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**SIAM
DEVELOPMENT
BANK**

**ANNUAL REPORT
1988**



The Asian Development Bank

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

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

In 22 years of operations, the Bank has become a major catalyst in promoting the development of the most populous and fastest growing region in the world today. The Bank's principal functions are: (i) to make loans and equity investments for the economic and social advancement of developing member countries; (ii) to provide technical assistance for the preparation and execution of development projects and programs and advisory services; (iii) to promote investment of public and private capital for development purposes; and (iv) to respond to requests for assistance in coordinating development policies and plans of member countries. In its operations, the Bank is also required to give special attention to the needs of the smaller or less developed countries and give priority to regional, subregional and national projects and programs which will contribute to the harmonious economic growth of the region as a whole.

The financial resources of the Bank consist of ordinary capital resources, comprising subscribed capital, reserves and funds raised through borrowings; and Special Funds, comprising contributions made by member countries, accumulated net income and amounts previously set aside from the paid-in capital. Loans from ordinary capital resources, which account for 67 per cent of Bank lending, are generally made to member countries which have attained a somewhat higher level of economic development. Loans from the Asian Development Fund are made on highly concessional terms and almost exclusively to the poorest borrowing countries.

The Bank has borrowed funds for its ordinary operations from the capital markets of Europe, Japan, the Middle East and the United States. The Bank's callable capital, which at the end of 1988 accounted for nearly 88 per cent of its subscribed capital, backs its borrowings in the capital markets.

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

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

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

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

The Bank has 24 departments and offices — including a Resident Office in Dhaka, Bangladesh, a South Pacific Regional Office in Port Vila, Vanuatu, and a Resident Office in Jakarta, Indonesia — dealing with various operational, financial, administrative and general support functions.

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

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ASIAN DEVELOPMENT BANK

ANNUAL REPORT 1988

Data Change

On page 29, left hand column, seven lines from the bottom, please replace the two sentences beginning "India reduced the incidence of poverty . . ." with "India reduced the incidence of poverty to 37 per cent in 1984-1985 from 48 per cent in 1977-1978. But the number of poor is still enormous — 273 million in 1984-1985, compared to 307 million in 1977-1978."



A TEA plucker in Sri Lanka, where improvements to the living conditions of estate workers are an important component of the Bank-financed Third Tea Development Project. In response to increased attention now being given to the plight of the world's absolute poor, most of whom live in Asia, this Annual Report contains a special chapter on Poverty Alleviation (see pages 29 to 33).

BANK HIGHLIGHTS, 1966-1988

Loans, Equity Operations and Technical Assistance

- * The Bank has committed a total of \$25 billion in loans for 871 projects, including investment operations with private sector entities.
- * Under the Bank's private sector operations, which began in 1983, the Bank has committed \$85 million in nine loans to private entities, \$52.4 million in 25 equity investment operations and \$25 million in three equity underwritings.
- * Technical assistance, in grants and loans, has amounted to \$1.9 billion. Of this amount, \$260 million was provided for project preparation technical assistance which has so far resulted in 374 Bank loan projects totalling \$11 billion; \$1,336 million was provided for project implementation technical assistance, \$218 million for advisory technical assistance and \$54.5 million for regional technical assistance.

Resource Mobilization

- * Authorized capital stood at the equivalent of \$22.6 billion as of 31 December 1988.
- * A total of \$8.5 billion has been borrowed from international capital markets for lending from ordinary capital resources.
- * About \$13.8 billion has been mobilized in Asian Development Fund contributions for concessional lending to poorer DMCs, and about \$174.9 million in Technical Assistance Special Fund contributions for financing technical assistance grants.

Sectoral Activities

- * Agriculture and Agro-Industry: 143 irrigation and area development projects benefiting about 17.5 million people; 71 fisheries, livestock and forestry projects; 75 projects for industrial crops, agro-industry and support services; and seven fertilizer projects to help increase the region's fertilizer supplies by about 1.22 million tons of nitrogen nutrients and about 68,850 tons of phosphate nutrients per annum.
- * Energy: 152 projects including 132 power projects for creation of 13 million KW of generation capacity of which over 75 per cent will be based on indigenous resources, and for about 84,000 km of transmission-distribution circuits. Non-power energy projects provided for expanded production of natural gas and coal, rehabilitation of refineries and distribution networks for gas.
- * Industry and Development Banks: 102 credit lines totalling \$3.1 billion to 40 financial intermediaries in 22 DMCs, which have been used so far to create 13,500 subloans to small and medium-scale enterprises.
- * Transport and Communications: construction, rehabilitation, modernization and expansion of ports to increase cargo-handling capacity by about 54.8 million tons per year, and of roads and telecommunications serving estimated populations of 147 million and 81 million, respectively; rehabilitation and modernization of railways to increase freight capacity by 14.9 million tons.
- * Social Infrastructure: 60 water supply and sanitation projects benefiting over 64 million people; establishment and development, as well as rehabilitation and expansion, of primary, secondary and tertiary level education and training institutions directly benefiting over 1.5 million students and about 123,000 teaching and administrative staff per annum, and the provision of 49 non-project related scholarships for nationals of the Bank's DMCs; 32 projects providing physical and institutional support for housing and/or a variety of urban infrastructure facilities covering components such as sites and services, slum upgrading, water supply, sewerage, drainage, solid waste management, flood control and urban transportation; 28 health and population projects, providing physical and institutional support such as establishment or upgrading of rural health facilities and referral hospitals, health manpower development, production of essential drugs, improvement of storage and distribution of medical and family planning supplies, repair and maintenance of equipment, and provision of better malaria control measures.

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ASIAN DEVELOPMENT BANK
Manila

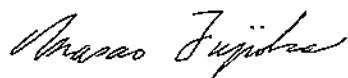
Office of the President

14 March 1989

Dear Mr. Chairman:

In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the enclosed Annual Report of the Bank for 1988, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MASAO FUJIOKA
President and
Chairman of the
Board of Directors

Chairman of the
Board of Governors
Asian Development Bank

THE BOARD OF DIRECTORS

THE Board of Governors is vested with all the powers of the Bank. With the exception of certain powers specifically reserved to them under the Charter of the Bank, the Board of Governors has delegated its powers to the Board of Directors which is responsible for the direction of the general operations of the Bank. The Board of Directors performs its duties on a full-time basis at the Bank's Headquarters and meets in formal session under the chairmanship of the President of the Bank.

A few changes occurred in the membership of the Board in the course of the year. Two new Directors (one of whom took the place of Director S. M. Kelkar who suddenly passed away) were elected while three new Alternate Directors were appointed. A list of the 12 Directors and their Alternates follows this chapter, while Appendix 4 provides more details on Board membership and voting groups.

General

The Bank's lending and investment operations in 1988 totalled \$3,162.3 million, composed of \$3,087.6 million for 57 government and government-guaranteed loans for 52 projects, \$58 million for four loans without government guarantee for private sector entities and \$16.7 million for eight equity investments. In addition, the Board approved two equity underwriting commitments for \$20 million, and 187 grant-financed technical assistance projects amounting to \$58.8 million, of which \$16.5 million is being financed by the Japan Special Fund and \$12.3 million is being provided from other external sources.

During the year, the Board conducted a number of reviews on financial and operational issues. At the beginning of the year, the Board endorsed a proposed indicative borrowing program of approximately \$800 million. A mid-year review of the Bank's borrowing program and liquidity situation indicated that the level of liquidity at the end of the year was likely to remain high. It was, therefore, decided to reduce the year's borrowing program to only three "market presence" issues, totalling \$434.7 million, undertaken in the capital markets of Japan, Switzerland and United States. The borrowing in Japan, amounting to ¥30 billion, represented the Bank's first Daimyo public bond issue in that country.

During the year, the Bank's variable lending rate declined further (to 6.59 per cent for the first half and to 6.53 per cent for the latter half) reflecting in part the low cost of borrowings made in 1987 and in part the liability management efforts which resulted in the reduction of the cost of pooled borrowings.

Policy Review

The Board submitted to the Board of Governors for their consideration at the Twenty-First Annual Meeting a report providing an updated review of the progress on the study of the Bank's future resource requirements as well as a program of work in preparation for the forthcoming Fourth General Capital Increase discussions. One of the aspects of work envisaged in this program was the settlement of the question of Valuation of the Bank's Capital and the related question of maintenance of value obligations. The Board held several discussions on these issues and further discussion on these matters is expected.

The Board continued discussion on the issue of increases in capital subscriptions of certain members and the consequential increase in the authorized capital stock of the Bank. The Board decided to recommend to the Board of Governors Special Capital Increases in respect of only three countries, viz., Japan, United States and Sweden. Accordingly, draft resolutions were submitted to the Board of Governors for such Special Capital Increases as well as for an increase in the Authorized Capital Stock. They were subsequently adopted by the Board of Governors.

In the course of its review of the current policy on ADF lending operations, the Board examined the question of the eligibility of People's Republic of China and India to have access to ADF resources. The Board decided to classify the two countries in Group A as they satisfied the current Bank criteria for such a classification. Even though the two countries thus became eligible for ADF lending, it was not currently envisaged that they would have access to ADF resources. The situation, however, would be reviewed in due course after taking into consideration the availability of ADF resources after meeting the requirements of traditional borrowers as well as those of Indonesia and Philippines which have been allowed

limited access to the Fund.

The Board continued its discussions towards developing a suitable policy framework for implementing a program of guarantee operations and decided to extend the Bank's guarantee operations on a selective basis, limiting them to situations wherein Bank intervention would clearly assist developing member countries (DMCs) to obtain funds from capital markets on more favorable terms than would otherwise be possible.

The Board reviewed policy on supplementary financing of cost-overrun projects and decided that the existing policy, though adequate for the purpose, should be applied with greater flexibility, especially in circumstances when cost-overruns occur due to circumstances beyond control of the borrower.

With a view to streamlining its technical assistance operations, the Board approved increases in the ceilings for grant finance in existing technical assistance categories and added a grant component to technical assistance program loans. Limits on technical assistance approvals granted by the President under delegated authority were also substantially raised.

With a view to encouraging enhanced utilization of technical assistance loans by DMCs, further simplification and streamlining of procedures applying to these loans were approved by the Board.

In recognition of the increasing emphasis DMC governments were placing on private sector development, the Board took further steps towards stimulating the growth of this sector. The Board approved equity investments in two venture capital companies and several public and private sector entities as well as partial underwriting of two mutual funds. Following a review of the Bank's policy on private sector operations, improvements to the policy were agreed upon to provide greater flexibility in the size of equity investments and loans and lower commitment fees.

At the Twenty-First Annual Meeting, many Governors emphasized the need for the Bank to devote greater attention towards targeting its assistance on the poorer and disadvantaged categories in its DMCs. In response to such concern, an internal Task Force on Poverty Alleviation was established to formulate guidelines in developing an appropriate strategy for Bank action in this important area. The Task Force compiled a comprehensive report on the subject which was considered by the Board.

As a further development of the Bank's increasing attention to projects with a greater poverty alleviation content, the Board, for the first time, approved a loan to the micro-enterprise sector in the Philippines as a pilot venture. The project is intended to assist the development of micro-enterprises among low-income groups under the self-employment loan assistance program of the Government, using non-governmental organizations (NGOs), again for the first time, as intermediaries for credit and technical assistance.

The Board approved a financial arrangement with the Government of Japan under which the Bank would administer a special fund called the Japan Special Fund (JSF) established by the Japanese Government for accelerating the economic growth of DMCs through financing or co-financing technical assistance projects and equity investments. The JSF has made

a substantial contribution to the technical assistance program of the Bank during the year.

The Board also approved a further financial arrangement with the Government of Japan under which the Bank would administer a scholarship program to be funded by the Japanese Government. The program is intended to offer scholarships to eligible candidates from DMCs for advanced studies in management, technology or any other development-related fields. A total of 49 scholarships was awarded under this program during the year.

In response to a request made by the United Nations Development Programme (UNDP) for the establishment of a general cooperation agreement for the Bank to act as an executing agency for that organization, the Board submitted a draft resolution to the Board of Governors for the conclusion of a Basic Executing Agency Agreement with UNDP. The resolution was adopted by the Board of Governors and thereupon an agreement was concluded between the two organizations.

The Panel for the study of the role of the Bank in the 1990s met five times during the year, in Manila as well as outside the Philippines. The Panel also met twice with the members of the Board.¹

The Board approved the establishment of two Resident Offices in Nepal and Pakistan, respectively. Upon establishment of these two offices, the number of Resident and/or Regional Offices will increase to five.

Administration

On the recommendation of the President, the Board appointed Mr. In Yong Chung, a former Deputy Prime Minister of the Republic of Korea, as a Vice-President of the Bank for a term of five years from 1 August 1988. Mr. Chung fills the vacancy created by the resignation of former Vice-President M. Narasimham.

The Board approved a 5.2 per cent salary increase for professional staff. A limited self-insurance scheme to indemnify the Bank's expatriate professional staff for loss or damage to their personal property in force majeure situations was also approved.

As regards the supporting staff, a 12 per cent salary increase, a one-time salary adjustment of 1.52 per cent, to be paid as a lump sum, and several other benefits were approved.

The Board approved a capital expenditure program for the expansion of office accommodation for the Bangladesh Resident Office.

Directors' Visits

Short visits were made to the following DMCs by groups of Directors to obtain first-hand information on the Bank's operations in those countries and also to hold discussions on relevant policy issues:

1 The Panel presented its report in January 1989.

- (i) Sri Lanka and Republic of Korea — 20 February to 6 March; and
- (ii) Solomon Islands, Papua New Guinea and Tonga — 8 to 30 October.

Committees

The Audit Committee examined the Bank's Financial Statements as well as the scope of outside audit and found them satisfactory. It also noted with satisfaction the opinions of outside auditors on these financial statements. The Committee reviewed the activities of the Internal Audit Office, including a review of two Audit Recommendations Implementation Reports for 1988. It also reviewed the activities of the Post-Evaluation Office, which included an examination of 10 Project Performance Audit Reports and three Special Studies done by the latter office. The Committee also considered the Report of the President to the Board of Directors on Post-Evaluation Activities during 1987 and the Tenth Review of Post-Evaluation Reports. The Committee emphasized, *inter*

alia, the importance of conducting more preliminary work, such as detailed engineering design and preparation of bid documents, for achieving greater success in project implementation. The Committee also advised the Board on the appointment of outside auditors for 1989 and the recommendation was accepted by the Board.

Membership of the Audit Committee is shown in Appendix 5 of this Annual Report.

The Budget Review Committee examined in detail the proposals of the 1989 Administrative Budget which involved a proposed expenditure commitment of \$109.4 million. This represented a nominal increase of 11.9 per cent over the 1988 Revised Estimate, of which 1.8 per cent was attributable to new and additional requirements.

This was determined to be acceptable in the context of an anticipated increase in the Bank's work load and the budget was recommended to, and subsequently approved by, the Board.

Membership of the Budget Review Committee is also shown in Appendix 5.

THE BOARD OF DIRECTORS

(As of 31 December 1988)

President and Chairman of the Board of Directors

Masao Fujioka

Directors	Alternate Directors
D. Bandyopadhyay	Quazi Azher Ali
Heinz Bühler	Christian Heilingsetzer
Sofjan Djajawinata	Cliff F. Sproule
Victor H. Frank, Jr.	William R. Thomson
Kong Fannong	Wei Benhua
Jean-Marc Métivier	Inga Klevby
Shoji Mori	Satoshi Hashimoto
Suwani Pasugswad	Bhubaneshwar Khatri
N. M. Qureshi	Joker P. Arroyo
Michel Rougé	Paul Obrist
Kenneth Waller	Dereck Rooken-Smith
Sung-Yong Wei	H. B. Disanayaka

THE RECORD

(amounts in \$ million)

	1966-1983	1984	1985	1986	1987	1988	1966-1988 ^a
OPERATIONAL ACTIVITIES							
TOTAL LENDING (Amount)	13,347.7	2,234.3	1,808.1	1,999.0 ^b	2,438.5	3,145.6	24,973.1
Number of Projects ^c	615	47	45	47	48	56	846
OCR Loans (Amount)	9,126.7	1,550.7	1,171.2	1,363.2 ^b	1,480.9	2,062.2	16,754.8
Number of Loans	375	26	24	26	22	29	502
Disbursements	4,157.7	702.2	620.3	611.8	692.8	957.4	7,742.2
ADF Loans (Amount)	4,221.0	683.6	636.9	635.8	957.6	1,083.4	8,218.3
Number of Loans	300	23	23	25	30	32	433
Disbursements	1,283.9	298.3	389.8	412.4	538.6	691.7	3,614.7
A. Government and Government-Guaranteed Loans (Amount)	13,347.7	2,234.3	1,808.1	1,992.5	2,418.0	3,087.6	24,888.1
Number of Projects ^c	615	47	45	45	45	52	837
OCR Loans (Amount)	9,126.7	1,550.7	1,171.2	1,356.7	1,462.9	2,004.2	16,672.3
Number of Loans	375	26	24	24	20	25	494
Disbursements	4,157.7	702.2	620.3	611.8	689	952.1	7,733.1
ADF Loans (Amount)	4,221.0	683.6	636.9	635.8	955.1	1,083.4	8,215.8
Number of Loans	300	23	23	25	29	32	432
Disbursements	1,283.9	298.3	389.8	412.4	538.6	691.7	3,614.7
B. Private Sector Loans (Amount)	—	—	—	6.5 ^b	20.5	58.0	85.0
Number of Projects	—	—	—	2	3	4	9
Disbursements	—	—	—	—	3.8	5.3	9.1
OCR Loans (Amount)	—	—	—	6.5 ^b	18.0	58.0	82.5
Number of Loans	—	—	—	2	2	4	8
Disbursements	—	—	—	—	3.8	5.3	9.1
ADF Loans (Amount)	—	—	—	—	2.5	—	2.5
Number of Loans	—	—	—	—	1	—	1
Disbursements	—	—	—	—	—	—	—
EQUITY INVESTMENTS							
Number of Investments	2	1	4	3	8	8	25
Amount	3.0	0.4	3.7	6.0 ^b	22.6	16.7	52.4
EQUITY UNDERWRITING							
Number of Commitments	—	—	—	—	1	2	3
Amount	—	—	—	—	5.0	20.0	25.0
TECHNICAL ASSISTANCE^d							
Number of Projects	974	118	110	129	119	162	1,598
Amount	1,080.7	141.2	175.3	121.0	135.6	159.9	1,813.7
REGIONAL ACTIVITIES							
Number of Projects	138	25	32	33	39	44	308
Amount	20.8	3.7	5.5	7.4	7.5	9.6	54.5
RESOURCES							
Ordinary Capital Resources							
Authorized Capital (at end of period)	15,461	14,476	16,222	19,663	22,987	22,642	22,642
Subscribed Capital (at end of period)	11,510	14,058	15,970	19,476	22,770	21,645	21,645
Borrowings (gross)	4,984	972	792	813	537	435	8,533
Outstanding Debt (at end of period)	3,429	3,893	5,569	7,135	8,475	7,347	7,347
Ordinary Reserve (at end of period)	830.1	997.8	1,158.5	1,372.9	1,601.5	1,929	1,929
Special Reserve (at end of period)	151.3	167.3	176.5	176.5	176.5	176.5	176.5
Gross Income	2,610.0	568.6	684.8	875.0	976.1	1,023.2	6,737.7
Net Income after Appropriation of Commissions to Special Reserve	955.9	190.4	247.9	287.1	306.9	374.2	2,362.4
Special Funds Resources							
Asian Development Fund:							
Total Resources (at end of period)	4,207.2	4,615.1	6,081.5	7,764.5	10,200.9	11,532.5	11,532.5
Technical Assistance Special Fund:							
Contributions (at end of period)	63.5	69.2	76.0	81.9	151.4	174.9	174.9
Japan Special Fund:							
Contributions (at end of period)	—	—	—	—	—	35.8	35.8
MEMBERSHIP AND STAFF							
Member Countries (at end of period)	45	45	45	47	47	47	47
Professional Staff (at end of period)	551	570	581	595	597	605	605

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

b. Amount adjusted to exclude the withdrawal of the \$5 million loan to Pakistan for the Cheiat Cement Co., Ltd. Expansion and equity investment of \$2.14 million.

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

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

THE BANK IN 1988

DURING 1988, Bank lending and investment operations amounted to \$3,162.28 million. Lending commitments rose 29 per cent to \$3,145.61 million, including a substantial increase in private sector loans, while investments amounted to \$16.67 million compared with \$22.6 million in 1987. Two underwriting commitments for a total of \$20 million were also approved.

The robust growth was mainly due to increased lending to 15 of the Bank's developing member countries (DMCs) — particularly People's Republic of China, India, Pakistan and Philippines.

Loans from ordinary capital resources (OCR) rose sharply by 39 per cent to \$2,062.2 million from \$1,480.9 million in 1987. Loans from the Asian Development Fund (ADF) increased by a more modest 13 per cent to \$1,083.4 million from \$957.6 million in 1987.

The year saw a strong rise in program lending with six program loans totalling \$660 million, compared to two program loans for \$202 million in 1987. Program lending accounted for about a fifth of total Bank lending in 1988. In addition, seven sector loans amounting to \$434 million were approved in 1988, compared with five such loans totalling \$581 million in 1987.

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 the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. For a more detailed discussion, see OCR-7, Notes to Financial Statements of Ordinary Capital Resources.

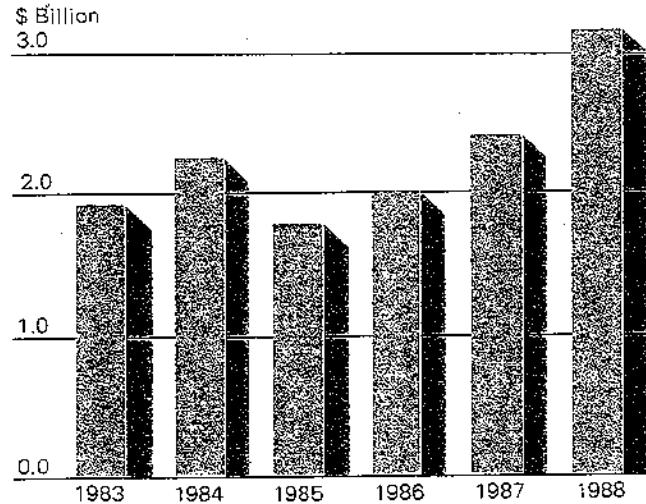
The Bank also significantly expanded its private sector activities. Four loans without government guarantee totalling \$58 million were approved, nearly triple the 1987 figure of \$20.5 million. Eight equity investments amounting to \$16.7 million were approved, a decline from \$22.6 million in 1987. However, underwriting operations increased from one commitment of \$5 million to two commitments totalling \$20 million.

Technical assistance grants (including regional activities) approved by the Bank, and funded by the Bank and other sources, increased by over 40 per cent to \$59 million from \$42 million in 1987.

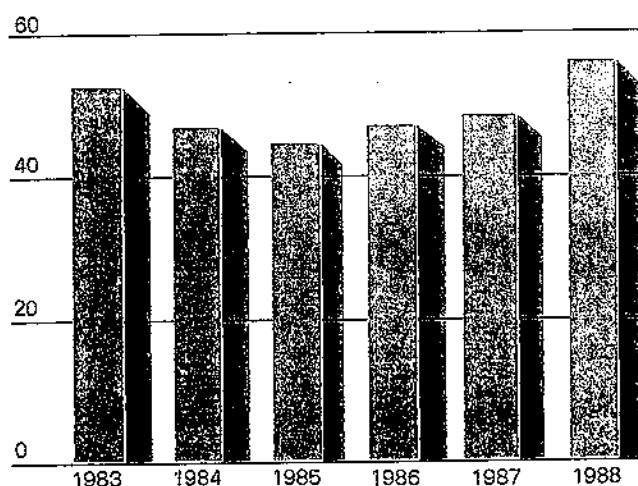
Other highlights:

- The Twenty-First Annual Meeting of the Board of Governors was held in Manila, Philippines, from 28 to 30 April.
- The Bank's variable lending rate was lowered to 6.59

Loan Approvals



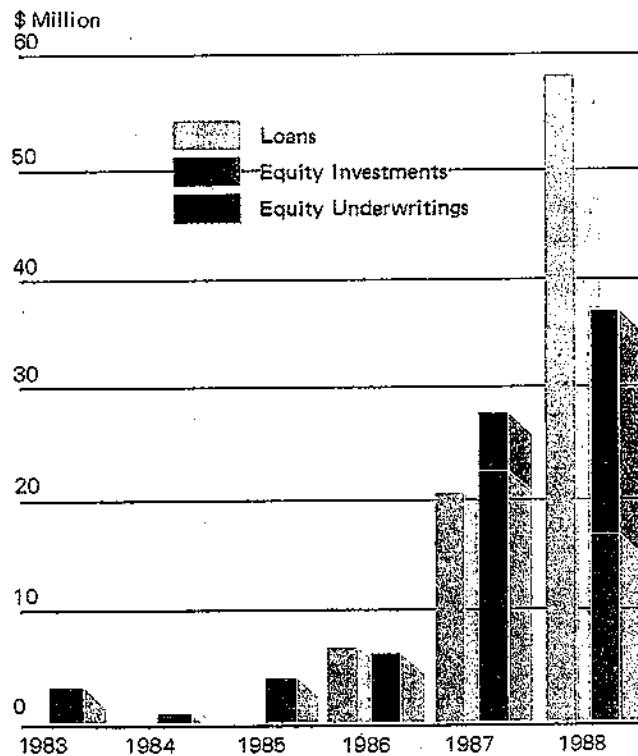
Number of Loan Projects



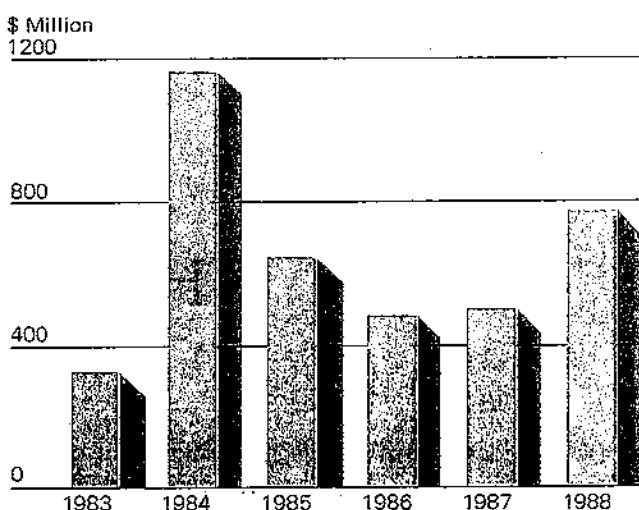
per cent per annum from 7.03 per cent per annum on 1 January and to 6.53 per cent per annum on 1 July.¹

The Bank approved the establishment of two new Resident Offices in Kathmandu, Nepal, and Islamabad, Pakistan. These are expected to be opened during 1989.

Amount of Private Sector Loans, Equity Investments and Underwritings



Co-Financing



- Total loan disbursements reached a record \$1.65 billion, a 34.1 per cent rise over \$1.23 billion in 1987, reflecting significant increases in both OCR and ADF disbursements.

- The External Panel of international experts neared completion of its study of the Bank's role in the 1990s. The report was to be presented to the Bank in early 1989.²

- An internal task force, chaired by the Vice-President for Projects, was set up to report on poverty alleviation.

- The Bank approved a new policy framework for guarantee operations, under which the Bank may guarantee loans by private financial institutions to DMCs.

- The Japan Special Fund, administered by the Bank, was established to provide finance for technical assistance projects and equity investment operations.

- The Bank made available funds amounting to \$94.3 million to assist Bangladesh in the wake of devastating floods.

- A post-evaluation report on Bank projects reviewed during the year found 77 per cent were considered successful, compared with the cumulative average of 67 per cent.

- The Bank appointed Mr. In Yong Chung, former Deputy Prime Minister of the Republic of Korea, as Vice-President for Finance and Administration for a five-year term effective from 1 August.

- The Bank established a Scholarship Program financed by the Government of Japan for postgraduate studies in development-related fields of study and a Scholarship Program for smaller DMCs for short-term studies financed by the Bank.

- The Bank made three borrowings totalling \$435 million in the capital markets of Japan, Switzerland and United States. This included the Bank's first Daimyo public bond issue in Japan, amounting to ¥30 billion.

¹ On 1 January 1989, the rate was further reduced to 6.42 per cent per annum, the lowest since the start of the Bank's operations.

² The report was presented in January 1989.

During the year, 61 loans were approved for 56 projects in 18 DMCs. This compared with 52 loans for 48 projects in 17 DMCs in 1987. The average loan size rose to \$52 million from \$47 million a year earlier. The size of individual loans ranged from \$900,000 to Kiribati for a power distribution project to a \$198 million loan to India for a road improvement project.

Co-financing rose by 55 per cent to \$774 million from \$498 million the previous year. Official sources of co-financing soared 138 per cent to \$680 million from \$286 million in 1987, and their share of total co-financing rose to 88 per cent from 57 per cent. Co-financing from commercial sources fell to \$94 million from \$212 million in 1987, or 12 per cent of the total compared with 43 per cent the previous year.

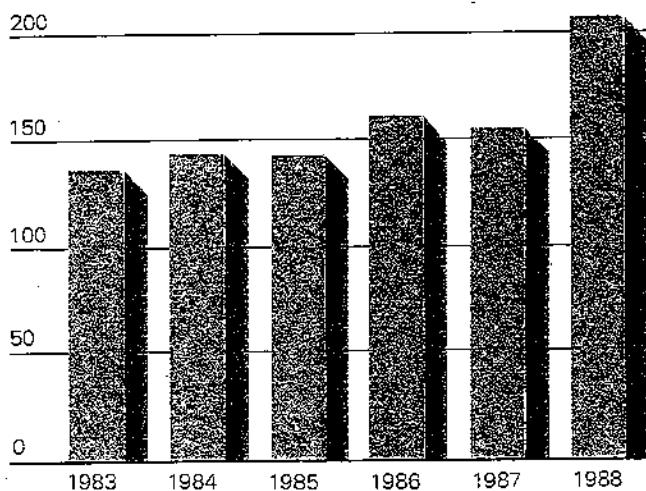
On a sectoral basis, lending to the *industry and non-fuel minerals* sector increased by nearly a third to \$825.95 million from \$645.5 million in 1987, although the sector's share of total lending remained at the 1987 level of 26 per cent. Volume was boosted by three program loans to Bangladesh, Indonesia and Pakistan totalling \$465 million and lending to the private sector without government guarantee (\$34 million compared with \$20.5 million the previous year).

Loans to the *agriculture and agro-industry* sector rose 27.4 per cent to \$674 million from \$529 million in 1987. The sector's share of total lending decreased to 21 per cent from 22 per cent in 1987.

Lending to the *transport and communications* sector fell 20.6 per cent to \$630.4 million from \$793.9 million a year earlier. The share of this sector dropped to 20 per cent from 33 per cent in the same period. This was attributable to a smaller number of loans, particularly for ports.

The *energy* sector saw lending rise to \$567 million from \$332 million a year earlier, mainly due to three large projects approved for India, Pakistan and Philippines totalling \$380 million. The sector's share of total lending rose to 18 per cent

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



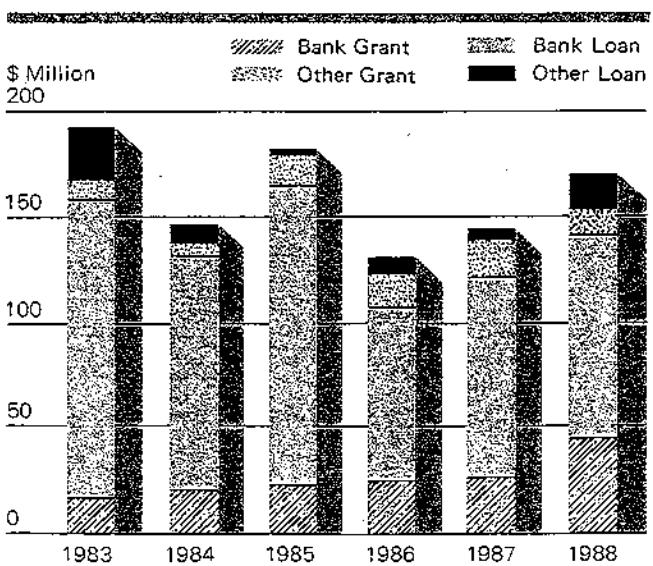
^a Includes regional activities.

from 14 per cent.

Lending for the *social infrastructure* sector — water supply and sanitation, urban development and housing, education, and health and population — rose to \$445.1 million from \$135.7 million in 1987. The sector's share of total lending rose to 14 per cent from six per cent in the same period. The rise was mainly attributable to a large increase in lending for education and urban development.

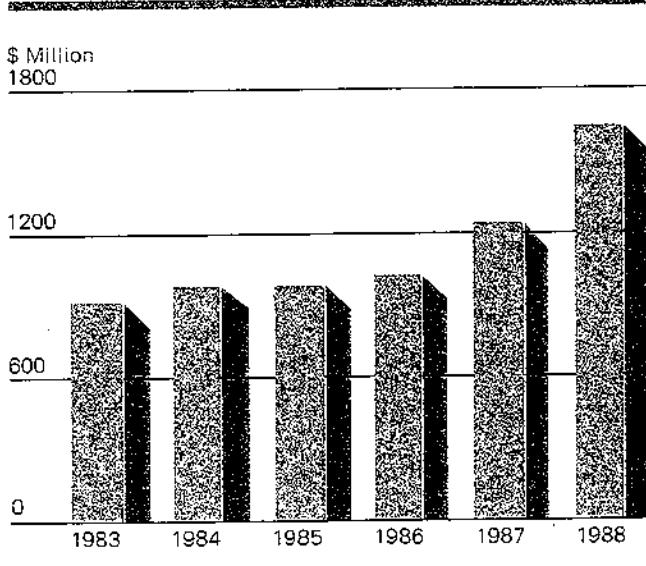
Technical assistance (grant and loan-financed) for the preparation of projects, for advisory and project implementation purposes and for regional activities rose sharply to

**Technical Assistance Approvals
(Grant and Loan Financed)^a**



^a Includes regional activities.

Loan Disbursements



\$169.5 million for 206 projects from \$143 million for 158 projects in 1987. The increase was partly due to the establishment of the Japan Special Fund which provided \$16.5 million in its first year of operation.

By the end of 1988, the Bank had provided project preparatory technical assistance amounting to \$260 million, resulting in 374 Bank loan projects totalling \$11 billion and involving an estimated total investment cost of about \$28 billion.

Also by the end of the year, the Bank had approved \$1.5 billion for advisory and project implementation technical assistance and \$54.5 million for regional activities in grants.

Loan disbursements rose by 34.1 per cent to a record \$1.65 billion from \$1.23 billion in 1987. The strong disbursement performance could be attributed to the expansion of quick-disbursing program loans, close monitoring of project administration, an improvement in loan disbursement procedures, effective operations of the Resident Offices, greater use of imprest accounts and the statement of expenditure mechanism and effective country projects review and disbursement missions, as well as measures taken by several borrowers to improve and streamline their own procedures.

Disbursements under ADF rose for the seventh year in a row to \$692 million from \$539 million in 1987. OCR disbursements rose 38 per cent to \$957 million from \$693 million in 1987.

During 1988, the net transfer of resources (gross loan disbursements minus repayments of principal, prepayments,

payments of interest and other charges plus equity investments)¹ rose to \$574.3 million from \$129.9 million the previous year. This was mainly due to the significant increase in disbursements.

The implementation of Bank-financed projects improved markedly in 1988. These improvements were due to intensified project administration efforts and to a number of innovative measures taken by the Bank during the year to streamline and simplify project administration procedures.

These measures included increased delegation of authority within the Bank and to executing agencies, more advance action for procurement and recruiting consultants and expanded use of sample bidding documents, imprest accounts and statement of expenditure procedures. Other steps were taken to improve project administration, including changes in the procedures for technical assistance consultant recruitment designed to increase the transparency of the process, measures to heighten the impact of project administration missions and the introduction of revised procedures for the procurement of internationally-traded commodities based on normal commercial practices. During the year, work began on developing a computerized project administration system that will build on the planning and monitoring capabilities of the Loan Financial Information System. Efforts continued to strengthen the project implementation capabilities of the

¹ The net transfer of resources is reported on a cash basis and differs from the figures presented in last year's Annual Report due to the inclusion of equity investments.



DRAINAGE pipes being laid in a flood-prone area as part of the Medan Urban Development Project in North Sumatra, Indonesia. Aimed at improving living conditions for over a million people, the project is being assisted by Bank loans totalling \$214.3 million.

Loan Approvals By Sector: Three-Year Moving Averages, 1968-1970 – 1986-1988

\$ Million
800

700

600

500

400

300

200

100

0

1969 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 1987
(1968-1970 average) (1986-1988 average)

Agriculture and Agro-Industry

Transport and Communications

Industry and Non-Fuel Minerals

Energy

Social Infrastructure

Multisector

executing agencies through country seminars on procurement in Bangladesh, People's Republic of China, India, Pakistan and Philippines, as well as two regional seminars on Project Implementation Management. Seminars to enhance executing agencies' ability to recruit and utilize consultants were conducted in People's Republic of China and Indonesia, and a seminar on the development of domestic consultants was held in the Philippines.

In 1988, seminars on business opportunities and business information were held in Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, India, Malaysia, New Zealand, Norway, Singapore and Sweden.

During 1988, 60 projects were completed, bringing the total number of projects completed to 449 out of 846 approved by the end of the year.

On 31 December 1988, the Bank's authorized capital stock amounted to \$22.6 billion (SDR16.8 billion). The subscribed capital stock stood at \$21.6 billion (SDR16.1 billion).

During 1988, the Bank made three borrowings equivalent in total to \$435 million. The borrowings, consisting of public offerings in Japan, Switzerland and United States, included

the Bank's first Daimyo public bond issue in Japan, amounting to ¥30 billion. Daimyo bonds combine the characteristics of Euroyen and Samurai bonds. The average original life of the year's borrowings, weighted by amount, was 9.65 years, and at the end of 1988 the remaining average life of the Bank's outstanding borrowings, weighted by the amount of each borrowing, was 7.74 years. The net effect of the Bank's borrowing and liability management programs in 1988 was to reduce liquidity by \$175 million.

During the year, six donor countries deposited Instruments of Contribution to the replenishment of the Asian Development Fund and the Technical Assistance Special Fund (ADF V), authorized by Governors' Resolution No. 182 in October 1986. With only one contribution outstanding, total contributions to the replenishment at the end of the year amounted to \$3,574 million (at the exchange rates specified in the Resolution). In depositing its ADF V Instrument of Contribution in December 1988, the United States made available for operational commitments 73.59 per cent of its first tranche. Pursuant to the provisions of the Resolution, this triggered the release of the second tranches of the other contributions to the same extent (73.59 per cent).



COMPUTER manufacturing with automated facilities in the Republic of Korea. The firm, Tri Gem Computer Inc., is financed by Korea Development Investment Corporation, a venture capital company in which the Bank has taken a 7.5 per cent equity investment.

ECONOMIC DEVELOPMENTS

IN 1988, the performance of the world economy was more buoyant than was expected in the wake of the sharp October 1987 stock market decline. Output in the industrialized countries registered a solid increase and world trade expanded rapidly. The economic performance of the developing world, however, improved only slightly and the average growth rate of the Latin American, African and the Middle Eastern countries was low. The Bank's developing member countries (DMCs), on the other hand, registered robust economic growth. The average growth of gross domestic product (GDP) of DMCs was close to nine per cent, almost double the growth rate of the 1970s and the highest so far in the 1980s. Further, the overall inflation rate of the DMCs — although rising — was under control, the combined current account registered a healthy surplus, and the aggregate external debt-service ratio was relatively low.

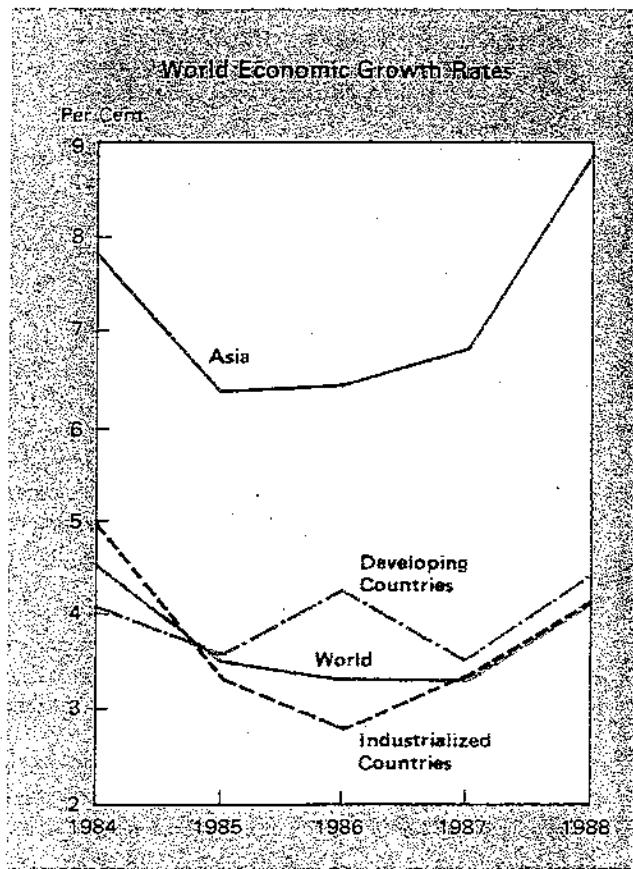
Much credit for this strong economic performance should go to the implementation of appropriate and effective policies in the DMCs. Most DMCs used monetary, fiscal and exchange rate policies for purposes of economic stabilization and attaining external and internal balance. In addition, adjustment measures, including financial and trade liberalization and industrial deregulation, continued to be implemented by most DMCs to enhance economic efficiency. Most DMCs welcomed foreign investors and expanded the role of private initiative.

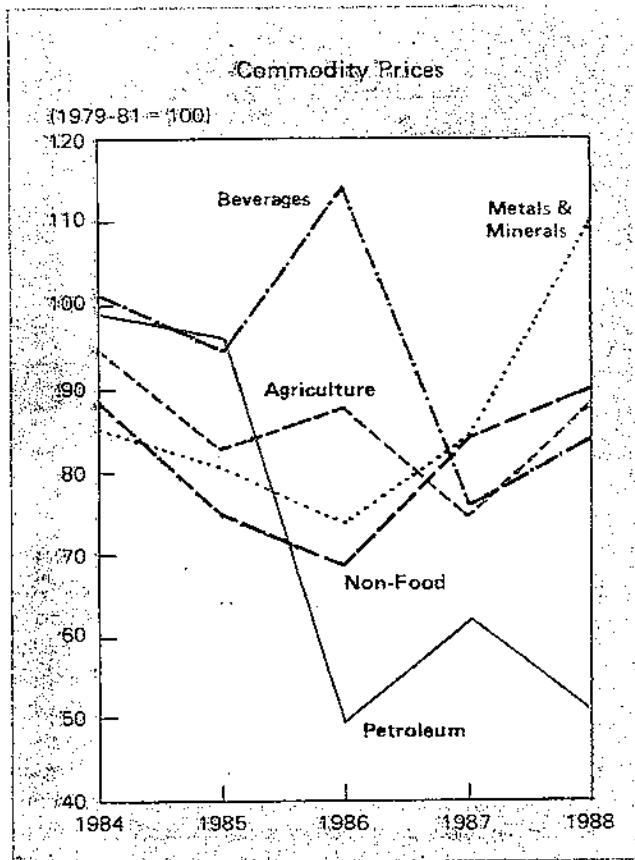
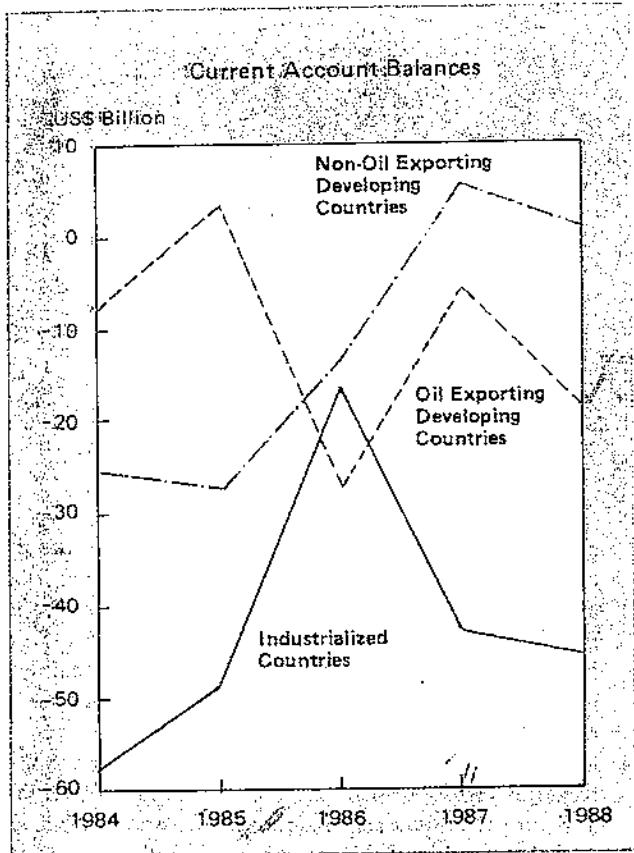
The International Setting

In 1988, world output rose 4.1 per cent from 3.2 per cent in 1987 and growth in the volume of world trade increased for the third year running, by 9.2 per cent compared to 6.1 per cent in the previous year. Import growth was particularly buoyant in Japan which experienced strong domestic demand-led expansion, while the United States and the newly industrialized economies (NIEs) of Asia led the expansion in exports.

The coordination of economic policy among industrialized countries, which began with the Plaza Accord of 1985, played a major role in improving the performance of the world economy. The spirit of the Plaza Accord continued in 1988, and the Group of Seven agreed to intensify economic policy

coordination and to reject protectionist measures as a means of dealing with external imbalances. This position was reaffirmed by the heads of State or Government of the seven major industrialized countries at the June Summit in Toronto. Despite significant progress in recent years, external debt remains a problem for many developing nations. The cooperative international approach to the external debt problem continued to evolve in 1988. The approach has been based on four principles: the importance of stronger growth in debtor nations; debtor economic reforms to achieve that growth; external financial support; and a case-by-case approach to individual problems. This approach has allowed





countries to choose from a number of options for financial support, including new financial flows and voluntary, market-based techniques for reducing debt or debt-service burdens. The Summit leaders agreed to a debt relief plan for the poorest debtor nations.

A number of additional proposals for addressing debt problems of middle-income countries were made during the year, including those proposed by Japan and France. However, the growth-oriented, market-based approach for addressing developing countries' debt problems was reaffirmed at the annual meetings of the World Bank and the International Monetary Fund. The international community also encouraged further development of market-based techniques that increase financing or reduce the stock of debt without transferring risk from private creditors to the public sector.

Policy coordination and large shifts in exchange rates had a lagged impact on trade performance among the three largest industrial countries and narrowed trade imbalances significantly in real terms. The current account deficit of the United States declined to 2.5 per cent of gross national product (GNP) in 1988, after reaching a high of 3.4 per cent in 1987, while Japan's current account surplus declined to 2.8 per cent of GNP from 3.6 per cent a year earlier. The Federal Republic of Germany's current account surplus, however, remained around four per cent of GNP.

Global trade imbalances, while improving, are still large, and there is a danger that this could generate pressures for increasing protectionism. Some signs of this tendency are already visible in the increasing number of export restraint

arrangements, including the Omnibus Trade and Competitiveness Act of 1988 in the United States and tighter anti-dumping laws in the European Community. Also, there is some apprehension among the developing countries that the Free Trade Agreement between Canada and the United States, and the move to full economic integration of the European Community by 1992 may reduce their access to these markets. In this context, the Uruguay Round of the multilateral trade negotiations under the General Agreement on Tariffs and Trade has assumed great importance and the success of the negotiations may depend upon progress made in reducing the trade imbalances among the three largest industrialized countries — United States, Japan and Federal Republic of Germany — and to a lesser extent the Asian NIEs. At the mid-term review, some progress was made in establishing the framework for liberalizing trade in services, tropical products and other items. These accords were, however, put on hold until April 1989 because of the disagreement on farm policies between the United States and the European Community.

Most developing countries significantly strengthened adjustment efforts, notably in fiscal policy, in 1988. Although the current account deficit of the oil-exporting countries as a group widened, many were able to reduce budget deficits through belt-tightening measures. The primary producing and exporting countries in sub-Saharan Africa adopted comprehensive structural adjustment programs which combined measures of fiscal restraint and firm monetary controls with reforms in the areas of price, interest and exchange rates. As a result they were able to reduce both the current account

and budgetary deficits. A number of countries with a history of high inflation were, however, unable to adjust satisfactorily and this brought increased pressure on their external and internal accounts.

In 1988, developing countries also succeeded in establishing the Global System of Trade Preferences (GSTP) which seeks to promote and expand trade among developing countries through the mutual exchange of trade concessions. The GSTP agreement came into force in April when 48 countries became original signatories and exchanged concessions. Although the beginning was modest, it is hoped that through successive stages of negotiations the GSTP will be strengthened to encompass a wider membership and larger range of goods and thus fulfill its aims of greater economic cooperation among developing countries.

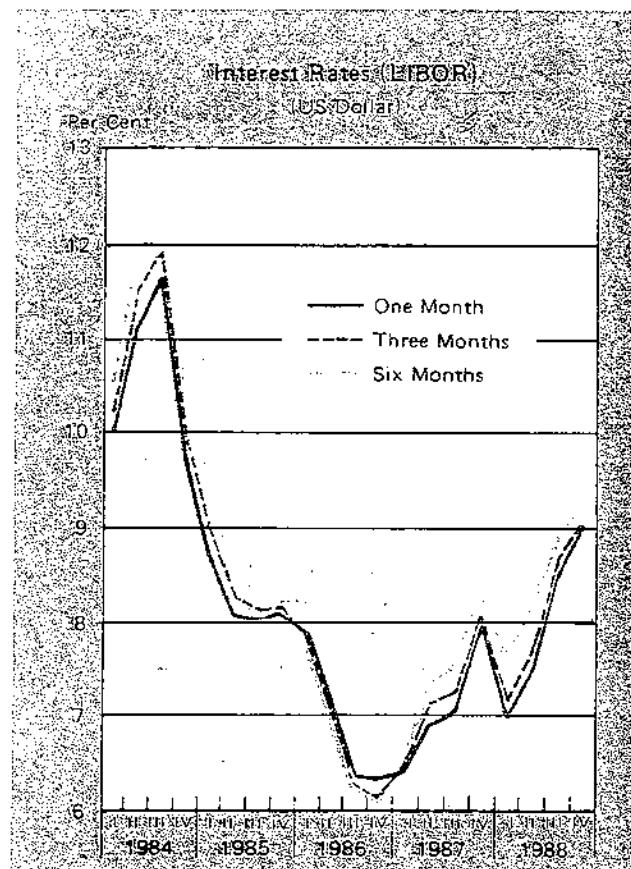
Economic Situation in Industrialized Countries

The current expansion in the industrialized countries is in its sixth year, making it the longest period of continuous growth this century. Their aggregate GNP growth rate rose to 4.1 per cent from 3.3 per cent in 1987. An important factor behind this was the strong growth of domestic demand in Japan and Federal Republic of Germany which resulted in higher GNP growth and imports. This, in turn, helped to stimulate growth in the United States where real net exports increased by as much as one per cent of GNP, and real GNP grew by four per cent, the strongest rate since 1984.

A central feature of the recent growth performance in most industrialized countries has been the strength of business investment, which in 1988 increased by 10.6 per cent in the seven major industrial countries. The unemployment rate also declined to 7.1 per cent from 7.6 per cent in 1987, with the rate in the United States falling to 5.4 per cent, the lowest since the oil crisis in 1973. However, in most of continental Europe there was no decline in the high rates of unemployment, which have averaged over 10 per cent for the last five years. The average inflation rate increased marginally to 3.2 per cent from three per cent in 1987, but still remains low by recent standards. International interest rates moved downwards until the end of March as the major industrialized countries strove to stave off a recession following the October 1987 stock market setback. With an increase in the US prime lending rate in May, international interest rates began to rise and the uptrend should continue as many industrialized countries are expected to maintain higher interest rates to stem inflation.

The combined current account deficit of the industrialized countries increased slightly to \$45.2 billion from \$42.9 billion in 1987. The favorable effect of lower oil prices was almost entirely offset by the effect of higher non-oil primary goods prices.

Most forecasters expect the current expansion to continue, although at a slower pace, for the next two years. Two problems, however, threaten the sustainability of this growth. First, external imbalances, despite some reduction in 1988, are still very large and there is some question whether financial markets can continue to finance these at prevailing interest and exchange rates. Second, because of the recent strength



of growth in the industrialized countries, capacity utilization rates in most countries have risen to their highest level since 1980. As output approaches capacity limits in some countries, the resurgence of inflationary pressure becomes a threat. This could create greater uncertainty in the financial markets in 1989, combined with tighter domestic monetary and fiscal policies, higher interest rates and falling commodity prices. To prevent a recession, greater coordination on exchange and interest rates among the major industrialized countries will be required and the countries with large internal and external imbalances must undertake domestic structural adjustment measures to reduce them.

Economic Situation in Developing Countries

In the developing countries, there was some improvement in economic performance in 1988, with the growth rate of output increasing to 4.4 per cent from 3.4 per cent in 1987. This was the result of a spillover effect on developing countries from the buoyant growth in the industrial countries, the strength of non-oil commodity prices and the rapid expansion in world trade, but these factors did not operate uniformly and different country groups experienced varying degrees of growth.

In oil-exporting countries,¹ real GDP increased by

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

Economic Indicators of Developing World and DMCs

Indicator	Developing World			DMCs		
	1986	1987	1988	1986	1987	1988
GDP Growth Rate (%)	4.2	3.4	4.4	6.9	8.0	8.8
Inflation Rate (%)	29.8	40.0	59.0	5.4	6.6	9.8
Current Account (\$ billion)	-40.7	0.3	-17.6	5.3	23.6	13.5
Exports (Growth Rate: %)	-6.8	21.0	11.9	9.5	30.2	21.7
Imports (Growth Rate: %)	0.2	12.8	14.9	4.1	22.7	27.4
External Debt Outstanding	169.0	158.5	145.7	100.8	90.6	78.2
Debt-Service Ratio (as percentage of exports of goods and services)	22.2	19.5	19.3	13.5	13.7	10.6

Sources: IMF, *World Economic Outlook*, October 1988 and ADB Staff estimates.

1.1 per cent from 0.6 per cent in 1987 due to adjustment measures undertaken in earlier years. The decline in oil prices resulted in an increase in their combined current account deficit to \$18.6 billion from \$5.4 billion in 1987.

For the non-oil developing countries, the average GDP growth rate of around five per cent was somewhat higher than in 1987, and their current account surplus declined to \$0.9 billion from \$5.7 billion in 1987. The growth experience of individual countries, however, depended to a large extent upon their export performance. For example, despite the general strength of commodity prices, the prices of a number of products, particularly tropical beverages, tended to remain weak so that some exporters of primary commodities experienced a deterioration in their terms of trade. The growth rate of primary product exporters as a group dropped to 2.8 per cent from 3.2 per cent in 1987, while the growth rate of countries dependent on services and remittances at 3.4 per cent was the same as in 1987. The growth rate of manufactured goods exporters, however, increased to six per cent from 5.6 per cent in 1987.

The total outstanding external debt of the developing world increased slightly to \$1,244 billion in 1988. To service this debt, developing countries had to make payments of \$165 billion, which were substantially larger than the gross disbursements of foreign capital, resulting in a net capital outflow from the developing countries of well over \$30 billion. However, because of strong growth in export earnings, developing countries' aggregate debt to export ratio fell for

the second year in a row to 146 per cent from 159 per cent in 1987. The debt-service ratio was also slightly lower at 19.3 per cent, compared to 19.5 per cent in 1987.

Overview of Developing Member Countries

Contrary to earlier expectations, 1988 turned out to be an extremely good year for DMCs and many registered higher rates of growth. The aggregate GDP increased by an impressive 8.8 per cent, much higher than the 6.7 per cent growth of the 1980s.

Several factors contributed to this performance. Exports continued to grow rapidly in most DMCs, in many for the third consecutive year, due primarily to the favorable effect of exchange rate realignments and external demand, including the import boom in Japan. Although the export performance of the NIEs slackened due to weakening competitiveness in labor-intensive goods, their export growth in dollars ranged from 37 per cent (in Singapore) to 13 per cent (in Taipei, China). Thailand registered an export growth of 38 per cent, while India registered 20 per cent. In many DMCs, growth was also supported by an increase in domestic demand due to increased export earnings and deregulatory policies of the governments.

Another factor behind the strong growth performance has been the sharp rise in private foreign investment activities in the Asia-Pacific region. Although a rise in investment flows

has been observed since 1987, the most rapid increase occurred in 1988 when Japan and the NIEs expanded their investment outflows enormously. While Southeast Asian countries benefited the most from this, foreign investment flows to the People's Republic of China and South Asian countries also increased.

At the sectoral level, the recovery in agriculture in several countries strongly boosted the growth performance of DMCs. In India, agricultural output increased by about 18 per cent from a decline of around two per cent in 1987. In Indonesia, Philippines, Thailand and many South Pacific countries, the agriculture sector performed better than in 1987. The recovery in agriculture in most DMCs also helped to complement sustained growth performance in the industrial sector.

In contrast to 1987, a strong convergence of growth rates occurred among the various country groups. While the NIEs experienced a slight slowdown, Southeast Asian countries consolidated their recovery further due to the continuing strength of manufactured exports and non-oil commodity prices along with increasing domestic demand. Many South Asian countries and South Pacific countries recovered from the natural disasters and poor weather conditions of 1987 and registered higher growth rates in 1988. The growth rate of the People's Republic of China increased primarily due to the rapid growth of the industrial sector and exports.

In 1988, inflation increased in most DMCs due to currency realignments, strong domestic demand, and the failure of agriculture in several DMCs in 1987. Inflationary pressures, however, remained under control and did not pose a major threat to growth prospects, except in the People's Republic of China. Among the various country groups, the NIEs registered the lowest inflation rate (five per cent) and the People's Republic of China the highest (19 per cent).

The aggregate GDP growth of DMCs was double the rate for the entire developing world and reflected their continued pragmatic policy-making and resilience. In 1988, DMCs continued to deregulate their economies and thereby achieved higher rates of resource mobilization, capital accumulation, and productivity increases through successful technology transfer in both the agricultural and industrial sectors. Although the overall inflation rate in DMCs increased to 9.8 per cent in 1988, it continues to be much lower than the average for the developing world.

