islands — registered absolute declines in their GDP. Inflation rates in 1997 remained subdued in most Pacific DMCs, reflecting the sluggish economic performance. In terms of monetary management, the choice of policy instruments is limited for six of the DMCs who have no national monetary unit. Large trade and current account deficits were a common feature of the external accounts of the Pacific DMCs in 1997. Sluggish demand for the commodity exports of Fiji, Papua New Guinea, and Vanuatu generated deficits in their current accounts. For Cook Islands, Fiji, Samoa, Tonga, and Vanuatu, tourism receipts continued to be a principal source of foreign exchange. In the case of the Marshall Islands and the Federated States of Micronesia, official transfers from the US continue to be the main source of external income. The Bank has responded to the deteriorating economic performance of the Pacific DMCs in the form of financing policy advisory and fiscal and economic management teams in the case of the Cook Islands, Kiribati, Marshall Islands, Federated States of Micronesia, Samoa, Tuvalu, and Vanuatu. The Bank has also financed programs of public sector and economic reform in Cook Islands, Marshall Islands, and Federated States of Micronesia, which aim at reducing both the size and the role of government in the economy and fostering private sector investment and economic development. Ongoing regional analyses of comparative economic advantage and economic and public sector policy support these national interventions. Other regional activities supported by the Bank are in the areas of fisheries, aviation, air transportation, financial and investment advisory services, and the provision of venture capital.

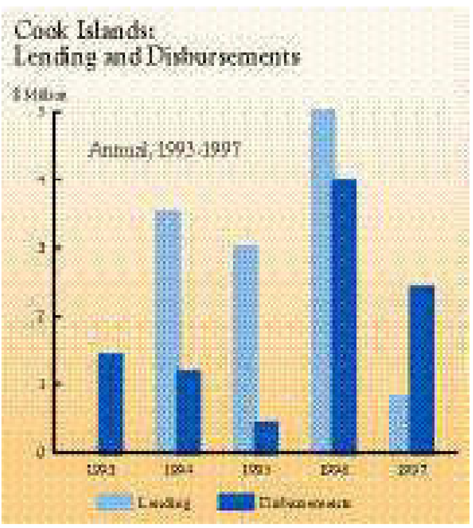
Cook Islands

Economic performance (growth, inflation, and external sector)

Following contraction at an average annual rate of 5.5 percent during 1995-1996, the level of economic activity in the Cook Islands stabilized in 1997, with a small positive growth of about 0.5 percent. With the implementation of an economy-wide restructuring program that included a sharp reduction in the size of the public sector, the share of public administration in GDP fell to about 17 percent in 1997, compared with

Cook Islands:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Financial	3	6.0	24.5
Transport and Communications	2	5.4	22.0
Others	1	5.0	20.4
Multisector	3	4.6	18.8
Social Infrastructure	1	2.7	11.0
Agriculture and Natural Resources	1	0.8	3.3
Total	**11**	**24.5**	**100.0**



25 percent in 1994. The shares of the tourism and agriculture sectors in GDP increased in 1997. Consumer prices in the Cook Islands have shown little movement over the past three years, with the inflation rate remaining below 1 percent. This is attributed mainly to stable food and transportation costs. There is a close relationship between price movements in the Cook Islands and New Zealand, the latter supplying the bulk of the country's imports. The country's external account position continued to be characterized by a large trade deficit, partially offset by substantial receipts from the export of services (tourism), aid inflows (both grants and soft loans), and some FDI. Merchandise exports, which had been declining, showed signs of recovery, especially with increases in the export of pearls and papaya.

Domestic policies: Since March 1996, the Government has dealt with the dual problems of a serious fiscal crisis and a contracting economy. A comprehensive Economic Restructuring Program (ERP) is being implemented. This program embraces measures over the short term to stabilize and improve the Government's financial operations through expenditure reduction, asset sales, and the retirement and restructuring of debt; and over the longer term, to restructure the economy through policy and institutional reforms so as to facilitate private sector-led growth.

Bank operations

Operational strategy: The Bank's strategy for the Cook Islands supports implementation of the ERP. The main focus is on three key areas: (i) supporting policy, institutional, and economy-wide structural reforms; (ii) enhancing the role of the private sector; and (iii) developing social and physical infrastructure to promote private sector growth and the development of the outer islands. In addition, the Bank plays an active role in donor coordination through the consultative group process. A Consultative Group meeting for the Cook Islands was held in July 1997.

Policy dialogue: The Cook Islands' ERP was formulated and is being implemented with Bank assistance. The Bank's ongoing policy dialogue has been within the framework of the ERP, focusing in particular on fiscal stabilization, including the introduction of institutional and legislative measures to ensure greater transparency and accountability in the management of the Government's financial functions. Bank support is also being extended to facilitate a multilateral process for a possible restructuring of the country's official external debt.

Loans and technical assistance: One loan amounting to $800,000 was approved in 1997 for rehabilitation of areas devastated by a cyclone. One advisory technical assistance grant amounting to $600,000 was approved to strengthen the institutional capacity for financial and economic management.

Project implementation: Of the 11 loans approved as of end-1997, six had been closed and five were under administration. Contract awards in 1997 totaled $4 million, with cumulative contracts awarded totaling $18.6 million. The contract award ratio was 41.8 percent. Disbursements during the year amounted to $2.4 million, with total cumulative disbursements at $18.9 million. The disbursement ratio for 1997 was 36.6 percent. Project implementation experienced delays which were attributed to general institutional weakness and shortage in staffing.

Fiji

Economic performance (growth, inflation, and external sector)

The economy of Fiji contracted in 1997 by about 1 percent, compared with growth of 3.1 percent in 1996. Money supply growth, which was above average in 1996, also slowed down in 1997. Domestic credit grew by about 5 percent while foreign assets declined by about 10 percent. Consumer prices increased by 2.9 percent during 1997. The trade deficit, which corresponded to 2.3 percent of GDP in 1996, widened in 1997 due to a decline in exports of sugar, fish, gold, and timber and an increase in imports of textiles, machinery, pharmaceuticals, minerals, fuels, and lubricants, among others.

Domestic policies: The 1997 budget deficit deteriorated to around 9 percent of GDP, exceeding the average annual deficit of 2.4 percent of GDP forecast for the decade. The Government approved additional borrowing during 1997, bringing the total borrowing for the amortization of domestic and external debt, and payment of government services to about $267 million or 9.2 percent of GDP. While external borrowings averaged only 7 percent of GDP since 1992, domestic borrowing reached 41 percent of GDP in 1997.

Bank operations

Operational strategy: The Bank's operational strategy for Fiji is to support the Government's ongoing efforts to expand and diversify the economic base, strengthen the pace of public sector reforms, and develop export-led growth policies. Key components of the Bank's program include assistance in policy formulation, planning, and monitoring and evaluation capacities of central and key sectoral departments; commercialization and corporatization of public enterprises; and reorienting policies to focus on the needs of the private sector.

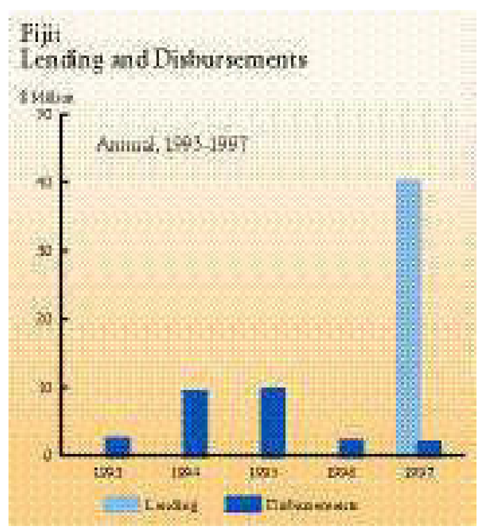
Policy dialogue: Discussions during the year focused on improving policies and operational capacities in the transport, energy, and environment sectors; and on capital market development, agricultural diversification, and corporatizing public entities.

Loans and technical assistance: One sector loan of $40 million was approved in 1997 for road upgrading. The Bank also approved three advisory technical assistance grants amounting to $1.57 million for cost recovery improvements ($100,000), safety and traffic management ($70,000), and reform and safety improvements ($1.4 million) of the road sector.

Project implementation: Of the 13 loans approved as of end-1997, 11 had been closed. Contract awards for the year amounted to $20,000, bringing the cumulative total to $109.2 million. Disbursements for the year amounted to $1.8 million and cumulative disbursements reached

Fiji:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Transport and Communications	4	78.0	48.4
Energy	3	36.9	22.9
Agriculture and Natural Resources	3	27.6	17.1
Social Infrastructure	1	9.6	6.0
Financial	2	9.0	5.6
Total	**13**	**161.1**	**100.0**



$111.9 million. The disbursement ratio for 1997 was 53.2 percent. Overall project implementation has been generally satisfactory, although progress slowed down due to problems in land acquisition, contractor performance, and financial constraints.

Kiribati

Economic performance (growth, inflation, and external sector)

Kiribati maintained economic growth of around 2 percent in 1997, while inflation rate was around 2 percent. Large trade deficits continued to be a feature of the economy of Kiribati, although earnings from investments, fishing licenses, and external aid were sufficient to maintain external balances.

Domestic policies: The Government of Kiribati started implementation of a national development strategy in 1996 aimed at promoting private sector investment, including FDI, and improving the Government's efficiency and rationalizing its role in the economy.

Kiribati: Cumulative Bank Lending (as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Transport and Communications	2	2.3	46.9
Energy	2	1.6	32.7
Financial	1	1.0	20.4
Total	**5**	**4.9**	**100.0**

Bank operations

Operational strategy: The Bank's strategy for Kiribati seeks to promote sustainable growth and improvements in the living standards. The focus of Bank operations are on (i) strengthening policy and public sector reforms, with emphasis on improving government resource efficiency and on the restructuring/reform of public enterprises; (ii) developing social infrastructure; and (iii) promoting outer island development.

Policy dialogue: With Bank assistance, a comprehensive program has been prepared for infrastructure improvements in water supply, sewerage, and solid waste management. Institutional reforms, designed to improve operation and maintenance of public utilities, have also been identified. The Bank's policy dialogue with the Government during the year included corporatization of the Public Utilities Board (PUB), and operation and maintenance of sector assets in an efficient and effective manner. The corporatization of PUB is suggested as a measure to operate public utilities with clear responsibility and accountability.

Loans and technical assistance: No loan was approved in 1997. Two advisory technical assistance grants were approved, totaling $275,000 for the corporatization plan for PUB ($100,000), and the aerial photography and mapping of Tarawa ($175,000). The latter is financed by the Australian Agency for International Development and administered by the Bank.

Project implementation: All of the five loans approved as of end-1997 have been closed. No contract awards or disbursements were made during the year.

Marshall Islands

Economic performance (growth, inflation, and external sector)

Economic growth in the Marshall Islands was adversely affected in 1997 as the country began a process of significant structural adjustment. The inflation rate was about 4 percent in 1997. The current account deficit remained at around 50 percent of GDP, financed mainly by official transfers from the United States.

Domestic policies: For the Marshall Islands, a principal policy issue in 1997 was the implementation of initial measures to adjust the economy to the progressive decline of external funding. These measures included tax increases and expenditure reduction, especially by decreasing civil service. Significant progress has been made in public expenditure control through reduction in civil service.

Bank operations

Operational strategy: The Bank's operational strategy for the Marshall Islands continues to focus on providing policy advice and facilitating donor coordination. The main objective is to assist the Government in achieving sustainable and self-reliant economic growth in the face of the termination of the United States Compact Assistance after 2001. Structural constraints are addressed by focusing the technical assistance program on improving macro and sector policies, strengthening institutional capacities, and carrying out civil service reforms.

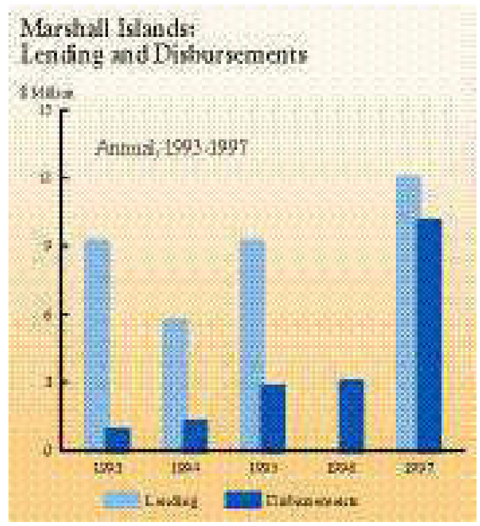
Policy dialogue: The principal areas of the Bank's policy dialogue with the Government remain concentrated on governance issues to enhance economic and financial management of the country. The dialogue focused on public sector reforms, private sector development, and issues relating to good governance. A policy-based program loan supporting the reforms was approved during the year, including technical assistance for program implementation. To support the policy reform program of the Government, Bank assistance also focused on institutional strengthening of the transport sector, establishment of the private sector unit, and fisheries management.

Loans and technical assistance: A $12 million loan was approved in 1997 for the Public Sector Reform Program. During the year, the Bank continued to provide assistance for capacity building through seven advisory technical assistance grants amounting to $2.75 million for the development and strengthening of the transportation, tourism, health, fisheries, and private sectors.

Project implementation: Of the seven loans approved at the end of 1997, two had been closed and five were under administration. Contract awards for the year amounted to $7.6 million, bringing cumulative contract awards to $23 million. The contract award ratio for 1997 was 33 percent. Disbursements amounted to $10.1 million, bringing the cumulative total to $18.2 million. The disbursement ratio for 1997 was 28.6 percent. Project implementation, in general, suffered from weaknesses in project management, frequent staff changes, and counterpart fund shortages.

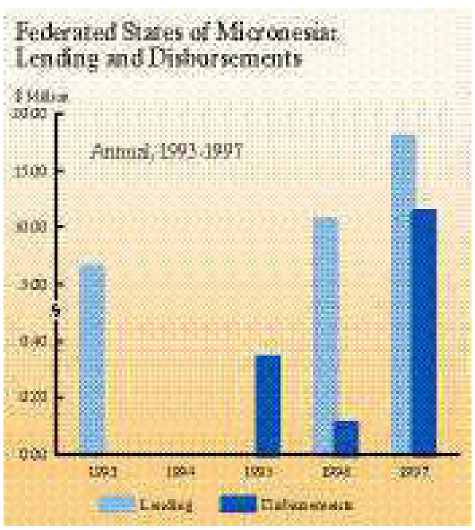
Marshall Islands: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Social Infrastructure	4	23.6	54.8
Others	1	12.0	27.8
Agriculture and Natural Resources	1	7.0	16.2
Multisector	1	0.5	1.2
Total	**7**	**43.1**	**100.0**



Federated States of Micronesia: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Others	1	18.0	51.3
Social Infrastructure	1	10.6	30.2
Agriculture and Natural Resources	1	6.5	18.5
Total	**3**	**35.1**	**100.0**



Federated States of Micronesia

Economic performance (growth, inflation, and external sector)

Real output growth was less than 1 percent in 1995, and estimates for 1996 and 1997 are not yet available but are expected to continue at low if not negative levels as the country undertakes a process of significant structural adjustment. Inflation in 1997 is likely to remain at its 1996 level of 3 percent. The current account deficit, excluding official transfers, has remained about 50 percent of GDP. The external deficit is substantially funded by external grants, primarily through the Compact with the United States. This dependency continues to be a major threat to economic and social stability.

Domestic policies: The Government is addressing the need for a restructuring of the economy through the implementation of a Public Sector Reform Program. The Program, discussed at both national and state economic summits in 1995 and implemented in 1997, involves tax increases, reductions in public sector employment and expenditure, and aims at improving the environment for private sector investment. The Program includes a new foreign investment law, the elimination of export taxes, a new tax regime, business training, and examination of means to improve access to land and to improve operations of the banking and financial sectors.

Bank operations

Operational strategy: The Bank's operational strategy for the Federated States of Micronesia focuses on the need to shift the economy from one that is dominated and overly controlled by the public sector to an economy that is increasingly sustained by a competitive private sector. The time for necessary reforms and restructuring is set for 2001 when large fund transfers from the United States end.

Policy dialogue: Policy reform and policy dialogue continue to be the major focus of the Bank's program of assistance to the Federated States of Micronesia. The core of this dialogue is moving from an emphasis on fiscal and macroeconomic stability and management to the stimulation of private sector investment, and to public sector prioritization and reorganization. The Bank is starting to examine and discuss land and capital market development policies in addition to sector policy. This is likely to be an increasingly important component of future overall development policy. The Bank convened the second Core Group meeting of the country's donors at the Bank's 30th Annual Meeting to discuss further progress with reform implementation.

Loans and technical assistance: A program loan amounting to $18 million was approved in 1997 to promote public sector reforms. Four advisory technical assistance grants totaling $2.4 million were approved.

Project Implementation: All three loans approved as of end-1997 are under administration. Contract awards in 1997 totaled $14.9 million, while disbursements totaled $11.3 million. Cumulative contract awards and disbursements amounted to $15.6 million and $11.8 million, respectively.

The contract award ratio for 1997 was 49.4 percent, while the disbursement ratio was 32.7 percent. Project implementation suffered from weak institutional capacities and inadequate counterpart funding. The Bank continues to provide technical assistance for capacity building.

Nauru

Economic performance (growth, inflation, and external sector)

Lower phosphate export earnings and lower royalty payments from the Nauru Phosphate Royalty Trust fund adversely affected Nauru's economic growth in 1997. Consumer spending declined and the country had to undergo structural adjustments to cut budgetary deficits. The inflation rate remained at single-digit level. Imports continued to decline as the economy remained on the downturn. The value of exports declined due to the drop in the production of phosphate and a limited availability of suitable markets, resulting in a substantial trade deficit.

Domestic policies: Nauru introduced measures to augment government revenue and reduce expenditure by about 50 percent for FY1996/97 (ending 30 June). Significant downsizing in civil service and state corporations and other policies to reduce government expenditure further are under consideration.

Bank operations

Operational strategy: The Bank's operational strategy for Nauru is to achieve long-run economic and financial sustainability through a reform program which includes improved fiscal management, consistent application of national policies, better public debt and trust fund management, and restructuring of the public sector.

Policy dialogue: In 1997, the Government of Nauru sought Bank assistance for a comprehensive reform program. Discussions are under way regarding the specific measures to achieve macroeconomic stability and fiscal balance.

Loans and technical assistance: No loan or technical assistance grant was approved in 1997.

Project implementation: No loans have been approved.

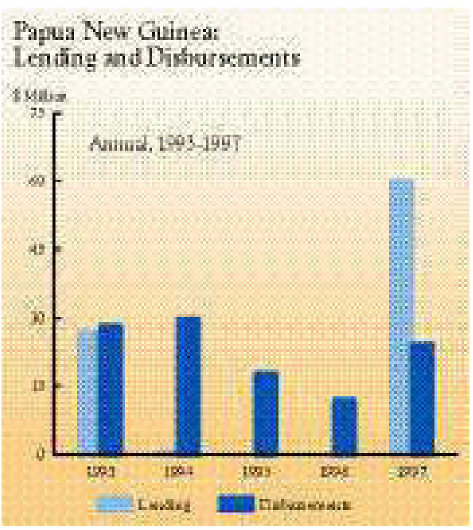
Papua New Guinea

Economic performance (growth, inflation, and external sector)

The Papua New Guinea economy recovered from a contraction of GDP by 4.7 percent in 1995, to grow at 3.9 percent in 1996. In 1997, overall GDP again contracted by an estimated 6.5 percent due to a decline in mining and petroleum output, exacerbated by the effects of El Niño-related drought. During 1997, inflation continued to be subdued, with overall price rises of about 4 percent on an annualized basis. The current account contracted to

Papua New Guinea: Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Social Infrastructure	14	180.1	29.7
Transport and Communications	10	171.1	28.3
Agriculture and Natural Resources	9	164.6	27.2
Energy	5	43.0	7.1
Financial	3	22.5	3.7
Multisector	3	16.0	2.6
Industry and Nonfuel Minerals	1	8.4	1.4
Total	**45**	**605.7**	**100.0**



a deficit estimated at 2.5 percent of GDP, from a surplus of 5.6 percent in 1996, owing to declining exports and rising imports. However, the capital account remained sufficiently strong that import cover declined only to 3.1 months from 4.7 months in 1996.

Domestic policies: A conservative fiscal stance was maintained during 1997, resulting in a small fiscal deficit for the whole year.

Bank operations

Operational strategy: The Bank's operational strategy for Papua New Guinea focuses on improving living standards through sustainable employment generation and improved social services. The strategy aims to strengthen development management; improve governance; promote employment growth and private sector development; and improve social conditions. The sectors of focus are agriculture, transport, education, health, and public sector management.

Policy dialogue: The most pressing issue for policy dialogue in recent years has been the financing of Papua New Guinea's fiscal and external deficits, which was largely met by standby and quick-disbursing facilities from the World Bank, IMF, Australia, and Japan. With the easing of the overall 1994-1995 fiscal crisis, attention has returned to the underlying weaknesses in development management which hamper effective planning and management throughout the economy. The Bank is assisting, in particular, in reforming the Government's financial management systems, with a view to move toward program budgeting. Improving the efficiency of service delivery and ensuring adequate coverage have been the core of dialogue in both the health sector and in technical and vocational education, where the Bank is assisting the Government to develop a policy agenda.

Loans and technical assistance: Three loans totaling $60 million were approved in 1997 for the Health Sector Development Program ($50 million) and Health Sector Development Project ($10 million). The Bank also approved five technical assistance grants amounting to $1.12 million, of which two were for preparation of new projects ($300,000) and three for advisory and operational purposes ($812,000).

Project implementation: Of the 45 loans approved as of end-1997, 36 had been closed and nine were under administration. Contract awards for the year amounted to about $28.8 million, bringing the cumulative total to $456.4 million. The contract award ratio for 1997 was 21.3 percent. Total disbursements for the year amounted to $24.3 million, with cumulative disbursements reaching $448.7 million. The disbursement ratio for 1997 was 15.7 percent. Project implementation suffered from limited government appropriations and inadequate staff. Changes in leadership positions and key personnel disrupted the normal functioning of several government departments.

Samoa

Economic performance (growth, inflation, and external sector)

In 1997, the economy of Samoa grew at a slower pace than the average 8 percent real GDP growth rate achieved in 1995 and 1996 due to the slower performance of the agriculture and tourism sectors. The inflation rate rose to 8 percent in 1997 from 7 percent in 1996. The balance of payments in 1995/96 recorded an overall surplus of 1.9 percent of GDP due to a significant increase in the current account balance, but the Government expected a sharp reduction in the current account balance and an overall deficit of 2.9 percent of GDP in 1996/97.

Domestic policies: In the wake of a series of natural disasters in the early 1990s, the Government has adopted a policy of fiscal restraint and promoted private sector investments to attain sustainable growth. It has embarked on a major reform program in the financial sector, changing monetary management from a system of direct controls to a system that is indirect and market-led. The Government has also embarked on a public sector reform program anchored by the introduction of performance budgeting that was initiated in 1996. There is an ongoing program to be financed by a Bank program loan for divestment of SOEs and a plan to devolve certain Treasury and Public Service Commission functions to line departments.

Bank operations

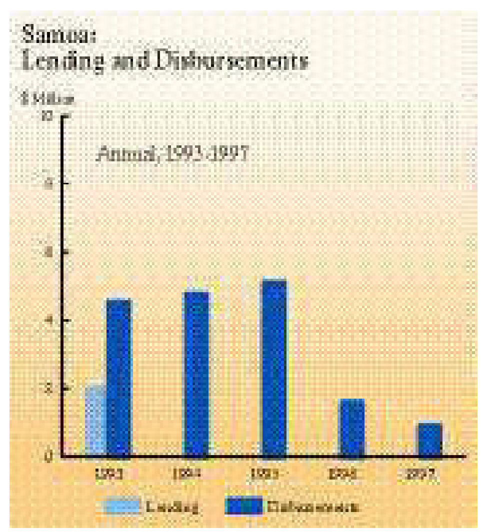
Operational strategy: The Bank supports the restructuring of the Samoan economy to make it more market-responsive, competitive, and vigorous, and led by a strong and diversified private sector. The Bank assists the Government to overcome structural impediments to sustained growth and promote an enabling environment for the private sector to prosper, primarily through financial sector liberalization, economic policy analysis and management, policy reforms in trade investment and taxation, public sector restructuring, and corporatization and privatization of SOEs. In 1997, the Bank began work on a program loan to support financial sector policy reforms, including the privatization and corporatization of public enterprises and utilities.

Policy dialogue: The Government was encouraged by the Bank to establish a market-based financial system for efficient resource mobilization and allocation, strengthen the prudential and regulatory framework for banks and financial institutions, implement its privatization program to reduce the fiscal burden of SOEs, and promote private commercial businesses. The Bank also stressed the importance of a macroeconomic policy framework for strategic planning of the national and sector levels and the need to rationalize utility pricing to achieve cost recovery and financial viability of public utilities.

Loans and technical assistance: No loan was approved in 1997 for Samoa. One advisory technical assistance grant amounting to $600,000 was approved for the implementation of the privatization strategy.

Samoa:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	9	41.5	46.2
Financial	5	16.0	17.8
Energy	6	15.0	16.7
Transport and Communications	4	13.0	14.4
Multisector	1	4.4	4.9
Total	**25**	**89.9**	**100.0**



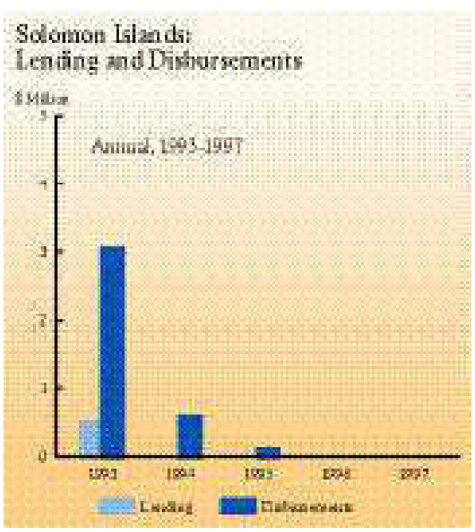
Project implementation: Of the 25 loans approved as of end-1997, 24 had been closed and one was under administration. Contract awards during the year totaled $950,000, bringing the cumulative amount to $86.4 million. The contract award ratio for 1997 was 95.8 percent. Disbursements for the year totaled $910,000, with cumulative disbursements reaching $86.4 million. The disbursement ratio for 1997 was 66 percent. Institutional weaknesses of executing agencies impeded progress in project implementation.

Solomon Islands

Economic performance (growth, inflation, and external sector)

Solomon Islands: Cumulative Bank Lending (as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Agriculture and Natural Resources	4	20.2	46.7
Energy	2	8.9	20.6
Transport and Communications	3	8.0	18.5
Financial	2	4.0	9.2
Social Infrastructure	1	1.7	3.9
Multisector	1	0.5	1.1
Total	**13**	**43.3**	**100.0**



Real GDP in the Solomon Islands in 1997 was below the 3.5 percent growth rate achieved in 1996. The expansionary effects of two major construction projects were more than offset by declining production of major commodities, particularly log exports. Continued high levels of government spending and associated large public sector wage increases resulted in the inflation rate rising to 12 percent in 1997. Exports in 1997 declined sharply from the previous year's level largely due to the downturn in log export prices and sluggish demand from traditional Asian markets. As a result, balance-of-payments difficulties developed in late 1997. Of serious concern are the arrears on domestic and external debt, which have accumulated since 1995.

Domestic policies: In response to the severe fiscal and balance-of-payments crisis, the new coalition Government, elected in August 1997, introduced immediate remedial measures — canceling existing tax exemptions and remissions, tightening up revenue collection, and introducing new controls on expenditures. A reform program is being prepared by two key government task forces with emphasis on achieving fiscal balance, improving the productivity and efficiency of the civil service, and restoring the country's creditworthiness in the medium term.

Bank operations

Operational strategy: The Bank's operational strategy for the Solomon Islands is to strengthen central agency capabilities in economic policy formulation, planning, and economic management. Only after achieving some progress in these core areas would the Bank be able to address longer-term human development and social sector issues and assist in development of infrastructure. The Government and the Bank are currently working to restore professional working relationships which had broken down in mid-1995.

Policy dialogue: The major immediate challenge for the Government is to restore the economy's fiscal and external balances. To achieve this, tight fiscal discipline is necessary, supported by increased efficiency of public investment. Other core issues are the size and productivity of the civil service; weak regulatory frameworks in key sectors such as forestry and fisheries; and poor services, particularly in the health and education fields. At the 30th ADB Annual Meeting in Fukuoka, Japan, the Government expressed interest in restoring its relationship with the Bank and seeking possible assistance for a reform program. In response, the Bank suggested, and the Government agreed, that as a first step a Pacific Island Economic Report (PIER) would be prepared for the Solomon Islands to help provide a framework for a possible comprehensive reform program. With cooperation from the Australian Agency for International Development, a six-person team of consultants was fielded in November 1997. The results of the PIER will be a useful input in the preparation by the Government of its forthcoming Medium-Term Development Plan.

Loans and technical assistance: No loan or technical assistance grant was approved in 1997.

Project implementation: All 13 loans approved are closed. The cumulative total of contract awards remained at \$37.1 million and the cumulative disbursements at \$37.6 million.

Tonga

Economic performance (growth, inflation, and external sector)

The Tongan economy registered good growth performance in recent years, fueled by booming squash exports and donor-financed construction activities. Although the economy experienced a slowdown in FY1995/96, preliminary estimates suggest a recovery in growth of real GDP to about 3 percent in FY1996/97 (ending 30 June). Inflation fell steadily through 1997, averaging 1.8 percent, compared with 2.8 percent in 1996. As in previous years, Tonga continued to experience merchandise trade deficits. However, this has been offset by inward remittances from private sources. Gross foreign reserves have remained in a relatively healthy position, equivalent to about five months of imports.

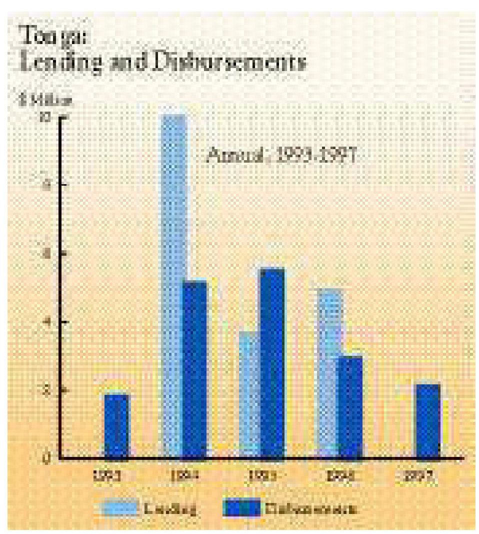
Domestic policies The Government's development strategy seeks to (i) promote private sector development, (ii) encourage exports, (iii) expand financial services, (iv) construct and maintain the infrastructure necessary for economic development, (v) provide equitable distribution of the development benefits, and (vi) ensure environmental conservation. The Government has recently moved toward a rational forward-looking policy formulation and fiscal management process, using a program budgeting framework beginning with the 1998/1999 budget. This will facilitate the implementation of other much-needed reforms such as in the tax system, investment regulations, and management of public enterprises.

Bank operations

Operational strategy: The Bank's operational strategy for Tonga focuses on strengthening financial and economic management, creating an enabling environment for the private sector, and catalyzing development in the outer islands. These aims are to be achieved through support for public sector and public enterprise reforms; private sector development, including basic infrastructure; agricultural diversification; and human development.

Tonga:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Energy	2	12.2	25.5
Multisector	5	11.4	23.9
Transport and Communications	2	11.3	23.6
Financial	2	6.5	13.6
Agriculture and Natural Resources	2	6.0	12.6
Industry and Nonfuel Minerals	1	0.4	0.8
Total	**14**	**47.8**	**100.0**



Policy dialogue: In terms of economic management, the major effort has been directed at introducing program budgeting within the Government. The new budgeting system has been designed and is being installed for application by all Ministries in the coming year. For private sector development, the Bank will continue to encourage the Government to simplify regulations on business and to establish effective policies with respect to the promotion and regulation of foreign investment. Further progress on the corporatization and privatization of public enterprises will be pursued. The Bank has also initiated a study in December 1997 on women in development in Tonga to identify appropriate policy directions and opportunities for advancing women's welfare.

Loans and technical assistance: No loan was approved in 1997. One advisory technical assistance grant amounting to $280,000 was approved to prepare and implement a strategic plan for the Tonga Development Bank.

Project implementation: Of the 14 loans approved as of end-1997, ten had been closed and four were under administration. Contract awards during the year totaled $3 million, bringing the cumulative total to $35.3 million. The contract award ratio for 1997 was 28.5 percent. Disbursements for the year totaled $2.1 million, with the cumulative total reaching $31 million. The disbursement ratio for 1997 was 10.8 percent. The implementation of projects progressed slowly and delays were experienced at the initial stages, indicating the need to strengthen institutional capacity.

Tuvalu

Economic performance (growth, inflation, and external sector)

Tuvalu maintained growth of around 2 percent in 1997. Inflation remained very low, reflecting continuing low rates of price increases in Australia and New Zealand, the main sources of imports. Export earnings can finance only 4 percent of imports. Fishing license fees, foreign aid, migrant remittances, and the earnings from the Tuvalu Trust Fund account for the difference and are sufficient to maintain the external balance.

Domestic policies In April 1997, the Government presented a long-term policy strategy, "Vision 2015." Emphasis was given to education and health, good governance, and more equitable income distribution among the islands.

Bank operations

Operational strategy: The Bank's operational strategy for Tuvalu aims at sustainable economic and social development through (i) human development; (ii) upgrading the transport sector, including interisland transport; (iii) enhancing private sector development; and (iv) improving the economic conditions of the outer islands. Assisting the Government in donor coordination is an important task of the Bank.

Policy dialogue: The dialogue between the Government and the Bank focused on economic management, international and domestic transport by sea and air, urban and environmental management, outer islands development, and aid coordination.

Loans and technical assistance: No loan was approved in 1997. One technical assistance grant of $100,000 was approved to prepare for a new project on establishing an investment fund.

Project implementation: Tuvalu became a member of the Bank in 1993. No loans have been provided yet.

Vanuatu

Economic performance (growth, inflation, and external sector)

Economic activity in Vanuatu continued to be dampened by political instability, which affected investor confidence. Real GDP growth remained about 3 percent, while real per capita incomes have been falling and the overall investment rate declining. Some recovery in agriculture sector output and increased visitor arrivals were positive factors. Inflation declined steadily from an average rate of about 4 percent in 1992, reflecting the falling overseas inflation rates, declining levels of economic activity in Vanuatu, and the absence of hurricanes during the period. A number of distortions in the market place, such as import licensing on a range of essential goods, bear heavily on the level of prices in the country. During 1997, inflation remained subdued with overall price increases of 2.5 percent on an annualized basis. During the first half of 1997, the balance of payments showed a deficit of vatu (Vt) 439 million, compared with a surplus of Vt1,018 million achieved in the same period in 1996. Much of this deficit is reflected in a relatively large reduction in the foreign assets of the Reserve Bank and a much smaller surplus in commercial bank foreign exchange holdings. The capital account recorded a marginal decline of Vt63 million to June 1997, reflecting a decline in both external debt flows (net) and FDI.

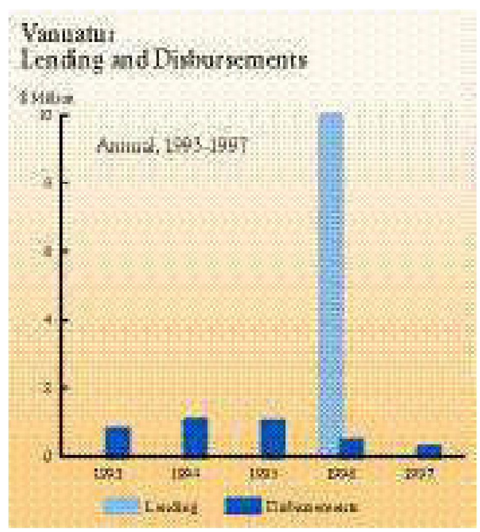
Domestic policies During 1997, the Government's financial position became more precarious with an estimated deficit of Vt1.5 billion. By mid-1997, the Government had exhausted all its financial reserves and resorted to borrowing from the Reserve Bank to fund its day-to-day requirements. Under the Comprehensive Reform Program (CRP), major policy and institutional reforms are to be undertaken to strengthen financial and economic management. This will include the introduction of legislation to ensure the transparent and accountable management of public finances based on key principles of fiscal responsibility.

Bank operations

Operational strategy: The strategic thrust of Bank operations in Vanuatu during 1997 was to assist the Government in formulating its CRP. Bank operations in Vanuatu will assist in the implementation of the CRP. In particular, the Bank will focus on (i) addressing governance and public sector reform issues, in coordination with other donors to achieve sustainable, private sector-led growth; (ii) providing assistance to build institutional capacity in financial and economic management; (iii) supporting outer

Vanuatu:
Cumulative Bank Lending
(as of 31 December 1997)

Sector	No. of Loans	$ Million	%
Social Infrastructure	1	10.0	34.1
Transport and Communications	2	9.2	31.4
Financial	2	6.0	20.5
Multisector	1	3.0	10.2
Agriculture and Natural Resources	1	1.1	3.8
Total	**7**	**29.3**	**100.0**



Picture of OPO consultative group meetings.

The Bank chaired Consultative Group meetings for the Cook Islands and Vanuatu in 1997.

island development to reduce income disparities and promote more balanced growth and development; and (iv) promoting the further development of Vanuatu's financial sector. The strategy envisages a more active role for the Bank not only in terms of direct assistance to formulate and implement the CRP, but also in coordinating other donor support, which is being facilitated through the Consultative Group (CG) process. The first CG meeting for Vanuatu was held in July 1997.

Policy dialogue: The Bank's policy dialogue, in the context of the CRP, covers both economic and public sector reforms. The principal focus is on policy and institutional reforms to liberalize the economy and strengthen its export performance and to strengthen institutions to ensure good governance and stability. The priority in policy dialogue will be on (i) strengthening macroeconomic policy analysis and fiscal management; (ii) reviewing and rationalizing the operation of SOEs to enhance efficiency; (iii) reviewing and rationalizing the role of the Government vis-à-vis that of the private sector in the economy; and (iv) ensuring greater accountability and transparency in public service management.

Loans and technical assistance: No loan was approved in 1997. An advisory technical assistance grant amounting to $150,000 was approved for a strategic plan for the National Bank of Vanuatu.

Project implementation: Of the seven loans provided as of end–1997, five had been closed and two were under administration. Contract awards for the year amounted to $980,000, bringing cumulative amount to $17.2 million. The contract award ratio for 1997 was 10.6 percent. Disbursements for the year were $270,000, bringing the cumulative total to $17.3 million. The disbursement ratio for 1997 was 2.5 percent.

Corporate Planning and Support Activities

Corporate planning

THE BANK recognizes that to achieve its ambitious medium-term objectives effectively and efficiently, it must be both a planning and a learning organization. Accordingly, it follows a rolling three-year planning cycle that is updated each year. In this planning cycle, the coming year's work program is firmed up and budgeted in light of the current year's results, and the ensuing two years' work plans and priorities are mapped out and sharpened. Specifically, each year (i) individual country assistance plans covering the next three years are developed or updated in close consultation with government planning and sectoral ministries; (ii) these are translated into departmental work programs within the Bank and aggregated into an overall work plan and budget framework on which informal Board feedback is sought; and (iii) the administrative budget for the coming year is proposed. The Bank's planning and programming process is designed to retain the flexibility required to respond efficiently and adequately to unanticipated development assistance needs in the region. Such flexibility was successfully exercised in 1997 in responding to the currency and financial crises that hit several Asian countries; despite significant new Bank commitments to the Republic of Korea and Thailand, the core assistance program of the Bank was maintained.

As an essential part of its planning process, the Bank continuously reviews its business practices to increase operational efficiency and development impact. This year, not only operational planning and project preparation and appraisal, but also financial management and administrative processes, including the Bank's accounting systems, have been scrutinized for streamlining and strengthening opportunities. At the same time, both a stronger performance management system and an accompanying management information system are being introduced in phases, to enable more systematic performance assessment and improvement, both at the corporate and individual project levels. This will be supported by the Bank's Information Systems Strategy (ISS), which was updated in 1997 and will be implemented at the Bank's Headquarters and at the resident and regional missions and representative offices.

These strategic planning and learning processes, most of which are undertaken by interdepartmental work teams and task forces, continue to guide gradual changes in staffing plans and organization. An effective organization structure and a robust but flexible staff-skills mix are considered by Management to be critical success factors for the Bank's business processes and objectives. Most recently, a business process redesign has enabled the planning and phased implementation of organizational realignments in the finance and administration area of the Bank. The overall medium-term human resource strategy has been approved on the basis of how it will effectively support the Bank's operational strategies.

Economics and Development Resource Center

The Bank's Economics and Development Resource Center (EDRC) undertakes and promotes research on key development issues and strengthens analytical awareness of matters of economic relevance to Bank operations. This primarily translates into (i) undertaking research and analysis on development policy issues and disseminating the findings for the use of developing member countries (DMCs); (ii) extending operational support by reviewing the quality of project evaluation and sector work; (iii) providing information and advice to Management and other Bank staff on economic events, studies, statistics, and policy debates in the field of development; (iv) providing statistical information and assistance to DMCs and other parts of the Bank; and (v) engaging in other resource center activities, such as the provision of training to DMCs or assistance to other research organizations.

The *Emerging Asia Study* was published in the first quarter of the year. The results of this major study were disseminated in Frankfurt, Manila, New Delhi, and Washington, DC. Other studies completed during the year include the studies on the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area, and the Emerging Trading Environment. Topics studied during the year included financial flows and policy issues in DMCs, foreign direct investment and technology transfers in Asian developing countries, and past trends and future prospects for Asian exports. Toward the end of the year, a major study on financial markets was initiated. The objective of this study is to improve understanding of the sources of the recent financial crisis to promote the design of effective preventive measures. Approval was also obtained for a study on new trade policy initiatives and their impact on DMCs, to be implemented jointly with the Economic and Social Commission for Asia and the Pacific and the United Nations Conference on Trade and Development.

Conferences and seminars were held on various economic issues. These included a panel seminar on "Asia: The Next Thirty Years" held at the 30th Annual Meeting of the ADB Board of Governors, and the "Tenth Workshop on Asian Economic Outlook" which examined regional economic growth. A conference on "The Future of Asia in the World Economy" was held jointly with the Organisation for Economic Co-operation and Development (OECD) in Paris. An Inaugural Symposium for the ADB Institute discussed "The Currency Crisis and Beyond."

In the area of improving economic evaluation and project quality prior to loan approval, several measures were undertaken. The first biennial review of economic analysis for the following sectors was completed: education, health, water supply, urban development, agriculture and rural development, transport and communications, and power. Revised *Guidelines for the Economic Analysis of Projects* were approved and distributed, and new *Guidelines for Economic Analysis of Telecommunications*

Projects were also approved. An issues paper on the "Economic Analysis of Health Sector Projects" was completed. Work began on the *Guidelines for Economic Analysis of Subregional Projects*, jointly with Programs Department (West), and on the *Guidelines for the Economic Analysis of Urban Development Projects*. Under a regional technical assistance, training workshops for DMC government officials were conducted in Almaty, Kazakstan; Manila, Philippines; and Hanoi, Viet Nam.

During the year, emphasis was given to strengthening coordination in data collection and improving data provision to Bank staff and outside users. More applications to the central statistical database system (SDBS) were developed. SDBS was made accessible to all Bank staff, including those in the resident missions. The Bank continued to help strengthen the statistical capacities of its DMCs. New statistical capacity-building technical assistance projects were started in Bhutan, Nepal, and Philippines.

As part of its efforts to strengthen institutions and human development in DMCs, the Bank continued to produce and distribute numerous publications including the *Asian Development Outlook*, *Asian Development Review*, *Key Indicators of Developing Asian and Pacific Countries*, *ADB Research Bulletin*, and the Monograph Series. Issues addressed under the Monograph Series included, among others, total factor productivity growth in the newly industrialized economies (NIEs) and Southeast Asian countries; aspects of urban water and sanitation in developing Asia; challenges for Asia's trade and environment; the rural-urban transition in Viet Nam; the experience on adjustment and distribution in India; and some methodological problems with recent analyses of the "Asian miracle." Other notable publications during the year included *The Global Trading System and Developing Asia; East ASEAN Growth Area: Brunei Darussalam, Indonesia, Malaysia, Philippines; The Bangladesh Economy in Transition;* and *Investing in Asia* (Proceedings of the Joint ADB-OECD Conference: Second International Forum on Asian Perspectives). The Russian language version of *Fiscal Transition in Kazakstan* was published.

The Bank also implemented training programs on taxation and international finance for policymakers. The Bank collaborated with the International Monetary Fund (IMF) on a training program for government officials from South Asia and supported other organizations such as the Association of Development Research and Training Institutes of Asia and the Pacific, and the Colombo Plan. The Bank also served as a resource center on Asian economic issues for many external organizations from both the public and private sectors.

Information systems

To set new directions for the Bank's information systems, formulation of the Information Systems Strategy (ISS) is near completion. The proposed ISS acknowledges the importance of the Bank's knowledge assets (its intellectual capital), and the pivotal role that technology plays in the management of these assets. The ISS (i) recognizes the expanded role of technology through the entire information management cycle; (ii) acknowledges that the Bank's future success is linked to its ability to

The Bank maintains 117 depository libraries worldwide to disseminate its studies, research, and publications.

become a full participant in the information age; (iii) encourages incorporation of effective information management as a priority for mainstreaming Bank thinking and operations; and (iv) anticipates continued evolution of the external business and information technology environment.

The technical design and implementation of the ADB Institute infrastructure were initiated and completed within the year. The infrastructure includes fast networking, PABX with computer telephony, remote computing, high-speed and color printing, multimedia, and audiovisual facilities, such as video conferencing, and standardized hardware andsoftware.

The mainframe hardware was successfully replaced with a smaller, more powerful, and efficient enterprise server. The installation of the new enterprise server generated savings of about $40,000 in 1997 and is expected to provide a further cost saving of $170,000 annually for the next three years due to lower maintenance, power, and cooling costs. Modifications have been ongoing to revise mainframe system applications for century compliance (year 2000). Testing of the Bank's microcomputers for year 2000 problems was also completed, and they were determined to be compliant with the standard workstation software.

The client/server Resident Mission Accounting System was extended to the Bangladesh and Pakistan resident missions to streamline the existing manual accounting system process. Project Administration Committee Notes were extended to the resident missions using groupware, and software packages were implemented for the investment back-office system, on-line bank account reconciliation, and digital feed-based financial information distribution system.

The new Banking Transaction Processing System was implemented in 1997, introducing a major reengineering of the payment processes in the Bank's Treasury Services Division. New client/server platform systems continued to be developed to streamline targeted administrative functions. On the mainframe, a new system was developed to automate the processing and disbursements of a new support scheme for housing, and the Individual Consultant System (DICON) was redeveloped in groupware.

Major enhancements were made to the following mainframe-based system applications: Loan Accounting System to segregate ordinary capital resources and Asian Development Fund processing; Credit Risk Management System to consolidate and monitor the total risk of the Bank arising from investments, borrowings, and foreign exchange, and incorporation of the revisions of the Bank's risk-management guidelines; and Multicurrency Payment Option for payment of a predetermined portion of staff salary/retirement in home currency. The Technical Assistance Information System and Staff Consultant System were enhanced to process automatic payment vouchers. The Private Sector System was improved to generate Private Sector Investment Management notes in groupware. The Property and Materials Management System was enhanced to enable automatic issuance and receipt of standard office supplies by individual Bank units.

Groupware applications continued to be developed for Bankwide and department-specific needs. The system for tracking documents was extended to additional departments. Databases were created for the Office of the General Auditor to store and track past and present audits, for

EDRC to store the Economic Analysis of Projects manual, for the Compensation and Benefits Division to store housing information, and for the Controller's Department to store the *Loan Disbursement Handbook*. A new optical character recognition system was implemented for the Office of the General Counsel.

Resource activities

Library

The Bank's Library, with a collection of more than 200,000 volumes, serves as the Bank's central repository for published information, in print and electronic format.

The Bank's operational staff working in 37 DMCs are supported through a full range of library services. In addition, educational institutions and individual researchers from around the world make regular use of the Library's collections and services, through in-person visits or queries over the *Internet*. More than 2,800 external visitors were served in 1997.

The Library sponsors an active donation program, extending the shelf life of items no longer needed by the Bank. More than 2,000 books, documents, and periodicals were granted to 17 institutions in the Philippines in 1997. These materials are now helping rebuild libraries destroyed by Mount Pinatubo's lahar flow, stock library shelves in the country's Mindanao region, and serve government agencies.

In 1997, the Library's outreach initiatives broadened with the introduction of an ADB Sourcebook Series and a cross-sectoral exhibit addressing the environmental issues facing Asian megacities.

Public Information Center

The Bank's Public Information Center (PIC), established in 1996 in line with the Bank's Information Policy and Strategy, makes available — either free of charge or for purchase, depending on the publication — to the public ADB publications, including information brochures, videos, and documents covered by the Bank's Policy on Confidentiality and Disclosure of Information. The PIC is often the public's first point of contact with the Bank. In addition, the PIC is the dispatch point for the Bank's Depository Library Program, a worldwide network of 106 libraries where the public has free access to Bank documents and publications.

During 1997, over 3,500 visitors sought the services of the PIC either in person or through mail, phone, or electronic requests; an estimated 6,500 books and 350 videos were sold; and 1,500 documents were dispatched. In addition, the PIC is the dispatch point for the Bank's subscription publications, *Business Opportunities* and *Asian Development Review (ADR)*. During the year, about 2,500 people maintained subscriptions of *Business Opportunities* and nearly 400 maintained subscriptions of ADR. To serve an even wider audience, *Business Opportunities* and updated information about the Bank are included on the ADB web site at **http://www.adb.org**.