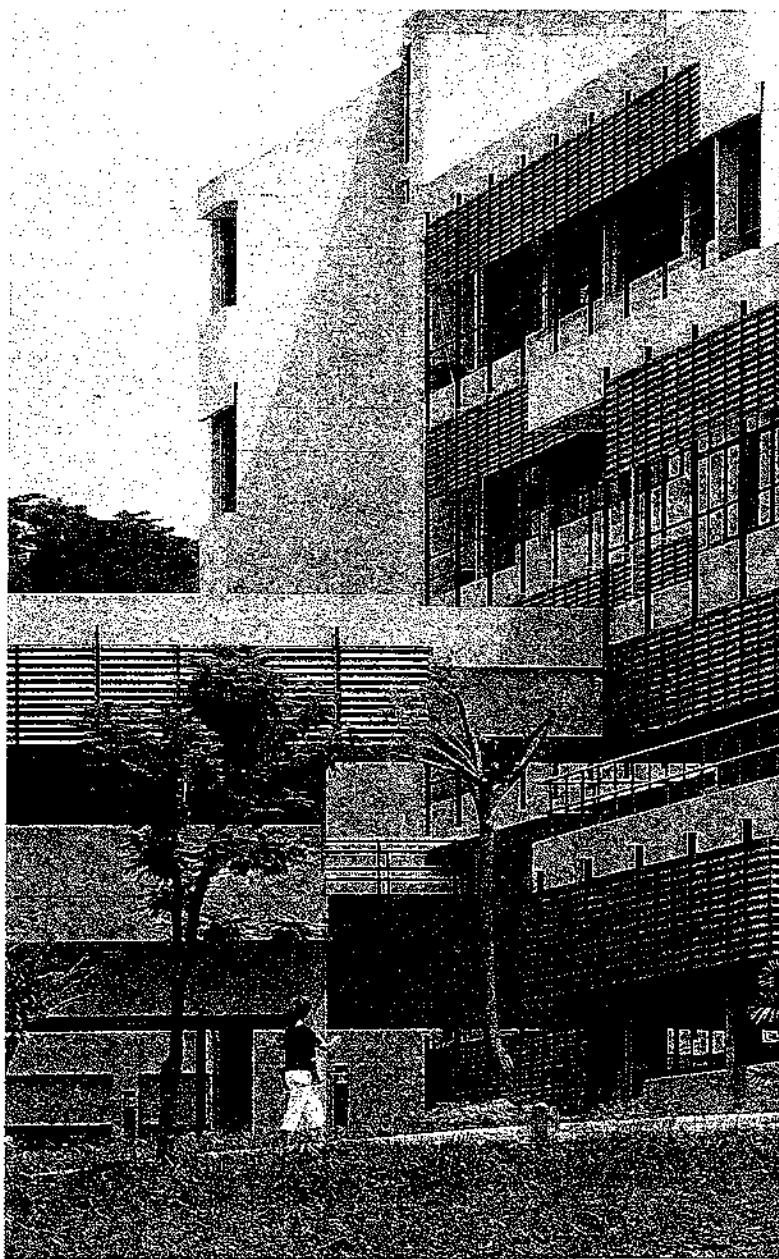
While the current account deficit of the developing world deteriorated significantly to a huge deficit from a near balance in 1987, DMCs registered a sizeable, although a declining, current account surplus. The declining surplus of DMCs is attributable to a slowdown in exports as well as a rapid increase in imports. The external debt situation in DMCs continued to remain relatively comfortable compared with the situation of other developing regions. The ratio of external debt outstanding to exports of goods and services of DMCs was about 78 per cent in 1988, considerably lower than 146 per cent for the entire developing world. Similarly, the debt-service ratio of DMCs was 11 per cent, compared with 19 per cent for the developing world.

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

Newly Industrialized Economies

Continuation of Rapid Growth

In 1988, the newly industrialized economies (NIEs) registered, on average, a slightly slower economic growth than in 1987 but continued to perform better than other country groups in the world. Hong Kong and Taipei, China registered slower growth at 7.4 per cent and 6.8 per cent, respectively. With emerging signs of overheating, including resurgence of inflation and tight labor markets, the slowdown relative to performance in 1987 was a welcome adjustment and brought growth to a more sustainable level. The Republic of Korea,



HEALTH care and medical teaching facilities are combined under the Kent Ridge Hospital-Polyclinic Project in Singapore. The project was assisted by a Bank loan of \$19 million.

with growth of 11 per cent, became the only NIE to maintain a double-digit growth rate for three consecutive years, based on favorable external and increasing domestic demand. Singapore's GDP growth increased to 11 per cent based on the strength of its high-technology exports, including electronic goods, and booming foreign investment and an efficient service sector. During the year, economic growth in all the NIEs tended to be more broad-based with the export-led growth of past years being supplemented by domestic demand, including investment and consumption spending spurred by increased export earnings. Such broad-based growth reduced the vulnerability of the NIEs to external economic developments.

The per capita income of the NIEs increased sharply. The most rapid increases were registered by the Republic of Korea, where it rose to about \$3,700 from \$2,690 in 1987, and Taipei, China, where it increased to \$6,000 from \$5,080, due primarily to rapid GDP growth and the appreciation of their currencies. Per capita income in both Hong Kong and Singapore increased to more than \$9,000 in 1988.

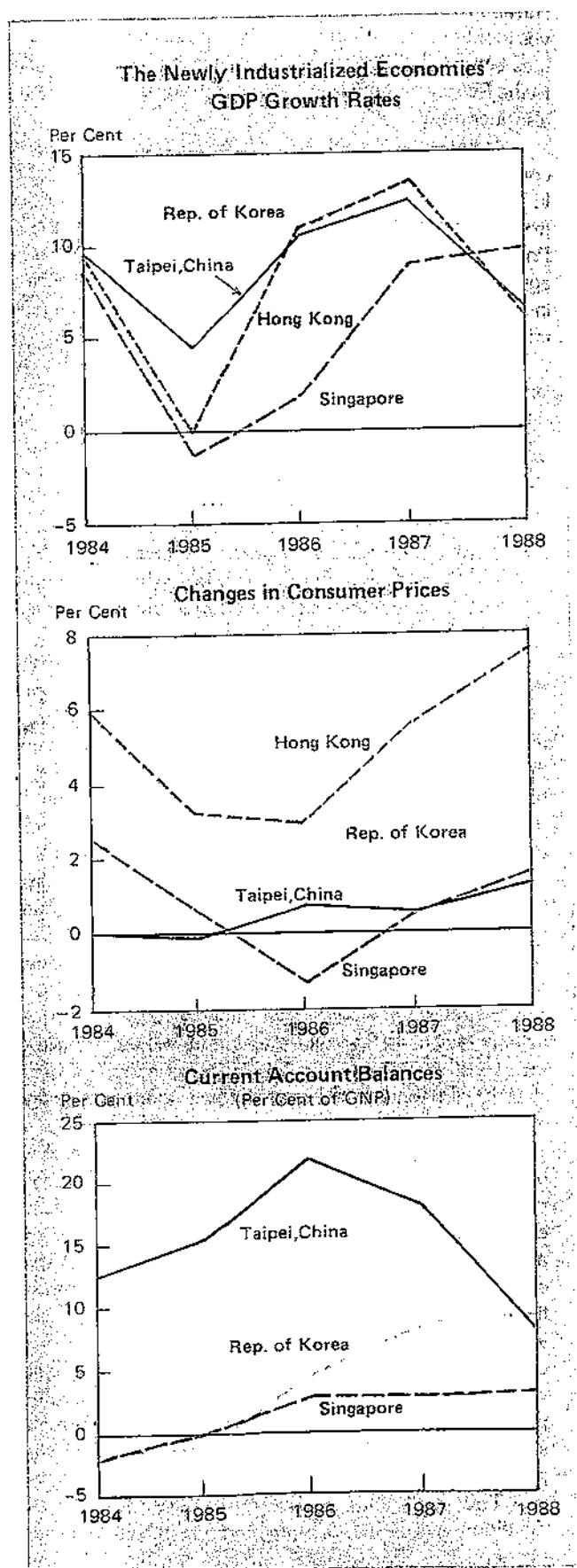
The average inflation rate of the NIEs rose to 4.7 per cent from 2.5 per cent in 1987 due to strong growth in domestic demand and rising wages. It was, however, relatively low compared with that of other country groups. Among the NIEs, Hong Kong had the highest inflation rate (7.5 per cent), followed by the Republic of Korea (6.9 per cent). Singapore and Taipei, China registered inflation rates of less than two per cent.

Double-Digit Export Growth

Merchandise exports in dollar terms of the NIEs continued to register double-digit growth in 1988 for the third year in a row, due primarily to favorable external demand. Singapore registered the highest export growth (37 per cent), followed by Hong Kong (30 per cent), Republic of Korea (28 per cent), and Taipei, China (13 per cent). Also reflecting the rapid growth of domestic demand in Japan which has generated an import boom in the region, the NIEs' exports to Japan increased by 51 per cent in 1987. As a result, Japan's share of the NIEs' exports increased to 12 per cent in 1987 from 10 per cent in 1986.

The growth of exports in dollar terms from Hong Kong, Republic of Korea and Taipei, China, however, slowed from 1987 as the competitive edge of these countries weakened due to the appreciation of their currencies combined with rising wages and inflation. Loss of competitiveness provided an impetus for labor-intensive industries to relocate abroad, but high-technology exports such as computers and electronic goods continued to register rapid growth. Exports from Singapore increased more rapidly than in 1987 on the strength of machinery and telecommunication equipment, which comprised nearly one-half of its merchandise exports, and re-exports from neighboring countries.

Aggregate merchandise imports of the NIEs increased by 31 per cent in 1988, as compared to 35 per cent in 1987, because of strong domestic demand, tariff cuts and currency appreciation. With continued surpluses in the current account,



net foreign capital inflows into the NIEs were negative, partly due to increased outflow of foreign investment and the early repayment of debts in the Republic of Korea. Increases in current account surpluses of Hong Kong, Republic of Korea and Singapore contributed to an improvement in their international reserves. There was a substantial decline in the current account surplus of Taipei, China and its international reserves also declined somewhat. However, the position of Taipei, China improved from the third to the second largest holder of international reserves in the world. In 1988, Taipei, China also overtook Japan as the world's largest importer of gold.

Domestic Policies

The major objective of monetary and fiscal management in Republic of Korea and Taipei, China was to reduce the impact of the huge current account surplus and to minimize its disruptive effect on the domestic economy. The focus of policy was, therefore, on incurring budgetary surpluses, tightening domestic credit and encouraging an outflow of foreign investment. In addition, the Republic of Korea prepaid external debt. Despite these measures, liquidity in the financial sector tended to be excessive and Taipei, China attempted to mop this up by open market sale of securities. The Republic of Korea relied instead on selling monetary stabilization and foreign exchange equalization bonds to financial institutions. During the year, however, the Korean Government announced that it would increasingly use the traditional indirect tools of monetary control such as open market operation and manipulation of reserves and discount rates. The Hong Kong Government, in a slight reversal of its free market policy, moved a step closer towards controlling interest rates by requiring the note-issuing bank to pay interest on its balance with the Exchange Fund. In 1988, the budgetary surplus in Hong Kong was larger than expected because of the economic boom and the Government reduced personal and corporate income taxes slightly to benefit primarily the middle-income group.

New governments came to power in Republic of Korea and Taipei, China in 1988. Both governments attached high priorities to economic restructuring and deregulation through liberalization of the financial sector, the industrial sector and international trade. For this purpose, the Republic of Korea appointed a Presidential Commission on Economic Structuring. In addition to deregulatory issues, spending on social welfare to improve equity and distribution is also expected to figure prominently in the recommendations of the Commission.

In an effort to develop products with higher value-added, Singapore announced a new tax scheme in which investment allowances are to be given to firms that upgrade, automate and modernize. Such allowances are to be higher for firms which adopt new technology and minimize the use of labor. In 1988, rising wages and currency appreciation continued to drive many of the NIEs' low-technology industries to the People's Republic of China, Southeast Asian and, to some extent, South Asian countries. To help firms benefit from this ongoing process of shifting comparative advantages, Singapore and Republic of Korea introduced tax initiatives to

encourage the outward flow of direct investment.

Reform of the financial sector continued to dominate economic policy-making in the NIEs as governments set out to tackle the central problem of how to funnel massive export earnings to productive investment. The Republic of Korea partially deregulated interest rates on bank loans and certificates of deposit, and abolished credit and loan ceilings on banks. Taipei, China issued licenses to new security firms, reiterated plans to privatize three government-owned commercial banks, and to permit private banks. The Government also announced a capital gains tax on stock market earnings in order to stem financial disintermediation. The proposal was subsequently modified to avert a major stock market crash. Hong Kong revamped the management committee of its stock exchange and gave international and institutional investors a greater say in running the exchange.

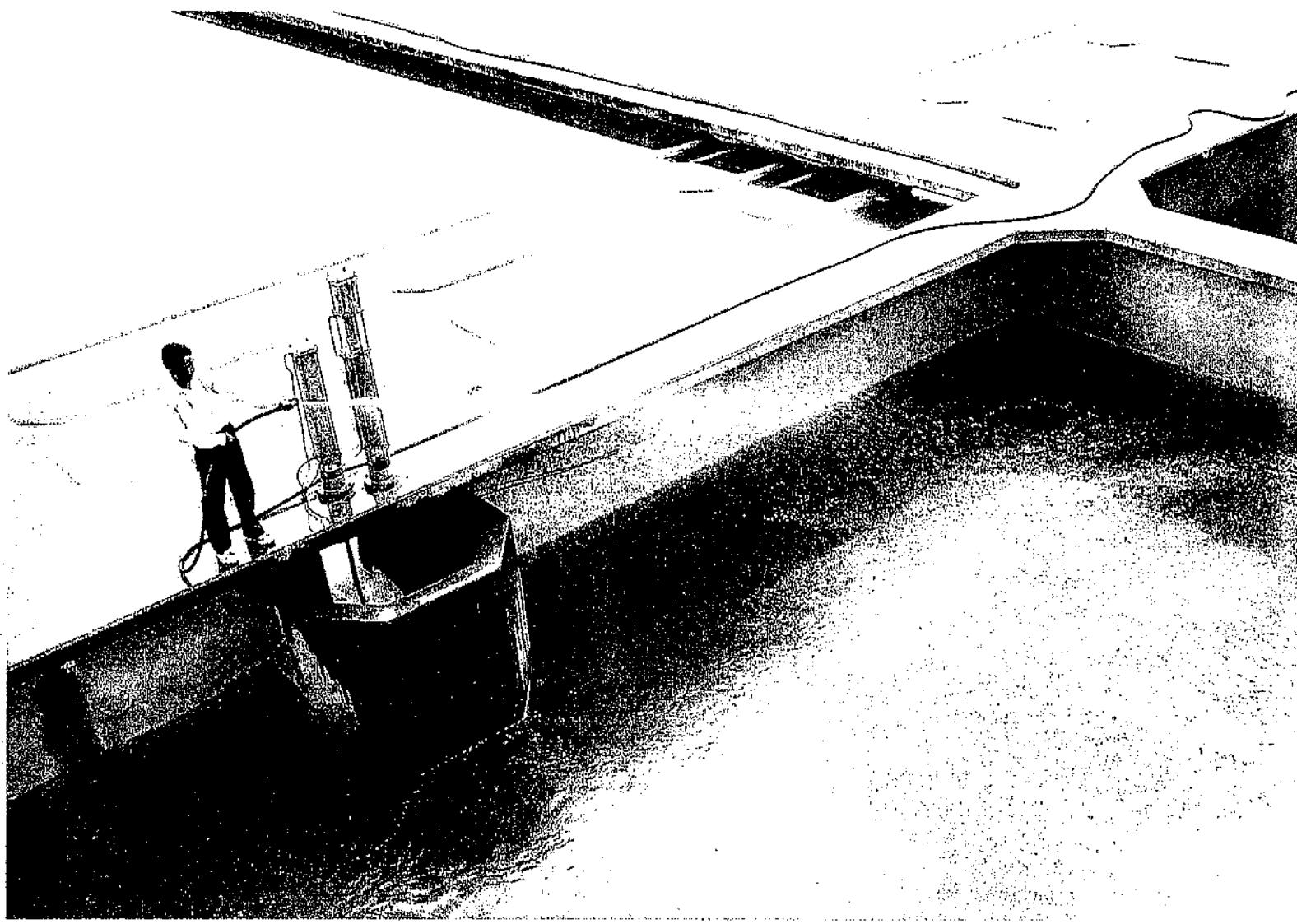
In an effort to better manage bilateral trade relationships with the Organization of Economic Cooperation and Development (OECD) trading partners, the NIEs adopted several policy measures including exchange rate adjustments and import liberalization. Also, an informal seminar attended by OECD countries and the NIEs on "Sustaining the Development of the Global Economy" was planned for January 1989.¹ This was expected to be the first step towards greater economic coordination between the two which could ultimately lead to some form of membership for the NIEs in OECD.

In 1988, Republic of Korea, Singapore and Taipei, China allowed their currencies to appreciate with respect to the US dollar; the Korean won by about 10 per cent, the new Taiwan dollar by about 11 per cent and the Singapore dollar by four per cent. The Hong Kong dollar remained pegged to the US currency.

In its trade liberalization efforts, the Republic of Korea reduced tariffs on over 100 items, thereby decreasing the average tariff rate to approximately 18 per cent. This process is to continue and by 1993 the average tariff rate is projected to decline to about eight per cent which is similar to the levels in the OECD countries. The Republic of Korea also lifted its ban on direct trade with North Korea and is seeking to diversify and establish trade with the People's Republic of China and Eastern Bloc countries. Taipei, China cut tariffs on a large number of products and reduced the average tariff rate to 5.3 per cent from 7.5 per cent in order to decrease its current account surplus.

Restrictions on capital outflows were partially reduced in Republic of Korea and Taipei, China. In 1988, the Republic of Korea graduated from borrowing country status and obtained Article 8 status at the IMF. The latter will eventually require the country to liberalize totally capital flows and permit full convertibility of the won. The Republic of Korea also announced that its stock market will be opened to foreigners by 1992 and allowed local securities firms and insurance companies to invest limited amounts abroad. Taipei, China allowed local investors to invest in foreign stocks and foreigners to invest limited amounts in local security firms. The stock exchanges in Republic of Korea and Taipei, China, where the increase in stock prices in 1988 was greater than in any other major market, remained highly attractive to foreign investors.

¹ The seminar was held in Paris on 24 and 25 January 1989.



TANK cleaning at the Greater Ipoh Water Supply Project in Perak State, Malaysia. The project, under which 20 million gallons of water are extracted daily from the Perak river and distributed in the Greater Ipoh area, was assisted by a Bank loan of \$6.1 million.

Southeast Asian Countries

Strengthening of Economic Recovery

The recovery which Southeast Asia experienced in 1987 strengthened further in 1988. Thailand exhibited the best performance with an 11 per cent GDP growth, due to surging foreign direct, and, more recently, portfolio investment which has fuelled strong growth of manufactured exports, booming tourism and strong agricultural performance. But the rapid recovery has put extensive pressure on several components of the physical infrastructure, particularly around Bangkok, including transportation, power and communications. The Philippines' growth rate rose to 6.6 per cent from 4.7 per cent in 1987 due primarily to consumption spending and, to a lesser extent, to investment and export growth.

Oil-exporting countries, Indonesia and Malaysia, also

consolidated their recovery. GDP growth in Indonesia increased to 4.1 per cent from 3.6 per cent in 1987, while that in Malaysia increased to 7.8 per cent from 5.2 per cent. Economic recovery in these two countries was due to increased demand for manufactured exports, rising non-oil commodity prices, and strong domestic consumption and investment spending. Prices of oil fell slightly in 1988.

Agricultural production recovered strongly in three Southeast Asian countries, mainly due to increased foodgrain production. This performance contributed to the sustained growth of the manufacturing sector which has been responding both to export and domestic demand. In Malaysia, agricultural production declined, despite strong demand, primarily due to lower production of sawlogs and rubber.

The inflation rate increased in all Southeast Asian countries due to increased demand caused by the ongoing recovery, depreciation of currencies and wage increases. In Thailand, inflation increased to 3.7 per cent from 2.6 per cent in 1987. Malaysia, which traditionally experienced an inflation rate of less than one per cent, registered a 2.7 per cent

inflation rate in 1988, while the rates for Philippines and Indonesia were 9.4 per cent and 7.4 per cent, respectively.

Continuation of Export Diversification

Combined exports of Southeast Asian countries increased by 11 per cent. The most rapid increase was registered by Thailand with a growth of 38 per cent. This growth rate compared favorably with the export growth registered by the NIEs and was largely due to the upswing in commodity prices, increased demand and competitiveness of manufactured exports, and the export-oriented nature of foreign direct investment inflows. Exports from the Philippines increased by 13 per cent, while Malaysia's exports registered a much slower seven per cent growth. Because of a fall in oil prices, Indonesia's exports in 1988 declined by three per cent compared to a 20 per cent increase in 1987. Indonesia has, however, achieved considerable success in promoting non-oil exports, and in June the total value of such exports exceeded \$1 billion for the first time.

Imports into Southeast Asian countries increased by 23 per cent in 1988. Thailand registered the most rapid increase at 49 per cent, followed by Malaysia and Philippines at 19 and 10 per cent, respectively. However, imports rose by only six per cent in Indonesia. Rapid import growth in Southeast Asian countries was due to an increase in imports of raw materials and intermediate products in the manufacturing sector and increased demand for consumer goods generated by the ongoing recovery. In addition, increased imports of capital goods by foreign investors to expand export capacity was an important factor in Malaysia and Thailand.

In almost all Southeast Asian countries, import growth exceeded growth of exports and this contributed to an increase in the current account deficit of Indonesia and Thailand and to a reduction in the current account surplus of Malaysia. The current account deficit in the Philippines was practically unchanged from the previous year. Foreign capital inflows were not sufficient to offset the current account deficit and international reserves held by Indonesia decreased. International reserves of Thailand, however, increased because of the increasing capital inflows including foreign investment. Philippines' international reserves also increased slightly.

The aggregate external debt of Southeast Asian countries at the end of 1987 was \$125 billion, compared to \$110 billion in 1986.¹ A large measure of this increase was due to currency realignments, especially with regard to yen-denominated loans. Indonesia was particularly affected by these changes as its external debt outstanding reached \$52.6 billion by the end of 1987 compared with \$43 billion at the end of 1986. In the Philippines, which ranked second in terms of debt size, external debt outstanding increased to \$30 billion in 1987 from \$28.9 billion in 1986. In both countries, debt-servicing costs increased faster than exports of goods and services, and debt-service ratios stood at 33.3 per cent and 25.2

per cent, respectively, at the end of 1987.

In 1988, external debt outstanding in Indonesia increased at a much slower rate and that in the Philippines probably declined partly due to the limited new borrowings undertaken by these countries and the slight appreciation of the yen. The debt-service ratio remained more or less unchanged in the Philippines while, in Indonesia, it increased significantly because of a decline in exports. In 1988, the Philippines initiated discussions for restructuring its external debt for the third time in as many years. The Philippines also continued to resort to debt-equity swaps in an attempt to reduce further drawings on its reserves to meet debt-servicing costs. However, during the year, partly because of the concern that debt-equity swaps may add to inflationary pressures, some modifications were made in the program. Still, by the end of 1988, the Central Bank of the Philippines had agreed to \$1.3 billion in debt-equity swaps from a total application of \$1.8 billion.

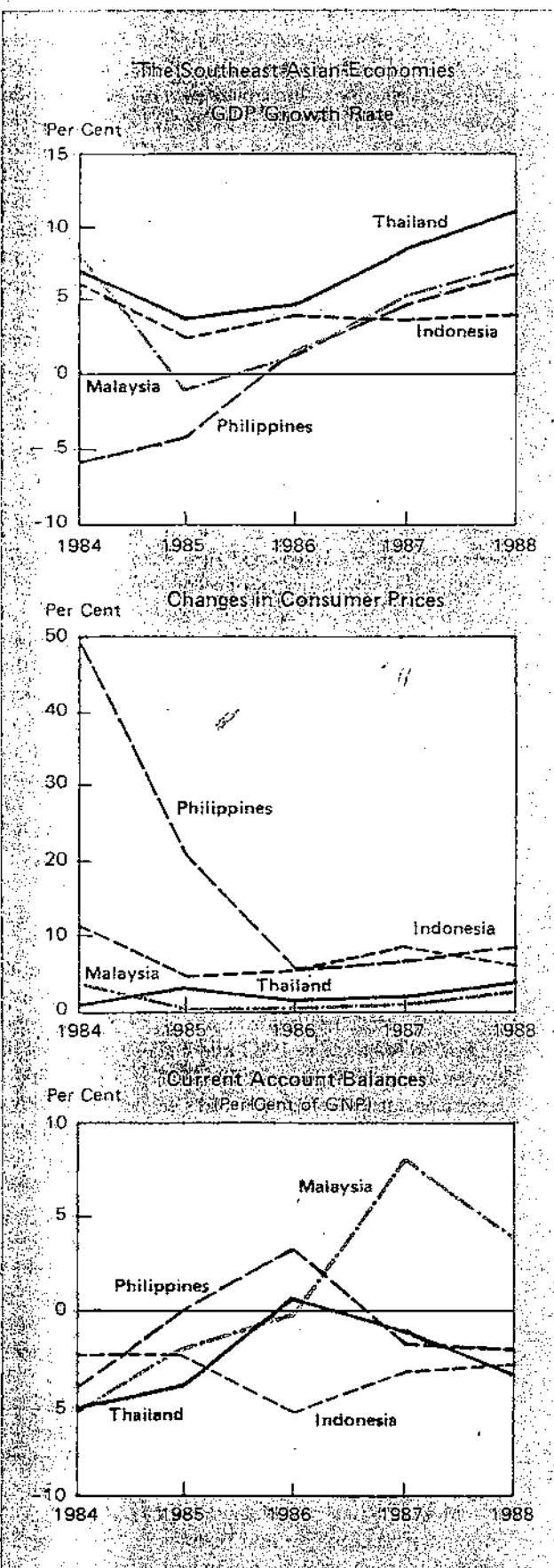
The external debt position of Malaysia and Thailand was quite comfortable. In 1987, the amount of external debt outstanding in Malaysia was \$21.7 billion, and \$20.7 billion in Thailand, with the corresponding debt-service ratios at 20 per cent and 20.6 per cent, respectively. Thailand continued to maintain an annual ceiling of \$1 billion for external borrowing by the public sector and prepaid some of the more expensive loans as a means of managing the external debt position, while Malaysia continued its policy of reduced reliance on foreign borrowing and of prepaying and refinancing external debt. In 1988, the Malaysian Government and public enterprises prepaid \$4.9 billion of external debt and the amount of debt outstanding declined significantly.

Domestic Policies

Southeast Asian countries adopted tight to moderately expansionary fiscal policies in 1988. This reflected a continuation of the structural reforms and belt-tightening measures initiated in Malaysia in 1983 and in Thailand a year later. In Indonesia and Philippines, fiscal policy was slightly expansionary as output and expenditures increased in 1988. During the year, Malaysia and Thailand, marking a radical departure from the austerity drive of the past few years, adopted expansionary budgets and fiscal policies for 1989 with a view to stimulating private investment and sustaining growth. Thailand announced a hefty increase in infrastructural investment to reduce pressure on economic and social services. Malaysia increased public expenditure on economic services and reduced corporate income taxes to benefit private investors. In both countries, increases in public expenditure were facilitated by the improved performance of public revenue due to the ongoing economic recovery. The Philippines introduced value-added taxes with the objective of improving tax elasticity, rationalizing the tax structure and making it more broad-based.

Monetary policy in Malaysia and Thailand was aimed at strengthening recovery and maintaining price stability. The strong performance of the external sector resulted in generally easy liquidity conditions in the financial sector. Malaysia

¹ Total external debt includes public and publicly guaranteed long-term debt, private non-guaranteed long-term debt, short-term debt and use of IMF credit. Table 10 in the Statistical Annex shows public and publicly guaranteed long-term debt only.



reduced the lending rates of commercial banks to reduce bank margins. In Indonesia, monetary policy was generally tight and the expansion of domestic credit was contained, while in the Philippines it was more accommodating.

Southeast Asian countries undertook policy reforms which were aimed at transforming their primary and oil-based economies into more diversified and efficient industrial structures. Policy reforms were implemented in agriculture, industry, finance and trade. The major focus of agriculture policy in the Philippines was the enactment of the Comprehensive Agrarian Reform Program. The land reform program is designed to change the pattern of land ownership in rural areas and enhance agricultural productivity. Indonesia reduced subsidies on fertilizers and pesticides and announced that small rural banks would be allowed to establish branches in sub-districts to mobilize rural savings and loans. To encourage research and development and thereby enhance agricultural productivity, Malaysia announced that capital expenditure on agricultural ventures would be tax-deductible.

On the industrial front, Indonesia removed the monopoly on plastic imports and the licensing requirements on more than 300 products including many types of steel. The Government also deregulated the shipping industry and announced that new shipping companies including foreign joint ventures would be permitted and that such companies would be allowed to lease foreign ships.

Southeast Asian countries continued policies to promote the private sector. Malaysia reduced the corporate income tax rate by five percentage points, and announced that 19 airports, including the international airport in Kuala Lumpur, would be privatized and that nine projects, including the metrolink light rail transit project, would also be privatized. Thailand's state railway sought to privatize several sectors of its network and some of its express passenger services. Concessions have also been given to the private sector to operate two newly-built government-owned ports and to construct and operate an expressway and mass transit system in Bangkok. Recently, the Government awarded a contract for water supply to the private sector.

Foreign direct investment has become an important source of technology and accounted for increasing shares of private investment finance in Southeast Asian countries in recent years. In 1988, Indonesia and Malaysia provided additional incentives to foreign investors, while Thailand restructured incentives to promote a more balanced distribution of investment projects and to encourage projects to locate away from Bangkok. Malaysia announced that, subject to certain conditions, foreign investors would be permitted to wholly own manufacturing, integrated agricultural, and tourist development enterprises and projects. Tax incentives were also to be awarded to encourage multinational companies to establish operational headquarters in Malaysia. Indonesia introduced a scheme which would give foreign investors a role in the distribution of products and revised the production-sharing arrangement so as to provide additional incentives to foreign oil exploration companies.

Promotion of small and medium-scale industries (SMIs) continued in Southeast Asian countries. Malaysia offered pioneer status to SMIs and provided tax and import duty

exemptions. Malaysia also revamped the existing export financing schemes to improve access by small and medium-scale exporters, and announced that concessional funding from the ASEAN-Japan Fund would be provided to SMEs.

The financial sector figured prominently in the policy reforms undertaken by Indonesia and Malaysia. With the objective of promoting a more competitive financial environment and thereby assisting in promoting non-oil exports, Indonesia reduced the dominant position of state banks in its financial system. It permitted the establishment of new private banks including foreign banks under a joint-venture arrangement with local partners, relaxed the restrictions on new branches, relaxed the requirement that funds of state-owned enterprises be deposited in state banks and permitted all banks to offer savings accounts in addition to time deposit instruments. New stock markets in the private sector, leasing companies and insurance companies will also be permitted. Further, to promote the development of capital markets, Indonesia and Malaysia, by imposing withholding taxes on deposits, corrected the unequal tax treatment between shares and bank deposits. Malaysia also announced additional measures to encourage unit trusts, venture capital firms and secondary markets for government securities.

The process of trade liberalization continued in Southeast Asian countries. Indonesia and Malaysia reduced tariff barriers on a number of items and Indonesia also replaced non-tariff barriers on many items by tariffs. The Philippines continued its import liberalization program and reduced tariffs on a number of items. Malaysia increased expenditure on research and development to upgrade the quality of export products and followed a more aggressive export marketing and promotion strategy.

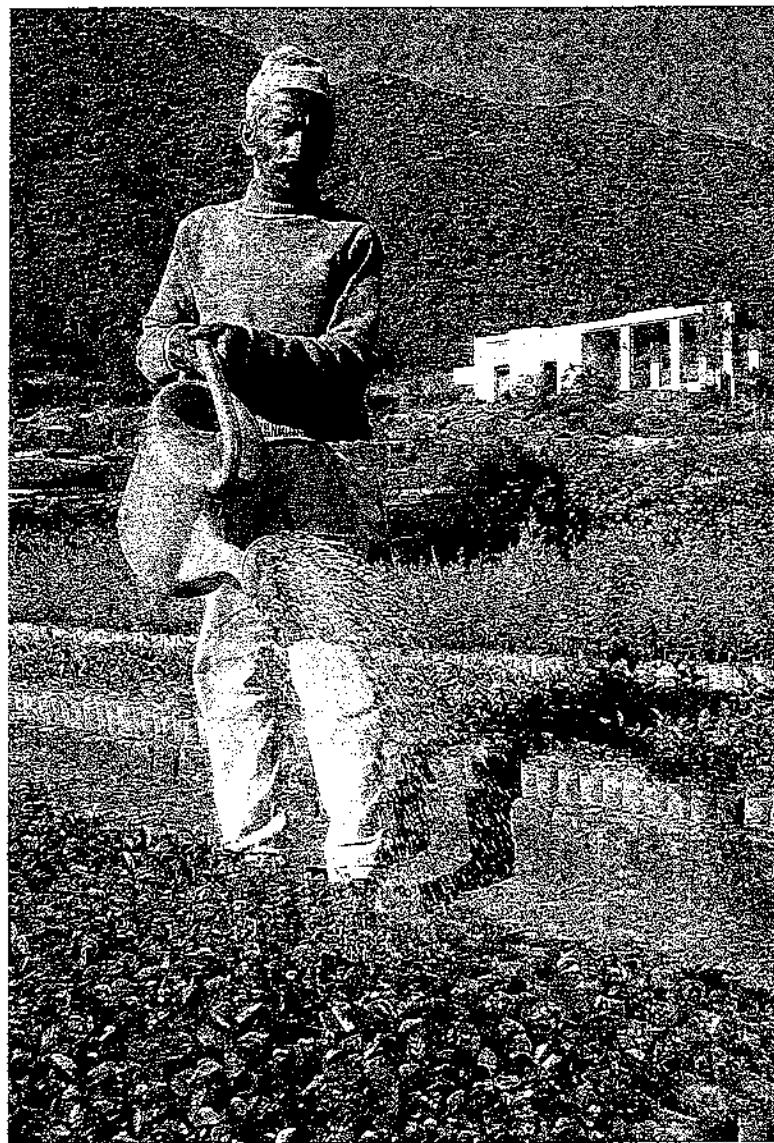
In 1988, a breakthrough in the protection of intellectual property rights was achieved with the signing of an agreement between Indonesia and European Community (EC) countries providing copyright protection to EC owners of music rights. A similar agreement was subsequently signed with the United States. It is expected that agreements in other areas, such as protection of trademarks, will follow.

The focus of efforts to strengthen cooperation among Southeast Asian countries centered on implementing the four agreements endorsed by the heads of Governments of the Association of Southeast Asian Nations (ASEAN) at their 1987 Manila summit. The first annual review was held in 1988 by the ASEAN economic ministers at their Pattaya, Thailand meeting. At the meeting, the economic ministers signed a memorandum of understanding on the complementary auto-components manufacturing scheme which seeks to increase intra-ASEAN trade and industrialization through tariff cuts on imports of automotive parts and components of specific vehicle models manufactured in ASEAN countries. The ministers extended the margin of preference applied to ASEAN industrial joint ventures to 90 per cent from 75 per cent, and endorsed an increase in the initial authorized capital of the ASEAN Reinsurance Corporation. The ministers also agreed to coordinate ASEAN's stand on the issues in the Uruguay Round of multilateral trade negotiations, especially those related to agricultural products, and to continue working actively with the Cairns Group.

South Asian Countries

Monsoon-Aided Recovery

In 1988, growth of GDP in most South Asian countries improved substantially, primarily due to the recovery of agricultural production from the drought of 1987. Because of a favorable summer monsoon, agricultural production in India increased by 18 per cent, which boosted India's GDP growth rate to nine per cent from 4.4 per cent in 1987. The GDP growth rates in Nepal at 7.1 per cent and Sri Lanka at three per cent were also higher than in 1987, mainly due to better agricultural performance. Despite an increase in the growth rate of the agriculture sector to 4.4 per cent from 2.2 per cent in 1987, Pakistan's GDP growth rate remained almost



SEEDLINGS being nurtured at the Sagarmatha Forestry Development Project in Nepal. Designed to cultivate fast-growing trees for fuelwood, the project was supported by a concessional Bank loan of \$4.9 million.

unchanged from the 1987 level of 5.4 per cent because of a slowdown in sectors other than manufacturing. In Bangladesh, devastating floods resulted in a decline in the GDP growth rate to 2.6 per cent from four per cent in 1987.

The inflation rate increased in most South Asian countries. Although most South Asian countries had experienced large budget deficits in the recent past, the immediate cause of higher inflation in 1988 differed from country to country. In Bangladesh, the primary factor was the devastation caused by the floods, in Sri Lanka it was the political situation and in Pakistan it was largely the lagged effect of the drought. Sri Lanka's inflation rate, which increased to 13.7 per cent in 1988 from 7.7 per cent in 1987, was, after Burma, the highest in South Asia.

External Balance Unchanged

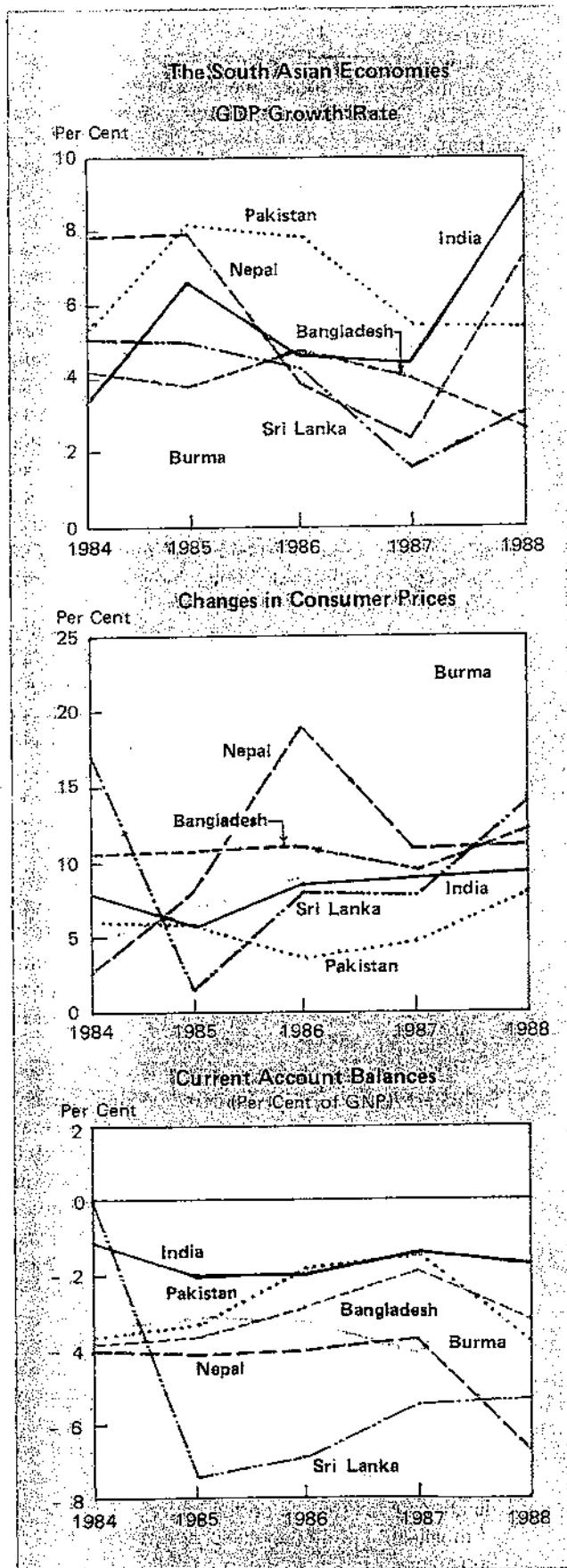
The growth in exports of South Asian countries remained unchanged in 1988 at 18 per cent which is substantially higher than recent historical trends. Among South Asian countries the most rapid increase in exports was registered by Nepal (39 per cent), followed by Bangladesh (24 per cent) and India (20 per cent). Pakistan registered an export growth rate of 17 per cent. The improved export performance of most South Asian countries was primarily due to the recovery in commodity prices and their realistic exchange rate policies of recent years. All South Asian countries, except Burma and Nepal, have depreciated their currencies in real terms by over 20 per cent since 1985.

In 1988, imports into South Asian countries increased moderately despite the drought, higher world prices and continued import liberalization. Consequently, almost all South Asian countries experienced an improvement of their trade balances but the current account balances remained more or less unchanged.

Domestic Policies

In South Asian countries, reduction of large budget deficits remained the dominant fiscal concern. Bangladesh introduced new revenue-raising measures including raising customs and excise duties and sales tax; there was a substantial increase in government revenues as a result. Burma adjusted land tax rates to reflect land productivity and level of irrigation. In India, the major thrust of fiscal policy was on revitalizing the drought-affected economy, promoting exports and encouraging savings and investments. The surcharges levied on income tax, wealth tax, and on non-essential imported goods the year earlier to meet drought-related expenditures were retained and the modified value-added tax was extended to more commodities. To promote exports, tax exemptions on profits from exports were expanded and some excise taxes on machinery and raw materials were reduced.

In Pakistan, the government budget aimed to increase revenues by strengthening tax administration, simplifying tax return procedures, improving tax audits and increasing penalties for tax evaders. With the objective of moving grad-



ually towards a broad-based consumption tax, the Government extended the sales tax to a large number of new items. In Sri Lanka, the Government instituted measures to improve control and monitoring of public expenditure, and introduced significant reforms of the tax system, including broadening the coverage of the business turnover tax.

In view of inflationary threats, most South Asian countries followed tight monetary policies. In India, the cash reserve and statutory liquidity ratios were both raised more than once and interest rates on short-term bank deposits were increased. In Pakistan, the growth in money supply was kept in line with the nominal growth of output and the inflation rate was within the targeted level. In Sri Lanka, the Central Bank increased reserve requirements by 40 per cent to restrain growth of money supply.

India took several new steps in its policy of industrial deregulation. The number of industries needing licenses to set up new factories was greatly reduced, the thresholds for investment and foreign exchange outlays beyond which industrial projects would need licenses were raised substantially and other procedures were simplified. The Government also introduced measures to promote the development of capital markets to mobilize more resources for industrial development. Particularly important in this regard were the establishment of the Securities and Exchange Board of India and the Credit Rating Information Services of India.

In Pakistan, the Government announced further deregulatory measures in June. These included increasing the threshold level of investment for projects requiring prior approval, reducing the number of industries for which prior approval is required, authorizing financial institutions to take the final decision on the financing of projects not requiring government approval, and replacing provincial government locational approval with a published list of prohibited areas. To promote certain industries, a four-year tax holiday was also granted to key industries established prior to June 1991. In Sri Lanka, further reforms based on the recommendations of the three committees on administrative reforms, industrial policy and tariffs approved in 1987, were introduced. The Presidential Commission on Privatization also submitted its report with recommendations on the methods of privatization and a short list of 25 enterprises considered suitable for privatization in the first stage.

In Bangladesh, the immediate focus of agricultural policy was on post-flood rehabilitation and for this purpose increasing amounts of credit and inputs were provided, sometimes at subsidized rates. The rehabilitation of irrigation and other agricultural infrastructure was also emphasized. In addition, to formulate policies for the long-run development of agriculture, an overall study of the sector was launched. India announced a new seeds production policy to encourage the development and production of quality seeds. Also, a new initiative for conservation and improvement of productivity in rainfed areas was launched in India with the establishment of a special unit for this purpose in the Department of Agriculture and Cooperatives.

In Pakistan, the National Commission on Agriculture advocated a move to an intensive, high value-added agriculture from the present primarily cereal-based structure. The Com-

mission also recommended that the private sector be allowed a greater role in agriculture, domestic prices of agricultural products be kept in line with international prices, and research and extension activities be encouraged further. The Government also continued to implement its policy of removing distortions in agricultural prices by raising the support price of high quality rice. It also abolished sugar mill zones and removed restrictions that forced growers to supply cane to the mill of their zone only. The rules permitting private export of rice and cotton were further simplified and the export duty on high quality rice was reduced. Burma and Sri Lanka significantly increased the prices of agricultural inputs, including fertilizers.

In India, the process of financial liberalization and development of money markets continued with the introduction of fortnightly auctions of treasury bills and the establishment of the Discount and Finance House of India. India also entered the money market of the United States for the first time with the successful launching of a commercial paper by the State Bank of India. The Pakistani Government announced that nationalized commercial banks would be partially privatized and that these institutions would be given more autonomy in decision-making.

South Asian countries continued to liberalize policies on international trade. In Bangladesh, the negative and restricted lists of imports were further reduced and tariff rates on several imported inputs were lowered. India reduced the number of products subject to export controls, liberalized the importation of capital goods, and reduced tariffs on textile machinery and raw materials for the production of machinery, capital goods and electronics. In Pakistan, the number of items on the prohibited and restricted list was reduced further, and the tariff structure was rationalized by reducing the maximum rate of customs duty to 125 per cent, establishing tariff bands for consumer goods, capital goods and raw materials and intermediate goods, and reducing the number of duty-exempt items. To encourage exports, Nepal established a bonded warehouse for garment exporters, liberalized licensing procedures for the importation of raw wool and other selected items, and introduced a duty drawback scheme. Sri Lanka reduced discrimination against the export sector by eliminating export taxes on non-traditional agricultural and marine exports, reducing the export duty on tea, and eliminating export licensing requirements for other items. Burma opened the rice export trade to the private and cooperative sectors.

The heads of State or Government of the seven countries of the South Asian Association for Regional Cooperation (SAARC) held their fourth annual summit in Islamabad, Pakistan, in December. The leaders reviewed the progress made by the organization and agreed to raise the level of cooperation among member countries. Areas which will be given particular attention include controlling drug abuse and trafficking, disaster management, cooperation in trade, manufacturing and services and the evolution of strategies for meeting the basic needs of the people. The latter involves developing the SAARC-2000 perspective plan which will lay down specific targets in areas of food, clothing, shelter, education, health care, population planning and environmental protection that have to be met by the turn of the century.

People's Republic of China

Overheated Economic Growth

Rapid industrial growth, price reforms and a slowdown in growth of the agriculture sector generated severe inflationary pressures in the People's Republic of China. The gross national product rose by 11.2 per cent in 1988, compared with a 10.5 per cent increase in 1987. Although the agricultural growth rate declined to 3.1 per cent from 4.7 per cent as a result of droughts and floods during the summer, the rest of the economy continued to grow rapidly. Industrial growth exceeded the rapid pace of 1987 as industrial output (including output of village industries) increased by 20 per cent compared to 16.5 per cent in 1987. Industrial growth was partly export-led and exports increased by 20.1 per cent. Substantial grain imports, necessitated by the adverse impact of the weather on grain output, and higher world prices boosted imports which increased by 27.3 per cent. The trade deficit rose to \$7.7 billion from \$3.8 billion in 1987. As a result, the current account which registered a small surplus in 1987 showed a deficit in 1988, despite an improvement in the invisible balance due to higher earnings from tourism.

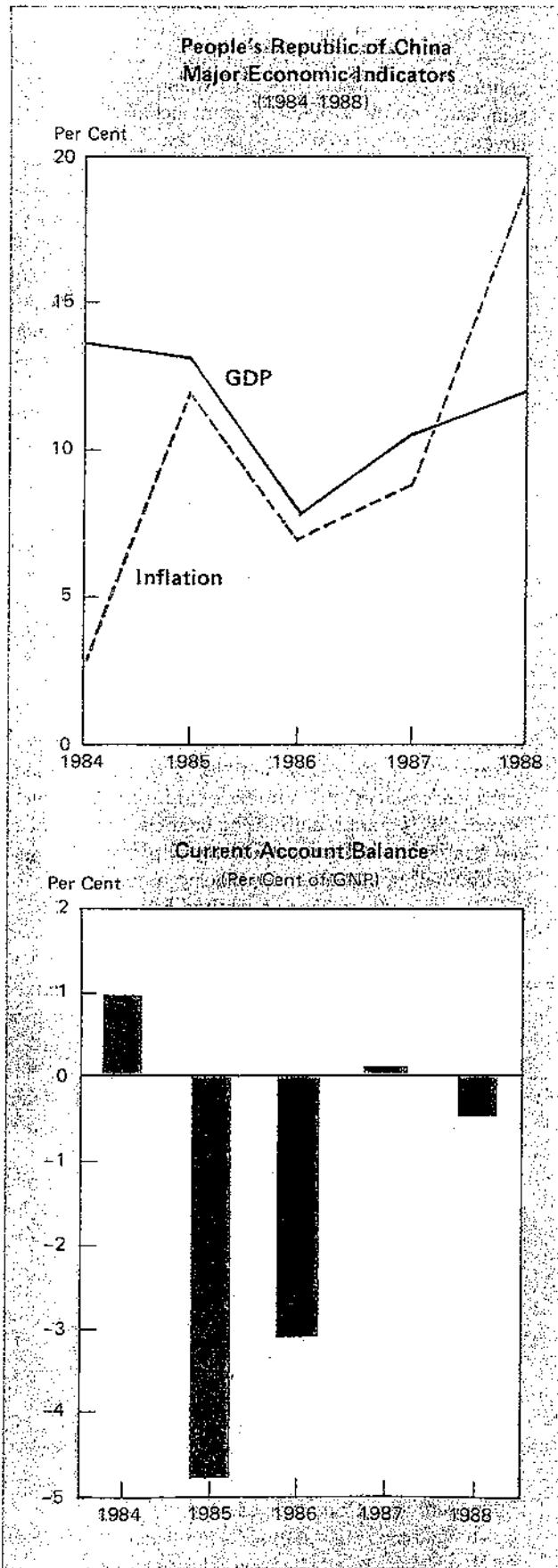
Price reforms, a high degree of liquidity, a sharp increase in domestic demand, particularly for investment and consumer durables, and rapidly expanding exports resulted in excessive growth and overheating of the economy. Lower grain output, shortages of raw materials and bottlenecks in the energy and transportation sectors added to inflationary pressures. Consequently, the country experienced its highest rate of inflation in 40 years. The inflation rate soared to 19 per cent from 8.8 per cent in 1987.

The total external debt had reached \$30.2 billion by the end of 1987 and continued to grow in 1988.

Domestic Policies

Encouraged by the improvement in the balance of payments and the outstanding performance of the economy in 1987, the Government moved to accelerate the pace of economic reforms in 1988. In April, the National People's Congress approved a new state enterprise law and adopted constitutional amendments broadening the legal basis for private enterprise and the transfer of the use-right of land. A major reorganization of state council ministries and commissions was also approved and the responsibility of detailed control of individual projects was shifted from the State Planning Commission to six new specialized companies dealing with different sectors.

In May, prices of non-staple foodstuffs were freed from controls in several cities and provinces and over the next two months prices of grain and edible oil were increased. However, by this time the country was confronted with inflationary pressure. The Government announced a two-year moratorium on price reforms and measures aimed at bring-



ing inflation under control have been the primary focus of government policies since then.

To check the inflationary trend, the Government has relied on both monetary policies and direct controls. Fiscal measures, including higher taxes, and other ways to reduce the budget deficit are also planned. Measures taken on the monetary policy side include firmer control of money supply and credit, an increase in the required reserve ratio for banks, an increase in short-term interest rates, and linking long-term interest rates (on saving deposits of three years or more) with the rate of inflation. Given the high degree of liquidity in the economy, these measures will take time to have an effect and only if they are strictly enforced.

In addition to monetary policy, an austerity program to curb inflation was announced in September. It included restrictions on the export of basic consumer goods in short supply, a cutback on investment spending and a suspension of major construction projects such as hotels and office buildings, curbs on speculation, and a planned slowdown in the growth rate. These measures had some success in cooling the overheated economy by the end of the year, but their full impact will be felt in 1989.

Progress continued to be made in reforming the industrial sector and, under the new state enterprise law, factory directors are given the freedom to manage their enterprises, including the hiring and firing of workers, without interference from local party officials. With the passage of this law, the bankruptcy law also becomes effective and mergers and takeovers of poorly-managed enterprises by profitable enterprises are permitted on an experimental basis. The new contract-management system provides managers with performance incentives through a system of annual targets for enterprise profits. With these reforms, it is aimed to make state enterprises responsive to price changes, so that price pressures will force enterprises to increase productivity or to phase out inefficient factories.

There was also an acceleration in the implementation of foreign trade reforms. The decentralization of the foreign trade structure has resulted in a rapid increase in the number of authorized exporters and that has given rise to some confusion among buyers and problems regarding contract enforcement and quality control. However, these problems should be resolved over time.

To promote foreign investment from Japan, an agreement was signed which provides guarantees against compulsory expropriation and for free remittance of earnings. In addition, according to this agreement, Japanese ventures will be accorded "national treatment" which allows such firms access to raw materials, labor and bank loans on the same terms as domestic firms. The Government also decided to set up a Foreign-debt Fund to ensure repayment of the growing foreign debts of state enterprises and other organizations. Borrowers will contribute to the Fund and its resources will be used to rescue borrowers who might otherwise be forced to default on payments.

South Pacific DMCs

Signs of Recovery

Some South Pacific DMCs (SPDMCs) showed signs of recovery in 1988. Fiji's GDP grew by two per cent following a decline of 7.8 per cent in 1987 due mainly to increases in sugar production, tourist arrivals and private investment. There are indications that the economy of Solomon Islands also recovered somewhat from the decline of the previous three years, due to higher output and prices of fish, palm oil and timber. Papua New Guinea (PNG) registered a GDP growth of 4.1 per cent compared to 4.8 per cent in 1987, due to reduced investment and the poor performance of major agricultural exports such as sawn timber, rubber, cocoa and copra. Tonga and Western Samoa registered a GDP decline of two per cent, mainly because of declining agricultural production, resulting from a severe drought, and lower prices for their major export commodities. Cook Islands and Vanuatu had not yet recovered from the considerable damage caused by cyclones in 1987 and in 1988.

Inflationary pressures have been building up in the SPDMCs since 1987, attributable to increased demand as a result of the economic recovery, depreciation of currencies, excessive credit expansion and shortages of basic food items due to cyclones and droughts. Double-digit inflation was recorded during 1988 in Fiji (10.5 per cent), Solomon Islands (19.3 per cent) and Tonga (10 per cent).

The SPDMCs' aggregate trade deficit increased because imports grew faster than exports. Fiji's trade deficit, particularly, rose to \$150 million from \$132 million in 1987 owing to the economic recovery and associated inflation. The current account position of the SPDMCs, however, improved owing to higher receipts from tourism and official transfers. Consequently, debt-service ratios declined in 1988.

Domestic Policies

Reflecting the varied political and economic environment, domestic policies differed among SPDMCs. Under the new Government, PNG continued to pursue broad-based development goals aimed at reducing unemployment (especially among the youth) and regional income disparities, primarily through the encouragement of private sector initiatives. Sound implementation of public sector projects, strengthening of manpower training and greater flexibility in exchange rate management were emphasized. In order to alleviate the worsening unemployment problem, which was largely responsible for the recent riots, a policy shift from the mining sector to the labor-intensive export sector was also announced. To promote the labor-intensive rural manufacturing sector, PNG reduced corporate tax rates along with real wages from the high levels set by the Minimum Wage Board.

As the political situation stabilized in 1988, Fiji introduced a package of economic policies, including pump-priming public

infrastructure projects, tax incentives for investors in the export sector and for those engaged in agricultural diversification projects, reduction of tariffs and quantitative restrictions on consumer goods, and the establishment of tax-free zones and the Export Institute to promote manufactured exports. The Financial Review Committee was also established to accelerate the planned restructuring of the economy. These policies contributed to a rapid increase in exports of processed foods and garments and in tourist industry receipts during the second half of 1988. Solomon Islands, Tonga, Vanuatu and Western Samoa also adopted various tax and monetary incentives to promote foreign investment and encourage the private sector.

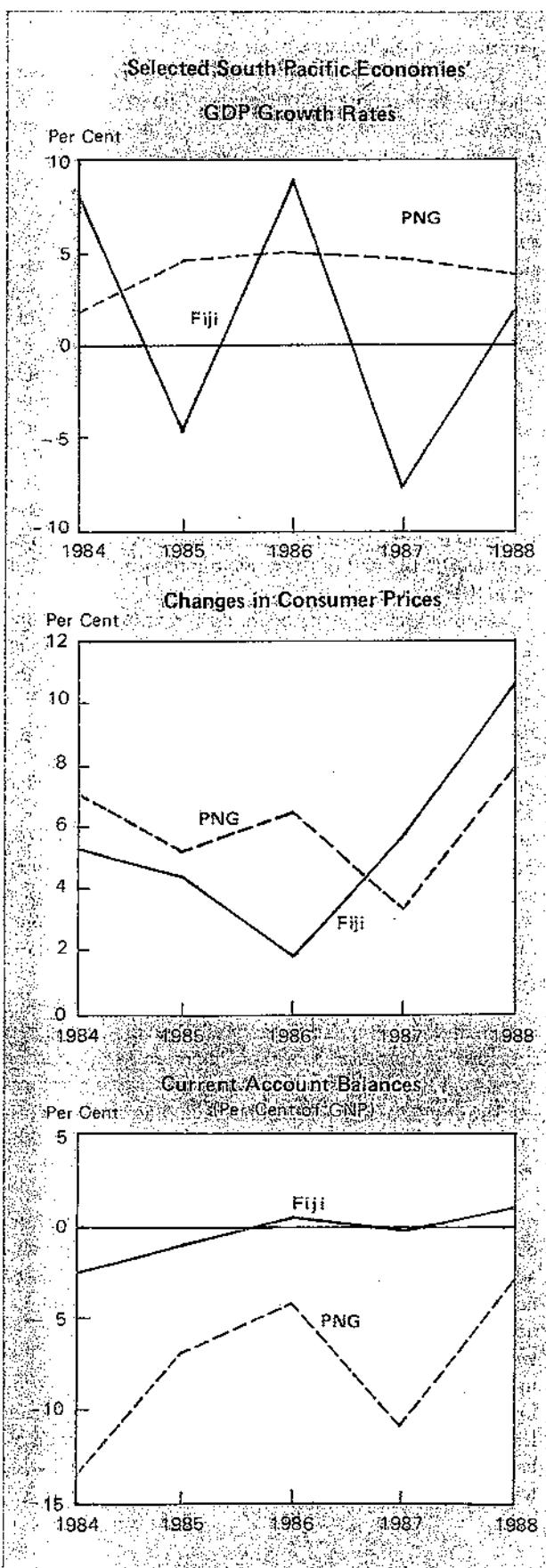
Some SPDMCs, notably PNG, succeeded in reducing their budget deficits through a combination of expenditure-cutting and revenue-raising measures. PNG continued to redirect a greater portion of the budget away from expenditures for administrative and social services to directly productive economic activities and infrastructure development. The 1989 Budget of PNG provided further incentives to the private sector and continued to emphasize the shift away from direct to indirect taxation. Despite a major tax reform in 1987 and austerity measures adopted during 1988, Fiji was unsuccessful in reducing its budget deficit due to the tightened revenue conditions combined with insufficient effort in cutting current expenditures. Fiscal dependency on external sources, including borrowings and official grants to finance the deficit, declined for PNG and Fiji. The SPDMCs increased efforts to improve the efficiency of public enterprises and to speed up privatization. With the objective of running public enterprises on a sounder commercial basis, Fiji strengthened its Public Enterprises Unit, which is under the Ministry of Finance and Economic Planning.

The 1988 annual meeting of the South Pacific Forum (SPF) was held in Nuku'alofa, Tonga, in September. At the meeting, Forum members agreed to restructure the South Pacific Bureau for Economic Cooperation, which is the executing agency of the SPF, and to intensify regional economic cooperation in the areas of trade, investment and small business development. Fiji, which had not attended the 1987 meeting of the SPF owing to the country's political disruption, participated in the 1988 meeting. Six out of the eight Pacific countries which are members of the Lomé Convention of the European Community, including Fiji, PNG, Solomon Islands, Tonga, Vanuatu and Western Samoa, agreed to the terms of Lomé IV which were similar to those of Lomé III.

The long-negotiated treaty between the South Pacific Forum Fisheries Agency and the United States concerning licensing for fishing inside the 200-mile exclusive economic zones of the Forum member countries, came into effect in June. The treaty will provide for the payment of some \$60 million to be distributed among the 15 Forum countries over a five-year period.

OUTLOOK FOR 1989

Forecasts indicate that, although the current expansion in the industrialized countries will continue for the next two



years, output in the industrial countries, together with world output and trade, will increase at a slower pace in 1989. The external environment facing the developing countries is, therefore, expected to be less favorable than in 1988, and demand for manufactured exports and non-oil commodity prices is expected to soften.

In 1988, the NIEs achieved a slightly lower but a more sustainable level of growth based primarily on exports and, to some extent, on domestic demand. Growth rates are expected to slow down in 1989 as Japan and the United States, the major export markets of the NIEs, grow more slowly. Emerging signs of overheating such as rising inflation, tighter credit, capacity constraints and appreciation of the currencies in several NIEs, may cause export growth to slow down further. Growth in domestic demand fuelled by both consumption and investment spending is expected to be strong, but may not be enough to pick up the slack caused by slower exports. Policy efforts are being focused on sectors with high productivity, low labor absorptive capacity and high domestic value-added content.

The recovery in Southeast Asia is expected to weaken in 1989 and growth rates are likely to fall. Partly due to slower growth in the industrialized countries, export earnings are expected to decline. This decline is expected to offset the favorable effect on Southeast Asia's exports due to the removal of the NIEs from the Generalized System of Preferences of the United States. The recent production quotas of OPEC, like others earlier, were not expected to hold for long as both Iraq and Iran needed to increase oil production to finance post-war reforms and reconstruction. Oil prices may soften further in 1989, lowering the prospects for Indonesia and Malaysia. Another negative factor in Thailand is the infrastructural bottleneck which appeared due to the recent boom in foreign direct investment and tourism. The consumption and investment-led recovery of the Philippines is expected to lead increasingly to further industrial activity and output growth is expected to increase at a slightly higher rate in 1989.

South Asia is vulnerable to the vagaries of weather. Failure of the southwest monsoon in 1987 depressed agricultural production and growth. Agriculture recovered sharply in most countries in 1988 despite flooding in Bangladesh, northern India, central Pakistan and Nepal, primarily due to increased foodgrain production. Assuming that South Asia will have normal monsoons in 1989, the agriculture sector is expected to resume growth of three to four per cent annually. This will, therefore, probably lead to a lower growth of GDP in most South Asian countries. Policy reforms to boost efficiency of the industrial sector will be continued in South Asia and this sector will support growth and enhance the resilience of South Asian countries. Growth of manufactured exports are, however, likely to slow down in 1989 due primarily to adverse external factors. Poverty alleviation remains a major concern in many South Asian countries and generation of production and employment in rural areas will remain a key development issue.

The People's Republic of China will probably register a



BAGGING copra harvested under the Agricultural Development Project in Western Samoa. Aimed at increasing the productivity of the Western Samoa Trust Estates Corporation, the project was supported by the Bank with a concessional loan of \$3 million.

slower GDP growth in 1989 because of the clampdown on capital investment and money supply expansion to stem inflation. The slight cooling of the economy will, however, alleviate problems related to capacity constraints in the energy and infrastructure sectors. The emphasis of economic reforms is likely to be on improving the management of state enterprises. Price reforms are likely to be put on hold in 1989.

The South Pacific DMCs are expected to improve their economic growth in 1989 as prices of their primary products and the tourism sector recover, and their economies adjust to the destabilizing effects of the cyclones and political developments of 1987.

Growth in the world economy is expected to slow down in 1989. DMCs are unlikely to be any different in this respect, and 1989 should see a deceleration and a cooling of some of the overheated economies. Economic growth in Asia, however, will continue to be faster than in other regions.



FACES of poverty (clockwise from top): a woman collecting garbage in the Philippines, a child amid refuse in Indonesia and men pulling a cart in Bangladesh.

POVERTY ALLEVIATION

Introduction

MANY of the Bank's developing member countries (DMCs) have achieved impressive growth and have demonstrated remarkable flexibility in adjusting to a rapidly-changing external economic environment. These achievements have been outlined in the preceding chapter of this Report. Many DMCs also have made substantial progress in improving the living conditions of large sections of their populations. But the fact remains that most of the world's absolute poor are in Asia. Figures on poverty, though scarce and based on rough estimates, show that between 550 million and 600 million people are still living in absolute poverty in the Bank's DMCs. Until recently, poverty was thought to be one of the unavoidable burdens of mankind. However, governments now have the means to eliminate absolute poverty. It is primarily their responsibility to eliminate it. Industrialized countries through their donor agencies and multilateral institutions, such as the Bank, can help overcome the problem of absolute poverty. In response to increased attention given to this subject and in line with the recent practice of devoting a special chapter in the Annual Report to themes of particular relevance and topicality, this chapter on poverty alleviation has been included.

The Challenge

Despite the fact that poverty indicators and thresholds vary from country to country and are difficult to compare, the size of the problem is awesome. Poverty is most acute in the lower-income DMCs, according to evidence provided by DMCs, researchers and donors. It is extensive in Bangladesh, India and Pakistan and rising in Sri Lanka and Nepal despite considerable external assistance. India reduced the incidence of poverty in five years to 40 per cent in 1983-1984 from 55 per cent in 1979-1980. But the number of poor is still enormous — 275 million in 1983-1984, compared to 311 million in 1979-1980. The People's Republic of China has been relatively successful in reducing poverty but, according to a recent World Bank report,¹ about 130

¹ The World Bank, *China: Long Term Issues and Options*, December 1987.

million people remain poor. Adding to the problem, there have been food shortages in Lao People's Democratic Republic and the Socialist Republic of Viet Nam while war and civil unrest have hampered efforts to improve conditions in other lower-income DMCs.

The incidence of poverty is lower in middle-income DMCs, but still substantial. Indonesia, the most populous in this group, reduced poverty but still had 60 million people, or 35 per cent of the population, below the poverty line in the early 1980s. In the Philippines, some 59 per cent of the population, or 33 million people, lived below the government-defined poverty line in 1985, compared with 40 per cent in 1980. In Thailand, about 23 per cent of the population, or 12 million people, was defined by the Government as poor in 1980-1981. This figure increased to 30 per cent in 1985-1986. Despite high economic growth rates, the incidence of poverty in 1988 was about the same as in 1980-1981.

In higher-income DMCs such as Republic of Korea, Malaysia and Taipei, China, which traditionally have achieved high growth rates, absolute poverty is no longer a problem.

Who are the poor? Where are they? What do they need and how can they be helped? These questions must be answered before any effective program can be formulated.

In a generally accepted definition, to be poor means not only to have a low income but also to be lacking in basic amenities such as education, health care, shelter, safe water and sanitation. Furthermore, a link between poverty and environment is increasingly recognized: poverty causes environmental deterioration and environmental degradation causes poverty.

DMC societies can be roughly divided into a formal (public and organized private) sector, including farmers, and an informal sector, including marginal rural groups, tribes and nomads, and disadvantaged urban dwellers. The formal sector has in the past been the prime recipient of development assistance; however, the informal sector, which sometimes includes a large part of a country's population and almost all of its very poor, has largely been bypassed by official development assistance.

Poverty in Asia is still primarily a rural phenomenon. The rural poor generally comprise marginal farmers who own land

but who have to supplement farm income by off-farm employment; landless agricultural laborers and non-agricultural groups who rely on employment opportunities in the countryside, are vulnerable to seasonal scarcities of jobs and food, have no stocks or assets and whose creditworthiness is low or non-existent; and artisanal fishermen who cannot generate savings from fishing. The primary activity of these groups is survival. Urban poverty is less widespread than rural poverty. However, it is expected to grow in the next decade because of high population growth rates exacerbated by limited employment

opportunities and low wages in rural areas. Although the line between the formal and informal sector is blurred, it is evident that the informal sector is a significant economic force. In many DMCs, up to 50 per cent of the economically active population of big cities works in the informal sector at subsistence levels. Many poor people live in squatter areas, without access to water, power and basic sanitation facilities. They often survive through informal occupations such as street vending or collecting and selling garbage.

In the informal sector, women and children are generally the most disadvantaged. Evidence shows that women have scarcely benefited from the process of development. Large families, which are both the cause and consequence of poverty, are often the consequence of male rather than female wishes. Children frequently suffer from malnutrition because other family members are given priority in food distribution. Programs aimed at helping women and children are difficult to implement, however, because women and children are hard to reach and are isolated from the formal process of production and exchange.

Approaches to Poverty Alleviation

Traditional attempts to reduce poverty have relied on economic growth. High growth rates, it was argued, created more jobs and incomes through the multiplier effect and reduced poverty. This indirect approach proved most successful in the newly industrialized economies (NIEs) which, through rapid industrialization and export growth, raised living standards and reduced absolute poverty. However, many other DMCs have not succeeded in generating sufficiently high growth to reduce the number of people living in poverty due to factors such as the sheer size of the problem, an insufficient resource base, inappropriate policies and an inadequate institutional framework. In fact, in several DMCs, a combination of low growth and inequitable distribution of the benefits of growth has led to an increase in poverty.

Economic growth is fundamental to development but not enough on its own. Of equal importance is the distribution of the benefits of growth. Growth-oriented strategies must be supported by more direct attacks on poverty as growth alone is insufficient to guarantee all individuals access to employment and essential social services. In this respect, India, Nepal, Pakistan and Sri Lanka have specific plans to alleviate poverty.

Generally, higher-income countries such as the Republic of Korea and, to a lesser extent, Malaysia, stress a more equitable distribution of incomes, both socially and geographically, rather than address poverty *per se*. While the strategy of higher-income DMCs has been to strive for sustained growth and to indirectly benefit the poor, several policies involving taxation, pricing and subsidization have also been implemented to address the needs of the poor. For example, expanding the supply of public goods and services is one important way of achieving a more balanced distribution.

In middle-income countries such as Indonesia, Philippines and Thailand, growth is a priority but the creation of employment opportunities and raising incomes receive more emphasis. There is more focus on tackling the causes of poverty, namely, underemployment, unemployment and low pro-



WOMAN and child in northwest Bangladesh: among the rural poor who are benefiting from a Bank-assisted project.

ductivity, while general welfare is improved through the provision, often with subsidies, of basic social infrastructure. Most poverty alleviation programs are interlinked with rural development programs.

Among the lower-income DMCs of South Asia where the incidence of poverty is highest, poverty alleviation features strongly in development plans, along with growth, employment and productivity goals. Programs range from short-term intervention to alleviate hunger and malnutrition to medium and long-term schemes to generate employment and income.

Bank Efforts to Reach the Poor

Traditionally, the Bank has approached poverty alleviation indirectly through the financing of projects contributing to economic growth and the efficient use of resources. It assumed this approach helped create employment opportunities and higher incomes, and thus provided governments with more revenue to invest in improving the welfare of the poorest. But it is recognized that efforts to maximize economic growth through the most efficient use of resources must be supplemented by other measures. Accordingly, the Bank is also giving attention to increasing social equity and developing human resources.

On a regional level, the Bank has sought to assist the poorer DMCs through its concessional loan facility, the Asian Development Fund (ADF). Since it began operations in 1966, the Bank has lent \$8.2 billion in 433 loans from ADF resources. These loans have been interest-free since early 1974, carrying only a service charge of one per cent per annum. Most ADF resources have gone to Bangladesh (29.8 per cent), Pakistan (29.2 per cent), Sri Lanka (9.4 per cent), Nepal (9 per cent) and Burma (6.4 per cent). Such an approach leads to a more balanced regional development but does not benefit specific poverty groups within countries.

Aside from concessional lending, the Bank has sought to assist projects in poverty-afflicted sectors. Since most of the poor are in rural areas, about 30 per cent of the Bank's lending has been committed for projects in the agriculture sector. Moreover, such projects are often in the less developed areas and are designed to maximize the use of local labor and appropriate technologies.

Significant Bank lending has been provided for social infrastructure projects involving water supply and sanitation, education, urban development and housing, health and population. Since 1968, 15 per cent of Bank lending has been channelled to these sectors, most of it to water supply and sanitation and education.

The Bank has also contributed to employment creation through credits to development finance institutions (DFIs). DFIs frequently relend Bank funds to small and medium-scale industrial enterprises. Over 10 per cent of Bank lending has been provided for this purpose.

Task Force Recommendations

At the Bank's Twenty-First Annual Meeting in April, the Governors called for a sharper focus on poverty alleviation. Accordingly, the President established an internal Task Force

on poverty alleviation, chaired by the Vice-President for Projects. In a report endorsed by the Board of Directors in August, the Task Force recommended a number of ways for the Bank to increase its activities in this field. It recommended that the Bank continue to rely on growth-oriented projects which ultimately benefit the disadvantaged. But the Task Force also recommended that the Bank complement this approach with projects which will benefit the poor more directly. Experience has shown that a direct approach can be viable and does not need to be pursued at the expense of efficiency or growth.

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

The Task Force concluded that these new directions can be accommodated within the Bank's present practices and procedures. These and other issues discussed in this chapter are being actively pursued by the Bank and some projects with an essential poverty alleviation focus have already been approved. However, the Board is yet to determine the Bank's policy responses on some of these issues.

Operational Implications

The Bank will have to be more flexible in its operations if it is to place greater emphasis on directly approaching poverty alleviation. Overall, efforts need to be more focused on specific target groups. Project benefits must reach the landless, the small farmer or fisherman, the street vendor, the urban squatter or disadvantaged groups of women. It is crucial to identify the beneficiaries and to create an effective delivery mechanism. The Bank also needs to intensify its economic and sector work specifically related to poverty alleviation. Additional resources will have to be devoted to poverty studies in the economic and sector work program. Moreover, the Bank will need to integrate these issues in its country programming and policy discussions with DMC governments.

Project Identification and Preparation

Although exhaustive efforts were made in the past to ensure that Bank projects are technically viable as well as economically and financially sound, they were sometimes designed and implemented with little attention to the characteristics of the beneficiaries. As a result, input packages offered by the projects were often beyond the reach of the poor. Project planners should be aware of the needs of target groups and the importance of catalyzing self-help efforts.



DRESSMAKING lessons for wives of landless farmers are part of the Northwest Rural Development Project in Bangladesh. The project, aimed at increasing agricultural output and alleviating poverty in rural areas, was supported by a concessional Bank loan of \$45 million.

Attention must be paid to the interests, initiatives and contributions of beneficiaries and their institutions. Such an approach requires a change in existing procedures for project preparation and formulation which were based on feasibility studies generally conducted by consultants with sometimes limited exposure to local conditions. Another method of designing more responsive projects is to encourage local organizations and executing agencies to cooperate with Bank staff and Bank-financed consultants at an early stage of project preparation. Bank assistance could include conducting baseline surveys, identifying resources and financing "pre-projects". This type of "pre-project" could be supported through technical assistance.

Departing from the methodology employed in traditional projects, the Bank in its poverty-oriented programs should identify the conditions of the poor before selecting project inputs to meet their needs, reversing the procedure in which the project components are defined before the beneficiaries are identified. Project identification for poverty alleviation requires sociological and anthropological inputs as well as economic, financial and technical analyses.

Project Implementation

A flexible "process" approach to project implementation is required to encourage the involvement of beneficiaries and to incorporate lessons learned into later stages of the project. This approach differs from the "blueprint" approach where implementation closely follows the schedule and terms of the Bank's appraisal report and where priority is given to project inputs rather than its targets since the implementation and impact of such projects depend on the transmission of know-how and its acceptance by the beneficiaries. This is especially true of income-generating projects, where active involvement of beneficiaries is required and, to a lesser extent, of social sector and environmental investments.

There are various options for a "process" approach. One is to break the process into distinct phases, beginning with a pilot project lasting two years or so. Its objective would be to undertake technical, socioeconomic and institutional analysis, to conduct experiments with alternative technical options to test target groups' responsiveness and to strengthen their

organizations. This could be followed by longer-term projects in which activities are expanded and/or replicated. Another option is to cooperate more closely with an ongoing project or experienced organization already working in the selected area. The experience gained from these projects/organizations would lead to the identification of a full assistance program.

At the same time, the nature and delivery of inputs must be capable of being modified readily in response to the needs of the target group. The modifications would involve the size and terms of credit, design and venue of training activities and the use of separate delivery channels (such as having women extension workers to reach women farmers). Such services cannot, however, be achieved through the traditional fixed "package" of inputs and they require the participation of other organizations. Consequently, poverty-oriented projects may involve higher costs than traditional projects.

Decentralization of Decision-Making

Decision-making by central government institutions bars beneficiaries from taking part in project formulation, design and implementation. Such institutions are generally more suited for projects which involve a large-scale delivery of services to a widespread population, but they do not always address the needs of the poor. Executing agencies should be able to plan and implement projects at grass roots level and, more often than not, local institutions have a better understanding of target groups than the central government. They also have more structural flexibility, staff skills, motivation and commitment.

The use of non-governmental organizations (NGOs) as executing or implementing agencies presents another channel for reaching the poor. Although their financial capacity is usually limited, many have had considerable success in helping the poor, especially the extremely disadvantaged. Other channels of Bank assistance to the poor include credit associations, foundations and informal bodies such as self-help groups. Such agencies share an understanding of, and proximity to, target groups.

Financing Modalities

A direct approach to poverty reduction requires more financing flexibility, especially with regard to local costs and to operation and maintenance (O&M) expenditures. Poverty-directed projects typically need little foreign exchange but a lot of local cost financing. This applies to income-generating projects as well as social infrastructure schemes. Thus the Bank should be ready to finance a significantly higher proportion of local costs.

Executing agencies also have to be assured that they can raise not only the investment costs for a project but also the funds to operate and maintain it. It is often not possible to recover investment and O&M costs of social sector projects from beneficiaries — especially in education and health projects and also in urban development and water supply schemes.

One way to reduce the financial burden of executing

agencies in non-revenue generating social sector projects is for the Bank to finance a larger share of O&M costs. This would help avoid underutilization of productive assets by the poor and preclude the need to finance the rehabilitation of facilities and equipment which deteriorate prematurely through lack of maintenance. The foregone benefits and thus the costs of such inefficient use of resources are in most cases higher than the short-term benefits of installing new and additional capacity which cannot be operated and maintained.

Similar arguments apply to the financing of operating expenditures. Social infrastructure projects require large outlays for operating the investments (for example, salaries for teachers or medical personnel or the provision of teaching materials or drugs). In fact, the investment cost of such a project is usually a fraction of the total cost of delivering the services. At present, the Bank regards operating costs as a recurrent item; but from the viewpoint of the recipient, they are an investment in human resources.

Status of Bank's Efforts

Poverty-directed projects are difficult to implement, have a long implementation period and require higher-than-usual staff input. Implementation of the Task Force's recommendations will be a major challenge for the Bank, and a cautious approach will have to be adopted. The number of projects and programs (including project components) specifically designed to alleviate poverty will be expanded gradually as the Bank gains experience in this field. Efforts have been made to identify suitable projects and project components, as well as to establish an inventory of technical assistance projects which focus on beneficiaries and strengthening of local capabilities.

Some of these efforts have resulted in projects which will directly contribute to poverty alleviation. One such project, approved in 1988, is the Forestry Sector Program loan in the Philippines, which supports large-scale reforestation by using labor-intensive methods and social forestry to discourage deforestation by slash-and-burn methods. Other such projects approved during the year, also in the Philippines, are the Sorsogon Integrated Area Development Project and the NGO-Microcredit Project. These address the needs of the rural poor through the provision of extremely small credits (mini-DFI-type credits) channelled through NGOs. Other agriculture projects under consideration for Bank assistance include a project for integrated development for low-income communities in the Philippines, a Kampong Improvement Project in Malaysia, a Crop Diversification Credit Project in Bangladesh, the Third Small Farmers Development Project in Nepal and the Second Barani Area Development Project in Pakistan. In the social infrastructure sector, projects in the Bank's pipeline include the Second Water Supply Sector Project to benefit remote villages and communities in Nepal,¹ primary education projects in Bangladesh and Pakistan, the Low-Income Housing Project in Pakistan and the Health Services Project in Bangladesh. Other projects aimed at both helping the poor and protecting the environment are also being considered.

¹ This project was approved by the Board of Directors in January 1989.



BIRD'S eye view of the Chittagong Urea Fertilizer Project in Bangladesh. The project, which supplies fertilizer for domestic use and for export and is important to the country's efforts to achieve foodgrain self-sufficiency, has been assisted by concessional Bank loans totalling \$100 million.

BANK OPERATIONS

Loan and Equity Operations

BANK lending in 1988 was made up of project and multiproject loans, program and sector loans, credit lines through development finance institutions (DFIs) and agricultural credit.

Including private sector loans, Bank lending in 1988 amounted to \$3,145.6 million, an increase of 29 per cent over the previous year. Loans from ordinary capital resources (OCR) totalled \$2,062.2 million, a growth of 39 per cent over the 1987 level of \$1,480.9 million. Loans from the Asian

Development Fund (ADF) amounted to \$1,083.4 million, a 13 per cent increase over the \$957.6 million total in 1987. In addition, the Bank approved eight equity operations comprising six direct investments (\$8.7 million) and two lines of equity (\$8 million), totalling \$16.7 million. Two underwriting commitments for a total of \$20 million were also approved.

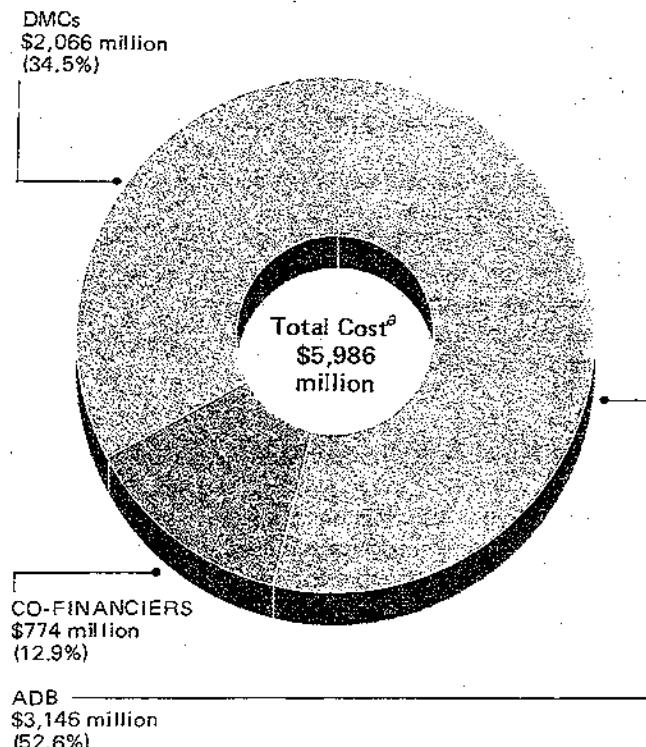
The robust growth in OCR lending was largely due to renewed lending to the Philippines and expanded assistance to People's Republic of China and India. The modest increase

Lending and Investment Modalities, 1988

	Number of Projects	Amount (\$ million)
LENDING		
Project Loans	34	1,797.2
Program Loans	6	660.0
Sector Loans	7	433.6
Credit Lines	7	245.5
Multiproject	2	9.3
INVESTMENT^a		
Direct Investments	6	8.7
Lines of Equity	2	8.0
Total	64	3,162.3

^a Excluding equity underwriting operations.

**Projects Approved in 1988:
Total Cost and Sources of Finance**



^b Total cost of program and sector loans and credit lines is estimated from previous Bank experience.

in ADF loans came after a year of strong growth and was helped by loans to Indonesia, Pakistan and Philippines.

During the year, 61 loans were approved for 56 projects in 18 developing member countries (DMCs). This compared with 52 loans and 48 projects in 17 DMCs a year earlier. The average size of loans increased to about \$52 million from \$47 million in 1987. The average size of OCR loans rose to \$71 million from \$67 million in 1987. The average size of ADF loans increased slightly to \$34 million from \$32 million in the same period.

Loans financed exclusively from OCR were provided to People's Republic of China, Fiji, India, Republic of Korea, Malaysia and Thailand. Blended loans from OCR and ADF were approved for Indonesia, Pakistan and Philippines. DMCs which received loans exclusively from ADF were Bangladesh, Bhutan, Kiribati, Lao PDR, Maldives, Nepal, Sri Lanka, Tonga and Western Samoa.

Co-financing rose substantially to \$774 million from \$498 million in 1987 although the number of projects involving co-financing fell to 17 from 25 in the same period. Official sources of co-financing rose 138 per cent to \$680 million from \$286 million in 1987 and their share of total co-financing increased to 88 per cent from 57 per cent in the same period. Co-financing from commercial sources, at \$94 million, fell from \$212 million in 1987, or 12 per cent of the total compared to 43 per cent the year earlier.

Loan projects approved during 1988 — including credit lines, program and sector loans — had an estimated total cost of \$5.99 billion, of which 53 per cent was accounted for by Bank financing, 34 per cent was to be provided by borrowing DMCs and 13 per cent by co-financiers.

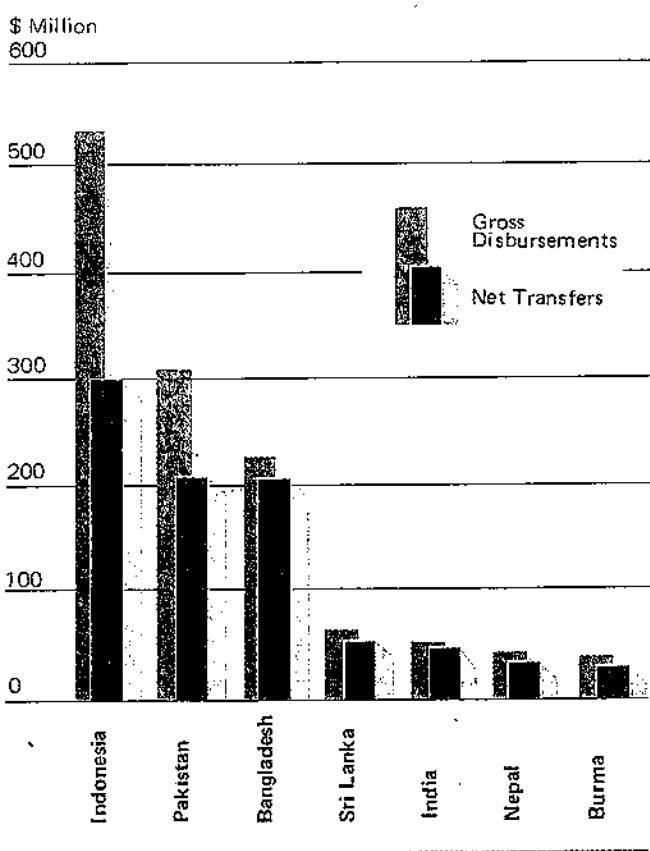
Local cost financing in 1988 amounted to \$564 million for 23 projects in 10 DMCs. OCR provided \$226 million of this amount, and ADF \$338 million, representing 11 per cent and 31 per cent, respectively, of OCR and ADF loans approved.

The Bank's cumulative lending by the end of 1988 had reached \$25 billion for 846 projects in 29 DMCs, of which \$16.8 billion was from OCR and \$8.2 billion from ADF. About \$2.7 billion had been provided for local cost financing. The Bank's equity operations, which began in 1983, had reached a cumulative total of \$77.4 million for investments and underwritings by the end of 1988.

The Bank's Role in Resource Transfers

During 1988, the net transfer of resources — gross disbursements minus repayments of principal, prepayments, payments of interest and other charges plus equity investments — by the Bank to DMCs rose sharply, due mainly to a significant increase in disbursements of loans to the public and private sectors as well as equity investments to the private sector. Gross disbursements of loans and equity investments to DMCs increased by 35.4 per cent to a record level of \$1,674.3 million from \$1,236.8 million in 1987. This strong disbursement performance was due largely to the expansion of quick-disbursing program loans, effective operations of Resident Offices and increased country projects review and disbursement

1988 Net Transfer of Resources to Selected DMCs



missions. In contrast, loan amortization including prepayments declined slightly to \$1,100 million in 1988, compared with \$1,106.9 million in 1987. As a result, the net transfer of resources to DMCs rose to \$574.3 million in 1988 from \$129.9 million a year earlier.

The Bank's transfer of resources varied from country to country. During 1988, 19 DMCs¹ received a positive net transfer of resources. The amount of net resources transferred to these countries increased by 61.7 per cent to \$940.4 million in 1988 from \$581.6 million in 1987. During 1988, the Bank recorded no resource transfers to Cambodia and Hong Kong. The remaining eight DMCs,² however, experienced a negative transfer of resources because of non-lending to Afghanistan; Singapore; Taipei, China and Socialist Republic of Viet Nam; a decline in disbursements and an increase in repayments in Malaysia; a fall in disbursements accompanied by prepayments from the Republic of Korea; and an increase in repayments, including prepayments, in Philippines and Thailand.

During 1988, Indonesia was the largest recipient coun-

¹ Bangladesh, Bhutan, Burma, People's Republic of China, Cook Islands, Fiji, India, Indonesia, Kiribati, Lao PDR, Maldives, Nepal, Pakistan, Papua New Guinea, Solomon Islands, Sri Lanka, Tonga, Vanuatu and Western Samoa.

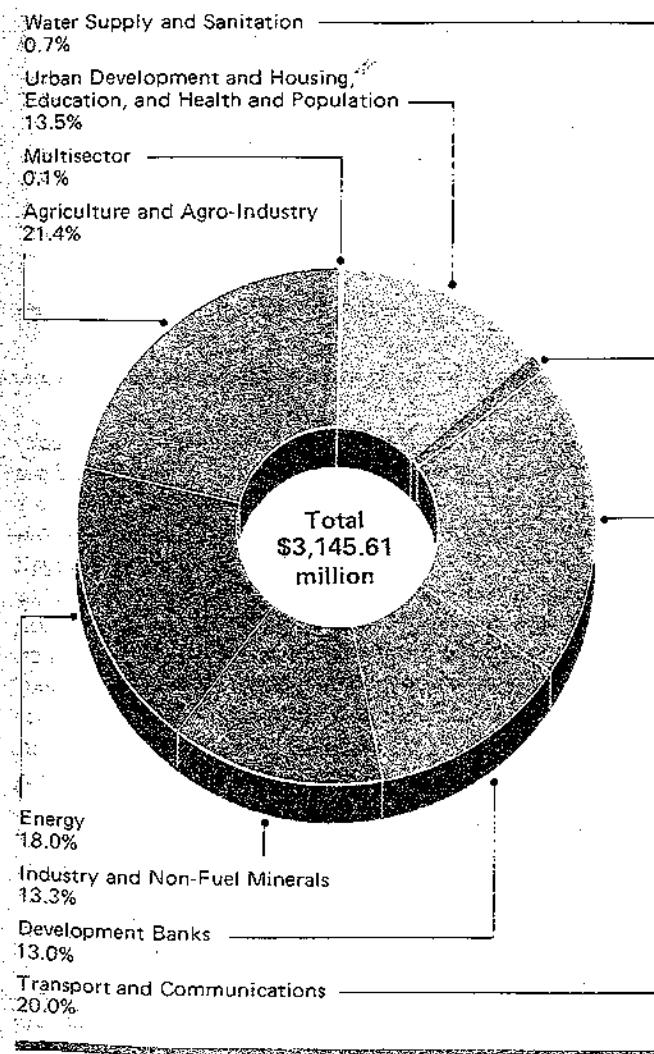
² Afghanistan; Republic of Korea; Malaysia; Philippines; Singapore; Taipei, China; Thailand; and Socialist Republic of Viet Nam.

try with a net transfer of resources from the Bank amounting to \$295.9 million, followed by Pakistan (\$209.4 million), Bangladesh (\$208.5 million), Sri Lanka (\$57.4 million), India (\$52.7 million), Nepal (\$35.5 million) and Burma (\$30.7 million). South Pacific DMCs¹ received a net transfer of resources of \$38.5 million. Disbursements to the People's Republic of China (\$2.6 million) began in 1988.

There was a considerable increase in the net transfer of resources to Indonesia — a rise by \$121 million, or 69.2 per cent, over 1987 — due partly to the swift disbursements of a program loan and partly to the effective function of the Indonesia Resident Office in expediting the disbursements of project loans. The increase in the net transfer of resources to Pakistan — by \$91.5 million, or 77.6 per cent, over the previous year — was due to the special efforts made by the country to improve disbursements under project loans and to expedite procurement under previous program loans. The rise in resource transfers to Bangladesh — by \$45 million or

¹ Cook Islands, Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Vanuatu and Western Samoa.

Loan Approvals By Sector: 1988

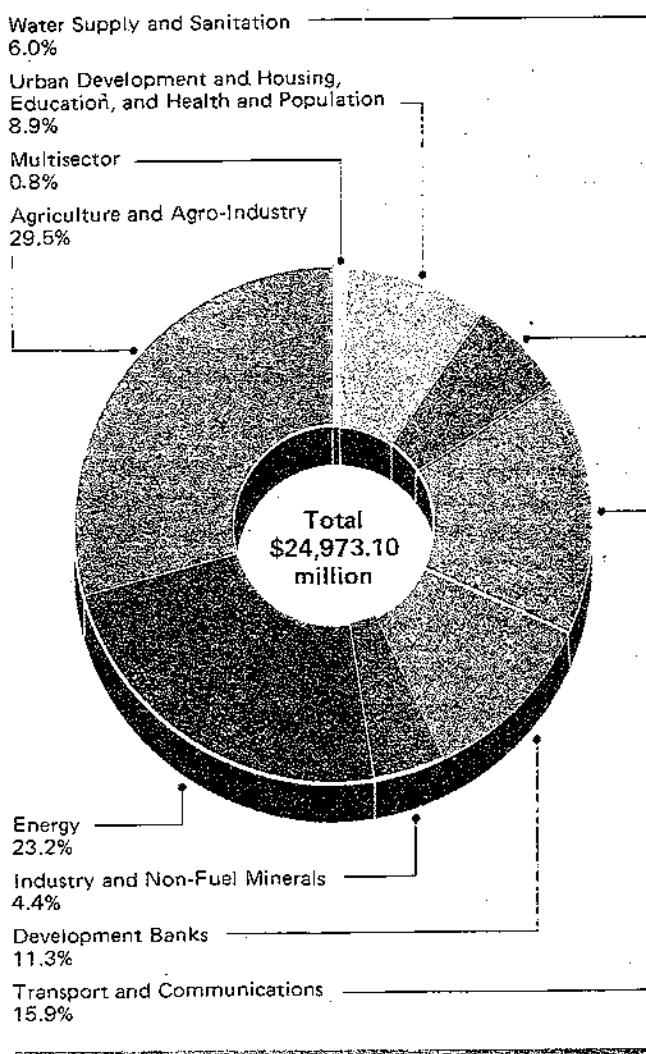


27.5 per cent over 1987 — was due mainly to improved disbursements resulting from the simplification and streamlining of procurement procedures, the important role played by the Bangladesh Resident Office toward improved project implementation and loan disbursements, and the relatively small repayments arising from the concessional terms of Bank loans. Among the South Pacific DMCs, Fiji experienced a shift from a negative resource transfer (-\$3.4 million in 1987) to a positive resource transfer (\$13.7 million in 1988) due to the quick disbursements of a program loan.

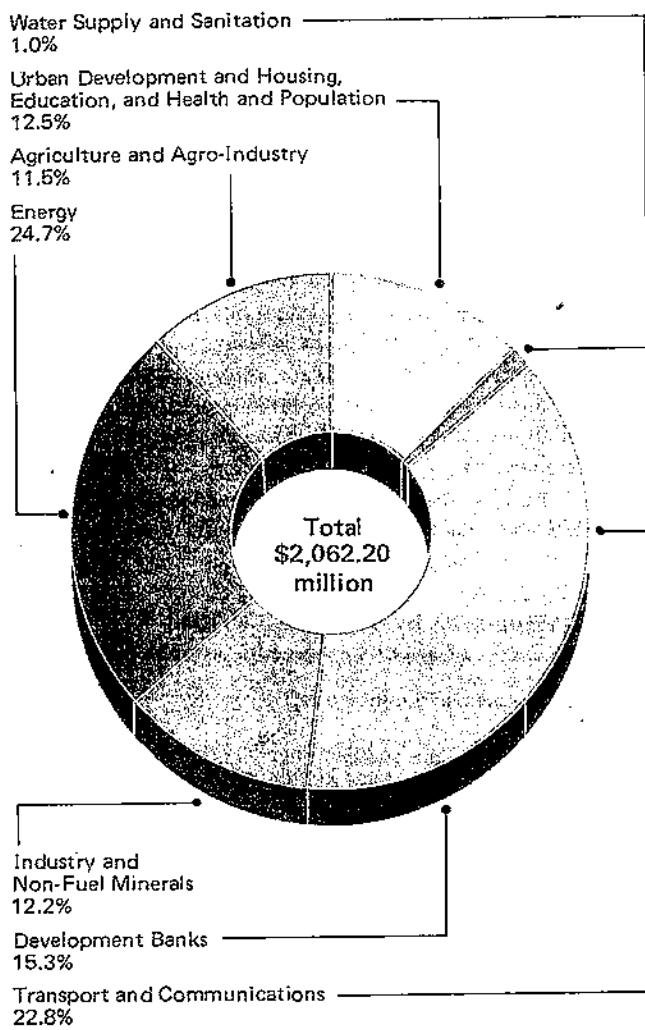
There were negative net transfers of Bank resources to Malaysia (-\$47.6 million), Philippines (-\$45.2 million) and Thailand (-\$78.4 million) in 1988. Malaysia recorded an increased negative resource transfer due to a decrease in disbursements and an increase in repayments. The negative net transfers of resources to the Philippines and Thailand were attributable to a sharp increase in repayments, including prepayments.

Among the newly industrialized economies (NIEs), no OCR loan has been made to Taipei, China since 1972, nor

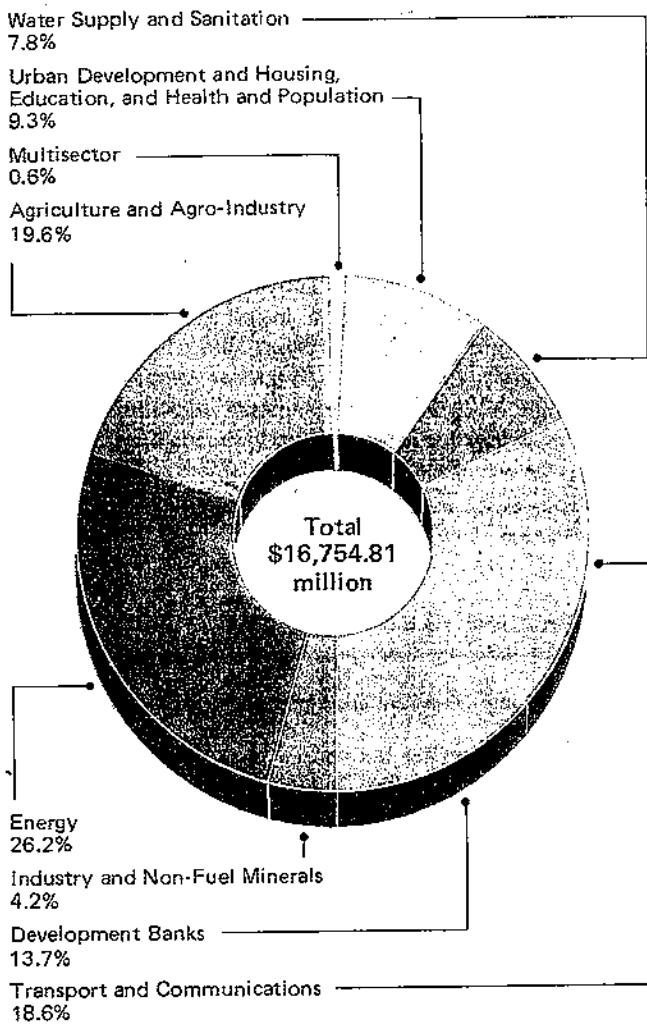
Loan Approvals By Sector: 1968-1988



Ordinary Loan Approvals By Sector: 1988



Ordinary Loan Approvals By Sector: 1968-1988



to Hong Kong and Singapore since 1981. The Republic of Korea has received modest OCR lending since 1986, and has indicated its intent to cease borrowing from the Bank from 1989 except in special circumstances. Due to non-lending or a decline in lending commitments and increasing repayments or prepayments, the net resource transfer to the NIEs as a group has been negative since 1984.

Sectoral Review

Agriculture and agro-industry remains the most important sector of Bank operations, accounting for nearly one-third of cumulative Bank lending and 49 per cent of its grant-financed technical assistance. In 1988, its share of total lending was 21 per cent, about the same as that of the previous year, but the volume of lending rose to \$674 million from \$529 million in 1987. Given the primacy of agriculture in DMCs, the uncertainty over the region's food supply situation and the emphasis on poverty alleviation, lending to agriculture is expected to increase.

During 1988, 19 loans were approved for 18 projects. Forestry and reforestation projects took a large share, 22 per cent, of agriculture lending. Notable among these projects was the forestry sector program loan to the Philippines, which is aimed at assisting the Government's efforts to restore ravaged forest cover and sustain vital ecosystems. Complementing this loan was a technical assistance package for the formulation of a master plan for forestry development and for studies on plantation development and the rationalization of the wood-based industry. A second loan was extended to Malaysia for its compensatory forestry sector project, which involves clearing and reforestation to provide a sustainable supply of timber as well as environmental protection.

In Thailand, technical assistance was approved for an innovative study to determine appropriate mechanisms for an urgently-needed reforestation program which incorporates private sector involvement. In Bhutan, technical assistance was approved for the preparation of a master plan for forestry development.

During the year, the Bank's first direct support for non-governmental organizations (NGOs) was introduced through

the NGO-Microcredit project in the Philippines. This is aimed at alleviating poverty through job creation, with women likely to be the major beneficiaries.

The sustainable development of water and land resources and higher agricultural productivity through development and fuller utilization of irrigation and flood control facilities continued to receive considerable emphasis in 1988. As for land resources, strategies for the development of highland agriculture and effective management of sloping lands for cultivation will be studied under two regional technical assistance projects.

The rehabilitation of irrigation and flood control facilities damaged by floods was the aim of one loan to Bangladesh. Together with two other loans for the rehabilitation of flood-damaged rural infrastructure, the assistance reflected the Bank's pledge to aid Bangladesh's rehabilitation efforts following severe floods.

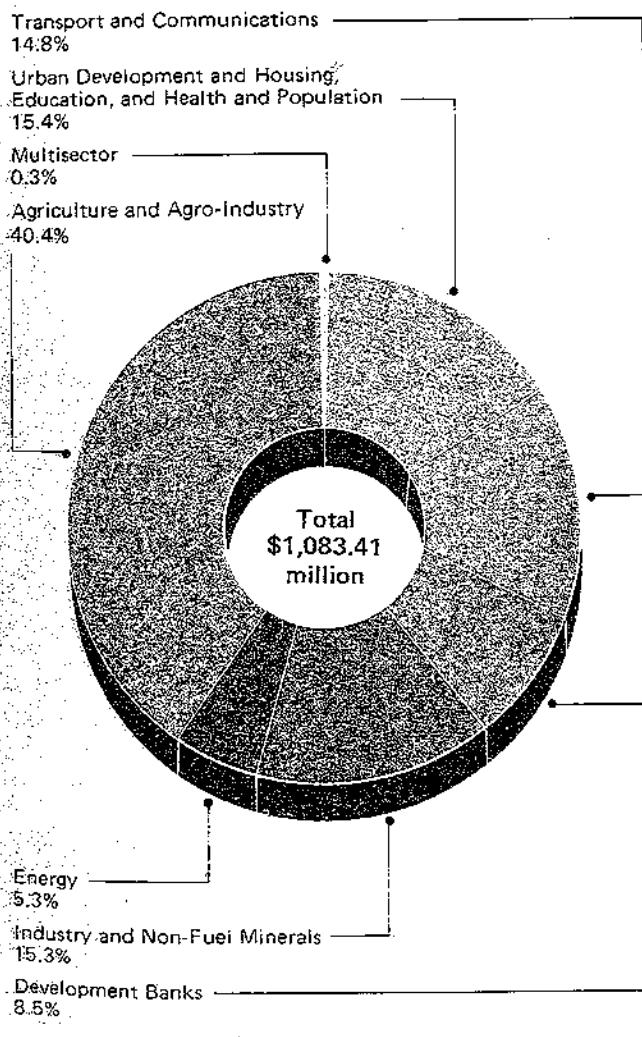
Policy reforms in the agriculture sector were supported by two program loans to Fiji and Nepal. In Fiji, the reforms were focused on agricultural diversification and growth and

strengthening the role of the private sector. The loan is expected to develop downstream agriculture-based manufacturing activities and increase the export of agricultural commodities and manufactured goods. A program loan to Nepal, as well as two institutional-strengthening technical assistance grants, will support a foodcrop production program and the institution of policy reforms.

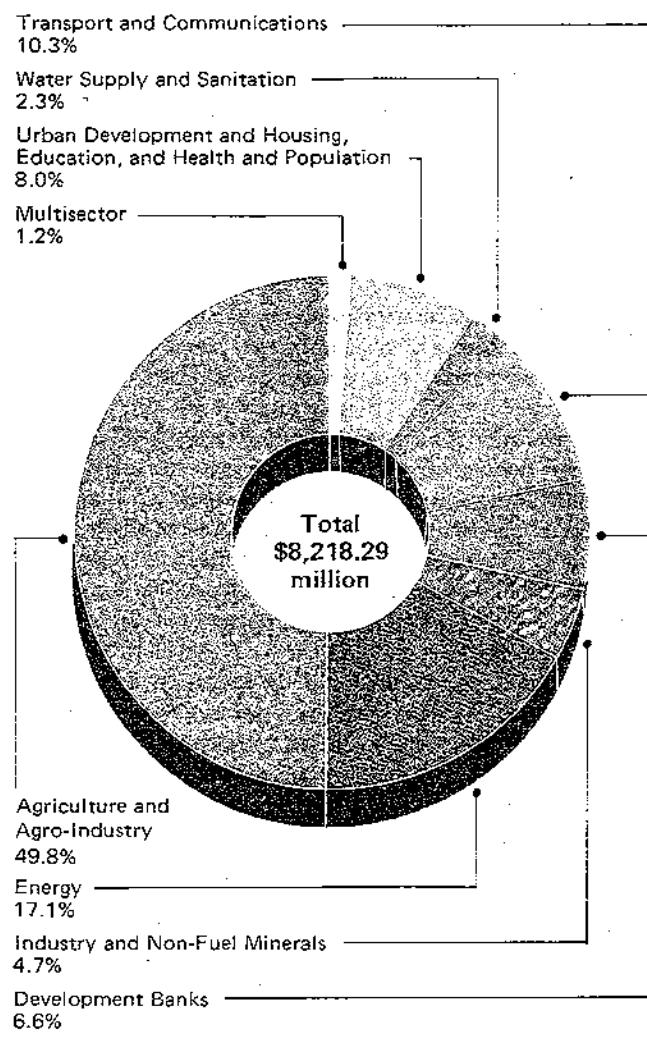
Technical assistance projects emphasized rehabilitation efforts and the realization of productive potential. In Sri Lanka, technical assistance was approved to prepare a loan project for rehabilitation in the agriculture and fisheries sector following damage caused by civil disturbances. Also in Sri Lanka, technical assistance was provided to formulate strategies for accelerating development in Southern Province. In Pakistan, technical assistance was approved to formulate a rural development strategy for the Sind Arid Zone.

Agricultural research received continuing emphasis. In addition to research on the genetic improvement of tilapia (a widely-cultivated food fish), technical assistance was directed at strengthening integrated pest management of Asian rice

Asian Development Fund Loan Approvals By Sector: 1988



Asian Development Fund Loan Approvals By Sector: 1968-1988



farming systems, at furthering agricultural research cooperation in the South Pacific, and at establishing a collaborative vegetable research program in Southeast Asia. These projects are to be implemented mainly through regional agricultural research centers.

Support for convening a regional forum to agree on priority areas for animal health improvement policies and strategies to support livestock development was the focus of one technical assistance project.

Lending for industry and non-fuel minerals (including development banks) rose sharply to a record \$825.9 million, due largely to three program loans totalling \$465 million. Loans to the private sector without government guarantee also increased to \$34 million from \$20.5 million in 1987.

Three loans were approved to the People's Republic of China for industrial projects, but this trend will change as the Bank switches its focus to infrastructure projects.

The Industrial Program loan of \$65 million to Bangladesh will support the Government's industrialization efforts. The program includes reforms to stimulate growth in production and exports, generate domestic savings, mobilize savings while restraining the fiscal deficit, and redress problems facing financial institutions.

The Industrial Sector Program loan of \$200 million to Pakistan will support the Government's economic adjustment program to maintain rapid industry-led growth through deregulation and improved incentives. The program includes reforms to stimulate private sector activities, promote export-oriented industrialization to ease balance-of-payment constraints, restructure the tariff system to encourage industrial efficiency, improve public sector savings, and rationalize the financial system to mobilize private sector savings for industrial investments.

The Financial Sector Program loan of \$200 million to Indonesia is the Bank's first program loan to encourage financial sector policy reforms aimed at developing a more efficient and responsive financial system. The reforms include liberalizing the entry of new financial institutions, reducing restrictions on the range of financial services, streamlining the legal framework for major segments of the money and capital markets, and promoting the development of the securities market. The loan will support the Government's reform program by providing balance-of-payments support and helping to meet the increased import demand which is expected to result from continuing deregulation in trade, industry and investment policies.

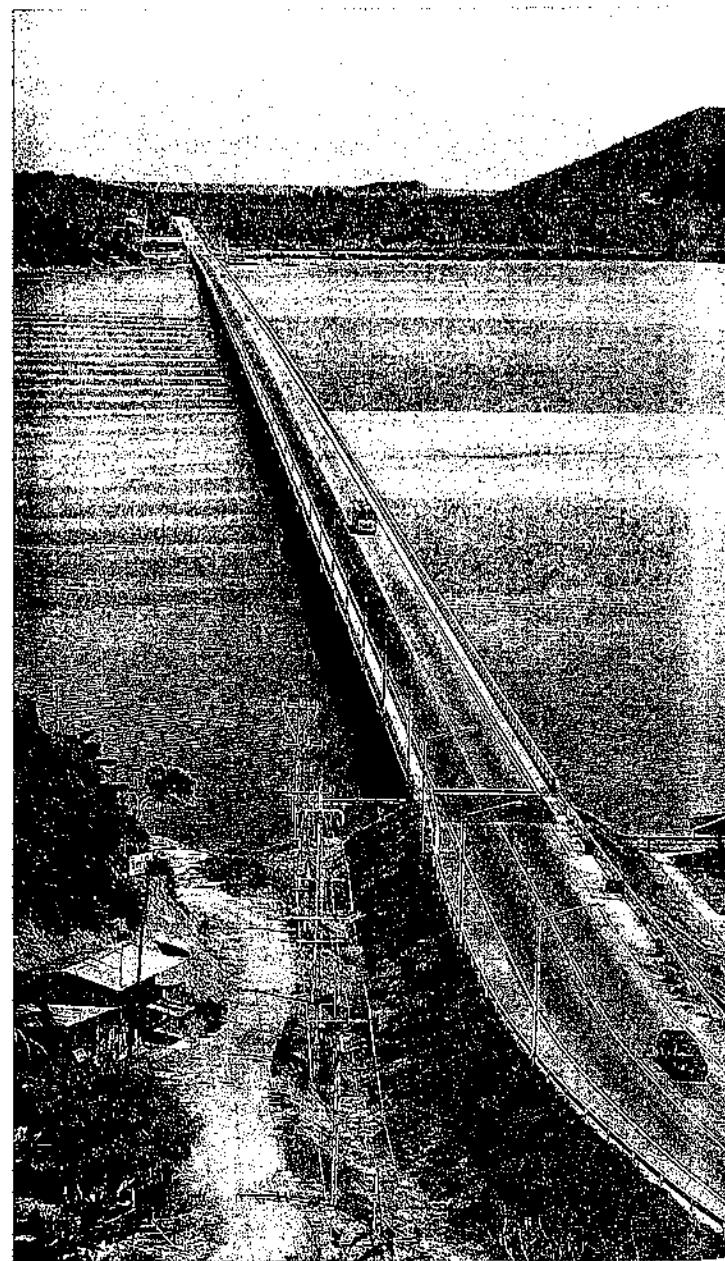
The Bank also continued to transfer resources to small and medium-size productive enterprises in the private sector through credit lines to selected financial intermediaries. Five credit lines (other than agricultural credit) totalling \$207.5 million were extended to development finance institutions during the year. These included the first credit line extended by the Bank to the newly-established Bhutan Development Finance Corporation, amounting to \$2.5 million. For Bhutan, the Bank also approved a loan to develop industrial estates.

Various technical assistance grants were provided to support the program loans. A technical assistance grant to Bangladesh was designed to deal with the environmental aspects of the Industrial Program. Two advisory technical

assistance grants to Pakistan were for a study of regional industrial potential and industrial pollution control policy and a study to develop a disinvestment strategy for public enterprises.

In addition, the Bank continued to assist in the development of DMC financial systems through technical assistance for strengthening financial intermediaries, developing new areas for assistance such as leasing, venture capital, regional development banks and capital markets.

Lending to the transport and communications sector fell by 20.6 per cent in 1988 to \$630.4 million. Five projects were approved for the airports and highways subsector, including one sector loan for periodic maintenance of roads in Fiji and a supplementary loan for the Second Tribhuvan International



BRIDGE at Songkhla Port, Thailand, part of a Bank-assisted project to develop facilities at Songkhla and Phuket ports to handle more traffic.

Airport (including Extension) Project in Kathmandu, Nepal. The five project loans amounted to \$425 million, excluding a \$22 million component under a Bank loan of \$40 million to Bangladesh for a flood damage restoration project, which also covered the repair of roads damaged by the 1987 floods. The lending for roads was mainly to promote regional development, support industrial activities linking productive agricultural areas with population centers, and strengthen road maintenance. These efforts were supplemented by 10 technical assistance projects totalling \$6.3 million to carry out feasibility studies, design work and network planning for future road projects as well as to strengthen concerned government institutions and to enhance capabilities of domestic contractors.

In the *ports, railways and communications* subsector, the Bank approved four loans totalling \$205.4 million. A loan of \$135 million, the Bank's first for the telecommunications sector in India, was for an extensive modernization program, including the introduction of state-of-the-art digital technology. The Bank also approved a loan of \$24 million to a private sector enterprise, the Philippine Long Distance Telephone Company, for an expansion program using the latest technology.

In the *railways* subsector, the Bank approved a concessional loan of \$40 million to Bangladesh to help the Government restore important roads in Dhaka and Chittagong and railways on a countrywide basis which were damaged during the 1987 floods.

In the *ports* subsector, a concessional loan of \$6.4 million was approved for Male' Port Development in Maldives, mainly to increase capacity and ease congestion at the commercial harbor. A technical assistance grant of \$480,000 was also approved for the institutional strengthening of the Maldives Ports Authority.

In addition, seven technical assistance projects were approved, of which five were for the preparation of future projects and two for advisory services and institutional strengthening.

Bank assistance to the *energy* sector amounted to \$567 million, comprising seven loan projects. In addition, 10 technical assistance projects were approved. Loan assistance covered the improvement and expansion of power distribution facilities, as well as building new capacity for increased production of electricity and natural gas. The technical assistance projects addressed a wide range of activities such as feasibility studies, pricing strategies, manpower development and demand management. The technical assistance projects also included substantial support for preparing an energy conservation program for energy-intensive industries in the People's Republic of China.

Lending to the *social infrastructure* sector more than tripled to \$445.2 million in 1988. In the *water supply and sanitation* subsector, one loan of \$20.65 million was approved for a sewage treatment project in the Republic of Korea. The project is the first stage of a sewage master plan for the cities of Suweon and Jinju, designed to help them continue industrial and urban development with a minimum adverse impact on the environment. In addition, 10 technical assistance projects were approved, five of which were for project preparation, three for sector analyses and training and

two for regional assistance.

In the *urban development and housing* subsector, the Bank approved a \$175 million loan for a multi-component integrated project for the city of Medan in Indonesia, the first time an urban transportation component had been included. In addition, 12 technical assistance projects, totalling just over \$3 million, were approved covering a wide range of project preparatory and institutional support work including, for the first time, assistance to a housing finance institution and assistance for a tourism-related study. Further, a study was completed updating an earlier urban sector profile for Indonesia, and field work for an urban profile study was undertaken in Sri Lanka.

In the *health and population* subsector, one loan — for Indonesia — and four technical assistance projects were approved. The latter included a regional review of the subsector.