Asian Development Bank Institute

On 10 December 1997, the Bank inaugurated the Asian Development Bank Institute in Tokyo, with a symposium entitled "The Currency Crisis and Beyond." The Institute is a subsidiary body of the Bank, established to pursue the following objectives. First, through research, it will help DMCs identify development strategies suited to their particular social and economic circumstances. Second, through capacity-building and training activities, it will help improve the management capacity of agencies and organizations in DMCs engaged in development work.

The Institute is expected to carry out two types of activities: research and capacity building. The first will consist of research on issues with longer-term and broader development implications and applied research for identification and distillation of best practices and lessons. In addition to research projects to be implemented by its research staff, the Institute will invite external scholars to stay at the Institute, usually for one year or less, to carry out research projects (Visiting Scholars Program). The second, capacity-building activities of the Institute, are expected to consist of a customized capacity-building program and a regular training program. The customized capacity-building program would help countries address specific development issues and needs (for example, reforms in the financial sector and restructuring of public enterprises) through applied research, conferences, workshops, study tours, and training. The regular training program would provide a generic set of courses required by development managers to enhance analytical and management skills.

The Institute will endeavor to reach a broad audience through dissemination of research outcomes, best practices, and lessons, with the effective use of media and information technology. It will collaborate closely with other research and training institutes to bring collective experience and expertise to bear upon a particular issue or subject, or to expand dissemination of lessons or skills. It will also help national and regional institutes in the Asian and Pacific region strengthen their capacity.

The Institute is headed by a Dean and will have about 15 international staff recruited from the Bank's members, to be supported by about the same number of locally recruited staff. The Dean and core staff members have been appointed and further recruitment is under way. The Institute's Statute stipulates that a seven-member Advisory Council will be formed to provide guidance on the Institute's strategic directions. The Bank's Board of Directors will exercise the same oversight powers and functions vis-à-vis the Institute as it does for the Bank, and approve the Institute's strategies, policies, work program, budget, and annual report.

The costs for the setup and operations of the Institute are financed by the ADB Institute Special Fund.

Administration

Human resource management and development

AT THE END of 1997, the Bank had a total staff of 1,956 coming from 44 of its 56 members. The total comprised 658 professional staff[1] and 1,298 supporting staff. During the year, there were 51 appointments and 54 terminations of professional staff, while 67 supporting staff joined the Bank, and 57 left. The Bank remains committed to increasing the representation of women professional staff in the Bank. At the end of 1997, the number of women professional staff was 111.

A major focus, started in 1997, is the development of a revised human resource management information system. The system — which will be built around an integrated and user-friendly database that will improve and expand the human resource management services available to Management and staff — will be implemented between 1998 and the year 2000.

Human resource management activities in 1997 concentrated on the introduction of individual career advisory services, formulation of a plan to manage staff performance problems, improvement in skills mix and competencies for the Bank, implementation of the Sexual Harassment Policy, and the introduction of noncash incentives as recognition for work excellence.

Significant initiatives during the year included the Management Development and Mission Leadership Programs, high-profile training activities offered to managers as well as mission leaders to enhance leadership and managerial efficiency. Also in late 1997, an Orientation Program for Developing Member Country (DMC) Officials was conducted to help participants better understand Bank operations and upgrade their skills in development planning and project management.

The Bank has continued to provide career development opportunities and has encouraged participation of staff in short-term external learning events, including assignments to executing agencies and international organizations. Study visits have been considered significant opportunities for staff as they review and learn from past and ongoing project experiences in selected sectors and member countries.

The demand for information technology training has risen significantly over the past year. With the introduction of new computer systems and software programs, there has been a substantial increase in the number of training courses and tutorials for upgrading staff proficiency in the use

1 Includes Management, i.e., the President and Vice-Presidents, but excludes Directors' Assistants.

ADB staff and consultants review the progress of projects to ensure their satisfactory performance.

of these new technologies. Increasing use was also made of self-instructional resources for information technology training through computer-based instruction, in-house development of course materials, and acquisition of commercial products.

Compensation and benefits

The annual review of professional and supporting staff salaries was completed in July 1997. Based on the review, the Bank's professional staff salary structure was increased by 4.3 percent and an overall pay increase of 6.3 percent was distributed, effective 1 May 1997, based on individual staff performance. For headquarters-based supporting staff, the salary structure was increased by 8.3 percent and an 11.4 percent overall pay increase was distributed, effective 1 April 1997, on the basis of their performance assessments. The multicurrency and multi-account payment schemes for professional staff were also implemented on 1 January 1997.

Work processes were streamlined to reduce turnaround time and enhance client responsiveness. This included the on-line availability to staff of information on the various benefits they are receiving and the use of this system to simulate housing, pension, dependency allowance, insurance, leave, beneficiaries, and other data. Direct assistance to help professional staff find suitable housing was also introduced.

Representative offices and resident and regional missions

Through its representative offices and resident and regional missions, the Bank achieves strengthened representation in donor countries and broader and more direct access to the Bank's constituencies. To this end, in 1997, the Bank opened one resident mission in Sri Lanka, and approved the establishment of two others: Kazakstan and Uzbekistan, both of which will be inaugurated in 1998.

With these new missions, the Bank will have three representative offices, ten resident missions, and one regional mission with a total staff strength of 149 positions, including 36 professional staff and 47 national officers.

Administrative services

In line with the Bank's thrust on streamlining business processes, simplification of work procedures, and automation enhancements, several measures have been adopted to rationalize the Bank's administrative services and enhance cost-effectiveness.

The measures undertaken in the administrative area include computerization of various work processes. The Printing Management Information System resulted in increased operational efficiency through the use of computer systems for planning, scheduling, job tracking, monitoring staff productivity, and costing. The computerized Travel Request Processing System was developed to enable electronic transmittal of various travel-related documents for processing. This is expected to speed up processing of travel documents and improve the efficiency of travel services to Bank staff. Process improvements included on-line sourcing and document delivery, automation of serials control, and elimination of manual processes for material circulation. The development of the Shipment Monitoring System was completed. The system is expected to improve the quality of services and the control and monitoring of the large number of shipments of the Bank and its staff. A computerized Vehicle Management System was developed. This provides a database for the Bank's vehicles and enables staff to request vehicle bookings electronically.

Budget

Internal Administrative Expenses (IAE) for 1997 amounted to $190.361 million, an underrun of $9.136 million against the original budget of $199.497 million. This underrun was realized despite substantial unanticipated expenses arising from new initiatives taken during the year. The IAE budget for 1998 of $204.817 million (*summarized in Appendix 7*), which was formulated within a framework of a zero real growth scenario, represents one of the lowest budget increases in the Bank's history. Accordingly, the 1998 work program, inclusive of new initiatives in responding to the financial sector reform in Asia and implementation of various policy initiatives, will be realized with greater emphasis on resource redeployment, as well as economy and efficiency measures.

Review of financial management systems and streamlining

The Bank is introducing changes in its financial, administrative, and operational areas through the use of an information system that will eventually replace most of the Bank's existing computer application systems. As anticipated, the initiative will take about five to six years to complete. As a preparatory step, the accounting and accounting-related business processes and systems were analyzed. Opportunities for improving, streamlining, simplifying, and automating the current processes were identified through leveraging information technology. As a result, an overall business process framework and concept were formulated, including systems infrastructure, to support a fully integrated system.

In the first phase, it has been proposed that the core financial management (including general ledger, budgeting, and procurement), treasury/banking, human resources, and project/program management systems will be replaced. To this end, a request for the acquisition and implementation of the systems together with the establishment of the necessary hardware platform, was initiated and was substantially completed in 1997. The new systems are expected to streamline, automate, and integrate the business processes in these respective areas, making them more efficient by reducing staff time and expense.

Internal audit

The Bank's internal audit function conducts periodic, independent, and objective appraisals of Bank activities to ascertain the adequacy and effectiveness of controls, and to identify means of improving economy and efficiency in the use of resources in carrying out the Bank's development mission. The internal audit function reports directly to the President. Its activities are reviewed by the Audit Committee of the Board of Directors.

The Bank's internal audit function undertook initiatives during the year to improve the cost-effectiveness of its activities through the customized training of its staff in risk-based auditing and control self-assessment. It also began a continuing dialogue with sister organizations, with a major goal of identifying and adopting best practices in auditing, by conducting study visits and exchange audits. In addition, it conducted business process reform studies of its own activities that led to the streamlining of its annual review of the status of outstanding audit recommendations, as well as to the reformulation of the selection criteria and audit approach to be used for its annual auditing of consulting services contracts. To improve its efficiency and effectiveness in auditing the Bank's client-server application systems, it acquired a proprietary data analysis software tool.

To gain firsthand knowledge of problems and issues confronting the Bank's operations in the field, the internal audit function reviewed and discussed audit-related issues concerning selected Bank projects with officials of audit and executing agencies. This led to the formulation of more practical and effective recommendations for the Programs and Projects Departments, as well as improvement of the Bank's project administration policies and procedures. It also allowed the audit function to identify opportunities for improving accountability for the proper utilization of loan funds, and for improving project-related financial reporting processes.

The Bank's internal audit function provided an audit perspective to a number of Bankwide studies, including the reengineering of business processes, the development of an information systems strategy, the formulation of an anticorruption policy, the development of a new staff performance management system, and the acquisition of new financial management and human resource management information systems. Its activities in 1997 included design reviews of new computerized systems to ensure their effectiveness and efficiency, as well as the presence of adequate controls to protect data integrity and reduce the risk of loss.

Internal audits conducted during 1997 led to recommendations to improve the Bank's procedures for administering its technical assistance projects; enhance the security, effectiveness, and efficiency of a number of the Bank's computerized application systems; institute risk-management measures in the Bank's treasury operations; and increase the use of domestic experts as consultants in the Bank's loan projects.

Expert consultants supported the internal audit function by conducting in-depth reviews of the Bank's financial derivative investment operations; the security of the Bank's internal computer network and of its *Internet* connection; and, in continuation of the prior year's efforts, the internal controls attendant to business processes Bankwide.

The Bank's internal audit function participated in the technical assistance projects provided by the Bank to the Lao PDR and the Maldives during 1997 to help these DMCs strengthen their governmental audit function.

The Bank's internal audit function also provided integrated assistance to its outside auditors, Price Waterhouse (International Firm).

Bank Resources and Financial Management

THE BANK'S resources are derived from its ordinary capital resources (OCR), and its Special Funds. Both are examined in this chapter.

Ordinary capital resources

The funds for the operations of the Bank's OCR are sourced from paid-in capital, reserves, and borrowings. In managing these resources, there are five financial management and policy concerns: (i) capital resources management policies, (ii) borrowing policies and strategies, (iii) net income management policies, (iv) loan products and credit risk policies, and (v) liquidity policies.

Financial policies: The Bank's Income and Reserves Policy was reviewed in 1997. Highlights of the Board-approved recommendations include the following: (i) adopt a long-term minimum policy objective for the interest coverage ratio (ICR) of 1.31 which is deemed prudent to protect the Bank's risk-bearing capacity; (ii) establish a planning goal of about 25 percent for the reserve:loan ratio (RLR), and allocate the net income to surplus when the level of equity capital associated with the planning goal for the RLR is not sufficient to meet minimum income requirements resulting from the minimum policy objective for the ICR of 1.31; (iii) effect a medium-term plan to reduce the actual RLR to about 25 percent by 2001; (iv) use the surplus account in the annual income planning process to protect the Bank's risk-bearing capacity and, at the same time, impart flexibility in the disposition of net income, i.e., the Technical Assistance Special Fund (TASF) and the Asian Development Fund (ADF); (v) give priority in the allocation of excess net income on an annual basis to TASF and then to ADF; (vi) maintain the current policy on loan charges; (vii) align the composition of currencies in reserves to those of outstanding loans with the alignment substantially achieved by 2001; and (viii) maintain the Bank's current policy of funding liquidity with equity.

Capitalization: As of 31 December 1997, the Bank's authorized capital stock amounted to $47,102.2 million (SDR34,909.9 million). The subscribed capital stock stood at $46,411.5 million (SDR34,398 million).

Performance and allocation of net income

The Bank's decisive income indicators are the ICR and the RLR. The ICR is the ratio of net income (before deducting financial expenses on borrowings) to financial expenses on borrowings, and measures the Bank's capacity to meet interest obligations on its debts from income. The RLR is a capital adequacy ratio that measures the Bank's capacity to generate net income, and is computed by dividing total reserves by outstanding loans plus equity investments and the present value of guarantees. Both the ICR and RLR measure the Bank's risk-bearing capacity. As of 31 December 1997, the ICR and RLR were 1.55 and 33.6 percent, respectively, compared with 1.7 and 40.6 percent at end-1996.

On the basis of a review of the Bank's income outlook and allocation of the 1996 net income, the Board of Directors recommended to the Board of Governors in March 1997 that the 1996 OCR net income of $571.6 million, after appropriation of guarantee fees to the Special Reserve, be allocated as follows: $315 million to the Ordinary Reserve, and the balance of $256.6 million be retained in the surplus account. The allocation of net income was approved by the Board of Governors in May 1997 with the adoption of Resolution No. 250.

Income and expenses Gross income decreased by 7.2 percent, from $1,561.7 million in 1996 to $1,449.7 million in 1997, despite relatively no change in the Bank's average operating assets due to a decrease in the realized rate of return on the investment portfolio. Of the total gross income, $1,127.9 million was generated by the loan portfolio, $311.7 million by the investment portfolio, and $10.1 million from other sources. *For details, see Income and Expenses – Ordinary Capital Resources table.*

The average yield on the loan portfolio declined to 6.9 percent in 1997 from 7.1 percent in 1996 due mainly to an increasing share of lower-yielding variable-rate loans in the portfolio. The share of such loans increased from 85 percent in 1996 to 91.5 percent in 1997. The yield on the investment portfolio decreased to 5.2 percent in 1997 from 5.6 percent in 1996. This decrease was attributed to less favorable conditions prevailing in international fixed-income markets during the year. The overall net return on average operating assets achieved for the year was 2 percent, compared with 2.5 percent in 1996.

Total operating expenses amounted to $981.8 million, down $7.7 million, or

Income and Expenses – Ordinary Capital Resources
($ million)

	Actual				
Income and Expenses	**1993**	**1994**	**1995**	**1996**	**1997**
Total Income	1,510.0	1,525.3	1,745.3	1,561.7	1,449.7
From Loans	1,075.8	1,187.5	1,312.8	1,170.0	1,127.9
From Investments	410.0	296.1	418.7	359.8	311.7
From Other Sources	24.2	41.7	13.8	31.9	10.1
Less: Expenses					
Interest and Other Financial Expenses	831.8	878.4	962.6	877.9	853.2
Administrative Expenses[a]	88.9	110.7	108.3	108.8	95.7
Provision for Losses	19.5	22.7	14.0	2.9	32.9
Total Expenses	**940.2**	**1,011.8**	**1,084.9**	**989.6**	**981.8**
Net Income[b]	**569.8**	**513.5**	**660.4**	**572.1**	**467.9**

Note: Figures may not add due to rounding.

a Net of administration charge allocated to Asian Development Fund.

b Before appropriation of guarantee fees to Special Reserve.

Lending Rates[a]
(% per annum)

	1996	1997	
1 January	5.97	6.00	(multicurrency)
	6.89	6.79	(US dollar)
1 July	6.00	6.00	(multicurrency)
	6.82	6.82	(US dollar)

a Lending rates are set on 1 January and 1 July every year and are valid for six-month periods.

0.8 percent from the previous year. The fall in expenses was due to a $24.6 million decrease in interest and other financial expenses, a $13.1 million decrease in administrative expenses, and a $30 million increase in the provision for losses. Total operating expenses accounted for 67.7 percent of the gross income, compared with 63.4 percent in 1996.

Net income for the year, before appropriation of guarantee fees to the Special Reserve, amounted to $467.9 million, an 18.2 percent decrease from the previous year. This compared with a 13.4 percent decrease in net income in 1996.

Transfer of OCR surplus to ADF: To augment the ADF nondonor resources, the Bank and ADF donors considered the possibility of transfers to ADF from OCR net income and surplus. To enable such transfers, the Board of Directors confirmed an interpretation of the relevant section of the Bank's Charter. Approval by the Board of Governors must nevertheless be given for each transfer. In April 1997, the Board of Directors recommended to the Board of Governors that the total amount of $230 million held in the Bank's OCR surplus (consisting of $70 million from the 1994 net income and $160 million from the 1995 net income) be transferred to ADF. The recommendation was approved by the Board of Governors under Resolution No. 251 adopted in May 1997.

Lending rates: As a development institution, the Bank aims to provide funds to its borrowers at the lowest possible cost. The Bank's lending rate is basically derived by adding a spread (currently 40 basis points) to the average cost of borrowings. In addition, a commitment fee of 0.75 percent per annum is charged on undisbursed portions of the loans. Currently, the Bank has three lending windows for loans from OCR. These are (i) the pool-based multicurrency loan window, established in July 1986, where loan disbursements are made in a variety of currencies of the Bank's choice; (ii) the pool-based single-currency loan window in US dollars, established in July 1992; and (iii) the market-based loan (MBL) window, established in December 1994, which provides single-currency loans to private sector borrowers and to financial intermediaries in the public sector.

The Bank's pool-based variable lending rates for the first semester of 1997 were 6 percent for multicurrency loans and 6.79 percent for US dollar loans. During the second semester of 1997, the lending rate for the multicurrency loans remained the same, while the lending rate for US dollar loans increased to 6.82 percent.

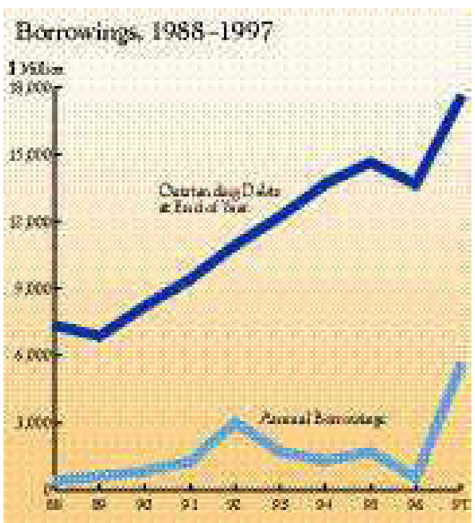
The lending rates for MBLs are determined on the basis of the six-month London interbank offered rate (LIBOR) plus a lending spread. For private sector borrowers, the spread is determined on a case-by-case basis, while for financial intermediaries in the public sector, the spread is the same as that which applies to pool-based variable-rate loans (currently 40 basis points). MBL borrowers have the option of having the interest on their loans either fixed (at each disbursement) or floating, on the basis of the six-month LIBOR.

Loans

Loan disbursements and repayments: OCR loan disbursements in 1997 totaled $5,303.7 million, a significant increase of 106.97 percent from 1996, caused mainly by the Bank's lending activities in the financial sector programs for the Republic of Korea and Thailand. Principal repayments for the year were $1,332.7 million, of which $449.3 million represented prepayment on loans. On 31 December 1997, cumulative loans outstanding after allowance for possible losses amounted to $18,788.5 million. *For details, see Table 22 in the Statistical Annex.*

Status of loans: There were 42 OCR loans approved in 1997. About 73.7 percent of cumulative loan approvals were made to three countries, viz., Republic of Korea, Indonesia, and People's Republic of China.

Borrowings



The major objectives of the Bank's borrowing and liability management strategy are to ensure the availability of long-term funds for lending operations and to minimize the cost of borrowing for the Bank and its borrowing members. To achieve these objectives, the Bank seeks to

- (i) maintain a borrowing presence in the major capital markets and, where possible, increase the size of its public bond issues to provide "benchmark issues" that increase liquidity in the secondary markets, broaden the distribution of its bonds, and favorably align its funding and trading spreads with those of other supranational borrowers;
- (ii) emphasize borrowings in the longer-maturity range (to the extent that the related borrowing costs remain attractive) to minimize fluctuations in its lending rates and to ensure a reasonable maturity relationship between borrowings and loans;
- (iii) expand its investor base by borrowing in the private placement markets of various currencies;
- (iv) tap new markets, especially where this will help develop capital markets in the Asian and Pacific region;
- (v) use swap markets where cost-efficient arbitrage can significantly lower the cost of target currencies and transform structured financing into conventional fixed-rate liabilities; and
- (vi) use short-term bridge financing should temporary deficiencies arise in currencies required for disbursements or debt service, and if market conditions are not attractive for bond issues with longer maturities.

Under its borrowing program for 1997 of $2.6 billion approved by the Board of Directors at the beginning of the year, the Bank raised funds totaling $2,262.7 million through long-term borrowings and $325 million through Euro-commercial paper (ECP) issuance. The average life of the long-term borrowings in 1997 stood at 12.7 years, compared with 9.5 years in 1996. Of the total long-term borrowings, fixed-rate US dollar liabilities amounted to $2,149.6 million with an average after-swap cost of 6.58 percent, compared with 5.92 percent in 1996. The remaining $113.1 million was raised in the form of floating-rate liabilities. *For more details, see table below.*

The Board approved an increase in the 1997 borrowing program by $3 billion to $5.6 billion in December 1997, when the deteriorating financial crisis in the region led to the provision of a financial sector reform program loan by the Bank to the Republic of Korea in the amount of $4 billion. Following this approval, the Bank expediently raised additional funds in the amount of $3 billion through a combination of bridge loans from commercial banks and ECP issuance, bringing total borrowings for 1997 to $5,587.7 million. The Bank's credit strength and borrowing presence in the international capital markets contributed to the success of this large funding transaction.

Borrowings, 1997
(amounts in millions)

Type		Borrowing	Principal Amount	US$ Equivalent[a]
Long-term borrowings:				
Global	Public Offering	6.75% 10-Year Bonds due 2007	US$1,000	1,000.0
Eurobond Market	Private Placement	5.15% 25-Year Bonds due 2022[b]	¥5,000	44.0
	Public Offering	5.50% 10-Year Bonds due 2007	DM1,500	849.6
Switzerland	Private Placement			
	Tranche A	3-Year Floating Rate Notes due 2000	SwF50	34.6
	Tranche B	2.5-Year Floating Rate Notes due 2000	SwF50	34.6
United States	Public Offering	6.22% 30-Year[c] Bonds due 2027	US$300	300.0
Subtotal				2,262.7[d]
Short-term borrowings:				
Euro-commercial Papers		US$825	825.0	
Bridge Loans			US$2,500	2,500.0
Subtotal				3,325.0
Total				**5,587.7**

a At the Bank's exchange rates effective on the date the terms of the borrowing were determined by the President.
b Interest payable annually in Australian dollars, deutsche mark, or US dollars at the Bank's option.
c With put options every five years starting from year 10.
d Total amount does not tally due to rounding.

Of the total borrowings, $3,000 million were designated for the program loan to the Republic of Korea, $2,149.6 million for the pool-based US dollar single-currency loan window, $369 million for the market-based loan window, and the remaining $69.1 million for liability management activity. The cash requirements of the pool-based multicurrency loan window were adequately covered by cash reflows and, therefore, no borrowings were necessary for this loan window.

The year's borrowings were denominated in deutsche mark (DM), Japanese yen (¥), Swiss francs (SwF), and US dollars. As in previous years, global bond issuance continued to be a key strategy of the Bank for maintaining its market presence in the global institutional investor community. Therefore, the Bank launched its third and largest US dollar global bond issue in June in the principal amount of $1 billion with a ten-year maturity. In preparation for the third stage of the European Monetary Union on 1 January 1999, the Bank launched its debut European currency benchmark bond issue in the principal amount of DM1.5 billion in October. Based on its pricing, the issue positioned the Bank's funding spread in deutsche mark appropriately against comparable issuers in the Euromarket. With a view to expanding its investor base, the Bank launched a 30-year, $300 million put bond issue in August with distribution targeted toward US domestic institutional investors. In addition, the Bank entered into a 25-year, ¥5 billion dual-currency private placement with one of the major institutional investors in Japan.

As of 31 December 1997, the Bank's outstanding long-term borrowings amounted to $14,216.5 million, with an average remaining maturity of 6.36 years, and an average after-swap cost of 6.1 percent while the Bank's outstanding short-term borrowings amounted to $3,325 million, with an average remaining maturity of 0.42 years, and an average cost of 5.94 percent.

Liquid asset investments: As of 31 December 1997, the Bank's liquid assets, consisting of investment holdings (net of special reserve investments) and unrestricted cash, totaled $6,885 million, or approximately 41.9 percent of undisbursed loan balances. Year-end levels of liquid assets are maintained at no less than 40 percent of undisbursed loan balances. This helps to ensure the uninterrupted availability of funds for the Bank's operations and adds to flexibility in borrowing activities, especially when borrowings may be temporarily affected by adverse conditions in the capital markets.

The Bank invests its liquid assets with the primary objective of ensuring the security and liquidity of funds invested. Subject to meeting this objective, the Bank seeks to maximize income on its investments. Indeed, the investment portfolio generates a substantial portion of the Bank's net income. The Bank actively manages its liquid asset portfolio within the credit and market-risk parameters outlined under the Investment Authority approved by the Board. Under this Authority, the Bank is permitted to invest in the obligations of government and government-guaranteed entities, engage in securities lending and borrowing, enter into "short" securities positions, execute transactions in exchange-traded financial futures and options, and engage in covered forward investments.

The Bank's OCR investments increased to $7,041.6 million equivalent as of 31 December 1997 from $6,332 million equivalent a year earlier. The investment portfolio was denominated in 23 currencies. The realized rate of return on OCR investments in 1997 was 5.2 percent, compared with 5.6 percent in 1996. Holdings of securities remained at approximately 42 percent of the portfolio, while investments in short-dated time deposits and other banking instruments accounted for 58 percent of the portfolio. The duration of the portfolio was 10.8 months at end-1997, compared with 12.6 months at end-1996.

To further streamline the investment operations, a back-office automation system and a digital information delivery system were installed during 1997.

Special funds

The Bank is authorized by its Charter to establish and administer Special Funds, which currently consist of the Asian Development Fund (ADF), the Technical Assistance Special Fund (TASF), the Japan Special Fund (JSF), and the ADB Institute Special Fund.

The ADF, whose resources consist mainly of contributions mobilized under periodic replenishments from the Bank's members, is designed to provide loans on concessional terms to those developing member countries (DMCs) with a low per capita gross national product (GNP) and limited debt-repayment capacity. At the end of 1997, loans from the ADF accounted for 29 percent of cumulative Bank lending. The ADF and TASF are multilateral sources of concessional assistance dedicated exclusively to the needs of the Asian and Pacific region.

The TASF was established to provide technical assistance on a grant basis to DMCs and for regional technical assistance activities. TASF resources consist of direct voluntary contributions by member countries, allocations from the net income of OCR and from ADF contributions, and revenue from investments and other sources.

The JSF was established in 1988, when the Government of Japan and the Bank entered into a financial arrangement whereby the Government of Japan agreed to make an initial contribution to the Fund and the Bank became the administrator. The purpose of the JSF is to help DMCs restructure their economies and broaden the scope of opportunities for new investments, thereby assisting in the recycling of funds to DMCs.

Discussions were held at the ADF VII Conference in Tokyo, Japan, in January 1997.

The ADB Institute Special Fund became operational in 1997 when the Government of Japan made an initial contribution to meet the costs for the setup and operations of the ADB Institute.

Asian Development Fund

New financial planning framework: In April 1997, the Bank approved recommendations for the establishment of a new financial planning framework for the management of ADF resources. Developed in association with the negotiations on the sixth replenishment of the Asian Development Fund (ADF VII), the new financial planning framework was derived from lessons learned from implementation of the policies on ADF income and loan repayments associated with the previous ADF replenishment (ADF VI). This new framework will maximize efficiency in the use of resources other than donor contributions to the current replenishment to increase the ADF commitment authority. At the same time, it is an essential component in the implementation of a long-term strategy for financing ADF that was outlined in the Report prepared by ADF donors in the course of the ADF VII negotiations (the Donors' Report).

ADF VII: On completion of their negotiations in Tokyo in January 1997, donors recommended $6,300,000,000 (SDR4,299,343,497) as the level of ADF operations for the four-year period 1997-2000. They also recommended that initially total new donor contributions amount to $2,609,837,120 (SDR1,781,045,436) at the average of daily exchange rates during the first quarter of 1996. In addition, the donors recommended that nondonor resources amount to $3,300,000,000 (SDR2,252,037,069). In March 1997, the Board of Governors adopted Resolution No. 247 which set out the terms and conditions of the replenishment. ADF VII became effective on 30 September 1997 when the total amount of unqualified contribution commitments received by the Bank exceeded the minimum trigger of $1,316,193,560 required by the Resolution.

By the end of 1997, ADF VII Instruments of Contribution had been received from 16 members, including an additional contribution of $10 million from Indonesia, for a total amount of $2,004 million (at the Resolution exchange rates). Fifteen of these members, i.e., Australia; Denmark; Finland; France; Germany; Hong Kong, China; Indonesia; Japan; Malaysia; Netherlands; New Zealand; Norway; Sweden; Switzerland; and United Kingdom deposited unqualified Instruments of Contribution. Canada deposited an Instrument of Contribution containing a qualification, as permitted by the Resolution, that all installment payments, except the first, would be subject to budgetary appropriations. *For details, see Table 42 in the Statistical Annex.*

The Resolution envisaged that the contributions would become available to the Bank for operational commitments in four equal tranches over the four years covered by the replenishment.

ADF Commitment Authority
($ million)

	1996	1997
Multipurpose Special Fund, ADF I-VI Contributions	18,203.26	–
Additional Resources[a]	1,135.85	–
ADF VII Contributions	–	424.48
ADF VI Arrears and Prorata Releases	–	5.43
Expanded Advance Commitment Authority[b]	–	500.00
Total ADF Resources	19,339.11	929.91[c]
Less: Loans Committed	18,758.66	777.38[c,d]
Provision for Disbursement Risk	180.36	27.94
Total	**400.09**	**124.59**

a Consists of set-aside resources, transfers from the Technical Assistance Special Fund, unrealized investment holding gains/losses, accumulated translation adjustments, and accumulated surplus.
b Incorporates additional resources for 1997.
c Excludes pre-ADF VII amounts for the determination of ADF commitment authority under the new financial planning framework for the management of ADF resources, as approved by the Board on 15 April 1997.
d Excludes loans that were conditionally approved after 29 September 1997 and Loan No. 1513 to the Marshall Islands which was a commitment of ADF VI resources, but includes Loan No. 1588 to the Cook Islands which was unconditionally approved on 8 December 1997.

ADF VI: The fifth ADF replenishment (ADF VI) was intended to cover the four years 1992-1995. At the end of the period, a few contribution payments were still outstanding. In addition, as a consequence of the outstanding payments, some donors had not released the balance of their contributions to the Bank for operational commitments, as permitted by Resolution No. 214 authorizing the replenishment. At the end of 1997, $441 million had not been released for operational commitments.

ADF loan approvals, disbursements, and repayments: In 1997, 49 ADF loans were approved, compared with 44 ADF loans approved in

1996. Total ADF loans amounted to $18,468.5 million, down by 1.5 percent, from $18,758.7 million in 1996. The largest borrowers were Pakistan, Bangladesh, and Sri Lanka. Disbursements during 1997 totaled $1,154.1 million or 6.5 percent decrease from $1,234.1 million in 1996. At the end of the year, cumulative disbursements from ADF resources were $13,135.5 million. Loan repayments during the year amounted to $147.6 million, and cumulative repayments were $1,047.6 million. As of 31 December 1997, ADF loans outstanding amounted to $12,260.5 million, net of allowance for possible losses in the amount of $5.6 million.

Four loans to Afghanistan and 12 loans to Solomon Islands were in nonaccrual status as of the end of the year. Total outstanding loans to Afghanistan and Solomon Islands amounted to $28 million and $33.4 million, respectively, comprising about 0.5 percent of the total ADF loans outstanding.

Portfolio position: The ADF investment portfolio at the end of 1997 amounted to $969.1 million, compared with $459.4 million at the end of 1996. Of the portfolio, about 91 percent was invested in deposits and other bank instruments in member countries. The remaining amount was held in securities issued or guaranteed by governments of member countries. The return on ADF investments over the year was 3.9 percent, compared with 4.2 percent in 1996.

The portfolio was denominated in 18 currencies. Japanese yen and US dollars formed 29 percent of the portfolio.

ADF revenue and expenses: In 1997, the excess of ADF revenue over expenses (net income) was $56.7 million, bringing the accumulated surplus to $1,067.5 million at the end of the year.

Gross revenue, consisting mainly of revenue from ADF investments and service fees on ADF loans, amounted to $157 million. Expenses consist mainly of administration charges payable to OCR of $96.5 million and provision for losses of $3.8 million.

Technical Assistance Special Fund

Review of activities: There was no allocation of net income of OCR to TASF for 1997. During the year, there were four further direct voluntary contributions to TASF amounting in total to approximately $1,318,000. Singapore volunteered $1,000,000, its second contribution, and India offered approximately $126,000, its fifteenth contribution. Both are completely untied and may be used to finance the costs of services and facilities from all member countries. Pakistan offered its twenty-first partially tied contribution amounting to approximately $62,000, which will be made available for procurement from all DMCs. India's fourteenth partially tied contribution of approximately $130,000, which was offered in 1996, was accepted by the Bank on 24 January 1997.

As of end-1997, total TASF resources amounted to $636.6 million. Of the total TASF resources, $582.6 million had been used/committed, leaving an uncommitted balance of $54 million. *For details, see Table 43 in the Statistical Annex.*

Technical Assistance Special Fund (TASF) Resources
($ million)

	1996	1997
Regularized Replenishment Contributions	238.0	238.0
Allocations from OCR Net Income	261.0	261.0
Direct Voluntary Contributions	85.7	87.0
Income from Investment and Other Sources	48.7	54.1
Transfers from TASF to ADF	(3.5)	(3.5)
Total	**630.0**[a]	**636.6**

( ) Negative.

a Figures do not add due to rounding.

Operations and resource position: The TASF contributed 45 percent of funding for services to member countries, with 162 technical assistance projects effective during the year. Revenue from investments decreased from $8.8 million in 1996 to $5.8 million, due mainly to a decrease in the size of the investment portfolio resulting from a decline in contributions received during the year, while services to member countries increased from $55.1 million in 1996 to $58.2 million. As a result of these, the uncommitted balances available for future commitments decreased from $118.1 million in 1996 to $54 million.

At the end of the year, TASF investments stood at $154.4 million, down 27 percent from 1996. Other assets, comprising dues from banks, accounts receivable from ADF and contributors, advances to consultants, and others, totaled $14.8 million. Accounts payable to consultants and others amounted to $234,000.

Japan Special Fund

Review of activities: As of 31 December 1997, Japan's cumulative commitments, since JSF inception on 10 March 1988, amounted to ¥72.83 billion (equivalent to about $633.9 million, excluding translation adjustments). *For details, see Table 44 in the Statistical Annex.* The cumulative total included regular contributions of ¥60.6 billion and supplementary contributions of ¥12.23 billion.

Of the total contributions received, $442 million had been used as of 31 December 1997 for technical assistance, including organizing symposia/training and supporting women in development, environment-related activities, and activities to promote the private sector. As of 31 December 1997, there were a number of technical assistance projects/programs that had been approved by the Government of Japan and the Bank, but which had not yet become effective. This amounted to $49 million. A further $44 million had been approved by the Government of Japan and was being processed by the Bank. The uncommitted balance available for new commitments was $71 million as of 31 December 1997.

The Government of Japan agreed in November 1997 to allow the Bank to convert available yen into US dollars prior to disbursement to address better the mismatch between the available resources and the US dollar denominated technical assistance. At year-end, a total of ¥20.02 billion (equivalent to $154.91 million) was converted for this purpose.

Japan Special Fund Technical Assistance by Sector,[a] 1997

	$ Million	%
Social Infrastructure	21.7	26
Agriculture and Natural Resources	17.5	21
Transport and Communications	12.8	15
Energy	9.6	11
Financial	8.2	10
Others	14.5	17
Total	**84.3**	**100**

a Excluding regional technical assistance.

Sectoral activities In 1997, the JSF financed 90 percent of the total project preparatory technical assistance approved by the Bank. The breakdown of the aggregate JSF-funded technical assistance approvals by sector, including those not yet effective in 1997, is shown in the table.

Asian Development Bank Institute Special Fund

In March 1997, the Government of Japan provided ¥1,500 million as an initial contribution to the ADB Institute Special Fund.

Financial Statements and Reports of Independent Accountants

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank – Ordinary Capital Resources (OCR):

OCR-1	Balance Sheet, 31 December 1997
OCR-2	Statement of Income and Expenses for the Year Ended 31 December 1997
OCR-3	Statement of Cash Flows for the Year Ended 31 December 1997
OCR-4	Statement of Changes in Capital and Reserves for the Year Ended 31 December 1997
OCR-5	Summary Statement of Loans, 31 December 1997
OCR-6	Summary Statement of Borrowings, 31 December 1997
OCR-7	Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1997
OCR-8	Notes to Financial Statements, 31 December 1997

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Asian Development Bank – Ordinary Capital Resources for the year ended 31 December 1996 were audited by other independent accountants whose report dated 19 February 1997 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Asian Development Bank – Ordinary Capital Resources at 31 December 1997 and the results of its operations and its cash flows for the year in conformity with generally accepted accounting principles.

Price Waterhouse
(International Firm)

25 February 1998

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

BALANCE SHEET

31 December 1997

(With Comparative Amounts at 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

ASSETS

	1997		1996	
DUE FROM BANKS (Notes B and C)		$ 75,726		$ 94,145
INVESTMENTS (Notes B, C, D and J)				
Government and government-guaranteed obligations	$ 2,929,853		$ 2,624,749	
Time deposits	3,815,770		3,492,867	
Other obligations of banks	295,977	7,041,600	214,839	6,332,455
LOANS OUTSTANDING (OCR-5) (Notes A, B and E)				
Members and guaranteed by members	18,456,407		15,733,776	
Private sector	382,495		375,153	
	18,838,902		16,108,929	
Less – allowance for possible losses	50,401	18,788,501	38,544	16,070,385
EQUITY INVESTMENTS (Notes A, B and F)	211,647		246,700	
Less – allowance for possible losses	37,595	174,052	16,292	230,408
ACCRUED INCOME				
On investments	99,522		114,190	
On loans	244,716	344,238	249,732	363,922
RECEIVABLE FROM MEMBERS				
Non-negotiable, non-interest-bearing demand obligations (Notes C and I)	326,231		364,343	
Amounts required to maintain value of currency holdings (Note I)	3,555		5,603	
Subscription instalments (Note I)	4,550	334,336	2,107	372,053
OTHER ASSETS				
Receivable from currency swaps (Note H)	5,148,537		4,881,018	
Notional amounts required to maintain value of currency holdings (Note I)	627,349		605,000	
Property, furniture and equipment (Notes B and G)	166,910		174,210	
Unamortised issuance costs of borrowings	57,443		69,272	
Miscellaneous (Note L)	61,065	6,061,304	75,562	5,805,062
TOTALS		$32,819,757		$29,268,430

See notes to financial statements (OCR-8).

LIABILITIES, CAPITAL AND RESERVES

	1997		1996	
BORROWINGS (OCR-6) (Note H)		$17,494,446		$13,663,770
ACCRUED INTEREST ON BORROWINGS		296,137		319,007
ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Payable for currency swaps (Note H)	$ 5,327,836		$ 5,238,762	
Notional amounts required to maintain value of currency holdings (Note I)	177,294		243,882	
Payable to Asian Development Fund	721		–	
Advance payments on subscriptions (Note I)	4,346		4,312	
Miscellaneous (Note G)	217,121		133,047	
Total liabilities		5,727,318		5,620,003
CAPITAL AND RESERVES (OCR-4)				
Capital Stock (OCR-7) (Notes B and I)				
Authorized				
(SDR 34,909,940,000 – 1997 and 1996)				
Subscribed				
(SDR 34,397,990,000 – 1997 and 1996)	46,411,488		49,367,995	
Less – "callable" shares subscribed	43,147,207		45,895,773	
"Paid-in" shares subscribed	3,264,281		3,472,222	
Less – subscription instalments not due	307,105		382,172	
Subscription instalments matured	2,957,176		3,090,050	
Less – capital transferred to the Asian Development Fund	64,237		68,329	
	2,892,939		3,021,721	
Unrealized investment holding gains (Notes B, D and F)	31,434		60,622	
Accumulated translation adjustments (Note B)	(393,018)		80,432	
Ordinary Reserve (Note J)	5,867,429		5,522,677	
Special Reserve (Note J)	178,969		178,553	
Surplus (Note J)	256,645		230,000	
Net income after allocations and appropriations (OCR-2) (Note J)	467,458	9,301,856	571,645	9,665,650
TOTALS		$32,819,757		$29,268,430

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Year Ended 31 December 1997

(With Comparative Amounts for the Year Ended 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997			1996		
INCOME (Note K)						
From loans (Notes B and E)						
Interest	$1,077,018			$1,118,920		
Commitment charge	48,994			47,929		
Other	1,844	$1,127,856		3,130	$1,169,979	
From investments (Notes B and D)						
Interest	295,321			338,763		
Net gain on sales	16,393	311,714		21,050	359,813	
From other sources – net		10,148			31,871	
TOTAL INCOME			$1,449,718			$1,561,663
EXPENSES (Note K)						
Interest and other financial expenses		853,241			877,846	
Administrative expenses (Notes M and N)		95,728			108,793	
Provision for losses (Notes B, E and F)		32,875			2,938	
TOTAL EXPENSES			981,844			989,577
NET INCOME			467,874			572,086
APPROPRIATION OF GUARANTEE FEES TO SPECIAL RESERVE (Note J)			(416)			(441)
NET INCOME AFTER APPROPRIATION TO SPECIAL RESERVE			**$ 467,458**			**$ 571,645**

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 1997
(With Comparative Amounts for the Year Ended 31 December 1996)
Expressed in Thousands of United States Dollars (Note B)

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on loans received	$ 881,577	$ 958,594
Interest on investments received	326,214	352,662
Interest and other financial expenses paid	(790,604)	(825,635)
Administrative expenses paid	(87,447)	(156,966)
Other – net	9,114	14,865
Net Cash Provided by Operating Activities	338,854	343,520
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash invested in time deposits and other obligations of banks[1]	(883,912)	(201,039)
Sales of investment securities	8,535,703	6,538,807
Maturities of investment securities	18,940,430	15,695,021
Purchases of investment securities	(28,009,400)	(22,414,503)
Cash collateral – securities loaned	93,018	14,487
Principal collected on loans	1,334,090	2,347,776
Loans disbursed	(5,073,249)	(2,340,463)
Property, furniture and equipment acquired	(1,715)	(2,737)
Net purchases of equity investments	(10,345)	(19,319)
Net Cash Used in Investing Activities	(5,075,380)	(381,970)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds of new borrowings	5,573,751	683,077
Bonds purchased for redemption and borrowings redeemed	(840,301)	(632,192)
Matured capital subscriptions collected[2]	16,188	28,055
Issuance expenses paid	(4,727)	(6,051)
Demand obligations of members encashed	11,300	6,007
Net currency swaps	(23,858)	(28,866)
Net Cash Provided by Financing Activities	4,732,353	50,030
Effect of Exchange Rate Changes on Due from Banks	(14,246)	(1,849)
Net Increase (Decrease) in Due from Banks	(18,419)	9,731
Due from Banks at Beginning of the Year	94,145	84,414
Due from Banks at End of the Year	$ 75,726	$ 94,145
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income (OCR-2)	$ 467,874	$ 572,086
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrued interest and other expenses	8,204	5,440
Accrued income including interest and commitment charges added to loans	(240,851)	(193,747)
Depreciation and amortisation	55,370	48,667
Net gain from sales of investments	(16,394)	(21,050)
Accrued/Prepaid administrative expenses	19,877	(3,356)
Non-cash reimbursement of administrative expenses	(27,262)	(58,194)
Provision for losses charged (written back)	32,875	(1,022)
Other – net	39,161	(5,304)
Net Cash Provided by Operating Activities	$ 338,854	$ 343,520

1 In addition, time deposits amounting to $230,000 were transferred to the Asian Development Fund.
2 In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to $29,148 ($59,692 – 1996) were received from members.

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

For the Year Ended 31 December 1997

(With Comparative Amounts for the Year Ended 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	Capital Stock	Unrealized Investment Holding Gains (Losses)	Accumulated Translation Adjustments	Ordinary Reserve	Special Reserve	Surplus	Net Income After Allocations and Appropriations	Totals
Balances –								
1 January 1996	$3,027,382	$26,169	$306,651	$5,003,274	$178,112	$ 70,000	$660,045	$9,271,633
Change in SDR value of paid-in shares subscribed	(91,145)							(91,145)
Additional paid-in shares subscribed during the year	130,696							130,696
Change in subscription instalments not due	(47,654)							(47,654)
Change in SDR value of capital transferred to Asian Development Fund	2,442							2,442
Change in unrealized investment holding gains (Notes D and F)		34,453						34,453
Change in accumulated translation adjustments			(226,219)					(226,219)
Allocation of 1995 net income to ordinary reserve (Note J)				500,045			(500,045)	–
Allocation of 1995 net income to surplus (Note J)						160,000	(160,000)	–
Credit to ordinary reserve for change in SDR value of capital stock (Note J)				19,358				19,358
Net income for the year 1996					441		571,645	572,086
Balances –								
31 December 1996 (Forward)	$3,021,721	$60,622	$ 80,432	$5,522,677	$178,553	$230,000	$571,645	$9,665,650

See notes to financial statements (OCR-8).

	Capital Stock	Unrealized Investment Holding Gains (Losses)	Accumulated Translation Adjustments	Ordinary Reserve	Special Reserve	Surplus	Net Income After Allocations and Appropriations	Totals
Balances – 31 December 1996 (Forward)	**$3,021,721**	**$60,622**	**$ 80,432**	**$5,522,677**	**$178,553**	**$230,000**	**$571,645**	**$9,665,650**
Change in SDR value of paid-in shares subscribed	(179,528)							(179,528)
Additional paid-in shares subscribed during the year	–							–
Change in subscription instalments not due	46,654							46,654
Change in SDR value of capital transferred to Asian Development Fund	4,092							4,092
Change in unrealized investment holding gains (Notes D and F)		(29,188)						(29,188)
Change in accumulated translation adjustments			(473,450)					(473,450)
Allocation of 1996 net income to ordinary reserve (Note J)				315,000			(315,000)	–
Allocation of 1996 net income to surplus (Note J)						256,645	(256,645)	–
Allocation of surplus to Asian Development Fund (Note J)						(230,000)		(230,000)
Credit to ordinary reserve for change in SDR value of capital stock (Note J)				29,752				29,752
Net income for the year 1997					416		467,458	467,874
Balances – 31 December 1997	**$2,892,939**	**$31,434**	**$(393,018)**	**$5,867,429**	**$178,969**	**$256,645**	**$467,458**	**$9,301,856**

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS

31 December 1997

(With Comparative Amounts at 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors	Loans Outstanding[1]	Undisbursed Balances of Effective Loans[2]	Loans Not Yet Effective	Total Loans	Percent of Total Loans
Bangladesh	$ 209	$ –	$ 40,000	$ 40,209	0.11
China, People's Rep. of	2,880,134	2,769,907	826,000	6,476,041	18.36
Fiji	49,726	1,550	40,000	91,276	0.26
India	2,959,334	1,978,131	451,000	5,388,465	15.28
Indonesia	4,234,802	3,722,063	809,100	8,765,965	24.85
Kazakstan	144,612	45,388	165,000	355,000	1.01
Korea, Rep. of	2,343,263	2,000,000	15,000	4,358,263	12.36
Malaysia	456,884	221,879	66,300	745,063	2.11
Myanmar	860	–	–	860	n.a.[3]
Nepal	13,715	32,818	–	46,533	0.13
Pakistan	1,781,405	577,208	250,000	2,608,613	7.40
Papua New Guinea	118,545	73,049	–	191,594	0.54
Philippines	2,342,616	680,511	562,122	3,585,249	10.17
Sri Lanka	5,000	–	–	5,000	0.01
Thailand	1,507,797	955,261	50,000	2,513,058	7.12
Uzbekistan	–	50,000	20,000	70,000	0.20
Viet Nam	–	–	30,000	30,000	0.09
TOTALS – 31 December 1997	18,838,902	13,107,765	3,324,522	35,271,189	100.00
Allowance for possible losses	(50,401)			(50,401)	
NET BALANCES – 31 December 1997	**$18,788,501**	**$13,107,765**	**$3,324,522**	**$35,220,788**	
Made up of loans to:					
Members and guaranteed by members	$ 18,456,407	$ 13,042,007	$ 3,197,022	$ 34,695,436	
Private sector (net of allowance for possible losses)	332,094	65,758	127,500	525,352	
Net balances – 31 December 1997	$ 18,788,501	$ 13,107,765	$ 3,324,522	$ 35,220,788	
TOTALS – 31 December 1996	$ 16,108,929	$ 11,329,088	$ 3,126,047	$ 30,564,064	
Allowance for possible losses	(38,544)			(38,544)	
NET BALANCES – 31 December 1996	**$16,070,385**	**$11,329,088**	**$3,126,047**	**$30,525,520**	
Made up of loans to:					
Members and guaranteed by members	$ 15,733,776	$ 11,198,142	$ 3,020,047	$ 29,951,965	
Private sector (net of allowance for possible losses)	336,609	130,946	106,000	573,555	
Net Balances – 31 December 1996	$ 16,070,385	$ 11,329,088	$ 3,126,047	$ 30,525,520	

1 The interest rates charged on loans outstanding range from 6.00% per annum to 11.00% per annum on loans to governments or with government-guarantee and 7.00% per annum to 13.73% per annum for loans to the private sector. Amounts outstanding on loans made under Pool-Based Variable Interest Rate System and market-based variable interest rate loans totalled $17,238,762 ($13,696,832 – 1996). The average interest yield on loans was 6.58% in 1997 (6.78% – 1996).
2 Of the undisbursed balances, the Bank has made irrevocable commitments to disburse various amounts totalling $528,143 ($897,182 – 1996).
3 Below 0.01%.