In the *education* subsector, the Bank approved five loan projects in 1988. These covered restoration and rehabilitation works as well as upgrading of technical manpower training in Sri Lanka, improving the quality and efficiency of education at the secondary and tertiary levels in the Philippines, and developing professional and high-level marine science manpower in Indonesia. Technical assistance projects were also approved for project preparatory, advisory and operational and regional purposes. In addition, two scholarship programs were established: one to provide postgraduate studies in development-related fields (financed by the Government of Japan), and the other to award short-term scholarships for skills upgrading in the South Pacific DMCs and other smaller DMCs. A sector paper was completed on Education and Development in Asia and the Pacific to provide a basis for future Bank operations in the sector.

Technical Assistance

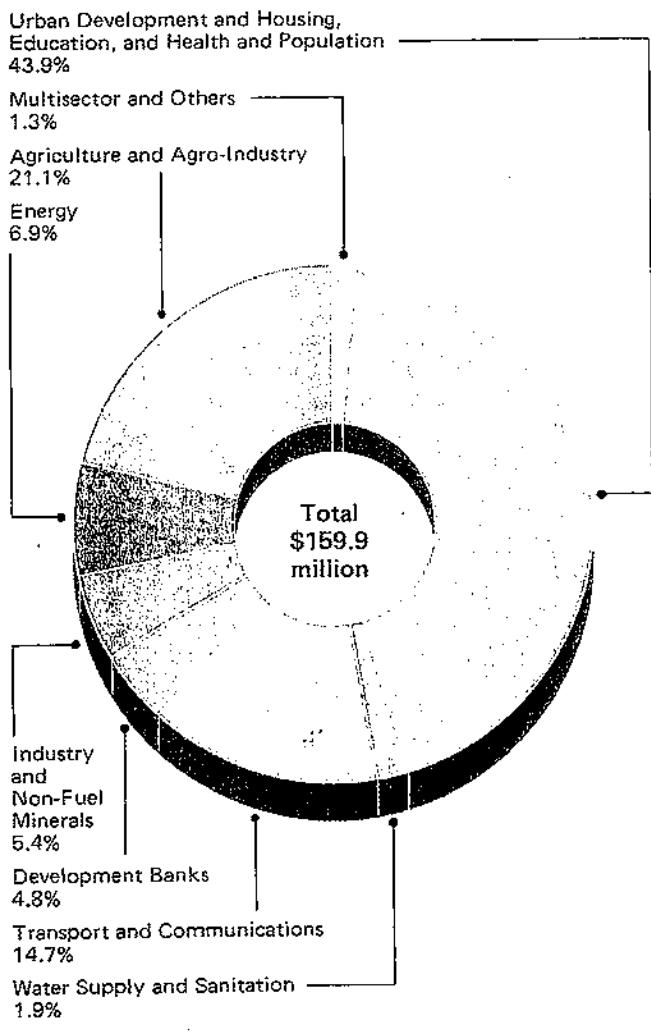
Role of Technical Assistance and Its Funding

Technical assistance continued to play a key role in the Bank's operations during 1988. Its main function is to facilitate the transfer of resources and technology to DMCs by helping them design, formulate, implement and operate development projects. Technical assistance is also used to enhance DMC capability to formulate economic development strategies, policies, programs and plans to improve the allocation of scarce domestic and external resources.

Technical assistance activities are financed by the Bank through grants, loans and a combination of both. Funding for grant-financed technical assistance activities comes from: voluntary contributions to the Technical Assistance Special Fund (TASF) from both developed and developing member countries; allocations to TASF from ADF V; income from OCR operations; the Japan Special Fund (JSF); and grant funds provided by other multilateral and bilateral sources under co-financing and exclusive financing arrangements.

Funding for loan-financed technical assistance comes from OCR and ADF, together with other multilateral and

Technical Assistance By Sector: 1988^a



^a Excludes regional activities.

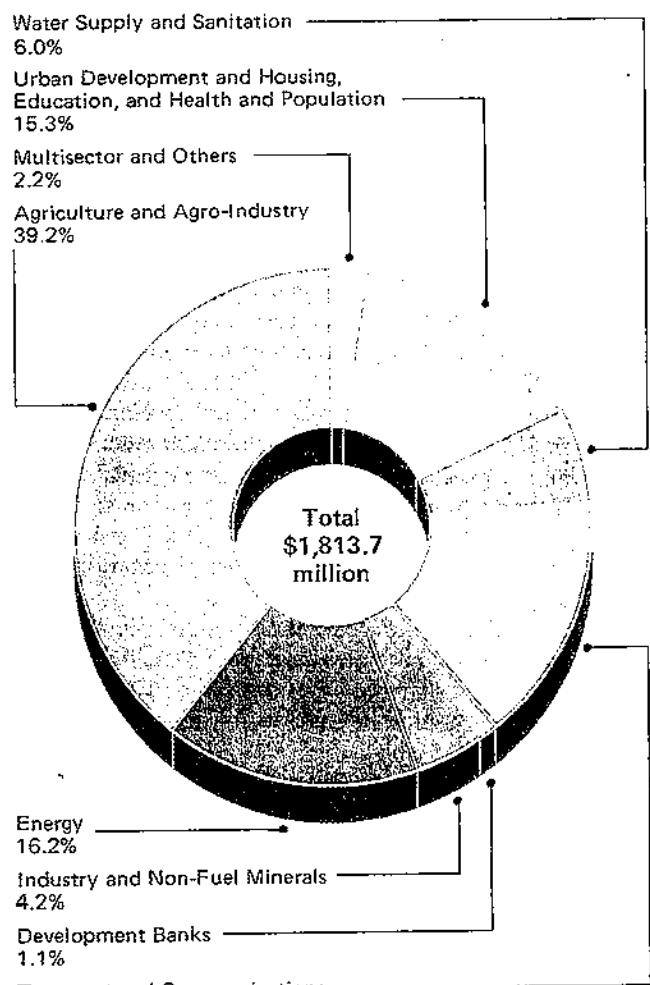
bilateral sources under co-financing or exclusive financing arrangements.

During 1988, a total of \$169.5 million in technical assistance loans and grants was provided for 206 projects, including regional activities. Of this amount, \$58.8 million was grant-financed (\$30 million by the Bank, about \$16.5 million from the JSF and about \$12.3 million from other sources) and \$110.7 million was loan-financed (\$105.3 million by the Bank and \$5.4 million by co-financiers).

Streamlining of Technical Assistance

During 1988, the Bank introduced various measures to streamline further the financing and processing of technical assistance activities, especially those financed on a grant basis. In particular, a number of ceilings or limits of technical assistance were raised, largely to reflect the increase in the remuneration of consulting services financed by technical assistance.

Technical Assistance By Sector: 1967-1988^a



^a Excludes regional activities.

Until April, technical assistance for feasibility studies not exceeding \$150,000 had been financed fully as a grant. If a technical assistance for feasibility study exceeded \$150,000, but was not more than \$350,000, it would be financed initially as a grant and, in the event a Bank loan resulted, the amount in excess of \$150,000 would be refinanced from the Bank's loan for the ensuing project. Since then, the grant limit of \$150,000 has been raised to \$250,000, and the initial grant ceiling from \$350,000 to \$600,000.

Under current practice, the President is authorized to approve technical assistance grants financed by the Bank and to approve the Bank's administering technical assistance grants financed by other sources, if the technical assistance does not exceed a certain limit, does not involve any unusual obligation for the Bank or the recipient, and does not raise any issue warranting Board consideration. In April, this delegated authority of the President to approve technical assistance grants was increased from \$350,000 to \$600,000.

The Bank has been providing grant-financed small-scale technical assistance, usually for the updating of feasibility

studies prepared by prospective borrowers and/or the filling of information gaps in such studies or for financing advisory and regional technical assistance of small size. In April, the ceiling for such technical assistance grants was increased from \$75,000 to \$100,000.

Aside from providing technical assistance for project preparation relating to a single project, the Bank also finances technical assistance programs involving the preparation of feasibility studies and/or detailed engineering of a number of subprojects. Until April, such technical assistance programs had been financed only by loans. Since then, technical assistance programs have been financed by a combination of grant and loan, and the grant portion will be allocated for financing each feasibility study up to \$250,000. The inclusion of grant financing for technical assistance programs has made the financing of feasibility studies under such programs consistent with similar studies financed on a stand-alone basis.

Moreover, to encourage the utilization of the technical assistance program facility by DMCs, the Bank in December allowed the refinancing of the loan component of a technical assistance program from the investment loans for the sub-projects resulting therefrom. This refinancing facility is now consistent with the refinancing facility available for technical assistance loans for individual projects from the resulting investment loans.

Grant-Financed Technical Assistance

Technical assistance grants approved by the Bank (funded by the Bank and other sources) totalled \$58.8 million for 187 projects, including regional activities, in 1988. This compares with \$41.9 million for 141 projects approved in 1987, and brought the cumulative total to \$339.3 million. Of the 1988 total amount, 57 per cent was provided for advisory and project implementation purposes, 27 per cent for project preparation and 16 per cent for regional activities.

Forty-four per cent, or \$21.7 million, of the total amount of technical assistance grants to DMCs went to countries fully eligible for ADF loans, a drop from 72 per cent in 1987. The decrease was mainly due to the provision of increased technical assistance grants to countries such as People's Republic of China, Fiji, Indonesia, Malaysia and Philippines. India also received technical assistance for the first time in 1988.

The agriculture and agro-industry sector retained the largest share of grant-financed technical assistance with 44 per cent, a considerable increase over 31 per cent a year earlier. This was followed by transport and communications with 19 per cent and social infrastructure with 16 per cent, compared with 15 per cent and 16 per cent, respectively, a year earlier. Industry and non-fuel minerals accounted for 13 per cent, an increase from 10 per cent the previous year. Energy accounted for 7.4 per cent, a big drop from 16.6 per cent the previous year, and others 4.3 per cent.

The Bank acts as the executing agency for most technical assistance financed from other sources. Such projects were financed in 1988 by agencies including the Danish International Development Agency, the Finnish International

Development Agency, the United Nations Development Programme and the Governments of Norway and Switzerland.

The importance of technical assistance to the Bank's overall lending program is highlighted by the fact that, as of the end of 1988, 374 Bank loan projects amounting to \$11 billion had resulted from earlier project preparatory technical assistance grants amounting to \$76.5 million (the total amount of project preparatory technical assistance approved was \$260 million). In 1988, 22 Bank loan projects totalling \$1,273 million resulted from technical assistance. Of this amount, about \$873 million came from OCR and \$400 million from ADF, representing 42 per cent and 37 per cent, respectively, of OCR and ADF loans approved.

Regional technical assistance grants amounted to \$9.6 million for 44 projects, up from \$7.5 million for 39 projects in 1987. During the year, 15.3 per cent of the total amount of regional activities went to training; 50.9 per cent to studies and workshops; 19.7 per cent to research; 13.5 per cent to conferences and seminars; and 0.6 per cent to other activities. In 1988, 127 grant-financed technical assistance projects were completed, bringing the total number of such projects to 878.

Loan-Financed Technical Assistance

During 1988, technical assistance components of loans totalled \$110.7 million for project implementation and advisory-technical assistance activities, an increase of 9.6 per cent over the previous year.

Group A (low-income) DMCs received about 41 per cent of the total amount of loan-financed technical assistance approved in 1988 compared with 35 per cent during 1987. Group B (middle-income) DMCs received 58 per cent in 1988 compared with 59 per cent in 1987 and Group C (higher-income) DMCs received one per cent in 1988 compared with six per cent in 1987.

The sectoral distribution of the total amount of loan-financed technical assistance approved in 1988 included 59 per cent to social infrastructure, followed by 18 per cent to transport and communications, nine per cent to industry and non-fuel minerals and seven per cent each to agriculture and energy.

Japan Special Fund

During the year, the Bank entered into a financial arrangement with Japan and would administer the Japan Special Fund (JSF).

The objective of the JSF is to help DMCs restructure their economies and broaden the scope of new investment opportunities in DMCs, assisting the recycling of funds to DMCs. The JSF will support the efforts of DMCs toward industrialization, natural resources development, human resources development and technology transfer. The fund will be used to finance or co-finance technical assistance projects, on a grant basis, whether in the public or private sector, including project preparation, advisory services and regional activities; and, in special cases and on a grant basis, technical assistance

components of public sector development projects financed under loans from the Bank.

The JSF offers an important opportunity for the Bank to expand its technical assistance activities. An amount of approximately \$35.8 million was made available in April and this resulted in a substantial increase in the Bank's overall technical assistance program.

In the first year of administration of the fund, a total of \$16.5 million for 41 technical assistance grants was committed for technical assistance operations. This accounts for about 28 per cent of the total amount and 22 per cent of the total number of technical assistance grants during the year.¹

Other Sources of Technical Assistance Grants

As in previous years, the Bank was able to secure funding from other sources to supplement its grant resources (mainly Technical Assistance Special Fund and OCR income) for technical assistance operations. Such financing — either on an exclusive or co-financed basis — was provided for technical assistance activities in which the Bank acted as the executing agency. The United Nations Development Programme was an important source of funds, providing \$9.2 million for 12 technical assistance projects, including \$3.98 million for the technical assistance component for seven loan projects. This compared with \$14 million for 17 projects, including \$7 million for the technical assistance component of eight loan projects a year earlier. Other sources included bilateral agencies such

¹ The JSF can also be used to finance private sector development projects through equity investments. One equity investment for \$3 million was also approved for financing under the JSF.

Grant-Financed Technical Assistance Approvals Funded from Other Sources,^a 1988 (amounts in \$ thousand)

Agency	No. of Projects	Amount
United Nations Development Programme	12	9,188.0
Switzerland	5	1,731.0
Finnish International Development Agency	1	922.0
Danish International Development Agency	1	390.0
Norway	2	77.0
TOTAL	21	12,308.0

^a With the Bank acting as Executing Agency.

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

In 1988, such financing amounted to \$12.3 million, or 21 per cent of all technical assistance grants approved during the year, compared with \$15.9 million, or 38 per cent, in 1987. Of this, \$7.2 million for 13 projects was provided on an exclusive financing basis and \$5.1 million for eight projects was for co-financing with the Bank or the Japan Special Fund.

Education, Training and Institutional Development

The Bank considers human resource development as an essential part of socioeconomic progress in its DMCs. This is reflected in its efforts to provide basic education for all, to train and develop manpower to be responsive to changing labor and economic conditions as well as to the demands of science and technology, and to build up the institutional capacity of beneficiary agencies. In addition to direct assistance to the education sector, the Bank supports built-in education, training and institutional development components in loan and technical assistance projects in almost all sectors, and has created other operational instruments, such as non-project related scholarship programs.

In 1988, the Bank approved 56 loan projects of which five were in the education sector while, of the others, 19 had education and training components. In all, \$210 million was provided in the form of loans in the education sector, \$21.5 million for education and training components of loan projects in other sectors, and \$7.8 million for technical assistance and scholarship activities in support of education and training.

In the education sector, the Bank approved five loan projects amounting to \$210.2 million, which represents a significant increase over past Bank lending for education. Bank assistance ranged from the rehabilitation of school buildings, as in the case of the Emergency Schools Restoration Project in Sri Lanka (\$15 million), to the improvement of quality and efficiency of education and training, as in the cases of the Agricultural Technology Education Project in the Philippines (\$15.86 million), the Second Technical Education Project in Sri Lanka (\$36 million) and the Secondary Education Development Sector loan in the Philippines (\$70 million). Bank support for education and training in the field of science and technology was also evident in the Marine Sciences Education Project in Indonesia (two loans totalling \$73.35 million) where academic qualification and skills of teaching, support and administrative staff will be upgraded through short and long-term training. About 106,000 teaching and administrative staff and some 500,000 students are expected to benefit each year from the Bank's 1988 lending activities in education.

Education and training components of loan projects in other sectors were often designed to strengthen the institutional capacity of beneficiary institutions. For instance, about



PUPILS at Port Moresby Business College are among the beneficiaries of the Technical Education Project in Papua New Guinea. The project, aimed at improving and expanding technical education and apprentice training, was supported by a Bank loan of \$16 million.

\$1 million of the Agriculture Diversification Program loan in Fiji was earmarked to train about 100 staff of the Ministries of Agriculture, Forestry, and Finance and Economic Planning, in project planning, formulation, monitoring and control. Another example was the Small-Scale Industry Project in Pakistan under which the Bank provided \$650,000 for training courses to strengthen executing agencies' capacity for project identification, promotion and appraisal. A third example was the Qingdao Tire Development Project in the People's Republic of China, under which the Bank provided \$800,000 to train administrative and technical staff of beneficiary agencies in the application of new process technologies and modern industrial management.

About \$7.8 million was also provided for education and training in project preparatory, advisory and operational, and regional technical assistance projects during the year. Technical assistance was widely used to help overcome institutional, educational and manpower weaknesses in DMCs. For exam-

ple, the Regional Seminar on Monitoring and Evaluation of Development Projects and Trainers Workshop provided a forum for 30 senior representatives of executing agencies from People's Republic of China, Malaysia, Nepal, Philippines and Thailand to assess their respective capacity for monitoring and evaluating development projects. Institution-building support was also provided to Indonesia in the Strengthening of the Industrial Information System of the Ministry of Industry Project, under which about \$36,000 was allocated for overseas training in data collection and processing of industrial information, and to the Indonesian Banking Development Institute, for which \$400,000 was allocated to prepare a manual for market analysis of investment proposals in the agro-industrial sector for the use of commercial and private banks.

In 1988, seven technical assistance grants were approved in the education sector. Some were for project-related studies such as the Five Universities Development and Rehabilitation Project in Indonesia (\$450,000). Others addressed the needs of DMCs in manpower development and helped to formulate policies and strategies for the education and training sector. Examples of the latter were a regional technical assistance of \$350,000 for the Preparation of Training Resources for Accounting Technicians and \$495,000 in advisory technical assistance for a study of Technical and Vocational Education Development in Pakistan. The Education and Training Sector Study for Sri Lanka (\$405,000) will assist the Government to develop policies and strategies for the education and training sector.

Scholarship Programs

The Bank, in its commitment to broaden its beneficiary base, adopted a new operational instrument for education and training — the scholarship program. Two such programs were approved this year, the Asian Development Bank Scholarship Program financed by the Government of Japan and administered by the Bank and the Bank-financed Scholarship Program for Smaller DMCs. The Japan-ADB Scholarship Program provides for postgraduate studies in development-related fields of study at a number of selected regional institutions for nationals of the Bank's DMCs. Under the program, for which \$700,000 was made available for the first year, scholarships were awarded to 49 nationals from 15 DMCs during 1988. The Scholarship Program for Smaller DMCs, for which a regional technical assistance in the amount of \$300,000 was approved, sponsors short-term scholarships in specific fields of training for candidates nominated by the Governments of Bhutan, Lao PDR, Maldives, and the eight South Pacific DMCs, namely, Cook Islands, Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Vanuatu and Western Samoa.

Country Strategies and Policy Dialogue

The Bank continues to lay emphasis on country strategy studies as the basis for its operations in DMCs. The studies

examine the economic and social situation in the country concerned and, in the light of this and the Bank's resources, provide a framework for Bank assistance. They also take into account current concerns of the Bank such as the alleviation of poverty, adjustment and growth, the role of women and non-governmental organizations.

During the year, the Bank revised some studies — the first country strategy studies were prepared in 1985 — and prepared new ones.

Work began on reviewing the strategy studies for Bangladesh and Pakistan and these were due for completion in early 1989. Country strategy studies for Malaysia, Nepal, Papua New Guinea, Philippines, Sri Lanka and Thailand were completed.

One important aspect of country strategy is the role of policy dialogue. This is the process through which the Bank endeavors to enhance the quality of its operations by improving the policy environment in DMCs. During 1988, policy issues of concern in DMCs were discussed with governments.

As a result of policy dialogue, efforts to secure a reduction in government subsidies in agriculture continued in Nepal, Pakistan and Sri Lanka. Suitable pricing policies for public utilities were stressed in discussions in Bangladesh, India, Lao PDR and Philippines. Institutional-strengthening and sector policy improvements were pursued in Bangladesh, Bhutan, Pakistan and Philippines. Cost recovery of operations and maintenance charges was partially achieved through policy dialogue in Indonesia. Recognition of the role of privatization and its advantages is also likely to emerge in the shipping sector in Fiji as a result of policy dialogue.

Private Sector Assistance Activities

Support for private enterprises increased substantially during 1988, with approvals of loans and equity operations almost double those of the previous year. Total Bank approvals of direct private sector investments including equity, underwriting and loans without government guarantee totalled



TOMATOES as seedlings (left) will be processed at a modern tomato paste factory in northeast Thailand (right). The Bank has taken a 15 per cent equity stake in the enterprise and supported it with a \$1.46 million loan.



\$94.7 million in 1988 compared with \$48.1 million in 1987. Loans to private companies and financial institutions totalled \$58 million while approvals of equity investments and equity underwriting operations rose to \$36.7 million, compared with \$20.5 million and \$27.6 million, respectively, in 1987. The Bank also approved equity investments totalling \$3.5 million in 10 projects under previously approved lines of equity.

Cumulative Board approvals of private sector operations including a complementary loan of \$5 million and excluding cancellations amounted to \$167 million as of 31 December 1988.

The equity investments and loans approved during the year will assist private enterprises in seven DMCs as well as a regional fund. In India, a petrochemical company received a loan of \$4 million and an equity investment of \$3 million. In Indonesia, a steel rolling mill received a loan of \$15 million, and two development banks were also assisted. An equity injection of \$1.7 million was approved for one development bank, while a second line of equity amounting to \$5 million was approved for the other. In Pakistan, a leasing company (in which the Bank has an equity investment) received a second direct loan amounting to \$15 million to enable it to expand lease financing of imported equipment. The Bank's first loan without government guarantee to a Philippine company will help the expansion and modernization of the country's telecommunications system. Financial institutions were assisted in several countries. In Sri Lanka, \$330,000 is being injected in the equity of a new insurance company and in Thailand and Philippines, new venture capital companies were assisted with equity investments of \$1 million and \$2.5 million, respectively. The Bank's expanding operations with mutual funds resulted in an underwriting of \$5 million in a Thai fund and a \$15 million underwriting of a regional fund headquartered in Singapore.

Technical assistance grants were approved for three privatization projects. In Solomon Islands and Western Samoa, all government business-type activities are being reviewed with a view toward rationalization, commercialization and privatization. The project in Western Samoa is a continuation of a 1986 project which has so far resulted in the privatization of four companies. The Bank is also assisting the privatization efforts of the Government in the Philippines. In connection with a forest products project in Indonesia, the Bank approved a technical assistance grant to advise the Ministry of Forests and the project sponsors on the proper utilization of forest resources.

To strengthen institutional aspects of financial intermediaries as well as to assist and enhance DMC capability to formulate and implement economic development strategies, policies and programs, 18 technical assistance projects amounting to \$3.22 million were approved during 1988. The major ones were the regional technical assistance for the Second Round Capital Market Study in Selected Developing Member Countries and Study of Securities Market Institutions in Selected Developing Member Countries. Other technical assistance projects included Institutional Support to the Bhutan Development Finance Corporation; Establishment of Domestic Unit Trust in Sri Lanka; Credit Guarantee Scheme for SSIs in Pakistan; and Financial Sector Program in Indonesia.

Technical assistance was also approved for studies on venture capital companies, the leasing industry and thrift banks. Two regional technical assistance grants were for project benefit monitoring and evaluation for projects in development finance institutions and the industry and non-fuel minerals sector, and the Study of the Impact of Exchange Risk on Development Finance Institutions and their Sub-Borrowers and Measures to Minimize Risk.

The Bank's private sector operations, which have been underway since 1983, were reviewed by the Board in June and some changes were made to allow more responsiveness to private sector needs and to enable the Bank to play a more effective catalytic role. As a result of the review, the Bank has increased the amounts allocated for loans without government guarantee and equity investments to \$375 million from \$145 million. The review also resulted in greater flexibility with regard to size of equity investments and loans. The upper limit for the percentage of a project's equity in which the Bank may invest was increased to 25 per cent from 20 per cent and the upper limit of \$3 million was removed, as was the lower limit of \$100,000.

Similarly, the upper loan limit of \$30 million for a project was relaxed although that amount is retained as the normal limit. Another significant change reduced the commitment fee for loans to private companies to an effective 0.5 per cent during the first year.

The above applies to direct investment and private financial and corporate projects, which, as indicated, is a rapidly growing activity. Nonetheless, most assistance to private companies continues to be by way of credit lines to selected financial intermediaries for relending to small and medium-size production enterprises.

In addition to its lending operations, the Bank approved eight equity investments (six direct investments, two lines of equity) and two underwriting commitments totalling \$36.7 million. This will assist one private industrial enterprise, seven financial institutions, one investment fund and one regional fund. Notable was the Bank's catalytic role in forming Thai Agribusiness Venture Capital Company and H&Q Philippine Ventures, two new venture capital operations designed to play an important role in financing private enterprises. As of the end of 1988, total cumulative equity investment and underwriting approvals stood at \$77.4 million since the Bank began equity operations in 1983.

ADF Lending Policy

In March, the Board approved the classification of People's Republic of China and India as Group A countries. This group of countries is normally eligible to borrow from ADF resources because of low per capita income and limited debt repayment capacity. Currently, however, it is not envisaged that People's Republic of China and India would have access to ADF resources, although this situation would be reviewed taking into account relevant factors such as the likely availability of ADF resources and the requirements of traditional borrowers from ADF.

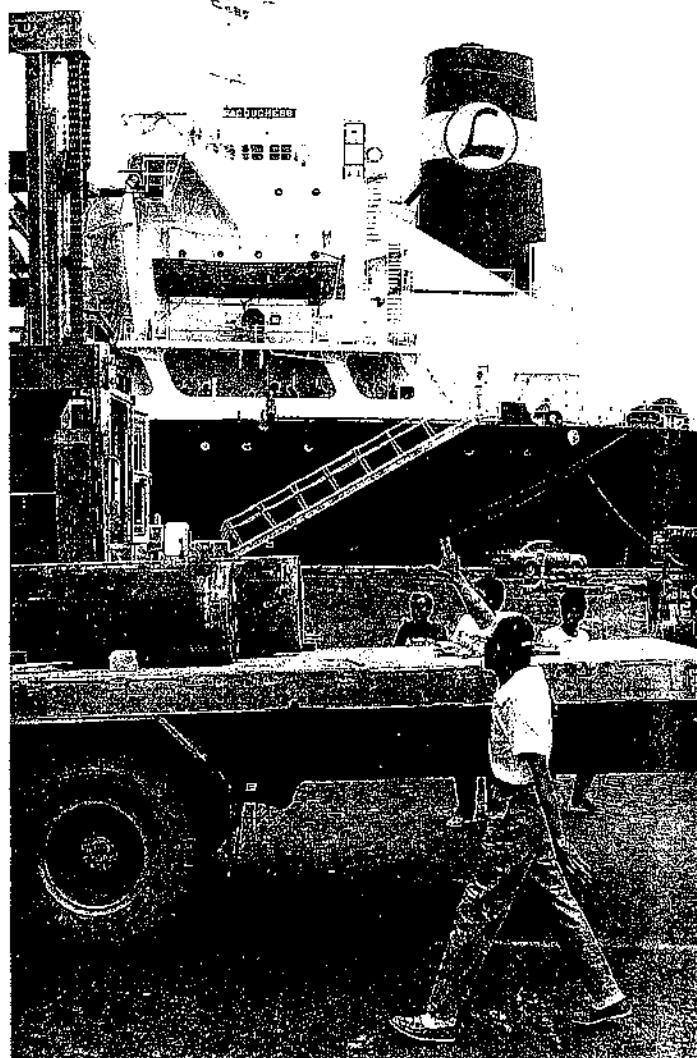
Co-Financing

The number of projects which were co-financed fell to 17 in 1988 from 25 a year earlier. In terms of financial volume, however, contributions of co-financiers rose 55 per cent to \$774 million in 1988 from \$498 million in 1987, with the Bank's contribution decreasing to \$842 million from \$1,209 million in the same period. Official sources of co-financing increased 138 per cent to \$680 million from \$286 million in 1987, and their share of total co-financing rose to 88 per cent from 57 per cent. Co-financing from commercial sources decreased to \$94 million from \$212 million in 1987, or to 12 per cent of the total compared with 43 per cent a year earlier.¹ As of the end of 1988, 259 Bank projects had involved co-financing since Bank operations began in 1967, with co-financiers providing approximately \$7.1 billion and the Bank \$9.8 billion.

While economic growth in most of the Bank's DMCs continued to show improvement during the year, domestic resource constraints and debt-service burdens continued to have a restraining effect on commercial co-financing activities. However, projects in sectors which are traditionally attractive to co-financiers — such as those relating to power and energy, including oil and gas, industry and development banks — were co-financed in 1988. Nine of the 17 co-financed projects were in these sectors. In addition, there were four co-financed projects in the agriculture and agro-industry sector, two in the transport and communications sector, one in the social infrastructure sector and one involving additional co-financing for 19 ongoing Bank-assisted projects in various sectors.

Bilateral sources such as the Overseas Economic Cooperation Fund of Japan, including the untied facility channelled through the Export-Import Bank of Japan, and the Governments of Canada, Finland, Switzerland and United Kingdom continued to be tapped for co-financing, providing \$594 million for eight projects. Multilateral sources — the International Finance Corporation, the OPEC Fund for International Development, the United Nations Capital Development Fund, the United Nations Development Programme and the World Bank — provided \$86 million for seven projects.

Co-financing with export credit/commercial sources decreased to \$94 million, or 12 per cent of total co-financing, for three projects, compared with \$212 million, or 43 per cent, for seven projects in 1987. With continuing economic growth expected in the Bank's DMCs during 1989, co-financing from these sources should increase since projects in the energy, power and industrial sectors have been identified. In addition, the Bank expects co-financing from commercial sources utilizing the Bank's guarantee facility to provide additional resources from private financial institutions to co-finance both project and program loans of the Bank. Such resources, under the Bank's guarantee, will have more favorable terms, particularly manifested in longer maturities, than would other-



CARGO handling facilities are being rehabilitated under the Second Manila Port Project in the Philippines. The Bank-assisted project is designed to ease congestion at the port.

wise be available to DMCs from these institutions. Such co-financing will assist in easing DMC debt-service profiles in their commercial borrowings.

Guarantee Operations

In February, the Bank approved a policy framework to guarantee loans by private financial institutions to DMCs. The framework for guarantee operations was approved in the light of substantial balance-of-payments surpluses in some of the Bank's developed member countries and difficulties in many DMCs in mobilizing sufficient resource flows on acceptable terms to sustain economic recovery programs.

The guarantee operations are to be used only in selected circumstances and on a case-by-case basis. Their use will enhance Bank efforts to promote resource flows by complementing the Bank's direct lending and co-financing operations. The provision of guarantees could play a role in lengthening maturities of co-financed loans and in attracting

¹ This is partly due to the fact that co-financing under the untied loan facility with the Export-Import Bank of Japan has been reclassified under official sources.

additional resources from private sources.

The Bank guarantee is intended to cover up to a maximum of principal repayments and associated base interest costs for maturities beyond the normal co-financing terms available to the borrower. Guarantees will be extended only as far as necessary to achieve the desired terms and conditions of the loans. Pricing of the guarantee will be based directly on the benefits which the Bank's guarantee provides in terms of market-related factors.

Bank guarantees will be used only for projects and programs in which the Bank participates. During the year, Bank staff discussed the new facility with DMCs and appropriate applications are expected to be developed in 1989.¹

Development Resource Center Activities

The scope of the Bank's activities as a Development Resource Center — which encompasses dissemination of information and assistance to DMCs for strengthening their institutions and improving their policies — was further expanded in 1988.

Changes in the international economic environment led to changes in priorities in the DMCs. Along with effective resource mobilization, efficient resource allocation, and investment activities, the need for growth with equity was again brought to the fore of the economic agenda. Ongoing policy dialogue between the Bank and DMCs led to a better appreciation of these needs and the ways of coping with them. To formalize this process of policy dialogue, a new forum was created in the *ADB Round Table on Development Strategies* (RTDS), which will be implemented from 1989. The first RTDS, for which preparatory work was started in 1988, will bring together senior DMC government officials and the Bank's senior management to discuss current economic problems facing these countries and the possible role the Bank can play in resolving these problems. Preparatory work was also undertaken for holding another new Round Table in 1989 on the *Role of Newly Industrialized Economies (NIEs) in Asian Development*, which will bring together representatives from government, business and academia from the NIEs and Bank management to identify areas of collaboration between the Bank, the NIEs and the other DMCs.

The Bank's research program continued to focus on developmental problems of DMCs. In 1988, a number of special studies were published: *Towards Regional Cooperation in South Asia*; *Evaluating Rice Market Intervention Policies: Some Asian Examples*; *Improving Domestic Resource Mobilization Through Financial Development: Nepal*; *Foreign Trade Barriers and Export Growth*; *Financing Public Sector Development Expenditures in Selected Countries* (eight volumes); and *Study of Selected Industries*.

The ongoing research work under the Bank's technical assistance program included *The Role of Small and Medium-Scale Industries*; *Informal Credit Markets*; *Human Resources*

in Relation to Development; and *Export Credit Financing Schemes in the DMCs*. The Bank also continued its participation and contribution to the LINK project, coordinated by Nobel Laureate Lawrence Klein.

The ADB Economic Staff Papers and Economics Office Report Series continue to be important outlets for research findings by Bank staff. The research reports published under these two series during the year included: *Recent Trends and Issues on Foreign Direct Investment in Asian and Pacific Developing Countries*; *Manufacturing Exports from the Philippines: A Sector Profile and An Agenda for Reform*; *Emerging Issues in Asia and Social Cost-Benefit Analysis*; *Shifting Revealed Comparative Advantage: Experience of Asian and Pacific Developing Countries*; *Agricultural Price Policy in Asia: Issues and Areas of Reform*; and *A Survey of External Debt Situation in Asian Developing Countries*.

The Bank provided technical assistance to explore the possibilities of systematizing research collaboration between regional institutions and the Bank. To this end, the first Regional Workshop on Monitoring National Research will be convened in early 1989. In addition, the Bank provided technical assistance for strengthening the industrial data base in Malaysia, for improving agricultural statistics in the Philippines, and for improving short-term economic policy analysis in Thailand. Furthermore, technical assistance was provided for statistical manpower training in the South Pacific.

During the year, important contributions to development issues were published in the *Asian Development Review* which was circulated to scholars and research institutions around the world. A number of eminent development experts visited the Bank to lecture under the Distinguished Speakers Program. A new publication of the Bank, the *Asian Development Outlook*, which will provide an in-depth analysis of the short and medium-term outlook for DMCs, will be launched in mid-1989.

Furthermore, a seminar on the *Asian Economic Outlook*, which will be attended by concerned experts and will provide inputs for the forthcoming *Asian Development Outlook*, is planned for early 1989.

The Bank provided financial assistance to the Pacific Trade and Development Center and the Asian Productivity Organization to support some of their research and training programs. It collaborated with the East-West Center and the Inter-American Development Bank to sponsor a conference on Comparative Development Experience in Asia and Latin America.

The Sixth Annual ADB Development Round Table on "The Promotion of Medium and Small-Scale Industries for Development" was convened by the Bank at its Headquarters in Manila. This event brought a group of policymakers from the DMCs together with a set of distinguished experts for exchanging views and experiences on issues concerning small and medium-scale industries in the region.

Environmental Planning and Management

The Bank initiated several activities in 1988 to strengthen its environmental and natural resources planning and manage-

¹ The Bank's first guarantee operation, in connection with co-financing to Indonesia for its Financial Sector Program, was approved by the Bank in March 1989.

ment capability. The new moves included consolidating and strengthening the environmental review process and operating a comprehensive monitoring system throughout the project cycle; designating Environment Unit contact persons in the Projects and Programs divisions; integrating environmental considerations in country programming exercises, particularly in sectoral lending strategy and country strategy studies; incorporating environmental policy intervention in program lending activities; and introducing the use of remote sensing to enhance the design and management of loan and technical assistance projects.

New initiatives also included strengthening environmental institutions and related line agencies, conducting country training and environmental projects; directing greater attention to the environmental dimension of forestry projects; supporting environmental projects which address poverty alleviation; supporting environmental education as an integral part of technical and science training in the education systems of developing member countries; and developing minimum quality criteria for ecologically-sensitive areas.

During the year, the Bank also studied the Brundtland Commission's findings, environmental quality standards for DMC use and environmental risk assessment. The Bank also recognized the importance of greater cooperation with en-

vironmental non-governmental organizations (NGOs) and regional and international agencies, particularly in support of environmental issues of regional and international concerns.

In view of the increasing awareness of the importance of environmental and natural resources to economic development, the Bank is looking at longer-term issues to continue promotion of sustainable development. These include an environmental policy to address emerging and future concerns; the integration of environmental and natural resources planning and management into country economic and sector work; programs for implementing minimum quality criteria for ecologically-sensitive areas (including biodiversity and tropical rain forests) and appropriate environmental quality standards for DMC use; implementing the results of the Brundtland study; incorporation of environmental risk assessment in the appraisal of development projects; applying the geographic information system (GIS) to the management of environmental and natural resources; and strengthening environmental and related line agencies, particularly to enhance DMCs' impact assessment and GIS capability. Resource center work will continue as well as support for environmental projects, environmental forestry projects and those that directly address poverty alleviation related to environment and natural resources. Cooperation with environmental NGOs and other



TENDING seedlings in Western Samoa. Reforestation and conservation are the major objectives of the Forestry Development Project which is supported by a concessional Bank loan of \$1.74 million.

regional and international agencies will be further strengthened. The Bank will host the 10th meeting of the Committee of International Development Institutions on the Environment (CIDIE) in June 1989.

Further emphasis by the Bank on environmental and natural resources planning and management will result in the upgrading of the Environment Unit to Division status in 1989.

Through its Environment Unit, the Bank is committed to: (i) instituting procedures for systematic environmental examination of all its development activities, including policies, programs and projects, to ensure the incorporation of environmental and natural resources planning and management concerns; (ii) cooperating with DMCs to ensure that environmental protection measures are incorporated in the design and implementation of projects; (iii) assisting DMCs to establish and strengthen environmental and line agencies concerned with monitoring and enforcing environmental laws and regulations and in providing training to support these activities; (iv) supporting environmental and natural resources programs and projects; (v) training Bank staff in the environmental aspects of economic development; (vi) conducting studies to improve project processing and implementation; and (vii) cooperating with NGOs and bilateral and international agencies. The Bank's environmental policy continues to provide a flexible operational framework in which to blend the environmental dimension with the overall objectives of socioeconomic development to ensure sustainable development and sound environmental and natural resources management.

Women in Development

Following the Bank's recruitment of a Project Specialist in 1987 to serve as a focal point for Bank efforts to promote women in development (WID), further progress was made in implementing WID policy in 1988.

The Bank's policy is principally directed at creating employment and income-generating opportunities for women; providing education, training and extension programs for women; and extending credit schemes to women. Progress was made in all these areas. In addition, specific WID considerations were incorporated into selected projects.

The Regional Study on the Role of Women in Rural Industries, begun under a technical assistance approved in 1987 and implemented by the Center on Integrated Rural Development for Asia and the Pacific, was completed during the year. The study identifies constraints to women's productive employment and outlines strategies for improvement in this area, including a proposed investment program. In particular, it recommends promoting specific small-scale and cottage industries in Bangladesh and Nepal to provide income-generating opportunities for women. Follow-up action on the report's findings and recommendations will be taken in 1989.

Work also began on an action-oriented study in Bhutan to examine the role and interests of women in general and particularly in the livestock subsector. Findings will be incorporated into the ongoing Highland Livestock Development Project to ensure effective women's participation in project



QUILT-MAKING in the Republic of Korea: one of about 200 enterprises created or expanded by a \$50 million Bank credit line to the Small and Medium Industry Bank.

activities.

In Pakistan, the feasibility study to promote girls' primary education was completed. This is the Bank's first attempt to provide infrastructure facilities exclusively for women.

In the Philippines, the NGO-Microcredit Project targets women as the main beneficiaries.

Under Programs operations, a number of country programming missions held discussions with DMC governments and WID issues were incorporated in country program papers. The Bank's longer-term operational strategy for Nepal was prepared during 1988, and this includes a WID analysis in a macroeconomic context. In addition, WID Country Briefing Papers were prepared for Fiji, Republic of Korea and Philippines to assist staff in identifying and acting on WID issues in each country.

Work also began in preparing materials for a WID in-house training seminar. The seminar will aim to promote staff awareness and knowledge of WID issues and to develop skills to incorporate relevant issues into operations, especially in the preparation of projects.

Cooperation with NGOs

To promote continued cooperation with non-governmental organizations (NGOs), the Bank approved in April a technical assistance for a study of Cooperation with NGOs in Agriculture/Rural Development. The study will identify, assess and develop working arrangements with specific NGOs in Nepal and Philippines to achieve various objectives in forthcoming agricultural projects. These consist of helping to ensure that projects are specifically responsive to beneficiary needs; helping to organize targeted beneficiaries and arrange for their involvement and participation in project design and implementation; and developing and implementing strategies to enable these beneficiary groups to become self-help, self-reliant organizations.

In recognition of the important role played by environmental NGOs in economic and social development, an informal meeting between senior Bank management and representatives of selected environmental NGOs based in Washington was held in March to exchange views on the Bank's environmental policies and programs and discuss how environmental NGOs can help address environmental and natural resources concerns in DMCs.

During the ninth meeting of the Committee of International Development Institutions on the Environment in Washington, in June, a presentation was made on the ADB study on cooperative arrangements with environmental NGOs. The presentation dealt with the overall context in which moves towards greater collaboration between the Bank and environmental NGOs are taking place, opportunities for obtaining concurrence of governments in these new arrangements and ideas on how to secure greater cooperation.

The services of environmental NGOs were built into some projects approved in 1988. These included the loan for the Forestry Sector Program and the technical assistance for the Manila Metropolitan Region Environmental Improvement Study, both in the Philippines.

In conjunction with the Sorsogon Integrated Area Development Project in the Philippines, the Bank agreed in November to provide a \$100,000 advisory technical assistance grant for Community Mobilization and Development. The technical assistance is aimed at establishing a pilot-scale community organizing program. Through an NGO, the program will mobilize community groups in Sorsogon engaged in economic activities in key sectors, namely, non-irrigated food crops, tree crops, fisheries, small-scale agro-processing and general services.

In December, the Bank extended a loan proposal to the Philippines for the NGO-Microcredit Project. This was the Bank's first practical step in cooperating with NGOs to strengthen and support the Government's Self-Employment Loan Assistance Program. The \$8 million pilot project will

finance micro-enterprises and cottage industries using NGOs as credit intermediaries as well as providers of technical assistance. With this loan proposal, the Bank provided an advisory technical assistance for the institutional strengthening of about 30 NGOs expected to be accredited under the project, both for project implementation purposes as well as to enhance the effectiveness of the NGOs in their longer-term contribution to poverty alleviation.

Aid Coordination

The Bank's DMCs continued to receive development assistance from a large number of bilateral and multilateral agencies apart from the Bank. As in previous years, continued cooperation with various agencies is considered necessary to share resources, expertise and experiences and to ensure that activities are complementary. The Bank is continuing its efforts to cooperate with other agencies.

The Bank organized the Tenth ADB-World Bank Coordination Meeting in Manila to coincide with the Bank's Twenty-First Annual Meeting in April. The Bank was also represented at the meeting of the Development Committee in Washington, D.C., in April. The President attended the Development Committee Meeting and Heads of Multilateral Financial Institutions Meeting in Berlin in September, during which he had consultations with the President of the World Bank.

Funds from the United Nations Development Programme (UNDP) continued to be an important source of grant assistance for the Bank's lending and technical assistance operations. The Bank was represented at the UNDP Governing Council Meeting and Inter-Agency Consultative Meeting, and contacts between Bank staff and UNDP resident offices improved greatly. These contacts have facilitated cooperation and resulted in a number of projects being co-financed with the Bank.

As in previous years, the Bank participated in a number of aid group meetings where aid agencies meet with government representatives to discuss economic and social developments in DMCs, external financing and coordination. In 1988, the Bank took part in such meetings for Bangladesh, India, Indonesia, Pakistan, Papua New Guinea, Philippines and Sri Lanka, including UNDP-sponsored Round Table meetings for Bhutan, Solomon Islands, Vanuatu and Western Samoa.

Since its establishment in 1982, the Bank's Bangladesh Resident Office (BRO) has participated in various local consultative group meetings convened by the World Bank. BRO has also convened regular meetings with other agencies on the railways sector and has held monthly meetings with UNDP on the processing of technical assistance projects.

Since the Indonesia Resident Office (IRO) opened in 1987, it has been involved in regular and coordination meetings convened by various aid agencies with the objective of exchanging views on programs and coordinating project-related activities.

The South Pacific Regional Office (SPRO), since it opened in 1984 in Port Vila, Vanuatu, has developed close liaison with representatives of agencies based in various South

Pacific developing member countries. Bank missions from SPRO frequently discuss program-related and other development issues with these representatives while in the field.

Annual consultations continued with the following bilateral and multilateral institutions and governments: Overseas Economic Cooperation Fund, International Fund for Agricultural Development, Islamic Development Bank, OPEC Fund for International Development, Export-Import Bank of Japan and the Governments of Denmark, Finland, Netherlands, Norway, Sweden and Switzerland. Consultations are an important link between the Bank and these important sources of development funds and strengthen the operational cooperation between the Bank and these governments and institutions. The Bank was represented at the Conference on Co-Financing and Cooperation with Development Banks in Oslo.

The Bank's Role in the 1990s

As a development finance institution, the Bank needs to review periodically its future operational strategies and policies in the light of the requirements of its DMCs.

In response to suggestions made by several Governors at the Twentieth Annual Meeting, the Board commissioned a study of the role of the Bank in the 1990s financed by a regional technical assistance. The objective of the study is to

assess the role and distinctive contribution of the Bank in responding effectively and efficiently to the changing needs of DMCs in the 1990s and to provide a basis for the Bank to formulate its operational directions, strategies and policies for that decade.

The study was conducted by a high-powered external Panel of distinguished experts. The chairman of the Panel was Mr. Saburo Okita from Japan. The other members of the Panel were Mr. John Hennessy (United States), Mr. Emile van Lennep (Netherlands), Mr. Mohammad Sadli (Indonesia) and Mr. Amartya Sen (India). The Panel was assisted by two senior consultants, Mr. Bong H. Kay (Republic of Korea) and Mr. Robert Whitelaw (Australia).

After preliminary briefings and discussions, the Panel began its work in early 1988. Five meetings were held during the year, in January (Manila), April (New York), July (Manila), September (Berlin) and November (Tokyo). In the course of its meetings in Manila, the Panel also exchanged views with the Board, and with management and senior staff. The Panel also met with the Governors in April (Manila) and September (Berlin).

The Panel had nearly completed its task by the end of the year. Its report was to be presented to the Bank after its last meeting in Narita in January 1989.¹

¹ The report was presented in January 1989.



UNLOADING cement at Male' Commercial Harbor in Maldives. The Male' Port Development Project, approved in 1988 and supported by a Bank loan of \$6.4 million, includes rehabilitation of the Commercial Harbor and construction of the South-West Harbor.

COUNTRY ACTIVITIES

Introduction

THE Bank continued in 1988 to develop country strategies for its programs of assistance to developing member countries (DMCs).¹ Recognizing the need to direct its limited resources to sectors and activities which best serve DMC needs, and to maximize the development impact of its programs, the Bank undertakes in-depth country studies to design medium-term operational strategies for Bank assistance. Major policy issues have increasingly formed the basis of policy dialogue between DMCs and the Bank and these discussions have frequently resulted in effective policy changes. In addition to describing the Bank's operational strategies and programs for assistance, this chapter discusses the role of policy dialogue where relevant.

Bangladesh

Operational Strategy: The Bank's operational strategy for Bangladesh is aimed at alleviating bottlenecks to growth in the economic and social sectors. Assistance is focused, in order of priority, on the agriculture, energy, transport, social infrastructure and industry sectors. This sectoral emphasis is consistent with the Government's Third Five-Year Plan (FY1986-1990).

In addition, the massive floods of recent years have provided an urgent need for Bank assistance in economic reconstruction. Following the floods of 1987 and 1988, the Bank approved three loans in 1988 for reconstruction/rehabilitation and is processing two loans for flood restoration works in 1989.

Agriculture is the top priority, as increased food production is a basic need, but Bank assistance is also directed at crops other than foodgrain, livestock, fisheries and forestry. Provision of agricultural credit and assistance for basic agricultural infrastructure are also emphasized. Employment-

generating schemes are promoted to alleviate rural poverty.

In the energy sector, the Bank assists the development of known gas fields and related transmission and distribution facilities. In the power subsector, facilities for generation, transmission and distribution are being developed or rehabilitated. Rural electrification is emphasized to stimulate income and employment creation in local communities. In transport, various modes are assisted to improve the delivery of production inputs and outputs, especially in rural areas. The Bank has indicated its interest in the co-financing of the Jamuna Multipurpose Bridge which will accelerate development of the less-developed western zone. In the social sector, Bank assistance is directed at primary education, women's education and technical education while health conditions are improved through safe water supplies and environmental upgrading. In the industry sector, the Bank is primarily concerned with promoting private industrial investments through development finance institutions (DFIs). Assistance is also pro-

Cumulative Bank Lending to Bangladesh

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	41	1,209.44	49.2
Energy	14	613.35	24.9
Transport and Communications	8	326.30	13.3
Development Banks	6	107.60	4.4
Industry and Non-Fuel Minerals	4	89.50	3.6
Education	3	56.50	2.3
Health and Population	2	43.10	1.7
Water Supply and Sanitation	1	14.40	0.6
Total	79	2,460.19	100.0

¹ During the year, no Bank activities took place in Afghanistan, Cambodia and Viet Nam.

grammed for small-scale and cottage industries. Program lending is emphasized so that financial aid is accompanied by policy reforms.

The Bangladesh Resident Office, established in 1982, continues to play a useful role in implementing the Bank's operational strategy and facilitating project administration.

Policy Dialogue: Following discussions in which the Bank and other donors urged the Government to reduce food-grain and fertilizer subsidies, foodgrain subsidies were substantially reduced and the subsidy for urea, the main fertilizer, was dropped. The Bank has stressed the importance of reducing the large loan arrears of rural credit institutions to strengthen their resource positions. In the energy sector, the Bank has underscored concern over appropriate pricing of natural gas and electricity, as well as the reduction of power system losses and accounts receivable. These have been stressed in various energy projects assisted by the Bank, including the proposed Eighth Power Project. Significant progress has been achieved

in gas pricing but more effort is needed to reduce power system losses and accounts receivable.

While the promotion of private industrial investments has been a major policy of the Bank, the viability of the conduit institutions is of great concern. The Bank has, therefore, stressed in policy dialogue the need for institutional and financial reforms of the two main DFIs in the sector, the Bangladesh Shilpa Bank and the Bangladesh Shilpa Rin Sangstha. The performance of these institutions, especially in loan recoveries, has resulted in the suspension of foreign assistance to them since 1985 and the Bank has been carrying out reform programs financed by UNDP.

Loans and Technical Assistance: Bank lending to Bangladesh in 1988 amounted to \$267.5 million for six loans from ADF. Four projects were in agriculture, with one in transport and communications and one in industry. This compared with \$265.7 million for four loans in 1987. Local currency financing amounting to \$129.2 million was provided for five projects. Co-financing for \$75,000 was arranged with UNDP for consulting services for a flood rehabilitation (flood control and irrigation) project.

In the agriculture sector, two loans will assist flood restoration works. One project will rehabilitate flood control and irrigation facilities in the southwestern region of Bangladesh damaged by the 1987 floods while the Flood Rehabilitation (Rural Infrastructure) Project will assist the rehabilitation of rural infrastructure in northeast and southwest Bangladesh damaged by the 1987 and 1988 floods.

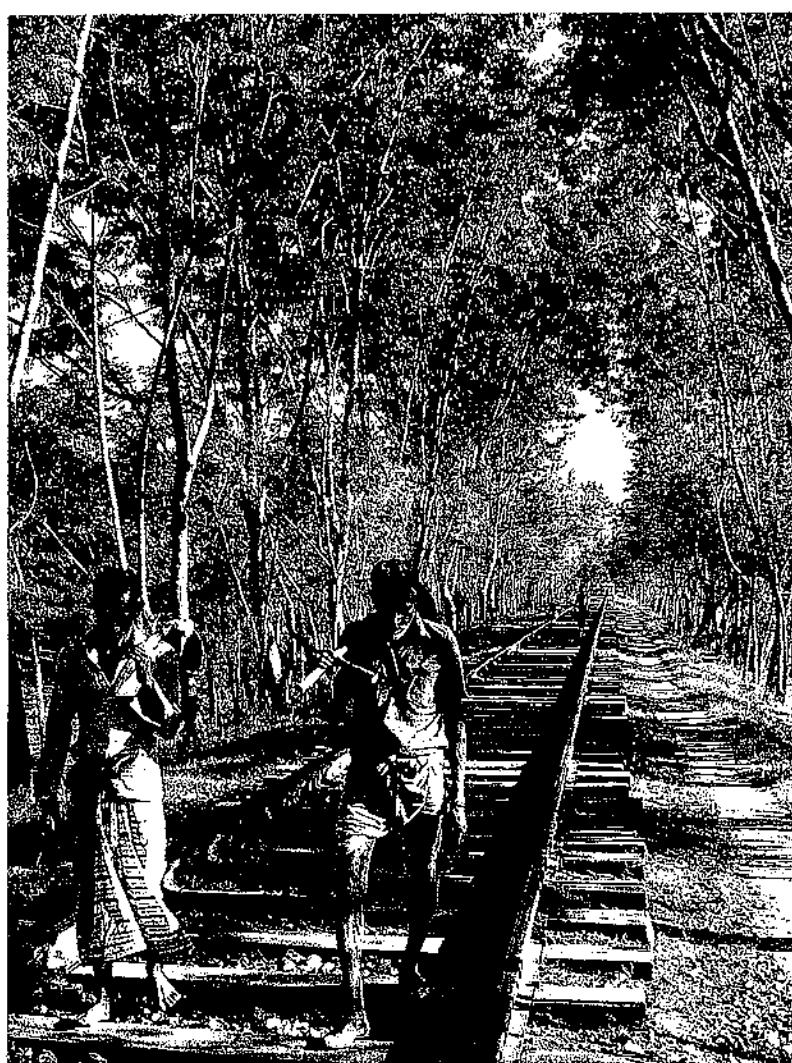
The Rural Infrastructure Development Project will provide better rural transportation and a marketing network in two northern districts populated largely by small and medium-scale farmers and landless laborers. Under the supplementary loan for the Meghna-Dhonogoda Irrigation Project, flood protection, drainage and irrigation facilities will be provided to 17,000 hectares of agricultural land in the southwestern region. Under the Flood Damage Restoration (Roads and Railways) Project, important road and railway links damaged by the 1987 floods will be restored.

The Industrial Program loan will bolster the Government's liberalization program and bring about policy reforms aimed at stimulating growth in industry, production and exports, generating domestic savings, mobilizing revenue while restraining fiscal deficit, and addressing problems facing financial institutions.

Four technical assistance grants amounting to \$4 million were approved in 1988. Three were advisory technical assistance and one project preparatory.

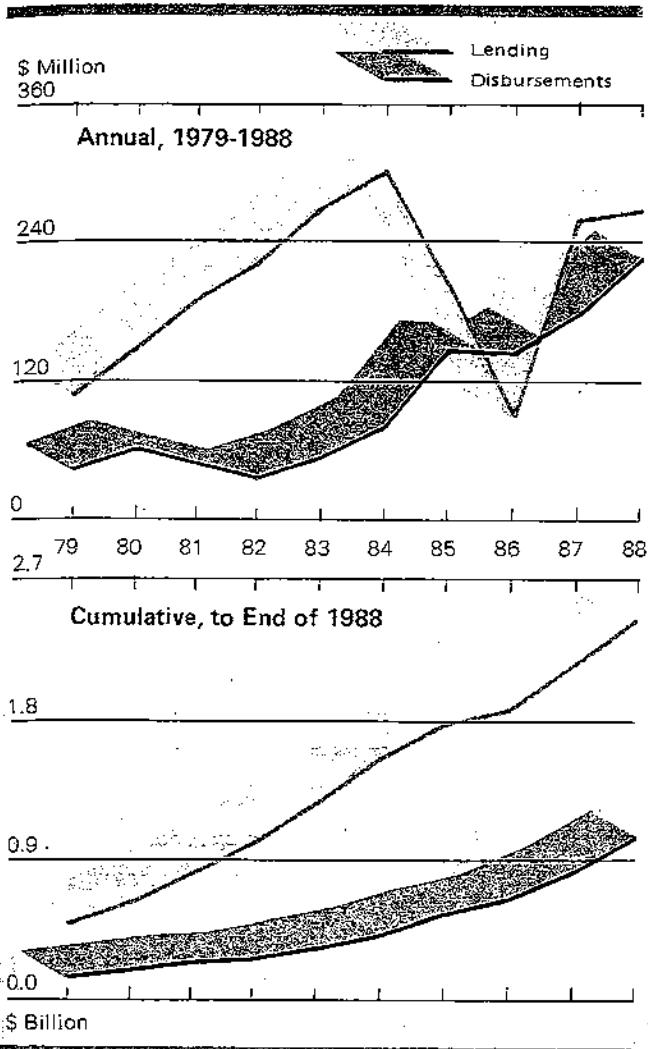
As of the end of 1988, the Bank had approved 79 loans to Bangladesh, amounting to \$2,460 million for 71 projects. Of this amount, \$11.4 million was from OCR and \$2,448.8 million from ADF. The Bank had also provided technical assistance amounting to \$46.6 million for 97 projects, of which 39 had resulted in Bank loans.

Project Implementation: Of the 79 loans (including one special assistance loan) approved to Bangladesh as of 31 December 1988, 31 had been closed and 48 were under administration, of which two were awaiting loan effectivity.



TREES alongside a railway track are part of the Community Forestry Project in northwestern Bangladesh. Aimed at increasing the supply of fuelwood through community efforts in seven districts, the project was supported by a concessional Bank loan of \$11 million.

Bangladesh: Lending and Disbursements



Two loans were closed during 1988. Contract awards amounted to \$264.5 million, bringing cumulative contract awards to \$1,275.7 million or 54 per cent of the net effective loan amount. Disbursements amounted to \$225.8 million, an increase of 27 per cent over 1987. On a cumulative basis, \$1,069.5 million was disbursed, representing 45 per cent of the cumulative net effective loan amount.

Despite the effects of severe floods, Bangladesh significantly increased disbursements through major efforts by government agencies and the Bank's Resident Office in Dhaka. The streamlining of fertilizer procurement procedures and continuous follow-up work by the Resident Office enabled the Government to procure a substantial quantity of fertilizers speedily. Government actions in streamlining procedures for releasing local funds, revising certain customs duty-related rules and increasing the level of authority of project officers of externally funded projects — as suggested in earlier country projects review meetings — greatly helped to improve absorption of Bank loans. A seminar on procurement and disbursement was held in Dhaka during November and was attended by 30 senior officials responsible for implementing Bank-financed projects.

Bhutan

Operational Strategy: The long-term objectives of Bank lending and technical assistance operations in Bhutan are to help improve the capacity of key ministries and development institutions, promote the development of physical and social infrastructure, gradually develop a subsistence agriculture system into a market-oriented production system and develop selected export-oriented industries using indigenous raw materials.

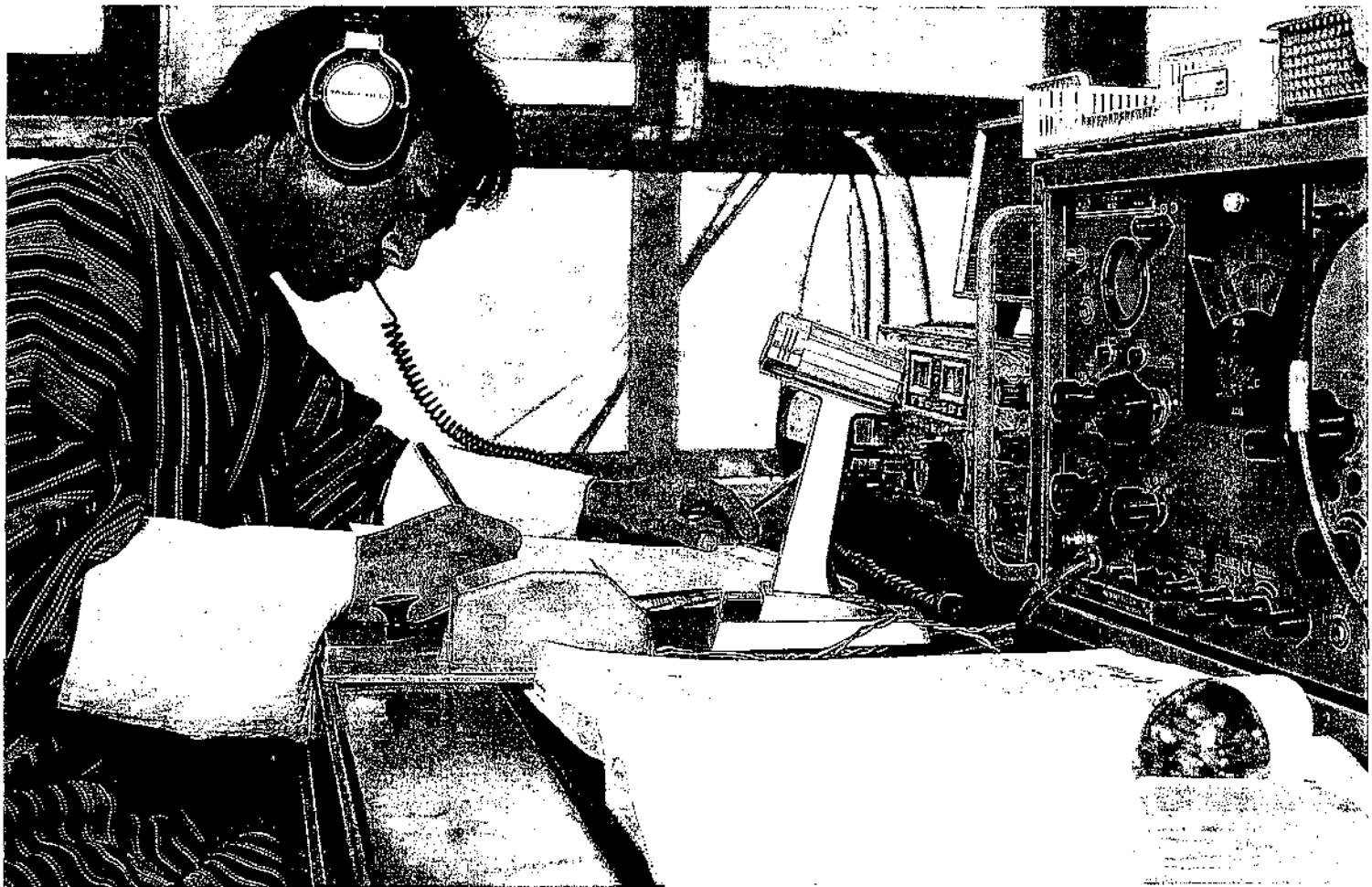
Policy Dialogue: Discussions with the Government concentrated on three studies, undertaken under Bank technical assistance, of agricultural input subsidies, cost recovery for public services and urban housing. Topics identified for future policy dialogue are issues related to the financial sector, environmental protection and private sector promotion.

Loans and Technical Assistance: During 1988, the Bank approved two loans to Bhutan amounting to \$3.65 million, compared with one loan of \$3.3 million in 1987. The projects were designed to upgrade several industrial estates and to provide foreign currency funds to Bhutan Development Finance Corporation (BDFC) for supplementary small and medium-scale industrial enterprises in the private sector. The Bank also approved seven technical assistance projects, totalling \$1.69 million, to prepare a housing finance project, to strengthen key institutions such as the Department of National Budget and Accounts of the Ministry of Finance, the Department of Trade and Industry, and the BDFC, and to draw up a master plan for Forestry Development and Women in Development profiles in the livestock subsector. To date, Bank lending to Bhutan amounts to \$31.6 million in eight loans and technical assistance totals \$8.9 million for 28 projects.

Project Implementation: All eight loans approved to Bhutan were still under administration in 1988. One loan was

Cumulative Bank Lending to Bhutan
(As of 31 December 1988)

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



A WIRELESS communications station is part of the first Multiproject in Bhutan, which was supported by a \$5 million Bank loan. Other components were in the fields of agriculture, forestry, transport, infrastructure, water supply and sanitation.

awaiting effectiveness. Contract awards amounted to \$4.1 million, bringing cumulative contract awards to \$13.4 million or 40 per cent of the net effective loan amount. Disbursements totalled \$3.5 million, compared to \$3.2 million in 1987. Cumulative disbursements of Bank loans amounted to \$9.8 million or 29 per cent of the total amount of net effective loans.

Projects were generally being implemented without serious problems although there were delays in procurement and in submission of audited financial statements. The major areas of constraint are the unfamiliarity of government officials with Bank procedures and the shortage of qualified manpower. The Bank's approach is to provide technical assistance to mitigate the manpower problem and seminars to familiarize executing agency staff with Bank policies and procedures. A seminar on procurement and disbursement was held in Thimpu during February.

Burma

Operational Strategy: The Bank's operational strategy for Burma is to promote and diversify export-oriented activities and to provide a sound infrastructural base on which to support developments in all sectors, including private investment. Bank assistance is primarily focused on the energy and agriculture sectors but support is also provided for projects in the financial, health, water supply and sanitation, and transport and communications sectors.

Policy Dialogue: In 1988, the Bank discussed with the Government issues in the agriculture sector relating to the processing of an agriculture program loan. These discussions were interrupted, however, by political events in mid-year.

Cumulative Bank Lending to Burma
(As of 31 December 1988)

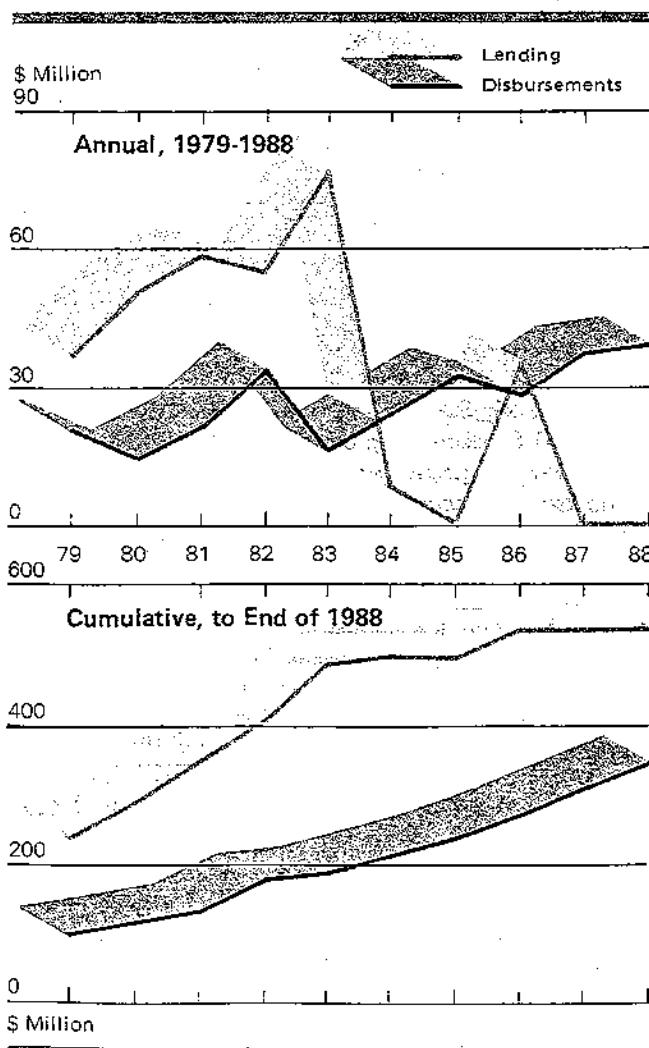
Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	15	316.10	59.5
Health and Population	2	63.10	11.9
Transport and Communications	2	42.50	8.0
Water Supply and Sanitation	4	35.96	6.8
Energy	5	31.80	6.0
Industry and Non-Fuel Minerals	2	21.40	4.0
Development Banks	2	20.00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

Loans and Technical Assistance: The Bank's processing of three loans in Burma for an agriculture program, a third line of credit to Myanma Economic Bank and the redevelopment of Rangoon General Hospital was interrupted in mid-year.

Project Implementation: Of the 32 loans approved to Burma as of the end of 1988, 17 had been closed and 15 were under administration. Four loans were closed in 1988. Contract awards amounted to \$33.8 million, bringing cumulative contract awards to \$385.5 million or 72 per cent of the net effective loan amount. Disbursements totalled \$39.2 million, compared with \$38 million in 1987. Cumulative disbursements amounted to \$350.1 million or 66 per cent of the total amount of net effective loans.

During the first half of the year, disbursements proceeded at a satisfactory pace. However, after the mid-year political events, disbursements slowed considerably. From August, no loan administration mission visited Burma but the situation was being closely monitored.

Burma: Lending and Disbursements



China, People's Republic of

Operational Strategy: The Bank's operational strategy in the People's Republic of China (PRC) is aimed at supporting the Government's ongoing restructuring program by providing financial assistance to the three key sectors of industry (including export-oriented agro-industry), energy and transport. These sectors have an important role to play in the realization of the PRC's objective of attaining the status of a middle-income developing country by the year 2000. The industry sector suffers from growing product obsolescence, antiquated technology and low productivity. The energy sector is characterized by high energy use, inadequate power capacity and inefficient transmission facilities. The problems facing the transport sector are an overburdened railway system, inadequate port handling capacity and limited road transport capacity. The Bank's involvement in the transport sector aims at alleviating distributional bottlenecks in the shipment of coal which hamper industrial growth and power generation, particularly in the eastern region where the Bank is concentrating operational activities.

In addition, the Bank is helping to strengthen the institutional capabilities of relevant agencies to adapt to a more market-oriented and outward-looking environment as a result of recent reforms. In the current stage of economic reforms, the process of economic management and planning is undergoing a major change. Direct control of economic activities is being replaced by increased reliance on a variety of indirect controls and macroeconomic policy instruments. The Bank, in this regard, will also help the relevant agencies to use economic instruments to evaluate economic policies.

Policy Dialogue: Even though Bank operations in the PRC are of relatively recent origin, the Bank has already established, on an ongoing basis, policy dialogue with the Government at various levels. Such dialogue has resulted in wider sectoral involvement for Bank operations, for example, in infrastructure and energy in addition to industry. Policy dialogue was also undertaken in the development of individual projects and has covered important policy matters such as product pricing (the Nanning Integrated Pigment Project and Hexian Pulp Mill Project), power tariffs (Fuel Conversion Project), energy-saving measures (Industry Energy Conservation Program) and accounting methods and procedures (Fuel Conversion Project) and several technical assistance projects. The Bank was also to undertake a Country Strategy Study in the PRC and, in the course of this, the Bank and the Government will have further opportunities to continue policy-oriented discussions in a macro as well as a sectoral context.

Loans and Technical Assistance: Bank lending to the PRC totalled \$282.9 million for four loans in 1988, compared with \$133.3 million for two loans in 1987, the first year of Bank operations. The industry (including development finance institutions) and agro-industry sectors accounted for all of Bank lending in 1988. One project involved co-financing of \$50 million with the Export-Import Bank of Japan. The

Cumulative Bank Lending to the People's Republic of China
(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Development Banks	2	200.0	48.1
Industry and Non-Fuel Minerals	2	133.3	32.0
Agriculture and Agro-Industry	1	49.6	11.9
Energy	1	33.3	8.0
Total	6	416.2	100.0

Qingdao Tire Development Project entails the technical conversion and augmentation of three existing tire manufacturing enterprises and supports the Government's policies of rationalizing and strengthening the country's transport sector and modernizing its trucking service industry.

The Nanning Integrated Pigment Project will produce titanium dioxide, used in plastic and paint industries, with new technology. The Shanghai Investment and Trust Corporation (SITCO) Project will assist small and medium-sized industrial enterprises, particularly those in the Shanghai municipal zone, to expand and modernize production facilities. The Hexian Pulp Mill Project will establish a chemical pulp mill to supply pulp for paper production by using locally-produced pine. In 1988, the Bank also extended the first line of equity to SITCO for \$3 million to finance from its own account equity investments in privately-owned enterprises in the industry and service sectors.

The Bank also approved \$3.4 million in technical assistance for 10 projects. Advisory and operational assistance amounted to \$3.1 million for seven projects and project preparatory technical assistance totalled \$294,000 for three projects. Three of these projects were in the energy sector, one in social infrastructure, two each in agriculture/agro-industry and transport and one in industry. One was for the State Statistical Bureau, aimed at helping to develop its institutional capability.

Project Implementation: As of 31 December 1988, all six loans approved to the People's Republic of China were still under implementation. Four loans made in 1988 were awaiting effectivity. Cumulative contract awards, all made in 1988, totalled \$25.4 million, or 20 per cent of the net effective loan amount. The Bank made its first disbursements in 1988 amounting to \$2.7 million, or 2.1 per cent of the total amount of net effective loans.

Implementation of the first loan, a \$100 million credit to China Investment Bank, was proceeding satisfactorily. Procurement under the Fuel Conversion Project was proceeding smoothly. Several delegations from executing agencies and government departments concerned with procurement and project implementation visited the Bank for briefing on pro-

curement and consultant recruitment. The Bank also conducted a seminar on procurement in Beijing which was attended by 30 officials.

Fiji

Operational Strategy: The Bank supports the Government's long-term objectives of economic diversification and employment generation. In the short term, the Bank's strategy is also to assist the Government to revitalize the economically productive sector in the wake of the slackening of private sector development due to recent political developments. This will be achieved by focusing Bank lending and technical assistance activities on diversifying the agriculture sector, the country's main economic base, improving agricultural productivity and developing supporting infrastructure. The Bank's strategy also emphasizes the role of the private sector directly or indirectly through development finance institutions and seeks to revitalize tourism activities.

Policy Dialogue: Discussions on issues in the agriculture sector were carried out with the Government in connection with the Agriculture Diversification Program aimed at restructuring the agriculture sector by expanding, intensifying and diversifying agricultural production and increasing the role of the private sector. In addition, the Bank held discussions on policies relating to technical assistance for the Privatization of Government Shipping Fleet and Commercialization of Government Shipyard and the Study of Development of Capital Market. Tariff issues in the power sector and a road user cost recovery scheme were also discussed.

Loans and Technical Assistance: Two loans were approved for Fiji in 1988. Cumulatively, as of year-end, the Bank had approved 10 loans amounting to \$93.5 million for 10 projects. The energy sector accounted for nearly 40 per cent of cumulative Bank lending, followed by the agriculture sector at nearly 30 per cent. In 1988, technical assistance totalling \$1.5 million was provided for five projects, of which one was for project preparation and four were advisory and operational in nature. As of end-1988, the Bank had provid-

Cumulative Bank Lending to Fiji

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	3	36.9	39.5
Agriculture and Agro-Industry	3	27.6	29.5
Transport and Communications	2	20.0	21.4
Development Banks	2	9.0	9.6
Total	10	93.5	100.0



TECHNICIANS at the diversion tunnel of the Third Power Project in Fiji, which was supported by a Bank loan of \$16 million.

ed 21 technical assistance projects totalling \$3.9 million, of which eight were for project preparation and 13 were for advisory and operational purposes.

Project Implementation: Of the 10 loans approved for Fiji, six had been closed and four were under administration at the end of 1988. Contract awards amounted to \$24.6 million, bringing cumulative contract awards to \$73 million or 84 per cent of the net effective loan amount. Disbursements totalled \$20.9 million, of which \$20 million was under the Agriculture Diversification Program, compared with \$2.9 million in 1987. Cumulative disbursements of Bank loans amounted to \$69 million or 79 per cent of the total amount of net effective loans.

Implementation was generally satisfactory, although two projects in the agriculture sector were adversely affected by budgetary constraints. The Government carried out most of the policy reforms agreed under the Agriculture Diversification Program and the loan has been fully disbursed.

India

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

Assistance is also directed at alleviating infrastructure constraints to the growth of industry, for example, through assistance for improved and expanded facilities in the power, transport and telecommunications sectors which will in turn support the further development of industry.

Policy Dialogue: Under ongoing policy dialogue, the Bank has been discussing with the Government measures the latter has introduced or proposed in order to resolve various policy issues. During the year, the Bank prepared profiles of the power and finance sectors and, in 1989, the Bank plans to complete a ports and shipping sector study for which technical assistance was approved during 1988. These studies will help to identify important sector issues and provide recommendations for discussion with the Indian authorities. In addition, the Bank was to prepare in 1989 an operational strategy study for its program in India to determine further the most effective contribution the Bank can make to India's development.

Loans and Technical Assistance: In 1988, the Bank made four loans from OCR, including one loan to the private sector without government guarantee, totalling \$497 million. This brought cumulative lending to India, which began in 1986, to \$1,140.6 million. One loan of \$135 million was provided to develop long-distance telecommunications facilities. One loan of \$160 million was to develop additional thermal generating capacity in Uttar Pradesh. One loan of \$198 million was to upgrade roads which support industrial activity in various parts of India; the Bank is also financing \$113 million of local costs in this loan. One loan of \$4 million was for petrochemical development by a private company and this also involved an equity investment of \$3 million.

Four technical assistance projects, the first to be provided under the Bank's program to India, were approved during the year. Totalling \$645,500, their respective purposes were to prepare a road project, prepare an acrylic fiber project, undertake a study of the ports and shipping sector and help develop a finance sector profile.

Project Implementation: All 10 loans approved for India by the end of 1988 were under administration, of which

Cumulative Bank Lending to India
(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Transport and Communications	4	610.6	53.5
Energy	2	310.0	27.2
Development Banks	2	200.0	17.5
Industry and Non-Fuel Minerals	2	20.0	1.8
Total	10	1,140.6	100.0

two were awaiting effectivity. Contract awards amounted to \$86.1 million, bringing cumulative contract awards to \$177.9 million or 23 per cent of the net effective loan amount. Disbursements increased significantly to \$56.4 million from \$11.6 million in 1987, reflecting the quickening pace of Bank operations in India. Cumulative disbursements amounted to \$68 million or 8.7 per cent of the total amount of net effective loans.

The first country seminar on procurement was held in New Delhi and was attended by 29 officials. Implementation of the Bank's first loan, a \$100 million loan to the Industrial Credit and Investment Corporation of India Limited, progressed satisfactorily and the entire loan is expected to be committed by the end of 1989. Three projects in the transport and communications sector are in the initial stage of implementation.

Indonesia

Operational Strategy: The Bank's operational strategy is aimed primarily at diversifying Indonesia's economic base to reduce its overdependence on oil, improve economic efficiency and generate employment opportunities for a labor force growing by about two million per year. Investments in industry, agriculture and services are essential if these objectives are to be achieved. The strategy also recommends investments in energy and human capital development and selective investments in physical infrastructure to support the efficient diversification of the production sectors.

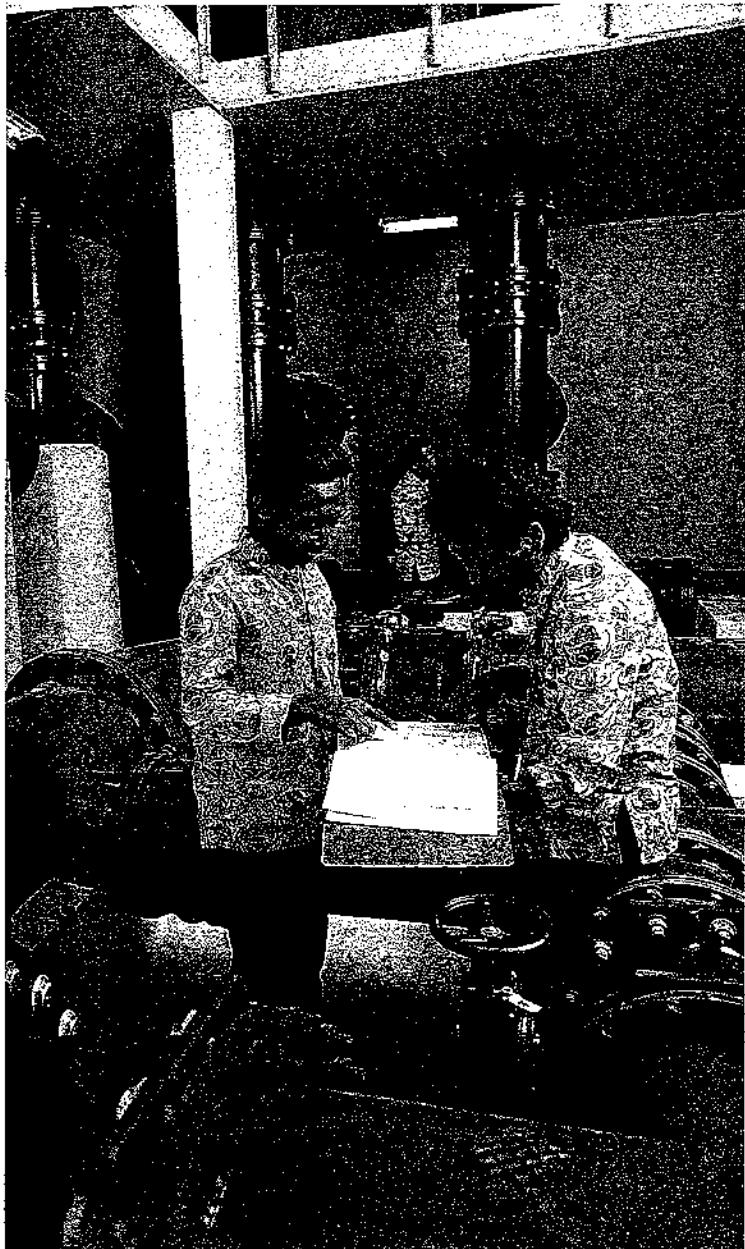
On a sectoral basis, in view of its contributions to employment and exports, agriculture is an important area for Bank assistance. The strategy recommends Bank support for agricultural diversification to maintain food stability and promote non-oil exports. In industry and finance, the Bank strategy is to support government efforts to promote and sustain diversified, efficient and internationally-competitive sectors. In energy, the strategy emphasizes resource diversification and energy conservation. Education, including manpower and institutional development, is given high priority in view of the critical shortages of manpower that pervade the economy. Health and urban development merit increased support because they represent investments in human capital and opportunities to alleviate poverty. In physical infrastructure, the strategy recommends limited assistance to roads and ports.

Policy Dialogue: In 1988, the Government and the Bank continued discussions on fertilizer and pesticide subsidies. During the year, domestic retail prices of fertilizer and pesticides were increased in line with international prices. Interaction on policy issues in the financial sector and agreement on a package of reforms resulted in the Bank's approval of the Financial Sector Program.

One of the major problems in the implementation of projects is the delay in the award of contracts for goods and services and measures to remove these bottlenecks were discussed with the Government within the framework of general country projects review and consultation missions. With the

abolition of the central government procurement team in 1988, the situation considerably improved, as reflected in the significant increase in contract awards.

Loans and Technical Assistance: Bank lending to Indonesia increased slightly to \$580.1 million from \$576 million in 1987. Of this, \$500 million was from OCR and \$80.1 million from ADF. The ADF resources were allocated to a project in the education sector and for the financial sector program. Overall, nine loans were approved for six projects and one program in 1988. Included is a loan without government guarantee to P.T. Gunung Garuda. Local cost financing amounted to \$127.1 million and the Bank financed 80 per



PUMPING station at the Semarang Water Supply Project in Central Java, Indonesia. The project, which is expanding the supply of potable water to 200,000 people, is being supported by a Bank loan of \$35.5 million.

Cumulative Bank Lending to Indonesia

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	59	1,710.32	34.7
Transport and Communications	18	773.86	15.7
Energy	19	743.05	15.1
Education	13	477.35	9.7
Urban Development	6	416.85	8.4
Development Banks	4	290.00	5.9
Industry and Non-Fuel Minerals	7	284.70	5.8
Water Supply and Sanitation	5	127.20	2.6
Health and Population	2	80.90	1.6
Multisector	1	25.00	0.5
Total	134	4,929.23	100.0

cent of the total project cost in three projects.

Sectorally, the industry and finance sector accounted for 37 per cent of the 1988 Bank lending, followed by urban development (30 per cent), agriculture (13 per cent), education (13 per cent), and health and population (seven per cent). The program loan was aimed at supporting the Government's program of financial sector reforms. The loan proceeds will provide balance-of-payments support to the Government and assist in meeting the increased import demand expected as a result of continuing deregulation of trade, industry and investment. The urban development project will improve living conditions, particularly for low-income groups, in the city of Medan and surrounding small towns, through the improvement and extension of urban infrastructure services. One of the two agriculture projects is aimed at expanding, modernizing and balancing the facilities for agro-based industries and encouraging greater involvement of the private sector. The other loan will promote and upgrade the development of smallholder cocoa/coconut estate crops to provide a sustainable source of income to a large number of disadvantaged smallholders. The education project will improve the quality and supply of marine manpower at the professional level and upgrade marine science education programs at six universities. The health and population loan is designed to improve delivery of health care and family planning services in selected areas.

In 1988, the Bank also approved \$6.5 million in technical assistance for 23 projects, compared with \$3.8 million for 13 projects in 1987. Project preparatory technical assistance totalled \$3.2 million for 13 projects, and advisory and operational technical assistance amounted to \$3.4 million for 10 projects. Five projects were in agriculture, four each in industry

and non-fuel minerals and urban development, three in development banks, two each in education and energy and one each in ports, environment and water supply.

As of the end of 1988, the Bank had approved 134 loans totalling \$4,929 million for 124 projects. Of these, 107 amounting to \$4,551.8 million were from OCR and 27 totalling \$377.4 million were from ADF. The Bank had also provided technical assistance totalling \$33.4 million for 150 projects, of which 74 resulted in Bank loans amounting to \$3,373 million. Bank lending activities have generally followed the Bank's operational strategy in Indonesia and the country's development plans, with agriculture accounting for almost 35 per cent of cumulative Bank lending, followed by social infrastructure (22 per cent), transport and communications (16 per cent), energy (15 per cent), and industry and non-fuel minerals, including development banks (12 per cent).

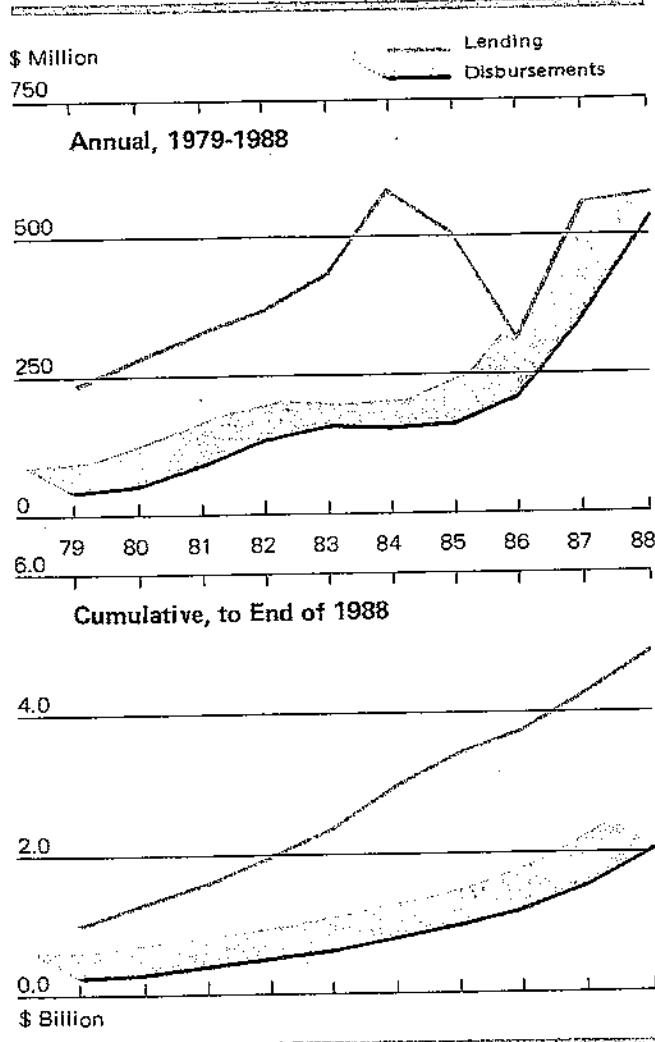
Project Implementation: Of the 134 loans approved for Indonesia, 65 had been closed and 69 were under administration at the end of 1988, of which eight were awaiting effectiveness. Six loans were closed during 1988. Contract awards

amounted to \$622.9 million, bringing cumulative contract awards to \$2,372.5 million or 60 per cent of the net effective loan amount. Disbursements totalled \$530 million, compared with \$352.4 million in 1987. Cumulative disbursements of Bank loans amounted to \$2,038.8 million or 52 per cent of the cumulative amount available for withdrawal.

The large increase in disbursements reflected a significant improvement in implementation. The Government made a number of policy decisions to simplify and expedite procurement and consultant recruitment. These included streamlining procedures and delegating higher levels of authority to project officials. The Government also showed greater willingness to allow the use of imprest accounts, with suitable modifications, in the near future.

The Indonesia Resident Office (IRO), established in 1987, contributed to the improvement by working closely with the executing agencies and assisting in implementation. The IRO introduced a comprehensive project monitoring system, including a monthly report on the status of project implementation which is submitted to BAPPENAS, the central planning agency. The Bank continued to conduct semi-annual country projects review missions to discuss cross-sectoral implementation issues and problems with government officials.

Indonesia: Lending and Disbursements



Korea, Republic of

Operational Strategy: One of the main objectives of the Bank strategy has been to assist the Government in promoting balanced regional development. In this connection, the Bank approved loans for sewage and road improvement in 1988. Continuing strong economic growth has brought about an increase in the Republic of Korea's domestic savings and a surplus in its balance of payments. Consequently, the demand for external assistance dropped sharply and this prompted the Government to decide to cease borrowing from the Bank after 1988.

Loans and Technical Assistance: In 1988, the Bank approved two loans totalling \$120.65 million from OCR, compared with three loans totalling \$133.2 million in 1987.

Balanced regional development will be supported by the fifth road improvement and the fifth sewage treatment projects. The latter will also assist environmental protection. The Bank's technical assistance consisted of one advisory technical assistance grant of \$350,000 to help set up a training system for sewage treatment operators.

By the end of 1988, the Bank had approved 79 loans totalling \$2,323.4 million to the Republic of Korea. Of these, 78 loans totalling \$2,319.7 million were from OCR and one loan of \$3.7 million was from ADF. The Bank made three direct equity investments and provided one line of equity totalling \$9.19 million. The Bank had also provided 33 technical assistance grants totalling \$5 million. Of these, seven were for advisory and operational purposes (\$2.1 million) and 26 for the preparation of projects (\$2.9 million), of which 21 resulted in 24 Bank loans amounting to \$872.4 million. Of the Bank's total lending, two-thirds has been in sectors directly supporting industrialization efforts — industry, development



HEAT exchange and water storage unit at the Southern Seoul District Heating Project in the Republic of Korea. The country's first large-scale combined heat and power district heating system was supported by a Bank loan of \$32 million.

Cumulative Bank Lending to the Republic of Korea
(As of 31 December 1988)

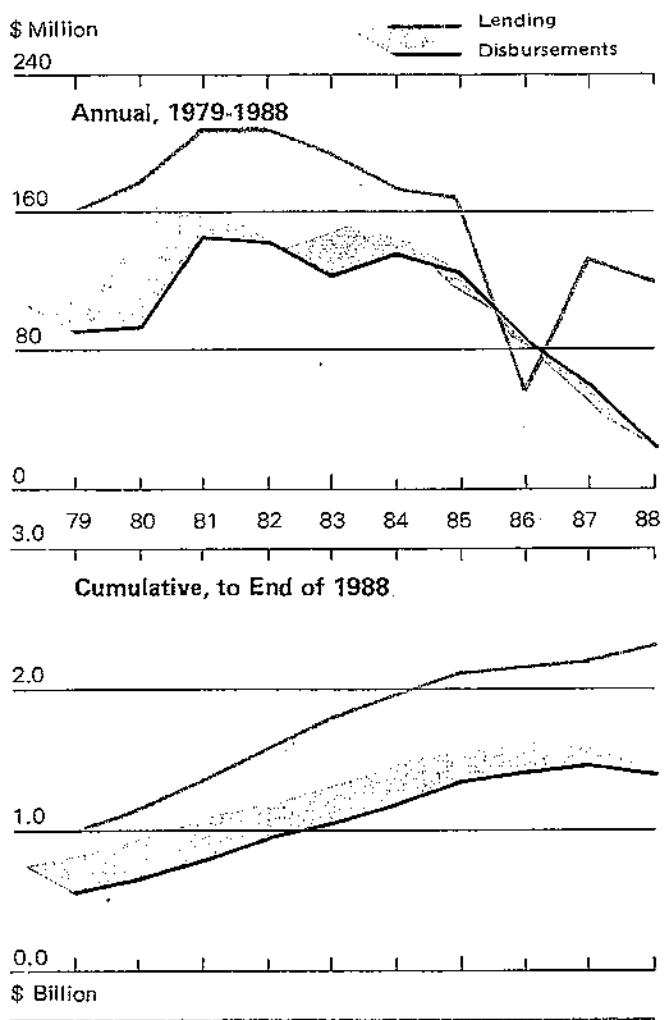
Sector	Number of Loans	Amount of Loans (\$ million)	%
Development Banks	20	695.00	29.9
Water Supply and Sanitation	18	488.45	21.0
Transport and Communications	11	459.55	19.8
Energy	10	234.38	10.1
Agriculture and Agro-Industry	8	163.80	7.1
Industry and Non-Fuel Minerals	8	135.50	5.8
Urban Development	2	90.00	3.9
Education	2	56.70	2.4
Total	79	2,323.38	100.0

banks, energy and transport. In recent years, the Government has increased investment in the social infrastructure sector. This change was reflected in Bank lending and, since 1977, one-third of its assistance was for social infrastructure. The major objective of this assistance was to support government efforts to improve living conditions in provincial and rural areas and thus promote balanced regional development. There was also a rise in Bank lending to the energy sector to reduce dependence on imported oil.

While the Government has decided to cease borrowing from the Bank, it has expressed the desire to continue cooperation in a different dimension in the future. The Republic of Korea's decision to cease borrowing marks the country's successful transformation from one of the highly indebted nations in Asia to a capital-exporting country.

Project Implementation: Of the 79 loans approved to the Republic of Korea, 67 had been closed and 12 were under administration at the end of 1988. Contract awards amounted to \$97.2 million, bringing cumulative contract awards to \$1,611.7 million or 93 per cent of the net effective loan amount. Disbursements totalled \$24.7 million, compared with \$59.2 million in 1987. Cumulative disbursements of Bank

Republic of Korea: Lending and Disbursements



loans amounted to \$1,487.6 million or 86 per cent of the total amount of net effective loans.

Implementation of projects, mainly in the water supply and sewage sectors, proceeded smoothly although some delays were encountered. The Sewage Treatment Project was successfully completed during the year and the Rural Sewage Treatment Sector Project was nearing completion.

Lao People's Democratic Republic

Operational Strategy: The main objectives of the Bank's operational strategy for Lao PDR are to improve and expand basic infrastructure to achieve a better integration of the economy and to stimulate production and trade; to increase foreign exchange earnings by developing and diversifying exports; and to provide assistance for institution-building and human resources development.

Bank assistance over the past five years has focused on the development of roads, power generation for export and domestic consumption, power transmission and distribution facilities, and forestry and wood processing. In line with the

strategy's objectives, the Bank will continue to assist these sectors, but will also support diversification of a paddy-oriented agriculture sector, agro-processing, forest conservation and replanting, small manufacturing and education.

Policy Dialogue: During processing of the Nam Ngum-Luang Prabang Power Transmission Project, the Bank discussed with the Government the operational and financial performance of Electricité du Laos (EdL) and agreed on the need for gradual increases in EdL's domestic tariffs to maintain EdL's satisfactory financial position. Also in 1988, the Bank initiated policy dialogue related to an agriculture program loan which the Bank expects to consider in 1989. Finally, monetary and financial sector issues were addressed during the processing in 1988 of a technical assistance, to be approved in 1989, for the restructuring of the monetary and banking system which would assist the Government in reorganizing and strengthening the country's banking system through the separation of the State Bank's central and commercial/development banking functions.

Loan and Technical Assistance: In 1988, the Bank approved one loan of \$11 million, co-financed by the Government of Switzerland in the amount of \$800,000, for the Nam Ngum-Luang Prabang Power Transmission Project. The project is aimed at providing a 115 kV single power transmission line from the Nam Ngum Hydropower Station to the city of Luang Prabang via Vang Vieng, associated terminal facilities at Nam Ngum and Luang Prabang and substation facilities at Vang Vieng and Luang Prabang. The Bank provided one project preparatory technical assistance of \$350,000 for a feasibility study to improve the road between Vang Vieng, north of Vientiane, to Pak Mong in the north via Luang Prabang. The Bank also provided a small-scale advisory technical assistance of \$12,000 to help the Government in preparatory work for restructuring the country's financial and banking system.

Project Implementation: Of the 16 loans approved to Lao PDR, eight had been closed and eight were under administration at the end of 1988. One loan was closed in 1988. Contract awards amounted to \$29.5 million, bringing

Cumulative Bank Lending to Lao PDR

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	7	42.82	36.4
Transport and Communications	3	39.00	33.2
Agriculture and Agro-Industry	5	29.82	25.3
Water Supply and Sanitation	1	6.00	5.1
Total	16	117.64	100.0

cumulative contract awards to \$71.9 million or 67 per cent of the net effective loan amount. Disbursements totalled \$3.8 million, compared with \$3.1 million in 1987. Cumulative disbursements of Bank loans amounted to \$43.5 million or 41 per cent of the total amount of net effective loans.

Two power projects and two road projects are being implemented smoothly. The Agricultural Support Facilities Project is nearing completion and implementation of the Second Forestry Development Project improved during the year.

Malaysia

Operational Strategy: The Bank's operational strategy was reformulated in 1987 after reviewing the Government's policy responses to the recessionary conditions of the mid-1980s. While continuing its New Economic Policy goals of poverty alleviation and income redistribution, the Government now also emphasizes adjustment and stabilization policies aimed at achieving sustained economic growth, fiscal discipline, consolidation of public sector finances and a more active role for the private sector in the national development effort. These are to be achieved through promotion of greater efficiency and productivity in all sectors.

The Bank will support projects which strengthen the performance of industry and agriculture and upgrade and rehabilitate infrastructure, including social infrastructure. The development of the private sector will also be emphasized in projects.

In the agriculture sector, the Bank will support projects designed to rehabilitate natural forests. In rural development, the strategy is to improve the productivity of smallholder cultivators, particularly through support of multi-cropping programs and other self-help schemes to raise incomes and

Cumulative Bank Lending to Malaysia

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	21	423.66	30.4
Energy	10	272.00	19.5
Transport and Communications	15	255.14	18.3
Education	3	146.80	10.5
Water Supply and Sanitation	9	114.11	8.2
Urban Development	3	91.20	6.5
Health and Population	2	76.53	5.5
Development Banks	1	15.00	1.1
Total:	64	1,394.44	100.0



TECHNICIANS at the Sabah Gas Utilization Project in Labuan, East Malaysia. A study of ways to privatize the project was carried out under technical assistance provided by the Bank.

alleviate poverty.

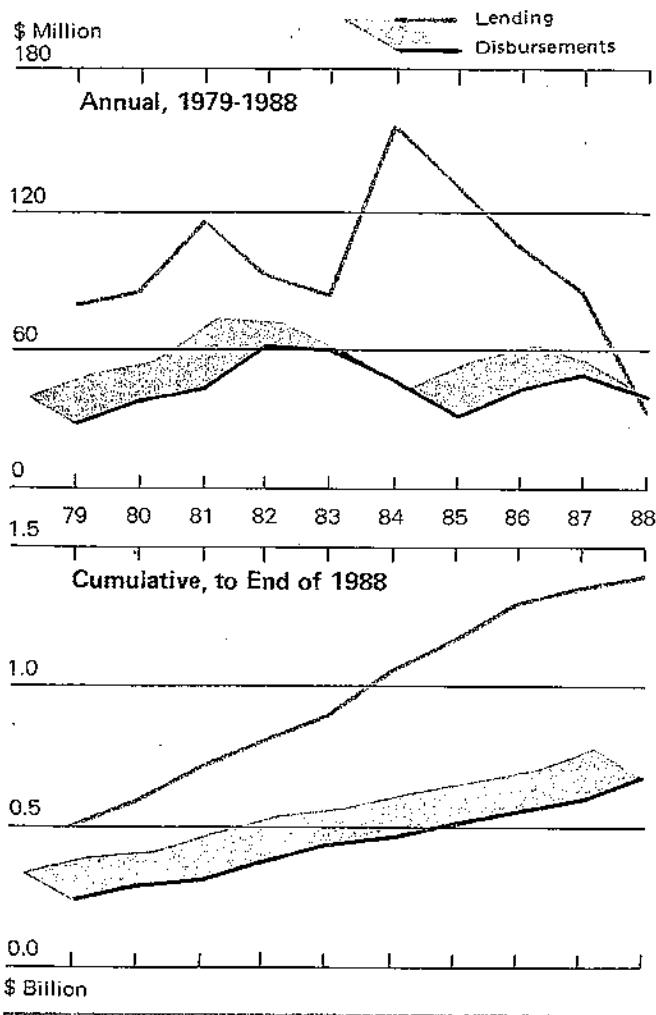
Social and physical infrastructure will continue to receive Bank support to optimize management efficiency and to achieve an appropriate balance in expenditure between new facilities and rehabilitation. The Bank will continue to support vocational education, broadening its coverage to include human resources development. Assistance will also be provided for technology assessment, development and management, and for the development of small and medium-scale industry.

Loan and Technical Assistance: In 1988, the Bank provided one loan for \$29.5 million, the lowest level of assistance to Malaysia in over a decade. The loan, the second of its kind, was made to the forestry sector in continued support of the country's afforestation efforts.

Seven technical assistance grants totalling \$1.6 million were approved in 1988, compared with four amounting to \$994,000 in 1987. Four were for the preparation of projects in the urban development, environment, health and technology sectors. Three advisory technical assistance grants, amounting to \$863,800, were given for projects in the energy, data processing and forestry sectors.

By the end of 1988, the Bank had provided 64 loans for 62 projects amounting to \$1,394.4 million. All but one were from OCR. Total technical assistance amounting to \$10 million covered both project preparatory and advisory projects. The Bank's lending covers the spectrum of the country's development efforts, with emphasis on physical infrastructure, rural development, agriculture and vocational education.

Malaysia: Lending and Disbursements



Project Implementation: At the end of 1988, of the 64 loans approved to Malaysia, 45 were closed and 19 loans were under administration, of which one was awaiting effectiveness. Contract awards amounted to \$20.2 million, bringing cumulative contract awards to \$715.5 million or 69 per cent of the net effective loan amount. Disbursements totalled \$40.1 million, compared with \$49 million in 1987. Cumulative disbursements amounted to \$639.3 million or 61 per cent of the total amount available for withdrawal.

Projects were being implemented without serious problems, although delays were still being experienced. The Negeri Sembilan Timur Integrated Agricultural Development Project was in the final stage of implementation.

Maldives

Operational Strategy: The Bank's assistance program in Maldives has focused on power, transport and communications to support the directly productive investments made by the Government and the private sector. This emphasis is expected to continue but, over the longer term, project possibilities aimed at export development or efficient import-substitution will also be considered.

Loans and Technical Assistance: In 1988, the Bank provided a loan of \$6.4 million from ADF for the Male' Port Development Project to improve the commercial harbor and develop a new interisland harbor in Male'. This involved co-financing of \$6.1 million from the OPEC Fund and UNCDF. A technical assistance grant of \$480,000 was provided for the institutional development of port management.

Previously, the Bank had provided three loans, all from ADF, for the development of interisland transport (\$1 million in 1981), a multiproject loan (\$2.4 million in 1984) for five subprojects supporting ports, communications and power infrastructure, and a power system development project (\$6.1 million in 1987) to augment generation and improve distribution in Male'. In addition, the Bank had provided eight technical assistance grants totalling \$1.8 million. Three were used to prepare Bank loan projects and five to assist the Government in identifying and planning priority investment projects, to prepare subprojects under the multiproject loan, to review interisland transport operations and to support the institutional development of the Maldives Electricity Board.

Project Implementation: By the end of 1988, the Bank had extended four loans to Maldives. Of these, one loan had been closed and three loans were ongoing. Contract awards in 1988 totalled \$1 million, bringing cumulative contract awards to \$3.5 million, or 35 per cent of the net effective loans. Disbursements totalled \$900,000, compared with \$1.1 million in 1987. Cumulative disbursements amounted to \$3.3 million or 32 per cent of the net effective loan amount.

The Multiproject was completed within the revised schedule and the Power System Development Project, approved in 1987, became effective. The project is supported by institutional improvement technical assistance. The con-

Cumulative Bank Lending to Maldives

(As of 31 December 1988)

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

sultant was selected during the year and consulting services will start in 1989. With this project and the recently approved \$6.4 million loan for the Male' Port Development Project, more active project implementation and higher disbursements are expected for 1989.

Nepal

Operational Strategy: The Bank's operational strategy for Nepal emphasizes improvements to agricultural productivity; containment of factors which threaten agricultural productivity and ecological balance (mainly deforestation); enhancement of industrial development; development of energy, using abundant water resources; and development of supporting physical and social infrastructure. The Bank also supports institution-building.

Policy Dialogue: During 1988, key issues discussed with the Government included agriculture pricing and subsidies; energy pricing and substitution to stem further deforestation; promotion of private sector participation and more effi-

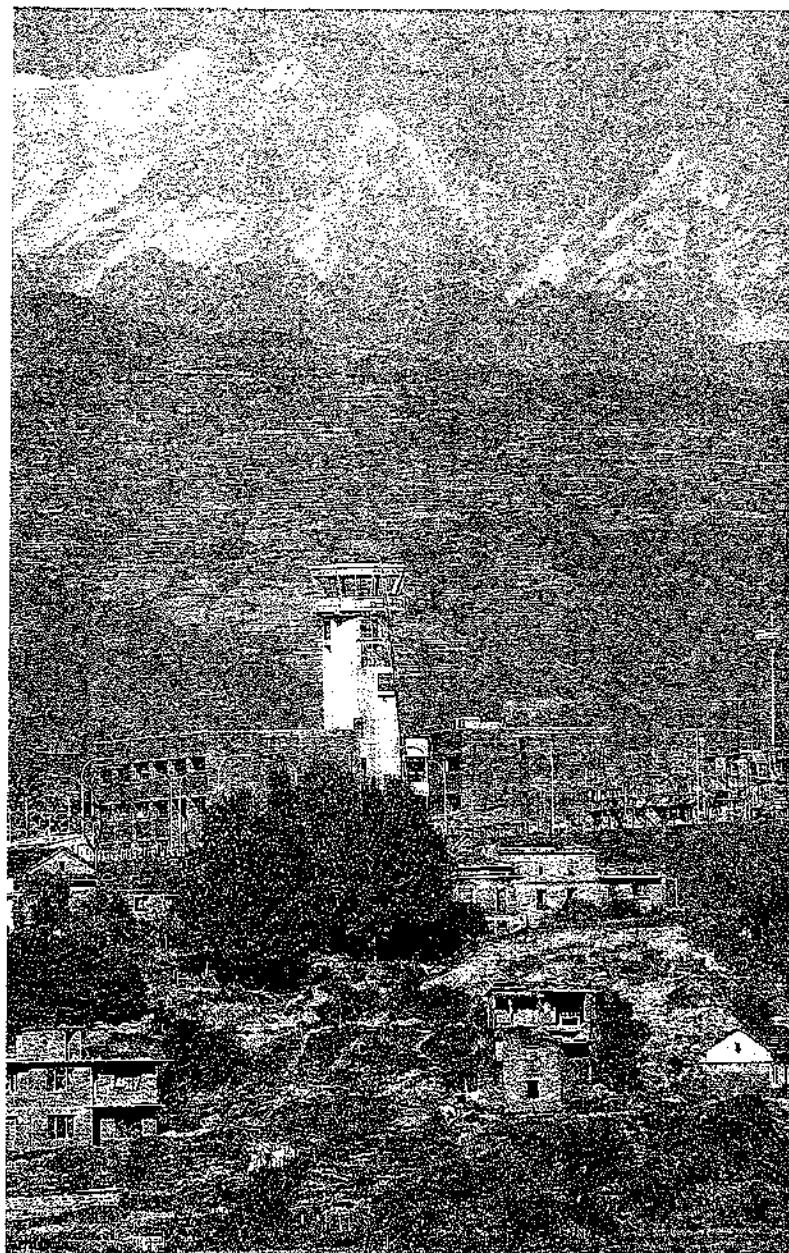
Cumulative Bank Lending to Nepal

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	36	457.80	61.9
Transport and Communications	9	107.66	14.5
Energy	8	103.40	14.0
Industry and Non-Fuel Minerals	2	49.50	6.7
Education	2	12.20	1.6
Water Supply and Sanitation	1	9.60	1.3
Total	58	740.16	100.0

cient public enterprises; decentralization and improving the effectiveness of the development administration. One outcome of these discussions was a shift in irrigation policy towards smaller irrigation schemes and an increase in budgetary allocations for operation and maintenance in the irrigation and road subsectors.

Loans and Technical Assistance: Bank lending to Nepal in 1988 amounted to \$99.3 million for three loans from ADF, compared to \$91.3 million for four loans in 1987. Two loans were for the agriculture sector through an irrigation sector loan and a program loan while the third was a second supplementary loan to complete the international airport project in Kathmandu.



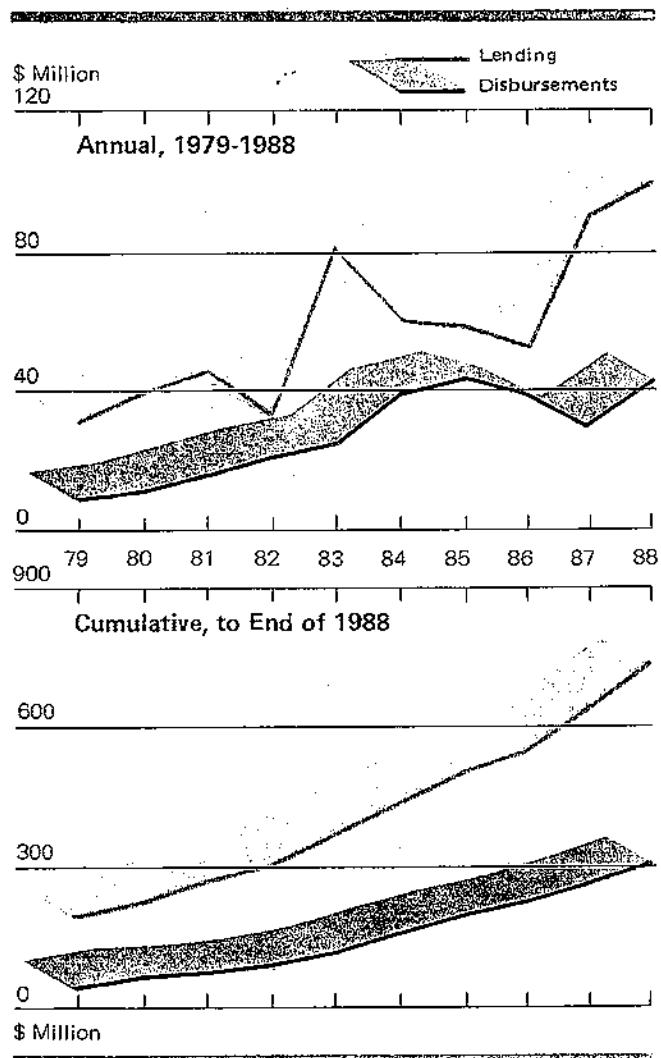
NEW administration building and control tower of the Bank-assisted Second Tribhuvan International Airport Project in Nepal.

The Bank also approved 13 technical assistance projects amounting to \$5.2 million. Four technical assistance grants were project-preparatory for the irrigation, rural development and road transport sectors and nine were advisory projects to strengthen the Agricultural Inputs Corporation and the Department of Irrigation and to undertake several studies including the Second Industrial Sector Study and the Livestock Sector Investment Study. Technical assistance was also provided to facilitate privatization of a public sector corporation and to improve communications between Nepal and the Bank.

As of the end of 1988, the Bank had approved 58 loans totalling \$740.16 million for 48 projects in Nepal. All but one were from ADF. Technical assistance amounting to \$38.8 million for 100 projects had been provided or administered by the Bank. Of 46 project-preparatory technical assistance projects, 30 had resulted in Bank loans totalling \$567.8 million. Bank lending to Nepal has been directed mainly to the agriculture, energy and transport sectors.

Project Implementation: Of the 58 loans approved for Nepal, 26 had been closed and 32 were still under im-

Nepal: Lending and Disbursements



plementation including two loans that were awaiting effectiveness. Four loans were closed in 1988. Contract awards totalled \$47.8 million, bringing cumulative contract awards to \$361.5 million or 49 per cent of the net effective loan amount. Disbursements totalled \$42.3 million, compared with \$29.2 million in 1987, bringing cumulative disbursements to \$300.7 million or 41 per cent of the net effective loan amount.

The Government took a number of steps to improve implementation during the year. The Program Budgeting and Project Monitoring System, under technical assistance financed by UNDP and executed by the Bank, was being introduced and another technical assistance project, Improving Government Financial Accounting and Audit Procedures, was under implementation. Two country projects review missions visited Kathmandu to discuss implementation problems with government officials and remedial measures were agreed upon. Disbursements, which had declined in 1986 and 1987, increased by 45 per cent in 1988, reflecting closer attention paid to implementation by the Government and executing agencies. During the year, the Bank made a supplementary loan to cover the cost overrun on the Tribhuvan International Airport Project. Construction of the new international passenger terminal complex was nearing completion.

Pakistan

Operational Strategy: The Bank's operational strategy in Pakistan is focused on balanced growth and improved equity, to be achieved through structural change, improved economic efficiency and strengthened development institutions. The Bank's primary commitments should remain with agriculture, energy and industry. The further development of social and other infrastructure also merits Bank attention as improvements in these sectors are a precondition for sustained long-term overall economic growth and structural change.

The major focus of Bank assistance in agriculture will continue to be on increasing the productivity and output of major crops, with diversification and minor crops to be supported as a secondary and long-term objective. Bank assistance in the energy sector concentrates on a program of gradual diversification. While maintaining an interest in the power sector, with emphasis on mobilizing co-financing and improving operational efficiency, the Bank will give more attention to helping the Government find ways to moderate energy use and increase the supply of indigenous resources. In the industrial sector, traditional lending through the DFIs will continue but the Bank will also examine new areas and develop modalities such as equity investment, leasing and direct lending to private industry. Bank assistance for social infrastructure will be increased from previous low levels, with an emphasis on education, primary health care and improvement of the environment in major urban centers.

Policy Dialogue: The Bank continued agriculture sector discussions with the Government. Satisfactory progress is being made by the Government in the phased elimination of fertilizer subsidies and in the attainment of full recovery of irrigation operation and maintenance expenditures. Discus-

sion was also held on the industrial and financial sectors during the formulation and processing of the Bank's Industrial Sector Program loan. This loan is an integral part of an economic adjustment program developed and being implemented by the Government to maintain rapid, industry-led growth through deregulation and improved incentives to provide increases in employment, income and social services for a growing population.

Loans and Technical Assistance: In 1988, Bank lending to Pakistan amounted to \$649.4 million, \$319 million from ADF and \$330.4 million from OCR, for eight projects. This compared with \$541.6 million for 10 projects in 1987.



FARMERS alongside a canal constructed in Sind Province, Pakistan. The South Rohri Fresh Groundwater Irrigation Project, aimed at increasing agricultural output and farm incomes, was supported by a concessional Bank loan of \$47 million.

Local cost financing accounted for \$86.6 million, or 13.3 per cent of Bank lending.

Three projects involved co-financing totalling \$136.4 million with various donors, including the Overseas Development Administration of the United Kingdom, the Export-Import Bank of Japan, the OPEC Fund for International Development and UNDP, and with commercial banks. Two loans in the agriculture sector helped finance irrigation and drainage, and aquaculture development. The Small-Scale Industry sector loan will promote broader participation of private sector small-scale industries in industrial development. The Second Farm-to-Market Roads Project will improve about 2,000 km of rural roads in 19 districts of four provinces. The fifth power sector loan to the Karachi Electric Supply Corporation, through rehabilitation and expansion of transmission lines and distribution systems, will maintain appropriate levels of reliability and quality of electricity supply and reduce power system losses. The Third Pirkoh Gas Development Project will increase gas production to about 350 million cubic feet per day in the desert-mountains of Baluchistan. The Industrial Sector Program loan will support industrial restructuring and strengthen administrative and institutional capabilities to ensure effective implementation of the Government's economic adjustment program. A second loan to the privately-owned National Development Leasing Corporation Limited (NDLC) will provide lease financing for the equipment needs of enterprises in the private sector. The Bank also provided an additional direct equity investment of \$165,000 in NDLC.