See notes to financial statements (OCR-8).

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1998	$ 935,866	2007	10,964,551
1999	981,550	2012	7,553,322
2000	1,080,940	2017	5,903,907
2001	1,197,777	2022	1,993,696
2002	1,297,764	2027	32,812
		2028	4,482
		Total	$31,946,667

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1997	1996	Currency	1997	1996
Australian dollar	$ 305	$ 454	Netherlands guilder	399	888
Deutsche mark	56,001	96,464	New Zealand dollar	2,683	3,443
Japanese yen	9,202,189	10,209,305	Swiss franc	1,226,729	1,685,037
Malaysian ringgit	115	282	United States dollar	8,350,481	4,113,056
			Totals	$18,838,902	$16,108,929

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF BORROWINGS

31 December 1997

(With Comparative Amounts at 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	Borrowings		
	Principal Outstanding[1]		Weighted Average Cost (%)
	1997	1996	1997
Long-Term Borrowings:			
Austrian schilling	$ 78,904	$ 91,090	8.08
Canadian dollar	174,935	182,709	7.88
Deutsche mark	947,651	257,268	5.64
Hong Kong dollar	193,598	193,916	7.34
Japanese yen	5,207,340	5,813,586	5.40
Korean won	56,529	94,764	12.33
Netherlands guilder	381,717	457,640	7.17
New Taiwan dollar	294,136	349,205	6.13
Pound sterling	286,934	377,424	11.49
Swiss franc	1,042,928	1,261,428	6.10
United States dollar	5,551,845	4,617,842	7.43
Sub-Totals	14,216,517	13,696,872	6.54
Short-Term Borrowings:			
United States dollar	3,325,000	–	5.94
Principal amounts outstanding	17,541,517	13,696,872	6.43[2]
Unamortised discounts and premiums	(47,071)	(33,102)	
TOTALS	$17,494,446	$13,663,770	

MATURITY STRUCTURE OF BORROWINGS OUTSTANDING

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1998	$4,234,945	2007	6,467,352
1999	741,963	2012	496,081
2000	934,791	2017	363,535
2001	1,276,716	2022	38,436
2002	2,687,698	2027	300,000
		Total	$17,541,517

1 Includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in US dollar equivalents) are:

	Aggregate Face Amounts		Discounted Values	
Currency	1997	1996	1997	1996
Swiss franc	$336,013	$361,419	$132,909	$135,818
United States dollar	676,063	676,063	319,058	283,055

2 The weighted average cost of long-term borrowings outstanding at 31 December 1997 after adjustment for swap activities, was 6.10% (5.96% – 1996).

3 At 31 December 1997, the remaining duration of currency swap agreements ranged from one to twenty-five years. Approximately 41.46% of the currency swap receivables and 40.69% of the payables are due from 31 December 2002 through 31 December 2022.

Currency Swap Arrangements[3]

Payable (Receivable)		Weighted Average Cost (Return) %	Net Currency Obligations	
1997	1996	1997	1997	1996
$ (79,201)	$ (91,465)	(8.08)	$ (297)	$ (375)
(173,805)	(181,349)	(7.88)	1,130	1,360
(947,625)	(257,225)	(5.64)	26	43
(193,598)	(193,916)	(7.34)	–	–
2,936,382	3,391,447	5.70 [4]	8,028,409	9,118,826
(115,313)	(86,207)	(4.14)		
(56,529)	(94,764)	(12.33)	–	–
(375,962)	(445,183)	(7.15)	5,755	12,457
(293,759)	(348,698)	(6.13)	377	507
(123,742)	(210,703)	(10.80)	163,192	166,721
383,236	652,462	6.22	1,357,450	1,839,980
(68,714)	(73,910)	(0.66)		
2,008,218	1,194,853	5.86 [4]	4,839,774	2,915,097
(2,720,289)	(2,897,598)	(7.33)[4]		
–	–	–	3,325,000	–

INTEREST RATE SWAP ARRANGEMENTS[5]

	Notional Amounts	Average Rate (%) Receive	Pay Fixed	Pay Floating	Maturing Through
Receive Fixed Swaps:					
Australian dollar[6]	$ 230,626	6.34	4.89		2001–2005
Deutsche mark[7]	76,875	4.40	3.62		2010
Japanese yen	76,875	5.50		0.19	2004
United States dollar	300,000	6.75		5.72	1999–2004
Receive Floating Swaps:					
Japanese yen	442,032	2.13	4.88		1998–2004
Total	$1,126,408				

4 Includes cost of related interest rate swap transaction.
5 The interest rate swap information is based on interest rates at 31 December 1997. To the extent that interest rates change, variable interest rate information will change.
6 Consists of a currency coupon swap with interest receivable in Australian dollar and interest payable in Japanese yen.
7 Consists of a currency coupon swap with interest receivable in Deutsche mark and interest payable in Japanese yen.

See notes to financial statements (OCR-8).

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

31 December 1997

Expressed in Thousands of United States Dollars (Note B)

	SUBSCRIBED CAPITAL					VOTING POWER	
	Number	Percent	Par Value of Shares			Number	Percent
MEMBERS	of Shares	of Total	Total	Callable	Paid-in	of Votes	of Total
REGIONAL							
Afghanistan	1,195	0.035	$ 16,124	$ 10,969	$ 5,154	16,551	0.385
Australia	204,740	5.952	2,762,454	2,568,999	193,455	220,096	5.119
Bangladesh	36,128	1.050	487,457	453,321	34,136	51,484	1.197
Bhutan	220	0.006	2,968	2,658	310	15,576	0.362
Cambodia	1,750	0.051	23,612	19,591	4,021	17,106	0.398
China, People's Rep. of	228,000	6.628	3,076,290	2,860,801	215,489	243,356	5.660
Cook Islands	94	0.003	1,268	1,187	81	15,450	0.359
Fiji	2,406	0.070	32,463	30,183	2,280	17,762	0.413
Hong Kong, China	19,270	0.560	260,000	241,786	18,215	34,626	0.805
India	224,010	6.512	3,022,455	2,810,798	211,657	239,366	5.567
Indonesia	192,700	5.602	2,600,005	2,417,937	182,068	208,056	4.839
Japan	552,210	16.054	7,450,693	6,928,911	521,782	567,566	13.200
Kazakstan	28,536	0.830	385,022	358,050	26,972	43,892	1.021
Kiribati	142	0.004	1,916	1,781	135	15,498	0.360
Korea, Rep. of	178,246	5.182	2,404,984	2,236,584	168,400	193,602	4.503
Kyrgyz Republic	10,582	0.308	142,778	132,780	9,998	25,938	0.603
Lao PDR	492	0.014	6,638	5,923	715	15,848	0.369
Malaysia	96,350	2.801	1,300,002	1,208,955	91,047	111,706	2.598
Maldives	142	0.004	1,916	1,781	135	15,498	0.360
Marshall Islands	94	0.003	1,268	1,187	81	15,450	0.359
Micronesia, Fed. States of	142	0.004	1,916	1,781	135	15,498	0.360
Mongolia	532	0.015	7,178	6,679	499	15,888	0.370
Myanmar	19,270	0.560	260,000	241,786	18,215	34,626	0.805
Nauru	142	0.004	1,916	1,781	135	15,498	0.360
Nepal	5,202	0.151	70,188	65,263	4,925	20,558	0.478
New Zealand	54,340	1.580	733,182	681,843	51,339	69,696	1.621
Pakistan	77,080	2.241	1,040,002	967,169	72,833	92,436	2.150
Papua New Guinea	3,320	0.097	44,795	41,678	3,117	18,676	0.434
Philippines	84,304	2.451	1,137,472	1,057,825	79,646	99,660	2.318
Samoa	116	0.003	1,565	1,403	162	15,472	0.360
Singapore	12,040	0.350	162,450	151,076	11,374	27,396	0.637
Solomon Islands	236	0.007	3,184	2,968	216	15,592	0.363
Sri Lanka	20,520	0.597	276,866	257,477	19,389	35,876	0.834
Taipei,China	38,540	1.120	520,001	483,598	36,403	53,896	1.253
Thailand	48,174	1.400	649,988	604,464	45,524	63,530	1.478
Tonga	142	0.004	1,916	1,781	135	15,498	0.360
Tuvalu	50	0.001	675	621	54	15,406	0.358
Uzbekistan	23,834	0.693	321,580	299,061	22,519	39,190	0.911
Vanuatu	236	0.007	3,184	2,968	216	15,592	0.363
Viet Nam	12,076	0.351	162,935	144,248	18,687	27,432	0.638
Total Regional (Forward)	2,177,603	63.306	$29,381,309	$27,309,657	$2,071,652	2,791,843	64.931

MEMBERS	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Percent of Total	Par Value of Shares: Total	Callable	Paid–in	Number of Votes	Percent of Total
Total Regional (Forward)	2,177,603	63.306	$29,381,309	$27,309,657	$2,071,652	2,791,843	64.931
NONREGIONAL							
Austria	12,040	0.350	162,450	151,076	11,374	27,396	0.637
Belgium	12,040	0.350	162,450	151,076	11,374	27,396	0.637
Canada	185,086	5.381	2,497,273	2,322,397	174,876	200,442	4.662
Denmark	12,040	0.350	162,450	151,076	11,374	27,396	0.637
Finland	12,040	0.350	162,450	151,076	11,374	27,396	0.637
France	82,356	2.394	1,111,188	1,033,364	77,825	97,712	2.273
Germany	153,068	4.450	2,065,270	1,920,630	144,640	168,424	3.917
Italy	63,950	1.859	862,845	802,412	60,433	79,306	1.844
Netherlands	36,294	1.055	489,697	455,412	34,284	51,650	1.201
Norway	12,040	0.350	162,450	151,076	11,374	27,396	0.637
Spain	12,040	0.350	162,450	151,076	11,374	27,396	0.637
Sweden	12,040	0.350	162,450	151,076	11,374	27,396	0.637
Switzerland	20,650	0.600	278,620	259,096	19,524	36,006	0.837
Turkey	12,040	0.350	162,450	151,076	11,374	27,396	0.637
United Kingdom	72,262	2.101	974,995	906,723	68,272	87,618	2.038
United States	552,210	16.054	7,450,693	6,928,911	521,782	567,566	13.200
Total Nonregional	1,262,196	36.694	17,030,179	15,837,550	1,192,629	1,507,892	35.069
TOTALS	3,439,799	100.000	$46,411,488	$43,147,207	$3,264,281	4,299,735	100.000

Note: Figures may not add due to rounding.

See notes to financial statements (OCR-8).

NOTE A – NATURE OF OPERATIONS AND LIMITATIONS ON LOANS, GUARANTEES AND EQUITY INVESTMENTS

Nature of Operations

The Asian Development Bank, a development finance institution, was established in 1966 with its Headquarters in Manila, Philippines. The Bank and its operations are governed by the Agreement Establishing the Asian Development Bank (the Charter). Its principal objective is to help accelerate economic and social development of its developing member countries in the Asian and Pacific region by providing financial and technical assistance for projects and programs which will contribute to sustainable economic development and social advancement. As of 31 December 1997, the Bank is owned by 56 member countries, 40 countries from the region and 16 countries from outside the region.

Mobilizing financial resources, including cofinancing, is an integral part of the Bank's operational activities. In addition, the Bank, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses which include technical assistance for borrowers as well as for regional programs.

The Bank's ordinary operations comprise loans, equity investments and guarantees. It finances its ordinary operations through borrowings, paid-in capital and retained earnings.

Limitations on Loans, Guarantees and Equity Investments

Article 12, paragraph 1 of the Charter provides that the total amount outstanding of loans, equity investments and guarantees made by the Bank shall not exceed the total of the Bank's unimpaired subscribed capital, reserves and surplus, exclusive of the special reserve. At 31 December 1997, the total of such loans, equity investments and guarantees aggregated approximately 67.9% (55.6% – 1996) of the total subscribed capital, reserves and surplus as defined.

Article 12, paragraph 3 of the Charter provides that equity investments shall not exceed 10% of the unimpaired actually paid-in capital together with reserves and surplus, exclusive of the special reserve. At 31 December 1997, such equity investments represented approximately 4.2% (3.9% – 1996) of the paid-in capital, reserves and surplus, as defined.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Valuation of Capital Stock

The authorized capital stock of the Bank is defined in Article 4, paragraph 1 of the Charter "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar) and the value of each share is defined as 10,000 1966 dollars. The capital stock had historically been translated into the current United States dollar (the Bank's unit of account) on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was $1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the capital stock has been valued for purposes of these financial statements in terms of the Special Drawing Right (SDR) at the value in current United States dollars as computed by the IMF, with each share valued at SDR10,000.

As of 31 December 1997, the value of the SDR in terms of the current United States dollar was $1.34925 ($1.43520 – 1996) giving a value for each share of the Bank's capital equivalent to $13,492.50 ($14,352.00 – 1996). However, the Bank could decide to fix the value of each share at $12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold.

Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semimonthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments other than those relating to maintenance of SDR capital values (see Notes I and J), are charged or credited to "Accumulated translation adjustments".

Investments

All investment securities held by the Bank are considered by management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES". Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in income from investments and are measured by the difference between average cost or amortised cost and the net proceeds of sales.

Loans

The Bank's loans are made to or guaranteed by members or their governments, with the exception of loans to the private sector, and have maturities ranging between 7 and 30 years. The Bank requires its borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies which it has disbursed. It is the policy of the Bank to place in non-accrual status all loans for which principal, interest or other charges are overdue by six months. When loans are placed in non-accrual status, the related unpaid interest and other charges are reversed and are deducted from loan interest income and other charges, as appropriate. Interest and other charges on non-accruing loans are included in income only to the extent that payments have actually been received by the Bank. The Bank follows a policy of not taking part in debt rescheduling agreements.

The Bank determines that a loan is impaired and therefore subject to provisioning when principal or interest is in arrears for one year for public sector loans made to or guaranteed by a member (unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning) and six months for private sector loans. If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a specific valuation allowance is established with a corresponding charge to provision for losses. In addition, the Bank establishes a general loan loss allowance for private sector loan portfolio based on a rate approved by the Board of Directors.

The Bank's periodic evaluation of the adequacy of the general loan loss reserve factors and overall allowance for possible losses is based on its past loan loss experience, known and inherent risks in existing loans and commitments to extend credit and adverse situations that may affect a borrower's ability to repay.

Equity Investments

Investments in equity securities without readily determinable fair values are reported at cost less an allowance for possible losses. The provisions for possible loss of value are established quarterly based on Management's evaluation of potential losses for such investments. Equity securities with readily determinable fair values are reported at fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES". The Bank applies the equity method of accounting to one investment where it has the ability to exercise significant influence.

Property, Furniture and Equipment

Property, furniture and equipment is stated at cost and, except for land, is depreciated over estimated useful lives on the straight-line method. Maintenance, repairs and minor betterments are charged to expense.

Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the year and the reported amounts of revenues and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Bank considers that its cash and cash equivalents are limited to "DUE FROM BANKS". Certain amounts in the 1996 statement of cash flows have been reclassified to conform to the 1997 presentation.

NOTE C – RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i) of the Charter, the use by the Bank or by any recipient from the Bank of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 36 developing member countries for both 1997 and 1996, cash in banks (due from banks) and demand obligations totalling $53,359,000 ($59,879,000 – 1996) and $213,054,000 ($249,966,000 – 1996), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, two members have restricted the use by the Bank or by any recipient from the Bank of their currencies to payments for goods or services produced in their territories. Cash in banks (due from banks), demand obligations of members and investments totalling $21,000 ($27,000 – 1996), $1,658,000 ($1,010,000 – 1996) and $4,296,000 ($4,070,000 – 1996), respectively, have been so restricted.

NOTE D – INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1997 and 31 December 1996 were as follows:

Currency	1997	1996
Australian dollar	$ 467,843,000	$ 525,099,000
Canadian dollar	575,628,000	590,692,000
Deutsche mark	182,794,000	285,931,000
Italian lira	400,186,000	480,905,000
Japanese yen	634,515,000	768,847,000
Pound sterling	284,729,000	292,012,000
Swiss franc	558,629,000	613,290,000
United States dollar	3,275,633,000	1,877,860,000
Others	661,643,000	897,819,000
Totals	$7,041,600,000	$6,332,455,000

The amortised cost and estimated fair value of the investments by contractual maturity at 31 December 1997 were as follows:

	Amortised Cost	Estimated Fair Value
Due in one year or less	$5,153,066,000	$5,153,632,000
Due after one year through five years	1,632,180,000	1,642,202,000
Due after five years through ten years	240,307,000	245,766,000
Totals	$7,025,553,000	$7,041,600,000

Additional information relating to investments in debt securities is as follows:

	1997	1996
As of 31 December:		
Amortised cost	$3,209,783,000	$2,815,389,000
Estimated fair value	3,225,830,000	2,839,588,000
Gross unrealized gains	19,549,000	29,674,000
Gross unrealized losses	3,502,000	5,475,000
For the years ended 31 December:		
Change in net unrealized gains/losses	(8,152,000)	(1,970,000)
Proceeds from sales	8,535,703,000	7,409,172,000
Gross realized gains	32,780,000	36,755,000
Gross realized losses	16,387,000	15,705,000

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

To reduce credit risk, the Bank is restricted by its Investment Authority to invest in (a) securities which are obligations of limited class of issuers, primarily government or government-guaranteed obligations, multilateral banks and selected commercial banks; and (b) exchange-traded derivatives of such securities. Exposure to interest rate risk may be adjusted within defined bands to reflect changing market circumstances. These adjustments are made through the purchase and sale of both securities and exchange-traded financial futures and options. The use of options has been minimal and there were no outstanding options as of 31 December 1997 (nil – 1996). To increase returns, the Bank may invest in securities denominated in currencies other than the original functional currencies and then enter into covered forward foreign exchange agreements in order to maintain its original mix of functional currency holdings. Accordingly, the financial futures, options and covered forwards are held for risk management rather than trading purposes.

Futures: Futures are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities, and changes in the market prices are settled daily. Changes in the market value of open futures contracts are recognized as gains or losses in the period of the change and included in income from investments. Outstanding futures contracts at 31 December 1997 include purchase contracts with notional value of $9,664,000 (nil – 1996) and sales contracts with notional value of $9,477,000 (nil – 1996). All contracts expire in 1998.

Covered forwards: Covered forwards are agreements in which cash in one currency is converted into a different currency and simultaneously a forward exchange agreement is executed providing for a future exchange of the two currencies in order to recover the currency converted. The Bank records the covered forward as an investment in the underlying currency. A receivable is created for the forward contract of the originating currency and a payable for the underlying instrument to be converted into the originating currency at maturity. Premiums or discounts are deferred and amortised as income from investments over the life of the underlying instrument. No covered forward agreements were outstanding at 31 December 1997 (nil –1996).

Short sales: Short sales are sales of securities not held in the Bank's portfolio at the time of the sale. The Bank must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered. The payable created upon entering into a short sale is stated at the market value of the security subject to the short sale and gains and losses resulting from changes in market value are included in income from investments in the period of the change. Short sales are used by the Bank for adjusting the risk exposure of the investment portfolio and for establishing spread positions to enhance income. As of 31 December 1997, there was no open short sale position (nil – 1996).

NOTE E – LOANS AND GUARANTEES

Loans

The carrying amounts and estimated fair value of loans outstanding at 31 December 1997 and 31 December 1996 were as follows:

	1997	
	Carrying Amounts	Estimated Fair Value
Loans to the public sector with interest at variable rates	$16,981,610,000	$16,981,610,000
Loans to the public sector with interest at fixed rates	1,474,797,000	1,829,896,000
Loans to the private sector	332,094,000	343,590,000
Totals	$18,788,501,000	$19,155,096,000

	1996	
	Carrying Amounts	Estimated Fair Value
Loans to the public sector with interest at variable rates	$13,460,911,000	$13,460,911,000
Loans to the public sector with interest at fixed rates	2,272,865,000	2,761,763,000
Loans to the private sector	336,609,000	349,615,000
Totals	$16,070,385,000	$16,572,289,000

Prior to 1 July 1986, the lending rate of the Bank was based on a multicurrency fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. Effective 1 July 1986, the Bank adopted a multicurrency pool-based variable lending rate system. In addition, in July 1992, the Bank introduced a pool-based variable United States dollar lending system, and in November 1994, a market-based variable lending system was made available to financial intermediaries in the public sector and to the private sector. For loans to the private sector, approximately 68% (64% – 1996) of the loans were based on variable interest rate.

Undisbursed loan commitments and an analysis of loans by borrowing member countries as of 31 December 1997 and 1996 are shown in OCR-5.

Public Sector Loans

Loans outstanding to or guaranteed by members or their governments with interest rates which vary based on the pool-based variable lending rate system were fair valued using an entry value method. Under this method, fair value was determined based on the terms at which a similar loan would currently be made by the Bank to a similar borrower. For such loans, fair value approximated the carrying amount. For undisbursed balances of effective loans and for loans not yet effective, the contractual amount approximated fair value.

Loans outstanding to or guaranteed by members or their governments with fixed interest rates (principally loans made prior to 1 July 1986) were fair valued using a discounted cash flow method. This method takes into account the scheduled cash flows over the average life, by currency, of the loans, and current funding costs for the average life including a factor for administrative costs. The effect of expected prepayments are also taken into account.

The estimated fair value of loans to or guaranteed by members or their governments was not affected by credit risks based on the Bank's experience with its borrowers.

As of 31 December 1997 and 1996, there were no public sector loans in non-accrual status.

Private Sector Loans

Loans outstanding to the private sector were fair valued using a discounted cash flow method. The estimated fair value of these loans was $343,590,000 ($349,615,000 – 1996).

Six private sector loans were placed in non-accrual status as of 31 December 1997 (three – 1996). The principal outstanding at that date was $41,002,000 ($19,899,000 – 1996) of which $12,062,000 ($5,976,000 – 1996) was overdue. Overdue interest and other charges on these loans totalled $8,376,000 ($4,832,000 – 1996). Placing these loans in non-accrual status resulted in a reduction of $4,464,000 ($1,415,000 – 1996) in income from loans for the year ended 31 December 1997.

Loan Loss Provision

The Bank has not suffered any losses on loans made to or guaranteed by members or their governments. No loan loss provisions have been made against loans outstanding guaranteed by members or their governments, but specific and general provisions were made against private sector loans during the year. (See Note K.)

Information appertaining to loans which are subject to specific loan loss provisions as at 31 December 1997 and 31 December 1996 were as follows:

	1997	1996
Total loans without specific loss provisions	$18,778,233,000	$16,082,380,000
Total loans subject to specific loss provisions	60,669,000	26,549,000
Total loans	$18,838,902,000	$16,108,929,000

	1997	1996
Average amount of loans subject to specific loss provisions	$62,610,000	$27,743,000
Related interest income recognized on such loans	$ 1,126,000	$ 645,000
Cash received on related interest income on such loans	$ 1,825,000	$ 489,000

The changes in the allowance for loan losses during 1997 and 1996 were as follows:

	1997	1996
Balance – 1 January	$38,544,000	$38,540,000
Provision charged during the year	11,857,000	4,000
Balance – 31 December	$50,401,000	$38,544,000
Made up of:		
Specific loan loss provision	$24,654,000	$10,655,000
General loan loss provision	25,747,000	27,889,000
Totals	$50,401,000	$38,544,000

Loan Guarantees and Cofinancings

The Bank extends guarantees for the benefit of its members which are not reflected in the financial statements. Such guarantees include partial credit guarantees where only certain principal and/or interest payments are covered. Such guaranteed payments are generally due 10 or more years from the loan inception date. As of 31 December 1997, guarantees outstanding amounted to $248,503,000 ($232,213,000 – 1996). The present value of the contingent future payment obligations of all outstanding guarantees as of 31 December 1997 of $99,128,000 ($82,029,000 – 1996) is used to calculate the Bank's lending limitation. None of this amount was subject to call as of that date. The Bank estimates that the fair value of guarantees outstanding at 31 December 1997 and 31 December 1996 is immaterial as no guarantees are expected to be called.

The Bank functions as lead lender in cofinancing arrangements with other participating financial institutions who also provide funds to the Bank's public and private sector borrowers. In such capacity, the Bank provides loan administration services, which include loan disbursement and loan servicing. The participating financial institutions generally have no recourse to the Bank for their outstanding loan balances.

During the year ended 31 December 1997, a total of $175,000 ($498,000 – 1996) was received as compensation for arranging and administering such loans. This amount has been included in "Income from Other Sources".

Loans administered by the Bank on behalf of participating institutions as of 31 December 1997 and 31 December 1996 were as follows:

	1997	
	Amount	No. of Loans
Public Sector Loans	$1,487,146,000	17
Private Sector Loans	88,288,000	15
Totals	$1,575,434,000	32

	1996	
	Amount	No. of Loans
Public Sector Loans	$1,482,960,000	17
Private Sector Loans	98,455,000	16
Totals	$1,581,415,000	33

NOTE F – EQUITY INVESTMENTS

The Bank's investments in equity securities issued by private enterprises located in developing member countries include a $36,277,000 ($45,116,000 – 1996) investment in the Asian Finance and Investment Corporation Ltd. which is accounted for on the equity method. The holding represents 30% of the investee's issued share capital and net assets.

Unrealized gains on equity investments reported at market value were $15,387,000 at 31 December 1997 ($36,423,000 – 1996).

Undisbursed equity investment commitments were $212,594,000 at 31 December 1997 ($158,103,000 – 1996).

NOTE G – PROPERTY, FURNITURE AND EQUIPMENT

In 1991, under the terms of an agreement with the Government of the Republic of the Philippines (Government), the Bank returned the former headquarters premises which had been provided by the Government. In accordance with the agreement as supplemented by a memorandum of understanding, the Bank was compensated $22,657,000 for the return of these premises. The compensation is in lieu of being provided premises under the agreement and, accordingly, is deferred and amortised over the estimated life of the new headquarters building as a reduction of occupancy expense. At 31 December 1997, accumulated depreciation for property, furniture and equipment was $53,112,000 ($48,913,000 – 1996). The amortisation for the years ended 31 December 1997 and 31 December 1996 amounted to $566,000 reducing depreciation expense for the new headquarters building from $4,778,000 ($4,692,000 – 1996) to $4,212,000 ($4,126,000 – 1996). At 31 December 1997, the unamortised deferred compensation balance (included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES – Miscellaneous") was $18,740,000 ($19,306,000 – 1996).

NOTE H – BORROWINGS AND SWAPS

The Bank uses derivative financial instruments in connection with its borrowing activities to diversify its funding sources across public and private debt markets, currencies and instruments. Currency swaps are used to convert a currency borrowed under advantageous terms into one of the Bank's major operational currencies, taking advantage of the opportunities offered in different financial markets. Such currency swaps enable the Bank to raise operationally needed currencies in a cost-efficient way and to maintain its borrowing presence in the major capital markets. Interest rate swaps are used generally to reduce balance sheet interest rate mismatches arising from lending operations.

The Bank issues structured debt which includes embedded currency and/or interest rate derivatives in order to decrease its cost of borrowing. However, the Bank enters into simultaneous currency and/or interest rate swaps to fully hedge against the effects of such embedded derivatives.

The Bank has a potential risk of loss if the swap counterparty fails to perform its obligations (see Note P). In order to reduce such credit risk, the Bank normally only enters into long-term swap transactions with counterparties eligible under the Bank's swap guidelines which includes a requirement that the counterparties have a credit rating of double A or higher. The Bank does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

Interest rate swaps: Under a typical interest rate swap agreement used by the Bank, one party agrees to make periodic payments based on a notional principal amount and an interest rate that is fixed at the outset of the agreement. The counterparty agrees to make floating rate payments based on the same notional principal amount. Amounts receivable or payable under the terms of the swap are accrued over the period to which the payment relates and the related cost or income is included in interest and other financial expenses. The terms of the Bank's interest rate swap agreements specifically match the terms of particular borrowings.

Currency swaps: Under a typical currency swap agreement, one party agrees to make periodic payments in one currency while the counterparty agrees to make periodic payments in another currency. The payments may be fixed at the outset of the agreement or vary based on interest rates. A receivable is created for the periodic payments to be received and a payable is created for the payments to be made. Swap premiums and discounts are deferred and amortised into interest and other financial expenses over the life of the underlying instruments. The terms of the Bank's currency swap agreements specifically match the terms of particular borrowings.

The fair value of borrowings outstanding is estimated using prevailing market prices where available, or estimated replacement values where market prices were not available.

Outstanding currency and interest rate swap agreements are fair valued at the estimated amount that the Bank would receive or pay to terminate the agreements based upon market quotes from dealers.

As of 31 December 1997 and 31 December 1996, the carrying amounts and estimated fair values of borrowings and swaps were as follows:

	1997	
	Carrying Amounts	Estimated Fair Value
Balance sheet financial instruments:		
Borrowings	$17,494,446,000	$18,532,945,000
Currency swap receivables	5,148,537,000	5,318,477,000
Currency swap payables	5,327,836,000	5,822,528,000
	Notional Amount	Unrealized Gain
Off-balance sheet financial instruments:		
Interest rate swaps	$ 1,126,408,000	$ 17,767,000

	1996	
	Carrying Amounts	Estimated Fair Value
Balance sheet financial instruments:		
Borrowings	$13,663,770,000	$14,692,087,000
Currency swap receivables	4,881,018,000	5,087,185,000
Currency swap payables	5,238,762,000	5,796,985,000
	Notional Amount	Unrealized Gain
Off-balance sheet financial instruments:		
Interest rate swaps	$ 1,226,724,000	$ 33,940,000

NOTE I – CAPITAL STOCK, CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND AND MAINTENANCE OF VALUE OF CURRENCY HOLDINGS

Capital Stock

The authorized capital stock of the Bank as of the end of 1997 and 1996 consists of 3,490,994 shares, of which 3,439,799 shares have been subscribed by members. Of the subscribed shares, 3,197,866 are "callable" and 241,933 are "paid-in" for the years ended 31 December 1997 and 31 December 1996. The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. The "paid-in" share capital has been paid or is payable in instalments, partly in convertible currencies and partly in the currency of the subscribing member which may be convertible. In accordance with Article 6, paragraph 3 of the Charter, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations. The settlement of such amounts is not determinable and, accordingly, it is not practicable to fair value these receivables.

As of 31 December 1997, all matured instalments amounting to $2,191,719,000 ($3,090,050,000 – 1996) were received except for $3,372,000 ($2,107,000 – 1996). Instalments not due aggregating $307,105,000 ($382,172,000 – 1996) are receivable as follows:

Year ending 31 December:

1998	$76,882,000	2001	$59,607,000
1999	86,559,000	2002	12,397,000
2000	71,660,000		

Payments in respect of capital subscription instalments in advance of due dates are shown in the balance sheet (under the caption "ACCOUNTS PAYABLE AND OTHER LIABILITIES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

Capital Transferred to Asian Development Fund

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973 to be used as a part of the Special Funds of the Bank. The resources so set aside amounting to $64,237,000 as of 31 December 1997 ($68,329,000 – 1996) expressed in terms of the SDR on the basis of $1.34925 ($1.43520 – 1996) per SDR ($57,434,000 in terms of $1.20635 per 1966 dollar – see Note B), were allocated and transferred to the Asian Development Fund.

Maintenance of Value of Currency Holdings

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of the Charter and relevant resolutions of the Board of Directors. The "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of the Bank's holdings of certain member currencies. The settlement of such amounts is not determinable and, accordingly, it is not practicable to fair value these receivables.

Since 1 April 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain and, accordingly, it is not practicable to fair value such receivables and payables. The notional amounts as of 31 December 1997 consisting of receivables of $627,349,000 ($605,000,000 – 1996) and payables of $177,294,000 ($243,882,000 – 1996) consist of (a) the increase of $307,089,000 ($458,167,000 – 1996) in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar during the period from 1 April 1978 to 31 December 1997 and (b) the net decrease of $142,966,000 (net increase of $97,049,000 – 1996) in the value of such currency holdings in relation to the United States dollar during the same period.

NOTE J – ORDINARY RESERVE AND NET INCOME, SPECIAL RESERVE AND SURPLUS

Ordinary Reserve and Net Income

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. During 1997, $315,000,000 ($500,045,000 – 1996) of the net income after appropriation of guarantee fees to Special Reserve for the year ended 31 December 1996 was allocated to the Ordinary Reserve, and $256,645,000 ($160,000,000 – 1996) was allocated to Surplus.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note B) resulted in a net credit of $29,752,000 to the Ordinary Reserve during the year ended 31 December 1997 ($19,358,000 – 1996). That credit is the decrease in the value of the matured and paid capital subscriptions caused by the change during the year in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

Special Reserve

The Special Reserve represents commissions on loans and guarantee fees on guarantees set aside pursuant to Article 17 of the Charter. Special Reserve assets consist principally of government and government-guaranteed obligations and are included under the heading "INVESTMENTS". For the year ended 31 December 1997, guarantee fees amounting to \$416,000 (\$441,000 – 1996) were appropriated to Special Reserve. The commission charged on loans was discontinued in 1986.

Surplus

During 1997, the Board of Governors allocated \$256,645,000 (\$160,000,000 – 1996) out of 1996 net income after appropriation of guarantee fees to the Special Reserve to surplus of which \$230,000,000 was subsequently reallocated and transferred to Asian Development Fund. Surplus represents funds for future use to be determined by the Board of Governors.

NOTE K – INCOME AND EXPENSES

Total income from loans for the year ended 31 December 1997 was \$1,127,856,000 (\$1,169,979,000 – 1996). The average yield on the loan portfolio during the year was 6.89% (7.09% – 1996).

Total income from investments for the year ended 31 December 1997 was \$311,714,000 (\$359,813,000 – 1996). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 5.24% (5.59% – 1996). If unrealized gains and losses were included, the annualized rate of return would have been 5.08% (5.55% – 1996).

Income from other sources include share of net assets of equity investments accounted for on the equity method. For the year ended 31 December 1997, this amounted to a decrease of \$8,484,000 (increase of \$9,573,000 – 1996).

Dividend received for the year ended 31 December 1997 amounted to \$5,873,000 (\$6,883,000 – 1996).

Total interest expense incurred for the year ended 31 December 1997 amounted to \$839,363,000 (\$863,084,000 – 1996).

Other financial expenses consist of amortisation of borrowings' issuance costs and other expenses of \$13,544,000 (\$15,660,000 – 1996) and charges of \$334,000 (credits of \$898,000 – 1996) representing the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity.

Administrative expenses (other than those appertaining directly to ordinary operations and special operations) for the year ended 31 December 1997 were apportioned between ordinary capital resources and the Asian Development Fund according to the number of loans and equity investments approved during the year. Of the total administrative expenses of \$192,180,000 (\$190,784,000 – 1996), \$96,452,000 (\$81,991,000 – 1996) was accordingly charged to the Asian Development Fund.

For the year ended 31 December 1997, the provision for losses totalled \$32,875,000 (\$11,857,000 for private sector loans and \$21,018,000 for equity investments). For the year ended 31 December 1996, the provision for losses totalled \$2,938,000 (\$4,000 for private sector loans and \$2,934,000 for equity investments).

NOTE L – OTHER ASSETS – MISCELLANEOUS

Included in miscellaneous assets are amounts receivable from the following related funds as of 31 December 1997 and 31 December 1996:

	1997	1996
Asian Development Fund (Note K)	$ –	$19,321,000
Technical Assistance Special Fund	117,000	53,000
Japan Special Fund	856,000	476,000
Asian Development Bank Institute Special Fund	494,000	–
Totals	$1,467,000	$19,850,000

NOTE M – STAFF RETIREMENT PLAN

The Bank has a contributory defined benefit Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of service, provided that as of such a date, the employee shall not have reached the normal retirement date at age 60. The Plan applies also to members of the Board of Directors who elect to join the Plan. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and are not included in the accompanying balance sheet. The costs of administering the Plan are absorbed by the Bank, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their remuneration to the Plan and may also make voluntary contributions. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Net periodic pension cost for the years ended 31 December 1997 and 31 December 1996, which have been included in administrative expenses for the respective years, consisted of the following components:

	1997	1996
Service costs-benefits earned for the year	$ 14,704,000	$ 16,353,000
Interest cost on projected benefit obligation	31,237,000	27,414,000
Return on Plan assets	(32,950,000)	(46,188,000)
Net amortisation and deferral	(6,001,000)	12,969,000
Net periodic pension cost	$ 6,990,000	$ 10,548,000

The following table sets forth the Plan's funded status at 31 December 1997 and 31 December 1996:

	1997	1996
Actuarial present value of pension benefit obligations: Accumulated benefit obligation, including vested benefits of $389,435,000 – 1997 ($346,416,000 – 1996)	$ 390,677,000	$347,887,000
Projected benefit obligation	$ 439,090,000	$403,222,000
Fair value of Plan assets, principally marketable securities	527,694,000	487,641,000
Plan assets over projected benefit obligation	88,604,000	84,419,000
Unrecognized net asset at transition, net of amortisation	(6,637,000)	(7,742,000)
Unrecognized prior service cost	5,721,000	6,703,000
Unrecognized net gain	(100,370,000)	(99,430,000)
Accrued pension cost	$ (12,682,000)	$(16,050,000)

The discount rate used in determining the actuarial present value of the projected benefit obligation was 7% (7.50% – 1996). The effect of projected compensation levels was calculated based on a scale that provides for a decreasing rate of salary increase depending on age; beginning with 13% (13.50% – 1996) at age 21 and decreasing to 4.5% (5.00% – 1996) at age 59. The expected long-term rate of return on assets was 8% for both 1997 and 1996.

NOTE N – POSTRETIREMENT MEDICAL BENEFITS PLAN

In 1993, the Bank adopted a cost-sharing plan for retirees medical insurance premiums. Under the plan, the Bank is obligated to pay 80% of the Group Medical Insurance Plan premiums for retirees, including retired members of the Board of Directors, and their eligible dependents who elected to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits. Net periodic postretirement medical benefit cost for the years ended 31 December 1997 and 31 December 1996, which have been included in administrative expenses for the respective years, consisted of the following components:

	1997	1996
Service costs-benefits earned for the year	$1,354,000	$3,357,000
Interest cost on accumulated postretirement medical benefit obligation	2,865,000	2,300,000
Net amortisation and deferral	1,698,000	1,350,000
Net periodic postretirement benefit cost	$5,917,000	$7,007,000

The following table sets forth the plan's status at 31 December 1997 and 31 December 1996:

	1997	1996
Accumulated postretirement medical benefit obligation:		
Retirees	$ 18,845,000	$ 12,445,000
In-service participants	32,631,000	24,747,000
Totals	51,476,000	37,192,000
Fair value of plan assets	–	–
Accumulated obligation in excess of plan assets	(51,476,000)	(37,192,000)
Unrecognized net obligation at transition, net of amortisation	17,342,000	19,751,000
Unrecognized net loss (gain)	25,000	(11,638,000)
Accrued postretirement benefit cost	$(34,109,000)	$(29,079,000)

The accumulated postretirement medical benefit obligation was determined using medical cost trend rate of 12% for 1998 grading down to 4% in 2009 (7.5% – 1996). Increasing the medical cost trend rate by 1% would increase the accumulated postretirement medical benefit obligation as of 31 December 1997 by $9,639,000 ($7,204,600 – 1996) and the net periodic postretirement benefit cost by $2,148,000 ($776,000 – 1996) for the year then ended. The weighted average discount rate used in determining the accumulated postretirement medical benefit obligation was 7% (7.5% – 1996).

NOTE O – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Bank's significant financial instruments as of 31 December 1997 and 31 December 1996 are summarized as follows:

1997	Carrying Amounts	Estimated Fair Value
On-balance sheet financial instruments:		
ASSETS:		
Due from banks	$ 75,726,000	$ 75,726,000
Investments (Note D)	7,041,600,000	7,041,600,000
Loans outstanding (Note E)	18,788,501,000	19,155,096,000
Equity investments	174,052,000	174,052,000
Other assets		
Non-negotiable, non-interest-bearing demand obligations	326,231,000	326,231,000
Currency swap receivables (Note H)	5,148,537,000	5,318,477,000
LIABILITIES:		
Borrowings (Note H)	17,494,446,000	18,532,945,000
Other liabilities		
Currency swap payables (Note H)	5,327,836,000	5,822,528,000
	Notional/Contract Amount	**Unrealized Gain (Loss)**
Off-balance sheet financial instruments:		
Investments (Note D)		
Futures – Purchase	$ 9,664,000	$ –
– Sell	9,477,000	–
Borrowings (Note H)		
Interest rate swaps	1,126,408,000	17,767,000
Guarantees (Note E)	248,503,000	–

1996	Carrying Amounts	Estimated Fair Value
On-balance sheet financial instruments:		
ASSETS:		
Due from banks	$ 94,145,000	$ 94,145,000
Investments (Note D)	6,332,455,000	6,332,455,000
Loans outstanding (Note E)	16,070,385,000	16,572,289,000
Equity investments	230,408,000	230,408,000
Other assets		
Non-negotiable, non-interest-bearing demand obligations	364,343,000	364,343,000
Currency swap receivables (Note H)	4,881,018,000	5,087,185,000
LIABILITIES:		
Borrowings (Note H)	13,663,770,000	14,692,087,000
Other liabilities		
Currency swap payables (Note H)	5,238,762,000	5,796,985,000
	Notional/Contract Amount	**Unrealized Gain (Loss)**
Off-balance sheet financial instruments:		
Investments (Note D)		
Futures – Purchase	$ –	$ –
– Sell	–	–
Borrowings (Note H)		
Interest rate swaps	1,226,724,000	33,940,000
Guarantees (Note E)	232,213,000	–

Additional fair value information, including methods used to estimate certain values, is included in the notes referenced in the above table.

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

NOTE P – OFF-BALANCE SHEET CREDIT RISK

The Bank is a party to off-balance sheet financial instruments. These financial instruments involve elements of credit risk in excess of amounts reflected on the balance sheet. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contract.

	1997	1996
Credit risk at 31 December:		
Currency swaps	\$72,257,000	\$58,018,000
Interest rate swaps	34,445,000	56,185,000
Guarantees (Note E)	99,128,000	82,029,000

NOTE Q – SPECIAL AND TRUST FUNDS

The Bank's operations include special operations, which are financed from special funds resources, consisting of the Asian Development Fund, the Technical Assistance Special Fund, Japan Special Fund and the Asian Development Bank Institute Special Fund.

In addition, the Bank, alone or jointly with donors, administers on behalf of the donors, including members of the Bank, their agencies and other development institutions, projects/programs supplementing the Bank's operations. Such projects/programs are funded with external funds administered by the Bank and with external funds not under the Bank's administration. The funds are restricted for specific uses including technical assistance to borrowers and technical assistance for regional programs. The responsibilities of the Bank under these arrangements range from project processing to project implementation including the facilitation of procurement of goods and services.

Special funds and funds administered by the Bank on behalf of the donors are not included in the assets of ordinary capital resources. The breakdown of the total of such funds together with the funds of the special operations as of 31 December 1997 and 31 December 1996 was as follows:

	1997	
	Total Net Assets	No. of Funds
Special Funds		
Asian Development Fund	$18,278,697,000	1
Technical Assistance Special Fund	53,968,000	1
Japan Special Fund	204,421,000	1
Asian Development Bank Institute Special Fund	8,890,000	1
Sub-totals	18,545,976,000	4
Trust Funds		
Funds administered by the Bank	51,733,000	19
Funds not administered by the Bank	19,670,000	1
Sub-totals	71,403,000	20
Totals	$18,617,379,000	24

	1996	
	Total Net Assets	No. of Funds
Special Funds		
Asian Development Fund	$19,399,025,000	1
Technical Assistance Special Fund	118,125,000	1
Japan Special Fund	314,902,000	1
Asian Development Bank Institute Special Fund	–	–
Sub-totals	19,832,052,000	3
Trust Funds		
Funds administered by the Bank	59,306,000	16
Funds not administered by the Bank	21,545,000	1
Sub-totals	80,851,000	17
Totals	$19,912,903,000	20

During the year ended 31 December 1997, a total of $735,000 ($217,000 – 1996) was received as compensation for administering projects/programs under Trust Funds. The amount has been included in "Income from Other Sources".

Price Waterhouse
(International Firm)
The Hague
Beijing
Hong Kong
London
New York
Tokyo
Washington

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank – Asian Development Fund (ADF):

ADF-1	Balance Sheet, 31 December 1997
ADF-2	Statement of Operations and Accumulated Surplus for the Year Ended 31 December 1997
ADF-3	Statement of Cash Flows for the Year Ended 31 December 1997
ADF-4	Summary Statement of Loans, 31 December 1997
ADF-5	Statement of Resources, 31 December 1997
ADF-6	Notes to Financial Statements, 31 December 1997

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Asian Development Bank – Asian Development Fund for the year ended 31 December 1996 were audited by other independent accountants whose report dated 19 February 1997 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Asian Development Bank – Asian Development Fund at 31 December 1997 and the results of its operations and its cash flows for the year in conformity with generally accepted accounting principles.

Price Waterhouse
(International Firm)

25 February 1998

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1997

(With Comparative Amounts at 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997		1996	
ASSETS				
DUE FROM BANKS (Note B)		$ 3,299		$ 2,946
INVESTMENTS (Notes B and C)				
Government and government-guaranteed obligations	$ 86,767		$ 43,629	
Time deposits and other obligations of banks	882,349	969,116	415,812	459,441
LOANS OUTSTANDING (ADF-4) (Notes B and D)	12,266,102		12,468,097	
Less – allowance for possible losses	5,577	12,260,525	1,778	12,466,319
ACCRUED REVENUE				
On investments	4,669		2,851	
On loans	31,693	36,362	33,115	35,966
NOTES OF CONTRIBUTORS (Notes B and E)				
Non-negotiable, non-interest-bearing notes		5,005,406		6,452,182
RECEIVABLE FROM ORDINARY CAPITAL RESOURCES		721		–
OTHER ASSETS		3,455		2,206
TOTALS		$18,278,884		$19,419,060
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL				
PAYABLE TO ORDINARY CAPITAL RESOURCES		$ –		$ 19,321
PAYABLE TO TECHNICAL ASSISTANCE SPECIAL FUND		–		389
OTHER LIABILITIES		187		325
UNEXPENDED BALANCES AND CAPITAL				
Amounts available for loan commitments (ADF-5)				
Contributed Resources (Note B)	$16,902,469		$18,203,262	
Set-Aside Resources (Note G)	64,237		68,329	
Transfers from Ordinary Capital Resources and Technical Assistance Special Fund (Note A)	233,057		3,464	
	17,199,763		18,275,055	
Advance payments on contributions (ADF-5)	59,468		59,907	
Unrealized investment holding gains (Notes B and C)	193		93	
Accumulated translation adjustments (Note B)	(48,180)		53,251	
Accumulated surplus (ADF-2)	1,067,453	18,278,697	1,010,719	19,399,025
TOTALS		$18,278,884		$19,419,060

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended 31 December 1997

(With Comparative Amounts for the Year Ended 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997			1996		
REVENUE						
From loans (Notes B and D)		$123,694			$123,954	
From investments (Notes B and C)						
Interest	$33,167			$20,254		
Net gain on sales	2	33,169		378	20,632	
From other sources – net		130	$ 156,993		203	$ 144,789
EXPENSES						
Administrative expenses (Note F)		96,460			81,999	
Provision for losses charged (written back) (Notes B and D)		3,799	100,259		(158)	81,841
EXCESS OF REVENUE OVER EXPENSES – NET INCOME			56,734			62,948
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR			1,010,719			947,771
ACCUMULATED SURPLUS AT END OF THE YEAR			**$1,067,453**			**$1,010,719**

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 1997

(With Comparative Amounts for the Year Ended 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Service charges on loans received	$ 103,180	$ 101,823
Interest on investments received	33,159	25,759
Revenue received from other activities	130	203
Administrative expenses paid	(89,075)	(20,449)
Net Cash Provided by Operating Activities	47,394	107,336
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash invested in time deposits and other obligations of banks[1]	(325,357)	(138,145)
Sales of investment securities	758,112	678,550
Maturities of investment securities	7,175,198	6,156,318
Purchases of investment securities	(7,980,519)	(6,809,278)
Principal collected on loans	147,596	136,126
Loans disbursed	(1,137,067)	(1,215,512)
Net Cash Used in Investing Activities	(1,362,037)	(1,191,941)
CASH FLOWS FROM FINANCING ACTIVITIES		
Demand obligations of contributors encashed	1,313,237	1,081,804
Contributions received[2]	5,418	1,039
Cash paid to Ordinary Capital Resources and others – net	(297)	(496)
Net Cash Provided by Financing Activities	1,318,358	1,082,347
Effect of Exchange Rate Changes on Due from Banks	(3,362)	658
Net Increase (Decrease) in Due from Banks	353	(1,600)
Due from Banks at Beginning of the Year	2,946	4,546
Due from Banks at End of the Year	$ 3,299	$ 2,946
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES – NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenue over expenses – net income (ADF-2)	$ 56,734	$ 62,948
Adjustments to reconcile excess of revenue over expenses – net income to net cash provided by operating activities:		
Accrued revenue on investments and loans	(2,703)	2,797
Accrued/Prepaid administrative expenses	(19,877)	3,356
Non-cash payment of administrative expenses	27,262	58,194
Charges capitalized	(18,766)	(19,530)
Provision for losses charged (written back)	3,799	(158)
Amortisation of discounts/premiums	947	106
Other – net	(2)	(377)
Net Cash Provided by Operating Activities	$ 47,394	$ 107,336

1 In addition to cash invested in time deposits during 1997, time deposits amounting to $230,000 were received by the Fund from the Ordinary Capital Resources of the Bank.

2 In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to $455,736 ($379,825 – 1996) were received from contributing members.