The Bank approved 19 technical assistance projects to Pakistan, totalling \$6.7 million. This compared with \$4.2 million for 14 projects in 1987. Project preparatory technical assistance amounted to \$1 million for five projects, and advisory and operational technical assistance amounted to \$5.7

Cumulative Bank Lending to Pakistan

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	34	1,480.02	33.5
Agriculture and Agro-Industry	35	1,388.85	31.5
Development Banks	20	727.00	16.5
Industry and Non-Fuel Minerals	6	297.60	6.7
Transport and Communications	6	282.60	6.4
Water Supply and Sanitation	2	61.50	1.4
Health and Population	3	61.40	1.4
Education	3	59.80	1.3
Urban Development	1	55.20	1.3
Total	110	4,413.97	100.0

million for 14 projects. There were eight projects for industry and non-fuel minerals, six for social infrastructure, two each for transport and communications and agriculture and one for energy.

The Bank has so far provided 110 loans totalling \$4,414 million for 87 projects in Pakistan. Of these, 62 loans amounting to \$2,399 million (54 per cent) were from ADF and 48 loans amounting to \$2,015 million (46 per cent) from OCR. Technical assistance totalling \$25.4 million has been provided for 92 projects, of which 30 have so far resulted in 34 Bank loans amounting to \$1,366.6 million. Energy accounted for 34 per cent of total cumulative lending to Pakistan followed by agriculture with 32 per cent and industry and non-fuel minerals, including development banks, with 23 per cent.

Project Implementation: Of the 110 loans approved to Pakistan, 47 had been closed and 63 were under administration at the end of 1988, including 10 loans that were awaiting effectiveness. Seven loans were closed in 1988. Contract awards totalled \$351.2 million, bringing cumulative contract awards to \$1,898.8 million or 49 per cent of the net effective

loan amount. Disbursements totalled \$309.8 million, compared with \$218.9 million in 1987. Cumulative disbursements amounted to \$1,636.1 million or 43 per cent of the total amount of net effective loans. Implementation and disbursement continued to improve. The Government's renewed emphasis on monitoring projects are augmented by semi-annual country projects review meetings with the Bank to address cross-sectoral implementation constraints and issues. During the year, the Government instituted mid-year reviews of project implementation at federal and provincial levels.

The Government requested the Bank to assist in a joint review of its procedures and requirements to attain better implementation results. This review is expected to facilitate implementation and accelerate disbursements. Commitments under the Third Development Financing Project, a \$200 million credit to six financial intermediaries which became effective in July, progressed well ahead of schedule, reflecting the rapid growth of private sector industry.

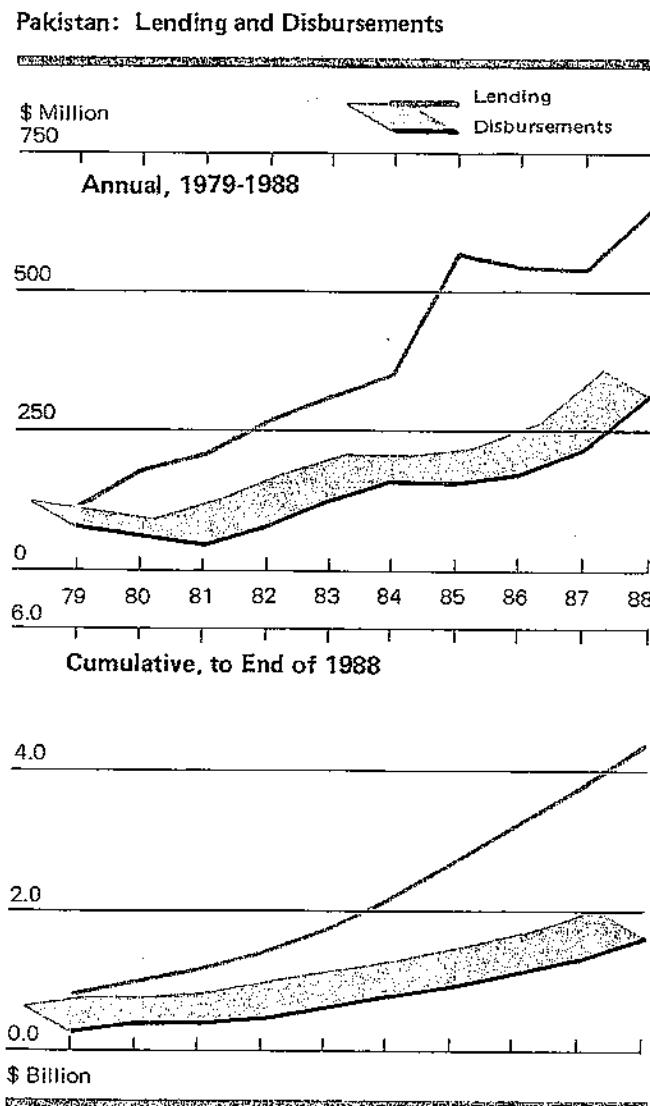
During the year, the Bank conducted a procurement seminar in Pakistan which was attended by 29 officials.

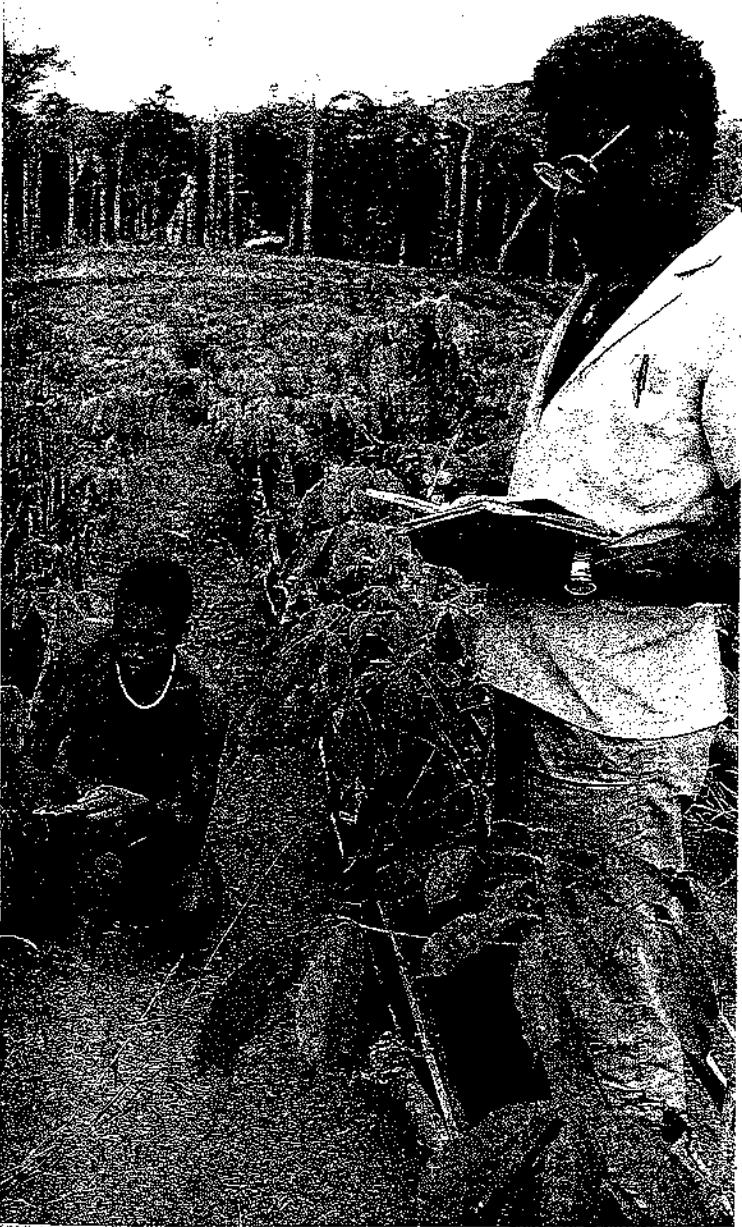
Papua New Guinea

Operational Strategy: In line with the Government's Development Plan and Public Investment Program for 1989-1993, the Bank's operational strategy in Papua New Guinea (PNG) is geared towards promoting growth of smallholder agriculture, fisheries and forestry; maintaining and expanding physical and social infrastructure which supports productive sectors; broadening the industrial base by enhancing private investment in small and medium-size agro-industries and manufacturing; and strengthening local institutional capacity to plan, implement and monitor programs and projects and to improve aid coordination.

Policy Dialogue: During talks between the Government and the Bank in early December, agreement was reached on clearly defined objectives and strategy for long-term cooperation between PNG and the Bank; priority sectors, subsectors and programs in which the Bank would assume a lead agency role in the country's development efforts; and the levels and terms of Bank assistance, including access to various instruments and forms of assistance. At the request of the Government, the Bank agreed to assume a lead role in the sectors of agriculture and livestock, fisheries and marine resources, road and port infrastructure, urban water supply and sewerage and health. In addition, the Bank's role will be complementary in industrial development, urban infrastructure and housing, and development finance institutions.

This lead role requires the Bank to provide assistance in sectoral policy development; support institutional development within these sectors; increase technical assistance and program and project financing; and assist in mobilizing and coordinating additional funds from multilateral and bilateral sources. It was further agreed to continue policy discussions on an annual basis.





GROWING rubber and other crops at Cape Rodney, Papua New Guinea. The Smallholder Project, aimed at increasing incomes for about 1,200 farm families, is supported by a concessional Bank loan of \$15 million.

Loans and Technical Assistance: In 1988, the Bank made no loans to PNG after approving two loans totalling \$10 million in 1987. Two loans previously in the Bank's pipeline for 1988, one in the agricultural support services sector and one in the health sector, were financed at more concessional terms by bilateral donors. A change of government in mid-1988 caused some delays in loan processing and two anticipated loans were deferred until 1989 on procedural and technical grounds.

The technical assistance program to PNG totalled \$711,000 for two projects. One was for the preparation of

Cumulative Bank Lending to Papua New Guinea

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Transport and Communications	8	102.05	36.1
Agriculture and Agro-Industry	6	62.64	22.2
Energy	4	34.60	12.2
Health and Population	3	25.90	9.2
Development Banks	3	22.50	8.0
Water Supply and Sanitation	2	18.90	6.7
Education	2	16.00	5.6
Total	28	282.59	100.0

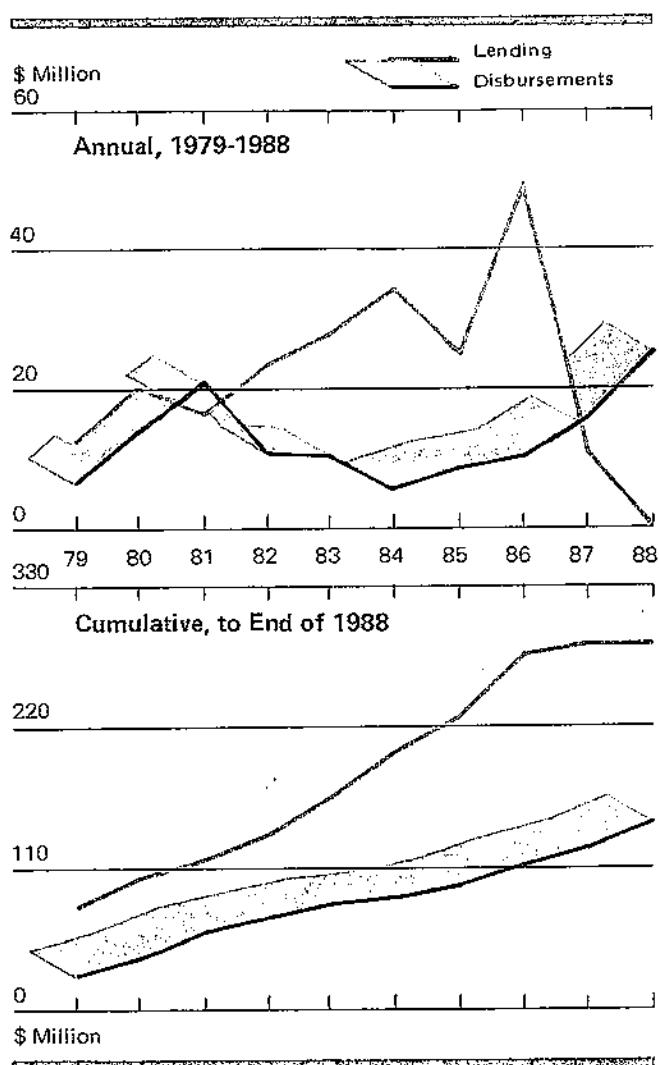
a second ports development project, while the other was an advisory and operational technical assistance grant for a health sector financing study.

At the end of 1988, the Bank had approved 28 loans to PNG totalling \$282.6 million for 21 projects. Of these loans, 13 amounting to \$142.3 million were from OCR and 15 totalling \$140.3 million from ADF. Technical assistance totalling about \$7.4 million had been provided for 38 projects, of which nine resulted in Bank loans amounting to \$127.3 million. The transport and communications sector accounts for about 36 per cent of total cumulative Bank lending, followed by agriculture with 22 per cent and energy with 12 per cent.

Project Implementation: By the end of 1988, 28 loans had been approved for PNG, of which 10 had been closed. Eighteen loans were under administration, of which two were awaiting effectiveness. Contract awards totalled \$16.9 million, bringing cumulative contract awards to \$175.8 million or 64 per cent of the net effective loan amount. Disbursements totalled \$25.5 million, compared to \$16.1 million in 1987. Cumulative disbursements of Bank loans amounted to \$145.5 million or 53 per cent of the total amount of net effective loans.

Most projects gained momentum and remarkable progress was made in disbursement. But there were still implementation problems, including delays in loan signing and loan effectiveness. Loan signings were delayed mainly because loans had to be approved by Parliament before they could be signed. Loan effectiveness was held up mainly by difficulties in fulfilling conditions for effectiveness, such as land acquisition and various agreements among concerned institutions. Delays are also common in the recruitment of project staff and consultants and in the submission of audited financial statements. The scope of some country loan disbursement missions is being broadened to allow discussion of cross-sectoral issues with government officials.

Papua New Guinea: Lending and Disbursements



Philippines

Operational Strategy: The Bank's recently-completed Country Strategy Study on the Philippines is focused on the more immediate requirements of an economy which suffered a serious dislocation following the crisis of 1983. Under the strategy, the Bank will continue to support poverty alleviation and employment generation, especially in rural areas, and a more equitable distribution of the benefits of the development process. The strategy also recognizes the need to improve balanced regional development, given the wide disparities in income and quality of life in different regions.

While the study identifies issues on a priority basis, it also emphasizes three considerations for implementing the strategy. First, more attention should be given to policy-based program and sector lending. This recommendation is based on the likelihood of persisting balance-of-payments constraints, reduced access to commercial foreign borrowings, and the opportunities which such modalities provide for linking policy

and institutional reform with Bank assistance. Secondly, more attention should be given to rehabilitating and improving the existing infrastructure. Bank assistance will also be provided for institutional support to executing agencies carrying out operations and maintenance activities in strategic sectors such as irrigation, power, roads, ports and water supply. Thirdly, in response to the serious poverty situation, the Bank will provide more support to upgrade social infrastructure, including high-priority projects in health, education, water supply and sewerage, and urban development.

As the economy continues to recover, the strategy will emphasize efficiency aspects of investment and will address the need to increase capacity in the productive sectors.



COMPUTER class at the Manila Technician Institute in Taguig, Philippines, under the Technical and Vocational Education Project. Aimed at developing technical manpower to accelerate the country's industrialization, the project has been assisted by a Bank loan of \$27 million.

Policy Dialogue: A number of important institutional and policy issues were discussed in 1988. Under the Forestry Sector Program loan, the Bank discussed institutional improvements in the forestry sector and the strengthening of policies to curb indiscriminate exploitation of forests. Policy dialogue was also held, under the Fourteenth Power (Sector) loan, on the formulation of transfer pricing mechanisms between the National Power Corporation and power utilities which purchase power from it. In support of the dialogue, a technical assistance grant was provided to assist the Office of Energy Affairs in carrying out the study. In the Secondary Education Development Sector Project, discussions evolved around a policy and institutional framework to facilitate implementation of the Government's Secondary Education Development Program.

Loans and Technical Assistance: In 1988, Bank lending to the Philippines rose sharply to \$381.96 million (\$204 million from OCR and \$177.96 million from ADF) for seven projects from \$43.5 million for one project in 1987. Three projects involved co-financing. The Agricultural Technology Education Project had co-financing of \$6.5 million from the OPEC Fund and the Forestry Sector Program was co-financed from Japan's Overseas Economic Cooperation Fund in the amount of \$120 million. The Bank also approved a private sector loan, co-financed by the International Finance Corporation in the amount of \$24 million, to the Philippine Long Distance Telephone Company, Inc. and an equity investment of \$2.5 million in H&Q Philippine Ventures, Inc.

The loan program covered several subsectors including forestry, secondary and tertiary (agricultural technology) education, power, microcredit and integrated area development (IAD). The forestry sector program involved policy and institutional reforms and loan proceeds will provide balance-of-payments support to the Government and ensure the availability of resources to expand and accelerate the Government's reforestation program. The loan for agricultural technology education will help the Government rationalize and upgrade the agricultural education and training system and improve its relevance to national development needs. The sector loan for secondary education development will complement the Government's strategy for upgrading physical facilities, curricula and instructional materials; providing staff development assistance to improve private secondary education; and improving sector management and evaluation. The IAD project is aimed at reducing rural poverty in Sorsogon Province, one of the least-developed areas, by increasing incomes, generating employment and improving living standards for subsistence farmers and fishermen. The power loan is for system rehabilitation and upgrading to improve supply reliability and overall standards of service. The microcredit project is designed to alleviate poverty through the use of non-governmental organizations as credit intermediaries for financing micro-enterprises and cottage industries.

The Bank also approved 23 technical assistance projects amounting to \$11.9 million, compared with eight projects totalling \$1.8 million in 1987.

Project preparatory technical assistance amounted to \$5.6

Cumulative Bank Lending to Philippines

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	34	858.84	30.1
Energy	16	778.35	27.3
Transport and Communications	17	446.35	15.7
Development Banks	10	245.00	8.6
Water Supply and Sanitation	7	269.20	9.4
Education	4	128.86	4.5
Multisector	3	126.70	4.4
Total	91	2,853.30	100.0

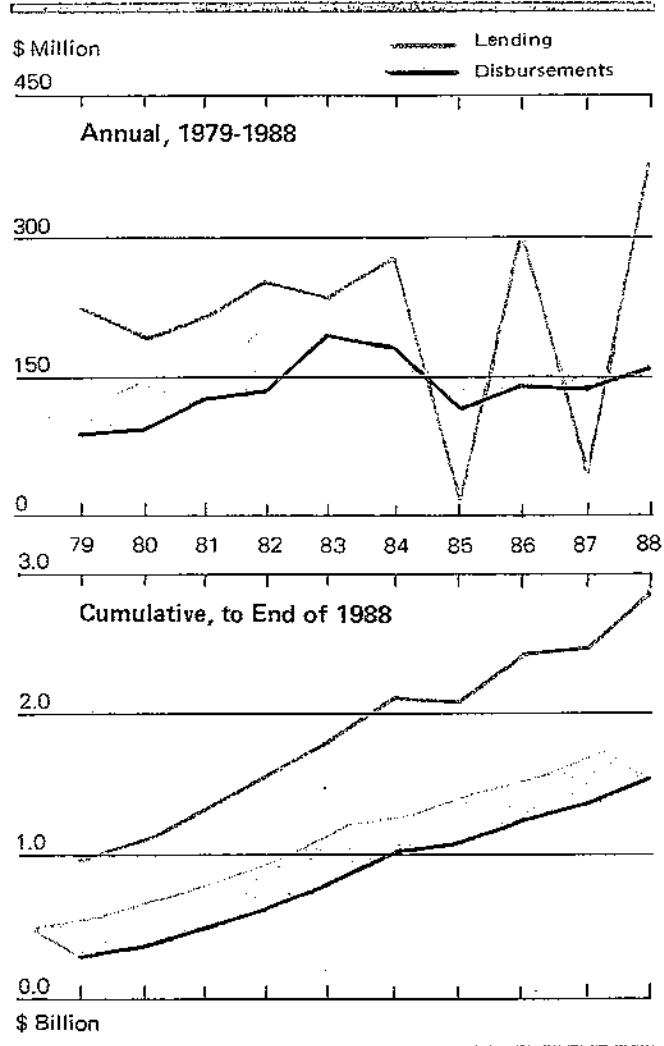
million for eight projects and operational and advisory technical assistance totalled \$6.33 million for 15 projects. Eleven projects were in the agriculture sector, four in industry and development banks, two each in social infrastructure and energy, and one each in ports, telecommunications, water supply and environment. In addition, technical assistance was provided to the Government for the evaluation and monitoring of public institutions.

By the end of 1988, the Bank had approved 91 loans totalling \$2,853.3 million to the Philippines for 82 projects and two special assistance projects. Of these, 77 loans amounting to \$2,546.04 million were from OCR and 14 loans amounting to \$307.26 million were from ADF. Technical assistance amounting to \$32 million was provided for 109 projects, of which 36 resulted in Bank loans amounting to \$1,221.95 million. Agriculture accounted for 30.1 per cent of total cumulative lending to the Philippines, followed by energy with 27.5 per cent, transport and communications with 16 per cent and social infrastructure with 13.9 per cent.

Project Implementation: By the end of 1988, 91 loans had been approved for the Philippines, of which 51 were closed. Forty loans were under administration, of which three loans were awaiting effectivity. Five loans were closed in 1988. Contract awards totalled \$174.6 million, bringing cumulative contract awards to \$1,526.3 million or 66 per cent of the net effective loan amount. Disbursements totalled \$157.4 million, compared to \$133 million in 1987. Cumulative disbursements amounted to \$1,533 million or 66 per cent of the total amount of net effective loans.

In 1988, the Bank cooperated closely with the Government's Project Facilitation Committee, set up the previous year under the chairmanship of a presidential advisor to expedite project implementation and absorption of external aid. In August, a number of measures to improve implementation were agreed upon at the first country projects review meeting since 1986.

Philippines: Lending and Disbursements



The Bank held a country seminar on procurement, attended by 30 officials, at Bank Headquarters in December. Separate meetings were held to discuss differences between Government and Bank guidelines on procurement and consulting services. Contract award and disbursement performances are expected to improve as a result.

Sri Lanka

Operational Strategy: The Bank seeks to assist Sri Lanka develop a diversified and export-oriented economy, depending more on the private sector and able to generate domestic and external resources required for self-sustainable growth. The Bank is supporting the reconstruction and rehabilitation program in the north and east with the two main aims of generating productive employment and ensuring that public expenditure is cost-effective.

Policy Dialogue: Discussions with the Government in the agriculture sector were focused on the introduction of credit

financing for tree crop investment and simplification of cess/subsidy administration which were addressed under the Perennial Crops Development Project in 1988. Discussions on industrial and financial policy under the Second Development Financing Project centered on improving the investment environment for the private and export sectors through tariff, exchange rate and interest rate reforms.

Loans and Technical Assistance: In 1988, the Bank approved four loans totalling \$108.3 million from ADF, compared with four loans for \$106.3 million in 1987. Two loans involved co-financing from the Government of Canada and the International Development Association totalling \$44 million. Local cost financing amounted to \$36.98 million, or 34 per cent, of Bank lending. The Bank loan for the Emergency Schools Restoration Project was the second for the Government's reconstruction and rehabilitation program, following a 1987 loan for emergency roads restoration. Two other loans will provide term finance for private sector industries through financial intermediaries and support the training of technical manpower. The fourth loan will support the development of perennial crops.

The Bank approved a total of nine technical assistance grants for \$1.8 million. Two were for the preparation of a telecommunications project and an agriculture rehabilitation project in the north and east. Seven were advisory and operational grants. They will be used to review crop production incentives, the urban sector, Southern Province development, and education and training. They will also provide support for the establishment of a unit trust; institutional support for the Capital Development and Investment Company Ltd. and assistance for the establishment of an investors' compensation fund and workshops for training in securities.

Cumulative Bank Lending to Sri Lanka

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	25	373.16	47.7
Development Banks	6	100.00	12.8
Transport and Communications	7	96.20	12.3
Energy	6	87.45	11.2
Education	3	67.10	8.5
Water Supply and Sanitation	1	30.00	3.8
Multisector	1	14.70	1.9
Health and Population	1	9.30	1.2
Industry and Non-Fuel Minerals	2	5.15	0.6
Total	52	783.06	100.0

YEAR 10

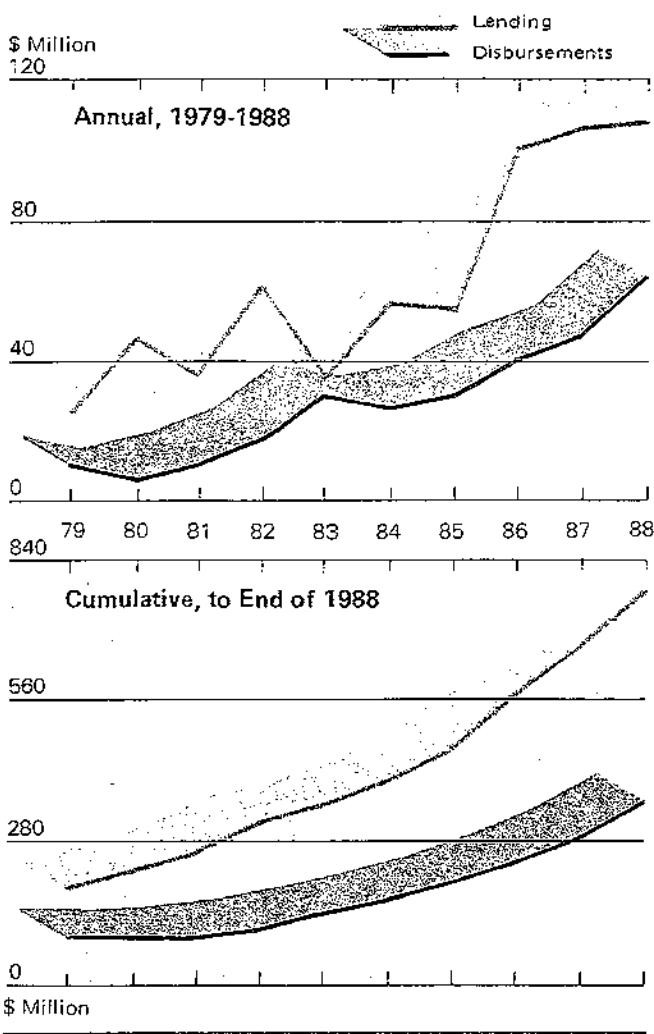


SCHOOLING is an important component of the Kirindi Oya Irrigation and Settlement Project in southern Sri Lanka. Aimed at settling more than 8,000 families on newly-irrigated lands, the project has been supported by concessional Bank loans totalling \$60.6 million.

At the end of 1988, the Bank had approved 52 loans to Sri Lanka totalling \$783.1 million for 46 projects. Of these loans, six amounting to \$14.1 million were from OCR and 46 totalling \$768.9 million were from ADF. Technical assistance totalling about \$11.5 million had been provided for 63 projects, of which 26 resulted in Bank loans amounting to \$485.3 million. The agriculture and agro-industry sector accounts for about 47.7 per cent of total cumulative Bank lending to Sri Lanka, followed by development banks (including industry and non-fuel minerals) with 13.4 per cent, transport and communications with 12.3 per cent and energy with 11.2 per cent.

Project Implementation: The Bank has extended 52 loans to Sri Lanka, of which 21 had been closed, leaving 31 loans under administration at the end of 1988. Two loans were

Sri Lanka: Lending and Disbursements



awaiting effectiveness. Contract awards totalled \$70.2 million, bringing cumulative contract awards to \$409 million or 55 per cent of the net effective loan amount. Disbursements totalled \$64.8 million, compared to \$48.5 million in 1987. Cumulative disbursements of Bank loans amounted to \$351 million or 47 per cent of the total amount of the net effective loans.

Implementation is proceeding reasonably well, although problems included constrained budgetary resources and delays in loan effectiveness and the recruitment of consultants. Bank missions have discussed these problems with the Government which has taken steps to reduce delays.

Thailand

Operational Strategy: Based on the Bank's operational strategy for Thailand, Bank operations in Thailand are aimed at achieving both sustained lending and developmental impact as a means of promoting efficient resource use, equity and structural change. The Bank will continue to stress

support for the Government's Sixth National Economic and Social Development Plan (1987-1991) through multisectoral involvement with public investment programs in the context of a rapidly growing and modernizing economy. The current high growth rates have produced increasingly severe infrastructure constraints; accordingly, public infrastructure lending will continue to be the main basis for Bank lending in Thailand for the remaining period of the Sixth Plan. Given the critical role of certain sectors in the Government's industrialization program, Bank operations will reflect a concentration on these areas. Support will be continued to improve the country's power base, with emphasis on both increased generating capacity and improvements in distribution to ensure effective power utilization. The transport sector has also been identified as a key area with large resource requirements, and the Bank

will examine opportunities to provide support for its continued development.

While the Bank's current operational program is centered on assistance to relieve infrastructure constraints, the Bank will also continue to seek involvement in other priority sectors such as social infrastructure, particularly water supply, rural development and small-scale industries to the extent that suitable opportunities arise and are endorsed by the Thai Government for multilateral financing.

Policy Dialogue: Within the framework of specific projects, the Bank has maintained a continuing policy dialogue in Thailand, which has been focused on strengthening the performance of state enterprises as part of the wider effort of restructuring the Thai economy, with the objective of increas-



USING (left) and repairing (right) the telephone service in northern Thailand which was provided under the Bank-assisted Rural Telecommunications Project.

Cumulative Bank Lending to Thailand

(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Energy	19	872.05	48.6
Transport and Communications	7	282.10	15.7
Water Supply and Sanitation	4	221.50	12.4
Agriculture and Agro-industry	10	159.05	8.9
Development Banks	6	140.00	7.8
Urban Development	2	58.00	3.2
Industry and Non-Fuel Minerals	1	39.00	2.2
Education	3	21.40	1.2
Total	<u>52</u>	<u>1,793.10</u>	<u>100.0</u>

ing the enterprises' operational efficiency, strengthening their management, improving their financial viability, and assisting them in developing a more commercial orientation. Through a combination of advisory technical assistance inputs and the introduction of appropriate loan covenants, the Bank has maintained an extensive policy dialogue aimed at improving the managerial efficiency of specific state enterprises and promoting the introduction of corrective measures — tariff increases and debt restructuring, reduction in system losses, organizational changes and training — which have resulted in substantial improvements in their operations and financial profile.

Loan and Technical Assistance: In 1988, the Bank provided one loan of \$64.75 million to the Metropolitan Electricity Authority (MEA) for the Sixth Power Distribution (Sector). This project will supply power to about 283,000 new consumers in the Bangkok area and will enable MEA to expand its distribution system and to improve reliability and quality of electrical supply. It involves co-financing of \$21.3 million in the form of suppliers' credit.

The Bank also approved four technical assistance grants. Advisory and operational technical assistance was provided to MEA for a study of computer-based systems and to the Ministry of Agriculture and Cooperatives for a Private Tree Farms Development Study. Supplementary assistance was also supplied for a Provincial Towns Water Supply Project and for a study of the Government Manpower Planning and Information System.

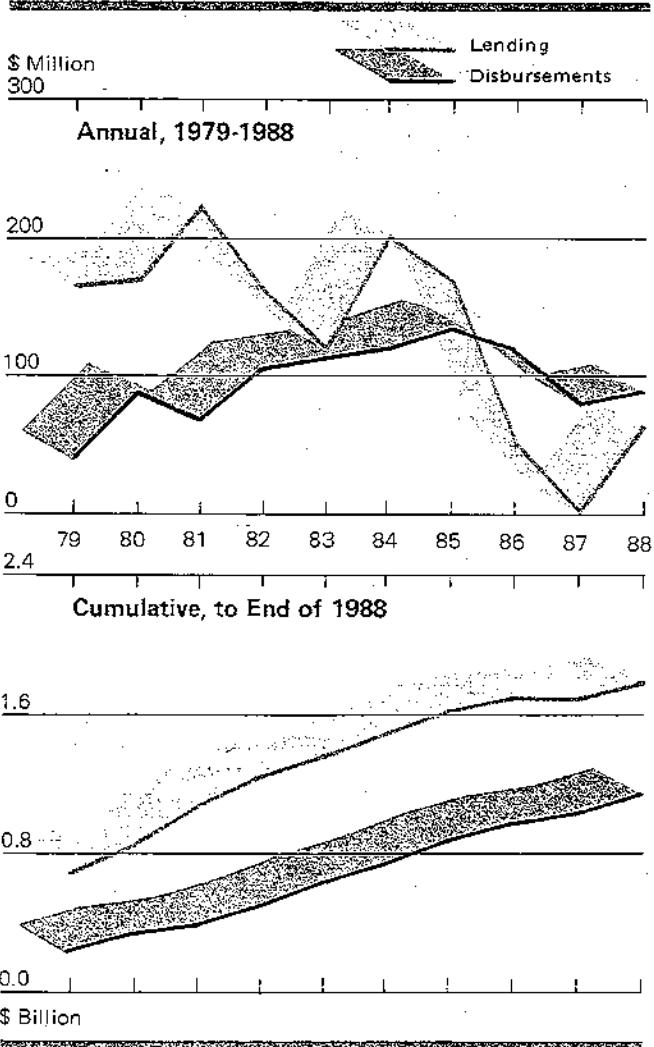
As of the end of 1988, the Bank had approved 52 loans totalling \$1,793.1 million for 49 projects in Thailand. Of these loans, 46 amounting to \$1,721 million were from OCR. Technical assistance totalling \$12.4 million had been provided

for 53 projects, of which 10 resulted in 11 Bank loans amounting to \$344.6 million. The energy sector accounted for 48.6 per cent of cumulative lending, followed by the transport and communications sector with 15.7 per cent.

Project Implementation: Of the 52 loans approved to Thailand, 34 had been closed and 18 were under administration during 1988. One loan was closed in 1988. Disbursements totalled \$88.8 million, compared with \$80.8 million in 1987. Cumulative disbursements of Bank loans amounted to \$1,145.2 million, or 83 per cent of the total amount of net effective loans. Contract awards in 1988 totalled \$51.3 million, bringing cumulative contract awards to \$1,245.8 million or 91 per cent of net effective loan amount.

Implementation in the energy, transportation, water supply and development banks sectors was generally satisfactory, as staff of executing agencies are experienced and efficient. Problems were experienced in agriculture sector projects, including management weakness and inadequate interagency cooperation, but the Bank has worked closely with the Government to remedy these problems.

Thailand: Lending and Disbursements



Smaller South Pacific Developing Member Countries¹

Operational Strategy: Recognizing the unique characteristics of the smaller South Pacific developing member countries (SPDMCs), individually as well as a group, the Bank has continuously adopted a flexible approach in its strategy and operating procedures. In recent years, the Bank has focused increasingly on supporting productive activities in agriculture and industry, frequently in the form of multiproject loans covering several small public sector projects in key sectors as against earlier concentration on assisting physical and social infrastructure. In the energy sector, technical assistance is being provided to develop the SPDMCs' hydropower potential. Support is also being channelled through credit lines to national development banks to assist productive activities in the private sector. In addition, the Bank emphasizes institution-building through human resource development.

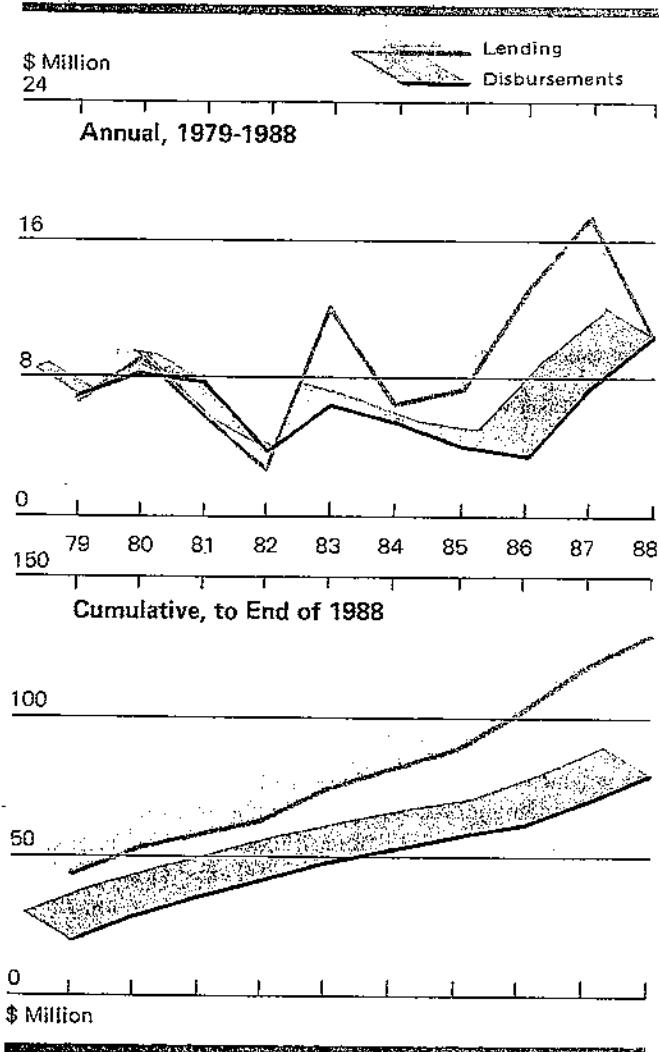
Since its establishment in 1984, the South Pacific Regional Office (SPRO) has assumed responsibility in formulating the Bank's operational strategies and programs for Cook Islands, Kiribati, Solomon Islands, Tonga and Vanuatu. The SPRO is also responsible for preparing economic reports for these countries. The SPRO is administering all DFI loans for most of the smaller SPDMCs and several projects in other sectors. In addition, the SPRO is administering a number of World Bank co-financed loans in the smaller SPDMCs.

Cumulative Bank Lending to Smaller South Pacific Developing Member Countries¹
(As of 31 December 1988)

Sector	Number of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-Industry	12	39.19	30.4
Development Banks	10	24.00	18.6
Transport and Communications	10	22.94	17.8
Multisector	9	22.53	17.4
Energy	7	18.36	14.2
Water Supply and Sanitation	1	1.65	1.3
Industry and Non-Fuel Minerals	1	0.37	0.3
Total	50	129.04	100.0

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

Smaller SPDMCs: Lending and Disbursements



Loans and Technical Assistance: In 1988, the Bank approved two multiproject loans to Tonga and Western Samoa and one power project loan to Kiribati. The three loans amounted to \$10.2 million from ADF. The loan to Kiribati will provide an expansion of the power distribution system in Tarawa and the provision of tools and equipment for the Public Utilities Board workshops. The two multiproject loans to Tonga and Western Samoa will provide for a number of small projects, primarily infrastructural, as well as for agriculture and agro-industry. The multiproject loan to Western Samoa involved co-financing of \$700,000 from the OPEC Fund for International Development. Cook Islands, Solomon Islands, Vanuatu and Western Samoa received nine technical assistance grants totalling \$1.37 million, of which four were for project preparation and five for advisory and institutional strengthening purposes.

At the end of 1988, the Bank had approved 50 loans amounting to \$129 million for 47 projects in the smaller SPDMCs. Technical assistance totalled \$15 million for 94



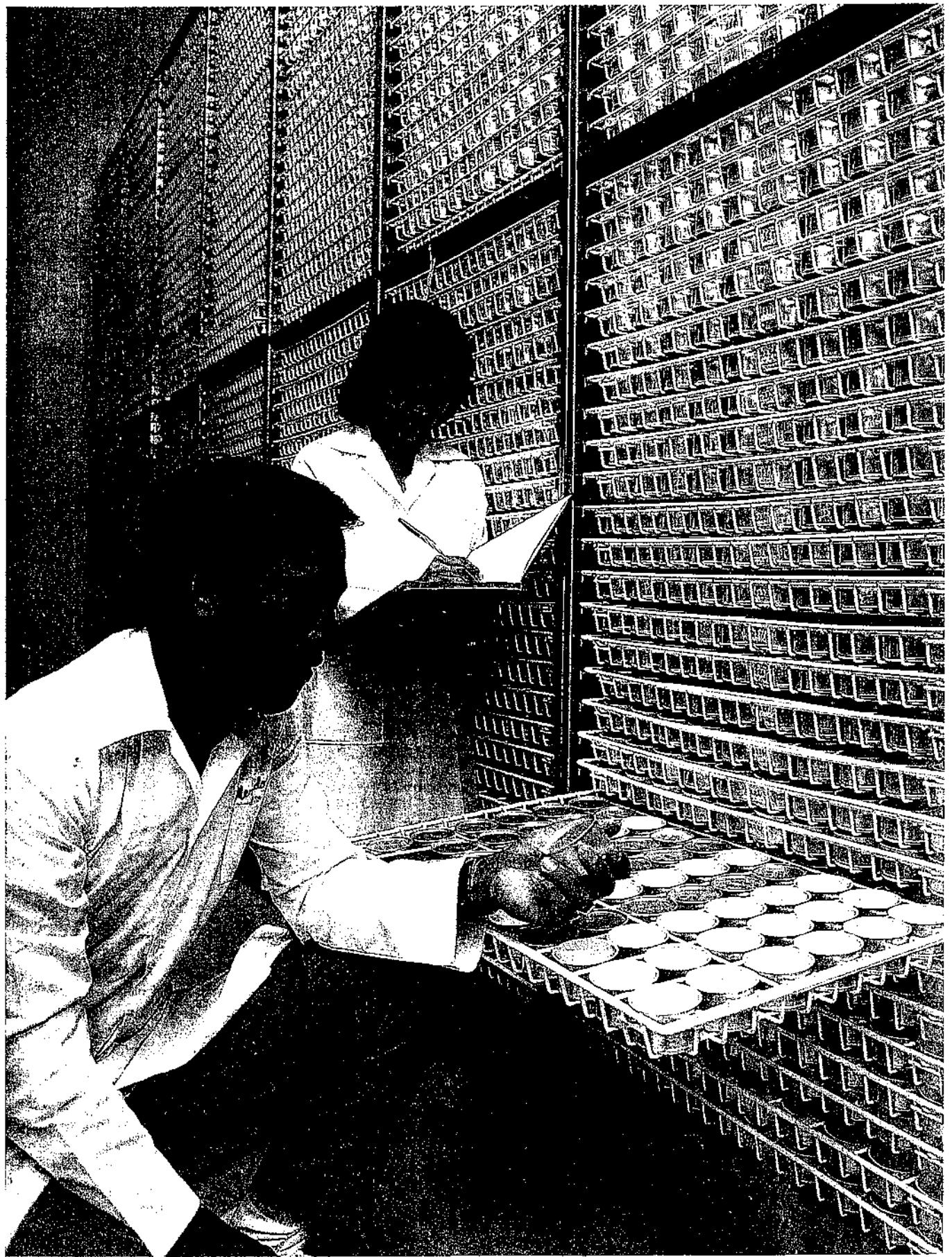
CARRYING coconuts in Western Samoa, where the Bank has supported the Coconut Oil Mill Project, the country's first major industrial enterprise, with a \$2.25 million loan.

projects, of which 20 had resulted in Bank loans amounting to \$54.95 million. The agriculture and agro-industry sector and development bank lending accounted for almost one-half of the cumulative Bank lending to the smaller SPDMCs.

Project Implementation: Of the 50 loans (including one Special Assistance loan) approved for the smaller SPDMCs, 30 had been closed and 20 were under administration at the end of 1988, including three that were awaiting effectivity. Contract awards totalled \$7.8 million in 1988, bringing cumulative contract awards to \$82.4 million or

67 per cent of the total net effective loan amount. Disbursements totalled \$10.4 million in 1988 compared to \$7.5 million in 1987. Cumulative disbursements of Bank loans totalled \$79.6 million, or 65.2 per cent of the total amount of net effective loans.

Project implementation problems encountered in the smaller SPDMCs are often related to geographical remoteness, the small size of countries, land tenure problems and unavailability of skilled manpower. The Bank continues to address these problems by providing technical assistance to strengthen key institutions.



TECHNICIANS at the seed bank in the genetic resources laboratory of the Bank-supported International Rice Research Institute at Los Baños, the Philippines.

PROJECT ADMINISTRATION

Project Administration

IN 1988, the Bank responded to the challenges of increased lending and larger, more complex projects with a series of innovative improvements in project administration procedures. These improvements, which enabled the Bank to handle the increased volume of business without loss in quality, focused on simplifying and streamlining internal procedures for project implementation as well as delegating more responsibility to the Bank's Project Divisions and executing agencies. These moves were accompanied by increased emphasis on improving the skills of executing agency staff through training.

A Committee on Speeding Up Project Administration, consisting of senior operational staff, reviewed Bank procedures for project administration and recommended improvements. A major outcome was a proposal to give more decision-making authority to executing agencies by increasing the limits for international shopping to \$500,000 for procurement of goods and to \$1 million for civil works and by raising the limit for direct purchase to \$50,000.¹

Other improvements focused on reducing the Bank's direct involvement in local competitive bidding, after being satisfied that local procedures are acceptable; encouraging the use of advance action for procurement and recruitment of consultants; expanding the use of sample bidding documents, imprest accounts and statement of expenditure procedures; and reducing delays in making loans effective and expediting disbursements.

The Committee noted that the existing arrangement in Project Divisions, where one senior officer in each division is responsible for the coordination of project administration, should continue.

On the basis of the Committee's recommendation, the Central Projects Services Office (CPSO) is expected to play a more active role in streamlining project administration procedures by delegating more authority to the Project Departments and executing agencies and putting more emphasis on training.

¹ The proposal was approved by the Board in February 1989.

To facilitate the recruitment of consultants, the Committee recommended merging the Consultants Administration Section of the Budget, Personnel and Management Systems Department with the Consulting Services Division of CPSO. This reorganization, which became effective on 1 August, will simplify and speed up internal procedures for consultant recruitment. It will also eliminate some duplication of activities.

To enhance project implementation, other measures taken during the year included providing more information about the consultant recruitment process and improving communication between the Bank and executing agencies on this subject; increasing the impact of project supervision missions; revising procedures in line with trade practices for procurement of internationally traded commodities; and issuing draft revised Project Administration Instructions on the methods of handling proposed changes in project scope, utilization of loan savings and extension of loan closing dates.

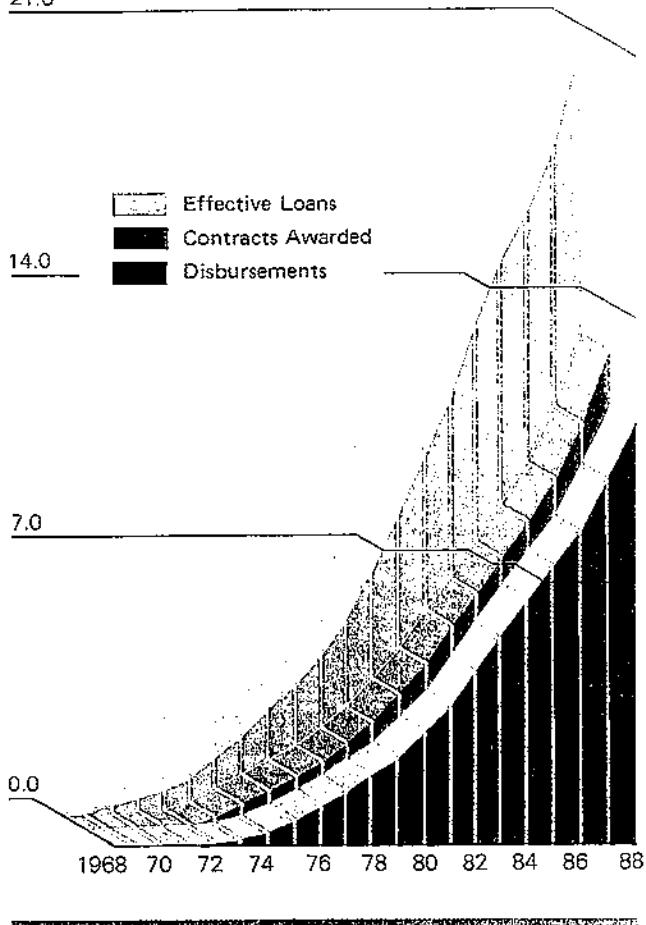
A Task Force, appointed by management to review the recommendations of a report by the Post-Evaluation Office, recommended that the Bank adopt a two-pronged approach to secure a greater degree of compliance with special loan covenants. On one hand, the formulation of the covenants could be improved through analysis of sectoral requirements and socioeconomic realities in developing member countries (DMCs). On the other hand, the monitoring of compliance could be stepped up through systematic review and follow-up.

An important step to improve the Bank's project monitoring capability was the beginning of work on a computerized Project Administration System (PAS). When operational, the system will enable management and staff to monitor key project administration indicators and take remedial action when implementation problems develop.

The computerized Loan Financial Information System (LFIS) continued to be a useful tool for monitoring and controlling the financial status of projects. Staff utilized the planning capabilities of the LFIS to make project-by-project forecasts of contract awards and disbursements. Close following-up of these projections by Bank staff and executing agencies was partly responsible for the record disbursement levels achieved in 1988. Other efforts to improve project implementation included the preparation of a Guide to Bid Evaluation, a Project Administration Manual and a revised

Contracts Awarded and Disbursements to End of 1988

\$ Billion
21.0



Procurement Handbook.

The Project Administration Committee (PAC) continued to be the focal point for supervision of the Bank's project portfolio. At PAC meetings, which are held monthly at departmental level and quarterly at management level, the physical progress of projects is reviewed to identify implementation problems and formulate remedial measures.

In addition to these internal measures, Bank staff continued to provide support to executing agencies through regular field visits to review projects. During 1988, 320 project administration missions were fielded covering 461 projects. These missions utilized 4,542 man-days for an average of 9.9 man-days per project. This compares with 377 missions covering 530 project reviews and utilizing 5,540 man-days, an average of 10.5 man-days per project, fielded in 1987. The Bank's Resident Offices in Bangladesh and Indonesia and the South Pacific Regional Office in Vanuatu continued to provide vital support to executing agencies in project administration. This was reflected by the significant increase in disbursements in these countries. To further strengthen this function, the Board of Directors approved in 1988 the establishment of two new Resident Offices in Nepal and

Pakistan. When established in 1989, these new offices are expected to assist greatly in improving project implementation and loan utilization.

Country projects review meetings (CPRMs), which provide a periodic forum for Bank staff and senior DMC officials at the national level to exchange views on implementation constraints and cross-sectoral issues, to review problem projects and to agree on remedial measures, visited Indonesia, Nepal, Pakistan, Philippines and Sri Lanka during the year.

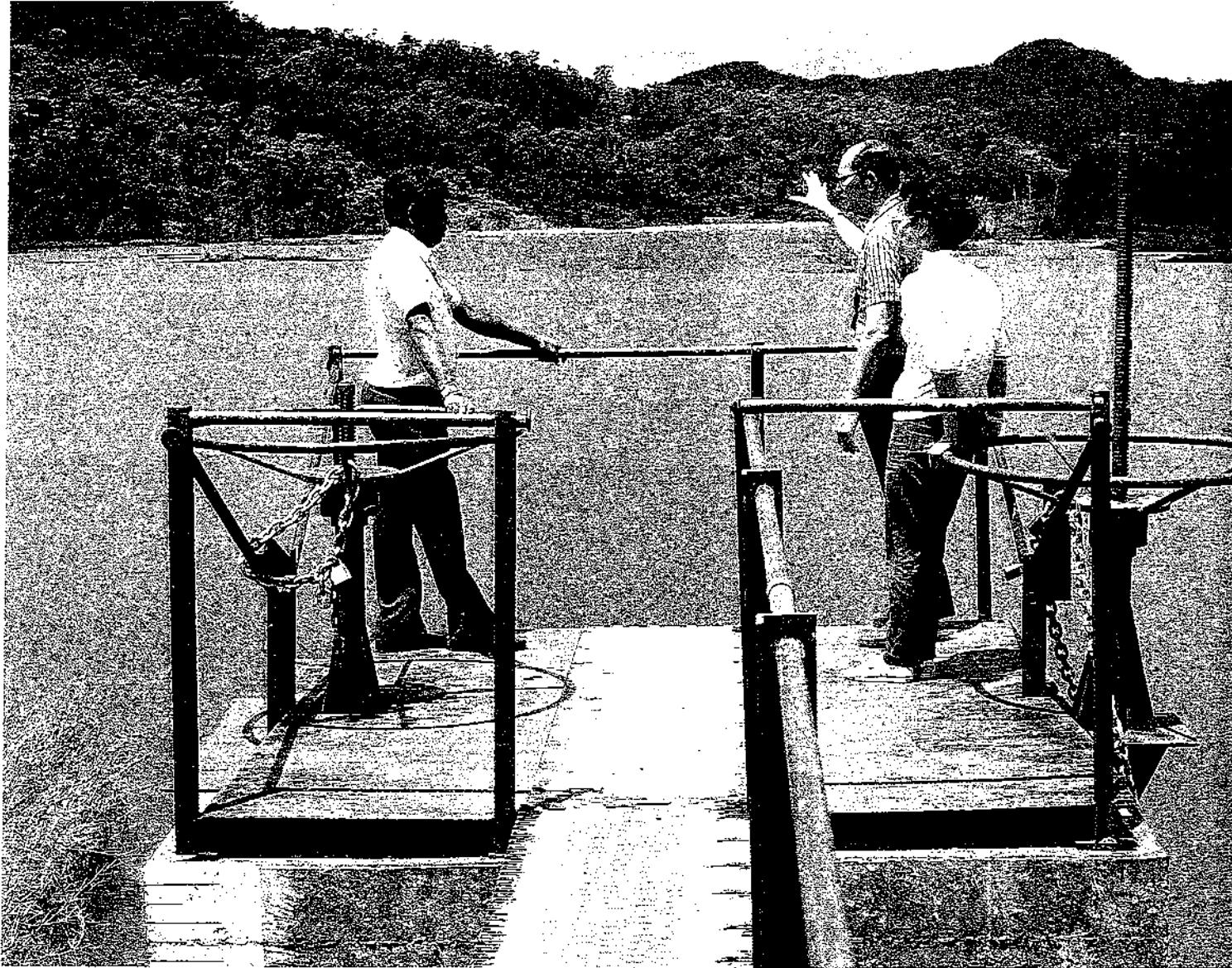
These meetings resolved conflicts between government and Bank procedures, promoted coordination between concerned departments and ministries, enhanced project monitoring efforts, and dealt with project implementation problems. The problems included delays in loan effectivity, consultant recruitment and procurement; staff shortages; lack of conformity of bidding documents with Bank guidelines; and local budgetary constraints.

The CPRM for the Philippines, the first since 1986, reconciled major differences between the Government's and the Bank's procurement and consultant recruitment procedures. DMC officials attach considerable importance to CPRMs and acknowledge the usefulness of these reviews in enabling them to identify and deal with project implementation problems in a systematic manner. In addition to the CPRMs, 11 country loan disbursement missions, which concentrate on improving disbursements and contract awards under specific projects, visited executing agencies in seven borrowing countries.

Training is an important element in the Bank's efforts to improve project implementation. With the upward trend in lending, coupled with increased delegation of decision-making authority, it has become increasingly critical to upgrade continuously the project implementation capabilities of executing agencies. Two regional seminars on project implementation management, involving 36 officials of executing agencies and central government departments and ministries, were held during the year. These seminars provide project managers with broad exposure to modern management techniques and give participants the opportunity to exchange ideas and learn from the experiences of project staff around the region. In addition, seminars covering the Bank's procedures for procurement, project administration and disbursement were held in Bangladesh, People's Republic of China, India, Pakistan and Philippines. These seminars trained 152 staff from executing agencies and line ministries. In-house seminars for Bank staff on project administration are also a regular feature of the Bank's training program.

Besides these, several briefings on Bank policies and procedures relating to procurement and consultancy were arranged at the Bank's Headquarters in Manila for visiting DMC officials, consultants, businessmen and trade missions. Seminars aimed at executing agencies on the usage of consultants were also held in People's Republic of China and Indonesia. In addition, a seminar on the development of domestic consultants was held in the Philippines.

To promote Bank activities in DMCs and publicize business opportunities available to consultants, suppliers and contractors, business opportunity and business information seminars were held in Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, India, Malaysia, New Zealand, Norway, Singapore and Sweden.



BANK staff (right) and a local project officer during a Special Project Administration Mission to Fiji in December.

There were 146 consulting firms and 70 individual consultants engaged by borrowers for loan-financed projects while 112 consulting firms and 161 individuals were employed by the Bank for technical assistance projects. The total value of contracts under Bank-financed projects awarded during the year totalled \$1,929.1 million of which \$1,134.1 million was from ordinary capital resources (OCR) and \$795 million was from the Asian Development Fund (ADF). This was 34 per cent above the \$1,440.1 million in contracts awarded in 1987 and represented a record level of performance. Cumulative contract awards now total \$12,812.4 million or 62 per cent of the net effective loan amount.

Loan Disbursements

The positive trend of loan disbursements which started in 1987 strengthened further in 1988. Total disbursements rose to \$1.65 billion, or 34.1 per cent over the previous year.

OCR disbursements rose by 38.2 per cent to \$957.4 million from \$692.8 million in 1987 and ADF disbursements increased by 28.4 per cent to \$691.7 million from \$538.6 million in the same period.

The trend was attributable to the fact that Indonesia introduced measures to speed up project implementation such as decentralization of decision-making on procurement, the Philippines established a high-level Project Facilitation Committee, Bangladesh and Pakistan made special efforts to complete large procurements and Bangladesh, Fiji, Indonesia and Philippines expedited the disbursement process of program loans.

For its part, the Bank streamlined project administration organization and procedures; promoted close monitoring and following-up of contract awards and disbursements through the PAC review system, the Resident Offices and a greater use of imprest account and statement of expenditure mechanisms; increased the number and frequency of country projects review missions and country disbursement mis-

sions as well as procurement and disbursement seminars which helped borrowers to review the status of the country portfolio of loans and focus attention on the removal of constraints to aid absorption.