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1997

(With Comparative Amounts at 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors[1]	Loans Outstanding[2]	Undisbursed Balances of Effective Loans[3]	Loans Not Yet Effective[3]	Total Loans	Percent of Total Loans
Afghanistan	$ 27,987	$ –	$ –	$ 27,987	0.15
Bangladesh	3,468,740	859,110	362,960	4,690,810	25.39
Bhutan	38,391	6,575	7,931	52,897	0.29
Cambodia	84,623	136,595	–	221,218	1.20
Cook Islands	18,007	3,818	787	22,612	0.12
Indonesia	602,571	179,931	29,666	812,168	4.40
Kazakstan	21,860	14,018	19,521	55,399	0.30
Kiribati	3,270	–	–	3,270	0.02
Kyrgyz Republic	104,654	83,115	44,674	232,443	1.26
Lao PDR	416,786	170,363	101,809	688,958	3.73
Maldives	30,279	2,057	6,839	39,175	0.21
Marshall Islands	16,877	23,096	–	39,973	0.22
Micronesia, Fed. States of	10,827	21,877	–	32,704	0.18
Mongolia	190,547	85,591	71,682	347,820	1.88
Myanmar	425,550	44,056	–	469,606	2.54
Nepal	858,742	334,983	–	1,193,725	6.46
Pakistan	3,251,597	1,435,241	290,376	4,977,214	26.94
Papua New Guinea	252,154	52,933	–	305,087	1.65
Philippines	737,347	247,105	32,085	1,016,537	5.50
Samoa	71,478	403	–	71,881	0.39
Solomon Islands	33,354	–	–	33,354	0.18
Sri Lanka	1,267,045	336,423	160,132	1,763,600	9.55
Thailand	62,417	–	–	62,417	0.34
Tonga	27,024	10,534	4,591	42,149	0.23
Uzbekistan	–	–	19,503	19,503	0.10
Vanuatu	16,039	10,136	–	26,175	0.14
Viet Nam	227,936	742,787	254,694	1,225,417	6.63
BALANCES – 31 December 1997	12,266,102	4,800,747	1,407,250	18,474,099	100.00
Allowance for possible losses	(5,577)			(5,577)	
NET BALANCES – 31 December 1997	**$12,260,525**	**$4,800,747**	**$1,407,250**	**$18,468,522**	
BALANCES – 31 December 1996	$ 12,468,097	$ 4,913,243	$ 1,379,094	$ 18,760,434	
Allowance for possible losses	(1,778)			(1,778)	
NET BALANCES – 31 December 1996	**$12,466,319**	**$4,913,243**	**$1,379,094**	**$18,758,656**	

1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member with the exception of loans to the private sector amounting to $15,152 ($16,317 – 1996).

2 For all Special Funds Loans approved prior to 21 March 1974, the Bank charges interest (including a service fee of 3/4 of 1%) on amounts disbursed and outstanding ranging from 1% per annum to 3% per annum. For loans approved after 21 March 1974, the Bank levies a service charge on amounts disbursed and outstanding at the rate of 1% per annum.

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1998	$194,264	2007	2,115,105
1999	214,668	2012	2,857,816
2000	246,813	2017	3,415,341
2001	281,635	2022	3,352,524
2002	312,799	2027	2,434,585
		2032	1,247,061
		2037	394,238
		Total	$17,066,849

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1997	1996	Currency	1997	1996
Australian dollar	$ 338,065	$ 406,440	Japanese yen	6,565,422	6,709,641
Austrian schilling	105,557	100,390	Netherlands guilder	329,223	329,731
Belgian franc	102,114	84,703	New Zealand dollar	25,941	31,984
Canadian dollar	726,155	757,291	Norwegian krone	76,938	84,313
Danish krone	77,519	80,317	Pound sterling	351,761	377,565
Deutsche mark	869,562	817,627	Spanish peseta	39,239	45,798
Finnish markka	61,669	67,934	Swedish krona	71,192	75,912
French franc	380,903	385,912	Swiss franc	163,970	158,598
Italian lira	194,834	216,403	United States dollar	1,786,038	1,737,538
			Totals	$12,266,102	$12,468,097

3 Loans negotiated before 1 January 1983 were denominated in current United States dollars. Loans negotiated after that date are denominated in Special Drawing Rights (SDR) for the purpose of commitment. The undisbursed portions of such SDR loans are translated into United States dollars at the applicable exchange rates as of the end of a reporting period. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse various amounts totalling $117,703 ($107,461 – 1996).

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1997

Expressed in Thousands of United States Dollars (Note B)

	Effective Amounts Committed During 1997	Effective Amounts Committed: At Exchange Rates Per Resolutions	Effective Amounts Committed: At 31 Dec 1997 Exchange Rates	Amounts Not Yet Available For Loan Commitments	Amounts Available For Loan Commitments	Amounts Received	Amounts Receivable
CONTRIBUTED RESOURCES							
Australia	$ 151,158	$ 1,139,532	$ 873,612	$ 113,368	$ 760,244	$ 760,244	$ –
Austria	–	121,216	139,454	7,778	131,676	131,676	–
Belgium	–	119,116	124,078	–	124,078	124,078	–
Canada	120,537	1,280,180	1,103,852	90,402	1,013,450	1,013,450	–
Denmark	19,985	154,229	152,129	14,989	137,140	137,140	–
Finland	14,758	100,391	84,370	11,069	73,301	73,301	–
France	117,709	831,755	798,348	135,330	663,018	663,018	–
Germany	144,978	1,132,547	1,246,716	174,435	1,072,281	1,072,281	–
Hong Kong, China	15,390	20,270	20,270	11,542	8,728	8,728	–
Indonesia	10,000	14,960	14,960	7,500	7,460	7,460	–
Italy	–	599,302	411,066	58,955	352,111	352,111	–
Japan	828,543	6,441,291	9,167,944	621,407	8,546,537	8,546,537	–
Korea, Rep. of	–	22,900	22,900	–	22,900	22,900	–
Malaysia	6,556	10,000	6,556	4,917	1,639	1,639	–
Nauru	–	1,933	1,933	500	1,433	1,433	–
Netherlands	53,466	413,497	449,299	40,099	409,200	409,200	–
New Zealand	19,487	70,473	57,997	14,616	43,381	43,381	–
Norway	21,312	138,458	117,077	15,984	101,093	101,093	–
Spain	–	90,013	76,299	–	76,299	76,299	–
Sweden	34,024	249,844	190,742	25,518	165,224	165,224	–
Switzerland	29,219	214,910	251,593	34,195	217,398	217,398	–
Taipei,China	–	16,500	16,500	–	16,500	16,500	–
Turkey	–	84,266	84,266	11,655	72,611	72,611	–
United Kingdom	110,816	725,477	679,968	83,112	596,856	596,856	–
United States	–	2,524,928	2,524,928	237,017	2,287,911	2,287,911	–
Totals	1,697,938	16,517,988	18,616,857	1,714,388	16,902,469	16,902,469 [1]	–
SET-ASIDE RESOURCES (Note G)	–	–	64,237	–	64,237	–	–
TRANSFER FROM ORDINARY CAPITAL RESOURCES	–	–	230,000	–	230,000	–	–
TRANSFERS FROM TECHNICAL ASSISTANCE SPECIAL FUND[2]	–	–	3,057	–	3,057	–	–
TOTALS	**$1,697,938**	**$16,517,988**	**$18,914,151**	**$1,714,388**	**$17,199,763**	**$16,902,469**	**$ –**

1 Excludes $59,468 equivalent representing advance payments received but not yet available for loan commitments as of 31 December 1997.
2 Includes translation adjustments amounting to $415 as of 31 December 1997.

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1997

(With Comparative Amounts at 31 December 1996)

CONTINUED

NOTE A – NATURE OF OPERATIONS

The Asian Development Fund (the Fund) was established on 28 June 1974 to carry out more effectively the special operations of the Bank by providing resources on concessional terms which are made available almost exclusively to the poorest borrowing countries.

The resources of the Fund have been subsequently augmented by six replenishments, the most recent of which became effective in September 1997 in a total amount equivalent to US$2,657,777,000 to cover the operational requirements for the four-year period from January 1997. In 1997, unallocated net income in the amount of $230,000,000 held in the surplus account of the Bank's ordinary capital resources was allocated to the Fund to supplement donors' contributions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Translation of Currencies

Assets, liabilities, amounts available for loan commitments and advance payments on contributions are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Revenue and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to set-aside resources (see Note G) are recorded as notional amounts receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in revenue.

Investments

All investment securities held by the Bank are considered by management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from revenue and reported in "UNEXPENDED BALANCES AND CAPITAL". Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in revenue from investments and are measured by the difference between average cost or amortised cost and the net proceeds of sales.

Loans

Loans of the Fund are extended to eligible developing member countries, bear only a service charge and require repayment over periods ranging from 35 to 40 years. The Fund requires borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed. It is the policy of the Fund to place in non-accrual status all loans made to eligible developing member countries if the principal or service charges with respect to any such loan are overdue by six months. When loans are placed in non-accrual status, the related unpaid service charges are reversed and are deducted from revenue. Service charges on non-accruing loans are included in revenue only to the extent that payments have actually been received by the Fund. The Bank follows a policy of not taking part in debt rescheduling agreements.

The Bank determines that a loan is impaired and therefore subject to provisioning when principal or interest is in arrears for one year for public sector loans made to or guaranteed by a member (unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning) and six months for private sector loans.

If the present value of expected future cash flows discounted at the loan's effective interest rate is less than the carrying value of the loan, a specific valuation allowance is established with a corresponding charge to provision for losses. In addition, the Bank establishes a general loan loss allowance for private sector loan portfolio based on a rate approved by the Board of Directors.

The Bank's periodic evaluation of the adequacy of the general loan loss reserve factors and overall allowance for possible losses is based on its past loan loss experience, known and inherent risks in existing loans and commitments to extend credit and adverse situations that may affect a borrower's ability to repay.

Contributed Resources

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

Contributions are generally paid or to be paid in the currency of the contributor either in cash or notes.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Fund considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

NOTE C – INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1997 and 31 December 1996 were as follows:

Currency	1997	1996
Australian dollar	$127,944,000	$ 67,829,000
Austrian schilling	22,063,000	8,206,000
Belgian franc	39,743,000	7,656,000
Canadian dollar	65,862,000	23,904,000
Deutsche mark	22,671,000	31,983,000
French franc	101,124,000	38,170,000
Italian lira	67,546,000	27,783,000
Japanese yen	132,097,000	63,449,000
Pound sterling	137,839,000	57,128,000
Spanish peseta	23,527,000	15,613,000
United States dollar	145,926,000	73,310,000
Others	82,774,000	44,410,000
Totals	$969,116,000	$459,441,000

The amortised cost and estimated fair value of the investments by contractual maturity at 31 December 1997 were as follows:

	Amortised Cost	Estimated Fair Value
Due in one year or less	$957,661,000	$957,606,000
Due after one year through five years	11,262,000	11,510,000
Totals	$968,923,000	$969,116,000

Additional information relating to investments in government and government-guaranteed obligations, is as follows:

	1997	1996
As of 31 December:		
Amortised cost	$ 86,574,000	$ 43,536,000
Estimated fair value	86,767,000	43,629,000
Gross unrealized gains	253,000	93,000
Gross unrealized losses	60,000	–
For the years ended 31 December:		
Change in net unrealized gains/losses	100,000	(786,000)
Proceeds from sales	758,110,000	678,550,000
Gross gains	3,000	570,000
Gross losses	1,000	192,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 3.93% (4.23% – 1996). If unrealized gains and losses were included, the annualized rate of return would have been 3.94% (4.06% – 1996).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

NOTE D – LOANS AND LOAN LOSS PROVISION

Loans

Loans are fair valued using an entry value method. Under this method, fair value is determined based on the terms at which a similar loan would currently be made by the Bank to a similar borrower. Such terms generally include a service charge of 1 percent and a final maturity of about 40 years. For such loans, fair value approximates the carrying amount. The estimated fair value of loans is not affected by credit risks because the amount of any such adjustment is not considered to have a material effect based on the Bank's experience with its borrowers.

Undisbursed loan commitments and an analysis of loans by countries as of 31 December 1997 and 31 December 1996 are shown in ADF-4.

The principal amount outstanding of public sector loans placed in non-accrual status as of 31 December 1997 was $61,341,000 ($56,226,000 – 1996) of which $8,620,000 ($7,237,000 – 1996) was overdue. Overdue charges on these loans totalled $2,460,000 ($1,995,000 – 1996). Placing these loans in a non-accrual status resulted in a reduction of $736,000 ($744,000 – 1996) in revenue from loans for the year ended 31 December 1997. The loans in non-accrual status as of 31 December 1997 were four loans made to Afghanistan and twelve loans to Solomon Islands. (Four loans to Afghanistan and nine loans to Solomon Islands were placed in non-accrual status as of 31 December 1996).

Private sector loans outstanding as of 31 December 1997 were $13,518,000 ($14,539,000 – 1996), net of accumulated provision for loan losses as of 31 December 1997 of $1,634,000 ($1,778,000 – 1996), and there were no undisbursed loan commitments (nil – 1996).

Loan Loss Provision

The Bank makes specific provision for possible losses on loans to the private sector when principal or service charges are in arrears for six months or more, based on an evaluation by the Bank of the collectibility of loans outstanding. On the remainder of the private sector portfolio, the Bank makes a general loan loss provision at a rate approved by the Board of Directors.

The Bank makes specific provision for possible losses on loans made to the public sector when principal or service charges are in arrears for a year or more unless there is clear and convincing evidence warranting the deferment or acceleration of such provisioning. The amount of any specific loss provision is determined by comparing the carrying value of the loan to the present value of expected cash inflows discounted at the loan's effective interest rate.

As of 31 December 1997, loan loss provisions amounting to $3,943,000 (nil – 1996) have been made against public sector loans while $1,634,000 ($1,778,000 – 1996) have been made against private sector loans.

Information appertaining to loans which are subject to specific loan loss provisions as at 31 December 1997 and 31 December 1996 were as follows:

	1997	1996
Total loans without specific loss provisions	$12,232,843,000	$12,462,184,000
Total loans subject to specific loss provisions	33,259,000	5,913,000
Total loans	$12,266,102,000	$12,468,097,000
Average amount of loans subject to specific loss provisions	$ 35,168,000	$ 6,298,000
Related service charges recognised on such loans	$ 57,000	$ 63,000
Cash received on related service charges on such loans	$ 89,000	$ 33,000

The changes in the allowance for loan losses during 1997 and 1996 were as follows:

	1997	1996
Balance – 1 January	$1,778,000	$1,936,000
Provision (Reduction) during the year	3,799,000	(158,000)
Balance – 31 December	$5,577,000	$1,778,000
Made up of:		
Specific loan loss provision	$4,787,000	$ 946,000
General loan loss provision	790,000	832,000
Totals	$5,577,000	$1,778,000

NOTE E – NOTES OF CONTRIBUTORS

Notes of contributors are non-negotiable, non-interest-bearing and, subject to certain restrictions imposed by applicable Board of Governors' resolutions, encashable by the Bank at par upon demand.

The Bank currently expects that the notes outstanding at 31 December 1997 will be encashed in varying amounts over the ten-year period ending 31 December 2007.

Notes of contributors are fair valued using an entry value method whereby fair value is determined based on the terms at which notes are currently being accepted from contributors. On this basis, fair value of outstanding notes of contributors approximates carrying amount.

NOTE F – ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge from Ordinary Capital Resources amounting to $96,452,000

($81,991,000 – 1996). The charge represents an apportionment of all administrative expenses of the Bank (other than those appertaining directly to ordinary operations and special operations) based on the number of loans and equity investments approved during the year.

NOTE G – SET-ASIDE RESOURCES

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

The capital stock of the Bank is defined in Article 4, paragraph 1 of the Charter, "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was $1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1997, the value of the SDR in terms of the current United States dollar was $1.34925 ($1.43520 – 1996). On this basis, Set-Aside Resources amounted to $64,237,000 ($68,329,000 – 1996). If the capital stock of the Bank as of 31 December 1997 had been valued in terms of $12,063.50 per share, Set-Aside Resources would have been $57,434,000.

NOTE H – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's balance sheet carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B, C, D and E for discussions with respect to investments, loans and notes of contributors, respectively.

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank – Technical Assistance Special Fund (TASF):

TASF-1	Statement of Financial Position, 31 December 1997
TASF-2	Statement of Activities and Changes in Net Assets for the Year Ended 31 December 1997
TASF-3	Statement of Cash Flows for the Year Ended 31 December 1997
TASF-4	Statement of Resources, 31 December 1997
TASF-5	Summary Statement of Services to Member Countries for the Year Ended 31 December 1997
TASF-6	Notes to Financial Statements, 31 December 1997

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Asian Development Bank – Technical Assistance Special Fund for the year ended 31 December 1996 were audited by other independent accountants whose report dated 19 February 1997 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Asian Development Bank – Technical Assistance Special Fund at 31 December 1997 and the results of its activities and changes in net assets and its cash flows for the year in conformity with generally accepted accounting principles.

Price Waterhouse
(International Firm)

25 February 1998

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF FINANCIAL POSITION

31 December 1997

(With Comparative Amounts at 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997		1996	
ASSETS				
DUE FROM BANKS (Note B)		$ 641		$ 621
INVESTMENTS (Notes B and C)				
Government and government-guaranteed obligations	$ 15,710		$ 25,230	
Time deposits and other obligations of banks	138,711	154,421	185,637	210,867
ACCRUED REVENUE		791		805
RECEIVABLE FROM ASIAN DEVELOPMENT FUND		–		389
OTHER ASSETS		13,372		10,806
TOTALS		$169,225		$223,488
LIABILITIES AND UNCOMMITTED BALANCES				
PAYABLE TO ORDINARY CAPITAL RESOURCES		$ 117		$ 53
ACCOUNTS PAYABLE AND OTHER LIABILITIES		117		172
UNDISBURSED COMMITMENTS (Notes B and E)		115,023		105,138
UNCOMMITTED BALANCES (TASF-2 and TASF-4), represented by:				
Unrestricted net assets	$ 53,776		$118,125	
Temporarily restricted net assets	192	53,968	–	118,125
TOTALS		$169,225		$223,488

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended 31 December 1997

(With Comparative Amounts for the Year Ended 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997		1996	
CHANGES IN UNRESTRICTED NET ASSETS				
CONTRIBUTIONS (TASF-4) (Notes B and D)		$ 1,126		$ 4,651
REVENUE				
From investments (Notes B and C)				
Interest	$ 5,876		$ 8,124	
Unrealized investment gains (losses)	(114)		616	
Net gain on sales	–		11	
	5,762		8,751	
From other sources – net (Note E)	746	6,508	409	9,160
NET ASSETS RELEASED FROM RESTRICTIONS (Note B)		–		387
Totals		7,634		14,198
EXPENSES				
Services to member countries (TASF-5) (Note B)		58,233		55,144
Administrative expenses		5		3
Totals		58,238		55,147
CONTRIBUTIONS AND REVENUE LESS THAN EXPENSES		(50,604)		(40,949)
EXCHANGE LOSSES – net (Note B)		(13,745)		(18,327)
DECREASE IN UNRESTRICTED NET ASSETS		(64,349)		(59,276)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
CONTRIBUTIONS (TASF-4) (Notes B and D)		192		63
NET ASSETS RELEASED FROM RESTRICTIONS (Note B)		–		(387)
EXCHANGE LOSSES – net (Note B)		–		(11)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS		192		(335)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS				
EXCHANGE LOSSES – net (Note B)		–		(175)
TRANSFERS TO ASIAN DEVELOPMENT FUND		–		(2,216)
DECREASE IN PERMANENTLY RESTRICTED NET ASSETS		–		(2,391)
DECREASE IN NET ASSETS		(64,157)		(62,002)
NET ASSETS AT BEGINNING OF THE YEAR		118,125		180,127
NET ASSETS AT END OF THE YEAR		**$53,968**		**$118,125**

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 1997

(With Comparative Amounts for the Year Ended 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	$ 643	$ 5,852
Interest on investments received	5,871	9,746
Cash received from other activities	717	296
Services to member countries paid	(49,406)	(49,789)
Administrative expenses paid	(5)	(3)
Net Cash Used in Operating Activities	(42,180)	(33,898)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from time deposits and other obligations of banks	34,026	43,437
Sales of investment securities	13,093	3,104
Maturities of investment securities	505	394
Purchases of investment securities	(4,930)	(11,219)
Net Cash Provided by Investing Activities	42,694	35,716
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid to Ordinary Capital Resources and others – net	(463)	(463)
Resources transferred to Asian Development Fund	–	(2,216)
Net Cash Used in Financing Activities	(463)	(2,679)
Effect of Exchange Rate Changes on Due from Banks	(31)	(13)
Net Increase (Decrease) in Due from Banks	20	(874)
Due from Banks at Beginning of the Year	621	1,495
Due from Banks at End of the Year	$ 641	$ 621
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Decrease in net assets (TASF-2)	$ (64,157)	$ (62,002)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Contributions receivable	(675)	1,138
Transfers to Asian Development Fund	–	2,216
Undisbursed commitments	9,885	3,707
Translation adjustments	13,716	18,400
Unrealized investment (gains) losses	114	(616)
Advances for services to member countries	(1,058)	1,648
Amortisation of discounts/premiums	57	65
Other – net	(62)	1,546
Net Cash Used in Operating Activities	$ (42,180)	$ (33,898)

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF RESOURCES

31 December 1997

Expressed in Thousands of United States Dollars (Note B)

	Contributions Received During 1997	Cumulative Contributions Received	Contributions Utilized During 1997	Cumulative Contributions Utilized	Contributions Unutilized
DIRECT VOLUNTARY CONTRIBUTIONS					
Australia	$ –	$ 2,484	$ –	$ 2,484	$ –
Austria	–	159	–	159	–
Bangladesh	–	47	–	47	–
Belgium	–	1,394	–	1,394	–
Canada	–	3,346	–	3,346	–
China, People's Rep. of	–	600	–	600	–
Denmark	–	1,963	–	1,963	–
Finland	–	237	–	237	–
France	–	1,697	–	1,697	–
Germany	–	3,315	–	3,315	–
Hong Kong, China	–	100	–	100	–
India	256	2,659	–	2,403	256
Indonesia	–	250	–	250	–
Italy	–	774	–	774	–
Japan	–	47,710	–	47,710	–
Korea, Rep. of	–	1,900	–	1,900	–
Malaysia	–	909	–	909	–
Netherlands	–	1,337	–	1,337	–
New Zealand	–	1,096	–	1,096	–
Norway	–	3,279	–	3,279	–
Pakistan	62	1,251	–	1,189	62
Singapore	1,000	1,100	–	100	1,000
Spain	–	190	–	190	–
Sri Lanka	–	6	–	6	–
Sweden	–	861	–	861	–
Switzerland	–	1,035	–	1,035	–
Taipei,China	–	200	–	200	–
United Kingdom	–	5,617	–	5,617	–
United States	–	1,500	–	1,500	–
Totals	1,318	87,016	–	85,698	1,318
REGULARIZED TASF REPLENISHMENTS AND ALLOCATION FROM ORDINARY CAPITAL RESOURCES NET INCOME (Note D)	–	499,039	70,775	483,424	15,615
TRANSFERS TO ASIAN DEVELOPMENT FUND	–	(3,472)	–	(3,472)	–
OTHER RESOURCES[1]	–	52,850	5	17,010	35,840
UNREALIZED INVESTMENT HOLDING GAINS	–	1,195	–	–	1,195
TOTALS	$1,318	$636,628	$70,780[2]	$582,660	$53,968

1 Other resources represent income and replenishments accruing to TASF since 1 April 1980.
2 Includes exchange loss amounting to $12,542.

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF SERVICES TO MEMBER COUNTRIES

For the Year Ended 31 December 1997

Expressed in Thousands of United States Dollars (Note B)

Recipients	Project Preparation	Project Implementation/ Advisory	Totals
Bangladesh	$ (154)	$ 1,968	$ 1,814
Bhutan	–	400	400
Cambodia	(34)	(115)	(149)
China, People's Rep. of	228	8,091	8,319
Cook Islands	–	1,591	1,591
Fiji	–	770	770
India	–	3,637	3,637
Indonesia	1,050	3,720	4,770
Kazakstan	350	100	450
Kiribati	–	700	700
Lao PDR	–	80	80
Malaysia	100	670	770
Maldives	300	598	898
Marshall Islands	–	1,299	1,299
Micronesia, Fed. States of	–	2,057	2,057
Mongolia	150	1,845	1,995
Myanmar	–	(207)	(207)
Nepal	–	823	823
Pakistan	–	2,504	2,504
Papua New Guinea	123	1,331	1,454
Philippines	150	911	1,061
Sri Lanka	(17)	384	367
Thailand	–	409	409
Tonga	–	280	280
Tuvalu	82	–	82
Uzbekistan	–	830	830
Vanuatu	–	150	150
Viet Nam	–	2,821	2,821
Totals	$2,328	$37,647	39,975
Regional Activities			18,258
TOTAL			$58,233

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1997

(With Comparative Amounts at 31 December 1996)

NOTE A – NATURE OF OPERATIONS

The Technical Assistance Special Fund (TASF) was established to provide technical assistance on a grant basis to the Bank's developing member countries and for regional technical assistance. TASF resources consist of direct voluntary contributions by members, allocations from the net income of Ordinary Capital Resources (OCR) and Asian Development Fund (ADF) contributions, and revenue from investments and other sources.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the TASF are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

TASF reports the contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Investments

All investment securities held by TASF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Contributions

Contributions from members are included in the financial statements from the date contribution agreements become effective. Contributions from donors which are restricted by them to technical assistance (TA) projects/programs with specified procurement sources are classified as temporarily restricted contributions. Those without any stipulations as to specific use are accounted for as unrestricted contributions.

Services to Member Countries

Services to member countries are recognized in the financial statements of TASF when the TA projects/programs are approved and effective. Upon completion of the TA projects/programs, any undisbursed amounts are written back as a reduction in the services to member countries for the year and the corresponding undisbursed commitments are reduced.

Reporting Currency

The financial statements of TASF are expressed in thousands of current United States dollars. As a matter of convenience, the United States dollar, the reporting currency, is used to measure exchange gains and losses.

Translation of Currencies

Assets, liabilities and uncommitted balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated initially at applicable exchange rates as of the respective dates when the contributions become effective. As to cumulative contributions received, the utilized portions are translated at the applicable exchange rates as of the respective dates of use whereas the unutilized portions are translated at the applicable exchange rates as of the end of a reporting period. Revenue and expense amounts in currencies other than United States dollars are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments

CONTINUED

are accounted for as exchange gains or losses and are charged or credited to operations.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the TASF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

NOTE C – INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1997 and 31 December 1996 were as follows:

Currency	1997	1996
Australian dollar	$ 5,231,000	$ 6,213,000
Canadian dollar	89,047,000	89,423,000
Deutsche mark	5,821,000	7,243,000
French franc	10,000	4,131,000
Italian lira	4,490,000	4,834,000
Japanese yen	77,000	25,523,000
Netherlands guilder	2,286,000	3,222,000
Swedish krona	1,205,000	1,281,000
Swiss franc	40,040,000	60,602,000
United States dollar	1,982,000	2,923,000
Others	4,232,000	5,472,000
Totals	$154,421,000	$210,867,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 3.18% (3.63% – 1996).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

NOTE D – FUNDING

Since 1967, contributions have been made by 31 member countries. In February 1992, the Board of Governors, in authorizing a $4,200,000,000 replenishment of the ADF, provided for an allocation to the TASF in an aggregate amount equivalent to $140,000,000 to be used for technical assistance to poorer developing members and for regional technical assistance. This replenishment became effective in August 1992.

The Board of Governors allocated $81,000,000 to TASF from the 1994 net income of the OCR in 1995. Since then, there has been no further allocation.

Some of the contributions received were restricted to use upon procurement sources, while some were given on condition that the technical assistance be made on reimbursable basis.

The total contributions received for the years ended 31 December 1997 and 31 December 1996 were as follows:

	1997	1996
Unrestricted contributions	$1,126,000	$4,651,000
Temporarily restricted contributions	192,000	63,000
Total contributions	$1,318,000	$4,714,000

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1997

(With Comparative Amounts at 31 December 1996)

NOTE E – UNDISBURSED COMMITMENTS

Undisbursed commitments represent effective ongoing grant-financed TA projects/programs which are not yet disbursed as of the end of the year. The fair value of such commitments approximates the amounts undisbursed because the Bank expects that grants will be made for all projects/programs covered by the commitments. When technical assistance provided as a project preparatory grant leads to a Bank loan, the amount of the grant exceeding $250,000 will be refinanced under the terms of that Bank loan. Refinanced amounts of $656,000 ($317,000 – 1996) were charged to such loans and credited to revenue from other sources of the TASF during the year ended 31 December 1997.

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments and undisbursed commitments, respectively.

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the following financial statements of the Asian Development Bank – Japan Special Fund (JSF):

JSF-1	Statement of Financial Position, 31 December 1997
JSF-2	Statement of Activities and Changes in Net Assets for the Year Ended 31 December 1997
JSF-3	Statement of Cash Flows for the Year Ended 31 December 1997
JSF-4	Notes to Financial Statements, 31 December 1997

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Asian Development Bank – Japan Special Fund for the year ended 31 December 1996 were audited by other independent accountants whose report dated 19 February 1997 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Asian Development Bank – Japan Special Fund at 31 December 1997 and the results of its activities and changes in net assets and its cash flows for the year in conformity with generally accepted accounting principles.

Price Waterhouse
(International Firm)

25 February 1998

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND

STATEMENT OF FINANCIAL POSITION

31 December 1997

(With Comparative Amounts at 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997		1996	
ASSETS				
DUE FROM BANKS (Note B)		$ 38,458		$ 428
INVESTMENTS (Notes A, B and C)				
Government and government-guaranteed obligations	$ 538		$ 27,603	
Time deposits	268,914	269,452	388,543	416,146
EQUITY INVESTMENTS (Notes A, B and D), net		373		702
ACCRUED REVENUE		460		916
OTHER ASSETS		3,207		2,429
TOTALS		$311,950		$420,621
LIABILITIES AND UNCOMMITTED BALANCES				
PAYABLE TO ORDINARY CAPITAL RESOURCES		$ 856		$ 476
ACCOUNTS PAYABLE AND OTHER LIABILITIES		90		106
UNDISBURSED COMMITMENTS (Notes B and E)		106,583		105,137
NET ASSETS (JSF-2), represented by:				
Uncommitted Balances (Note F)				
Unrestricted	$129,463		$211,795	
Temporarily restricted (Note G)	34,642		61,165	
	164,105		272,960	
Net Accumulated Investment Income				
Temporarily restricted (Notes A and G)	40,316	204,421	41,942	314,902
TOTALS		$311,950		$420,621

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended 31 December 1997
(With Comparative Amounts for the Year Ended 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997		1996	
CHANGES IN UNRESTRICTED NET ASSETS				
CONTRIBUTIONS (Notes B and G)		$ –		$ 61,947
REVENUE FROM OTHER SOURCES		209		7
NET ASSETS RELEASED FROM RESTRICTIONS (Notes B and G)		17,138		19,369
Totals		17,347		81,323
EXPENSES				
Services to member countries (Note B)		72,477		76,037
Administrative expenses		1,278		1,253
Provision for losses charged (Notes B and D)		–		1
Totals		73,755		77,291
CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES		(56,408)		4,032
EXCHANGE LOSSES (Note B)		(10,137)		(11,694)
DECREASE IN UNRESTRICTED NET ASSETS BEFORE TRANSLATION ADJUSTMENTS		(66,545)		(7,662)
TRANSLATION ADJUSTMENTS (Note B)		(15,787)		(23,398)
DECREASE IN UNRESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS		(82,332)		(31,060)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
CONTRIBUTIONS (Notes B and G)		–		17,925
REVENUE				
From investments (Notes B and C)				
Interest	$ 2,534		$ 2,350	
Unrealized investment gains (losses)	(317)	2,217	88	2,438
NET ASSETS RELEASED FROM RESTRICTIONS (Notes B and G)				
Project related	(15,860)		(18,116)	
Administrative expenses	(1,278)	(17,138)	(1,253)	(19,369)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS BEFORE TRANSLATION ADJUSTMENTS		(14,921)		994
TRANSLATION ADJUSTMENTS (Note B)		(13,228)		(14,276)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS		(28,149)		(13,282)
DECREASE IN NET ASSETS		(110,481)		(44,342)
NET ASSETS AT BEGINNING OF THE YEAR		314,902		359,244
NET ASSETS AT END OF THE YEAR		$204,421		$314,902

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 1997

(With Comparative Amounts for the Year Ended 31 December 1996)

Expressed in Thousands of United States Dollars (Note B)

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	$ –	$ 79,872
Interest on investments received	3,563	2,502
Interest on bank account	177	–
Services to member countries paid	(72,321)	(65,129)
Administrative expenses paid	(822)	(1,178)
Net Cash Provided by (Used in) Operating Activities	(69,403)	16,067
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash withdrawn from time deposits	85,544	15,435
Sales of investment securities	79,410	82,144
Maturities of investment securities	17,521	–
Purchases of investment securities	(74,690)	(113,500)
Net Cash Provided by (Used in) Investing Activities	107,785	(15,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from (paid to) Ordinary Capital Resources and others – net	(329)	120
Effect of Exchange Rate Changes on Due from Banks	(23)	(18)
Net Increase in Due From Banks	38,030	248
Due from Banks at Beginning of the Year	428	180
Due from Banks at End of the Year	$ 38,458	$ 428
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Decrease in net assets (JSF-2)	$ (110,481)	$ (44,342)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Unrealized investment (gains) losses	317	(88)
Translation adjustments	38,304	37,674
Gain on sale of investments	(411)	–
Provision for losses charged	–	1
Undisbursed commitments	1,446	9,721
Amortisation of discounts/premiums	1,085	907
Other – net	337	12,194
Net Cash Provided by (Used in) Operating Activities	$ (69,403)	$ 16,067

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1997

(With Comparative Amounts at 31 December 1996)

CONTINUED

NOTE A – NATURE OF OPERATIONS

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Bank entered into a financial arrangement whereby Japan agreed to make an initial contribution and the Bank became the administrator. The purpose of JSF is to help developing member countries of the Bank restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to developing member countries of the Bank. While the JSF resources are used mainly to finance technical assistance (TA) operations, these resources may also be used for equity investment operations in the Bank's developing member countries. Under the agreement between the Bank and the Government of Japan, the Bank may invest the proceeds of JSF pending disbursement. The revenue from such investments, if retained by the Bank, may only be used to pay for direct and identifiable costs incurred in the administration of JSF.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the JSF are presented on the basis of unrestricted and temporarily restricted net assets.

JSF reports the contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Investments

All investment securities held by JSF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Contributions

Contributions by Japan are included in the financial statements from the date indicated by the government of Japan that funds are expected to be made available. Contributions which are restricted by the donor for specific TA projects/programs are classified as temporarily restricted contributions. Those without any stipulation as to specific use are accounted for as unrestricted contributions and reported as such.

Services to Member Countries

Services to member countries are recognized in the financial statements of JSF when the TA projects/programs are approved and effective. In general, TA projects/programs become effective when a letter of agreement has been signed by the beneficiary. Upon completion of the TA projects/programs, any undisbursed amounts are written back as a reduction in the services to member countries for the year and the corresponding undisbursed commitments are reduced accordingly.

Functional Currency and Reporting Currency

The functional currency of JSF is the Japanese yen while the reporting currency is the United States dollar. The financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated at the applicable exchange rates as of the dates the contributions are received. Revenue and expense amounts in Japanese yen are translated for each semi-monthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Exchange gains or losses on currency transactions arise on translation differences between the date a project/program is committed and the timing of disbursements. Exchange gains or losses are charged or credited to operations.

Equity Investments

Equity investments with readily determinable fair values are reported at fair value. The Bank makes provisions for possible loss of value quarterly based on management's evaluation of potential losses on investments without readily determinable fair values.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

Statement of Cash Flows

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

NOTE C – INVESTMENTS

The currency compositions of the investment portfolio as of 31 December 1997 and 31 December 1996 were as follows:

Currency	1997	1996
Japanese yen	$151,829,000	$416,146,000
United States dollar	117,085,000	–
Totals	$268,914,000	$416,146,000

As of 31 December 1997, the estimated fair value of the investments was $269,452,000 ($416,146,000 – 1996), and was due in one year or less.

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month was 0.68% (0.60% – 1996).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

NOTE D – EQUITY INVESTMENTS

The Bank used JSF resources to make an equity investment in India in 1990 totalling $373,000 at 31 December 1997 ($702,000 – 1996). The investment is reported at its estimated fair value and the unrealized loss (gain – 1996) is included in income for the year.

NOTE E – UNDISBURSED COMMITMENTS

Undisbursed commitments are denominated in United States dollars and represent effective technical assistance for projects/ programs which have not been disbursed. The fair value of such commitments approximates the amounts outstanding because JSF expects that disbursements will substantially be made for all the projects/programs covered by the commitments.

NOTE F – UNCOMMITTED BALANCES

Uncommitted balances are composed of amounts which have not been committed by the Bank as at 31 December 1997. These balances include TA projects/programs that had been approved but which had not yet become effective.

As of 31 December 1997 and 31 December 1996 these balances were as follows:

	1997	1996
Uncommitted Balances	$164,105,000	$272,960,000
TA projects/programs approved by the Government of Japan and the Bank but not yet effective	(49,243,000)	(25,313,000)
TA projects/programs approved by the Government of Japan and not yet effective	(44,236,000)	(28,915,000)
Uncommitted Balances Available for new Commitments	$ 70,626,000	$218,732,000

NOTE G – CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS

All contributions for the years ended 31 December 1997 and 31 December 1996 were received during the respective years. Some of the contributions received were with the restriction that they were to be utilized for specific TA projects/programs. Such contributions were classified as temporarily restricted support.

Temporarily restricted uncommitted balances are available for the following purposes as of 31 December 1997 and 31 December 1996:

	1997	1996
Environment-related Activities	$20,113,000	$37,596,000
Private Sector Promotion	8,760,000	14,963,000
Women in Development	5,586,000	8,367,000
Training/Symposium	183,000	239,000
Totals	$34,642,000	$61,165,000

Accumulated investment income net of accumulated administrative expenses has been categorized as temporarily restricted net assets because, under the terms of the agreement between the Bank and the donor, it may only be used for the defrayment of the Fund's administrative expenses.

Accumulated investment income net of accumulated administrative expenses of $41,942,000 at 31 December 1996 and related accounts in the 1996 statement of activities and changes in net assets have been reclassified from unrestricted to temporarily restricted net assets to conform with the 1997 presentation.

Net assets released from restrictions relate to commitments for services to member countries satisfying the conditions specified by the donor and, in the case of accumulated investment income, to defray the administrative expenses of the Fund.

NOTE H – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1997

(With Comparative Amounts at 31 December 1996)

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B, C, D and E for discussions with respect to investments, equity investments and undisbursed commitments, respectively.

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank – Asian Development Bank Institute Special Fund (ADBISF):

ADBISF-1 Statement of Financial Position, 31 December 1997

ADBISF-2 Statement of Activities and Changes in Net Assets for the Period 24 March to 31 December 1997

ADBISF-3 Statement of Cash Flows for the Period 24 March to 31 December 1997

ADBISF-4 Notes to Financial Statements, 31 December 1997

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Asian Development Bank – Asian Development Bank Institute Special Fund at 31 December 1997 and the results of its activities and changes in net assets and its cash flows for the period then ended in conformity with generally accepted accounting principles.

Price Waterhouse
(International Firm)

25 February 1998

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND
STATEMENT OF FINANCIAL POSITION
31 December 1997

Expressed in Thousands of United States Dollars (Note B)

ASSETS		
DUE FROM BANKS (Note B)		$ 276
INVESTMENTS (Notes B, C and D)		
Time deposits		3,575
PROPERTY, FURNITURE AND EQUIPMENT (Note B)	$ 4,225	
Less – allowance for depreciation	303	3,922
OTHER ASSETS		1,643
TOTALS		**$ 9,416**
LIABILITIES AND UNCOMMITTED BALANCES		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES		$ 494
ACCOUNTS PAYABLE AND OTHER LIABILITIES		32
UNCOMMITTED BALANCES (ADBISF-2)		8,890
TOTALS		**$ 9,416**

See notes to financial statements (ADBISF-4).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Period 24 March to 31 December 1997

Expressed in Thousands of United States Dollars (Note B)

CHANGES IN UNRESTRICTED NET ASSETS	
CONTRIBUTIONS (Note B)	$ 11,828
REVENUE	
Income from investments (Notes B and C)	28
Total	11,856
EXPENSES	
Administrative expenses	2,788
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	9,068
TRANSLATION ADJUSTMENTS (Note B)	(178)
NET ASSETS AT END OF THE PERIOD	$ 8,890

See notes to financial statements (ADBISF-4).

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Period 24 March to 31 December 1997

Expressed in Thousands of United States Dollars (Note B)

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions received	$11,828
Interest on investments received	26
Administrative expenses paid	(4,119)
Net Cash Provided by Operating Activities	7,735
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash invested in time deposits	(3,343)
Sales of investment securities	14,185
Purchases of investment securities	(14,345)
Furniture and equipment acquired	(4,225)
Net Cash Used in Investing Activities	(7,728)
Effect of Exchange Rate Changes on Due from Banks	269
Due from Banks at End of the Period	$ 276
RECONCILIATION OF NET ASSETS AT END OF THE PERIOD TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net assets at end of the period (ADBISF-2)	$ 8,890
Adjustments to reconcile net assets at end of the period to net cash provided by operating activities:	
Translation adjustments	178
Amortisation of discounts/premiums	(2)
Depreciation	303
Other – net	(1,634)
Net Cash Provided by Operating Activities	$ 7,735

See notes to financial statements (ADBISF-4).

NOTE A – NATURE OF OPERATIONS

In 1996, the Bank approved the establishment of the Asian Development Bank Institute (the Institute) in Tokyo, Japan as an integral part of the Bank. The Institute was inaugurated on 10 December 1997. The Institute maintains its own financial accounts to be financed by a Special Fund. The Institute's operations commenced upon the receipt of the first fund from the Government of Japan on 24 March 1997. The Institute's funds consist of voluntary contributions, donations, and grants from members, nongovernment organizations and foundations. The primary objective of the Institute is the improvement of the capacity for sound management of the agencies and organizations in developing member countries (DMCs) engaged in development work. The Institute serves as a major focal point for research on innovative development strategies and for training in development management for policymakers and senior managers from DMCs.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the Financial Statements

The financial statements of the Institute are presented on the basis of those for not-for-profit organizations.

The Institute reports the contributions of cash and other assets as unrestricted support as these are contributed by donors without conditions other than for the purposes of pursuing the objectives of the Institute.

Investments

All investment securities held by the Institute are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortised cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.).

Property, Furniture and Equipment

Property, furniture and equipment is stated at cost and is depreciated over their estimated useful lives using the straight-line method.

Contributions

Contributions from donors are included in the financial statements from the date indicated by the donors that funds are expected to be made available.

Functional Currency and Reporting Currency

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

Translation of Currencies

Assets, liabilities and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the period are translated at the applicable exchange rates as of the dates the contributions are received. Revenue and expense amounts in currency other than US dollar are translated for each semi-monthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the period and the reported amounts of income and expenses during the period. The actual results could differ from those estimates.

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1997

Statement of Cash Flows

For the purposes of the statement of cash flows, the Institute considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

NOTE C – INVESTMENTS

The investment portfolio was composed wholly of investments denominated in Japanese yen. As of 31 December 1997, the estimated fair value of the investments approximates the amortised cost. All such investments are due in one year or less.

The annualized rate of return on the average investments held during the period, based on the portfolio held at the beginning and end of each month was 0.53%.

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

The Institute's statement of financial position carrying amounts are considered to approximate fair values for all significant financial instruments.

Statistical Annex

ECONOMIC DATA

Table 1
ESTIMATES OF REAL GDP GROWTH RATE, 1987–1997
AND PER CAPITA GNP, 1996

Member	GDP Growth Rate (%) Annual Average (1987–1994)	1995	1996	1997[b]	Per Capita GNP[a] (US$) 1996
NIEs	8.0	7.4	6.4	6.0	
Hong Kong, China	6.2	3.9	5.0	5.2	24,290
Korea, Rep. of	8.4	8.9	7.1	5.5	10,610
Singapore	9.3	8.7	6.9	7.8	30,550
Taipei,China	7.7	6.0	5.7	6.8	13,310
PRC and MONGOLIA	10.0	10.5	9.6	8.8	
China, People's Rep. of	10.0	10.5	9.6	8.8	750
Mongolia	(1.2)	6.3	2.4	3.3	360
CENTRAL ASIAN REPUBLICS[c]					
Kazakstan	(11.8)[d]	(8.2)	0.5	2.0	1,350
Kyrgyz Republic	(14.4)[d]	(5.3)	5.6	10.4	550
Uzbekistan	(4.8)[d]	(0.9)	1.6	5.2	1,010
SOUTHEAST ASIA	7.7	8.2	7.1	3.8	
Cambodia	5.3	6.7	7.4	2.0	300
Indonesia	7.5	8.2	8.0	4.6	1,080
Lao PDR	5.3	7.0	6.9	7.2	400
Malaysia	8.4	9.5	8.6	7.5	4,370
Myanmar[c,e]	1.7	6.9	5.8	5.0	...
Philippines	3.3	4.8	5.7	5.1	1,160
Thailand	10.0	8.8	5.5	(0.4)	2,960
Viet Nam	5.6	9.5	9.3	9.2	290
SOUTH ASIA	5.6	6.6	6.8	4.9	
Afghanistan[c]	(7.5)[d]	...	...	...	...
Bangladesh[e]	4.1	4.4	5.3	5.7	260
Bhutan[f]	6.3	7.4	6.1	6.6	390
India[e,f]	5.9	7.2	7.5	5.0	380
Maldives	8.7	7.2	6.5	6.0	1,080
Nepal[e]	5.1	3.4	5.3	4.0	210
Pakistan[e]	5.3	5.1	4.2	3.4	480
Sri Lanka	4.3	5.5	3.8	6.3	740
PACIFIC DMCs	4.3	(1.7)	3.3	(4.1)	
Cook Islands	4.7	(5.7)	(5.3)	0.5	...
Fiji[f]	3.0	2.0	3.1	(1.0)	2,470
Kiribati[f]	4.3	12.8	1.7	2.0	920
Marshall Islands[e]	2.1	4.7	(5.0)	(5.0)	1,890
Micronesia, Fed. States of[c]	1.5	0.8	0.8	(5.0)	2,070
Nauru[c]	...	...	...	...	...
Papua New Guinea	5.3	(4.7)	3.9	(6.5)	1,150
Samoa	(1.9)	9.5	5.9	3.0	1,170
Solomon Islands	4.9	7.6	3.5	(1.0)	900
Tonga[e,f]	1.9	2.6	1.6	3.0	1,790
Tuvalu	4.3[d]	2.0	2.5	2.5	...
Vanuatu	3.5	3.2	3.0	3.0	1,290
WEIGHTED AVERAGE[g]	**8.1**	**8.2**	**7.5**	6.1	

... Data not available.
( ) Negative.

a Based on the World Bank Atlas methodology. Fluctuations in prices and exchange rates are smoothened by averaging the exchange rates for the period 1994-1996, after adjusting for differences in inflation rates between the country and the G-5 countries. Figure for Hong Kong, China refers to GDP.
b Preliminary estimates from country sources.
c Country figure will be excluded from respective group and total weighted average.
d Refers to 1987-1993 for Afghanistan; 1988-1994 for Cambodia; 1991-1994 for Kazakstan, Kyrgyz Republic, Marshall Islands, Tuvalu, and Uzbekistan; and 1989-1994 for Samoa.
e Refers to fiscal year.
f Refers to GDP growth at factor cost.
g Respective year GDP (in US dollars) is used as weights for 1995 and 1996. However, GDP in 1996 is used as weights to derive the averages for the other years.

Sources: Country sources, ADB data file and World Bank, 3 March 1998 official communication to ADB.

Table 2
GROSS DOMESTIC SAVING, GROSS CAPITAL FORMATION, AND RESOURCE GAP AS PERCENTAGE OF GDP, 1995–1997

Member	Gross Domestic Saving as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1995	1996	1997[a]	1995	1996	1997[a]	1995	1996	1997[a]
NIEs									
Hong Kong, China	30.5	30.7	30.6	34.8	32.3	34.5	4.3	1.7	3.8
Korea, Rep. of	36.8	35.2	34.5	37.0	38.2	34.6	0.3	3.0	0.1
Singapore	51.0	51.2	51.8	33.7	35.3	37.4	(17.3)	(15.9)	(14.4)
Taipei,China	25.6	25.1	24.7	23.7	21.2	21.8	(2.0)	(3.8)	(2.9)
PRC and MONGOLIA									
China, People's Rep. of	41.0	41.4	42.6	40.8	39.2	39.8	(0.1)	(2.3)	(2.8)
Mongolia	21.8	19.9	19.3	26.4	25.2	23.0	4.6	5.3	3.6
CENTRAL ASIAN REPUBLICS									
Kazakstan	15.8	10.3	...	20.1	14.0	...	4.3	3.7	...
Kyrgyz Republic	5.5	2.2	3.0	18.3	23.5	19.0	12.9	21.3	16.0
Uzbekistan	20.4	8.2	9.0	20.9	16.1	15.0	0.5	7.9	6.0
SOUTHEAST ASIA									
Cambodia	4.9	4.2	...	12.8	15.2	...	7.9	11.0	...
Indonesia	30.6	30.2	31.0	31.9	30.8	31.6	1.3	0.6	0.6
Lao PDR	...	...	...	...	...	...	...	...	...
Malaysia	39.5	42.6	43.8	43.5	41.5	42.0	4.0	(1.0)	(1.8)
Myanmar	13.4	14.0	14.6	14.3	14.8	16.8	0.9	0.8	2.2
Philippines	14.6	15.6	15.5	22.2	24.2	25.0	7.7	8.5	9.5
Thailand	36.7	35.4	34.9	41.6	41.7	35.0	4.9	6.3	0.1
Viet Nam	19.0	16.0	20.8	27.1	27.9	28.8	8.2	11.9	8.0
SOUTH ASIA									
Afghanistan	...	...	...	...	...	...	...	...	...
Bangladesh	8.2	7.5	7.7	16.6	17.0	17.4	8.4	9.5	9.7
Bhutan	41.1	34.5	...	45.9	44.4	...	4.8	9.9	...
India	25.3	26.1	...	27.3	25.2	...	2.0	(0.9)	...
Maldives	...	...	...	...	...	...	...	...	...
Nepal	13.0	8.6	...	23.4	23.2	...	10.4	14.6	...
Pakistan	15.7	14.2	13.6	18.4	18.6	18.2	2.7	4.4	4.6
Sri Lanka	14.6	15.4	...	26.4	26.6	...	11.8	11.2	...
PACIFIC DMCs									
Cook Islands	...	...	...	...	...	...	...	...	...
Fiji	11.0	12.7	...	13.0	12.1	...	2.1	(0.7)	...
Kiribati	...	...	...	...	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...	...	...	...
Nauru	...	...	...	...	...	...	...	...	...
Papua New Guinea	...	...	...	...	...	...	...	...	...
Samoa	...	...	...	...	...	...	...	...	...
Solomon Islands	...	...	...	...	...	...	...	...	...
Tonga	...	...	...	...	...	...	...	...	...
Tuvalu	...	...	...	...	...	...	...	...	...
Vanuatu	23.0	...	...	30.5	...	...	7.5	...	...

... Data not available.
( ) Negative.
a Preliminary estimates.

Sources: Country sources and ADB data file.

Table 3
CHANGES IN CONSUMER PRICES, 1995–1997[a]
(%)

Member	1995	1996	1997[b]
NIEs	4.6	4.3	3.5
Hong Kong, China	8.6	6.0	5.7
Korea, Rep. of	4.5	4.9	4.5
Singapore	1.7	1.4	2.0
Taipei,China	3.7	3.1	0.9
PRC and MONGOLIA	17.2	8.4	2.8
China, People's Rep. of	17.1	8.3	2.8
Mongolia	56.8	49.6	20.0
CENTRAL ASIAN REPUBLICS[c]			
Kazakstan	175.8	39.1	20.4
Kyrgyz Republic	42.8	30.3	25.5
Uzbekistan[d]	116.9	64.4	30.0
SOUTHEAST ASIA	7.3	6.6	5.6
Cambodia	7.8	7.2	8.0
Indonesia	9.4	7.9	6.6
Lao PDR	19.6	13.0	19.5
Malaysia	3.4	3.5	4.0
Myanmar[c,e]	25.2	16.3	...
Philippines	8.1	8.4	5.1
Thailand	5.8	5.9	5.6
Viet Nam	12.7	4.5	3.2
SOUTH ASIA	10.2	9.1	7.1
Afghanistan[c]	...	...	...
Bangladesh[e]	5.2	4.0	3.9
Bhutan	9.5	8.8	7.0
India	10.2	9.0	6.5
Maldives	5.5	6.2	8.0
Nepal	7.6	8.1	7.8
Pakistan	13.0	10.8	11.8
Sri Lanka	7.7	15.9	9.6
PACIFIC DMCs	11.6	8.5	3.8
Cook Islands[c]	0.9	(0.5)	(2.0)
Fiji	2.2	3.0	2.9
Kiribati[c]	3.6	(0.6)	2.0
Marshall Islands[c]	7.3	6.0	4.0
Micronesia, Fed. States of	4.0	3.0	3.0
Nauru[c]	4.0	10.1	...
Papua New Guinea[e]	17.3	11.6	3.9
Samoa	1.0	7.1	8.0
Solomon Islands[e]	9.8	15.8	12.0
Tonga	0.3	2.8	1.8
Tuvalu[c]	5.0	0.0	0.6
Vanuatu[e]	2.3	2.5	2.5
WEIGHTED AVERAGE[f]	**9.5**	**6.7**	**4.3**

... Data not available.
( ) Negative.

a Unless otherwise indicated, data refer to changes in average consumer prices of the country.
b Preliminary estimates from country sources.
c Country figures will be excluded from respective group and total weighted averages.
d Data refer to end of period.
e Data refer to capital city.
f Respective year GDP (in US dollars) is used as weights for 1995 and 1996. However, GDP in 1996 is used as weights to derive the averages for 1997.

Sources: Country sources and ADB data file.

Table 4
PER CAPITA COMMERCIAL ENERGY CONSUMPTION, 1993–1995
(standard kilogram of oil equivalent)

Member	1993	1994	1995
NIEs	2,910	3,097	3,250
Hong Kong, China	2,250	2,173	2,200
Korea, Rep. of	2,815	2,982	3,235
Singapore	7,020	8,444	7,161
Taipei,China	2,731	2,859	3,034
PRC and MONGOLIA	603	645	684
China, People's Rep. of	602	644	684
Mongolia	1,080	956	947
CENTRAL ASIAN REPUBLICS	2,948	2,764	2,516
Kazakstan	4,622	4,224	3,930
Kyrgyz Republic	817	679	588
Uzbekistan	2,077	2,076	1,855
SOUTHEAST ASIA	358	375	412
Cambodia	17	17	17
Indonesia	336	348	389
Lao PDR	25	26	26
Malaysia	1,493	1,501	1,717
Myanmar	46	53	61
Philippines	296	299	303
Thailand	738	815	880
Viet Nam	106	112	124
SOUTH ASIA	219	231	237
Afghanistan	30	27	25
Bangladesh	62	62	70
Bhutan	33	37	41
India	248	263	270
Maldives	248	232	244
Nepal	23	24	25
Pakistan	229	239	238
Sri Lanka	106	114	123
PACIFIC DMCs	224	218	216
Cook Islands	368	368	368
Fiji	335	332	341
Kiribati	92	91	90
Marshall Islands	...	...	...
Micronesia, Fed. States of	...	...	...
Nauru	...	...	...
Papua New Guinea	211	204	199
Samoa	278	264	279
Solomon islands	147	139	140
Tonga	347	357	357
Tuvalu	...	...	...
Vanuatu	124	121	118
AVERAGE FOR DMCs	502	527	550
AVERAGE FOR OECD COUNTRIES[a]	4,371	4,407	4,453

... Data not available.
a Excluding Korea, Rep. of and Poland.

Sources: United Nations, *1995 Energy Statistics Yearbook*.
Organisation for Economic Co-operation and Development(OECD)/International Energy Agency, *Energy Statistics and Balances of Non-OECD Countries 1994-1995*.

Table 5
MERCHANDISE TRADE,[a] 1995–1997
($ million)

Member	Exports (FOB)[b]			Imports (FOB)[b]			Balance of Trade		
	1995	1996	1997[c]	1995	1996	1997[c]	1995	1996	1997[c]
NIEs	526,623	550,527	569,425	536,663	564,335	581,194	(10,041)	(13,808)	(11,770)
Hong Kong, China[d,e]	173,750	180,750	188,059	193,344	199,101	209,180	(19,594)	(18,351)	(21,121)
Korea, Rep. of	123,203	128,303	137,545	127,949	143,609	140,349	(4,747)	(15,306)	(2,805)
Singapore	118,456	126,012	122,109	117,391	123,731	123,879	1,065	2,281	(1,770)
Taipei,China	111,214	115,462	121,712	97,979	97,894	107,786	13,235	17,568	13,926
PRC and MONGOLIA	128,596	151,500	181,753	110,549	132,053	135,399	18,047	19,448	46,354
China, People's Rep. of	128,110	151,077	181,292	110,060	131,542	134,896	18,050	19,535	46,396
Mongolia[e]	486	423	461	489	511	503	(3)	(87)	(42)
CENTRAL ASIAN REPUBLICS	9,378	10,604	11,362	9,515	12,113	12,860	(136)	(1,509)	(1,522)
Kazakstan	5,164	6,292	6,775	5,387	6,618	7,240	(222)	(326)	(465)
Kyrgyz Republic[e]	409	531	604	531	783	709	(122)	(252)	(126)
Uzbekistan	3,805	3,781	3,981	3,597	4,712	4,910	208	(931)	(929)
SOUTHEAST ASIA	199,940	211,949	230,390	213,666	227,229	232,828	(13,726)	(15,280)	(2,438)
Cambodia	855	644	697	1,187	1,072	1,040	(332)	(428)	(343)
Indonesia	47,454	50,188	55,821	40,921	44,240	46,365	6,533	5,948	9,456
Lao PDR[e]	311	323	320	589	690	589	(278)	(368)	(269)
Malaysia	72,053	77,313	81,952	72,153	73,380	78,516	(100)	3,933	3,436
Myanmar	891	932	1,002	1,522	1,647	1,762	(631)	(715)	(760)
Philippines	17,447	20,543	25,228	26,391	31,885	36,355	(8,944)	(11,342)	(11,127)
Thailand	55,731	54,677	56,416	63,360	63,834	57,888	(7,629)	(9,157)	(1,472)
Viet Nam	5,198	7,330	8,955	7,543	10,481	10,313	(2,345)	(3,151)	(1,358)
SOUTH ASIA	46,799	49,363	51,887	60,434	65,313	68,798	(13,635)	(15,950)	(16,910)
Afghanistan	...	...	...	...	...	...	...	...	...
Bangladesh[f]	3,465	3,886	4,422	5,247	6,182	6,398	(1,782)	(2,296)	(1,976)
Bhutan[e,f]	98	99	108	111	131	164	(13)	(32)	(56)
India	31,239	32,520	34,146	37,957	39,893	43,164	(6,718)	(7,373)	(9,018)
Maldives	85	92	97	236	260	297	(151)	(168)	(200)
Nepal[f]	354	360	397	1,276	1,391	1,534	(922)	(1,031)	(1,137)
Pakistan[f]	7,759	8,311	8,090	10,296	12,015	11,418	(2,537)	(3,704)	(3,328)
Sri Lanka[e]	3,799	4,095	4,627	5,311	5,441	5,822	(1,512)	(1,346)	(1,195)
PACIFIC DMCs	3,521	3,473	3,056	2,737	2,934	2,925	783	539	132
Cook Islands[d,e]	5	...	...	49	...	...	(44)	...	...
Fiji	520	641	568	761	838	834	(242)	(197)	(266)
Kiribati	7	5	...	35	33	...	(28)	(28)	...
Marshall Islands[f]	17	...	...	74	...	...	(57)	...	...
Micronesia, Fed. States of[f]	70	69	70	165	163	165	(95)	(95)	(95)
Nauru	...	...	...	...	...	...	...	...	...
Papua New Guinea	2,680	2,530	2,192	1,269	1,515	1,635	1,410	1,015	557
Samoa	9	10	...	92	99	...	(83)	(89)	...
Solomon Islands	168	176	183	128	123	133	40	53	49
Tonga[f]	17	13	13	75	68	59	(57)	(55)	(46)
Tuvalu[e]	0	0	0	9	10	10	(9)	(10)	(10)
Vanuatu	28	30	30	80	86	89	(52)	(56)	(58)
TOTAL	**914,856**	**977,417**	1,047,872	**933,563**	**1,003,977**	1,034,003	**(18,708)**	**(26,561)**	13,869

... Data not available.
( ) Negative.
0 Magnitude is less than half of the unit employed.

a Unless otherwise indicated, data are from the balance-of-payments statistics.
b FOB refers to free on board.
c Preliminary estimates.
d Refer to data from external trade.
e Refer to imports, cif.
f Refer to fiscal year.

Sources: Country sources and ADB data file.
International Monetary Fund, *International Financial Statistics*, February 1998.

Table 6
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS, 1995–1997

Member	International Reserves[a] ($ million)			Ratio to Imports[b] (months)		
	1995	1996	1997[c]	1995	1996	1997[c]
NIEs	252,742	268,347	265,812	5.7	5.7	5.5
Hong Kong, China	55,424	63,833	79,133	3.4	3.8	4.5
Korea, Rep. of	32,712	34,073	21,100	3.1	2.8	1.8
Singapore	68,695	76,847	74,488	7.0	7.5	7.2
Taipei,China	95,911	93,594	91,092	11.7	11.5	10.1
PRC and MONGOLIA	76,189	107,837	142,013	8.3	9.8	12.6
China, People's Rep. of	76,037	107,676	141,860	8.3	9.8	12.6
Mongolia	152	161	153	3.7	3.8	3.7
CENTRAL ASIAN REPUBLICS	3,540	1,961	2,154	4.5	3.6	3.6
Kazakstan	1,660	1,961	2,154	3.7	3.6	3.6
Kyrgyz Republic[d]	78	...	...	1.8	...	...
Uzbekistan[d]	1,802	...	...	6.0	...	...
SOUTHEAST ASIA	84,263	97,476	79,284	4.9	5.4	4.3
Cambodia[e]	192	266	299	1.9	3.0	3.4
Indonesia	14,787	19,281	19,768	4.3	5.2	5.1
Lao PDR	93	170	165	1.9	3.0	3.4
Malaysia	23,898	27,129	21,878	4.0	4.4	3.3
Myanmar	573	241	204	4.5	1.8	1.4
Philippines	7,775	11,745	10,078	3.5	4.4	3.3
Thailand	36,945	38,645	26,892	7.0	7.3	5.6
Viet Nam	...	...	...	...	...	...
SOUTH ASIA	29,278	29,696	34,152	5.8	5.4	5.9
Afghanistan[f]	7	7	7	...	...	...
Bangladesh	2,367	1,863	1,607	5.4	3.6	3.0
Bhutan[e]	124	184	155	...	...	...
India	21,591	23,784	27,630	6.8	7.2	7.7
Maldives	48	76	98	2.4	3.5	4.0
Nepal	593	578	625	5.6	5.0	4.9
Pakistan	2,454	1,237	1,974	2.9	1.2	2.1
Sri Lanka	2,094	1,967	2,055	4.7	4.3	4.2
PACIFIC DMCs	761	1,208	993	3.8	5.3	4.1
Cook Islands	...	...	...	...	...	...
Fiji	349	428	363	5.5	6.1	5.2
Kiribati	...	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...
Nauru	...	...	...	...	...	...
Papua New Guinea	264	612	474	2.5	4.9	3.5
Samoa[e]	55	61	60	7.2	7.4	...
Solomon Islands[e]	16	33	33	1.5	3.2	3.0
Tonga[e]	29	31	25	4.6	5.4	5.2
Tuvalu	...	...	...	...	...	...
Vanuatu[e]	48	44	37	7.2	6.1	5.0
TOTAL	**446,773**	**506,525**	**524,408**	**5.8**	**6.2**	**6.2**

... Data not available.

a Consisting of gold, Special Drawing Rights (SDRs), reserve position with International Monetary Fund (IMF), and foreign exchange holdings; year-end figures, unless otherwise specified.
b Merchandise imports from the balance-of-payments statistics were used for computing the ratio.
c Preliminary estimates.
d Refers to gross official reserves of the country.
e Refers to total reserves minus gold.
f Refers to reserve position in the IMF and SDRs only.

Sources: Country sources; and International Monetary Fund, *International Financial Statistics*, February 1998.

Table 7
NET FLOWS OF FINANCIAL RESOURCES, 1994–1996
($ million)

Member	Long-Term Debt			Foreign Direct Investment			Total Flows[a]		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
NIEs	--	--	--	--	--	--	--	--	--
Hong Kong, China	--	--	--	--	--	--	--	--	--
Korea, Rep. of	--	--	--	--	--	--	--	--	--
Singapore	--	--	--	--	--	--	--	--	--
Taipei,China	--	--	--	--	--	--	--	--	--
PRC and MONGOLIA	9,844	12,982	10,866	33,794	35,859	40,185	47,951	52,050	54,825
China, People's Rep. of	9,808	12,915	10,813	33,787	35,849	40,180	47,846	51,899	54,707
Mongolia	36	67	53	7	10	5	105	151	118
CENTRAL ASIAN REPUBLICS	718	1,173	1,388	273	495	411	1,107	1,746	1,915
Kazakstan	588	583	636	185	284	310	799	877	990
Kyrgyz Republic	119	118	134	38	96	46	229	268	225
Uzbekistan	11	472	618	50	115	55	79	600	700
SOUTHEAST ASIA	12,570	14,822	21,164	10,369	13,780	18,202	30,582	41,645	51,341
Cambodia	55	81	77	69	151	294	287	544	577
Indonesia	3,596	3,432	6,169	2,109	4,348	7,960	9,595	12,901	17,418
Lao PDR	43	75	170	59	88	104	200	293	416
Malaysia	2,882	4,044	2,465	4,342	4,132	4,500	8,580	10,485	11,325
Myanmar	17	(95)	4	91	115	100	254	200	236
Philippines	1,963	515	1,549	1,591	1,478	1,408	5,245	4,230	4,537
Thailand	3,930	6,299	10,263	1,366	2,068	2,336	4,863	10,620	14,247
Viet Nam	85	471	466	742	1,400	1,500	1,559	2,371	2,586
SOUTH ASIA	4,625	1,993	2,187	1,585	2,936	3,439	14,392	9,099	12,586
Afghanistan	--	--	--	--	--	--	--	--	--
Bangladesh	667	122	852	11	2	15	1,486	836	1,516
Bhutan	0	(1)	2	0	0	0	43	38	30
India	2,357	117	(754)	973	2,144	2,587	8,671	4,334	6,842
Maldives	9	28	15	9	7	8	33	59	33
Nepal	151	108	140	7	8	19	328	287	306
Pakistan	1,204	1,286	1,695	419	719	690	3,157	2,922	3,286
Sri Lanka	237	332	238	166	56	120	675	624	575
PACIFIC DMCs	(239)	(315)	(12)	109	577	290	185	1,080	735
Cook Islands	--	--	--	--	--	--	--	--	--
Fiji	(30)	(37)	(26)	68	70	10	48	53	1
Kiribati	--	--	--	--	--	--	--	--	--
Marshall Islands	--	--	--	--	--	--	--	--	--
Micronesia, Fed. States of	--	--	--	--	--	--	--	--	--
Nauru	--	--	--	--	--	--	--	--	--
Papua New Guinea	(221)	(296)	14	(5)	453	225	7	875	621
Samoa	8	10	1	3	3	4	37	34	18
Solomon Islands	(2)	4	(2)	11	18	21	27	41	38
Tonga	6	4	2	2	2	2	23	24	16
Tuvalu	--	--	--	--	--	--	--	--	--
Vanuatu	1	1	0	30	31	28	44	54	41
TOTAL	27,517	30,656	35,593	46,130	53,646	62,527	94,218	105,619	121,402

-- Not reporting.
( ) Negative.
0 Magnitude is less than half of the unit employed.

a Refer to the sum of net resource flows on long-term debt (excluding the International Monetary Fund) plus net foreign direct investment, portfolio equity flows and official grants (excluding technical cooperation).

Source: World Bank, 24 March 1998 official communication to ADB.

Table 8
TOTAL EXTERNAL DEBT AND DEBT-SERVICE RATIO, 1994–1996
($ million)

Member	Debt Outstanding[a]			Service Payments[b]			Debt-Service Ratio[b] (%)		
	1994	1995	1996	1994	1995	1996	1994	1995	1996
NIEs	--	--	--	--	--	--	--	--	--
Hong Kong, China	--	--	--	--	--	--	--	--	--
Korea, Rep. of	--	--	--	--	--	--	--	--	--
Singapore	--	--	--	--	--	--	--	--	--
Taipei,China	--	--	--	--	--	--	--	--	--
PRC and MONGOLIA	100,904	118,602	129,342	11,174	15,113	15,803	8.9	9.9	8.7
China, People's Rep. of	100,457	118,090	128,817	11,135	15,066	15,756	8.9	9.9	8.7
Mongolia	447	512	524	39	47	48	9.3	9.1	9.7
CENTRAL ASIAN REPUBLICS	4,487	6,098	6,027	223	540	1,036	2.7	5.3	9.3
Kazakstan	2,790	3,695	2,920	68	237	695	1.6	4.1	9.9
Kyrgyz Republic	453	616	789	16	60	51	4.8	13.7	9.2
Uzbekistan	1,244	1,787	2,319	138	243	289	3.9	6.2	8.1
SOUTHEAST ASIA	278,304	317,132	337,170	33,523	37,032	44,090	16.3	14.4	15.6
Cambodia	1,915	2,041	2,111	2	6	10	0.3	0.6	1.2
Indonesia	107,824	124,398	129,033	14,267	16,416	21,459	30.7	30.9	36.8
Lao PDR	2,080	2,165	2,263	20	26	29	5.0	5.8	6.3
Malaysia	29,294	34,333	39,777	6,199	6,021	7,657	9.0	7.0	8.2
Myanmar[c]	6,555	5,771	5,184	163	250	158	14.5	--	--
Philippines	40,000	39,446	41,214	4,632	5,337	5,778	18.9	16.0	13.7
Thailand	65,522	83,166	90,824	7,939	8,608	8,652	13.5	11.6	11.5
Viet Nam	25,115	25,813	26,764	301	367	346	5.6	5.0	3.5
SOUTH ASIA	156,610	151,831	146,474	15,293	17,860	17,168	25.8	24.7	22.0
Afghanistan	--	--	--	--	--	--	--	--	--
Bangladesh	16,222	16,296	16,083	603	802	693	14.1	14.6	11.7
Bhutan	87	87	87	7	9	6	7.5	9.0	5.3
India[c]	102,611	94,414	89,827	10,729	13,349	12,669	27.6	28.1	24.1
Maldives	124	155	167	10	11	12	3.4	3.4	3.0
Nepal	2,320	2,399	2,413	82	93	85	7.7	7.7	7.7
Pakistan	27,359	30,248	29,901	3,468	3,177	3,276	35.0	26.6	27.4
Sri Lanka	7,888	8,231	7,995	395	419	427	8.2	7.4	7.3
PACIFIC DMCs	3,499	3,210	3,005	1,017	712	444	22.9	15.3	9.0
Cook Islands	--	--	--	--	--	--	--	--	--
Fiji	284	250	217	93	68	49	8.6	6.0	3.6
Kiribati	--	--	--	--	--	--	--	--	--
Marshall Islands	--	--	--	--	--	--	--	--	--
Micronesia, Fed. States of	--	--	--	--	--	--	--	--	--
Nauru	--	--	--	--	--	--	--	--	--
Papua New Guinea	2,792	2,513	2,359	897	626	376	30.8	20.8	12.6
Samoa	157	170	167	6	5	5	7.4	4.3	4.0
Solomon Islands	155	158	145	16	8	8	8.2	3.8	3.6
Tonga	64	70	70	3	3	4	4.5	5.0	4.9
Tuvalu	--	--	--	--	--	--	--	--	--
Vanuatu	47	48	47	2	2	2	1.6	1.5	1.4
TOTAL	543,804	596,873	622,017	61,230	71,256	78,541	15.2	14.4	14.1

-- Not reporting.
... Data not available.

a Debt outstanding is as of end of year which covers long- and short-term debt of public and private entities in the country, as well as the use of International Monetary Fund (IMF) credit.
b Service payments include yearly payments on principal and interest on long-term debt, IMF repurchases and charges, and interest payments on short-term debt. Debt-service ratio is the percentage of service payments to exports of goods and services (including workers' remittances).
c The long-term debt data are on fiscal-year basis.

Source: World Bank, 11 March 1998 official communication to ADB.

Table 9
ENVIRONMENT INDICATORS

Member	Average Annual Rate of Deforestation[a] (as % of forest area)	National Protected Areas[b] (as % of total land area)		Per Capita Carbon Dioxide Emissions[c] (metric ton)	Greenhouse Index (carbon heating equivalent in metric ton per capita)
	1980–1990	1985	1994	1992	1988–1989
NIEs					
Hong Kong, China	(0.5)	...	...	5.0	...
Korea, Rep. of	0.1	4.8	7.0	6.6	1.2
Singapore	2.3	4.3	4.5	17.7	4.2
Taipei,China	...	...	8.0[d]	...	...
PRC and MONGOLIA					
China, People's Rep. of	0.7	0.2	6.1	2.3	0.6
Mongolia	0.9	3.0	3.9	4.0	1.5
CENTRAL ASIAN REPUBLICS					
Kazakstan	...	...	0.4	17.6	...
Kyrgyz Republic	1.2	...	1.4	3.4	...
Uzbekistan	5.5	...	0.5	5.7	...
SOUTHEAST ASIA					
Cambodia	1.0	0.1	16.6	0.1	...
Indonesia	1.1	7.6	9.7	1.0	1.3
Lao PDR	0.9	0.0[e]	0.0[e]	0.1	...
Malaysia	2.1	4.7	4.5	3.8	3.2
Myanmar	1.3	0.0[e]	0.3	0.1	4.3
Philippines	3.4	1.3	2.0	0.8	0.9
Thailand	3.5	5.3	13.7	2.0	1.8
Viet Nam	1.5	0.5	4.0	0.3	0.8
SOUTH ASIA					
Afghanistan	0.0[e]	0.0[e]	0.3	0.1	0.2
Bangladesh	4.1	0.2	0.7	0.2	0.3
Bhutan	0.6	20.2	20.6	0.2	0.2
India	0.6	3.7	4.4	0.9	0.5
Maldives	0.0[e]	...	...	0.4	...
Nepal	1.0	7.1	7.9	0.1	0.7
Pakistan	3.5	8.4	4.7	0.6	0.2
Sri Lanka	1.4	9.9	12.1	0.3	0.5
PACIFIC DMCs					
Cook Islands	...	...	0.7[d]	...	...
Fiji	0.0[e]	0.3	1.0	0.9	0.4
Kiribati	0.0[e]	...	38.9[d,f]	0.3	...
Marshall Islands	0.0[e]	...	...	...	...
Micronesia, Fed. States of	0.0[e]	...	...	...	...
Nauru	...	...	...	...	...
Papua New Guinea	0.3	0.0[e]	0.2	0.6	0.6
Samoa	0.0[e]	...	...	0.8	...
Solomon Islands	0.0[e]	0.0[e]	0.0[e]	0.5	0.1
Tonga	0.0[e]	...	...	0.8	...
Tuvalu	...	...	...	...	...
Vanuatu	0.0[e]	...	...	0.4	...

( ) Negative.
... Data not available.

a Positive figures indicate deforestation rates while negative figures indicate reforestation rates.
b Refer to all protected areas at least 1,000 hectares listed in categories I-V of the International Union for Conservation of Nature and Natural Resources.
c Refer to carbon dioxide emissions from industrial processes.
d Refer to previous years.
e The number 0.0 means the magnitude is zero or is less than half of the unit employed and not known more precisely.
f National protected areas include marine areas.

Sources: United Nations Development Programme, *Human Development Report, 1997* and past issues; World Bank, *World Development Report, 1997*; World Resources Institute, *World Resources, 1996/1997*, and past issues; and World Bank, *The World Bank Atlas, 1997*.

Table 10
EDUCATION INDICATORS

Member	Adult Literacy Rate (%)[a]						Gross Primary School Enrolment Ratio (%)					
	1975[c]		1985[d]		1996		1975		1985		1995[e]	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
NIEs												
Hong Kong, China	64	90	...	...	88	96	117	122	105	106	100	97
Korea, Rep. of	81	94	...	...	97	99	107	107	98	96	99	97
Singapore	54	83	74	92	86	96	107	113	113	117	107	109
Taipei,China	63[f]	88[f]	78[f]	94[f]	86[f]	96[f]	...	...	...	...	...	...
PRC and MONGOLIA												
China, People's Rep. of	...	...	51	79	73	90	114	130	114	132	116	120
Mongolia	...	...	77	89	...	...	104	111	107	107	100	95
CENTRAL ASIAN REPUBLICS												
Kazakstan	...	...	96	99	100	100	...	...	...	...	86	86
Kyrgyz Republic	...	...	96	99	100	100	115	118	123	123	111	110
Uzbekistan	...	...	96	99	100	100	80	83	85	88	76	78
SOUTHEAST ASIA												
Cambodia	...	...	...	...	22	48	35	48	...	...	106	130
Indonesia	45	70	58	78	78	90	78	94	114	120	112	116
Lao PDR	...	...	76[g]	92[g]	44	69	77	106	100	121	92	123
Malaysia	47	69	60	80	78	89	92	97	100	101	93	93
Myanmar	58	84	72	86	78	89	82	88	96	101	104	107
Philippines	81	84	83	84	94	95	...	...	107	108	111	113
Thailand	70	87	85	93	92	96	80	87	97	100	97	98
Viet Nam	78	91	...	...	91	97	108	106	100	106	99	105
SOUTH ASIA												
Afghanistan	5	30	...	...	15	47	8	41	13	27	16	46
Bangladesh	13	37	18	40	26	49	51	95	54	72	73	84
Bhutan	...	...	...	...	28	56	5	13	19	34	60	81
India	19	48	26	55	38	66	64	96	80	110	91	113
Maldives	82	83	92	91	93	93	...	...	...	...	133	136
Nepal	5	33	9	32	14	41	16	86	47	101	87	130
Pakistan	12	35	15	35	24	50	25	56	30	56	30	57
Sri Lanka	69	86	82	91	87	93	74	81	101	104	105	106
PACIFIC DMCs												
Cook Islands	...	...	...	...	...	...	...	...	...	...	...	...
Fiji	74	84	84	90	89	94	137	138	122	122	127	128
Kiribati	...	...	...	...	...	...	...	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...	...	...	...	...	...	...
Nauru	...	...	...	...	...	...	...	...	...	...	...	...
Papua New Guinea	24	39	...	...	63	81	44	69	63	74	67	80
Samoa	98	98	...	...	...	...	...	...	90	87	107	106
Solomon Islands	...	...	...	...	...	...	...	...	65	85	87	102
Tonga	100	100	...	...	...	...	...	...	...	...	...	...
Tuvalu	...	...	...	...	...	...	...	...	...	...	...	...
Vanuatu	48	57	...	...	...	...	...	...	106	112	107	105

... Data not available.

a Adult literacy rate refers to population of 15 years old and over.

b Refers to the percentage of children starting primary school who eventually attain Grade 4.

c Data relate to years 1970 through 1979.

d Data relate to years 1980 through 1989.

e Data relate to years 1990 through 1995.

f Refers to population of 25 years old and over.

g Refers to population of 15-45 years old.

Sources: United Nations Educational, Scientific and Cultural Organization, *Statistical Yearbook, 1996* and past issues; World Bank, *World Development Indicators, 1997*; and Directorate-General of Budget, Accounting and Statistics, *Statistical Yearbook*.

Percentage of Cohort Reaching Grade 4[b]				Gross Secondary School Enrolment Ratio (%)						
1980		1990		1975		1985		1995[c]		
Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Member
										NIEs
99	100	...	...	47	51	73	69	...	...	Hong Kong, China
96	96	100	100	48	64	91	93	96	97	Korea, Rep. of
100	99	100	100	52	51	64	61	71	69	Singapore
...	...	...	...	69	78	91	89	98	94	Taipei,China
										PRC and MONGOLIA
...	...	...	...	38	54	33	45	51	60	China, People's Rep. of
...	...	...	...	84	77	97	85	...	...	Mongolia
										CENTRAL ASIAN REPUBLICS
...	...	...	...	...	...	...	...	92	89	Kazakstan
...	...	...	...	108	112	108	111	89	84	Kyrgyz Republic
...	...	...	...	94	117	97	117	87	99	Uzbekistan
										SOUTHEAST ASIA
...	...	...	...	...	...	...	...	18	31	Cambodia
...	...	...	...	15	25	41	50	39	48	Indonesia
31	31	...	...	...	...	19	27	19	31	Lao PDR
...	...	99	98	39	53	53	53	61	56	Malaysia
...	...	...	...	20	24	22	24	23	23	Myanmar
...	...	82	78	...	...	65	64	75	71	Philippines
...	...	...	...	22	28	28	30	37	38	Thailand
67	71	...	...	41	38	41	44	40	43	Viet Nam
										SOUTH ASIA
...	...	...	...	2	13	6	12	8	22	Afghanistan
30	29	46	44	8	29	11	26	13	25	Bangladesh
...	...	...	...	...	...	...	...	...	...	Bhutan
52	57	...	...	18	37	26	48	38	59	India
...	...	...	...	...	...	...	...	49	49	Maldives
...	...	...	...	4	23	12	37	23	46	Nepal
41	53	45	55	7	22	10	24	13	28	Pakistan
...	...	...	...	49	47	66	60	78	71	Sri Lanka
										PACIFIC DMCs
...	...	...	...	...	...	...	...	...	...	Cook Islands
...	...	...	...	44	43	51	51	65	64	Fiji
...	...	...	...	...	...	...	...	...	...	Kiribati
...	...	...	...	...	...	...	...	...	...	Marshall Islands
...	...	...	...	...	...	...	...	...	...	Micronesia, Fed. States of
...	...	...	...	...	...	...	...	...	...	Nauru
85	77	70	72	7	16	9	16	10	15	Papua New Guinea
...	...	...	...	...	...	67	61	...	...	Samoa
...	...	...	...	...	...	9	22	13	21	Solomon Islands
...	...	...	...	...	...	...	...	...	...	Tonga
...	...	...	...	...	...	...	...	...	...	Tuvalu
...	...	...	...	...	...	14	18	18	23	Vanuatu

BANK OPERATIONAL DATA

Table 11
1997 PUBLIC AND PRIVATE SECTOR LOAN APPROVALS, BY COUNTRY
($ million)

Member/Project	OCR	ADF	Total	Total Project Cost[a]	Date Approved
BANGLADESH					
Second Primary Education Sector	–	100.00	100.00	160.00	22 May 97
Participatory Livestock Development	–	19.70	19.70	42.20	19 Jun 97
Urban Primary Health Care	–	40.00	40.00	60.00	16 Sep 97
Jamuna Bridge Railway Link	–	110.00	110.00	269.00	2 Oct 97
Capital Market Development Program	–	80.00	80.00	80.00	20 Nov 97
Third Rural Infrastructure Development	–	70.00	70.00	181.00	20 Nov 97
Lafarge Surma Cement[b]	40.00	–	40.00	225.00	18 Dec 97
Subtotal	40.00	419.70	459.70	1,017.20	
BHUTAN					
Financial Sector Intermediation Facility (Policy Loan)	–	4.00	4.00	8.79	23 Oct 97
Financial Sector Intermediation Facility (Development Finance Loan)	–	4.00	4.00		
Subtotal	–	8.00	8.00	8.79	
CHINA, PEOPLE'S REP. OF					
Xi'an Xianyang-Tongchuan Environment Improvement	156.00	–	156.00	298.00	24 Sep 97
Zhejiang-Shanxi Water Supply (Phase I)	100.00	–	100.00	518.00	24 Sep 97
Shenmu-Yanan Railway	200.00	–	200.00	795.50	29 Sep 97
Northeast Power Transmission	150.00	–	150.00	420.00	25 Nov 97
Xiamen Port	50.00	–	50.00	100.00	27 Nov 97
Subtotal	656.00	–	656.00	2,131.50	
COOK ISLANDS					
Cyclone Emergency Rehabilitation	–	0.80	0.80	7.10	8 Dec 97
Subtotal	–	0.80	0.80	7.10	
FIJI					
Third Road Upgrading (Sector)	40.00	–	40.00	90.00	26 Aug 97
Subtotal	40.00	–	40.00	90.00	
INDIA					
Housing Finance (National Housing Bank)	100.00	–	100.00	1,150.00	25 Sep 97
Housing Finance (Housing and Urban Development Corp.)	100.00	–	100.00		
Housing Finance (Housing Development Finance Corp.)	100.00	–	100.00		
Mumbai Port	97.80	–	97.80	153.10	29 Sep 97
Chennai Port	15.20	–	15.20	91.90	29 Sep 97
Liquefied Petroleum Gas Pipeline	150.00	–	150.00	364.40	16 Dec 97
Subtotal	563.00	–	563.00	1,759.40	
INDONESIA					
Development of Madrasah Aliyahs	85.00	–	85.00	162.60	25 Mar 97
Intensified Communicable Diseases Control	87.40	–	87.40	146.80	19 Jun 97
Participatory Development of Agricultural Technology	63.80	–	63.80	108.12	1 Jul 97
Capacity Building of Water Supply Enterprises for Water Loss Reduction Sector	66.00	–	66.00	119.40	17 Jul 97
Belawan, Banjarmasin, and Balikpapan Ports	100.00	–	100.00	215.00	30 Sep 97
Coastal Community Development and Fisheries Resource Management	26.00	15.00	41.00	71.00	4 Nov 97
Capacity Building in Urban Infrastructure Management	42.00	–	42.00	70.00	4 Nov 97
Second Junior Secondary Education	160.00	15.00	175.00	300.00	6 Nov 97
Northern Sumatra Irrigated Agriculture Improvement Sector	130.00	–	130.00	217.00	13 Nov 97

a Total project cost includes financing by Bank, government, borrower, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

b Private sector loan without government guarantee.

Member/Project	OCR	ADF	Total	Total Project Cost[a]	Date Approved
Rural Income Generation	78.60	–	78.60	137.00	25 Nov 97
Eastern Islands Air Transport Development	124.00	–	124.00	278.00	8 Dec 97
Metropolitan Medan Urban Development	116.00	–	116.00	198.20	8 Dec 97
Subtotal	1,078.80	30.00	1,108.80	2,033.12	
KAZAKSTAN					
Basic Education	35.00	10.00	45.00	75.00	24 Sep 97
Pension Reform Program	100.00	–	100.00	100.00	16 Dec 97
Water Resources Management and Land Improvement	30.00	10.00	40.00	55.12	17 Dec 97
Subtotal	165.00	20.00	185.00	230.12	
KOREA, REP. OF					
Financial Sector Program	4,000.00	–	4,000.00	4,000.00	19 Dec 97
Institutional Strengthening of the Financial Sector	15.00	–	15.00	15.00	19 Dec 97
Subtotal	4,015.00	–	4,015.00	4,015.00	
KYRGYZ REPUBLIC					
Rural Financial Institutions	–	12.50	12.50	22.13	21 Aug 97
Corporate Governance and Enterprise Reform Program	–	40.00	40.00	40.00	25 Sep 97
Capacity Building in Corporate Governance and Insolvency Procedure	–	4.00	4.00	4.00	25 Sep 97
Education Sector Development Program	–	19.00	19.00	19.00	29 Sep 97
Education Sector Development Project	–	13.70	13.70	23.44	29 Sep 97
Subtotal	–	89.20	89.20	108.57	
LAO PDR					
Secondary Towns Urban Development	–	27.00	27.00	38.50	26 Jun 97
Xieng Khouang Road Improvement	–	46.00	46.00	64.50	9 Sep 97
Power Transmission and Distribution	–	30.00	30.00	58.31	30 Sep 97
Subtotal	–	103.00	103.00	161.31	
MALAYSIA					
Technical Education	40.00	–	40.00	126.99	17 Dec 97
Subtotal	40.00	–	40.00	126.99	
MALDIVES					
Third Power System Development	–	7.00	7.00	22.74	9 Sep 97
Subtotal	–	7.00	7.00	22.74	
MARSHALL ISLANDS					
Public Sector Reform Program	–	12.00	12.00	12.00	30 Jan 97
Subtotal	–	12.00	12.00	12.00	
MICRONESIA, FED. STATES OF					
Public Sector Reform Program	–	18.00	18.00	18.00	29 Apr 97
Subtotal	–	18.00	18.00	18.00	
MONGOLIA					
Ulaanbaatar Heat Efficiency	–	40.00	40.00	55.70	25 Sep 97
Provincial Towns Basic Urban Services	–	6.80	6.80	8.50	30 Sep 97
Health Sector Development Program	–	4.00	4.00	4.00	4 Nov 97
Health Sector Development Project	–	11.92	11.92	14.93	4 Nov 97
Subtotal	–	62.72	62.72	83.13	

a Total project cost includes financing by Bank, government, borrower, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

CONTINUED

Member/Project	OCR	ADF	Total	Total Project Cost[a]	Date Approved
NEPAL					
Tribhuvan International Airport Improvement	–	27.00	27.00	47.50	23 Jan 97
Subtotal	–	27.00	27.00	47.50	
PAKISTAN					
Dera Ghazi Khan Rural Development	–	36.00	36.00	52.20	4 Sep 97
Second Science Education Sector	–	40.00	40.00	75.00	11 Sep 97
Korangi Wastewater Management	–	70.00	70.00	101.00	18 Sep 97
Capital Market Development Program	250.00	–	250.00	500.00	6 Nov 97
Capacity Enhancement of the Securities Market	–	5.00	5.00	7.00	6 Nov 97
Second Flood Protection (Sector)	–	100.00	100.00	200.00	13 Nov 97
Subtotal	250.00	251.00	501.00	935.20	
PAPUA NEW GUINEA					
Health Sector Development Program	45.00	5.00	50.00	50.00	20 Mar 97
Health Sector Development Project	–	10.00	10.00	13.00	20 Mar 97
Subtotal	45.00	15.00	60.00	63.00	
PHILIPPINES					
Third Airports Development (Southern Philippines)	93.00	–	93.00	167.00	16 Sep 97
Fisheries Resource Management	20.22	15.00	35.22	89.12	16 Oct 97
Power Transmission Reinforcement	191.40	–	191.40	304.20	16 Dec 97
Subic Bay Area Municipal Development	22.00	–	22.00	37.00	19 Dec 97
Subtotal	326.62	15.00	341.62	597.32	
SRI LANKA					
Small and Medium Enterprise Assistance[b]	5.00	–	5.00	55.00	5 Jun 97
Science and Technology Personnel Development	–	20.00	20.00	34.00	11 Sep 97
Upper Watershed Management	–	16.60	16.60	23.70	24 Sep 97
Second Perennial Crops Development	–	20.00	20.00	35.80	25 Sep 97
Southern Provincial Roads Improvement	–	30.00	30.00	42.90	30 Oct 97
Third Water Supply and Sanitation (Sector)	–	75.00	75.00	121.00	6 Nov 97
Subtotal	5.00	161.60	166.60	312.40	
THAILAND					
Nong Khai-Udon Thani Water Supply	50.00	–	50.00	85.50	21 Aug 97
Rural Enterprise Credit	200.00	–	200.00	440.00	18 Sep 97
Financial Markets Reform Program	300.00	–	300.00	1,300.00	19 Dec 97
Subtotal	550.00	–	550.00	1,825.50	
UZBEKISTAN					
Basic Education Textbook Development	20.00	20.00	40.00	106.94	17 Dec 97
Subtotal	20.00	20.00	40.00	106.94	
VIET NAM					
Second Provincial Towns Water Supply and Sanitation	–	69.00	69.00	92.00	27 Feb 97
Forestry Sector	–	33.00	33.00	53.20	20 Mar 97
Lower Secondary Education Development	–	50.00	50.00	71.50	16 Sep 97
Rural Infrastructure Sector	–	105.00	105.00	150.00	23 Oct 97
Central and Southern Viet Nam Power Distribution	–	100.00	100.00	140.00	27 Nov 97
Phuoc Hoa Multipurpose Water Resources	–	2.60	2.60	3.70	18 Dec 97
Subtotal	–	359.60	359.60	510.40	
TOTAL	7,794.42	1,619.62	9,414.04	16,213.23	

a Total project cost includes financing by Bank, government, borrower, beneficiaries, and subborrowers; cofinancing from official, export credit, and commercial sources; equity sponsors; and local participating private companies and financial institutions.

b Private sector loan without government guarantee.

Table 12
LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968–1970 – 1995–1997

	Total Lending[a] ($ million)	Agriculture and Natural Resources	Energy	Financial	Industry and Nonfuel Minerals	Social Infra-structure	Transport and Commu-nications	Multi-sector/ Others
		(percent of total lending)						
Average during								
1968–1970	128.44	19.48	11.98	23.36	15.06	6.10	24.03	0.00
1969–1971	199.25	20.48	25.38	19.57	8.69	4.20	21.68	0.00
1970–1972	271.92	15.69	33.06	13.97	5.04	10.75	21.48	0.00
1971–1973	330.53	15.78	32.18	15.49	0.42	12.25	23.88	0.00
1972–1974	428.42	18.76	26.71	15.06	4.02	14.12	21.32	0.00
1973–1975	543.16	27.87	23.03	16.73	4.25	10.44	17.68	0.00
1974–1976	661.30	29.27	21.35	17.44	5.48	9.85	16.61	0.00
1975–1977	774.22	30.51	22.02	15.46	4.19	10.85	16.97	0.00
1976–1978	940.36	27.42	21.53	14.37	7.25	13.45	15.98	0.00
1977–1979	1,098.92	29.86	24.03	11.81	5.62	16.55	12.10	0.04
1978–1980	1,282.01	30.95	24.88	10.96	3.93	16.84	12.39	0.06
1979–1981	1,454.96	32.56	27.21	10.72	0.90	19.11	9.41	0.09
1980–1982	1,598.97	34.00	27.71	10.00	0.74	15.97	11.53	0.06
1981–1983	1,751.46	33.68	26.60	10.61	2.36	18.26	7.52	0.96
1982–1984	1,937.03	34.18	28.98	7.01	1.91	14.36	12.12	1.43
1983–1985	1,978.52	32.42	24.63	6.50	1.87	20.30	12.75	1.53
1984–1986	2,013.77	35.46	25.26	4.65	0.34	17.48	14.40	2.40
1985–1987	2,081.84	30.63	17.47	11.24	3.06	15.24	20.54	1.81
1986–1988	2,512.17	26.90	18.76	12.84	7.46	11.32	21.27	1.45
1987–1989	3,053.71	22.37	16.41	17.16	6.69	14.60	21.94	0.82
1988–1990	3,564.93	25.83	20.78	12.67	4.50	15.15	19.37	1.71
1989–1991	4,115.48	25.30	26.04	10.83	3.58	14.86	17.93	1.45
1990–1992	4,561.39	21.63	28.15	9.53	3.79	12.95	20.82	3.13
1991–1993	4,973.89	13.87	30.33	9.09	5.45	14.30	23.70	3.25
1992–1994	4,616.65	10.98	27.80	7.63	4.44	14.16	29.49	5.49
1993–1995	4,791.51	12.07	30.62	6.59	3.36	17.56	26.67	3.13
1994–1996	4,903.32	15.20	26.93	5.92	2.59	17.21	26.30	8.19
1995–1997	6,814.99	18.80	25.42	37.84	1.82	26.18	23.60	8.57
Cumulative (1968–1997)	71,567.97	20.58	23.06	14.87	3.33	15.75	19.09	3.32

0.00 Data negligible.

a Total column may not tally due to rounding.

Table 13
SECTORAL DISTRIBUTION OF LOANS,[a] 1997

	OCR		ADF		Total		
	No.	$ Million	No.	$ Million	No. of Projects[b]	$ Million	%
Agriculture and Natural Resources	7	548.62	13	455.40	17	1,004.02	10.67
Energy	3	491.40	4	177.00	7	668.40	7.10
Financial	5	4,570.00	4	93.00	6	4,663.00	49.53
Industry and Nonfuel Minerals	1	40.00	0	0.00	1	40.00	0.42
Social Infrastructure	16	1,168.40	19	606.42	26	1,774.82	18.85
Transport and Communications	8	720.00	4	213.00	12	933.00	9.91
Multisector	0	0.00	1	0.80	1	0.80	0.01
Others	2	256.00	4	74.00	5	330.00	3.51
TOTAL	42	7,794.42	49	1,619.62	75	9,414.04	100.00

a Includes private sector loans.
b A project with multiple loans is counted as one project.

Table 14
1997 LOAN APPROVALS, BY SECTOR

Member	Project	$ Million OCR	ADF	Total
AGRICULTURE AND NATURAL RESOURCES				
BAN	Participatory Livestock Development	–	19.70	19.70
BAN	Third Rural Infrastructure Development	–	70.00	70.00
INO	Coastal Community Development and Fisheries Resource Management	26.00	15.00	41.00
INO	Northern Sumatra Irrigated Agriculture Improvement Sector	130.00	–	130.00
INO	Participatory Development of Agricultural Technology	63.80	–	63.80
INO	Rural Income Generation	78.60	–	78.60
KAZ	Water Resources Management and Land Improvement	30.00	10.00	40.00
KGZ	Rural Financial Institutions	–	12.50	12.50
PAK	Dera Ghazi Khan Rural Development	–	36.00	36.00
PAK	Second Flood Protection (Sector)	–	100.00	100.00
PHI	Fisheries Resource Management	20.22	15.00	35.22
SRI	Second Perennial Crops Development	–	20.00	20.00
SRI	Upper Watershed Management	–	16.60	16.60
THA	Rural Enterprise Credit	200.00	–	200.00
VIE	Forestry Sector	–	33.00	33.00
VIE	Rural Infrastructure Sector	–	105.00	105.00
VIE	Phuoc Hoa Multipurpose Water Resources (Engineering)	–	2.60	2.60
	Subtotal	548.62	455.40	1,004.02
ENERGY				
PRC	Northeast Power Transmission	150.00	–	150.00
IND	Liquefied Petroleum Gas Pipeline	150.00	–	150.00
LAO	Power Transmission and Distribution	–	30.00	30.00
MLD	Third Power System Development	–	7.00	7.00
MON	Ulaanbaatar Heat Efficiency	–	40.00	40.00
PHI	Power Transmission Reinforcement	191.40	–	191.40
VIE	Central and Southern Viet Nam Power Distribution	–	100.00	100.00
	Subtotal	491.40	177.00	668.40
FINANCIAL				
BAN	Capital Market Development Program	–	80.00	80.00
BHU	Financial Sector Intermediation Facility (Development Finance Loan)	–	4.00	4.00
BHU	Financial Sector Intermediation Facility (Policy Loan)	–	4.00	4.00
KOR	Financial Sector Program	4,000.00	–	4,000.00
KOR	Institutional Strengthening of the Financial Sector	15.00	–	15.00
PAK	Capital Market Development Program	250.00	–	250.00
PAK	Capacity Building of the Securities Market	–	5.00	5.00
SRI	Small and Medium Enterprise Assistance[a]	5.00	–	5.00
THA	Financial Markets Reform Program	300.00	–	300.00
	Subtotal	4,570.00	93.00	4,663.00
INDUSTRY AND NONFUEL MINERALS				
BAN	Lafarge Surma Cement, Ltd.[a]	40.00	–	40.00
	Subtotal	40.00	–	40.00
SOCIAL INFRASTRUCTURE				
BAN	Second Primary Education Sector	–	100.00	100.00
BAN	Urban Primary Health Care	–	40.00	40.00
PRC	Zhejiang-Shanxi Water Supply (Phase I)	100.00	–	100.00
IND	Housing Finance (Housing and Urban Development Corporation)	100.00	–	100.00
IND	Housing Finance (Housing Development Finance Corporation)	100.00	–	100.00
IND	Housing Finance (National Housing Bank)	100.00	–	100.00
INO	Capacity Building of Water Supply Enterprises for Water Loss Reduction Sector	66.00	–	66.00
INO	Capacity Building in Urban Infrastructure Management	42.00	–	42.00

a Private sector loan without government guarantee.