Project Administration Indicators

As of 31 December 1988, there were 405 projects under administration, compared with 394 projects at the end of 1987. During 1988, 60 projects were completed compared with 52 in 1987 and 40 loans were closed compared with 53 in 1987. Of the 405 projects under administration at the end of 1988, 35 (8.6 per cent) were identified as requiring special attention by the Bank due to unsatisfactory performance, 39 projects (9.6 per cent) were classified as significantly delayed (where the closing date of the loan had been extended by

more than three years). This compares with 56 projects (14.2 per cent) requiring special attention and 41 significantly delayed loans (10.4 per cent) at the end of 1987. No new cost overrun projects were identified in 1988, despite volatile currency exchange rates.

During 1988, 31 Project Completion Reports (PCRs) were prepared and circulated to the Board bringing the total number of PCRs submitted to the Board to 308. PCRs have been prepared for most completed projects, generally within the stipulated six to 12 months after project completion. Considerable attention was directed during the year towards improving and streamlining the Bank's internal system for preparing PCRs. This was done by delegating more responsibility to executing agencies for the initial preparation of PCRs and improving the planning process by moving to a two-year planning cycle to avoid submitting PCRs to the Board during the busy fourth quarter.



MAKING test-tube racks under the Educational Equipment Development Project in Dhaka, Bangladesh. Designed to supply educational equipment to schools, the project was supported by a concessional Bank loan of \$6 million.

Project Benefit Monitoring and Evaluation

During 1988, the Bank's project benefit monitoring and evaluation (PBME) program continued along previously established lines. PBME activities include the preparation of benchmark information about beneficiaries; the introduction of project benefit monitoring systems to help improve the sustainability of project benefits; and the preparation of impact evaluation studies.

The preparation of benchmark information about beneficiaries during the preparation of a project is now a routine feature of feasibility studies for which the preparation is financed by the Bank. In other cases, this information is prepared during the early stages of project implementation. This favorable trend has been reinforced by the introduction of more exhaustive project preparation procedures for poverty alleviation projects. Earlier problems, which resulted in staff not being able to locate reports containing benchmark and other PBME information, are being resolved through the introduction of a computerized Project Administration System which, among other things, will note the completion date and location of the reports.

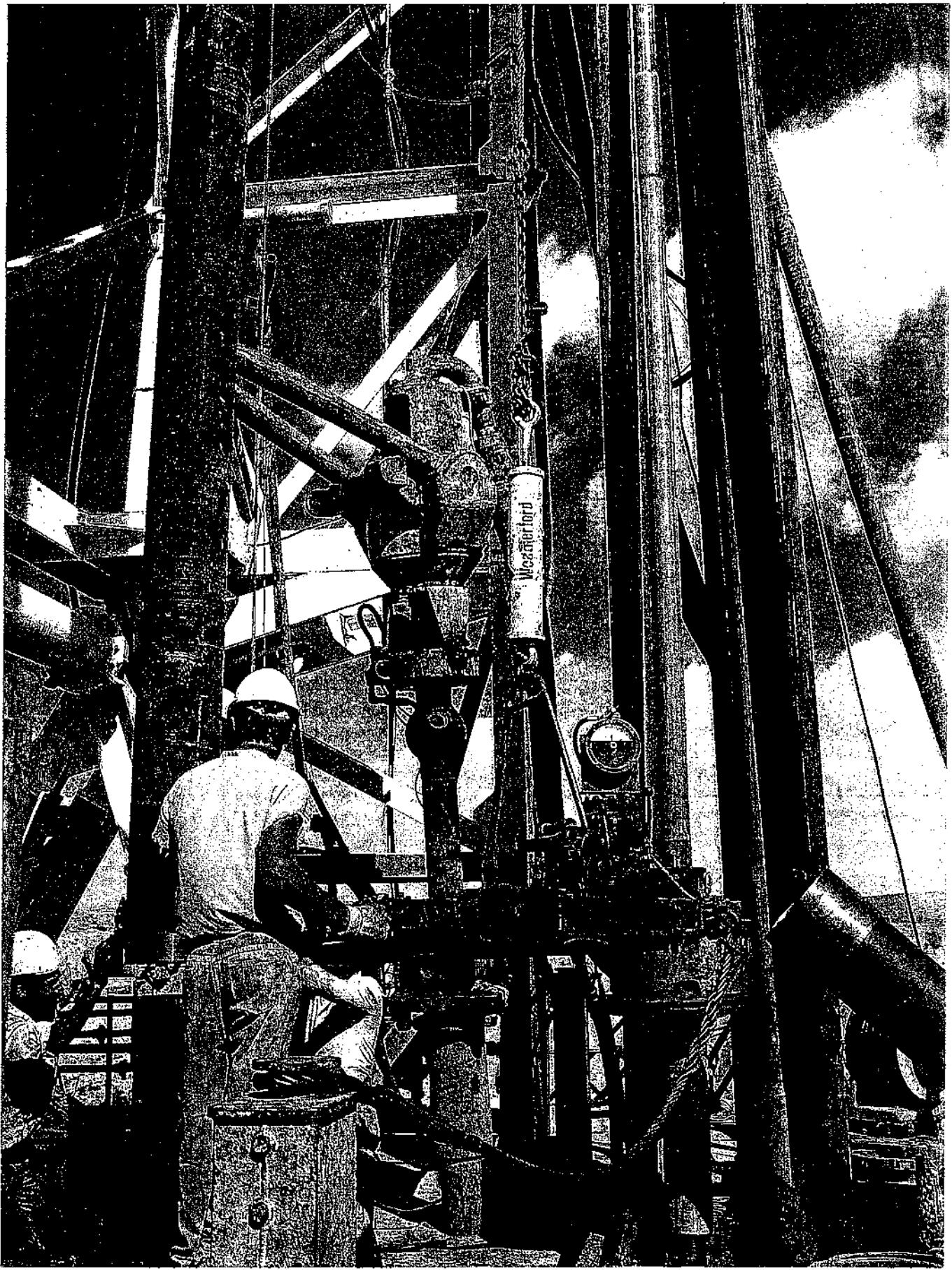
Experience has shown that relatively few projects provide a good vehicle for introducing project benefit monitoring systems which help agencies to improve their ability to manage the delivery of services from project investments. Projects which provide a good vehicle are sectoral projects which have the scope to enable the loan to be used as a vehicle to help the executing agency improve its management by introducing or upgrading existing management information systems. Two such projects are the Irrigation Sector Project in Nepal, which was approved in 1988, and the Water Supply Rehabilitation Project in the Philippines which was due to be approved in early 1989.¹ A standardized model for project

benefit monitoring for integrated area development projects was developed on the basis of a critical assessment of experiences in the Palawan Integrated Area Development Project and this approach was applied in the Sorsogon Integrated Area Development Project, which was approved in 1988. Both projects are in the Philippines.

A provisional impact evaluation study was prepared for the Vientiane Plain Road Improvement Project in Lao PDR and this study made it possible to include assessment of the project's economic benefits in the Project Completion Report. However, this was an exceptional case and the preparation of PBME impact evaluation studies, either when projects are completed or several years thereafter, continues to be problematic. According to present practice, the administrative responsibility for preparing these studies resides with executing agencies and the cost of preparing the studies are financed from loan proceeds or domestic appropriations. However, this arrangement is not very satisfactory because loan funds can be used to pay for their preparation only while the loan account is open and in most instances there are no significant benefits to observe until several years later. In addition, many reports have deficiencies in quality and content and there is a need for the Bank to exercise greater supervision and control over their preparation.

In December 1988, the Bank conducted a Regional Seminar on Monitoring and Evaluation of Development Projects and Trainers Workshop in association with the Economic Development Institute of the World Bank and the National Institute of Public Administration in Malaysia. The seminar was attended by practitioners and resource persons from People's Republic of China, Indonesia, Malaysia, Philippines and Thailand. The seminar assessed the progress and problems in the implementation of monitoring and evaluation systems, recommended additional emphasis on monitoring to enhance the sustainability of benefits from project investments, and provided valuable insights about useful approaches to the preparation of impact evaluation studies.

1 The project was approved in January 1989.



DRILLING wells under the Pirkoh Gas Development Project in Pakistan's Baluchistan Province. The project, supported by Bank loans totalling \$207.35 million, has significantly expanded the supply of gas countrywide.

POST-EVALUATION

A decade of post-evaluation experience provides a wealth of insights into the efficiency and effectiveness of Bank-supported activities and a useful guide to improving the design and conduct of Bank operations in the future. Employing both aggregative and differentiated analysis, the evaluation system continues to develop in breadth and scope under the Post-Evaluation Office (PEO).

The maturation of Bank operations in some sectors and countries, qualitative improvements in Project Completion Reports (PCRs) and the need to improve the effectiveness of resources applied to the Bank's post-evaluation system led to the introduction in 1988 of a selective system of project performance auditing, with the approval of the Audit Committee.

Selective auditing does not jeopardize the integrity of the Bank's post-evaluation system as the selection criteria ensure that PCRs for projects excluded from auditing adequately fulfil the accountability and lesson-learning functions of post-evaluation.

During 1988, 43 projects were evaluated. Of these, 31 were covered by 30 Project Performance Audit Reports (PPARs) and subjected to in-depth assessment of their economic, financial, institutional and social achievements and impact. For the other 12 projects, PEO staff reviewed the PCRs to ensure they met approved exclusion criteria.

By the end of the year, 268 PPARs covering 283 projects had been prepared. Post-evaluation of completed projects covers 19 countries and all major sectors. The proportion of completed projects post-evaluated rose to 64 per cent, compared with 63 per cent in 1987.

The year's evaluated projects covered 13 countries and 15 subsectors. All but one of the 43 projects were approved between 1976 and 1984, with 74 per cent approved between 1978 and 1981. About 77 per cent were completed during 1986-1987 with the remaining 23 per cent finished between 1983 and 1985.

In terms of country grouping, the projects are distributed more evenly than in previous years. Seventy per cent of the projects are distributed equally between Group B (lower-middle-income) and Group C (upper-middle-income) countries, with the remaining 30 per cent in Group A (low-income) countries. Sectorally, 58 per cent of the projects reviewed were

in the industry and energy sectors, including development banks. Agriculture accounted for 16 per cent and infrastructure 21 per cent, followed by multisector with five per cent.

Thirty-three projects, or 77 per cent, were considered successful, compared with the long-run average success rate of 67 per cent. Seven projects, or 16 per cent, were assessed as partially successful while three, or seven per cent, were rated unsuccessful.

The high proportion of projects in the industry and energy sector had a favorable impact on the overall rate of success. The performance of infrastructure projects was also markedly better than in the previous two years.

Among country groups, project performance reflected the stage of development of the countries. Group B and Group C countries scored an 80 per cent success rate, followed by Group A countries with 69 per cent. Group C countries did not experience failures and the unsuccessful projects were distributed between Group A and Group B countries, with Group A having the larger share with 15 per cent. In Group B countries, the share of partially successful projects was 13 per cent, slightly below the partial success rate for Group A countries, while unsuccessful projects accounted for seven per cent.

Improved project preparation and design, largely a reflection of experience gained over the years, was a major factor influencing performance. The improvements also reflected the substantial technical assistance and institution-building components financed by the Bank. About 60 per cent of the projects evaluated this year represented additional operations in the same sectors and/or were implemented by the same executing agencies. Similarly, about 60 per cent of the projects were prepared and designed on the basis of feasibility studies financed by the Bank, other multilateral agencies and borrowers. Major factors that adversely affected project outcome were inadequate design, relatively weak institutional infrastructure and an uncertain policy environment.

In addition to the PPARs and selective evaluation of PCRs, PEO completed two impact evaluation studies and three special studies during the year. The impact evaluation studies examined in depth agricultural credit subsector operations in Nepal and electric power subsector operations in Thailand. The three special studies reviewed and consolidated

the major findings of post-evaluation studies undertaken by the Bank and the World Bank in Indonesia, Malaysia and Thailand.

The Impact Evaluation Study of Bank Operations in Nepal found that Bank assistance helped to promote new technologies for agricultural and rural development, to develop the rural financial sector and to facilitate distribution of institutional credit widely in the rural areas. The study made recommendations to improve farmer training to obtain optimum results from the transfer of technology, to assess local socio-cultural values and behavioral patterns before lending, to examine more closely the policy environment under which an agricultural development finance institution operates and to ensure that technical assistance and training programs meet local needs.

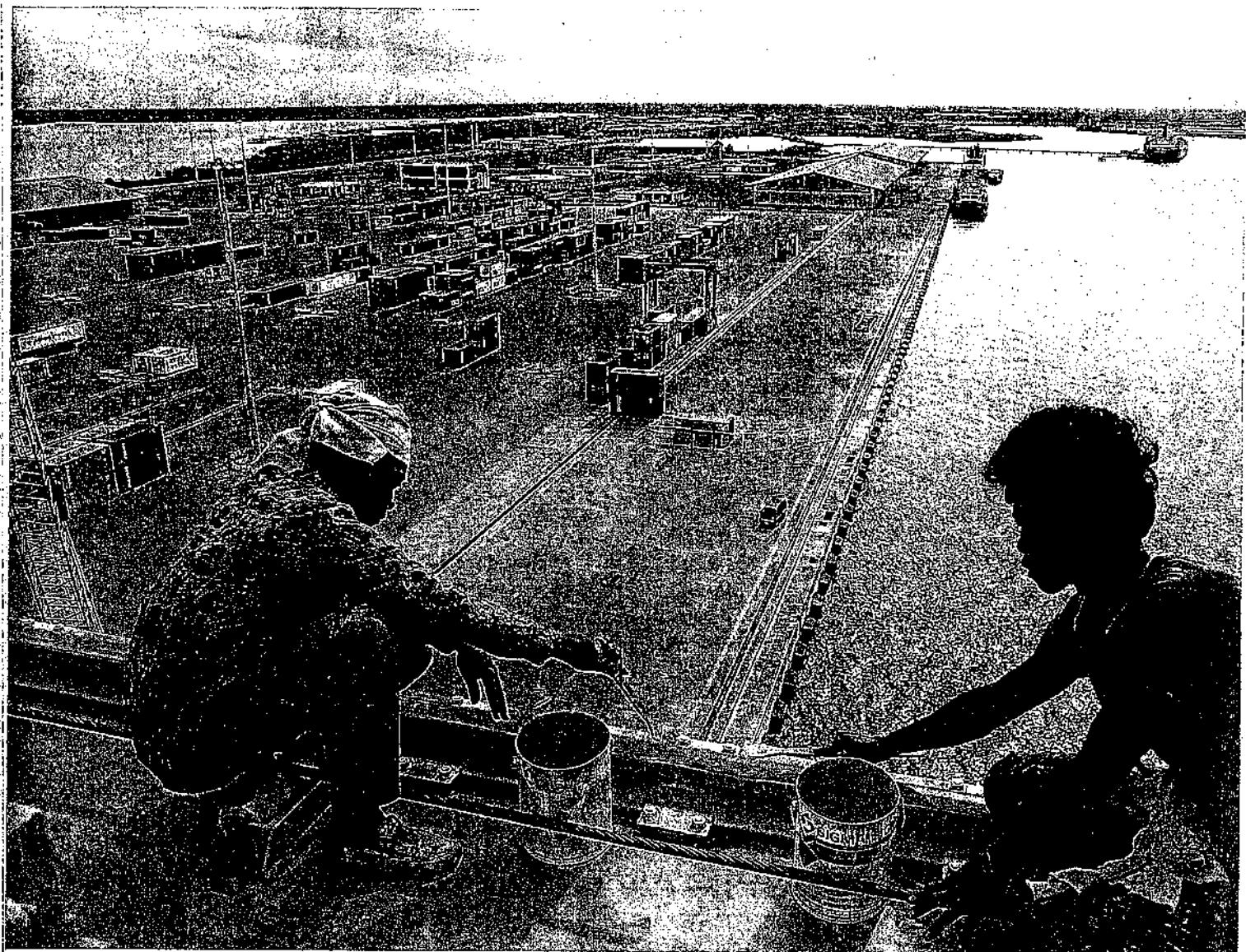
The Impact Evaluation Study of Bank Operations in the Power Subsector of Thailand underscored the significant impact of Bank assistance on the electric power subsector.

It concluded that the major factors which contributed to the success of Bank operations were flexible government policies, careful project preparation, strong and mature executing agencies and the adoption of proven technology suited to local conditions. The study also concluded that the record of achievement justifies using sector lending as the principal means for assisting Thailand's power subsector.

The three special studies will help facilitate the feedback of the lessons learned from the Bank's experience in Indonesia, Malaysia and Thailand.

The Tenth Review of Post-Evaluation Reports was circulated to the Board of Directors in April and the Seventh Report of Selected Post-Evaluation Findings was circulated to the Board in March. PEO's computerized Post-Evaluation Information System was further improved and the system can be accessed by the Bank's operational departments.

The PEO continues to be closely associated with processing activities for new loans and technical assistance projects



VIEW from a gantry crane at Belawan port in Indonesia. The ports of Belawan and Surabaya, which handle a major portion of Indonesia's shipping traffic, have been improved and expanded with the help of loans totalling \$116.5 million from the Bank.

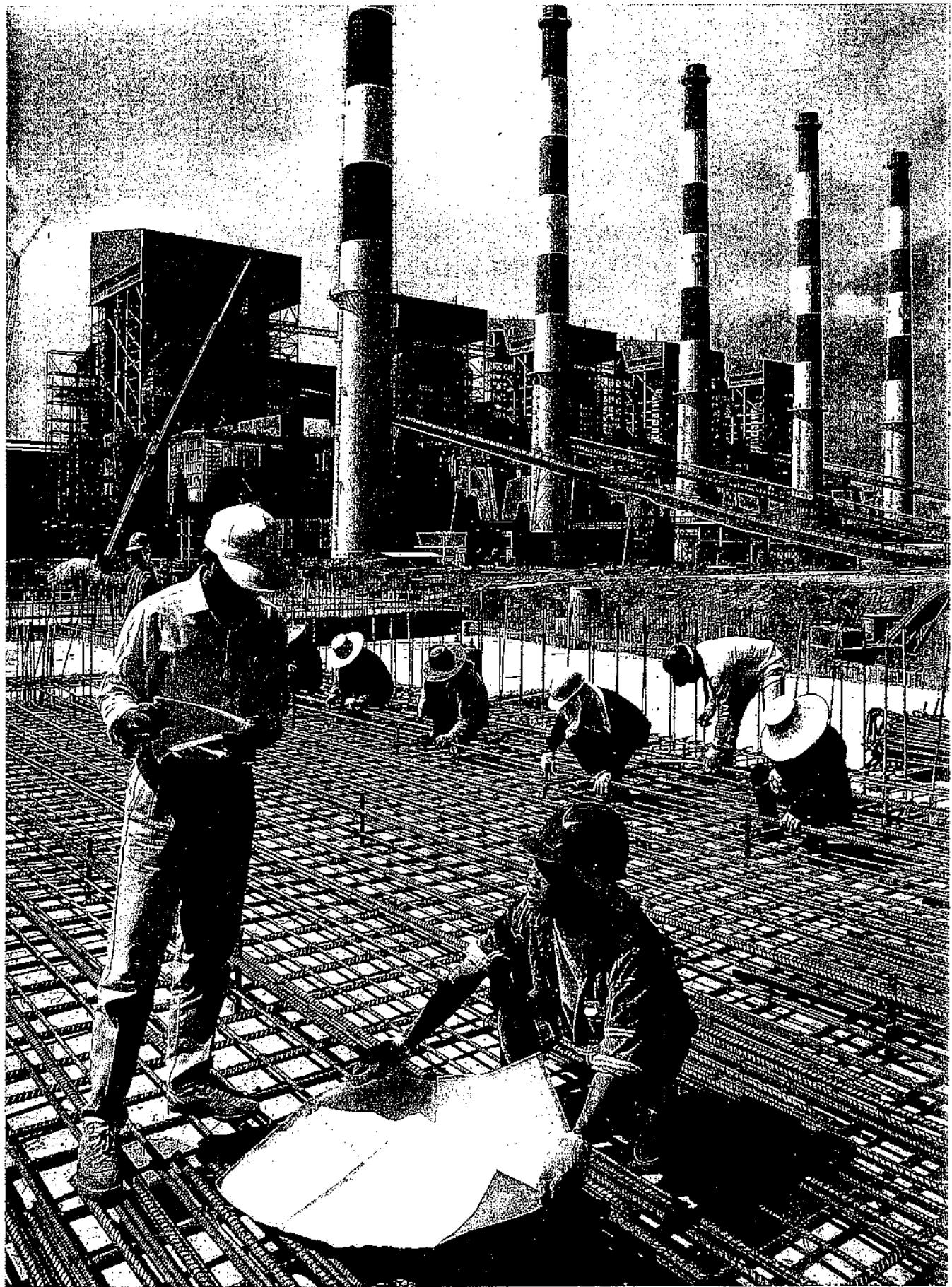


RICE milling under the Rice Processing Industries Project in Burma. Designed to improve the efficiency of processing and storing rice and other agricultural products, the project was supported by the Bank with a concessional loan of \$6.5 million.

so that the experience of audited projects can be used in the formulation of new projects.

The Bank management and the Audit Committee of the Board continue to monitor post-evaluation activities to ensure the effectiveness of the post-evaluation system and the feed-

back of the lessons learned. The Audit Committee reviewed selected PCRs and PPARs during the year, as well as the PEO's Tenth Annual Review of Post-Evaluation Reports. The Committee was satisfied with the conduct of post-evaluation activities.



CONSTRUCTION of the Mae Moh (Unit 9) Power Project in Lampang Province, northern Thailand. Asia's largest lignite-fuelled power development, which will have a total generating capacity of 4,425 megawatts when completed, has been supported by Bank loans totalling \$303.5 million.

ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Financial Policies

IN accordance with the income policies approved by the Board in 1987, the Bank ensures that its long-term interest coverage ratio (ICR) does not fall substantially below 1.25 and its long-term reserves to outstanding loans ratio (RLR) is within a range of 20 to 25 per cent. As of 31 December 1988, the ICR stood at 1.68 and the RLR at 34 per cent. The reductions in the Bank's loan charges approved by the Board in 1987 went into full effect on 1 January 1988 and resulted in significant cost savings to borrowing member countries.

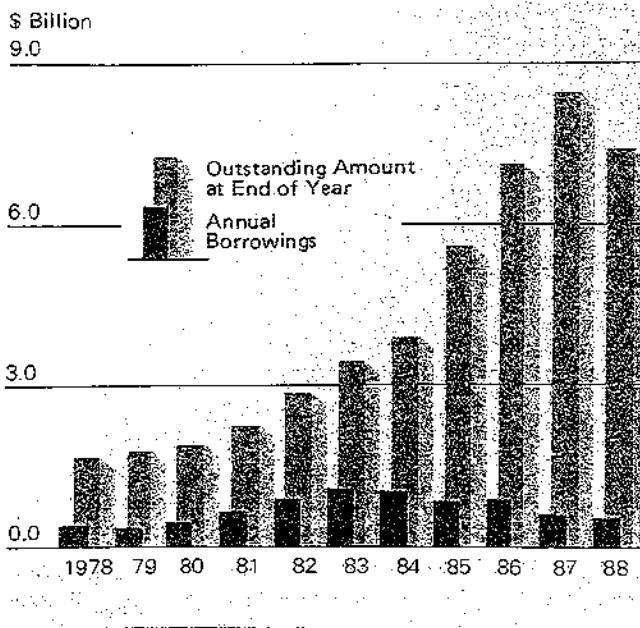
The capital stock is defined in the Bank's Articles of Agreement in terms of United States dollars of the weight and fineness in effect on 31 January 1966. Since the coming into effect of the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) on 1 April 1978, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the value of the Bank's capital stock has been expressed in terms of the SDR on the basis that each share has the value of SDR10,000. The mutual obligations of each member and the Bank with respect to maintenance of value of currency holdings have also been measured by the same standard, but settlement of such obligations has been held in abeyance. For purposes of the financial statements, the SDR has been translated into current United States dollars at the rate computed by the IMF. As of 31 December 1988, the rate was \$1.3457 per SDR. Further information on the Bank's current practice regarding valuation of capital and maintenance of value is given in Notes A and F of the Notes to Financial Statements of Ordinary Capital Resources, OCR-7.

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

Variable Lending Rate

The Bank's pool-based variable lending rate, introduced on 1 July 1986, applies to all ordinary operations loans approved after 30 June 1986 and to nearly all ordinary operations loans approved between 24 September 1985 and 30 June 1986. The lending rate, adjusted on 1 January and 1 July each year, is determined by adding a spread (currently 0.4 per cent per annum) to the average cost of a pool of outstanding Bank borrowings. From its initial level of 7.65 per cent per annum set on 1 July 1986, the lending rate has progressively declined. The rate was reduced on 1 January 1988 to 6.59 from 7.03 per cent per annum, reflecting the

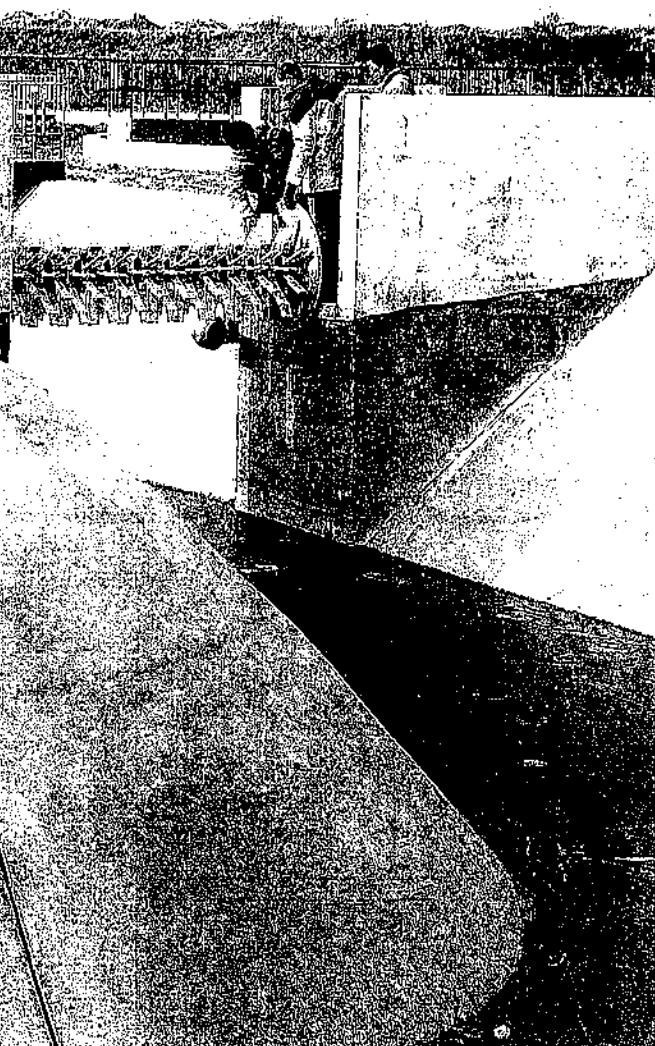
Borrowings: 1978-1988



relatively low cost of borrowings in 1987 and the reduction of the variable spread to 0.4 from 0.5 per cent per annum, effective 1 January 1988. The rate was further reduced on 1 July 1988 to 6.53 per cent per annum.¹

The variable lending rate does not apply to loans approved under the old lending rate system where the rates were fixed at the time of loan approval for the entire life of the loan. As of 31 December 1988, the variable lending rate applied to \$561 million of disbursed and outstanding loans and to \$3,337 million of undisbursed loans, representing about 10 per cent and 65 per cent of the respective totals.

¹ The rate as from 1 January 1989 is 6.42 per cent per annum.



A RURAL Sewage Treatment Sector Project in the Republic of Korea. Designed to improve health and environmental conditions in about 100 rural municipalities, the project was supported by a Bank loan of \$25.5 million.

Borrowings

The Bank's borrowings in 1988 amounted in total to \$435 million. Details are given in the table on page 184.

In a midyear review of the Bank's liquidity situation and borrowing program, it was indicated that on the basis of revised estimates of the various factors affecting liquidity, the level of liquidity at year-end was likely to remain high. Accordingly, it was decided to reduce the year's borrowing program to only three or four "market presence" issues, with the result that some of the borrowings envisaged in the original program were not undertaken.

Consequently, the Bank undertook only three borrowings during the year — in Switzerland, United States and Japan. The first borrowing, in February, was a two-tranche public bond issue in Switzerland totalling SwF150 million. Tranche A, amounting to SwF100 million, had a seven-year maturity and Tranche B, amounting to SwF50 million, had a 20-year maturity. The borrowing in the United States, in May, was a public offering amounting to \$100 million, the proceeds of which were swapped into Swiss francs under a related currency liability swap transaction. The final borrowing for 1988, undertaken in Japan, in September, was a ¥30 billion public issue in the form of Daimyo bonds, which combine characteristics of Euroyen and Samurai bonds. The bonds are listed on the Luxembourg Stock Exchange.

The average original life of the year's borrowings, weighted by amount, was 9.65 years compared with the average original life in 1987 of 10.93 years. At the end of 1988, the remaining average life of the Bank's outstanding borrowings, weighted by the amount of each borrowing, was 7.74 years.

The 1988 liability management program consisted of calls on seven high-coupon issues which were either refinanced with new borrowings or redeemed, the latter helping to reduce liquidity. The total amount prepaid was \$610 million. Consequently, the Bank's 1988 borrowing and liability management programs had the net effect of reducing liquidity by \$175 million.

Capitalization

In February 1988, the United States paid the fifth instalment, as well as the outstanding balance of the third instalment, of its subscription to the third general capital increase (GCI III). As a result, the United States' GCI III subscription and its voting power, which had been reduced in February 1986 in view of the shortfall in the third instalment payment, were fully restored. This brought the number of shares subscribed to GCI III since it became effective in April 1983 to 742,872, representing 98.8 per cent of the total share entitlements of all member countries.

In September 1988, the Board of Governors adopted Resolutions No. 193, 194 and 195 authorizing special increases in the capital subscriptions of Japan, Sweden and United States, to take effect in accordance with the provisions



HARVESTING rice (left) and constructing a canal (right) in Central Java, Indonesia. The Lower Citanduy Irrigation Project, supported by a Bank loan of \$55.2 million, has raised agricultural output and incomes in one of the country's poorest regions.

of those Resolutions. The Governors also adopted Resolution No. 192 authorizing an increase of 62,194 shares in the Bank's capital stock to be made available for these special increases. This brought the Bank's authorized capital stock as of 31 December 1988 to \$22,641.7 million (SDR16,825.2 million). The subscribed capital stock stood at \$21,644.9 million (SDR16,084.5 million).

Future Resource Requirements

In May 1986, the Board of Governors adopted Resolution No. 179 requesting the Board of Directors to undertake a study of the Bank's future resource requirements for financing its ordinary operations. The study will eventually lead to

the formulation of specific proposals for a further general capital increase (GCI IV). A report providing an updated review of progress on the study was approved by the Board of Directors in March 1988 for submission to the Board of Governors. The report was considered by the Board of Governors at the Twenty-First Annual Meeting. In accordance with the program envisaged in the report, three papers on valuation of capital and maintenance of value were submitted to the Board during 1988, and the External Panel's report on the role of the Bank in the 1990s was received in January 1989. A further report of the Board of Directors on the progress of the study has been submitted to the Board of Governors for consideration at the Twenty-Second Annual Meeting, and various matters related to GCI IV will be considered by the Board of Directors during 1989.

INCOME AND EXPENSES – ORDINARY CAPITAL RESOURCES

(amounts in \$ million)

	1987 Actual	1988 Budget	1988 Actual	1989 Budget
1. Total Income	<u>976.2</u>	<u>913.6</u>	<u>1,023.2</u>	<u>966.8</u>
2. Less: Expenses Charged to Ordinary Capital Resources				
a. Interest and Other Financial Expenses	619.0	543.9	589.8	516.7
b. Administrative Expenses ^a	45.6	57.5	52.9	63.8
c. Services to Member Countries	4.7	6.0	6.3	7.0
TOTAL	669.3	607.4	649.0	587.5
3. Net Income	<u>306.9</u>	<u>306.2</u>	<u>374.2</u>	<u>379.3</u>

Note: Figures may not add due to rounding.

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

Investments

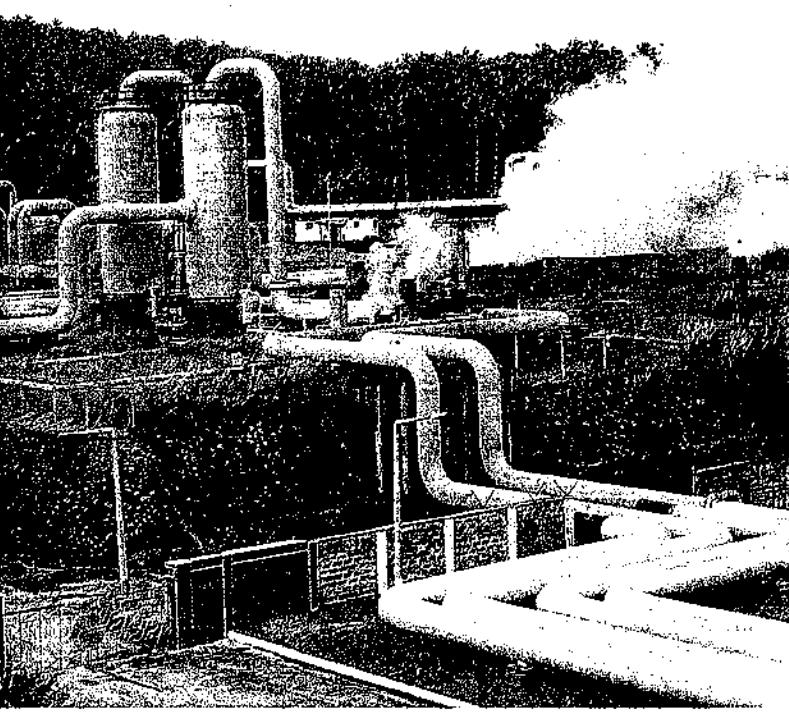
At the end of 1988, the Bank's OCR investments were denominated in 21 currencies and amounted to the equivalent of \$3,947 million (\$4,618 million at the end of 1987). Of the total investments, 57 per cent (compared to 59 per cent at the end of 1987) was held in securities issued or guaranteed by member governments and obligations of other multilateral development banks. The remainder was invested in deposits and other bank instruments in member countries. The realized rate of return on the Bank's OCR investments over the year was 8.09 per cent, compared with 8.06 per cent in 1987.

Loan Disbursements and Repayments

Disbursements of loans in 1988 amounted to \$957 million, a gain of \$264.6 million over the preceding year. Cumulative disbursements reached \$7,742 million. Repayments by the Bank's borrowers amounted to \$359 million, bringing cumulative loan repayments to \$2,277 million at the end of 1988.

Exchange Risk Pooling System

As of 31 December 1988, the loans outstanding under the Exchange Risk Pooling System aggregated \$3,246 million,



MAK-BAN geothermal plant in the Philippines, one of the plants included in a Bank-financed Geothermal Steam Pricing Study. The study was aimed at developing a pricing policy for geothermal steam to facilitate participation of private capital in the sector.



SIGNING of documents in Tokyo for the Bank's ¥ 30 billion Daimyo bond issue in September. Seated (from left to right) are Morimasa Yamada, Deputy President of The Nomura Securities Co., Ltd.; ADB Deputy Treasurer Yukiji Miyazaki; and ADB Treasurer Alan F. Gill.

or 59 per cent of total loans outstanding, while the undisbursed loans under this system amounted to \$5,029 million or 98 per cent of total undisbursed loans.

Income, Expenses and Reserves

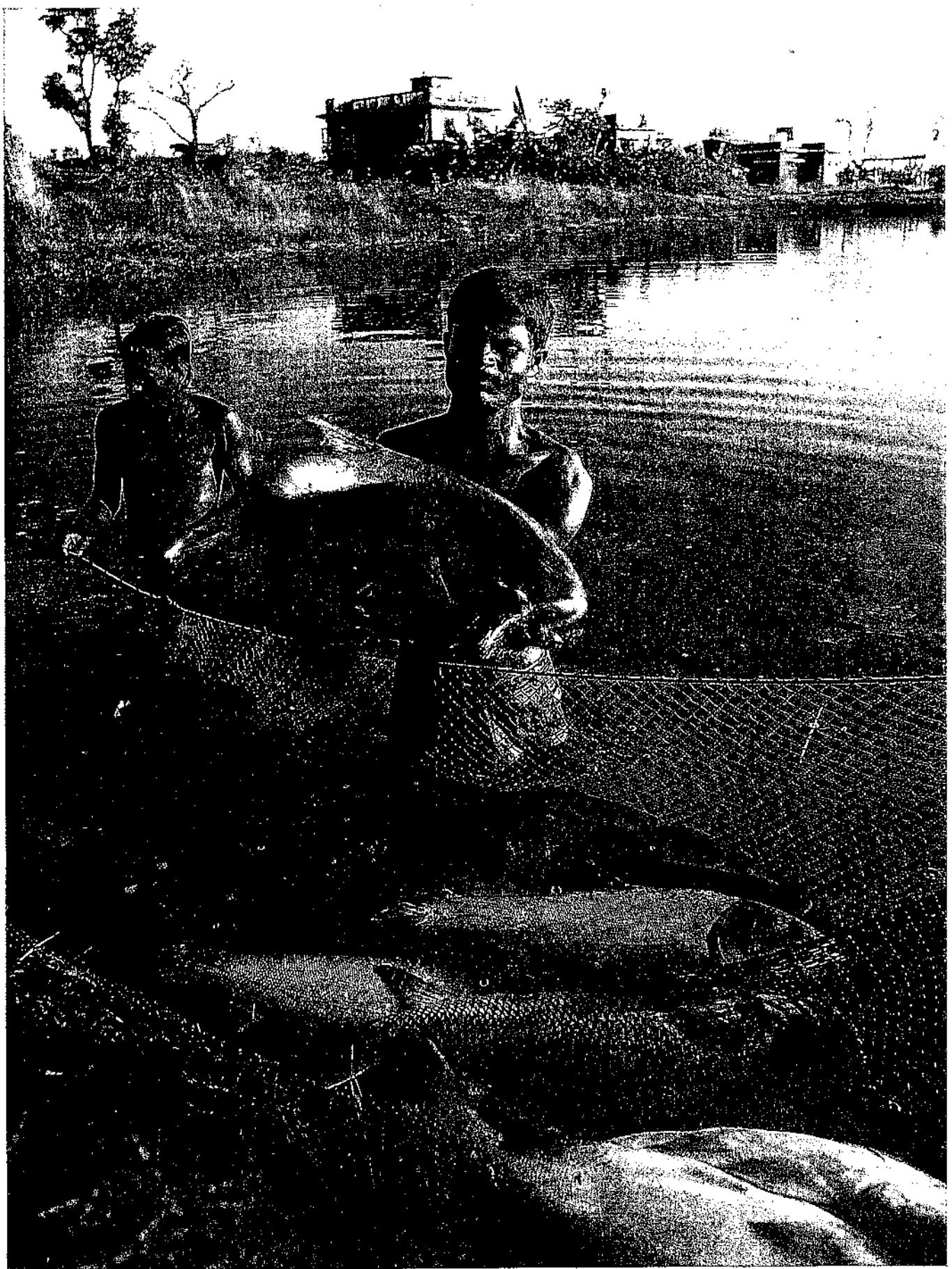
Net income of the Bank in 1988 was \$374 million or about 22 per cent over net income in the previous year.

The Bank's gross income reached \$1,023 million, an increase of \$47 million or 4.8 per cent from last year's total income. Income on interest, commitment fees and other charges on loans rose to \$677 million, an increase of \$62 million.

However, there was a decrease of \$15 million on income from investments and other sources.

The Bank's expenses aggregated \$649 million, a decrease of \$20 million or three per cent from the previous year. Financial expenses totalled \$590 million, a decrease of \$29 million, and administrative expenses totalled \$53 million, an increase of \$7 million, while services to member countries totalled \$6 million, an increase of \$2 million.

In 1988, the transfer of \$307 million net income for the year ended 31 December 1987 and the net credit of \$20 million resulting from the restatement of the Bank's capital stock in terms of SDR, increased the Bank's Ordinary Reserve to \$1,929 million in 1988 from \$1,602 million in 1987.



FISH farmers at the Aquaculture Development Project in Nepal. The project, assisted by a concessional Bank loan of \$11.8 million, was designed to accelerate development of warmwater aquaculture.

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

Asian Development Fund

Replenishment of ADF and TASF (ADF V)

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

During 1988, the Bank received ADF V Instruments of Contribution from Australia, Austria, Italy, Netherlands, Norway and United States. With only one contribution still outstanding, total contributions to the replenishment at the end of the year amounted to \$3,574 million (at the exchange rates specified in the Resolution). The contributions of Canada and the United States are qualified, whereby, as permitted by the Resolution, all instalment payments except the first are subject to subsequent budgetary appropriations. Under the ADF V "trigger" arrangements, the availability for operational commitments of the second, third and fourth tranches of the unqualified contributions is subject to the availability of the first, second and remaining two tranches of the qualified contributions. The arrangements for ADF V envisaged that the second tranches of the unqualified contributions would be released on 1 January 1988 and the third tranches on 1 January 1989.

By the beginning of December 1988, necessary budgetary appropriations had been obtained in respect of the first two tranches of Canada's qualified contribution. The United States, in depositing its ADF V Instrument of Contribution in December 1988, made available \$107.5 million, representing 73.59 per cent of its first tranche. Pursuant to the provisions of the Resolution, this triggered the release to the Bank of the second tranches of the other contributions to the same extent (73.59 per cent).

Third ADF Replenishment (ADF IV)

The third ADF replenishment (ADF IV), authorized by Governors' Resolution No. 154 in July 1982, was intended to finance the Bank's concessional lending program over the four-year period 1983-1986. All 21 ADF IV donor countries contributed to the replenishment. The total amount contributed was \$3,231 million (at the exchange rates specified in the Resolution). In addition, Spain deposited a contribution commitment for \$25 million (at the end December 1984 exchange rates) shortly after becoming a member of the Bank in February 1986.

In February 1988, the United States made available a further \$28 million (21.54 per cent) of its fourth tranche, thereby triggering the release of a further 21.54 per cent of the other donors' fourth tranches not previously released in full. The remaining \$44.9 million, or 34.53 per cent, of the United States' fourth tranche became available in October 1988. This triggered the release of the remaining 34.53 per cent of other donors' fourth tranches. The full amount of all ADF IV contributions had accordingly been made available to the Bank.

Availability and Utilization of ADF Resources

At the beginning of 1988, the net resources available for ADF loan commitments, after allowing for a provision for exchange rate fluctuations, amounted to about \$1,053 million. Contributed ADF resources becoming available during the year (at the exchange rates as of 31 December 1988) consisted of \$169 million under the United States' qualified ADF IV and ADF V contributions, \$461 million for the remaining 56.07 per cent of the unqualified ADF IV fourth tranches not previously released in full, \$170 million for the first tranches of the unqualified ADF V contributions received during the year from Australia, Austria, Italy, Netherlands and Norway, and \$737 million for the 73.59 per cent portion of the ADF V second tranches released in December. Net income for the year added a further \$47 million to resources. On the other hand, resources were adversely affected over the year by exchange rate fluctuations, with the currencies of a number

of contributions depreciating against the US dollar. Allowing for changes in value in terms of the US dollar, the increase in total ADF resources was about \$1,332 million, as shown in the table on page 185. This increase brought total resources at the end of 1988 to \$11,532 million.

ADF loan approvals during the year totalled SDR814 million, or the equivalent of \$1,083 million at the exchange rates applicable at the time of loan negotiation. After taking account of repayments, cancellations and exchange rate adjustments, cumulative net loan commitments increased to \$9,267 million at 31 December 1988, leaving a balance of uncommitted resources at that date of \$2,265 million. After allowing for a provision of about \$634 million for exchange rate fluctuations, the net resources available for further ADF loan commitments at the end of 1988 amounted to about \$1,631 million.

Disbursements from ADF resources during 1988 totalled \$692 million, bringing cumulative ADF disbursements up to the end of the year to \$3,615 million. ADF loan repayments



SHEEP are part of the Baluchistan Livestock Development Project in Pakistan. The project, supported by a concessional Bank loan of \$7.5 million, has raised livestock production, especially meat and milk, in a mountainous desert region.

during the year amounted to \$32 million, while cumulative repayments as of 31 December 1988 amounted to \$169 million.

ADF Revenue and Expenses

The excess of revenue over expenses (net income) of ADF for 1988 amounted to \$47 million, bringing the accumulated surplus at the end of the year to \$332 million.

At the end of 1988, the Bank's investments of ADF resources were denominated in 18 currencies and amounted to the equivalent of \$607 million (\$676 million at the end of 1987). Of the total investments, 18 per cent (21 per cent at the end of 1987) was held in securities issued or guaranteed by member governments. The balance was invested in deposits and other bank instruments in member countries. The realized rate of return on ADF investments over the year was 7.86 per cent, compared with 7.67 per cent in 1987.

Technical Assistance Special Fund

Resolution No. 182 authorizing the ADF and TASF replenishment (ADF V) provides, among other things, that an aggregate amount equivalent to \$72 million (at the exchange rates specified in the Resolution) be set aside from the first instalment payments of all contributions to the replenishment in proportion to the total amount of each contribution and allocated to the TASF for technical assistance to poorer DMCs and for regional technical assistance.

The total amount allocated to the TASF from the six ADF V contributions committed to the Bank during 1988 was \$26.5 million (\$23.6 million at the exchange rates specified in the Resolution). By the end of 1988, the cumulative amount allocated to the TASF from ADF V contributions committed to the Bank as of that date was \$91 million. Of this amount, \$23.7 million had been utilized.

During the year, Pakistan made a further direct voluntary contribution of \$58,000 to the TASF. The contribution may be used to finance the costs of services and facilities from Pakistan and other DMCs. As of 31 December 1988, total direct voluntary contributions to the TASF amounted to the equivalent of \$83.8 million, of which \$82.7 million had been utilized.

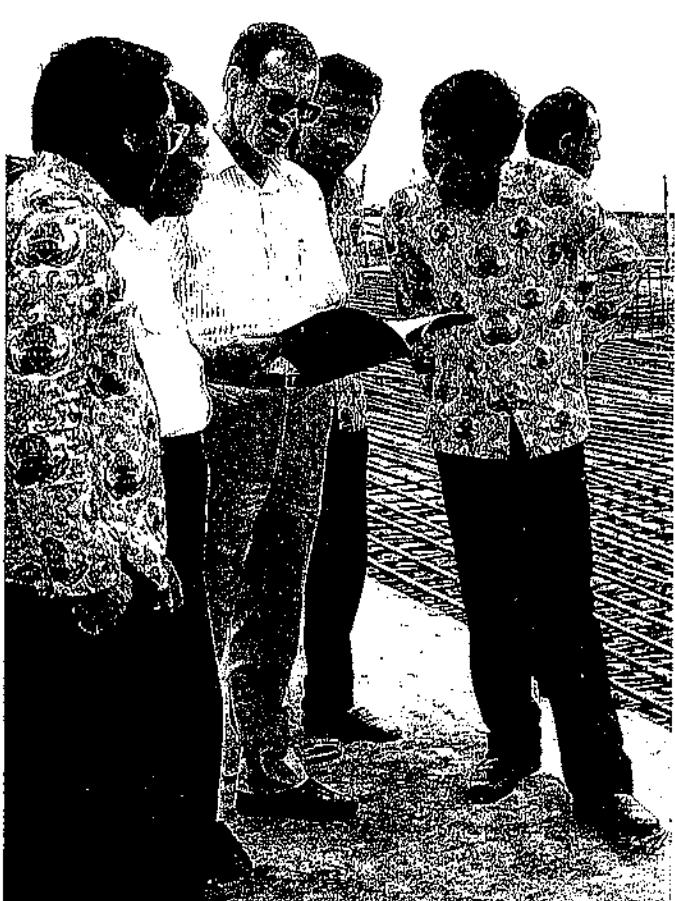
Japan Special Fund

At the Twentieth Annual Meeting of the Bank in Osaka, Japan, in 1987, the Government of Japan expressed interest in entering into a financial arrangement with the Bank through the establishment of a Special Fund designed to contribute to the accelerated economic growth of the Bank's DMCs. Subsequently, the Japanese Government and the Bank entered into a financial arrangement following the authorization by the Board on 10 March 1988, formally establishing the Japan Special Fund (JSF).

The objective of the JSF is to help DMCs restructure their economies in the light of the changing global environment and broaden the scope of opportunities for new investment, thereby assisting the recycling of funds to DMCs. Within this objective, the JSF will support the efforts of DMCs toward industrialization, natural resources development, human resources development and technology transfer, and will be utilized: (i) to finance or co-finance, on a grant basis, technical assistance projects, whether in the public or private sector, including project preparation, advisory services and regional activities; (ii) to finance or co-finance private sector development projects through equity investments; and (iii) to finance or co-finance, in special cases and on a grant basis, technical assistance components of public sector development projects financed under loans from the Bank.

Under the financial arrangement, the Government of Japan made available to the Bank, as administrator, the first instalment amounting to ¥2.5 billion for the Government's fiscal year 1987 (April 1987-March 1988). The amount was received by the Bank on 25 March 1988. The second instalment amounting to ¥2 billion, for the fiscal year 1988, was received on 21 April 1988. It is expected that the Government will contribute to the JSF for the fiscal years 1989 and 1990, subject to budgetary approval by the Diet of Japan.

As of 31 December 1988, the total contribution of ¥4.5 billion was equivalent to \$35.8 million. Of this amount, \$520,000 had been disbursed during the year for technical assistance operations. In accordance with the JSF financial arrangement, undisbursed funds are invested by the Bank, and total income earned from such investments during 1988 amounted to \$1.18 million.



BANK staff, consultants and local staff at work in Indonesia (top left) and Philippines (top right). Bank President Masao Fujioka and senior government officials of Lao PDR at the inauguration of the Vientiane Plain Road Improvement Project in March (above).

ADMINISTRATION

Vice-Presidents

THE Board of Directors, acting on the recommendation of the President, appointed Mr. In Yong Chung as Vice-President (Finance and Administration) for a five-year term effective from 1 August 1988.

Mr. Chung was Deputy Prime Minister and Minister of Economic Planning for the Republic of Korea from May 1987 to February 1988. Before that, he was Minister of Finance.

Mr. S. Stanley Katz, the previous Vice-President (Finance and Administration), became Vice-President (Operations), also from 1 August. Mr. Katz succeeded Mr. M. Narasimham, who resigned from the Bank.

Staff

The Bank's staff at the end of 1988 totalled 1,642 from 39 of the 47 member countries: 605 professional staff and 1,037 supporting staff. During the year, there were 49 professional staff appointments and 41 terminations of appointment. Among supporting staff, 79 were appointed and 50 resigned.

Five young professionals joined the Bank in 1988. They will replace the 1987 intake who will progress to regular professional staff positions during 1989. Five young professionals are proposed to be recruited in 1989.

During 1988, the Bank prepared a Job Rotation Scheme which is designed to enhance career development by providing high-potential staff with exposure to different areas of the Bank. Actual implementation and staff movements under the scheme will take place in early 1989.

Based on developments in the compensation levels and practices of the Bank's comparator organizations, and also on cost-of-living considerations, salaries of professional and supporting staff were reviewed and adjusted upwards in 1988. Professional staff salaries were increased by 5.2 per cent, while salaries for supporting staff were raised by 12 per cent. A one-time payment of 1.52 per cent of gross salary was also granted to supporting staff on account of the differential due to delayed

salary actions by certain comparators in the 1987 general salary review. Dependency allowances of supporting staff were also increased.

The Staff Retirement Plan was improved by increasing the pension accrual rate to 2.9 per cent from 2.75 per cent of the highest average remuneration for each year of service; increasing the lump sum withdrawal benefit by 10 per cent; changing the formula allowing for pensions to be converted from the participant's currency of remuneration to the participant's home country currency so that it is determined by the average exchange rate over the preceding 60 months; improving the early retirement benefit for staff required to leave service in the interests of the good administration of the Bank or because of redundancy, for a fixed period until 31 December 1989; and improving the pension for existing pensioners and other beneficiaries by increasing the accrual rate to 2.75 per cent from 2.5 per cent.

The Housing Loan Program for supporting staff was reviewed after the program's first year of operation. Loan applications were approved during the first year totalling ₩46.6 million. Certain changes were approved by the Board with effect from 11 October 1988: shortening the length-of-service requirement; adjusting the three-tier maximum loanable amount in line with average salary increases; and increasing the maximum loan ceiling to reflect increases in housing costs.

During 1988, performance evaluation of staff was further oriented towards recognizing work excellence, meritorious contribution to the Bank's output and potential for career development and advancement, while at the same time also enabling the identification of performance weaknesses for corrective action through counselling and training, where possible. The performance evaluation process is being geared to bring out more critically the cases of underperforming staff whether due to individual shortcomings or skills mismatch and changing skills requirements. More intensive efforts were made to realize the early separation of staff in the interest of the good administration of the Bank. These efforts were directed at the replacement of such staff by more effective persons, or persons whose skills are more suited to the changing work demands. For those eligible for early retirement pension, an additional measure to facilitate such separation was effected through the non-reduction of pension where the separation

is made in the Bank's interest. The grievance procedure introduced in May 1987 was reviewed in the light of the first year's experience during which two appeals involving separation from service were heard by the Appeals Committee. The review of the operations of the grievance procedure was made by the Appeals Committee which took into account the views of the Budget, Personnel and Management Systems Department and the Staff Council. Certain improvements were recommended, most of which have been implemented. The suggestion that an Ombudsman be established will be considered in 1989.



SHRIMPS harvested from the Brackishwater Aquaculture Development Project in Indonesia. Designed to help smallholder farmers in Java, Sulawesi and Sumatra, the project was assisted by a Bank loan of \$23 million.

Organization

In July, the Bank approved the establishment of new Bank Resident Offices in Kathmandu, Nepal, and Islamabad, Pakistan, to be implemented in the second half of 1989.

Functions relating to the engagement of consultants for technical assistance projects and for supplementing the Bank's staff were reorganized in August. These functions in the Central Projects Services Office and the Budget, Personnel and Management Systems Department were reorganized to eliminate overlapping responsibilities and to improve decision-making in the processing of consultant engagements.

Recognizing the Bank's increasing role in the environmental field, it was decided to upgrade the Environment Unit, attached to the Infrastructure Department, to a Division during the first half of 1989. It was also decided to merge the Co-Financing Unit and the Coordination Center into the Co-Financing and Coordination Unit, and to place the latter under the direct supervision of the Vice-President (Operations), with effect from 1 January 1989. This organizational change was prompted by the Co-Financing Unit's increased activities in such fields as guarantee operations, complementary financing and collaboration with other agencies, particularly non-governmental organizations, and the need for better coordination and monitoring of the Bank's technical assistance program, especially with the introduction of the Japan Special Fund.

The internal Task Force Study of the Bank's Operational Staffing Requirements in the 1990s was completed in early 1988. The STAFFPLAN Model developed by the Task Force was presented to the Board in April and July. An interface between the STAFFPLAN Model and the budgetary process is under development. Further refinement of the Model for use as a tool in allocating staff resources against work programs will be undertaken.

The new Headquarters building project has been delayed. The new building is targeted to be completed and occupied during the last quarter of 1989.

Internal Audit

The Internal Audit Office (IAO) reviews the adequacy and effectiveness of controls, systems and procedures relating to financial, accounting, administrative, data processing and project administration matters. It provides an independent and objective evaluation and identifies means of improving efficiency and economy of activities and use of resources. IAO reports to the President, but its activities are also reviewed by the Audit Committee of the Board.

IAO's system-based reviews and spot checks resulted in findings and recommendations which in 1988 led to significant improvements, while participation in the development of computer systems enhanced internal controls. Under the integrated assistance to the Bank's external auditors, IAO provided them, among others, with reviews of updated internal control questionnaires and selected current transactions,

thereby facilitating more efficient coordination and cost-saving measures.

In its review of IAO's program and activities and implementation of audit recommendations by concerned departments, the Audit Committee of the Board expressed satisfaction.

Computer and Office Automation Program

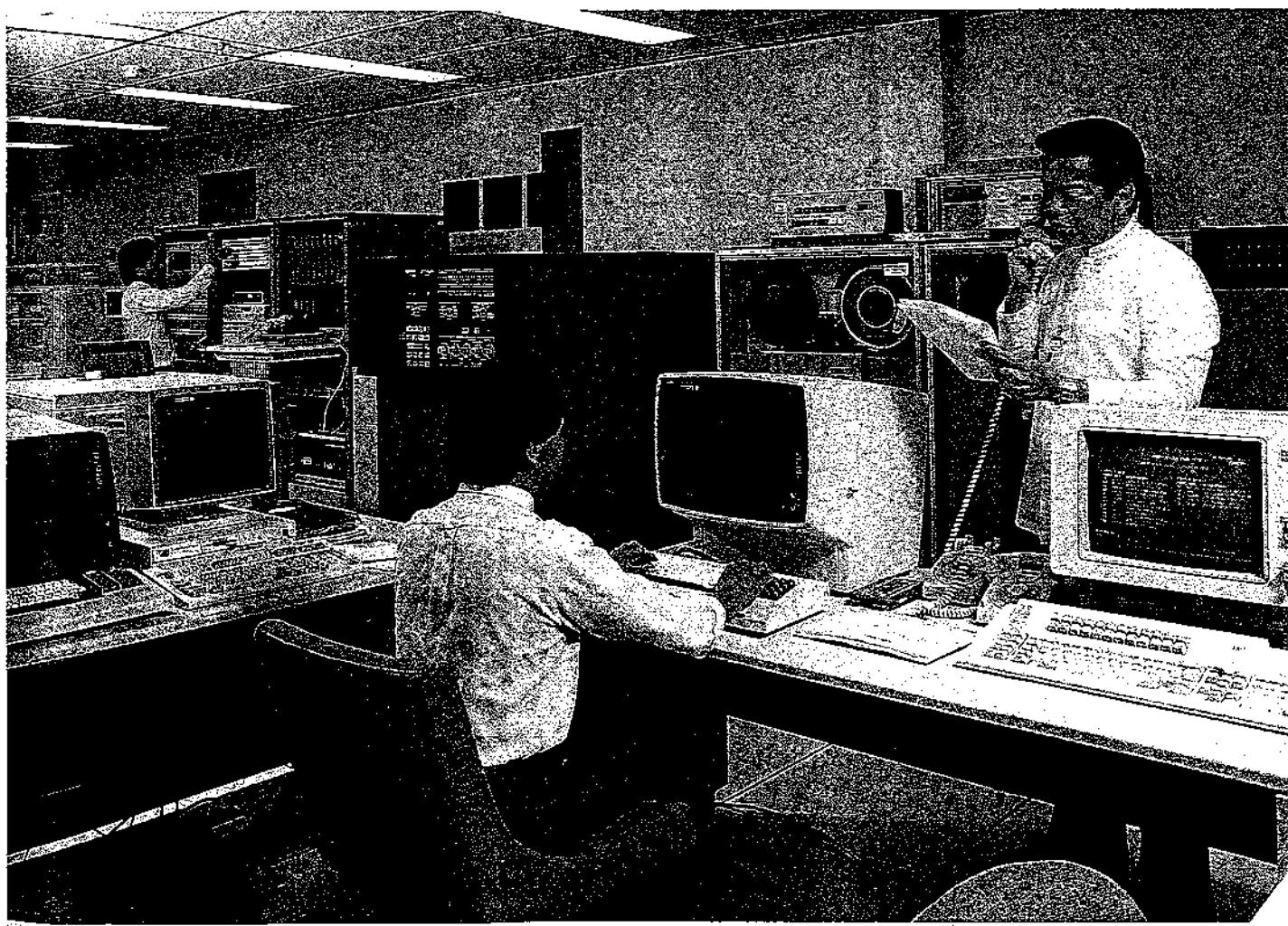
During 1988, the Office of Computer Services (OCS) accelerated activities, expanded staff and upgraded technologies to meet the growing volume of Bank operations. All central data processing became fully operational on the IBM 3090 computer and MVS/XA operating system. A trial was begun of the CON-NECT Universal Office System, which provides electronic mail services to over 275 staff. A trial data communications link was established between Bank Headquarters and the South Pacific Regional Office which gives staff in Vanuatu direct on-line access to the Bank's mainframe computer. Data communications capabilities were also enhanced by the implementation of the SWIFT ST400 interbank transfer system which runs on two Digital Equipment

Corporation MicroVax II computers.