Key: BAN (Bangladesh), BHU (Bhutan), PRC (People's Republic of China), COO (Cook Islands), FIJ (Fiji), IND (India), INO (Indonesia), KAZ (Kazakstan), KOR (Republic of Korea), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MAL (Malaysia), MLD (Maldives), RMI (Marshall Islands), FSM (Federated States of Micronesia), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PNG (Papua New Guinea), PHI (Philippines), SRI (Sri Lanka), THA (Thailand), UZB (Uzbekistan), and VIE (Viet Nam).

CONTINUED

Member	Project	$ Million OCR	ADF	Total
INO	Development of Madrasah Aliyahs	85.00	–	85.00
INO	Intensified Communicable Diseases Control	87.40	–	87.40
INO	Metropolitan Medan Urban Development	116.00	–	116.00
INO	Second Junior Secondary Education	160.00	15.00	175.00
KAZ	Basic Education	35.00	10.00	45.00
KGZ	Education Sector Development Program	–	19.00	19.00
KGZ	Education Sector Development Project	–	13.70	13.70
LAO	Secondary Towns Urban Development	–	27.00	27.00
MAL	Technical Education	40.00	–	40.00
MON	Health Sector Development Program	–	4.00	4.00
MON	Health Sector Development Project	–	11.92	11.92
MON	Provincial Towns Basic Urban Services	–	6.80	6.80
PAK	Korangi Wastewater Management	–	70.00	70.00
PAK	Second Science Education Sector	–	40.00	40.00
PHI	Subic Bay Area Municipal Development	22.00	–	22.00
PNG	Health Sector Development Program	45.00	5.00	50.00
PNG	Health Sector Development Project	–	10.00	10.00
SRI	Science and Technology Personnel Development	–	20.00	20.00
SRI	Third Water Supply and Sanitation (Sector)	–	75.00	75.00
THA	Nong Khai-Udon Thani Water Supply	50.00	–	50.00
UZB	Basic Education Textbook Development	20.00	20.00	40.00
VIE	Lower Secondary Education Development	–	50.00	50.00
VIE	Second Provincial Towns Water Supply and Sanitation	–	69.00	69.00
	Subtotal	1,168.40	606.42	1,774.82
TRANSPORT AND COMMUNICATIONS				
BAN	Jamuna Bridge Railway Link	–	110.00	110.00
PRC	Shenmu-Yanan Railway	200.00	–	200.00
PRC	Xiamen Port	50.00	–	50.00
FIJ	Third Road Upgrading (Sector)	40.00	–	40.00
IND	Chennai Ports	15.20	–	15.20
IND	Mumbai Ports	97.80	–	97.80
INO	Belawan, Banjarmasin, and Balikpapan Ports	100.00	–	100.00
INO	Eastern Islands Air Transport Development	124.00	–	124.00
LAO	Xieng Khouang Road Improvement	–	46.00	46.00
NEP	Tribhuvan International Airport Improvement	–	27.00	27.00
PHI	Third Airports Development (Southern Philippines)	93.00	–	93.00
SRI	Southern Provincial Roads Improvement	–	30.00	30.00
	Subtotal	720.00	213.00	933.00
OTHERS				
PRC	Xi'an Xianyang-Tongchuan Environment Improvement	156.00	–	156.00
KAZ	Pension Reform Program	100.00	–	100.00
KGZ	Corporate Governance and Enterprise Reform Program	–	40.00	40.00
KGZ	Capacity Building in Corporate Governance and Insolvency Procedure	–	4.00	4.00
RMI	Public Sector Reform Program	–	12.00	12.00
FSM	Public Sector Reform Program	–	18.00	18.00
	Subtotal	256.00	74.00	330.00
MULTISECTOR				
COO	Cyclone Emergency Rehabilitation	–	0.80	0.80
	Subtotal	–	0.80	0.80
TOTAL		**7,794.42**	**1,619.62**	**9,414.04**

a Private sector loan without government guarantee.

Key: BAN (Bangladesh), BHU (Bhutan), PRC (People's Republic of China), COO (Cook Islands), FIJ (Fiji), IND (India), INO (Indonesia), KAZ (Kazakstan), KOR (Republic of Korea), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MAL (Malaysia), MLD (Maldives), RMI (Marshall Islands), FSM (Federated States of Micronesia), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PNG (Papua New Guinea), PHI (Philippines), SRI (Sri Lanka), THA (Thailand), UZB (Uzbekistan), and VIE (Viet Nam).

Table 15
LOAN APPROVALS, BY COUNTRY AND SOURCE OF FUNDS,[a] 1997
(amounts in $ million)

Member	OCR	ADF	Total	%
Bangladesh	40.00	419.70	459.70	4.88
Bhutan	–	8.00	8.00	0.08
China, People's Rep. of	656.00	–	656.00	6.97
Cook Islands	–	0.80	0.80	0.01
Fiji	40.00	–	40.00	0.42
India	563.00	–	563.00	5.98
Indonesia	1,078.80	30.00	1,108.80	11.78
Kazakstan	165.00	20.00	185.00	1.97
Korea, Rep. of	4,015.00	–	4,015.00	42.65
Kyrgyz Republic	–	89.20	89.20	0.95
Lao PDR	–	103.00	103.00	1.09
Malaysia	40.00	–	40.00	0.42
Maldives	–	7.00	7.00	0.07
Marshall Islands	–	12.00	12.00	0.13
Micronesia, Fed. States of	–	18.00	18.00	0.19
Mongolia	–	62.72	62.72	0.67
Nepal	–	27.00	27.00	0.29
Pakistan	250.00	251.00	501.00	5.32
Papua New Guinea	45.00	15.00	60.00	0.64
Philippines	326.62	15.00	341.62	3.63
Sri Lanka	5.00	161.60	166.60	1.77
Thailand	550.00	–	550.00	5.84
Uzbekistan	20.00	20.00	40.00	0.42
Viet Nam	–	359.60	359.60	3.82
TOTAL	7,794.42	1,619.62	9,414.04	100.00

a Includes loans to private sector without government guarantee.

Table 16
DISTRIBUTION OF LENDING AMONG DEVELOPING MEMBERS, 1968-1997
Percentage of Value of Loans Approved in Period

Member	1968–1972		1973–1977		1978–1982	
	OCR	ADF	OCR	ADF	OCR	ADF
Afghanistan	–	2.6	–	7.1	–	0.9
Bangladesh	–	–	0.5	27.3	–	32.8
Bhutan	–	–	–	–	–	–
Cambodia	–	0.8	–	–	–	–
China, People's Rep. of	–	–	–	–	–	–
Cook Islands	–	–	–	–	–	0.1
Fiji	0.6	–	0.1	–	0.8	–
Hong Kong, China	2.9	–	1.7	–	0.8	–
India	–	–	–	–	–	–
Indonesia	–	34.6	17.2	4.5	28.4	2.1
Kazakstan	–	–	–	–	–	–
Kiribati	–	–	–	0.2	–	–
Korea, Rep. of	26.2	1.8	20.9	–	18.4	–
Kyrgyz Republic	–	–	–	–	–	–
Lao PDR	–	2.2	–	0.8	–	1.1
Malaysia	10.6	1.6	10.9	–	9.6	–
Maldives	–	–	–	–	–	0.1
Marshall Islands	–	–	–	–	–	–
Micronesia, Fed. States of	–	–	–	–	–	–
Mongolia	–	–	–	–	–	–
Myanmar	–	–	0.3	13.6	–	11.4
Nepal	0.3	17.7	–	9.1	–	7.3
Pakistan	8.9	9.0	12.8	19.2	5.1	27.1
Papua New Guinea	–	7.1	0.8	2.2	0.8	1.9
Philippines	13.5	1.7	21.2	1.2	19.1	2.7
Samoa	–	2.7	–	1.4	–	0.7
Singapore	12.1	1.5	1.4	–	1.1	–
Solomon Islands	–	–	–	1.0	–	0.2
Sri Lanka	1.7	11.1	0.1	8.4	–	8.6
Taipei,China	13.3	–	–	–	–	–
Thailand	9.9	–	11.9	0.8	15.9	2.7
Tonga	–	–	–	0.2	–	0.2
Uzbekistan	–	–	–	–	–	–
Vanuatu	–	–	–	–	–	0.1
Viet Nam	–	5.6	0.2	3.0	–	–
Regional	–	–	–	–	–	–
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Lending ($ million)	753.9	201.5	2,326.9	964.9	4,856.2	2,351.1

0.0 Data negligible.

1983–1987		1988–1992		1993–1997		
OCR	ADF	OCR	ADF	OCR	ADF	Member
–	–	–	–	–	–	Afghanistan
–	31.7	–	25.4	0.2	21.0	Bangladesh
–	0.8	–	0.2	–	0.3	Bhutan
–	–	–	1.1	–	2.5	Cambodia
2.0	–	12.3	–	23.4	–	China, People's Rep. of
–	0.1	–	0.1	–	0.2	Cook Islands
0.2	–	0.4	–	0.2	–	Fiji
–	–	–	–	–	–	Hong Kong, China
9.5	–	24.9	–	13.5	–	India
33.7	3.7	31.0	5.7	22.1	3.6	Indonesia
–	–	–	–	1.6	0.8	Kazakstan
–	0.0	–	0.0	–	–	Kiribati
9.2	–	0.9	–	18.2	–	Korea, Rep. of
–	–	–	–	–	3.4	Kyrgyz Republic
–	1.9	–	3.5	–	5.8	Lao PDR
8.3	–	3.1	–	0.9	–	Malaysia
–	0.2	–	0.2	–	0.2	Maldives
–	–	–	0.1	–	0.5	Marshall Islands
–	–	–	–	–	0.5	Micronesia, Fed. States of
–	–	–	0.5	–	4.8	Mongolia
–	3.5	–	–	–	–	Myanmar
–	9.5	–	7.3	0.2	5.1	Nepal
15.9	34.3	10.1	29.0	4.1	21.2	Pakistan
1.3	1.6	0.6	2.4	0.2	0.6	Papua New Guinea
12.1	1.4	10.9	11.7	6.6	3.0	Philippines
–	0.4	–	0.6	–	0.0	Samoa
–	–	–	–	–	–	Singapore
–	0.6	–	0.1	–	0.0	Solomon Islands
–	9.8	–	11.7	0.0	7.8	Sri Lanka
–	–	–	–	–	–	Taipei,China
7.8	–	5.5	–	8.4	–	Thailand
–	0.2	–	0.3	–	0.3	Tonga
–	–	–	–	0.3	0.3	Uzbekistan
–	0.3	–	0.1	–	0.1	Vanuatu
–	–	–	–	0.1	18.0	Viet Nam
–	–	0.3	–	–	–	Regional
100.0	100.0	100.0	100.0	100.0	100.0	**TOTAL**
6,755.7	3,617.3	13,978.5	6,428.3	22,119.3	7,214.4	**Lending ($ million)**

Table 17
PROJECTS INVOLVING COFINANCING, 1997
($ million)

Project	Member	Bank Loan OCR	Bank Loan ADF	Amount of Cofinancing	Source of Cofinancing
Jamuna Bridge Railway Link	Bangladesh	–	110.00	7.00	Export Development Corporation, Canada
		–	–	8.00	French Embassy in Bangladesh, France
		–	–	15.00	OPEC Fund for International Development (OPEC Fund)
		–	–	11.40	Ministry of Economy and Finance, Kingdom of Spain
Lafarge Surma Cement Ltd.	Bangladesh	40.00	–	30.50	Commonwealth Development Corporation, United Kingdom
		–	–	22.50	European Investment Bank (EIB)
		–	–	50.00	International Finance Corporation (World Bank)
		–	–	12.50	German Finance Company for Investment in Developing Countries (DEG), Germany
Participatory Livestock Development	Bangladesh	–	19.70	11.20	Danish International Development Agency (Danida), Denmark
Second Primary Education Sector	Bangladesh	–	100.00	17.00	Department for International Development, United Kingdom
Third Rural Infrastructure Development	Bangladesh	–	70.00	11.70	International Fund for Agricultural Development (IFAD)
		–	–	7.20	Swedish International Development Cooperation Agency (Sida), Sweden
Urban Primary Health Care	Bangladesh	–	40.00	3.50	Nordic Development Fund (NDF)
		–	–	1.00	United Nations Fund for Population Activities (UNFPA)
Northeast Power Transmission	China, People's Rep. of	150.00	–	190.00	State Development Bank (SDB), People's Republic of China
Shenmu-Yanan Railway	China, People's Rep. of	200.00	–	175.90	State Development Bank (SDB), People's Republic of China
Xiamen Port	China, People's Rep. of	50.00	–	16.40	State Development Bank (SDB), People's Republic of China
Xi'an Xianyang-Tongchuan Environment Improvement	China, People's Rep. of	156.00	–	55.90	Domestic banks in People's Republic of China
Liquefied Petroleum Gas Pipeline	India	150.00	–	8.80	Domestic banks in India
		–	–	58.80	International financial institutions
Private Sector Infrastructure Facility: Industrial Credit and Investment Corporation of India Limited	India	150.00	–	150.00	Export-Import Bank of Japan (JEXIM), Japan
Private Sector Infrastructure Facility: Industrial Finance Corporation of India Limited	India	100.00	–	100.00	Export-Import Bank of Japan (JEXIM), Japan
Private Sector Infrastructure Facility: SCICI Limited[a]	India	50.00	–	50.00	Export-Import Bank of Japan (JEXIM), Japan
Belawan, Banjarmasin, and Balikpapan Ports	Indonesia	100.00	–	25.00	Kreditanstalt für Wiederaufbau (KfW), Germany
Eastern Islands Air Transport Development	Indonesia	124.00	–	80.00	Export-Import Bank of Japan (JEXIM), Japan
Rural Income Generation	Indonesia	78.60	–	24.90	International Fund for Agricultural Development (IFAD)
Education Sector Development Project	Kyrgyz Republic	–	13.70	5.00	OPEC Fund for International Development (OPEC Fund)
Power Transmission and Distribution	Lao PDR	–	30.00	3.95	French Embassy in Thailand, France
		–	–	5.90	Nordic Development Fund (NDF)
Secondary Towns Urban Development	Lao PDR	–	27.00	0.80	Kreditanstalt für Wiederaufbau (KfW), Germany
		–	–	3.20	Norwegian Agency for International Cooperation (NORAD), Norway
Xieng Khouang Road Improvement	Lao PDR	–	46.00	0.20	Embassy of Japan, Vientiane
		–	–	4.00	OPEC Fund for International Development (OPEC Fund)
Third Power System Development	Maldives	–	7.00	5.60	Nordic Development Fund (NDF)
Ulaanbaatar Heat Efficiency	Mongolia	–	40.00	3.00	Ministry of Economy and Finance, Kingdom of Spain
Third Livestock Development[a]	Nepal	–	18.30	0.75	Australian Agency for International Development (AUSaid), Australia
Tribhuvan International Airport Improvement	Nepal	–	27.00	11.00	OPEC Fund for International Development (OPEC Fund)
Capital Market Development Program	Pakistan	250.00	–	250.00	Export-Import Bank of Japan (JEXIM), Japan
Second Flood Protection (Sector)	Pakistan	–	100.00	50.00	Overseas Economic Cooperation Fund (OECF), Japan
Second Science Education Sector	Pakistan	–	40.00	20.00	Overseas Economic Cooperation Fund (OECF), Japan
Fisheries Resource Management	Philippines	20.22	15.00	19.30	Overseas Economic Cooperation Fund (OECF), Japan
Power Transmission Reinforcement	Philippines	191.40	–	36.10	First Gas Holdings Corporation, Philippines
		–	–	7.50	Overseas Economic Cooperation Fund (OECF), Japan
Subic Bay Area Municipal Development	Philippines	22.00	–	1.00	Ministry of Economy and Finance, Kingdom of Spain
Third Airports Development (Southern Philippines)	Philippines	93.00	–	29.00	European Investment Bank (EIB)
Science and Technology Personnel Development	Sri Lanka	–	20.00	6.50	OPEC Fund for International Development (OPEC Fund)
Small and Medium Enterprise Assistance Plan	Sri Lanka	5.00	–	4.00	Bank of Nova Scotia, Canada
		–	–	31.50	Commercial banks in Japan
		–	–	14.50	Commercial banks in Germany
Third Water Supply and Sanitation (Sector)	Sri Lanka	–	75.00	15.00	French Embassy in Colombo, France
		–	–	8.00	Norwegian Agency for International Cooperation (NORAD), Norway
Financial Markets Reform Program Loan	Thailand	300.00	–	1,000.00	International financial institutions
Forestry Sector	Viet Nam	–	33.00	7.00	Minister for Development Cooperation of the Netherlands
Lower Secondary Education Development	Viet Nam	–	50.00	0.51	Government of Belgium
Rural Infrastructure Sector	Viet Nam	–	105.00	15.00	Caisse Francaise de Developpement, France
TOTAL	2,015.00	1,201.90	2,702.51		

a Approved in 1996.

Table 18
1997 PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS, BY COUNTRY
($ million)

	Loan	Equity Investment	Total Bank Funds	Complementary Loan	Total Bank Approvals	Total Project Cost
Bangladesh						
Lafarge Surma Cement Ltd.	40.000	10.000	50.000	–	50.000	225.000
Bhutan						
Bhutan National Bank	–	0.790	0.790	–	0.790	0.800
India						
Infrastructure Development Finance Co.	–	30.000	30.000	–	30.000	440.000
Sri Lanka						
National Development Bank of Sri Lanka: Small and Medium Enterprises Assistance	5.000	–	5.000	–	5.000	55.000
Regional						
Kula Fund	–	3.000	3.000	–	3.000	15.000
Capital Asia Infrastructure/Investment Ltd.	–	30.000	30.000	–	30.000	400.000
Asian Management Ltd.	–	0.500	0.500	–	0.500	5.000
TOTAL	45.000	74.290	119.290	–	119.290	1,140.800

Table 19
1997 PRIVATE SECTOR APPROVALS AND TOTAL PROJECT COSTS, BY SECTOR
($ million)

	Loan	Equity Investment	Total Bank Funds	Complementary Loan	Total Bank Approvals	Total Project Cost
Infrastructure	–	–	–	–	–	–
Investment Funds	–	33.500	33.500	–	33.500	420.000
Financial Institutions	5.000	30.790	35.790	–	35.790	495.800
Agriculture, Manufacturing, and Other Industries	40.000	10.000	50.000	–	50.000	225.000
TOTAL	45.000	74.290	119.290	–	119.290	1,140.800

Table 20
PRIVATE SECTOR LOAN AND EQUITY INVESTMENT APPROVALS, BY YEAR, 1987–1997
(amounts in $ million)

Year	No. of Projects[a]	Loan	Equity Investment[b]	Total Bank Funds	Complementary Loan	Total Bank Approvals[a]
1987	7	20.50	27.61	48.11	5.00	53.11
1988	12	58.00	35.67	93.67	–	93.67
1989	16	95.70	67.59	163.29	51.10	214.39
1990	17	78.85	35.94	114.79	24.00	138.79
1991	10	156.80	20.52	177.32	–	177.32
1992	4	50.00	5.42	55.42	81.50	136.92
1993	9	182.10	20.70	202.80	19.30	222.10
1994	9	–	48.60	48.60	–	48.60
1995	8	68.00	106.38	174.38	5.83	180.21
1996	10	156.00	107.28	263.28	236.50	499.78
1997	6	45.00	74.30	119.30	–	119.30

a Net of cancellations.
b Includes equity investments, lines of equity, and equity underwritings.

Table 21
CUMULATIVE PRIVATE SECTOR APPROVALS, BY COUNTRY, 1983–1997
(amounts in $ million)

Member	No. of Projects[a]	Loan	Equity Investment[b]	Total Bank Funds	Complementary Loan	Total Bank Approvals[a]
Bangladesh	4	50.50	12.86	63.36	–	63.36
Bhutan	1	–	0.80	0.80	–	0.80
China, People's Rep. of	5	50.00	37.30	87.30	–	87.30
Fiji	1	–	0.25	0.25	–	0.25
India	17	160.70	124.54	285.24	105.00	390.24
Indonesia	12	114.50	31.78	146.28	108.50	254.78
Korea, Rep. of	3	–	8.96	8.96	–	8.96
Malaysia	1	–	2.00	2.00	–	2.00
Nepal	4	49.55	3.26	52.81	5.83	58.64
Pakistan	21	241.80	28.63	270.43	129.90	400.33
Philippines	19	147.90	34.00	181.90	47.50	229.40
Sri Lanka	7	6.00	5.82	11.82	–	11.82
Thailand	7	31.46	26.82	58.28	–	58.28
Viet Nam	2	30.00	2.00	32.00	26.50	58.50
Regional	15	35.00	244.04	279.04	–	279.04
TOTAL	119	917.41	563.05	1,480.46	423.23	1,903.69

a Net of cancellations.
b Includes equity investments, lines of equity, and equity underwritings.

Table 22
LOAN DISBURSEMENTS, 1996 AND 1997
(amounts in $ thousand)

Disbursement	1996					
	OCR	% of Total OCR	ADF	% of Total ADF	Total	% of Total Disbursements
Project Loan[a]						
Nondevelopment Finance Institution	1,842,737	72	896,220	72	2,738,957	72
Development Finance Institution	144,895	5	43,156	4	188,051	5
Total Project Loans	1,987,632	77	939,376	76	2,927,008	77
Sector Loan[b]	407,109	16	209,549	17	616,658	16
Program Loan[c]	126,324	5	85,201	7	211,525	6
Private Sector Loan[d]	41,513	2	–	–	41,513	1
TOTAL	2,562,578	100	1,234,126	100	3,796,704	100

Disbursement	1997						% Change (1997/1996)		
	OCR	% of Total OCR	ADF	% of Total ADF	Total	% of Total Disburse-ments	OCR	ADF	Total
Project Loan[a]									
Nondevelopment Finance Institution	1,842,209	35	815,195	70	2,657,404	41	–	(9)	(3)
Development Finance Institution	327,251	6	43,034	4	370,285	6	126	–	97
Total Project Loans	2,169,460	41	858,229	74	3,027,689	47	9	(9)	3
Sector Loan[b]	632,653	12	126,895	11	759,548	12	55	(39)	23
Program Loan[c]	2,435,324	46	168,990	15	2,604,314	40	1,828	98	1,131
Private Sector Loan[d]	66,244	1	–	–	66,244	1	60	–	60
TOTAL	5,303,681	100	1,154,114	100	6,457,795	100	107	(6)	70

( ) Negative.

a A project loan is a loan provided to finance specific projects. The Bank uses development finance and nondevelopment finance institutions in its developing member countries (DMCs) as vehicles to finance small- to medium-sized projects in the private sector.

b A sector loan is a loan provided to develop a specific sector or subsector. It finances a large number of subprojects in a single sector or subsector.

c A program loan is a loan provided to support DMCs' efforts to improve the policy, institutional, and investment environment of sector development. It helps meet short-term costs that policy adjustments entail.

d Excluding disbursements for equity investments amounting to $29.38 million in 1996 and $45.43 million in 1997.

Table 23
NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION, PCRs CIRCULATED, PROJECTS COMPLETED, LOANS CLOSED, AND PPARs CIRCULATED
(as of 31 December 1997)

Member	Cumulative No. of Loans Approved[a]	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved[b]	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Projects	Cumulative No. of Cofinanced Projects
Afghanistan	9	8	8	–	1	2
Bangladesh	129	122	121	3	5	57
Bhutan	13	11	12	–	–	5
Cambodia	10	10	10	–	–	3
China, People's Rep. of	64	58	64	–	–	17
Cook Islands	11	10	11	–	–	1
Fiji	13	12	13	–	–	5
Hong Kong, China	5	5	5	–	–	–
India	52	46	47	1	–	19
Indonesia	235	224	216	16	2	46
Kazakstan	10	5	7	2	–	–
Kiribati	5	5	5	–	–	1
Korea, Rep. of	81	81	80	–	–	8
Kyrgyz Republic	9	6	7	–	–	3
Lao PDR	42	39	39	–	3	23
Malaysia	76	74	74	1	1	9
Maldives	7	6	7	–	–	3
Marshall Islands	7	7	7	–	–	–
Micronesia, Fed. States of	3	3	3	–	–	–
Mongolia	19	14	16	–	–	5
Myanmar	32	32	28	2	2	12
Nepal	90	90	79	1	9	37
Pakistan	179	171	152	22	5	70
Papua New Guinea	45	45	34	10	–	6
Philippines	160	155	139	16	4	51
Samoa	25	24	21	–	4	9
Singapore	14	14	14	–	–	2
Solomon Islands	13	13	13	–	–	5
Sri Lanka	84	78	78	1	5	23
Taipei,China	12	12	12	–	–	–
Thailand	77	76	74	2	1	34
Tonga	14	13	14	–	–	3
Uzbekistan	3	1	2	1	–	–
Vanuatu	7	7	6	–	1	3
Viet Nam	31	24	29	2	–	6
Regional	1	1	1	–	–	–
TOTAL	1,587	1,502	1,448	80	43	468

a Includes Special Implementation Assistance Loans, Special Assistance, and private sector loans; excludes loans withdrawn by borrowers before loan signing.
b Blended loans are counted as one project; supplementary loans and special implementation assistance loans are not counted as separate projects.
c Includes projects/loans which have been approved but still awaiting effectivity, inactive loans, fully disbursed private sector loans without government guarantee but still under administration; excludes projects/loans exclusively financed from other sources.
d Projects which were physically completed in 1997.

No. of Projects Under Administration[a, c]	No. of Loans Under Administration[c]	Cumulative No. of PCRs Circulated/ Prepared	No. of Projects Completed in 1997[d]	No. of Loans Closed in 1997	No. of PCRs Circulated in 1997	No. of PPARs Circulated in 1997	Member
–	–	–	–	–	–	–	Afghanistan
39	39	74	3	6	3	2	Bangladesh
4	5	6	–	–	–	–	Bhutan
8	8	1	1	–	1	–	Cambodia
47	47	14	13	5	4	–	China, People's Rep. of
5	5	6	1	–	1	–	Cook Islands
2	2	9	–	–	1	1	Fiji
–	–	5	–	–	–	–	Hong Kong, China
29	36	11	4	7	5	–	India
77	82	115	15	11	7	5	Indonesia
7	9	–	2	–	–	–	Kazakstan
–	–	4	–	–	–	–	Kiribati
1	2	58	–	–	1	–	Korea, Rep of
7	9	–	1	–	–	–	Kyrgyz Republic
19	19	14	3	2	2	1	Lao PDR
10	10	44	3	–	–	1	Malaysia
3	3	4	1	–	–	–	Maldives
5	5	2	2	1	1	–	Marshall Islands
3	3	–	1	–	–	–	Micronesia, Fed. States of
13	16	1	1	–	–	–	Mongolia
1	1	26	–	–	–	–	Myanmar
27	27	46	4	4	3	3	Nepal
66	72	78	6	6	7	3	Pakistan
6	9	26	2	2	2	1	Papua New Guinea
45	53	81	3	3	5	3	Philippines
1	1	18	–	–	–	1	Samoa
–	–	7	–	–	–	–	Singapore
–	–	13	–	–	–	–	Solomon Islands
27	27	44	5	1	4	1	Sri Lanka
–	–	1	–	–	–	–	Taipei,China
19	19	41	4	2	1	1	Thailand
4	4	11	–	–	1	–	Tonga
2	3	–	–	–	–	–	Uzbekistan
2	2	3	1	1	–	–	Vanuatu
20	20	5	–	–	–	–	Viet Nam
1	1	–	–	–	–	–	Regional
500	539	768	76	51	49	23	TOTAL

Table 24
AMOUNT OF LOANS APPROVED, CONTRACTS AWARDED, AND DISBURSEMENTS
(as of 31 December 1997)
(amounts in $ million)

Member	Cumulative Loan Amounts Approved[a]	Cumulative Net Effective Loans[b,c]	Contracts Awarded in 1997[c,d]	Cumulative Contracts Awarded[c,d]
Afghanistan	95.10	27.90	0.00	34.21
Bangladesh	5,383.31	4,561.87	202.83	3,616.75
Bhutan	59.46	47.43	1.63	41.25
Cambodia	247.67	233.36	41.51	129.70
China, People's Rep. of	7,034.70	6,224.87	693.59	3,897.36
Cook Islands	24.47	22.74	3.96	18.56
Fiji	161.10	113.47	0.02	109.16
Hong Kong, China	101.50	94.50	0.00	94.50
India	7,116.30	5,820.21	550.12	4,074.59
Indonesia	14,205.49	12,121.42	422.40	7,671.55
Kazakstan	415.00	226.96	99.53	198.16
Kiribati	4.90	3.77	0.00	3.75
Korea, Rep. of	6,338.33	5,867.46	2,000.00	3,864.68
Kyrgyz Republic	249.20	195.24	55.24	156.15
Lao PDR	749.44	622.22	65.91	540.16
Malaysia	1,987.54	1,434.50	59.26	1,250.96
Maldives	40.88	35.85	0.30	34.00
Marshall Islands	43.05	41.34	7.59	23.01
Micronesia, Fed. States of	35.10	33.64	14.89	15.60
Mongolia	377.52	295.77	52.22	257.72
Myanmar	530.86	455.89	0.00	418.77
Nepal	1,527.38	1,321.46	166.74	1,060.89
Pakistan	9,471.44	8,338.76	424.30	6,389.33
Papua New Guinea	605.73	574.69	28.78	456.42
Philippines	6,430.88	5,373.61	137.03	3,903.12
Samoa	89.92	86.79	0.95	86.40
Singapore	181.08	144.44	0.00	130.22
Solomon Islands	43.31	37.61	0.00	37.10
Sri Lanka	1,988.95	1,709.09	128.86	1,421.35
Taipei,China	100.39	91.14	0.00	90.28
Thailand	4,354.25	3,680.19	632.50	2,885.95
Tonga	47.79	41.49	3.04	35.34
Uzbekistan	90.00	50.00	0.00	0.00
Vanuatu	29.25	27.45	0.98	17.23
Viet Nam	1,371.68	997.45	154.31	351.04
Regional[g]	35.00	35.00	0.00	0.00
TOTAL	**71,567.97**	**60,989.58**	**5,948.48**	**43,315.25**

a Includes special assistance loans and private sector loans but excludes loans withdrawn before loan signing. The US dollar equivalent is in accordance with the exchange rate prevailing within the Bank at the time of loan signing.
b Net refers to cancellation and refund of unused loan amounts.
c The US dollar equivalent is in accordance with the exchange rate prevailing within the Bank on 31 December 1997.
d Excluding private sector loans without government guarantee.
e The cumulative disbursements may exceed the cumulative contracts awarded due to interest during construction amounts and private sector loans which do not require procurements.
f The cumulative contracts awarded exceed the net effective loan amounts for countries without active loan because the base contract amount of loans that were closed prior to computerization does not reflect the adjustment with regard to procurement data.
g A private sector loan to Asian Finance and Investment Corporation (AFIC).

% of Cumulative Contracts Awarded to Cumulative Net Effective Loans	Disbursements in 1997	Cumulative Disbursements[e]	% of Cumulative Disbursements to Cumulative Net Effective Loans	Member
122.6[f]	0.00	27.90	100.0	Afghanistan
79.3	193.01	3,683.85	80.8	Bangladesh
87.0	7.16	40.86	86.1	Bhutan
55.6	10.74	96.76	41.5	Cambodia
62.6	714.68	3,354.97	53.9	China, People's Rep. of
81.6	2.42	18.92	83.2	Cook Islands
96.2	1.77	111.92	98.6	Fiji
100.0	0.00	94.50	100.0	Hong Kong, China
70.0	645.03	3,827.74	65.8	India
63.3	676.57	8,218.25	67.8	Indonesia
87.3	71.56	167.56	73.8	Kazakstan
99.7	0.00	3.77	100.0	Kiribati
65.9	2,000.00	3,852.45	65.7	Korea, Rep of
80.0	51.91	112.13	57.4	Kyrgyz Republic
86.8	87.02	451.86	72.6	Lao PDR
87.2	86.42	1,212.61	84.5	Malaysia
94.8	2.88	33.79	94.3	Maldives
55.7	10.08	18.24	44.1	Marshall Islands
46.4	11.31	11.76	35.0	Micronesia, Fed. States of
87.1	67.42	210.17	71.1	Mongolia
91.9	0.00	411.83	90.3	Myanmar
80.3	106.04	953.92	72.2	Nepal
76.6	451.89	6,327.05	75.9	Pakistan
79.4	24.26	448.71	78.1	Papua New Guinea
72.6	389.60	4,193.07	78.0	Philippines
99.5	0.91	86.38	99.5	Samoa
90.2	0.00	144.44	100.0	Singapore
98.6	0.00	37.61	100.0	Solomon Islands
83.2	100.54	1,377.68	80.6	Sri Lanka
99.1	0.00	91.14	100.0	Taipei,China
78.4	592.94	2,725.30	74.1	Thailand
85.2	2.10	30.95	74.6	Tonga
0.0	0.00	0.00	0.0	Uzbekistan
62.7	0.27	17.32	63.1	Vanuatu
35.2	149.26	254.67	25.5	Viet Nam
0.0	0.00	35.00	100.0	Regional[g]
71.0	6,457.79	42,685.08	70.0	TOTAL

Table 25
CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS,[a] 1968–1997
(as of 31 December 1997)

Year	Cumulative Effective Loans[b]		Cumulative Contracts Awarded[c]		Cumulative Disbursements[b]	
	No.	$ Million[d]	$ Million	Percentage of Cumulative Effective Loans	$ Million[e]	Percentage of Cumulative Effective Loans
1968	4	20	5	23	2	9
1969	13	67	14	20	9	14
1970	28	137	54	40	26	19
1971	67	404	115	28	75	19
1972	93	696	272	39	136	20
1973	130	998	453	45	283	28
1974	187	1,612	836	52	470	29
1975	221	2,052	1,150	56	832	41
1976	264	2,846	1,506	53	1,159	41
1977	294	3,461	1,862	54	1,515	44
1978	340	4,289	2,433	57	1,977	46
1979	391	5,274	2,942	56	2,463	47
1980	451	6,592	3,820	58	3,042	46
1981	510	7,953	4,504	57	3,710	47
1982	570	9,672	5,571	58	4,505	47
1983	621	11,100	6,296	57	5,442	49
1984	675	13,027	7,300	56	6,442	49
1985	727	14,793	8,279	56	7,452	50
1986	771	16,135	9,443	59	8,476	53
1987	815	17,807	10,883	61	9,708	55
1988	887	20,589	12,812	62	11,357	55
1989	958	23,727	14,859	63	13,592	57
1990	1,016	27,630	17,667	64	16,344	59
1991	1,078	31,360	20,507	65	19,447	62
1992	1,149	35,909	23,176	65	22,214	62
1993	1,221	40,099	26,756	67	25,156	63
1994	1,282	44,030	30,569	69	28,844	66
1995	1,345	47,901	34,058	71	32,431	68
1996	1,413	52,484	37,538	72	36,227	69
1997	1,502	60,990	43,315	71	42,685	70

a After the signing of the loan agreement, certain requirements must be complied with for the loan to become effective.
b Includes private sector loans without government guarantee.
c Excludes private sector loans without government guarantee.
d Net of cancellations and amounts transferred to subsequent loans.
e Includes interest and other charges financed during construction.

Table 26
DISTRIBUTION OF CONTRACTS AWARDED, BY COUNTRY OF ORIGIN[a]
ORDINARY CAPITAL RESOURCES

Member	1967–1976		1977–1986		1987–1996		1997	
	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1.15	3.91	1.43	2.46	1.90	4.09	1.02	8.37
Austria	2.38	0.84	0.57	0.30	0.28	0.31	0.48	0.00
Bangladesh	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00
Belgium	0.22	0.53	0.49	0.04	0.48	0.00	0.45	0.00
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	2.19	2.29	0.91	6.79	0.81	4.48	0.45	2.48
China, People's Rep. of	0.00	0.00	0.00	0.00	9.39	0.00	13.32	0.00
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.13	1.94	0.29	2.91	0.15	1.89	0.58	1.55
Fiji	0.09	0.00	0.24	0.00	0.16	0.03	0.00	0.00
Finland	0.05	0.00	0.04	0.31	0.47	0.32	0.31	0.00
France	3.78	6.05	2.02	2.98	2.27	4.39	1.00	5.44
Germany	7.57	10.36	4.79	4.34	5.66	6.21	2.53	7.18
Hong Kong, China	0.60	0.00	1.65	0.47	1.17	0.08	0.29	0.00
India	1.45	3.35	0.67	0.34	9.97	1.29	9.94	0.20
Indonesia	0.00	0.00	8.54	9.58	17.36	29.08	5.37	19.93
Italy	3.36	11.06	1.35	4.08	3.82	2.27	0.63	2.33
Japan	42.33	7.33	22.82	12.58	11.63	7.31	2.23	3.59
Kazakstan	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.00
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of[b]	9.67	1.31	16.74	4.06	6.40	0.79	44.95	0.00
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.01	0.00	0.06	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	3.32	0.17	4.86	0.88	3.42	1.20	3.13	0.00
Maldives	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	2.17	2.20	0.90	2.60	0.61	5.60	0.81	7.12
New Zealand	0.17	1.42	0.42	1.46	0.09	0.17	0.07	1.51
Norway	0.15	0.00	0.03	0.25	0.06	0.00	0.01	4.55
Pakistan	0.01	0.00	0.57	0.04	3.02	0.37	0.46	0.00
Papua New Guinea	0.00	0.00	0.25	0.07	0.27	0.19	0.12	0.00
Philippines	1.14	0.94	8.43	1.59	3.36	4.14	0.90	4.72
Samoa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Singapore	0.56	0.00	1.53	0.32	1.56	0.12	2.52	1.16
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.19	0.00	0.04	0.00
Sri Lanka	0.00	0.00	0.00	0.03	0.01	0.02	0.00	0.00
Sweden	0.57	0.13	0.54	0.04	0.81	0.15	0.22	0.00
Switzerland	1.91	1.07	1.51	5.86	1.69	6.19	0.32	2.48
Taipei,China	1.77	0.09	1.70	3.20	0.75	1.01	0.22	5.07
Thailand	2.28	0.00	6.94	0.09	3.48	1.64	3.29	5.84
Tonga	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.00	0.00	0.00	0.00	0.19	0.00	0.26	0.00
United Kingdom	4.03	3.61	2.76	11.08	1.53	6.90	1.99	3.84
United States	6.94	41.40	7.01	21.26	6.55	9.76	1.84	12.66
Uzbekistan	0.00	0.00	0.00	0.00	0.02	0.00	0.01	0.00
Vanuatu	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL ($ million)	1,151.814	65.585	5,006.384	327.457	17,780.479	825.743	4,536.583	103.048

0.00 Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US$ value equivalent of contract.

b Details of the $2 billion program loan to the Republic of Korea are not yet available and the procurement has been tentatively assigned to the Republic of Korea. Actual source will be reflected when available.

Table 27
DISTRIBUTION OF CONTRACTS AWARDED, BY COUNTRY OF ORIGIN[a]
ASIAN DEVELOPMENT FUND

Member	1967–1976		1977–1986		1987–1996		1997	
	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.37	0.00	0.00	0.00	0.00	0.00
Australia	4.89	6.10	0.83	3.75	1.18	5.64	0.53	3.81
Austria	0.12	0.00	0.34	0.00	0.16	0.00	0.45	0.00
Bangladesh	0.20	0.00	5.80	0.94	14.03	3.73	11.74	1.76
Belgium	0.18	0.00	0.58	0.05	0.36	0.00	0.06	0.00
Bhutan	0.00	0.00	0.00	0.00	0.18	0.01	0.06	0.00
Cambodia	0.00	0.00	0.00	0.00	0.31	0.00	0.30	0.00
Canada	0.61	18.30	0.51	7.39	0.40	3.11	0.34	9.38
China, People's Rep. of	0.00	0.00	0.00	0.00	5.68	0.00	8.54	0.00
Cook Islands	0.00	0.00	0.04	0.00	0.05	0.01	0.03	0.01
Denmark	0.02	0.93	0.79	0.00	0.33	1.68	0.17	1.82
Fiji	0.12	0.00	0.05	0.00	0.02	0.02	0.25	0.00
Finland	0.01	0.00	0.07	1.34	0.18	0.20	0.20	4.14
France	0.13	0.00	1.37	2.57	1.43	4.01	2.67	10.77
Germany	14.61	22.63	5.08	1.68	3.69	5.35	1.25	4.98
Hong Kong, China	0.27	0.00	0.74	0.00	0.83	0.00	0.36	0.00
India	4.42	1.63	6.30	9.30	2.27	1.84	0.97	0.00
Indonesia	0.00	0.00	1.14	1.85	3.49	4.70	2.59	2.92
Italy	5.68	5.49	2.75	0.82	1.68	2.94	6.19	0.05
Japan	38.73	21.17	25.35	15.18	5.47	3.56	3.37	5.68
Kazakstan	0.00	0.00	0.00	0.00	0.32	0.00	1.07	0.50
Kiribati	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Korea, Rep. of[b]	5.66	1.84	5.31	2.01	6.79	1.70	3.68	0.00
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.44	0.00	1.86	0.00
Lao PDR	0.00	0.00	0.05	0.00	0.79	0.08	0.89	0.31
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	0.57	2.56	0.36	0.54	1.02	0.00	0.70	0.00
Maldives	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.06	0.00	0.10	0.08
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Mongolia	0.00	0.00	0.00	0.00	0.14	0.00	0.05	0.00
Myanmar	0.00	0.00	0.78	0.00	0.13	0.00	0.00	0.00
Nepal	0.82	0.00	2.28	0.50	3.27	1.16	3.01	3.59
Netherlands	1.68	5.57	1.22	2.22	1.61	5.22	0.25	3.63
New Zealand	0.56	2.46	0.81	2.00	0.46	3.48	0.65	1.82
Norway	0.05	0.00	0.02	0.57	0.36	0.28	0.02	0.94
Pakistan	0.00	0.00	4.76	0.47	15.57	9.91	12.34	4.63
Papua New Guinea	2.60	0.00	1.52	0.19	1.16	0.39	0.13	0.00
Philippines	0.14	1.10	2.74	2.83	4.85	5.04	1.86	0.79
Samoa	0.09	0.00	0.28	0.07	0.06	0.07	0.03	0.00
Singapore	4.83	0.00	1.85	0.11	4.02	0.16	4.44	0.00
Solomon Islands	0.00	0.00	0.28	0.09	0.10	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.06	0.00	0.04	0.00
Sri Lanka	0.00	0.12	3.11	0.26	4.38	1.39	5.00	0.64
Sweden	0.01	0.14	1.64	0.04	0.57	2.19	0.01	1.32
Switzerland	0.33	0.00	2.64	6.18	0.93	2.58	0.27	0.15
Taipei,China	0.74	0.11	0.20	0.04	0.76	0.00	0.35	0.00
Thailand	1.66	0.20	2.35	0.05	0.94	0.01	1.16	0.00
Tonga	0.00	0.00	0.15	0.00	0.07	0.06	0.10	0.00
Turkey	0.00	0.00	0.00	0.00	0.30	0.00	13.77	0.00
United Kingdom	6.96	2.83	6.44	21.11	2.02	17.81	0.68	13.85
United States	3.30	6.82	8.98	15.96	6.28	11.68	3.10	20.07
Uzbekistan	0.00	0.00	0.00	0.00	0.05	0.00	0.28	0.00
Vanuatu	0.00	0.00	0.01	0.00	0.04	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.08	0.00	0.68	0.00	4.08	2.36
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL ($ million)	260.832	27.689	2,447.946	155.369	9,288.558	568.073	1,219.632	89.220

0.00 Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US$ value equivalent of contract.

b Details of the $2 billion program loan to the Republic of Korea are not yet available and the procurement has been tentatively assigned to the Republic of Korea. Actual source will be reflected when available.

Table 28

DISTRIBUTION OF CONTRACTS AWARDED, BY COUNTRY OF ORIGIN[a]
ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED

	1967–1976		1977–1986		1987–1996		1997	
Member	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %	Goods, Related Services, and Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.12	0.00	0.00	0.00	0.00	0.00
Australia	1.84	4.56	1.23	2.87	1.65	4.72	0.92	6.25
Austria	1.96	0.59	0.49	0.21	0.24	0.18	0.48	0.00
Bangladesh	0.04	0.00	1.91	0.32	4.82	1.52	2.49	0.82
Belgium	0.21	0.38	0.52	0.04	0.44	0.00	0.37	0.00
Bhutan	0.00	0.00	0.00	0.00	0.06	0.00	0.01	0.00
Cambodia	0.00	0.00	0.00	0.00	0.11	0.00	0.06	0.00
Canada	1.90	7.04	0.78	6.98	0.67	3.92	0.43	5.68
China, People's Rep. of	0.00	0.00	0.00	0.00	8.12	0.00	12.31	0.00
Cook Islands	0.00	0.00	0.01	0.00	0.02	0.00	0.01	0.01
Denmark	0.11	1.64	0.45	1.97	0.21	1.81	0.49	1.67
Fiji	0.10	0.00	0.18	0.00	0.11	0.02	0.05	0.00
Finland	0.04	0.00	0.05	0.64	0.37	0.27	0.29	1.92
France	3.11	4.25	1.80	2.85	1.98	4.24	1.36	7.92
Germany	8.87	14.00	4.89	3.49	4.98	5.86	2.26	6.16
Hong Kong, China	0.54	0.00	1.31	0.32	1.06	0.05	0.31	0.00
India	2.00	2.84	2.52	3.22	7.33	1.51	8.04	0.11
Indonesia	0.00	0.00	5.93	7.09	12.60	19.15	4.78	12.03
Italy	3.79	9.41	1.81	3.03	3.09	2.54	1.81	1.27
Japan	41.67	11.44	23.65	13.41	9.51	5.78	2.47	4.56
Kazakstan	0.00	0.00	0.00	0.00	0.11	0.00	0.36	0.23
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of[b]	8.93	1.46	13.32	3.40	6.53	1.16	36.21	0.00
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.16	0.00	0.44	0.00
Lao PDR	0.00	0.00	0.02	0.00	0.27	0.03	0.19	0.14
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	2.81	0.88	3.29	0.77	2.60	0.71	2.61	0.00
Maldives	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.02	0.00	0.02	0.04
Micronesia, Fed. States of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.05	0.00	0.01	0.00
Myanmar	0.00	0.00	0.26	0.00	0.05	0.00	0.00	0.00
Nepal	0.15	0.00	0.75	0.16	1.12	0.47	0.64	1.67
Netherlands	2.08	3.20	1.01	2.48	0.95	5.45	0.69	5.50
New Zealand	0.24	1.73	0.55	1.63	0.22	1.52	0.19	1.65
Norway	0.13	0.00	0.03	0.35	0.17	0.10	0.01	2.87
Pakistan	0.01	0.00	1.95	0.18	7.32	4.26	2.98	2.15
Papua New Guinea	0.48	0.00	0.66	0.11	0.58	0.27	0.12	0.00
Philippines	0.95	0.99	6.54	1.99	3.87	4.51	1.11	2.89
Samoa	0.02	0.00	0.09	0.02	0.02	0.03	0.01	0.00
Singapore	1.34	0.00	1.65	0.25	2.40	0.14	2.93	0.62
Solomon Islands	0.00	0.00	0.09	0.03	0.04	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.14	0.00	0.04	0.00
Sri Lanka	0.00	0.04	1.02	0.11	1.51	0.58	1.06	0.30
Sweden	0.46	0.13	0.90	0.04	0.73	0.98	0.18	0.61
Switzerland	1.62	0.75	1.88	5.96	1.43	4.72	0.31	1.40
Taipei,China	1.58	0.10	1.21	2.18	0.75	0.60	0.25	2.72
Thailand	2.17	0.06	5.41	0.08	2.61	0.97	2.84	3.13
Tonga	0.00	0.00	0.05	0.00	0.03	0.02	0.02	0.00
Turkey	0.00	0.00	0.00	0.00	0.23	0.00	3.12	0.00
United Kingdom	4.57	3.38	3.97	14.31	1.70	11.35	1.71	8.49
United States	6.27	31.13	7.66	19.55	6.46	10.54	2.11	16.09
Uzbekistan	0.00	0.00	0.00	0.00	0.03	0.00	0.07	0.00
Vanuatu	0.00	0.00	0.00	0.00	0.27	0.00	0.00	0.00
Viet Nam	0.00	0.00	0.03	0.00	0.26	0.00	0.87	1.10
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL ($ million)	1,412.646	93.274	7,454.330	482.826	27,069.037	1,393.464	5,756.215	192.268

0.00 Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US$ value equivalent of contract.

b Details of the $2 billion program loan to the Republic of Korea are not yet available and the procurement has been tentatively assigned to the Republic of Korea. Actual source will be reflected when available.

Table 29
CONTRACTS AWARDED, BY COUNTRY OF ORIGIN, 1997[a,b]
ORDINARY CAPITAL RESOURCES
(amounts in $ million)

Member	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	46.299	1.02	8.620	8.37	54.919	1.18
Austria	21.958	0.48	0.000	0.00	21.958	0.47
Belgium	20.393	0.45	0.000	0.00	20.393	0.44
Canada	20.462	0.45	2.560	2.48	23.022	0.50
China, People's Rep. of	604.290	13.32	0.000	0.00	604.290	13.02
Denmark	26.277	0.58	1.593	1.55	27.870	0.60
Fiji	0.017	0.00	0.000	0.00	0.017	0.00
Finland	14.178	0.31	0.000	0.00	14.178	0.31
France	45.394	1.00	5.610	5.44	51.004	1.10
Germany	114.733	2.53	7.395	7.18	122.128	2.63
Hong Kong, China	13.173	0.29	0.000	0.00	13.173	0.28
India	450.742	9.94	0.209	0.20	450.951	9.72
Indonesia	243.438	5.37	20.533	19.93	263.971	5.69
Italy	28.727	0.63	2.397	2.33	31.124	0.67
Japan	101.218	2.23	3.700	3.59	104.918	2.26
Kazakstan	7.863	0.17	0.000	0.00	7.863	0.17
Korea, Rep. of[b]	2,039.276	44.95	0.000	0.00	2,039.276	43.95
Kyrgyz Republic	2.693	0.06	0.000	0.00	2.693	0.06
Malaysia	141.785	3.13	0.000	0.00	141.785	3.06
Mongolia	0.136	0.00	0.000	0.00	0.136	0.00
Myanmar	0.146	0.00	0.000	0.00	0.146	0.00
Netherlands	36.869	0.81	7.335	7.12	44.204	0.95
New Zealand	3.117	0.07	1.553	1.51	4.670	0.10
Norway	0.439	0.01	4.685	4.55	5.124	0.11
Pakistan	20.770	0.46	0.000	0.00	20.770	0.45
Papua New Guinea	5.611	0.12	0.000	0.00	5.611	0.12
Philippines	40.991	0.90	4.860	4.72	45.851	0.99
Singapore	114.338	2.52	1.197	1.16	115.535	2.49
Spain	1.682	0.04	0.000	0.00	1.682	0.04
Sri Lanka	0.068	0.00	0.000	0.00	0.068	0.00
Sweden	10.027	0.22	0.000	0.00	10.027	0.22
Switzerland	14.474	0.32	2.555	2.48	17.029	0.37
Taipei,China	10.011	0.22	5.227	5.07	15.238	0.33
Thailand	149.259	3.29	6.020	5.84	155.279	3.35
Turkey	11.707	0.26	0.000	0.00	11.707	0.25
United Kingdom	90.123	1.99	3.958	3.84	94.081	2.03
United States	83.461	1.84	13.041	12.66	96.502	2.08
Uzbekistan	0.437	0.01	0.000	0.00	0.437	0.01
Viet Nam	0.000	0.00	0.000	0.00	0.000	0.00
TOTAL	4,536.583	100.00	103.048	100.00	4,639.631	100.00

0.000 Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US$ value equivalent of contract.

b Details of the $2 billion program loan to the Republic of Korea are not yet available and the procurement has been tentatively assigned to the Republic of Korea. Actual source will be reflected when available.

Table 30
CONTRACTS AWARDED, BY COUNTRY OF ORIGIN,[a] 1997
ASIAN DEVELOPMENT FUND
(amounts in $ million)

Member	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	6.450	0.53	3.395	3.81	9.845	0.75
Austria	5.467	0.45	0.000	0.00	5.467	0.42
Bangladesh	143.182	11.74	1.569	1.76	144.751	11.06
Belgium	0.674	0.06	0.000	0.00	0.674	0.05
Bhutan	0.744	0.06	0.000	0.00	0.744	0.06
Cambodia	3.712	0.30	0.000	0.00	3.712	0.28
Canada	4.110	0.34	8.368	9.38	12.478	0.95
China, People's Rep. of	104.206	8.54	0.000	0.00	104.206	7.96
Cook Islands	0.398	0.03	0.011	0.01	0.409	0.03
Denmark	2.053	0.17	1.626	1.82	3.679	0.28
Fiji	3.035	0.25	0.000	0.00	3.035	0.23
Finland	2.393	0.20	3.692	4.14	6.085	0.46
France	32.604	2.67	9.610	10.77	42.214	3.23
Germany	15.246	1.25	4.444	4.98	19.690	1.50
Hong Kong, China	4.387	0.36	0.000	0.00	4.387	0.34
India	11.827	0.97	0.000	0.00	11.827	0.90
Indonesia	31.596	2.59	2.603	2.92	34.199	2.61
Italy	75.544	6.19	0.046	0.05	75.590	5.78
Japan	41.041	3.37	5.064	5.68	46.105	3.52
Kazakstan	13.090	1.07	0.450	0.50	13.540	1.03
Korea, Rep. of[b]	44.902	3.68	0.000	0.00	44.902	3.43
Kyrgyz Republic	22.672	1.86	0.000	0.00	22.672	1.73
Lao PDR	10.865	0.89	0.274	0.31	11.139	0.85
Malaysia	8.523	0.70	0.000	0.00	8.523	0.65
Marshall Islands	1.235	0.10	0.071	0.08	1.306	0.10
Micronesia, Fed. States of	0.167	0.01	0.000	0.00	0.167	0.01
Mongolia	0.635	0.05	0.000	0.00	0.635	0.05
Nepal	36.728	3.01	3.203	3.59	39.931	3.05
Netherlands	2.990	0.25	3.242	3.63	6.232	0.48
New Zealand	7.901	0.65	1.625	1.82	9.526	0.73
Norway	0.296	0.02	0.838	0.94	1.134	0.09
Pakistan	150.487	12.34	4.127	4.63	154.614	11.81
Papua New Guinea	1.535	0.13	0.003	0.00	1.538	0.12
Philippines	22.681	1.86	0.706	0.79	23.387	1.79
Samoa	0.345	0.03	0.000	0.00	0.345	0.03
Singapore	54.162	4.44	0.000	0.00	54.162	4.14
Spain	0.454	0.04	0.000	0.00	0.454	0.03
Sri Lanka	60.974	5.00	0.574	0.64	61.548	4.70
Sweden	0.092	0.01	1.182	1.32	1.274	0.10
Switzerland	3.273	0.27	0.133	0.15	3.406	0.26
Taipei,China	4.218	0.35	0.000	0.00	4.218	0.32
Thailand	14.171	1.16	0.000	0.00	14.171	1.08
Tonga	1.262	0.10	0.000	0.00	1.262	0.10
Turkey	167.910	13.77	0.000	0.00	167.910	12.83
United Kingdom	8.324	0.68	12.356	13.85	20.680	1.58
United States	37.778	3.10	17.902	20.07	55.680	4.25
Uzbekistan	3.451	0.28	0.000	0.00	3.451	0.26
Vanuatu	0.047	0.00	0.000	0.00	0.047	0.00
Viet Nam	49.795	4.08	2.106	2.36	51.901	3.97
TOTAL	1,219.632	100.00	89.220	100.00	1,308.852	100.00

0.000 Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US$ value equivalent of contract.

b Details of the $2 billion program loan to the Republic of Korea are not yet available and the procurement has been tentatively assigned to the Republic of Korea. Actual source will be reflected when available.

Table 31
CONTRACTS AWARDED, BY COUNTRY OF ORIGIN, 1997[a]
ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED
(amounts in $ million)

Member	Goods, Related Services, and Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	52.749	0.92	12.015	6.25	64.764	1.09
Austria	27.425	0.48	0.000	0.00	27.425	0.46
Bangladesh	143.182	2.49	1.569	0.82	144.751	2.43
Belgium	21.067	0.37	0.000	0.00	21.067	0.35
Bhutan	0.744	0.01	0.000	0.00	0.744	0.01
Cambodia	3.712	0.06	0.000	0.00	3.712	0.06
Canada	24.572	0.43	10.928	5.68	35.500	0.60
China, People's Rep. of	708.496	12.31	0.000	0.00	708.496	11.91
Cook Islands	0.398	0.01	0.011	0.01	0.409	0.01
Denmark	28.330	0.49	3.219	1.67	31.549	0.53
Fiji	3.052	0.05	0.000	0.00	3.052	0.05
Finland	16.571	0.29	3.692	1.92	20.263	0.34
France	77.998	1.36	15.220	7.92	93.218	1.57
Germany	129.979	2.26	11.839	6.16	141.818	2.38
Hong Kong, China	17.560	0.31	0.000	0.00	17.560	0.30
India	462.569	8.04	0.209	0.11	462.778	7.78
Indonesia	275.034	4.78	23.136	12.03	298.170	5.01
Italy	104.271	1.81	2.443	1.27	106.714	1.79
Japan	142.259	2.47	8.764	4.56	151.023	2.54
Kazakstan	20.953	0.36	0.450	0.23	21.403	0.36
Korea, Rep. of[b]	2,084.178	36.21	0.000	0.00	2,084.178	35.04
Kyrgyz Republic	25.365	0.44	0.000	0.00	25.365	0.43
Lao PDR	10.865	0.19	0.274	0.14	11.139	0.19
Malaysia	150.308	2.61	0.000	0.00	150.308	2.53
Marshall Islands	1.235	0.02	0.071	0.04	1.306	0.02
Micronesia, Fed. States of	0.167	0.00	0.000	0.00	0.167	0.00
Mongolia	0.771	0.01	0.000	0.00	0.771	0.01
Myanmar	0.146	0.00	0.000	0.00	0.146	0.00
Nepal	36.728	0.64	3.203	1.67	39.931	0.67
Netherlands	39.859	0.69	10.577	5.50	50.436	0.85
New Zealand	11.018	0.19	3.178	1.65	14.196	0.24
Norway	0.735	0.01	5.523	2.87	6.258	0.11
Pakistan	171.257	2.98	4.127	2.15	175.384	2.95
Papua New Guinea	7.146	0.12	0.003	0.00	7.149	0.12
Philippines	63.672	1.11	5.566	2.89	69.238	1.16
Samoa	0.345	0.01	0.000	0.00	0.345	0.01
Singapore	168.500	2.93	1.197	0.62	169.697	2.85
Spain	2.136	0.04	0.000	0.00	2.136	0.04
Sri Lanka	61.042	1.06	0.574	0.30	61.616	1.04
Sweden	10.119	0.18	1.182	0.61	11.301	0.19
Switzerland	17.747	0.31	2.688	1.40	20.435	0.34
Taipei,China	14.229	0.25	5.227	2.72	19.456	0.33
Thailand	163.430	2.84	6.020	3.13	169.450	2.85
Tonga	1.262	0.02	0.000	0.00	1.262	0.02
Turkey	179.617	3.12	0.000	0.00	179.617	3.02
United Kingdom	98.447	1.71	16.314	8.49	114.761	1.93
United States	121.239	2.11	30.943	16.09	152.182	2.56
Uzbekistan	3.888	0.07	0.000	0.00	3.888	0.07
Vanuatu	0.047	0.00	0.000	0.00	0.047	0.00
Viet Nam	49.795	0.87	2.106	1.10	51.901	0.87
TOTAL	5,756.215	100.00	192.268	100.00	5,948.483	100.00

0.000 Data negligible.

a Represents the country of origin where the goods are mined, produced, grown, and manufactured, based on US$ value equivalent of contract.

b Details of the $2 billion program loan to the Republic of Korea are not yet available and the procurement has been tentatively assigned to the Republic of Korea. Actual source will be reflected when available.

Table 32
CUMULATIVE CONTRACTS AWARDED, BY COUNTRY OF ORIGIN[a]
TECHNICAL ASSISTANCE OPERATIONS
(as of 31 December 1997)
(amounts in $ million)

Member	Bank's Own Resources	% Distribution	Administered Trust Funds	% Distribution	Japan Special Fund	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan	0.000	0.00	0.000	0.00	0.023	0.01	0.023	0.00
Australia	61.510	11.23	15.977	9.01	49.350	12.90	126.837	11.45
Austria	0.148	0.03	0.000	0.00	0.000	0.00	0.148	0.01
Bangladesh	4.365	0.80	0.775	0.44	2.504	0.65	7.644	0.69
Belgium	2.631	0.48	0.310	0.17	0.378	0.10	3.319	0.30
Bhutan	0.003	0.00	0.017	0.01	0.000	0.00	0.020	0.00
Cambodia	0.273	0.05	0.000	0.00	0.000	0.00	0.273	0.02
Canada	39.343	7.19	21.737	12.26	34.679	9.06	95.759	8.65
China, People's Rep. of	3.223	0.59	0.037	0.02	0.836	0.22	4.096	0.37
Cook Islands	0.003	0.00	0.000	0.00	0.000	0.00	0.003	0.00
Denmark	8.343	1.52	1.816	1.02	9.570	2.50	19.729	1.78
Fiji	0.364	0.07	0.000	0.00	0.000	0.00	0.364	0.03
Finland	3.091	0.56	4.593	2.59	3.348	0.88	11.031	1.00
France	13.393	2.45	9.636	5.43	11.228	2.93	34.256	3.09
Germany	8.308	1.52	4.455	2.51	13.137	3.43	25.900	2.34
Hong Kong, China	9.305	1.70	0.759	0.43	8.045	2.10	18.109	1.64
India	19.250	3.52	3.877	2.19	7.371	1.93	30.498	2.75
Indonesia	8.781	1.60	1.281	0.72	4.128	1.08	14.190	1.28
Italy	3.144	0.57	0.644	0.36	1.010	0.26	4.798	0.43
Japan	14.823	2.71	5.662	3.19	9.752	2.55	30.238	2.73
Kazakstan	0.111	0.02	0.000	0.00	0.000	0.00	0.111	0.01
Korea, Rep. of	3.917	0.72	0.985	0.56	2.567	0.67	7.468	0.67
Kyrgyz Republic	0.061	0.01	0.000	0.00	0.000	0.00	0.061	0.01
Lao PDR	0.169	0.03	0.000	0.00	0.417	0.11	0.586	0.05
Malaysia	4.967	0.91	0.084	0.05	2.268	0.59	7.319	0.66
Maldives	0.014	0.00	0.000	0.00	0.000	0.00	0.014	0.00
Mongolia	0.102	0.02	0.000	0.00	0.281	0.07	0.383	0.03
Myanmar	0.408	0.07	0.436	0.25	0.046	0.01	0.890	0.08
Nepal	3.192	0.58	0.832	0.47	1.020	0.27	5.044	0.46
Netherlands	15.247	2.78	4.724	2.66	15.247	3.99	35.218	3.18
New Zealand	29.270	5.35	2.955	1.67	23.432	6.12	55.657	5.03
Norway	2.071	0.38	2.528	1.43	3.069	0.80	7.668	0.69
Pakistan	5.515	1.01	0.103	0.06	1.297	0.34	6.915	0.62
Papua New Guinea	0.380	0.07	0.000	0.00	0.000	0.00	0.380	0.03
Philippines	29.292	5.35	8.517	4.80	10.438	2.73	48.247	4.36
Samoa	0.491	0.09	0.000	0.00	0.555	0.15	1.046	0.09
Singapore	7.609	1.39	0.000	0.00	4.416	1.15	12.025	1.09
Solomon Islands	0.015	0.00	0.000	0.00	0.000	0.00	0.015	0.00
Spain	0.506	0.09	1.289	0.73	0.715	0.19	2.510	0.23
Sri Lanka	4.508	0.82	1.064	0.60	2.390	0.62	7.962	0.72
Sweden	4.388	0.80	1.853	1.04	4.244	1.11	10.485	0.95
Switzerland	5.690	1.04	4.646	2.62	6.115	1.60	16.450	1.49
Taipei,China	1.030	0.19	0.066	0.04	1.993	0.52	3.090	0.28
Thailand	4.376	0.80	2.491	1.40	4.425	1.16	11.292	1.02
Tonga	0.180	0.03	0.000	0.00	0.000	0.00	0.180	0.02
Turkey	0.094	0.02	0.082	0.05	0.000	0.00	0.176	0.02
United Kingdom	90.797	16.58	31.397	17.70	59.812	15.63	182.006	16.43
United States	109.497	20.00	37.657	21.23	79.490	20.78	226.645	20.47
Uzbekistan	0.014	0.00	0.000	0.00	0.000	0.00	0.014	0.00
Vanuatu	0.173	0.03	0.000	0.00	0.000	0.00	0.173	0.02
Viet Nam	0.286	0.05	0.000	0.00	0.107	0.03	0.394	0.04
International Organizations	22.858	4.17	4.067	2.29	2.874	0.75	29.799	2.69
TOTAL	547.527	100.00	177.352	100.00	382.576	100.00	1,107.455	100.00

0.000 Data negligible.

a Country of origin is the country of business registration of the consulting firm/organization or the country of citizenship of an individual consultant.

Table 33
CONTRACTS AWARDED, BY COUNTRY OF ORIGIN,[a] 1995–1997
TECHNICAL ASSISTANCE OPERATIONS
($ million)

Member	1995		1996		1997	
	Value	%	Value	%	Value	%
Afghanistan	0.000	0.00	0.000	0.00	0.000	0.00
Australia	15.609	12.91	14.895	11.47	24.000	17.15
Austria	0.000	0.00	0.028	0.02	0.000	0.00
Bangladesh	1.616	1.34	0.708	0.55	1.205	0.86
Belgium	0.000	0.00	0.485	0.37	0.534	0.38
Bhutan	0.000	0.00	0.002	0.00	0.000	0.00
Cambodia	0.010	0.01	0.156	0.12	0.102	0.07
Canada	9.003	7.44	15.710	12.10	19.020	13.59
China, People's Rep. of	0.736	0.61	0.417	0.32	2.065	1.48
Cook Islands	0.000	0.00	0.001	0.00	0.000	0.00
Denmark	3.201	2.65	2.824	2.18	1.356	0.97
Fiji	0.068	0.06	0.054	0.04	0.045	0.03
Finland	0.429	0.35	0.410	0.32	1.024	0.73
France	3.862	3.19	4.261	3.28	1.634	1.17
Germany	2.523	2.09	1.989	1.53	3.484	2.49
Hong Kong, China	5.263	4.35	1.257	0.97	3.668	2.62
India	2.340	1.93	1.419	1.09	4.138	2.96
Indonesia	2.407	1.99	0.996	0.77	1.131	0.81
Italy	0.111	0.09	0.121	0.09	0.451	0.32
Japan	2.422	2.00	1.519	1.17	2.166	1.55
Kazakstan	0.072	0.06	0.022	0.02	0.017	0.01
Korea, Rep. of	0.091	0.08	0.000	0.00	0.199	0.14
Kyrgyz Republic	0.019	0.02	0.010	0.01	0.032	0.02
Lao PDR	0.062	0.05	0.157	0.12	0.005	0.00
Malaysia	0.390	0.32	0.220	0.17	0.435	0.31
Maldives	0.004	0.00	0.000	0.00	0.010	0.01
Mongolia	0.013	0.01	0.123	0.09	0.238	0.17
Myanmar	0.122	0.10	0.024	0.02	0.169	0.12
Nepal	0.360	0.30	0.099	0.08	0.264	0.19
Netherlands	2.724	2.25	4.718	3.63	4.688	3.35
New Zealand	3.495	2.89	7.896	6.08	4.657	3.33
Norway	0.094	0.08	0.700	0.54	2.197	1.57
Pakistan	0.843	0.70	1.463	1.13	0.786	0.56
Papua New Guinea	0.000	0.00	0.000	0.00	0.028	0.02
Philippines	2.149	1.78	8.251	6.36	5.098	3.64
Samoa	0.090	0.07	0.268	0.21	0.021	0.02
Singapore	1.582	1.31	1.322	1.02	2.881	2.06
Solomon Islands	0.000	0.00	0.003	0.00	0.000	0.00
Spain	0.065	0.05	0.812	0.63	0.000	0.00
Sri Lanka	1.526	1.26	0.211	0.16	1.891	1.35
Sweden	1.247	1.03	1.693	1.30	0.890	0.64
Switzerland	0.000	0.00	1.891	1.46	1.398	1.00
Taipei,China	0.021	0.02	0.005	0.00	0.026	0.02
Thailand	1.121	0.93	1.583	1.22	1.150	0.82
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
Turkey	0.000	0.00	0.000	0.00	0.000	0.00
United Kingdom	22.339	18.47	26.073	20.08	15.301	10.93
United States	31.116	25.73	24.406	18.80	31.404	22.44
Uzbekistan	0.000	0.00	0.005	0.00	0.009	0.01
Vanuatu	0.008	0.01	0.021	0.02	0.000	0.00
Viet Nam	0.182	0.15	0.005	0.00	0.123	0.09
International Organizations	1.613	1.33	0.583	0.45	0.000	0.00
TOTAL	120.948	100.00	129.816	100.00	139.940	100.00

0.000 Data negligible.
a Country of origin is the country of business registration of the consulting firm/organization or the country of citizenship of an individual consultant.

Table 34
GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, 1997
($ thousand)

Member/Project	Project Preparatory	Advisory and Operational
BANGLADESH		
Fourth Natural Gas Development	600.00[a]	–
Third Urban Development	600.00[a]	–
Ports Upgrading	290.00[a]	–
Secondary Education Sector Development	740.00[a]	–
Solicitation for Private Sector Implementation of the Meghnaghat Power (Supplementary)	–	222.00
Advisor to the Ministry of Posts and Telecommunications	–	100.00
Gas Regulatory Authority	–	600.00
Establishment of an Automated Central Depository System (CDS)	–	100.00
Second Institutional Strengthening of Government-NGO Cooperation	–	400.00
Strengthening the Management Capacity of the City Corporation Health Departments	–	500.00[a]
Strengthening of Public Administration Training	–	400.00
Capacity Building of Securities and Exchange Commission and Stock Exchanges	–	1,100.00[a]
Institutional Strengthening of the Privatization Board	–	440.00[a]
Insurance Industry and Pension and Provident Fund Reforms	–	500.00[a]
Primary School Performance Monitoring	–	1,500.00[b]
BHUTAN		
Urban Infrastructure Improvement (Supplementary)	100.00[a]	–
Second Rural Electrification	600.00[a]	–
Irrigation Program Strengthening	–	300.00[a]
Improvement of a Regulatory Framework for Procurement and Contracting	–	400.00
Strengthening the Central Statistical Organization	–	400.00[a]
Capacity Upgrading of Financial Sector Infrastructure and Entrepreneurial Development	–	500.00[a]
CAMBODIA		
Rural Credit and Savings	600.00[a]	–
Enhancing Banking Skills	–	400.00[a]
Capacity Building in Development Planning, Phase II	–	910.00
CHINA, PEOPLE'S REPUBLIC OF		
Fuzhou Water Supply and Wastewater Treatment	598.00[c]	–
Chengdu to Nanchong Expressway	600.00[a]	–
Guizhou Shuibai Railway	400.00[a]	–
Yunnan Dachaoshan Power Transmission	550.00[a]	–
Changchun-Harbin Expressway	600.00[a]	–
Capacity Building for Energy Conservation	78.00	–
Financing Mechanism for Energy Efficiency Investment	150.00	–
Shanxi Environmental Improvement	590.00[a]	–
North Power Transmission	500.00	–
China National Automated Payments System	750.00[d]	–
Restructuring of Insolvent State Enterprises	–	600.00
Capacity Building of Wastewater Treatment Operations in Anhui Province	–	400.00[e]
Conference on the PRC in the Year 2020	–	100.00
Water Supply Tariff Study	–	600.00
Systems Connections of the Chinese National Automated Payment System	–	200.00
Strengthening Power Sector Demand Side Management in Guangdong and Zhejiang Provinces	–	575.00
Study on Clean Coal Integrated Gasification Combined Cycle Technology	–	500.00[a]
Build-Operate-Transfer (BOT) Chengdu Water Supply	–	600.00
Strategic Options for the Water Sector	–	1,180.00
Strengthening of Evaluation Capacity	–	400.00
Establishment of National Procurement Regulations for the Public Sector	–	565.00

a To be financed from Japan Special Fund (JSF).
b Of this amount, $500,000 is to be financed from JSF and $1,000,000 by the Government of Norway with the Bank acting as Executing Agency.
c To be financed by the Government of Denmark with the Bank acting as Executing Agency.
d Of this amount, $250,000 is to be financed by the Bank and $500,000 by the Government of France with the Bank acting as Executing Agency.
e To be financed by the Government of Denmark with the Bank acting as Executing Agency.

CONTINUED

Member/Project	Project Preparatory	Advisory and Operational
CHINA, PEOPLE'S REPUBLIC OF		
Improvement of Environmental Management in Shaanxi Province	–	935.00[a]
Zhejiang Sweetfish Research and Breeding Program	–	100.00
Institutional Strengthening of Local Railways in Shaanxi Province	–	400.00[a]
Hohhot Urban Development	–	430.00[a]
Leadership Training on Urban Environmental Management in Key Cities	–	600.00
Power Sector Restructuring	–	804.70[a]
Institutional Strengthening of the Northeast Electric Power Group Corporation	–	336.00[a]
Restructuring Xiamen Harbor Management and Improving Ports Management Information System	–	575.00[a]
A Study of Municipal Public Finance	–	600.00
Promotion of Energy-Saving Construction Materials	–	421.00[a]
Reform of the Rural Credit Cooperative System	–	997.00[a]
Promotion of Market-Based Instruments for Environmental Management	–	697.00[a]
Corporatization, Leasing and Securitization in the Road Sector	–	1,000.00[a]
Policy Support for the PRC 2020 Project	–	500.00[a]
Environmental Impact Assessment Training and Curriculum Development (EIA Phase III)	–	600.00[a]
COOK ISLANDS		
Strengthening Institutional Capacity for Financial and Economic Management (Phase II)	–	600.00
FIJI		
Road Sector Cost Recovery Improvement	–	100.00
Road Safety and Traffic Management (Supplementary)	–	70.00
Road Sector Reform and Safety Improvement	–	1,400.00[a]
INDIA		
Liquefied Natural Gas Terminal	600.00[a]	–
Karnataka Coastal Environmental Management and Urban Development	800.00[a]	–
Urban and Environmental Infrastructure Fund	400.00[a]	–
Ports Policy and Financing Opportunities	–	100.00
Hydrocarbon Exploration and Production Database and Archive System	–	600.00
Foreign Aid Management Information System	–	100.00
Strengthening Housing Finance Institutions	–	600.00[a]
Enhancement of India Ports Policy Implementation	–	1,588.00
Support for the Government of Madhya Pradesh Public Finance Reform and Institutional Strengthening	–	780.00[a]
Strengthening Local Government in Madhya Pradesh	–	700.00[a]
INDONESIA		
Small and Medium Enterprises Development	100.00	–
Improving Public Administration	100.00	–
Water Resources Development in West Nusa Tenggara	100.00	–
National Biodiversity Information Network	700.00[a]	–
Polytechnics Development	600.00	–
Reproductive Health Care	500.00[b]	–
Capacity Building Project in Community Development	970.00[a]	–
Higher Education Sector	800.00[a]	–
Early Childhood Development	900.00[a]	–
In-service Teacher Training Strategy and Development Study	150.00	–
Marine Resources Evaluation Management and Planning	600.00[a]	–
Highway Toll Study	–	100.00
A Study for Development of Gas Infrastructure in Java	–	575.00[a]

a To be financed from Japan Special Fund (JSF).

b To be financed by the Government of France with the Bank acting as Executing Agency.

CONTINUED

Member/Project	Project Preparatory	Advisory and Operational
INDONESIA		
Secondment of Indonesian Government Officials to the Bank	–	24.00
Strengthening of Urban Waste Management Policies and Strategies	–	600.00[a]
Capacity Building of the Ministry of Health for Strategic Development	–	800.00[a]
Capacity Building for Private Sector Participation in Urban Development	–	850.00
Facilitating Limited Recourse Financing in the Civil Aviation Sector	–	975.00[a]
Implementing a Regulatory Framework for the Gas Industry	–	565.00[a]
Support for Labor Force Skills Development Planning in Repelita VII	–	150.00
KAZAKSTAN		
Pension Reform	100.00	–
Social Services Delivery and Finance	770.00[a]	–
Enhancing Pension Management and Information System	–	100.00
Strengthening Educational Administration and Management at the Central and Local Levels	–	600.00[a]
Capacity Building for Pension Reform	–	1,000.00
Financial Sector Capacity Building to Support Pension Reform	–	680.00
Institutional Development and Policy Reforms for Improving Water Management	–	600.00[a]
KIRIBATI		
Corporatization Plan for the Public Utilities Board	–	100.00
Aerial Photography and Mapping of Tarawa	–	175.00[b]
KYRGYZ REPUBLIC		
Second Road Rehabilitation	600.00[a]	–
Pension Reform	680.00	–
Strengthening the Economic Policy Making and Monitoring Capabilities of the Prime Minister's Office	–	800.00
Strengthening of Education Planning and Administration	–	930.00[a]
Environmental Monitoring and Management Capacity Building	–	598.00[a]
LAO PDR		
Shifting Cultivation Stabilization	600.00[a]	–
Rural Access Roads Improvement	600.00[a]	–
Nam Ngum 500 kV Transmission	580.00[a]	–
Foreign Investment Capacity Enhancement	–	500.00
Institutional Strengthening of the Procurement Monitoring Office - Phase II	–	400.00
Management Information System (Phase II)	–	700.00[a]
Agriculture Strategy Study	–	600.00[a]
Capacity Building in Job Training	–	600.00
Support for Urban Development Administration Authorities	–	500.00[a]
MALAYSIA		
Technical Education	100.00	–
Industrial Pollution Control Management	588.00[a]	–
Malaysia-Central Asian Republics Development Cooperation	–	110.00
Strategic Review of Technical Education and Skill Training	–	500.00[a]
MALDIVES		
Postsecondary Education Rationalization and Development	150.00	–
Atoll Development	625.00[a]	–
Strengthening the Maldivian Legal System	150.00	–
Capacity Building for the Maldives Audit Office	–	600.00

a To be financed from Japan Special Fund (JSF).
b To be financed by the Government of Australia with the Bank acting as Executing Agency.

CONTINUED

Member/Project	Project Preparatory	Advisory and Operational
MARSHALL ISLANDS		
Rationalization Committee for a Program Coordinator	–	515.00
Institutional Strengthening of the Transport Sector	–	575.00
Support of the Private Sector Unit	–	760.00
Tourism Development (Supplementary)	–	150.00
Health Management Information System and Health Planning (Supplementary)	–	65.00[a]
Ebeye Hospital, Kwajalein Atoll	–	90.00
Fisheries Management	–	598.00[a]
MICRONESIA, FEDERATED STATES OF		
Improved Economic Use of Land	–	550.00
Expansion of the Economic Management Policy Advisory Team (Supplementary)	–	540.00
Investment Promotion and Financial Sector Review	–	380.00
Fisheries Management and Development	–	934.00[a]
MONGOLIA		
Agriculture Sector Development Program	492.00[a]	–
Second Roads Development	500.00[a]	–
Egiin Hydropower Build-Operate-Transfer	150.00	–
Program Preparation for Governance Reforms	967.30[a]	–
Social Safety Net	985.00[a]	–
Institutional Strengthening of the Local Government and Decentralization (Phase II)	–	550.00
Development of a Regulatory Framework for Non-Bank Financial Institutions	–	100.00
Strengthening Land Use Policies (Supplementary)	–	244.00
Initial Phase of Civil Service Reforms	–	150.00
Capacity Building for the Provision of Urban Services in Provincial Towns	–	825.00[a]
Housing Sector Policy	–	150.00[a]
Support for Decentralized Health Services	–	600.00[a]
Improving Accounting and Auditing Systems	–	688.00[a]
Retraining of Legal Professionals in a Market Economy	–	1,000.00
NEPAL		
Capital Market Development II	596.00[a]	–
Rural Finance	500.00[a]	–
Rural Electrification and Distribution Improvement	450.00[a]	–
Fourth Road Improvement	775.00[a]	–
Institutional Strengthening of the Department of Civil Aviation	–	500.00[a]
Implementation of the Pesticides Regulatory Framework	–	100.00
Third Livestock Development	–	750.00[b]
Institutional Strengthening of the Ministry of Population and Environment	–	600.00
Supporting Agriculture Statistics Development	–	400.00[a]
Institutional Support to NGOs (Supplementary)	–	1,000.00[c]
Strengthening the Project Performance Management System	–	500.00
Capacity Building of the Ministry of Law and Justice	–	150.00
PAKISTAN		
Balochistan Rural Development	800.00[a]	–
Quetta Water Supply and Environmental Improvement	900.00	–
Rural Microfinance	600.00	–
North West Frontier Province Urban Development	950.00	–
Strengthening the Aid and Debt Management Capacity of the Ministry of Finance, Phase II	–	790.00

a To be financed from Japan Special Fund (JSF).
b To be financed by the Government of Australia with the Bank acting as Executing Agency.
c To be financed by the Government of Norway with the Bank acting as Executing Agency.

CONTINUED

Member/Project	Project Preparatory	Advisory and Operational
PAKISTAN		
Private Hydropower Policy Study	–	100.00
Interest Rate Management of National Saving Scheme	–	100.00
Capital Market and Insurance Law Reform	–	100.00
Multi-Donor Support Unit of the Social Action Program	–	600.00
Restructuring of Public Sector Mutual Funds	–	800.00[a]
Reform of the Insurance Industry	–	700.00[a]
Reform of Pension and Provident Funds	–	600.00[a]
Impact Analysis of Privatization in Pakistan	–	125.55
Strengthening Government Legal Services and the Subordinate Judiciary	–	150.00
PAPUA NEW GUINEA		
Improving Provincial Agricultural Support Services	150.00	
Financial Management	150.00[a]	–
Development Strategy Workshop	–	62.00
Strengthening Financial Management of the Health Sector	–	600.00
Restructuring Plan for the Department of Agriculture and Livestock	–	150.00
PHILIPPINES		
Agrarian Reform Communities Development	253.00[a]	–
Mindanao Basic Education Development	670.00[b]	–
Pasig River Environmental Management and Rehabilitation	800.00[a]	–
Clark Area Municipal Development	600.00[a]	–
Metro Manila Air Quality Improvement	150.00	–
Southern Philippines Irrigation Sector	600.00[a]	–
Transport Infrastructure and Capacity Development	1,000.00[a]	–
Pilot Implementation of the Project Performance Management System	–	250.00
Gas Sector Policy and Regulatory Framework	–	592.00[a]
Institutional Strengthening of the Department of Social Welfare and Development	–	577.00[a]
Institutional Strengthening of the System of National Accounts	–	450.00
Water Supply and Sanitation Sector Plan Study	–	600.00
Assistance to the Development Bank of the Philippines	–	150.00
Institutional Capacity Building of the Philippine Deposit Insurance Corporation	–	742.00
Capacity Assessment of Provincial Education Offices and Local Government Units	–	150.00
SAMOA		
Implementation of the Privatization Strategy	–	600.00[a]
SRI LANKA		
Second Smallholder Tea Development	600.00	–
Urban Development and Low-Income Housing	1,100.00[a]	–
Southern Transport Corridor	1,000.00[a]	–
Second Provincial Roads Improvement	1,000.00[a]	–
Biodiversity Conservation	800.00[a]	–
Improvement of Project Implementation in Sri Lanka	–	45.00
Institutional Strengthening for Environmental Impact Assessment	–	600.00[a]
Energy Sector Strategy Study	–	100.00
Strengthening Project Performance Evaluation Capability of the Ministry of Plan Implementation, Ethnic Affairs and National Integration	–	350.00
Privatization of Extension Services for Perennial Crops	–	550.00[a]
Establishing the Sri Lanka Tender Support Bureau	–	1,000.00[a]

a To be financed from Japan Special Fund (JSF).
b Of this amount, $370,000 is to be financed from JSF and $300,000 by the Government of Belgium with the Bank acting as Executing Agency.

CONTINUED

Member/Project	Project Preparatory	Advisory and Operational
THAILAND		
Rural Electrification and System Improvement	600.00[a]	–
Border Towns Urban Development	800.00[a]	–
Strengthening National Economic and Social Development Board's Role in National Economic Planning and Policy Analysis	–	100.00
Capacity Building for Waste Management Program Administration	–	300.00[a]
Social Impact Analysis of the Economic Crisis	–	50.00
Strengthening Project Loan Appraisal and Risk Management of the Bank for Agriculture and Agricultural Cooperatives	–	600.00[a]
Pension and Provident Funds Reform	–	1,150.00[a]
Strengthening Information Disclosure and Compliance	–	440.00[a]
Asset Securitization	–	410.00[a]
TONGA		
Preparation and Implementation of a Strategic Plan for the Tonga Development Bank	–	280.00
TUVALU		
Technical Assistance to Establish an Investment Fund	100.00	–
UZBEKISTAN		
Railways Development	600.00[a]	–
Agriculture Sector Development	1,075.00[a]	–
Improving Aid Coordination and Management	–	600.00[a]
Strengthening of Institutions Engaged in Environmental Protection	–	675.00[a]
Monitoring the Implementation of Education Reform	–	900.00[a]
Capacity Building in Education Finance	–	500.00[a]
VANUATU		
Strategic Plan for the National Bank of Vanuatu	–	150.00
VIET NAM		
Ho Chi Minh City Environmental Improvement	600.00[a]	–
Tree Crops Development	600.00[a]	–
Teacher Training	600.00[a]	–
Improvement of Project Implementation in Viet Nam	–	41.00
Registration System for Secured Transactions	–	500.00
Training Seminar in Bank Policies and Procedures	–	100.00
Training for Rural Infrastructure Development	–	1,000.00[a]
Forestry Sector	–	7,000.00[b]
Retraining Government Legal Officers	–	1,200.00
Operation and Maintenance Development in the Irrigation Sector	–	150.00
Red River Basin Water Resources Management	–	1,362.66[c]
High Level Policy Seminar on Recent Financial Developments in Asia and Viet Nam's Economy	–	60.00
Improvement of the Power Sector Regulatory Framework	–	800.00[a]
Commercialization of Power Companies	–	900.00[a]
Policy Support for the State Bank of Viet Nam	–	700.00
Preparation of a Development Strategy for the Central Region of Viet Nam	–	898.00
Lower Secondary Education Development	–	509.00[d]
TOTAL	43,722.30	91,330.91

a To be financed from Japan Special Fund (JSF).

b To be financed by the Government of Netherlands with the Bank acting as Executing Agency.

c Of this amount, $1,150,000 is to be financed from JSF and $212,663 by the Government of Netherlands with the Bank acting as Executing Agency.

d To be financed by the Government of Belgium with the Bank acting as Executing Agency.

Table 35
1997 LOANS RESULTING FROM EARLIER BANK TECHNICAL ASSISTANCE
(amounts in $ million)

Member/Project	Amount of Bank Financing			Year of Technical Assistance Approval	Technical Assistance
	OCR	ADF	Total		
BANGLADESH					
Second Primary Education Sector	–	100.00	100.00	1995	0.170
Participatory Livestock Development	–	19.70	19.70	1995	0.598
Urban Primary Health Care	–	40.00	40.00	1995	0.450
Jamuna Bridge Railway Link	–	110.00	110.00	1994/96	1.194
Capital Market Development Program	–	80.00	80.00	1990	0.100
Third Rural Infrastructure Development	–	70.00	70.00	1996	0.500
CHINA, PEOPLE'S REP. OF					
Xi'an Xianyang-Tongchuan Environment Improvement	156.00	–	156.00	1995	0.500
Zhejang-Shanxi Water Supply Project (Phase I)	100.00	–	100.00	1995	1.000
Shenmu-Yanan Railway	200.00	–	200.00	1995	0.250
Northeast Power Transmission	150.00	–	150.00	1996	0.590
Xiamen Port	50.00	–	50.00	1996	0.600
FIJI					
Third Road Upgrading (Sector)	40.00	–	40.00	1994	0.600
INDIA					
Housing Finance (National Housing Bank)	100.00	–	100.00		
Housing Finance (Housing and Urban Development Corporation)	100.00	–	100.00	1996	0.100
Housing Finance (Housing Development Finance Corporation)	100.00	–	100.00		
Mumbai Ports	97.80	–	97.80		
Chennai Ports	15.20	–	15.20	1994	0.600
Liquefied Petroleum Gas Pipeline	150.00	–	150.00	1996	0.100
INDONESIA					
Development of Madrasah Alijahs	85.00	–	85.00	1995	0.600
Intensified Communicable Diseases Control	87.40	–	87.40	1995	0.800
Participatory Development of Agricultural Technology	63.80	–	63.80	1995	0.535
Capacity Building of Water Supply Enterprises for Water Loss Reduction Sector	66.00	–	66.00	1995	0.100
Belawan, Banjarmasin, and Balikpapan Ports	100.00	–	100.00	1995	1.495
Capacity Building in Urban Infrastructure Management	42.00	–	42.00	1995	1.100
Coastal Community Development and Fisheries Resource Management	26.00	15.00	41.00	1996	0.480
Second Junior Secondary Education	160.00	15.00	175.00	1996	0.100
Northern Sumatra Irrigated Agriculture Improvement Sector	130.00	–	130.00	1996	0.600
Rural Income Generation	78.60	–	78.60	1996	0.493
Eastern Islands Air Transport Development	124.00	–	124.00	1995	0.600
Metropolitan Medan Urban Development	116.00	–	116.00	1995	0.100
KAZAKSTAN					
Basic Education	35.00	10.00	45.00	1995	0.895
Water Resources Management and Land Improvement	30.00	10.00	40.00	1996	0.100
Pension Reform Program	100.00	–	100.00	1995	0.100
KYRGYZ REPUBLIC					
Rural Financial Institutions	–	12.50	12.50	1995	0.910
Corporate Governance and Enterprise Reform (Program Loan)	–	40.00	40.00		
Corporate Governance and Enterprise Reform (Technical Assistance Loan)	–	4.00	4.00	1996	0.100
Education Sector Development Program	–	19.00	19.00		
Education Sector Development Project	–	13.70	13.70	1995	0.900
LAO PDR					
Secondary Towns Urban Development	–	27.00	27.00	1995	0.600
Xieng Khuoang Road Improvement	–	46.00	46.00	1994	0.530
Power Transmission and Distribution	–	30.00	30.00	1989/1995	0.335

CONTINUED

Member/Project	Amount of Bank Financing OCR	ADF	Total	Year of Technical Assistance Approval	Technical Assistance
MALAYSIA					
Technical Education	40.00	–	40.00	1997	0.100
MALDIVES					
Third Power System Development	–	7.00	7.00	1993	0.100
MONGOLIA					
Ulaanbaatar Heat Efficiency	–	40.00	40.00	1996	0.450
Provincial Towns Basic Urban Services	–	6.80	6.80	1996	0.600
Health Sector Development Project	–	11.92	11.92	1995/96	0.700
Health Sector Development Program	–	4.00	4.00		
NEPAL					
Tribhuvan International Airport Improvement	–	27.00	27.00	1995	0.685
PAKISTAN					
Dera Ghazi Khan Rural Development	–	36.00	36.00	1996	0.600
Second Science Education Sector	–	40.00	40.00	1995	0.450
Second Flood Protection (Sector)	–	100.00	100.00	1996	0.800
PAPUA NEW GUINEA					
Health Sector Development Program	45.00	5.00	50.00	1994/1996	0.575
Health Sector Development Project	–	10.00	10.00	1996	0.145
PHILIPPINES					
Third Airports Development (Southern Philippines)	93.00	–	93.00	1996	0.600
Fisheries Resource Management	20.22	15.00	35.22	1994	0.550
Infrastructure Improvement of Subic Area Municipalities	22.00	–	22.00	1992 1996	0.600 0.800
SRI LANKA					
Science and Technology Personnel Development	–	20.00	20.00	1995	0.400
Upper Watershed Management	–	16.60	16.60	1996	0.600
Second Perennial Crops Development	–	20.00	20.00	1996	0.600
Southern Provincial Roads Improvement	–	30.00	30.00	1995	0.600
Third Water Supply and Sanitation (Sector)	–	75.00	75.00	1996	0.600
THAILAND					
Nong Kai-Udon Thani Water Supply	50.00	–	50.00	1995	0.600
UZBEKISTAN					
Basic Education Textbook Development	20.00	20.00	40.00	1996	0.100
VIET NAM					
Second Provincial Towns Water Supply and Sanitation	–	69.00	69.00	1994	0.550
Forestry Sector	–	33.00	33.00	1995	0.598
Lower Secondary Education Development	–	50.00	50.00	1993	0.550
Rural Infrastructure Sector	–	105.00	105.00	1996	0.600
Central and Southern Viet Nam Power Distribution	–	100.00	100.00	1995	0.508
Phuoc Hoa Multipurpose Water Resources (Engineering)	–	2.60	2.60	1996	0.600
TOTAL	2,793.02	1,505.82	4,298.84		33.486

Table 36

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, BY SECTOR,[a] 1996, 1997, 1967–1997

(amounts in $ thousand)

	1996			1997			1967–1997[b]		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Natural Resources	47	46,329.00	33.62	36	28,555.66	21.14	904	410,722.14	33.97
Energy	28	13,133.00	9.86	23	11,899.70	8.81	335	131,152.05	10.85
Financial	21	9,521.00	6.91	30	13,321.55	9.87	239	72,708.35	6.01
Industry and Nonfuel Minerals	7	3,897.00	2.83	1	421.00	0.31	114	35,604.70	2.95
Social Infrastructure	46	24,492.50	17.78	52	30,289.00	22.43	540	216,459.47	17.91
Transport and Communications	24	14,660.00	10.64	25	15,448.00	11.44	379	158,753.95	13.13
Multisector	1	1,100.00	0.80	1	600.00	0.44	23	16,344.00	1.35
Others	57	24,195.35	17.56	75	34,518.30	25.56	396	167,191.40	13.83
TOTAL	231	137,327.85	100.00	243	135,053.21	100.00	2,930	1,208,936.06	100.00

a Excluding loan-financed technical assistance activities (which are included in loan data) and regional activities.

b Cumulative data adjusted to exclude technical assistance grants withdrawn by governments.

Table 37

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, BY COUNTRY AND REGIONAL ACTIVITIES,[a] 1996, 1997, 1967–1997

(amounts in $ thousand)

	1996							
Member	No.	Bank Financing	JSF Financing	Other Sources	Total	%	No.	Bank Financing
Afghanistan	–	–	–	–	–	–	–	–
Bangladesh	14	4,485.00	1,250.00	10,568.50	16,303.50	9.34	15	1,822.00
Bhutan	4	100.00	1,340.00	–	1,440.00	0.83	6	400.00
Cambodia	16	1,991.00	5,950.00	1,450.00	9,391.00	5.38	3	910.00
China, People's Rep. of	25	4,417.00	8,677.00	–	13,094.00	7.50	36	6,598.00
Cook Islands	2	991.00	–	–	991.00	0.57	1	600.00
Fiji	3	1,200.00	600.00	–	1,800.00	1.03	3	170.00
India	17	3,500.00	4,055.00	–	7,555.00	4.33	10	2,388.00
Indonesia	25	5,331.50	7,260.00	480.00	13,071.50	7.49	20	2,174.00
Kazakstan	7	1,050.00	1,950.00	–	3,000.00	1.72	7	1,880.00
Kiribati	2	672.50	–	–	672.50	0.39	2	100.00
Korea, Rep. of	–	–	–	–	–	–	–	–
Kyrgyz Republic	4	410.00	1,900.00	–	2,310.00	1.32	5	800.00
Lao PDR	10	697.00	3,350.00	1,354.00	5,401.00	3.10	9	1,500.00
Malaysia	1	560.00	–	–	560.00	0.32	4	210.00
Maldives	–	–	–	–	–	–	4	900.00
Marshall Islands	2	100.00	600.00	–	700.00	0.40	7	2,090.00
Micronesia, Fed. States of	3	1,167.00	–	–	1,167.00	0.67	4	1,470.00
Mongolia	16	2,519.00	3,227.00	–	5,746.00	3.29	14	2,194.00
Myanmar	–	–	–	–	–	–	–	–
Nauru	1	–	–	100.00	100.00	0.06	–	–
Nepal	7	–	4,284.00	–	4,284.00	2.46	12	1,350.00
Pakistan	11	1,490.00	3,650.00	15,345.00	20,485.00	11.74	14	1,965.55
Papua New Guinea	6	1,482.00	619.00	–	2,101.00	1.20	5	962.00
Philippines	11	480.00	6,104.00	–	6,584.00	3.77	15	2,492.00
Samoa	2	700.00	–	–	700.00	0.40	1	–
Singapore	–	–	–	–	–	–	–	–
Solomon Islands	–	–	–	–	–	–	–	–
Sri Lanka	6	395.00	1,800.00	–	2,195.00	1.26	11	495.00
Taipei,China	–	–	–	–	–	–	–	–
Thailand	8	1,622.00	1,550.00	–	3,172.00	1.82	9	150.00
Tonga	2	600.00	300.00	–	900.00	0.52	1	280.00
Tuvalu	2	700.00	–	–	700.00	0.40	1	100.00
Uzbekistan	5	1,130.00	600.00	–	1,730.00	0.99	6	–
Vanuatu	4	760.00	360.00	–	1,120.00	0.64	1	150.00
Viet Nam	15	1,220.00	7,550.00	1,284.35	10,054.35	5.76	17	3,649.00
Subtotal	231	39,770.00	66,976.00	30,581.85	137,327.85	78.71	243	37,799.55
Regional	54	18,964.75	12,466.00	5,715.00	37,145.75	21.29	55	18,977.30
TOTAL	285	58,734.75	79,442.00	36,296.85	174,473.60	100.00	298	56,776.85

a Excluding technical assistance financed under loans, which are included in the Bank's loan data.

b Cumulative data are adjusted to exclude technical assistance projects withdrawn by the government.

1997				1967–1997[b]			
JSF Financing	Other Sources	Total	%	No.	Amount	%	Member
–	–	–	–	16	2,565.700	0.18	Afghanistan
5,272.00	1,000.00	8,092.00	4.98	231	130,864.325	9.00	Bangladesh
1,900.00	–	2,300.00	1.41	57	20,121.150	1.38	Bhutan
1,000.00	–	1,910.00	1.18	51	40,806.600	2.80	Cambodia
11,435.70	1,498.00	19,531.70	12.02	273	123,160.650	8.47	China, People's Rep. of
–	–	600.00	0.37	20	6,465.000	0.44	Cook Islands
1,400.00	–	1,570.00	0.97	51	15,060.300	1.04	Fiji
5,880.00	–	6,268.00	3.86	98	45,126.855	3.10	India
7,485.00	500.00	10,159.00	6.25	345	130,083.268	8.94	Indonesia
1,970.00	–	3,850.00	2.37	26	13,654.000	0.94	Kazakstan
–	175.00	275.00	0.17	24	5,799.000	0.40	Kiribati
–	–	–	–	33	5,010.150	0.34	Korea, Rep. of
2,808.00	–	3,608.00	2.22	21	14,275.000	0.98	Kyrgyz Republic
3,580.00	–	5,080.00	3.13	143	65,786.782	4.52	Lao PDR
1,088.00	–	1,298.00	0.80	92	25,202.300	1.73	Malaysia
625.00	–	1,525.00	0.94	29	8,723.000	0.60	Maldives
663.00	–	2,753.00	1.69	29	12,909.000	0.89	Marshall Islands
934.00	–	2,404.00	1.48	22	12,278.000	0.84	Micronesia, Fed. States of
5,227.30	–	7,401.30	4.55	75	38,104.650	2.62	Mongolia
–	–	–	–	38	10,716.000	0.74	Myanmar
–	–	–	–	1	100.000	0.01	Nauru
3,221.00	1,750.00	6,321.00	3.89	189	81,099.700	5.58	Nepal
5,350.00	–	7,315.55	4.50	192	87,383.400	6.01	Pakistan
150.00	–	1,112.00	0.68	91	26,035.100	1.79	Papua New Guinea
4,792.00	300.00	7,584.00	4.67	242	96,970.050	6.67	Philippines
600.00	–	600.00	0.37	55	12,666.500	0.87	Samoa
–	–	–	–	2	577.420	0.04	Singapore
–	–	–	–	39	8,060.240	0.55	Solomon Islands
6,650.00	–	7,145.00	4.40	150	48,501.600	3.33	Sri Lanka
–	–	–	–	1	100.000	0.01	Taipei,China
4,300.00	–	4,450.00	2.74	117	37,358.600	2.57	Thailand
–	–	280.00	0.17	42	10,805.500	0.74	Tonga
–	–	100.00	0.06	9	2,036.000	0.14	Tuvalu
4,350.00	–	4,350.00	2.68	11	6,080.000	0.42	Uzbekistan
–	–	150.00	0.09	31	6,809.758	0.47	Vanuatu
5,650.00	7,721.06	17,020.06	10.47	84	57,640.463	3.96	Viet Nam
84,309.00	12,944.06	135,053.21	83.11	2,930	1,208,936.061	83.11	Subtotal
6,035.15	2,439.80	27,452.25	16.89	762	245,714.800	16.89	Regional
90,344.15	15,384.46	162,505.46	100.00	3,692	1,454,650.861	100.00	TOTAL

Table 38
REGIONAL TECHNICAL ASSISTANCE ACTIVITIES, 1997

	$ Thousand
RETA to Asian Vegetable Research and Development Center for South Asia Vegetable Research Network (Phase II)	600.00
Use of Consulting Services Seminars in 1997-1998	480.00
Loan Disbursement Seminars in 1997	100.00
Regional Study of Trends, Issues, and Policies in Education	580.00
Fourth Consultative Group Forum	150.00
Capacity Building in Project Accounting in Kazakstan, Kyrgyz Republic, and Uzbekistan	450.00
A Regional Training Course on Reducing Distribution System Water Losses in Developing Member Countries (DMCs)	75.00
Seminars on Business Opportunities in 1997-1998	550.00
Multilateral Financial Institutions' Environmental Group Meeting	52.00
Chiang Rai-Kunming Road Improvement via Lao PDR	600.00[a]
A Study of the Status of Forestry and Forest Industries in the Asian and Pacific Region (Supplementary)	19.80[b]
Preparation of Interactive Training Modules on Disbursement Policies and Procedures	100.00
Third Meeting of the Global Water Partnership's Technical Advisory Committee	100.00
Legal Training in Build-Operate-Transfer/Build-Own-Operate-Transfer Infrastructure Development	400.00
1997 Seminars on Project Implementation and Administration and Training of Trainers Program	600.00
Review of Road Design and Construction Standards	600.00
Impact Evaluation and Special Studies on Issues of Operational Importance	600.00
Roundtable Meeting of Chief Justices and Ministers of Justice	95.30
India-Bangladesh Electricity Exchange	100.00
Joint ADB-Organization for Economic Cooperation and Development Conference on the Future of Asia in the World Economy	120.00
East Loop Telecommunications Project in the Greater Mekong Subregion (GMS)	770.00[c]
Media for the Disadvantaged	600.00
External Evaluation of RETA 5592: Asia Least-Cost Greenhouse Gas Abatement Strategy for Asia (ALGAS) Project	50.00[d]
Third Meeting of the Subregional Telecommunications Forum	50.00[e]
A Study on Asian Exports: Past Trends and Future Prospects	400.00
Mekong/Lancang River Tourism Planning Study	600.00[a]
Economic and Policy Analyses in Pacific DMCs	600.00
Regional Community Forestry Training Center in Kasetsart University (Supplementary)	1,400.00[f]
Dissemination Seminars on Emerging Asia Study	300.00
1997 Orientation Program for DMC Officials in the Bank	250.00
Seventh ADB Tax Conference	150.00[a]
Government Accounting Standards	245.00
Cross-Border Movement of Goods and People in the GMS	550.00[a]
Regional Initiatives in Road Safety (Supplementary)	60.00[a]
Tenth Workshop on Asian Economic Outlook	170.00
Cooperation in the Prevention and Control of HIV/AIDS in the GMS	150.00[e]
Fourth International Congress on AIDS in Asia and the Pacific	100.00
Developing Best Practices for Promoting Private Sector Investment in Infrastructure	600.00
12th General Meeting of the Association of Development Research and Training Institutes of Asia and the Pacific (ADIPA)	20.00
Study on Foreign Direct Investment and Technology Transfers in Asian Developing Countries	200.00
Review of the Mortgage-Backed Securities Markets in Selected DMCs	100.00
Seventh Seminar on International Finance	106.00[a]
Governance and Regulatory Regimes for Private Infrastructure Development	150.00
Investment Promotion in the Pacific DMCs	200.00
Workshops on Economic Cooperation in Central Asia	344.00[a]
Strengthening Capacity in Economic Analysis of Health Sector Projects in DMCs	350.00

a To be financed from Japan Special Fund.
b To be financed by the Government of Finland with the Bank acting as Executing Agency.
c To be financed by the Government of France with the Bank acting as Executing Agency.
d To be financed by the Government of Norway with the Bank acting as Executing Agency.
e To be financed by the Government of Australia with the Bank acting as Executing Agency.
f To be financed by the Government of Switzerland with the Bank acting as Executing Agency.

	$ Thousand
Special Studies on Selected Operations Issues and Impact Evaluation Study of Rural Roads in Countries in the GMS	450.00
APEC Collaborative Initiatives for Financial and Capital Market Development	400.00
Enhancing Municipal Service Delivery Capability in Selected DMCs	550.00
Banking, Capital Market and International Competitiveness Reforms in Response to the Currency Turmoil	2,625.15[a]
Second Agriculture and Natural Resources Research at Consultative Group on International Agricultural Research (CGIAR) Centers	5,500.00
A Study of Rural Asia	1,800.00
Definition of Key Governance Themes and Priorities in the Asian and Pacific Region	190.00
Joint ADB/ESCAP/UNCTAD Workshop on the Implications of the New Trade Policy Initiatives and their Impact on the DMCs	50.00
Poverty Reduction and Environmental Management in Remote GMS Watersheds	1,000.00[a]
TOTAL	**27,452.25**

a To be financed from Japan Special Fund.

Table 39
NET TRANSFER OF RESOURCES (ORDINARY CAPITAL RESOURCES),[a] 1988–1997
($ million)

Member	1988–1992 Average	1993	1994	1995	1996	1997
Afghanistan	–	–	–	–	–	–
Bangladesh	0.17	(0.32)	(0.36)	(0.30)	(0.32)	(0.30)
Bhutan	–	–	–	–	–	–
Cambodia	–	–	–	–	–	–
China, People's Rep. of	83.07	363.37	390.38	399.69	547.49	375.44
Cook Islands	–	–	–	–	–	–
Fiji	(2.01)	(7.99)	(9.49)	(3.71)	(4.44)	(4.39)
Hong Kong, China	–	–	–	–	–	–
India	209.42	84.53	339.05	207.02	279.97	364.38
Indonesia	254.20	58.09	(442.00)	(97.68)	(1,213.76)	(126.04)
Kazakstan	–	–	–	62.58	20.90	47.03
Kiribati	–	–	–	–	–	–
Korea, Rep. of	(116.26)	(62.49)	(73.54)	(83.67)	(141.51)	1,912.16
Kyrgyz Republic	–	–	–	–	–	–
Lao PDR	–	–	–	–	–	–
Malaysia	(32.65)	(247.93)	(40.06)	(59.08)	(59.08)	(8.45)
Maldives	–	–	–	–	–	–
Marshall Islands	–	–	–	–	–	–
Micronesia, Fed. States of	–	–	–	–	–	–
Mongolia	–	–	–	–	–	–
Myanmar	(0.76)	(0.78)	(1.04)	(1.18)	(1.06)	(0.96)
Nepal	0.72	(0.01)	(0.04)	(0.07)	6.42	5.37
Pakistan	93.97	76.35	2.88	(187.85)	(185.43)	(100.20)
Papua New Guinea	7.06	(13.69)	(15.79)	(23.63)	(15.25)	(6.33)
Philippines	(35.15)	(86.44)	(60.35)	(280.48)	(160.83)	(34.50)
Samoa	–	–	–	–	–	–
Singapore	(14.02)	(2.85)	–	–	–	–
Solomon Islands	–	–	–	–	–	–
Sri Lanka	0.29	1.25	0.71	–	(0.15)	4.66
Taipei,China	(4.07)	–	–	–	–	–
Thailand	(118.69)	9.54	18.44	(60.02)	(18.55)	459.00
Tonga	–	–	–	–	–	–
Vanuatu	–	–	–	–	–	–
Viet Nam	(0.20)	(0.43)	–	–	–	–
Regional	10.48	5.79	15.24	21.63	2.48	(17.54)
TOTAL	**335.57**	**175.99**	**124.03**	**(106.75)**	**(943.12)**	**2,869.33**

( ) Negative.

a Net Transfer of Resources defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

Table 40
NET TRANSFER OF RESOURCES (ASIAN DEVELOPMENT FUND),[a] 1988–1997
($ million)

Member	1988–1992 Average	1993	1994	1995	1996	1997
Afghanistan	(1.10)	–	–	–	–	–
Bangladesh	263.97	183.27	322.42	208.30	227.07	112.95
Bhutan	3.27	1.33	2.01	2.90	2.09	6.34
Cambodia	(0.28)	5.35	11.86	35.61	31.71	9.75
China, People's Rep. of	–	–	–	–	–	–
Cook Islands	1.36	1.28	0.98	0.23	3.78	2.20
Fiji	–	–	–	–	–	–
Hong Kong, China	–	–	–	–	–	–
India	–	–	–	–	–	–
Indonesia	52.92	45.03	28.59	32.59	15.50	10.39
Kazakstan	–	–	–	–	6.00	16.84
Kiribati	0.33	(0.05)	0.15	0.19	(0.14)	(0.08)
Korea, Rep. of	(0.26)	–	–	–	–	–
Kyrgyz Republic	–	–	–	33.94	25.80	51.24
Lao PDR	22.63	36.03	19.61	53.33	80.50	81.67
Malaysia	(0.27)	(0.26)	(0.66)	(0.39)	–	–
Maldives	2.73	2.25	1.12	4.28	5.68	2.50
Marshall Islands	0.05	0.89	1.22	2.76	2.96	9.99
Micronesia, Fed. States of	–	–	–	0.34	0.11	11.31
Mongolia	5.18	10.95	20.99	49.11	33.00	65.91
Myanmar	9.29	(8.67)	(15.58)	(16.07)	(15.64)	(16.21)
Nepal	53.32	54.25	51.75	37.75	49.37	78.08
Pakistan	196.59	210.94	389.37	287.44	318.67	185.70
Papua New Guinea	22.41	19.74	20.31	8.96	0.36	5.15
Philippines	71.10	89.53	43.12	41.70	38.10	41.22
Samoa	5.51	2.87	2.53	2.60	(0.97)	(1.48)
Singapore	(0.40)	–	–	–	–	–
Solomon Islands	2.14	2.36	(0.17)	(0.38)	(0.35)	(0.02)
Sri Lanka	97.08	109.90	73.86	66.52	126.88	65.95
Taipei,China	–	–	–	–	–	–
Thailand	(0.60)	(1.97)	(2.23)	(2.37)	(2.14)	(2.31)
Tonga	0.89	1.50	4.79	5.12	2.40	1.58
Vanuatu	2.30	0.62	0.86	0.80	0.15	0.01
Viet Nam	(0.05)	(12.06)	(0.11)	45.30	25.81	145.89
Regional	–	–	–	–	–	–
TOTAL	810.11	755.06	976.80	900.56	976.67	884.57

( ) Negative.

a Net Transfer of Resources defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

Table 41
NET TRANSFER OF RESOURCES
(ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND),[a] 1988–1997
($ million)

Member	1988–1992 Average	1993	1994	1995	1996	1997
Afghanistan	(1.10)	–	–	–	–	–
Bangladesh	264.14	182.95	322.06	208.00	226.75	112.65
Bhutan	3.27	1.33	2.01	2.90	2.09	6.34
Cambodia	(0.28)	5.35	11.86	35.61	31.71	9.75
China, People's Rep. of	83.07	363.37	390.38	399.69	547.49	375.44
Cook Islands	1.36	1.28	0.98	0.23	3.78	2.20
Fiji	(2.01)	(7.99)	(9.49)	(3.71)	(4.44)	(4.39)
Hong Kong, China	–	–	–	–	–	–
India	209.42	84.53	339.05	207.02	279.97	364.38
Indonesia	307.12	103.12	(413.41)	(65.08)	(1,198.26)	(115.65)
Kazakstan	–	–	–	62.58	26.90	63.87
Kiribati	0.33	(0.05)	0.15	0.19	(0.14)	(0.08)
Korea, Rep. of	(116.52)	(62.49)	(73.54)	(83.67)	(141.51)	1,912.16
Kyrgyz Republic	–	–	–	33.94	25.80	51.24
Lao PDR	22.63	36.03	19.61	53.33	80.50	81.67
Malaysia	(32.92)	(248.19)	(40.72)	(59.48)	(59.08)	(8.45)
Maldives	2.73	2.25	1.12	4.28	5.68	2.50
Marshall Islands	0.05	0.89	1.22	2.76	2.96	9.99
Micronesia, Fed. States of	–	–	–	0.34	0.11	11.31
Mongolia	5.18	10.95	20.99	49.11	33.00	65.91
Myanmar	8.53	(9.44)	(16.62)	(17.25)	(16.70)	(17.17)
Nepal	54.04	54.23	51.71	37.68	55.79	83.45
Pakistan	290.56	287.29	392.25	99.59	133.24	85.50
Papua New Guinea	29.47	6.05	4.51	(14.67)	(14.89)	(1.18)
Philippines	35.95	3.08	(17.23)	(238.79)	(122.73)	6.72
Samoa	5.51	2.87	2.53	2.60	(0.97)	(1.48)
Singapore	(14.42)	(2.85)	–	–	–	–
Solomon Islands	2.14	2.36	(0.17)	(0.38)	(0.35)	(0.02)
Sri Lanka	97.37	111.15	74.57	66.52	126.73	70.61
Taipei,China	(4.07)	–	–	–	–	–
Thailand	(119.29)	7.56	16.21	(62.39)	(20.69)	456.69
Tonga	0.89	1.50	4.79	5.12	2.40	1.58
Vanuatu	2.30	0.62	0.86	0.80	0.15	0.01
Viet Nam	(0.25)	(12.49)	(0.11)	45.30	25.81	145.89
Regional	10.48	5.79	15.24	21.63	2.48	(17.54)
TOTAL	1,145.68	931.04	1,100.83	793.81	33.55	3,753.90

( ) Negative.

a Net Transfer of Resources defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

Table 42
ASIAN DEVELOPMENT FUND RESOURCES AND COMMITMENT AUTHORITY

ADF CONTRIBUTED RESOURCES
($ million; as of 31 December 1997)

Member	Valued as of 31 December 1996 (US$ equiv.)	Change in 1997: Addition (US$ equiv.)	Change in 1997: Exchange Rate Adjustment (US$ equiv.)	Change in 1997: Net Change (US$ equiv.)	Valued as of 31 December 1997 (US$ equiv.)	Valued as of 31 December 1997 (SDR[a] equiv.)
Australia	882.07	41.79	(163.62)	(121.83)	760.24	563.46
Austria	152.01	–	(20.33)	(20.33)	131.68	97.59
Belgium	142.98	–	(18.90)	(18.90)	124.08	91.96
Canada	1,027.01	30.31	(43.87)	(13.56)	1,013.45	751.12
Denmark	151.64	5.12	(19.62)	(14.50)	137.14	101.64
Finland	81.10	3.82	(11.62)	(7.80)	73.30	54.33
France	722.12	29.78	(88.88)	(59.10)	663.02	491.40
Germany	1,195.37	37.48	(160.57)	(123.09)	1,072.28	794.72
Hong Kong, China	4.88	3.85	–	3.85	8.73	6.47
Indonesia	4.96	2.50	–	2.50	7.46	5.53
Italy	404.70	–	(52.59)	(52.59)	352.11	260.97
Japan	9,351.70	224.72	(1,029.88)	(805.16)	8,546.54	6,334.29
Korea, Rep. of	22.90	–	–	–	22.90	16.97
Malaysia	–	2.06	(0.42)	1.64	1.64	1.21
Nauru	1.43	–	–	–	1.43	1.06
Netherlands	456.77	13.55	(61.12)	(47.57)	409.20	303.28
New Zealand	46.87	5.31	(8.80)	(3.49)	43.38	32.15
Norway	108.67	5.57	(13.15)	(7.58)	101.09	74.92
Spain	82.07	5.68	(11.45)	(5.77)	76.30	56.55
Sweden	179.85	8.93	(23.56)	(14.63)	165.22	122.46
Switzerland	225.98	7.21	(15.79)	(8.58)	217.40	161.12
Taipei,China	16.50	–	–	–	16.50	12.23
Turkey	72.61	–	–	–	72.61	53.82
United Kingdom	581.16	26.84	(11.14)	15.70	596.86	442.36
United States	2,287.91	–	–	–	2,287.91	1,695.69
Total ADF-Contributed Resources	**18,203.26**	**454.52**	**(1,755.31)**	**(1,300.79)**	16,902.47	12,527.30

ADF COMMITMENT AUTHORITY
($ million; as of 31 December 1997)

	1996	1997
Multi-Purpose Special Fund, ADF I–VI Contributions	18,203.26	–
Additional Resources[b]	1,135.85	–
ADF VII Contributions	–	424.48
ADF VI Arrears and Prorata Releases	–	5.43
Expanded Advance Commitment Authority[c]	–	500.00
Total ADF Resources	19,339.11	929.91[d]
Less: Loans Committed	18,758.66	777.38[d,e]
Provision for Disbursement Risk	180.36	27.94
Total ADF Commitment Authority	400.09	124.59

( ) Negative.

Note: Figures may not add due to rounding.

a Refers to Special Drawing Rights (SDR). Valued at the rate of $1.34925 per SDR as of 31 December 1997.

b Consists of set-aside resources, transfer from Technical Assistance Special Fund, unrealized investment holding gains/losses, accumulated translation adjustments, and accumulated surplus.

c Incorporates additional resources for 1997.

d Excludes pre-ADF VII amounts for the determination of ADF commitment authority under the new financial planning framework for the management of ADF resources as approved by the Board on 15 April 1997.

e Excludes loans that were conditionally approved after 29 September 1997 and Loan No. 1513 to the Marshall Islands which was a commitment of ADF VI resources, but includes Loan No. 1588 to the Cook Islands which was unconditionally approved on 8 December 1997.

Table 43
TECHNICAL ASSISTANCE SPECIAL FUND
(US dollar equivalent; as of 31 December 1997)[a]

Contributor	Total Contributions	Amount Utilized
Direct Voluntary Contributions		
Australia	2,484,371	2,484,371
Austria	159,170	159,170
Bangladesh	47,352	47,352
Belgium	1,394,195	1,394,195
Canada	3,345,751	3,345,751
China, People's Rep. of	600,000	600,000
Denmark	1,962,529	1,962,529
Finland	237,201	237,201
France	1,697,451	1,697,451
Germany	3,314,813	3,314,813
Hong Kong, China	100,000	100,000
India	2,659,426	2,402,998
Indonesia	250,000	250,000
Italy	774,147	774,147
Japan	47,710,427	47,710,427
Korea, Rep. of	1,900,000	1,900,000
Malaysia	909,129	909,129
Netherlands	1,337,478	1,337,478
New Zealand	1,095,632	1,095,632
Norway	3,278,953	3,278,953
Pakistan	1,249,651	1,188,230
Singapore	1,100,000	100,000
Spain	189,580	189,580
Sri Lanka	6,309	6,309
Sweden	861,358	861,358
Switzerland	1,035,043	1,035,043
Taipei,China	200,000	200,000
United Kingdom	5,616,741	5,616,741
United States	1,500,000	1,500,000
Subtotal	87,016,707	85,698,858
Regularized Replenishment Contributions[b]	238,039,356	238,039,356
Transfer to Asian Development Fund	(3,471,565)	(3,471,565)
Allocation from OCR Net Income	261,000,000	245,385,183
Other Resources[c]	54,046,184	17,010,330
TOTAL	636,630,682	582,662,162

a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on the respective dates of utilization, and the amount unutilized, translated at the exchange rates used by the Bank on 31 December 1997.
b Represent the TASF portion of contributions to the Replenishment of the Asian Development Fund and the Technical Assistance Special Fund authorized by Governors' Resolution Nos. 182 and 214.
c Represent income, repayments, and reimbursements accruing to TASF since 1980.

Table 44
JAPAN SPECIAL FUND
Statement of Activities and Changes in Net Assets
($ million)

	1988–1991	1992	1993[a]	1994[a]	1995	1996	1997	Total
Contributions committed	191.0	69.4	88.6	100.1	104.9	79.9	–	633.9
Revenue	21.3	7.9	7.8	7.3	6.4	2.5	2.4	55.6
Total	212.3	77.3	96.4	107.4	111.3	82.4	2.4	689.5
Expenses	50.0	27.5	89.8	56.9	75.3	77.3	73.8	450.6
Exchange gain (loss)	(0.5)	(0.1)	(0.1)	0.2	(0.1)	(11.7)	(10.1)	(22.4)
Translation adjustments	8.9	1.2	17.7	35.7	(8.9)	(37.7)	(29.0)	(12.1)
Change in net assets	170.7	50.9	24.2	86.4	27.0	(44.3)	(110.5)	204.4

( ) Negative.

a Prior years' amounts have been restated to conform with the 1995 presentation.

Appendixes

APPENDIX 1

RESOLUTIONS OF THE BOARD OF GOVERNORS ADOPTED IN 1997

Resolution No.	Subject	Date Adopted
247	Sixth Replenishment of the Asian Development Fund	22 March 1997
248	Procedures for the Election of Directors at the Thirtieth Annual Meeting	12 May 1997
249	Financial Statements and Independent Auditors' Reports	13 May 1997
250	Allocation of Net Income	13 May 1997
251	Transfer of Ordinary Capital Resources Surplus to the Asian Development Fund	28 May 1997
252	Amendment of Section 7(B)(a) of the By-Laws	15 November 1997

APPENDIX 2

BOARD OF GOVERNORS
(as of 31 December 1997)

NICOLAS IMBODEN (Switzerland) (Chairperson)
MAR'IE MUHAMMAD (Indonesia) (Vice-Chairperson)
CHANDRIKA BANDARANAIKE KUMARATUNGA (Sri Lanka) (Vice-Chairperson)

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
AFGHANISTAN	Abdul Hadi Arghandiwal	Syed Ikramuddin
AUSTRALIA	Peter Costello	Kathy Sullivan[1]
AUSTRIA	Rudolf Edlinger[2]	Hans Dietmar Schweisgut
BANGLADESH	Shah A. M. S. Kibria	Masihur Rahman
BELGIUM	Ph. Maystadt	Gino Alzetta
BHUTAN	Yeshey Zimba	Sonam Wangchuk
CAMBODIA	Keat Chhon	Chanthol Sun
CANADA	Lloyd Axworthy	James A. J. Judd[3]
CHINA, PEOPLE'S REPUBLIC OF	Dai Xianglong	Yin Jieyan
COOK ISLANDS	G. A. Henry	Lloyd Powell
DENMARK	Ellen Margrethe Loj	Peter Bruckner
FIJI	James Ah Koy[4]	Jone Y. Kubuabola
FINLAND	Pekka Haavisto	Kirsti Lintonen
FRANCE	Dominique Strauss-Kahn[5]	Jean Lemierre
GERMANY	Klaus-Jürgen Hedrich	Klaus Regling
HONG KONG, CHINA	Donald Tsang	Joseph Yam
INDIA	P. Chidambaram	M. S. Ahluwalia
INDONESIA	Mar'ie Muhammad	J. Soedradjad Djiwandono
ITALY	Antonio Fazio	Mario Draghi
JAPAN	Hiroshi Mitsuzuka	Yasuo Matsushita
KAZAKSTAN	U. Shukeev	S. Mynbayev
KIRIBATI	Beniamina Tinga	Taneti Maamau[6]
KOREA, REPUBLIC OF	Chang-Yuel Lim[7]	Kyung Shik Lee
KYRGYZ REPUBLIC	Talaibek Koichumanov[8]	Askar Sarygulov
LAO PEOPLE'S DEMOCRATIC REPUBLIC	Xaysomphone Phomvihane	Phiane Philakone
MALAYSIA	Anwar Ibrahim	Clifford F. Herbert
MALDIVES	Ismail Shafeeu	Adam Maniku
MARSHALL ISLANDS	Ruben R. Zackhras	Amon Tibon
MICRONESIA, FEDERATED STATES OF	John Ehsa	Lorin Robert
MONGOLIA	J. Unenbat	D. Makhval[9]

1 Succeeded Andrew Thomson in October.
2 Succeeded Viktor Klima in February.
3 Succeeded Thomas Bernes in January.
4 Succeeded Berenado Vunibobo in August.
5 Succeeded Jean Arthuis in June.
6 Succeeded Kaburoro Ruaia in April.
7 Succeeded Kang Kyong-Shik in November; Kang Kyong-Shik succeeded Sueng-Soo Han in March.
8 Succeeded Kemelbek Nanaev in February.
9 Succeeded S. Ochirpurev in January.

CONTINUED

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
MYANMAR	Win Tin	Soe Lin
NAURU	Kinza Clodumar[10]	Ludwig Keke[11]
NEPAL	Rabindra Nath Sharma[12]	R. B. Bhattarai
NETHERLANDS	Gerrit Zalm	J. P. Pronk
NEW ZEALAND	William F. Birch	Mark Prebble[13]
NORWAY	Frode Forfang[14]	Knut Vollebaek
PAKISTAN	Sartaj Aziz[15]	Aftab Ahmad Khan[16]
PAPUA NEW GUINEA	Iairo Lasaro[17]	Isaac Lupari[18]
PHILIPPINES	Roberto F. de Ocampo	Gabriel Singson
SAMOA	Tuilaepa S. Malielegaoi	Epa Tuioti
SINGAPORE	Richard Hu Tsu Tau	Ngiam Tong Dow
SOLOMON ISLANDS	Manasseh Sogavare[19]	Gordon Darcy Lilo
SPAIN	Rodrigo de Rato y Figaredo	Jose Manuel Fernandez Norniella
SRI LANKA	Chandrika Bandaranaike Kumaratunga	B. C. Perera
SWEDEN	Mats Karlsson	Lennart Bage
SWITZERLAND	Nicolas Imboden	Rudolph Dannecker
TAIPEI,CHINA	Yuan-Dong Sheu	Mu-tsai Chen
THAILAND	Tarrin Nimmanahaeminda[20]	Suphachai Phisitvanich[21]
TONGA	K. Tutoatasi Fakafanua	Aisake Eke[22]
TURKEY	Yener Dinçmen[23]	Cüneyt Sel
TUVALU	Alesana K. Seluka[24]	Tine Leuelu[25]
UNITED KINGDOM	Clare Short[26]	George Foulkes[27]
UNITED STATES	Robert Rubin	Joan E. Spero
UZBEKISTAN	Bakhtier S. Khamidov	Rustam Sadikovich Azimov
VANUATU	Vincent Boulekone[28]	R. P. Gerard Leymang[29]
VIET NAM	Cao Sy Kiem	Le Duc Thuy[30]

10 Succeeded Ruby Dediya in March.
11 Appointed in March.
12 Succeeded Ram Sharan Mahat in April.
13 Succeeded Murray Horn in August.
14 Appointed in January.
15 Succeeded Shahid Javed Burki in March.
16 Succeeded Javed Burki in November.
17 Succeeded Chris Haiveta in September.
18 Succeeded Rupa Mulina in September.
19 Succeeded Michael Maina in August; Michael Maina succeeded Edmund Andressen in March.
20 Succeeded Thanong Bidaya in December; Thanong Bidaya succeeded Amnuay Viravan in June.
21 Succeeded Chatu Mongol Sonakul in August.
22 Appointed in May.
23 Succeeded Mahfi Egilmez in December; Mahfi Egilmez succeeded Mehmet Kaytaz in July.
24 Succeeded Koloa Talake in April.
25 Succeeded Panapasi Nelesone in April.
26 Succeeded Lynda Chalker in May.
27 Succeeded N. B. Hudson in July.
28 Succeeded Shem Naukaut in September; Shem Naukaut succeeded Barak T. Sope in March.
29 Succeeded Shem Rarua in September; Shem Rarua succeeded Willie Reuben Abel in April; Willie Reuben Abel succeeded George Borugu in March.
30 Succeeded Le Van Chau in January.

BOARD OF DIRECTORS AND VOTING GROUPS
(as of 31 December 1997)

DIRECTOR	ALTERNATE DIRECTOR	MEMBERS REPRESENTED[1]
Rafiq A. Akhund[2]	Romeo L. Bernardo[3]	Kazakstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines
Makoto Hosomi	Tetsuji Nagatomo	Japan
Li Ruogu	Liu Liange	People's Republic of China
Jin-Gyu Park[4]	Ruey-song Huang	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei,China; Uzbekistan; Vanuatu; Viet Nam
Julian H. Payne	Jens Haarlov	Canada; Denmark; Finland; Netherlands; Norway; Sweden
Francesco Pittore	Thomas Eggenberger	Belgium; France; Italy; Spain; Switzerland
Soegito Sastromidjojo	John Austin	Cook Islands; Fiji; Indonesia; Kyrgyz Republic; New Zealand; Samoa; Tonga
Hans-Jürgen Stryk[5]	Leander Treppel[6]	Austria; Germany; Turkey; United Kingdom
Eric Thorn	John Russell	Australia; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
Prasit Ujjin[7]	Sim Cheng Huat[8]	Malaysia; Myanmar; Nepal; Singapore; Thailand
K. Venkatesan	Muhammad Faizur Razzaque	Bangladesh; Bhutan; India; Lao People's Democratic Republic
Linda Tsao Yang	N. Cinnamon Dornsife	United States

1 In alphabetical order within each group.
2 Succeeded A. B. Soomro as Alternate Director on 16 June. Succeeded Vicente R. Jayme as Director on 1 July.
3 Succeeded Vicente R. Jayme on 1 November.
4 Succeeded Yong-Keun Lee on 22 December.
5 Succeeded John Millett on 1 July.
6 Succeeded Hans-Jürgen Stryk on 1 July.
7 Succeeded Syed Muhamad Abdul Kadir on 1 July.
8 Succeeded Thein Aung Lwin on 1 July.

APPENDIX 4

COMMITTEES OF THE BOARD OF DIRECTORS
(as of 31 December 1997)

STANDING COMMITTEES

AUDIT COMMITTEE	BUDGET REVIEW COMMITTEE	INSPECTION COMMITTEE
Julian H. Payne (Chairperson)	Li Ruogu (Chairperson)	Hans-Jürgen Stryk (Chairperson)
Rafiq A. Akhund	Makoto Hosomi	Makoto Hosomi
Soegito Sastromidjojo	Yong-Keun Lee[1]	Li Ruogu
Hans-Jürgen Stryk	Francesco Pittore	Linda Tsao Yang
Eric Thorn	K. Venkatesan	Romeo L. Bernardo
Prasit Ujjin	Linda Tsao Yang	Muhammad Faizur Razzaque

WORKING COMMITTEE

WORKING GROUP ON THE 1997 ANNUAL REPORT

Francesco Pittore (Chairperson)

Rafiq A. Akhund

John Austin

Jens Haarlov

Tetsuji Nagatomo

Muhammad Faizur Razzaque

1 Resigned from the Board of Directors effective 15 December.

MANAGEMENT, SENIOR STAFF, AND REGIONAL AND RESIDENT REPRESENTATIVES
(as of 31 December 1997)

OFFICE OF THE PRESIDENT	
President	Mitsuo Sato
OFFICES OF THE VICE-PRESIDENTS	
Vice-President (Region West)	Bong-Suh Lee
Vice-President (Region East)	Peter H. Sullivan
Vice-President (Finance and Administration)	Pierre Uhel
OFFICE OF THE SECRETARY	
Secretary	R. Swaminathan
Assistant Secretary	Ferdinand P. Mesch
OFFICE OF THE GENERAL COUNSEL	
General Counsel	Barry Metzger
Deputy General Counsel	Eisuke Suzuki
Assistant General Counsel	Bruce A. Purdue
Assistant General Counsel	Richard Eyre
Assistant General Counsel	Jeremy H. Hovland
OFFICE OF THE GENERAL AUDITOR	
General Auditor	Louis Wong
Assistant General Auditor	M. Kaleemuddin Haquani
POST-EVALUATION OFFICE	
Chief	A. Timothy Peterson
Manager (Evaluation Division West)	Atsutake Hashida
Manager (Evaluation Division East)	Phiphit Suphaphiphat
STRATEGY AND POLICY OFFICE	
Acting Chief	Yoshihiro Iwasaki
Assistant Chief	Jan P. M. van Heeswijk
OFFICE OF ENVIRONMENT AND SOCIAL DEVELOPMENT	
Chief	Kazi F. Jalal
Manager (Environment Division)	B. N. Lohani
Manager (Social Development Division)	Anita Kelles-Viitanen
PROGRAMS DEPARTMENT (WEST)	
Director	G. H. P. B. van der Linden
Deputy Director	Nihal Amerasinghe
Programs Manager (Division West 1 - Afghanistan; Maldives; Pakistan; Sri Lanka)	Frank Polman
Programs Manager (Division West 2 - Bangladesh; Bhutan; India; Nepal)	Vacant
Programs Manager (Division West 3 - Cambodia; Lao People's Democratic Republic; Myanmar; Thailand; Viet Nam)	Rajat Nag
Resident Representative, Bangladesh Resident Mission	Bhanuphol Horayangura
Resident Representative, Cambodia Resident Mission	Someth Suos
Resident Representative, India Resident Mission	Shigeko Asher
Resident Representative, Nepal Resident Mission	Marshuk Ali Shah
Resident Representative, Pakistan Resident Mission	Chua Suay Bah
Resident Representative, Sri Lanka Resident Mission	Tadashi Kondo
Resident Representative, Viet Nam Resident Mission	Jean-Pierre Verbiest
AGRICULTURE AND SOCIAL SECTORS DEPARTMENT (WEST)	
Director	Eustace A. Nonis
Deputy Director	Robert C. May

CONTINUED

Manager (Agriculture and Rural Development Division)	M. F. W. Zijsvelt
Manager (Forestry and Natural Resources Division)	Toru Shibuichi
Manager (Water Supply, Urban Development and Housing Division)	Preben Nielsen
Manager (Education, Health and Population Division)	Edward Haugh, Jr.
INFRASTRUCTURE, ENERGY AND FINANCIAL SECTORS DEPARTMENT (WEST)	
Director	John D. Taylor[1]
Deputy Director	Akira Seki
Manager (Financial Sector and Industry Division)	J. Antonio M. Quila
Manager (Energy Division)	James E. Rockett
Manager (Transport and Communications Division)	Günter Hecker
PROGRAMS DEPARTMENT (EAST)	
Director	Shoji Nishimoto
Deputy Director	Werner M. Schelzig
Programs Manager (Division East 1 - People's Republic of China; Hong Kong, China; Mongolia; Taipei,China)	Bruce Murray
Programs Manager (Division East 2 - Indonesia; Malaysia; Singapore)	Khaja H. Moinuddin
Programs Manager (Division East 3 - Kazakstan; Republic of Korea; Kyrgyz Republic; Philippines; Uzbekistan)	Thomas Crouch
Resident Representative, Indonesia Resident Mission	Theodore C. Patterson
AGRICULTURE AND SOCIAL SECTORS DEPARTMENT (EAST)	
Director	Yang Weimin
Deputy Director	Hans-Juergen Springer
Manager (Agriculture and Rural Development Division)	Robustiano L. Espiritu, Jr.
Manager (Forestry and Natural Resources Division)	Muhammad A. Mannan
Manager (Water Supply, Urban Development and Housing Division)	Asad Ali Shah
Manager (Education, Health and Population Division)	William M. Fraser
INFRASTRUCTURE, ENERGY AND FINANCIAL SECTORS DEPARTMENT (EAST)	
Director	Paul M. Dickie
Deputy Director	Vladimir Bohun
Manager (Financial Sector and Industry Division)	Charles F. Coe
Manager (Energy Division)	P. N. Fernando
Manager (Transport and Communications Division)	Devinder Singh
OFFICE OF PACIFIC OPERATIONS (Cook Islands; Fiji; Kiribati; Marshall Islands; Federated States of Micronesia; Nauru; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu)	
Director	Basudev Dahal
Manager (Pacific Operations Division 1)	Peter C. Darjes
Manager (Pacific Operations Division 2)	Cedric D. Saldanha
Regional Representative, South Pacific Regional Mission	M. E. Tusneem
PRIVATE SECTOR GROUP	
Head	John D. Taylor[2]
Manager	Keon-Woo Lee
ECONOMICS AND DEVELOPMENT RESOURCE CENTER	
Director and Chief Economist	Vishvanath V. Desai
Resident Scholar	S. Ghon Rhee
Acting Assistant Chief Economist (Economic Analysis and Research Division)	M. G. Quibria
Assistant Chief Economist (Project Economic Evaluation Division)	Jungsoo Lee
Assistant Chief Economist (Statistics and Data Systems Division)	Isidoro P. David

1 Concurrently Head, Private Sector Group.
2 Concurrently Director, Infrastructure, Energy and Financial Sectors Department (West).

OFFICE OF COFINANCING OPERATIONS	
Chief	Richard O. Wada
Assistant Chief	Woo Chull Chung
CENTRAL OPERATIONS SERVICES OFFICE	
Chief	Nalin P. Samarasinghe
Manager (Consulting Services Division)	Jin Koo Lee
Manager (Project Coordination and Procurement Division)	Francis Sharpley
BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT	
Director	Mamoru Umemoto
Deputy Director (Budget and Compensation)	Suresh A. Seshan
Deputy Director (Personnel)	Claude S. Bernier
Manager (Budget and Management Services Division)	Kunio Senga
Manager (Compensation and Benefits Division)	Sandra A. Lawrence
Manager (Human Resources Division)	Robert L. T. Dawson
Manager (Training and Development Division)	Vacant
OFFICE OF ADMINISTRATIVE SERVICES	
Chief	Guo Xianzhi
Manager (Facilities Management Division)	K. S. Subramanian
Manager (General Services Division)	S. Zeyaul Hoda
Manager (Support Services Division)	Turhan K. Mangun
CONTROLLER'S DEPARTMENT	
Controller	Magdi L. Morcos
Assistant Controller (Accounting Division)	Than Win
Assistant Controller (Disbursement Division West)	Ping-Yung Chiu
Assistant Controller (Disbursement Division East)	George C. J. Chou
TREASURER'S DEPARTMENT	
Treasurer	Shinji Ichishima
Deputy Treasurer	Erkki K. Jappinen
Assistant Treasurer (Financial Policy Division)	Ifzal Ali
Assistant Treasurer (Funding Division)	Peter Balon
Assistant Treasurer (Investments Division)	Jelle C. Mann
Assistant Treasurer (Treasury Services Division)	David R. Parker
INFORMATION OFFICE	
Chief Information Officer	Robert H. Salamon
Assistant Chief Information Officer	Karti Sandilya
OFFICE OF COMPUTER SERVICES	
Chief	John W. Thorp
NORTH AMERICAN REPRESENTATIVE OFFICE	
Director	D. C. Amerasinghe
EUROPEAN REPRESENTATIVE OFFICE	
Regional Representative	Maurice D. Bauche
JAPANESE REPRESENTATIVE OFFICE	
Director	Rip Min

APPENDIX 6

FORMER ADB PRESIDENTS AND VICE-PRESIDENTS

PRESIDENTS

Mr. Takeshi Watanabe	—	24 November 1966 – 24 November 1972
Mr. Shiro Inoue	—	25 November 1972 – 23 November 1976
Mr. Taroichi Yoshida	—	24 November 1976 – 23 November 1981
Mr. Masao Fujioka	—	24 November 1981 – 23 November 1989
Mr. Kimimasa Tarumizu	—	24 November 1989 – 24 November 1993

VICE-PRESIDENTS

Mr. C. S. Krishna Moorthi	—	19 December 1966 – 31 March 1978
Mr. A. T. Bambawale	—	1 April 1978 – 28 October 1985
Mr. M. Narasimham	—	1 November 1985 – 31 July 1988
Mr. S. Stanley Katz	—	1 April 1978 – 28 September 1990
Mr. In Yong Chung	—	1 August 1988 – 31 July 1993
Mr. William R. Thomson	—	17 September 1990 – 30 June 1994
Mr. Günther G. Schulz	—	1 April 1983 – 30 June 1995

SUMMARY OF BUDGET FOR 1998
Internal Administrative Expenses
($ thousand)

		1997			
		Budget	After Transfers[a]	Actual[b]	1998 Budget
I.	BOARD OF GOVERNORS	757	757	591	1,250
II.	BOARD OF DIRECTORS	8,427	8,427	7,832	8,382
	Salaries	4,189	4,298	4,298	4,366
	Benefits	2,285	2,176	2,028	2,222
	Relocation	512	512	469	291
	Business Travel	401	401	339	480
	Staff Services	790	790	698	773
	Inspection Function	250	250	–	250
III.	OPERATIONAL EXPENSES	157,363	157,363	152,289	161,112
	Salaries	78,224	78,224	77,253	81,309
	Benefits	51,600	51,535	48,931	51,322
	Staff Development	2,300	2,365	2,365	2,350
	Relocation	2,711	2,711	2,560	2,556
	Consultants	9,055	9,055	8,803	9,550
	Business Travel	13,166	13,166	12,126	13,715
	Representation	307	307	251	310
IV.	ADMINISTRATIVE EXPENSES	30,975	30,975	29,649	32,045
	Communications	3,286	3,286	3,252	3,633
	Office Occupancy	7,196	7,196	6,328	7,314
	Library	669	686	686	681
	Office Supplies	2,256	1,957	1,896	2,060
	Office Equipment	3,240	3,827	3,827	3,031
	Contractual Services	4,662	4,162	4,044	5,021
	Insurance	704	704	500	600
	Depreciation	8,811	9,006	9,006	9,546
	Miscellaneous	151	151	110	159
V.	GENERAL CONTINGENCY	1,975	1,975	–	2,028
TOTAL		**199,497**	**199,497**	**190,361**	**204,817**

a Transfers were made between budget items within each budget category without exceeding the amount of each category.

b Excludes (1) $757,000 as provision for severance pay; (2) $487,000 as provision for accumulated compensated absences; (3) $7,000 as bank charges pertaining directly to ADF and JSF; (4) an adjustment of -$3,367,000 on account of pension costs computed in compliance with US Financial Accounting Standards (FAS) 87; (5) an adjustment of $5,030,000 as provision for post-retirement benefit in compliance with FAS 106; (6) an adjustment of $239,000 as provision for accrued resettlement/ repatriation allowances in compliance with FAS 112, which are included in the total internal administrative expenses of $193,514,000, as shown in the financial statements. After deducting $43,000 directly charged to the Scholarship Program, the total internal administrative expenses have been distributed as follows: OCR – $95,728,000 (Ref. OCR-2), ADF – $96,460,000 (Ref. ADF-2), TASF – $5,000 (Ref. TASF-2), and JSF – $1,278,000 (Ref. JSF-2).

Major ADB Publications

STUDIES AND REPORTS

Agriculture and Natural Resources

Biodiversity Conservation in the Asian and Pacific Region: Constraints and Opportunities (1994)
Biotechnology: Opportunities for Enhancing Agricultural Production (Agriculture Department Staff Paper No. 8) (1995)
Handbook for Incorporation of Integrated Pest Management in Agriculture Projects (1994)[1]
Mangrove Forests: A Valuable But Threatened Indo-Pacific Resource (Agriculture Department Staff Paper No. 5) (1992)

Economy and Finance

Asian Development Bank Economic Staff Paper Series
Asian Development Bank Economics and Development Resource Center Report Series
Asian Development Bank Occasional Paper Series
Asian Development Bank Statistical Report Series
Asian Development Outlook (annually)[2]
The Bangladesh Economy in Transition (1997)[1]
Economic Policies for Sustainable Development – Nepal (1992)
Emerging Asia: Changes and Challenges (1997)[1]
External Shocks and Policy Adjustments: Lessons from the Gulf Crisis (1994)[1]
Financial Sector Development in Asia (1995)[2]
Financial Sector Development in Asia: Country Studies (1995)[1]
Financing Local Government in the People's Republic of China (1997)[2]
Fiscal Management and Economic Reform in the People's Republic of China (1995)[2]
From Centrally Planned to Market Economies: The Asian Approach
Vol. 1: An Overview (1995)[2]
Vol. 2: People's Republic of China and Mongolia (1996)[2]
Vol. 3: Lao PDR, Myanmar, and Viet Nam (1996)[2]
Informal Finance: Some Findings from Asia (1992)[2]
Investing in Asia (1997)
Key Indicators of Developing Asian and Pacific Countries (annually)[2]
Lao PDR and the Greater Mekong Subregion: Securing Benefits from Economic Cooperation (1996)
Mongolia: A Centrally Planned Economy in Transition (1992)[2]
Private Sector Development in the Lao PDR: Potential and Constraints (1996)
Reforming the Financial Sector in the Lao PDR (1996)

Energy

Electric Utilities Data Book for the Asian and Pacific Region, Fifth Edition (1997)[1]
Energy End Use: An Environmentally Sound Development Pathway (1993)[1]
Energy Indicators of Developing Member Countries of ADB[1]
Regional Workshop on Solar Power Generation Using Photovoltaic Technology (1997)
Solar Photovoltaic Power Generation Using PV Technology (1996)[1]

Environment

Breakthroughs in Forestry Development: Experience of the Asian Development Bank (1995)[1]
Coastal and Marine Environmental Management (1996)[1]
Economic Evaluation of Environmental Impacts (1996)[1]
Environment and Development: A Pacific Island Perspective (1992)[1]
Environmental Evaluation of Coastal Zone Projects: Methods and Approaches (ADB Environment Paper No. 8) (1991)
Environmental Loan Covenants: Helping Ensure the Environmental Soundness of Projects Supported by the Asian Development Bank (ADB Environment Paper No. 10) (1992)
Environmental Loan Covenants: Principles, Checklists and Samples (ADB Environment Paper No. 12) (1993)
Environmental Risk Assessment: Dealing with Uncertainty in Environmental Impact Assessment (ADB Environment Paper No. 7) (1991)
Financing Environmentally Sound Development (1994)[1]
Measuring Environmental Quality in Asia (1997)[1]
Potential Uses of Market-Based Instruments for Environmental Management in the Philippines (Main Report)
Potential Uses of Market-Based Instruments for Environmental Management in the Philippines – The Essentials
Remote Sensing and Geographic Information System for Natural Resource Management (ADB Environment Paper No. 9) (1991)[1]
Strategy for the Use of Market-Based Instruments in Indonesia's Environmental Management (Main Report)
Strategy for the Use of Market-Based Instruments in Indonesia's Environmental Management – The Essentials

Industry and Nonfuel Minerals

Industrial Pollution Prevention (1994)[1]
Technology Transfer and Development: Implications for Developing Asia (1995)[1]

Pacific Studies Series

Cook Islands: Economic Performance, Issues and Strategies (1995)[1]
Federated States of Micronesia: 1996 Economic Report (1997)[1]
Fiji Agriculture Sector Review: A Strategy for Growth and Diversification (1996)[1]
Human Resource Development: Small Pacific Island Countries (1995)[1]
Marshall Islands: 1996 Economic Report (1997)[1]
The Pacific's Tuna: The Challenge of Investing in Growth (1997)[1]
Roundtable Proceedings on Sociocultural Issues and Economic Development in the Pacific Islands – Volume II (1997)[1]
Sociocultural Issues and Economic Development in the Pacific Islands (1996)
Strategy for the Pacific: Policies and Programs for Sustainable Growth (1996)[1]
Tonga: Economic Performance and Selected Development Issues (1996)[1]
Vanuatu: Economic Performance, Policy and Reform Issues (1997)[1]

Copies of these publications may be obtained through the Publications Unit, Information Office, Asian Development Bank, P.O. Box 789, 0980 Manila, Philippines. Orders may also be sent by fax to (632) 636-2648 or (632) 636-2640 or E-mail at **adbpub@mail.asiandevbank.org**. All are free of charge (sent via surface mail), except those listed with footnotes.

1 Priced publications.
2 Also available directly from Oxford University Press (OUP) offices, associated companies, and agents worldwide.

Regional Cooperation

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3 For member government institutions only. These publications may be obtained from the Central Operations Services Office.
4 All videos are in English. Please specify PAL VHS or NTSC VHS. For each videotape, a $10 shipping and handling fee will be charged.

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