The microcomputer population of the Bank was expanded to almost 900 units located in all departments. Its usage was enhanced through the Bank-wide conversion to the WordPerfect-5 word processing and the MS/DOS 4.00 operating system software. Almost half the Bank staff was trained in the use of WordPerfect-5 and Bank departments are using the Ventura desktop publishing system to produce some publications more efficiently. The usage of microcomputers was expanded for mission purposes through the acquisition of 55 Zenith 183 and 40 Zenith Supersport 286 laptop computers to complement the older Compaq and Data General-One portable computers to enable staff to speed up completion of mission activities and reports.

Staff proficiency in microcomputer usage improved considerably in 1988 following the establishment of a formal Computer Training Facility which provided basic and advanced courses in word processing, spreadsheet analysis, statistical analysis, desktop publishing and other software systems throughout the year.

New mainframe computer-based Payroll and Computer Asset Management Systems were completed and a microcomputer-based standard Project Cost Table System was



STAFF of the Bank's Office of Computer Services in the computer center, with communications network equipment in the background.



GROWING pepper in eastern Thailand is part of the Bank-assisted Medium-Scale Irrigation Package Project which has increased agricultural output and incomes in five areas.

implemented to assist the Project Divisions. In addition, the development of new project administration, private sector operations and property management systems was started. This was accompanied by the reorganization of OCS and the provision of extensive internal and external training to all OCS staff to enable them to continue to support the Bank's future activities.

Budget

Internal Administrative Expenses for 1988 amounted to \$96.842 million against the original Budget of \$98.446 million, representing a utilization rate of 98 per cent. The under-utilization of \$1.604 million is due mainly to savings arising from lower-than-budgeted expenses for the Board of Directors, staff benefits, staff relocation and other administrative expenses, but partly offset by higher-than-budgeted expenses for the annual meeting, staff salaries, consultants, business travel and representation.

A budget of \$109.405 million, summarized in Appendix 1, is provided for Internal Administrative Expenses in 1989. This represents an increase of \$12.563 million, or 13 per cent, over actual expenses in 1988. The increase is for: (i) the full-year effect of improvements in salaries and benefits; (ii) additional staff, consultant services, business travel and other overhead expenses in support of the Bank's operations; (iii) provisions for new Resident Offices to be established in Nepal and Pakistan and for higher expenses related to occupancy of the new Headquarters building; (iv) provisions for prospective price escalation; and (v) provision for general contingency.

Commitments for Services to Member Countries in 1988 amounted to \$30 million, representing 100 per cent utilization of the original Budget and an increase of 16 per cent over actual commitments in 1987. The Bank's Technical Assistance Program will fully incorporate technical assistance grants financed from Bank funds and from other sources of funds. This eliminates the need to continue with the Services to Member Countries budget which previously presented separate allocations for Bank-funded technical assistance grants.

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Deloitte Haskins + Sells

1114 Avenue of the Americas
New York 10036

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank — Ordinary Capital Resources (OCR):

- OCR-1 Balance Sheet, 31 December 1988 and 31 December 1987
- OCR-2 Statement of Income and Expenses for the Years Ended
31 December 1988 and 31 December 1987
- OCR-3 Statement of Cash Flows for the Years Ended
31 December 1988 and 31 December 1987
- OCR-4 Summary Statement of Loans, 31 December 1988 and
31 December 1987
- OCR-5 Summary Statement of Borrowings, 31 December 1988 and
31 December 1987
- OCR-6 Statement of Subscriptions to Capital Stock and Voting
Power, 31 December 1988
- OCR-7 Notes to Financial Statements, 31 December 1988 and
31 December 1987

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank — Ordinary Capital Resources at 31 December 1988 and 31 December 1987 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte Haskins + Sells

28 February 1989

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

BALANCE SHEET

31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note A)

	ASSETS	
	1988	1987
DUE FROM BANKS (Note B)	\$ 117,424	\$ 137,961
INVESTMENTS (Notes C and H)		
Government and government guaranteed obligations	\$2,230,259	\$2,705,529
Time deposits and other obligations of banks	<u>1,716,743</u>	<u>1,912,630</u>
LOANS OUTSTANDING (OCR-4)	7,523,644	7,678,492
EQUITY INVESTMENTS	23,724	7,106
ACCRUED INCOME		
On investments	72,748	71,605
On loans	<u>190,496</u>	<u>199,204</u>
RECEIVABLE FROM MEMBERS		
Non-negotiable, non-interest-bearing demand obligations (Notes B and E)	417,474	441,673
Amounts required to maintain value of currency holdings (Note F)	1,364	1,356
Subscription instalments (Note E)	<u>446</u>	<u>18,414</u>
OTHER ASSETS		
Notional amounts required to maintain value of currency holdings (Note F)	358,431	440,444
Unamortized issuance costs of borrowings	75,323	86,953
Property, furniture and equipment (net of accumulated depreciation of \$4,482 — 1988, \$3,288 — 1987) (Note A)	122,240	85,504
Administration charge receivable from the Asian Development Fund (Note G)	12,052	19,502
Miscellaneous	<u>29,712</u>	<u>37,061</u>
TOTALS	\$12,892,080	\$13,843,434

See notes to financial statements (OCR-7).

LIABILITIES, CAPITAL AND RESERVES

	1988	1987
BORROWINGS (OCR-5)	\$ 7,315,966	\$ 8,443,663
ACCRUED INTEREST ON BORROWINGS	186,239	228,014
ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Notional amounts required to maintain value of currency holdings (Note F)	\$ 217,932	\$ 222,488
Miscellaneous (Note D)	<u>104,404</u>	<u>322,336</u>
CAPITAL AND RESERVES		
Capital Stock (OCR-6) (Notes A and E)		
Authorized		
(SDR 16,825,210,000 — 1988, SDR 16,203,270,000 — 1987)		
Subscribed		
(SDR 16,084,490,000 — 1988, SDR 16,050,140,000 — 1987)	21,644,898	22,769,692
Less — "callable" shares subscribed	<u>19,031,751</u>	<u>20,017,307</u>
"Paid-in" shares subscribed	2,613,147	2,752,385
Less — subscription instalments not due	<u>60,953</u>	<u>136,943</u>
Subscription instalments matured	2,552,194	2,615,442
Less — capital transferred to the Asian Development Fund (Note I)	<u>64,068</u>	<u>67,542</u>
	2,488,126	2,547,900
Advance payments on subscriptions (Note E)	267	34
Accumulated translation adjustments (Note A)	99,389	106,438
Ordinary Reserve (Note J)	1,928,966	1,601,542
Special Reserve (Note H)	176,547	176,547
Net income (OCR-2) (Note J)	<u>374,244</u>	<u>5,067,539</u>
TOTALS	\$12,892,080	\$13,843,434

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note A)

	1988	1987
INCOME		
From loans:		
Interest	\$645,221	\$579,604
Commitment charge	32,024	35,054
Other	96	662
From investments (Note C)	340,901	354,191
From other sources — net	<u>5,003</u>	<u>6,680</u>
TOTAL INCOME	\$1,023,245	\$976,191
EXPENSES		
Interest and other financial expenses (Notes A and G)	589,793	619,051
Administrative expenses (Notes G and K)	52,875	45,596
Services to member countries (Note L)	<u>6,333</u>	<u>4,681</u>
TOTAL EXPENSES	649,001	669,328
NET INCOME	\$ 374,244	\$306,863

See notes to financial statements (OCR-7).

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1988 and 31 December 1987.

Expressed in Thousands of United States Dollars (Note A)

	1988	1987
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on loans received	\$ 629,073	\$ 526,440
Interest on investments received	277,191	313,015
Cash received from other activities	1,888	15,421
Interest and other financial expenses paid	(511,899)	(494,804)
Administrative expenses paid	(72,340)	(49,629)
Services to member countries paid	(6,171)	(5,156)
Net Cash Provided by Operating Activities	317,742	305,287
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal collected on loans	534,291	600,207
Loans disbursed	(900,362)	(646,716)
Sales of investment securities	13,315,693	15,031,796
Purchases of investment securities	(12,835,166)	(13,997,842)
Maturities of time deposits and other obligations of banks	44,391,312	30,313,354
Funds invested in time deposits and other obligations of banks	(44,224,279)	(31,286,558)
Property, furniture and equipment acquired	(38,101)	(40,878)
Purchases of equity investments	(15,757)	(4,864)
Net Cash Provided by (Used for) Investing Activities	227,631	(31,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds of new borrowings	425,615	526,952
Bonds purchased for redemption and borrowings redeemed	(1,087,044)	(915,594)
Matured subscriptions collected ¹	58,582	97,564
Demand obligations of members encashed	43,065	42,611
Net Cash Used for Financing Activities	(559,782)	(248,467)
Effect of Exchange Rate Changes on Due from Banks	(6,128)	24,065
Net Increase (Decrease) in Due from Banks	(20,537)	49,384
Due from Banks at Beginning of the Year	137,961	88,577
Due from Banks at End of the Year	\$ 117,424	\$ 137,961
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 374,244	\$ 306,863
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrued interest and other expenses	(41,173)	33,633
Accrued income including interest and commitment charges added to loans	(49,411)	(76,649)
Administration charge (Note G) ²	(21,730)	(12,129)
Depreciation and amortization	37,075	43,589
Difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity	27,046	19,383
Net gain from sales of investment securities	(5,654)	(18,458)
Other-net	(2,655)	9,055
Net cash provided by operating activities	\$ 317,742	\$ 305,287

See notes to financial statements (OCR-7).

¹ In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to \$18,690 (\$44,434 — 1987) were received.

² Includes investments amounting to \$29,180 (\$7,122 — 1987) transferred from the Asian Development Fund as settlement for administration charge.

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF LOANS

31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note A)

Borrowers/Guarantors ¹	Loans Outstanding ²	Undisbursed Balances of Effective Loans	Loans Not Yet Effective	Total Loans	Per Cent c Total Loa:
Bangladesh	\$ 1,707	\$ —	\$ —	\$ 1,707	0.01
Burma	4,610	4	—	4,614	0.04
China, People's Republic of	2,708	124,092	282,900	409,700	3.33
Fiji	56,584	18,213	—	74,797	0.61
India	67,883	711,101	362,000	1,140,984	9.28
Indonesia	1,606,266	1,835,568	551,050	3,992,884	32.46
Korea, Republic of	717,114	246,913	131,050	1,095,077	8.90
Malaysia	463,503	403,051	29,500	896,054	7.28
Pakistan	546,791	861,478	230,350	1,638,619	13.32
Papua New Guinea	57,004	62,696	5,000	124,700	1.01
Philippines	1,099,044	643,903	120,000	1,862,947	15.15
Singapore	43,806	—	—	43,806	0.36
Taipei, China	11,047	—	—	11,047	0.09
Thailand	785,838	216,474	—	1,002,312	8.15
Viet Nam	933	—	—	933	0.01
TOTALS — 31 December 1988	5,464,838	5,123,493	1,711,850	12,300,181	100.00
Adjustments in US\$ equivalents	2,058,806 ³				2,058,806 ³
BALANCES — 31 December 1988	\$7,523,644	\$5,123,493	\$1,711,850	\$14,358,987	
TOTALS — 31 December 1987	\$4,866,685	\$4,525,649	\$1,537,708	\$10,930,042	
Adjustments in US\$ equivalents	2,811,807 ³				2,811,807 ³
BALANCES — 31 December 1987	\$7,678,492	\$4,525,649	\$1,537,708	\$13,741,849	

See notes to financial statements (OCR-7).

1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member with exception of loans to the private sector amounting to \$83,431 (\$29,094 — 1987). Certain loans to the private sector are denominated in specific currencies. The undisbursed portions of such loans are translated into United States dollars at the applicable exchange rates as of the end of the reporting period. Disbursements are translated into United States dollars at the applicable exchange rates as of the respective dates of disbursements.

2 The interest rates charged on loans outstanding range from 6.32% per annum to 11.01% per annum. Amounts outstanding on loans made under the Variable Interest Rate System totalled \$561,476 (\$190,489 — 1987).

MATURITY OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1989	\$321,408	1998	2,975,786
1990	367,076	2003	3,040,640
1991	427,223	2008	1,802,108
1992	482,407	2013	733,813
1993	516,372	2016	4,632
		Undetermined	1,976,172 ⁴
		Total	\$12,647,137

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1988	1987	Currency	1988	1987
Australian dollar	\$ 6,803	\$ 8,191	Malaysian ringgit	37,819	24,202
Austrian schilling	32,501	28,581	Netherlands guilder	245,073	17,276
Belgian franc	21,430	150	New Zealand dollar	5,396	7,603
Canadian dollar	504	.857	Norwegian krone	1,045	1,102
Danish krone	—	60	Pound sterling	781	1,247
Deutsche mark	1,379,003	1,353,982	Singapore dollar	7,170	1,306
French franc	112	.297	Swedish krona	150	286
Hong Kong dollar	8,418	1,133	Swiss franc	1,684,858	2,272,793
Italian lira	—	1	Thai baht	4,017	2,227
Japanese yen	3,683,195	3,738,522	United States dollar	204,441	217,690
Taiwan dinar	933	1,036	Totals	\$7,523,644	\$7,678,492

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

4. Represents prepayments, cancellations and translation adjustments which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

SUMMARY STATEMENT OF BORROWINGS

31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note A)

Currency	Balance 31 December 1987	Changes During the Year Ended 31 December 1988			Translation and Other Adjustments ¹
		Borrowings	Repayments and Sinking Fund and Other Purchases		
Austrian schilling	\$ 44,444	\$ —	\$ 42,885		\$ (1,559)
Deutsche mark	1,668,669 ³	—	119,954		(178,721)
Japanese yen	3,493,756	224,719	499,360		(86,560)
Kuwaiti dinar	34,080	—	8,192		(1,433)
Netherlands guilder	589,311 ³	—	20,291		(65,164)
Pound sterling	277,918 ³	—	—		(9,207)
Swiss franc	1,503,127 ¹	107,914	290,458		(233,186)
United States dollar	863,929 ^{1,3}	100,000	78,858		74,712
 Principal amounts outstanding	 8,475,234	 432,633	 1,059,998		 (501,118)
 Unamortized discounts and premiums on interest-bearing bonds and notes	 (31,571)	 512	 (446)		 (172)
 TOTALS	 \$8,443,663	 \$433,145	 \$1,059,552		 (\$501,290)

MATURITY OF

Twelve Months Ending 31 December		Amounts
1989		\$518,382
1990		158,078
1991		280,421
1992		802,994
1993		543,855

See notes to financial statements (OCR-7).

- 1 Balance outstanding at 31 December 1988 includes the total amount of \$464,217 (\$456,144 — 1987) for the Ten-Year US Dollar Zero Coupon Notes of 1982, the Twenty-Year US Dollar Zero Coupon Bonds of 1984 and the Thirty-Year Swiss Franc Zero Coupon Bonds of 1986 (principal amounts at maturity, \$347,650, \$986,500 and SwF500 million, respectively). Amortization of the original discount at issuance by the interest method is shown as an "Other Adjustment".
- 2 The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums and the effect of currency swaps. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.

Balance 31 December 1988	Weighted Average Effective Interest Rates ^{2,3}			Due for Redemption
	1988	1987		
\$ —	—	8.18%		—
1,369,994 ³	7.63%	7.62		1989-1997
3,132,555	6.64	6.90		1989-2006
24,456	7.24	7.24		1989-1991
503,856 ³	8.01	8.18		1989-2000
268,711 ³	9.35	9.35		1997-2009
1,087,397 ¹	5.56	5.78		1989-2016
<u>959,783^{1,3}</u>	<u>9.05</u>	<u>9.57</u>		<u>1989-2004</u>
 7,346,751	 7.17	 7.29		
 <u>(30,785)</u>	 <u>—</u>	 <u>—</u>		
 <u>\$7,315,966</u>	 <u>—</u>	 <u>—</u>		

BORROWINGS OUTSTANDING

Five Years Ending 31 December	Amounts
1998	3,354,833
2003	1,105,977
2008	1,207,919
2013	244,725
2016	332,447
Total	\$8,549,131

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

Currency	Original Amounts	Original Amounts	Effective Interest Rates	
			Before Swapping	After Swapping
Deutsche mark	DM200.1 million	SwF164.4 million	8.00%	16.50%
Kuwaiti dinar	KD15 million	\$50,835	12.34	12.59
Netherlands guilder	f200.1 million	SwF145.9 million	8.01	6.14
Pound sterling	£50 million	¥11.7 billion	9.33	4.60
United States dollar	\$84,657	SwF183.1 million	11.97	5.83
United States dollar	\$100,000	SwF200.8 million	8.17	5.18
United States dollar	\$100,000	SwF164.8 million	8.02	4.88
United States dollar	\$100,000	SwF146.0 million	10.97	6.15
United States dollar	\$100,000	SwF140.8 million	9.60	4.45

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

31 December 1988

Expressed in Thousands of United States Dollars (Note A)

MEMBERS	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Per Cent of Total	Total	Par Value of Shares	Paid-in	Number of Votes	Per Cent of Total
REGIONAL							
Afghanistan	1,195	0.074	\$ 16,081	\$ 10,940	\$ 5,141	9,750	0.485
Australia	102,370	6.365	1,377,593	1,212,193	165,400	110,925	5.517
Bangladesh	18,064	1.123	243,087	213,899	29,188	26,619	1.324
Bhutan	110	0.007	1,481	1,198	283	8,665	0.431
Burma	9,635	0.599	129,658	114,088	15,570	18,190	0.905
Cambodia	875	0.055	11,775	8,007	3,768	9,430	0.469
China, People's Rep. of	114,000	7.088	1,534,098	1,349,858	184,240	122,555	6.096
Cook Islands	47	0.003	632	565	67	8,602	0.428
Fiji	1,203	0.075	16,189	14,238	1,951	9,758	0.485
Hong Kong	9,635	0.599	129,658	114,088	15,570	18,190	0.905
India	112,005	6.964	1,507,251	1,326,295	180,956	120,560	5.996
Indonesia	96,350	5.990	1,296,582	1,140,925	155,657	104,905	5.218
Japan	240,875	14.976	3,241,455	2,852,292	389,163	249,430	12.406
Kiribati	71	0.004	955	834	121	8,626	0.429
Korea, Rep. of	89,123	5.541	1,199,328	1,055,352	143,976	97,678	4.858
Lao PDR	246	0.015	3,310	2,664	646	8,801	0.438
Malaysia	48,175	2.995	648,291	570,456	77,835	56,730	2.822
Maldives	71	0.004	955	834	121	8,626	0.429
Nepal	2,601	0.162	35,002	30,790	4,212	11,156	0.555
New Zealand	27,170	1.689	365,627	321,730	43,897	35,725	1.777
Pakistan	38,540	2.396	518,633	456,367	62,266	47,095	2.342
Papua New Guinea	1,660	0.103	22,339	19,674	2,665	10,215	0.508
Philippines	42,152	2.621	567,239	499,147	68,092	50,707	2.522
Singapore	6,020	0.374	81,011	71,282	9,729	14,575	0.725
Solomon Islands	118	0.007	1,588	1,400	188	8,673	0.431
Sri Lanka	10,260	0.638	138,069	121,490	16,579	18,815	0.936
Taipei, China	19,270	1.198	259,316	228,190	31,126	27,825	1.384
Thailand	24,087	1.498	324,139	285,221	38,918	32,642	1.624
Tonga	71	0.004	955	834	121	8,626	0.429
Vanuatu	118	0.007	1,588	1,400	188	8,673	0.431
Viet Nam	6,038	0.375	81,254	64,244	17,010	14,593	0.726
Western Samoa	58	0.004	781	633	148	8,613	0.428
Total Regional	1,022,213	63.553	13,755,920	12,091,128	1,664,792	1,295,973	64.459
NON-REGIONAL							
Austria	6,020	0.374	81,011	71,282	9,729	14,575	0.725
Belgium	6,020	0.374	81,011	71,282	9,729	14,575	0.725
Canada	92,543	5.754	1,245,351	1,095,844	149,507	101,098	5.028
Denmark	6,020	0.374	81,011	71,282	9,729	14,575	0.725
Finland	6,020	0.374	81,011	71,282	9,729	14,575	0.725
France	41,178	2.560	554,133	487,601	66,532	49,733	2.474
Germany, Fed. Rep. of	76,534	4.758	1,029,918	906,261	123,657	85,089	4.232
Italy	31,975	1.988	430,288	378,626	51,662	40,530	2.016
Netherlands	18,147	1.128	244,204	214,894	29,310	26,702	1.328
Norway	6,020	0.374	81,011	71,282	9,729	14,575	0.725
Spain	6,020	0.374	81,011	71,282	9,729	14,575	0.725
Sweden	2,408	0.150	32,404	27,304	5,100	10,963	0.545
Switzerland	10,325	0.642	138,944	122,257	16,687	18,880	0.939
United Kingdom	36,131	2.247	486,215	427,852	58,363	44,686	2.223
United States	240,875	14.976	3,241,455	2,852,292	389,163	249,430	12.406
Total Non-Regional	586,236	36.447	7,888,978	6,940,623	948,355	714,561	35.541
TOTALS	1,608,449	100.000	\$21,644,898	\$19,031,751	\$2,613,147	2,010,534	100.000

See notes to financial statements (OCR-7).

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1988 and 31 December 1987

CONTINUED

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Valuation of Capital Stock

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

As of 31 December 1988, the value of the SDR in terms of the current United States dollar was \$1.34570 (\$1.41866 — 1987) giving a value for each share of the Bank's capital equivalent to \$13,457.00 (\$14,186.60 — 1987). However, the Bank could decide to fix the value of each share at \$12,063.50 based on the 31 March 1978 par value of the United States dollar in terms of gold.

Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments other than those relating to maintenance of value of currency holdings (see Notes F and J), are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in income. Currency swaps made in connection with borrowings are hedged by forward exchange commitments and, accordingly, do not result in any net exchange gain or loss.

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Loans

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

Prior to 1 July 1986, the lending rate of the Bank was based on a fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. Effective 1 July 1986, the Bank adopted a pool-based variable lending rate system for those loans approved on or after that date plus certain others at the option of the borrowers.

For loans to the private sector, interest is charged at negotiated rates.

Equity Investments

Equity investments are reported at cost.

Property, Furniture and Equipment

The headquarters building of the Bank, including land, facilities and fixtures and the initial cost of necessary staff amenities and other related furnishings have been provided to the Bank by the Government of the Republic of the Philippines (Government) which has also provided additional office space in a second building. The Bank has leased additional office space in other buildings and has fitted and furnished all additional office space. Significant purchases of property, furniture and equipment by the Bank are capitalized and depreciated over estimated useful lives of related assets using the straight-line method. Other purchases are charged to expense.

To meet the Bank's need for future office accommodations, the Bank has purchased parcels of land in Metropolitan Manila at the original cost of \$10,052,000 and has awarded a contract for the construction of a new headquarters building. Other costs capitalized in connection with this project, including interest (see Note G), totalled \$105,418,000 as of 31 December 1988 (\$69,555,000 — 1987). Outstanding commitments related to the project aggregate approximately \$42,750,000.

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1988 and 31 December 1987

Under terms of an agreement with the Government, the Bank will return the present headquarters premises to the Government upon transfer to the new headquarters and the Bank will be compensated for the premises returned as determined in accordance with the agreement as supplemented by a memorandum of understanding.

Statement of Cash Flows

Effective 1 January 1988, the Bank adopted a new form to report the cash flows of the Bank in accordance with revised accounting standards. The statement of changes in financial position for 1987, which was prepared in accordance with previous requirements, has been restated.

For the purposes of the statement of cash flows, the Bank considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

NOTE B – RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i) of the Charter, the use by the Bank or by any recipient from the Bank of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 28 developing member countries, cash in banks and demand obligations totalling \$100,570,000 (\$80,095,000 – 1987) and \$261,802,000 (\$259,528,000 – 1987), 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 and demand obligations totalling \$65,000 (\$28,000 – 1987) and \$5,108,000 (\$6,247,000 – 1987), respectively, have been so restricted.

NOTE C – INVESTMENTS

As of 31 December 1988, the market value of investments was \$3,916,518,000 (\$4,618,293,000 – 1987), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$1,683,598,000 (\$1,787,455,000 – 1987). During the year ended 31 December 1988, sales of investments resulted in a net gain of \$5,654,000 (\$18,458,000 – 1987). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter, including realized gains and losses, was 8.09% (8.06% – 1987).

NOTE D – BORROWINGS AND CURRENCY SWAPS

The Bank enters into currency swap agreements in which proceeds of borrowings are converted into a different currency and simultaneously a forward exchange contract is executed providing for a schedule of future exchanges of the two currencies.

Net payables of \$64,888,000 (\$157,873,000 – 1987) resulting from exchange rate movements of outstanding swap arrangements are included in miscellaneous liabilities. Such exchange rate movements will not result in any exchange gain or loss.

NOTE E – CAPITAL STOCK

The authorized capital stock of the Bank consists of 1,682,521 shares (1,620,327 – 1987), of which 1,608,449 shares (1,605,014 – 1987) have been subscribed by members. Of the subscribed shares, 1,414,264 (1,411,001 – 1987) are "callable" and 194,185 (194,013 – 1987) are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings or on guarantees. The "paid-in" share capital is payable or has been paid in instalments, partly in convertible currencies and partly in the currency of the subscribing member. In accordance with Article 6, paragraph 3 of the Charter, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations.

As of 31 December 1988, all matured instalments amounting to \$2,552,194,000 (\$2,615,442,000 – 1987) were received except \$446,000 (\$18,414,000 – 1987). Instalments not due aggregating \$60,953,000 (\$136,943,000 – 1987) are receivable as follows:

31 December

	1988	1987
1988		\$72,685,000
1989	\$60,953,000	64,258,000

Payments in respect of capital subscription instalments in advance of due dates are shown in the balance sheet (under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

NOTE F – MAINTENANCE OF VALUE OF CURRENCY HOLDINGS

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of its Charter and relevant resolutions of the Board of Directors. The "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of the Bank's holdings of certain member currencies.

Since 1 April 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain. The notional amounts as of 31 December 1988 consisting of receivables of \$358,431,000 (\$440,444,000 – 1987) and payables of \$217,932,000 (\$222,488,000 – 1987) represent (a)

the increase of \$260,099,000 (\$361,857,000 — 1987) 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 1988 and (b) the net increase of \$119,600,000 (\$143,901,000 — 1987) in the value of such currency holdings in relation to the United States dollar during the same period.

NOTE G — INCOME AND EXPENSES

Total interest expense incurred amounted to \$501,836,000 (\$536,824,000 — 1987). Of this amount \$5,752,000 (\$3,657,000 — 1987) was capitalized as a part of the cost of the new headquarters building.

Other financial expenses include charges of \$27,046,000 (\$19,383,000 — 1987) which represent 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 1988 have been apportioned between ordinary capital resources and the Asian Development Fund according to the number of loans and equity investments approved for the year. Of the total administrative expenses of \$98,604,000 (\$91,193,000 — 1987), \$45,729,000 (\$45,597,000 — 1987) has accordingly been charged to the Asian Development Fund.

NOTE H — SPECIAL RESERVE

In accordance with Articles 16 and 17 of the Charter, the Bank charged a commission on the outstanding amount of loans made by it from the ordinary capital resources prior to 28 March 1984 and an amount equivalent to such commissions was appropriated to a Special Reserve. The commission charged on such loans was discontinued after 1985. Special Reserve assets consist of government and government-guaranteed obligations and are included under the heading "INVESTMENTS".

NOTE I — CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973 to be used as a part of the Special Funds of the Bank. The resources so set aside, amounting to \$64,068,000 as of 31 December 1988 (\$67,542,000 — 1987) expressed in terms of the SDR on the basis of \$1.34570 (\$1.41866 — 1987) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar — see Note A), were allocated and transferred to the Asian Development Fund.

NOTE J — ORDINARY RESERVE AND NET INCOME

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income shall be

allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. Net income for the year ended 31 December 1987 was allocated to the Ordinary Reserve.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note A) resulted in a net credit of \$20,561,000 to the Ordinary Reserve during the year ended 31 December 1988 (net charge of \$58,441,000 — 1987). That credit (charge — 1987) is the decrease (increase — 1987) in the value of the matured and paid capital subscriptions caused by the change during the period in the value of the SDR in relation to the United States dollar not allocated to members as notional maintenance of value adjustments in accordance with resolutions of the Board of Directors.

NOTE K — STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of service, provided that as of such a date, the employee shall not have reached the normal retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet. The costs of administering the Plan are absorbed by the Bank, except fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their remuneration to the Plan and may also make voluntary contributions. The Bank has contributed amounts equal to 18 2/3% of the participants' remuneration. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions. For the year ended 31 December 1988, the amount contributed by the Bank was \$8,232,000 (\$7,713,000 — 1987).

The actuarial present value of vested and non-vested accumulated plan benefits as of 30 September 1988, the date of the last actuarial valuation, totalled \$93,592,000 (\$76,729,000 — 1987) and \$5,261,000 (\$5,550,000 — 1987), respectively. Net assets available for benefits totalled \$172,578,000 as of 30 September 1988 (\$177,477,000 — 1987). The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8%.

NOTE L — SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$40,089,000 as of 31 December 1988 (\$38,733,000 — 1987). Ordinary capital resources income is used for these commitments if Technical Assistance Special Fund resources are not available. When technical assistance provided as a grant leads to a Bank loan, the amount of the grant exceeding \$250,000 (\$150,000 — 1987) will be refinanced under the loan. Refinanced amounts of \$84,000 were charged to loans and credited to income of ordinary capital resources during the year ended 31 December 1988 (\$99,000 — 1987).

Deloitte Haskins + Sells

1114 Avenue of the Americas
New York, 10036

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank — Asian Development Fund (ADF):

ADF-1 Balance Sheet, 31 December 1988 and
31 December 1987

ADF-2 Statement of Operations and Accumulated Surplus
for the Years Ended 31 December 1988
and 31 December 1987

ADF-3 Statement of Cash Flows for the Years Ended
31 December 1988 and 31 December 1987

ADF-4 Summary Statement of Loans, 31 December 1988 and
31 December 1987

ADF-5 Statement of Resources, 31 December 1988

ADF-6 Notes to Financial Statements, 31 December 1988 and
31 December 1987

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank — Asian Development Fund at 31 December 1988 and 31 December 1987 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte Haskins + Sells

28 February 1989

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note B)

<u>ASSETS</u>	1988		1987	
DUE FROM BANKS	\$ 3,970		\$ 5,721	
INVESTMENTS (Note C)				
Government and government guaranteed obligations	\$ 110,683		\$ 142,981	
Time deposits and other obligations of banks	496,664	607,347	532,645	675,626
LOANS OUTSTANDING (ADF-4)		4,476,365		3,912,513
ACCRUED REVENUE				
On investments	5,515		4,147	
On loans	14,940	20,455	12,980	17,127
NOTES OF CONTRIBUTORs				
Non-negotiable, non-interest-bearing notes		6,649,139		6,084,870
RECEIVABLE FROM CONTRIBUTORs (ADF-5)		103,061		17,274
OTHER ASSETS		8,913		20,769
TOTALS		\$11,869,250		\$10,733,900
<u>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</u>				
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note D)	\$ 12,052		\$ 19,502	
ACCOUNTS PAYABLE TO TECHNICAL ASSISTANCE SPECIAL FUND AND OTHER LIABILITIES (Note A)	42,765		30,874	
UNEXPENDED BALANCES AND CAPITAL				
Amounts available for loan commitments (ADF-5)				
Contributed Resources	\$11,053,240		\$9,768,171	
Set-Aside Resources (Note E)	64,068		67,542	
Other Resources	5,080		5,080	
	11,122,388		9,830,793	
Advance payments on contributions (ADF-5)	281,936		482,608	
Accumulated translation adjustments (Note B)	77,729		84,847	
Accumulated surplus (ADF-2)	332,380	11,814,433	285,276	10,683,524
TOTALS		\$11,869,250		\$10,733,900

See notes to financial statements (ADF-6).

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS****For the Years Ended 31 December 1988 and 31 December 1987**

Expressed in Thousands of United States Dollars (Note B)

	<u>1988</u>	<u>1987</u>
REVENUE		
From investments (Note C)	\$ 48,516	\$ 49,412
From loans	43,979	35,024
From other sources — net	<u>350</u>	<u>578</u>
TOTAL REVENUE	92,845	85,014
EXPENSES		
Administrative expenses (Note D)	45,741	45,606
EXCESS OF REVENUE OVER EXPENSES —		
NET INCOME	47,104	39,408
ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR	285,276	245,868
ACCUMULATED SURPLUS AT END OF THE YEAR	\$332,380	\$285,276

See notes to financial statements (ADF-6)

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
For the Years Ended 31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note B)

	<u>1988</u>	<u>1987</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Service charges on loans received	\$ 39,737	\$ 29,788
Interest on investments received	37,330	40,365
Cash received from other activities	350	578
Administrative expenses paid	<u>(24,011)</u>	<u>(33,477)</u>
Net Cash Provided by Operating Activities	<u>53,406</u>	<u>37,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal collected on loans	39,705	27,972
Loans disbursed	<u>(689,375)</u>	<u>(537,264)</u>
Sales of investment securities	3,343,871	5,449,462
Purchases of investment securities	<u>(3,298,611)</u>	<u>(3,257,679)</u>
Maturities of time deposits and other obligations of banks	8,087,509	3,303,952
Funds invested in time deposits and other obligations of banks	<u>(8,090,891)</u>	<u>(5,432,352)</u>
Net Cash Used for Investing Activities	<u>(607,792)</u>	<u>(445,909)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from (paid to) Ordinary Capital Resources and others	7,514	(6,467)
Contributions received ¹	621	79
Demand obligations of contributors encashed	<u>544,022</u>	<u>414,772</u>
Net Cash Provided by Financing Activities	<u>552,157</u>	<u>408,384</u>
Effect of Exchange Rate Changes on Due from Banks	<u>478</u>	<u>2,365</u>
Net Increase (Decrease) in Due from Banks	<u>(1,751)</u>	<u>2,094</u>
Due from Banks at Beginning of the Year	<u>5,721</u>	<u>3,627</u>
Due from Banks At End of the Year	<u>\$ 3,970</u>	<u>\$ 5,721</u>
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES — NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenue over expenses — net income	\$ 47,104	\$ 39,408
Adjustments to reconcile excess of revenue over expenses — net income to net cash provided by operating activities:		
Accrued revenue including commitment charges added to loans	(15,428)	(14,283)
Administration charge ²	<u>21,730</u>	<u>12,129</u>
Net cash provided by operating activities	<u>\$ 53,406</u>	<u>\$ 37,254</u>

See notes to financial statements (ADF-6).

1 In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to \$1,248,883 (\$753,315 — 1987) were received.

2 Includes investments amounting to \$29,180 (\$7,122 — 1987) transferred to Ordinary Capital Resources as settlement for administration charge.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS

31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors ¹	Loans Outstanding ²	Undisbursed Balances of Effective Loans ³	Loans Not Yet Effective ³	Total Loans	Per Cent of Total Loans
Afghanistan	\$ 22,730	\$ 46,154	\$ 20,100	\$ 88,984	1.08
Bangladesh	1,042,594	1,279,561	143,448	2,465,603	29.93
Bhutan	9,761	23,868	2,484	36,113	0.44
Burma	335,282	183,592	—	518,874	6.30
Cambodia	643	1,027 ⁴	—	1,670	0.02
Cook Islands	2,500	2,893	—	5,393	0.07
Indonesia	192,815	65,866	79,442	338,123	4.10
Kiribati	1,846	145	915	2,906	0.04
Korea, Republic of	851	—	—	851	0.01
Lao PDR	39,455	62,889	11,188	113,532	1.38
Malaysia	1,400	—	—	1,400	0.02
Maldives	3,287	6,860	6,686	16,833	0.20
Nepal	275,386	436,285	45,856	757,527	9.20
Pakistan	846,583	1,343,879	257,897	2,448,359	29.72
Papua New Guinea	72,597	65,197	5,258	143,052	1.74
Philippines	129,046	141,312	33,085	303,443	3.68
Singapore	1,565	—	—	1,565	0.02
Solomon Islands	25,308	13,968	—	39,276	0.48
Sri Lanka	318,073	393,770	56,737	768,580	9.33
Thailand	58,591	12,673	—	71,264	0.87
Tonga	9,068	1,387	3,356	13,811	0.17
Vanuatu	2,639	9,263	—	11,902	0.14
Viet Nam	20,310	—	13,000	33,310	0.40
Western Samoa	33,564	14,785	6,212	54,561	0.66
TOTALS — 31 December 1988	3,445,894	4,105,374	685,664	8,236,932	100.00
Adjustments in US\$ equivalents	1,030,471 ⁵	—	—	1,030,471 ⁵	—
BALANCES — 31 December 1988	\$4,476,365	\$4,105,374	\$ 685,664	\$9,267,403	—
TOTALS — 31 December 1987	\$2,785,867	\$3,574,488	\$1,102,792	\$7,463,147	—
Adjustments in US\$ equivalents	1,126,646 ⁵	—	—	1,126,646 ⁵	—
BALANCES — 31 December 1987	\$3,912,513	\$3,574,488	\$1,102,792	\$8,589,793	—

See notes to financial statements (ADF-6).

- 1 Loans other than those made directly to a member or its central bank have been guaranteed by the member with the exception of one private sector loan amount \$2,624 equivalent.
- 2 The Bank levies a service charge on all Special Funds loans approved after 21 March 1974 at the rate of 1% per annum. On loans approved prior to 21 March the Bank charges interest (including a service fee of 3/4 of 1%) ranging from 1% per annum to 3% per annum.
- 3 Loans negotiated after 1 January 1983 are denominated in Special Drawing Rights (SDR) for the purpose of commitment. Loans negotiated before that date were denominated in current United States dollars. The disbursed portions of SDR loans have been translated into United States dollars at the applicable exchange rates as of the date of disbursement. The undisbursed portions are translated into United States dollars at the applicable exchange rates as of the end of a reporting period.

Maturity of Effective Loans

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1989	\$43,211	1998	649,256
1990	47,121	2003	985,633
1991	57,027	2008	1,299,188
1992	65,220	2013	1,505,006
1993	75,069	2018	1,417,478
		2023	1,088,052
		2028	312,746
		Undetermined	1,036,732 ⁶
		Total	\$8,581,739

Summary of Currencies Receivable on Loans Outstanding

Currency	1988	1987	Currency	1988	1987
Australian dollar	\$109,749	\$ 67,891	Japanese yen	2,594,597	2,288,449
Austrian schilling	27,143	24,571	Netherlands guilder	80,513	87,168
Belgian franc	26,399	25,778	New Zealand dollar	5,477	4,487
Canadian dollar	228,542	175,809	Norwegian krone	13,582	12,211
Danish krone	20,698	19,847	Pound sterling	138,559	115,724
Deutsche mark	282,486	280,421	Spanish peseta	8,333	7,15
Finnish markka	15,856	14,110	Swedish krona	22,339	18,882
French franc	72,733	61,725	Swiss franc	55,082	56,289
Italian lira	61,957	54,219	United States dollar	712,320	604,217
			Totals	\$4,476,365	\$3,912,513

Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursement of the loan. These amounts represent adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

⁶Represents cancellations, translation adjustments and undisbursed amounts which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1988

Expressed in Thousands of United States Dollars (Note B)

	Amounts Committed During 1988	Cumulative Amounts Committed		Amounts Not Yet Available for Loan Com- mitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
		At Exchange Rates Per Resolutions	At 31 Dec. 1988 Exchange Rates				
CONTRIBUTED RESOURCES							
Australia	\$ 343,739	\$ 700,950	\$ 657,484	\$ 198,536	\$ 458,948	\$ 458,948	\$ —
Austria	40,328	85,894	110,083	23,293	86,790	86,790	—
Belgium	—	89,598	97,753	21,003	76,750	76,750	—
Canada	—	857,980	891,004	199,189	691,815	691,815	—
Denmark	—	89,599	96,509	22,840	73,669	73,669	—
Finland	—	72,244	81,082	20,561	60,521	60,376	145
France	—	482,665	492,882	130,898	361,984	361,984	—
Germany, Federal Republic of	—	689,091	876,415	159,947	716,468	650,351	66,117
Hong Kong	—	1,980	1,980	566	1,414	1,230	184
Indonesia	—	4,960	4,960	1,132	3,828	3,201	627
Italy	191,031	419,850	395,996	110,335	285,661	285,661	—
Japan	—	3,891,866	6,991,812	1,115,529	5,876,283	5,876,283	—
Korea, Republic of	—	8,400	8,400	2,830	5,570	5,570	—
Netherlands	117,700	245,869	311,259	67,981	243,278	221,183	22,095
New Zealand	—	36,961	30,130	9,756	20,374	17,204	3,170
Norway	30,718	77,618	73,417	17,742	55,675	55,675	—
Spain	—	29,203	38,211	—	38,211	38,211	—
Sweden	—	129,054	126,270	33,735	92,535	92,535	—
Switzerland	—	126,362	169,228	32,988	136,240	125,517	10,723
Taipei, China	—	2,000	2,000	—	2,000	2,000	—
United Kingdom	—	463,764	471,800	97,386	374,414	374,414	—
United States	572,594	1,867,594	1,867,594	476,782	1,390,812	1,390,812	—
Totals	1,296,110	10,373,502	13,796,269	2,743,029	11,053,240	10,950,179 ¹	103,061
SET-ASIDE RESOURCES (Note E)	—	—	64,068	—	64,068	64,068	—
OTHER RESOURCES	—	—	5,080	—	5,080	5,080	—
TOTALS	\$1,296,110	\$10,373,502	\$13,865,417	\$2,743,029	\$11,122,388	\$11,019,327	\$103,061

See notes to financial statements (ADF-6).

¹ Excludes \$281,936 equivalent representing advance payments from donor countries not available for loan commitments as of 31 December 1988.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1988 and 31 December 1987

CONTINUED

NOTE A - GENERAL

The Asian Development Fund (the Fund) was established on 28 June 1974 to carry out more effectively the special operations of the Bank by providing resources on concessional terms.

The resources of the Fund have been subsequently augmented by four replenishments, the most recent of which was in May 1987 in a total amount equivalent to US\$3,600,000,000 to cover the operational requirements for the four years ending 31 December 1990. Approximately 2% of this amount (an aggregate amount equivalent to \$72,000,000) is to be allocated to the Technical Assistance Special Fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currencies and Reporting Currency

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

Translation of Currencies

Assets, liabilities and contributions committed are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. 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 contributions are offset by increases or decreases in the contribution accounts. Translation adjustments relating to set-aside resources (see Note E) are recorded as receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in revenue.

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Loans

Loans of the Fund are extended to eligible developing member countries, bear only a service charge and require repayment over periods ranging from 35 to 40 years. The Fund requires Borrowers to absorb exchange risks attributable to fluctuations in the value of the currencies disbursed. The Fund has not suffered any loan losses to date and follows a policy of not taking part in debt rescheduling agreements.

Contributions

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

Statement of Cash Flows

Effective 1 January 1988, the Fund adopted a new form to report the cash flows of the Fund in accordance with revised accounting standards. The statement of changes in financial position for 1987, which was prepared in accordance with previous requirements, has been restated.

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

As of 31 December 1988, the market value of investments was \$607,629,000 (\$676,833,000 - 1987), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$481,900,000 (\$540,142,000 - 1987). During the year ended 31 December 1988, sales of investments

ASIAN DEVELOPMENT BANK – ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1988 and 31 December 1987

resulted in a net loss of \$308,000 (net gain of \$121,000 — 1987). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter, including realized gains and losses, was 7.86% (7.67% — 1987).

NOTE D – ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge amounting to \$45,729,000 (\$45,597,000—1987). The charge represents an apportionment of all administrative expenses of the Bank (other than those appertaining directly to ordinary operations and special operations) based on the number of loans and equity investments approved for the year.

NOTE E – SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1 (i) of the Articles of Agreement Establishing the Bank, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2 (a) and of the convertible currency portion paid by members pursuant to Article 6,

paragraph 2 (b) as of 28 April 1973, to be used as a part of the Special Funds of the Bank. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

The capital stock of the Bank is defined in Article 4, paragraph 1 "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1988, the value of the SDR in terms of the current United States dollar was \$1.34570 (\$1.41866 — 1987). On this basis, Set-Aside Resources amounted to \$64,068,000 (\$67,542,000 — 1987). If the capital stock of the Bank as of 31 December 1988 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

Deloitte Haskins + Sells

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New York 10036

INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank — Technical Assistance Special Fund (TASF):

TASF-1 Balance Sheet, 31 December 1988 and
31 December 1987

TASF-2 Statement of Operations and Unexpended Balances
for the Years Ended 31 December 1988
and 31 December 1987

TASF-3 Statement of Cash Flows for the Years Ended
31 December 1988 and 31 December 1987

TASF-4 Statement of Contributed Resources, 31 December 1988

TASF-5 Summary Statement of Services to Member Countries
for the Year Ended 31 December 1988

TASF-6 Notes to Financial Statements, 31 December 1988 and
31 December 1987

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank — Technical Assistance Special Fund at 31 December 1988 and 31 December 1987 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte Haskins + Sells
28 February 1989

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

BALANCE SHEET

31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note A)

	<u>1988</u>	<u>1987</u>
ASSETS		
DUE FROM BANKS	\$ 912	\$ 2,946
INVESTMENTS (Note B)		
Government and government guaranteed obligations	4,529	1,540
Time deposits and other obligations of banks	17,236	21,343
ACCRUED REVENUE	204	134
RECEIVABLE FROM CONTRIBUTORS (TASF-4)	19,873	30,627
ACCOUNTS RECEIVABLE FROM ASIAN DEVELOPMENT FUND AND OTHERS	40,395	25,352
TOTALS	\$83,149	\$81,942
LIABILITIES AND UNEXPENDED BALANCES		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES AND OTHER LIABILITIES	\$11,996	\$19,704
UNEXPENDED BALANCES (TASF-2) (Note C)	71,153	62,238
TOTALS	\$83,149	\$81,942

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK— TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF OPERATIONS AND UNEXPENDED BALANCES****For the Years Ended 31 December 1988 and 31 December 1987**

Expressed in Thousands of United States Dollars (Note A)

	1988	1987
CONTRIBUTIONS COMMITTED (TASF-4)	\$26,495	\$68,029
REVENUE		
From investments (Note B)	\$ 1,449	\$ 1,032
From other sources — net (Note D)	<u>905</u>	<u>2,354</u>
Totals	<u>28,849</u>	<u>69,707</u>
EXPENSES		
Services to member countries (TASF-5) (Note D)	16,342	15,354
Administrative expenses	<u>19</u>	<u>16,361</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	12,488	54,344
EXCHANGE GAIN (LOSS) — net (Note A)	<u>(3,573)</u>	<u>2,253</u>
INCREASE IN UNEXPENDED BALANCES	8,915	56,597
UNEXPENDED BALANCES AT BEGINNING OF THE YEAR	62,238	5,641
UNEXPENDED BALANCES AT END OF THE YEAR	\$71,153	\$62,238

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK – TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1988 and 31 December 1987

Expressed in Thousands of United States Dollars (Note A)

	<u>1988</u>	<u>1987</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 22,696	\$ 13,596
Interest on investments received	1,079	987
Services to member countries paid	(17,138)	(12,934)
Administrative expenses paid	(19)	(9)
Income received from other sources	<u>707</u>	<u>613</u>
 Net Cash Provided by Operating Activities	 <u>7,325</u>	 <u>2,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investment securities	22,123	—
Purchases of investment securities	(24,702)	(1,526)
Maturities of time deposits and other obligations of banks	120,215	65,587
Funds invested in time deposits and other obligations of banks	<u>(116,807)</u>	<u>(67,789)</u>
 Net Cash Provided by (Used for) Investing Activities	 <u>829</u>	 <u>(3,728)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from (paid to)		
Ordinary Capital Resources and others	<u>(9,675)</u>	<u>4,055</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(513)</u>	<u>(142)</u>
 Net Increase (Decrease) in Due from Banks	 <u>(2,034)</u>	 <u>2,438</u>
Due from Banks at Beginning of the Year	<u>2,946</u>	<u>508</u>
Due from Banks at End of the Year	<u>\$ 912</u>	<u>\$ 2,946</u>
 RECONCILIATION OF INCREASE IN UNEXPENDED BALANCES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in unexpended balances	\$ 8,915	\$ 56,597
Adjustments to reconcile increase in unexpended balances to net cash provided by operating activities:		
Contributions committed	(3,799)	(54,433)
Accrued revenue	(70)	(40)
Accrued expenses	2,759	2,673
Amortization	(300)	(5)
Advances for services to member countries	(3,555)	(253)
Translation adjustments	<u>3,375</u>	<u>(2,286)</u>
 Net cash provided by operating activities	 <u>\$ 7,325</u>	 <u>\$ 2,253</u>

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND**STATEMENT OF CONTRIBUTED RESOURCES****31 December 1988**

Expressed in Thousands of United States Dollars (Note A)

Contributors	Contributions Committed During 1988	Cumulative Contributions Committed	Cumulative Amounts Received	Amounts Receivable
Direct Voluntary Contributions				
Australia	\$ —	\$ 2,484	\$ 2,484	\$ —
Austria	—	150	150	—
Bangladesh	—	47	47	—
Belgium	—	1,325	1,325	—
Canada	—	3,346	3,346	—
Denmark	—	1,963	1,963	—
Finland	—	237	237	—
France	—	1,695	1,695	—
Germany, Federal Republic of	—	3,315	3,315	—
Hong Kong	—	100	100	—
India	—	1,824	1,824	—
Indonesia	—	250	250	—
Italy	—	774	774	—
Japan	—	47,729	47,729	—
Korea, Republic of	—	1,750	1,750	—
Malaysia	—	909	909	—
Netherlands	—	1,347	1,182	165
New Zealand	—	1,096	1,096	—
Norway	—	3,300	3,300	—
Pakistan	58	683	683	—
Singapore	—	100	100	—
Spain	—	190	190	—
Sri Lanka	—	6	6	—
Sweden	—	861	861	—
Switzerland	—	1,035	1,035	—
Taipei, China	—	200	200	—
United Kingdom	—	5,617	5,617	—
United States	—	1,500	1,500	—
Totals	58	83,833	83,668	165
Transfer to the Asian Development Fund	—	(400)	(400)	—
First Regularized TASF Replenishment (Note C)	26,437	91,050	71,342	19,708
TOTALS	\$26,495	\$174,483	\$154,610	\$19,873

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 1988

Expressed in Thousands of United States Dollars (Note A)

Recipients	Project Preparation	Project Implementation/ Advisory	Totals
Bangladesh	\$ 287	\$ (77)	\$ 210
Bhutan	112	582	694
Burma	(1)	9	8
Cook Islands	54	206	260
China, People's Republic of	355	286	641
Fiji	(11)	—	(11)
India	78	141	219
Indonesia	432	294	726
Kiribati	40	70	110
Korea, Republic of	—	282	282
Lao PDR	244	75	319
Malaysia	(12)	(17)	(29)
Maldives	104	(9)	95
Nepal	396	877	1,273
Pakistan	807	1,149	1,956
Papua New Guinea	334	(8)	326
Philippines	(14)	322	308
Solomon Islands	564	264	828
Sri Lanka	195	859	1,054
Thailand	—	123	123
Tonga	—	3	3
Vanuatu	54	203	257
Western Samoa	(4)	61	57
Totals	\$4,014	\$5,695	9,709
Regional Activities			6,633
TOTAL			\$16,342

See notes to financial statements (TASF-6).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1988 and 31 December 1987

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currency and Reporting Currency

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

Translation of Currencies

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

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Contributions

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

Statement of Cash Flows

Effective 1 January 1988, the TASF adopted a new form to report the cash flows of the TASF in accordance with revised accounting standards. The statement of changes in financial position for 1987,

which was prepared in accordance with previous requirements, has been restated.

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 B - INVESTMENTS

As of 31 December 1988, the market value of investments was \$21,750,000 (\$22,884,000 — 1987), including investments not traded in the market (time deposits, etc.) which were valued at their cost or amortized cost of \$17,094,000 (\$21,343,000 — 1987). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each quarter was 7.15% (6.29% — 1987).

NOTE C - FUNDING

Since 1967, contributions have been made by 28 member countries. Contributions in earlier years were restricted in one form or another but there has been a trend in recent years towards contributions being made in a substantially or wholly unrestricted manner.

On 1 October 1986, the Board of Governors, in authorizing a \$3,600,000,000 replenishment of the Asian Development Fund, provided for an allocation to the TASF in an aggregate amount equivalent to \$72,000,000 (First Regularized TASF Replenishment) to be used during 1987-1990 for technical assistance to poorer developing members and for regional technical assistance. This replenishment became effective in May 1987.

NOTE D - SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for grant-financed technical assistance projects and programs totalled approximately \$40,089,000 as of 31 December 1988 (\$38,733,000 — 1987). Technical Assistance Special Fund resources are used for these commitments where available and any balance is financed from Ordinary Capital Resources income. When technical assistance provided as a grant leads to a Bank loan, the amount of the grant exceeding \$250,000 (\$150,000 — 1987) will be refinanced under the loan. Refinanced amounts of \$845,000 were charged to loans and credited to revenue from other sources of the TASF during the year ended 31 December 1988 (\$644,000 — 1987).

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INDEPENDENT AUDITORS' REPORT

Asian Development Bank:

We have audited the following financial statements of the Asian Development Bank — Japan Special Fund (JSF):

- JSF-1 Balance Sheet, 31 December 1988
- JSF-2 Statement of Operations and Unexpended Balance
for the Period 10 March 1988 (Date of
Establishment) to 31 December 1988
- JSF-3 Statement of Cash Flows for the Period
10 March 1988 (Date of Establishment)
to 31 December 1988
- JSF-4 Notes to Financial Statements, 31 December 1988

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank — Japan Special Fund at 31 December 1988 and the results of its operations and its cash flows for the period 10 March 1988 (date of establishment) to 31 December 1988 in conformity with generally accepted accounting principles.

Deloitte Haskins + Sells

28 February 1989

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

BALANCE SHEET**31 December 1988**

Expressed in Thousands of United States Dollars (Note B)

<u>ASSETS</u>	
DUE FROM BANKS	\$ 88
INVESTMENTS (Note C)	
Time deposits	36,063
ACCRUED REVENUE	93
OTHER ASSETS	422
TOTAL	\$36,666
<u>LIABILITIES AND UNEXPENDED BALANCE</u>	
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES AND OTHER LIABILITIES	\$ 1,282
UNEXPENDED BALANCE (JSF-2)	35,380
ACCUMULATED TRANSLATION ADJUSTMENTS	4
TOTAL	\$36,666

See notes to financial statements (JSF-4)

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND

STATEMENT OF OPERATIONS AND UNEXPENDED BALANCE

For the Period 10 March 1988 (Date of Establishment) to 31 December 1988

Expressed in Thousands of United States Dollars (Note B)

CONTRIBUTIONS COMMITTED		\$35,766
REVENUE		
From investments (Note C)		1,181
Total		36,947
EXPENSES		
Services to member countries (Note D)	\$ 520	
Administrative expenses	1,041	1,561
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES		35,386
EXCHANGE LOSS — net (Note B)		6
UNEXPENDED BALANCE AT END OF THE PERIOD		\$35,380

*See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND**STATEMENT OF CASH FLOWS****For the Period 10 March 1988 (Date of Establishment) to 31 December 1988**

Expressed in Thousands of United States Dollars (Note B)

CASH FLOWS FROM OPERATING ACTIVITIES

Contribution received	\$ 35,480
Interest on investments received	1,074
Services to member countries paid	(606)
Administrative expenses paid	(97)
 Net Cash Provided by Operating Activities	 <u>35,851</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Maturities of time deposits and other obligations of banks	263,046
Funds invested in time deposits and other obligations of banks	(298,781)
 Net Cash Used for Investing Activities	 <u>(35,735)</u>
 Effect of Exchange Rate Changes on Due from Banks	 <u>(28)</u>

Due from Banks at End of the Period

\$ 88**RECONCILIATION OF INCREASE IN UNEXPENDED BALANCE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Increase in unexpended balance	\$ 35,380
Adjustments to reconcile increase in unexpended balance to net cash provided by operating activities:	
Contribution committed	(286)
Accrued revenue	(106)
Advance	(418)
Amortization	(1)
Accrued expenses	1,282
 Net cash provided by operating activities	 <u>\$ 35,851</u>

See notes to financial statements (JSF-4).

ASIAN DEVELOPMENT BANK – JAPAN SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1988

NOTE A – GENERAL

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Bank entered into a financial arrangement whereby Japan agreed to make an initial contribution and the Bank became the administrator. Its purpose is to help developing member countries of the Bank restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to developing member countries of the Bank. The Bank may invest the proceeds of JSF pending disbursement and use the income from such investments to pay for direct and identifiable costs incurred in the administration of JSF.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Currency and Reporting Currency

The functional currency of JSF is the Japanese yen while the reporting currency is the United States dollar. The financial statements are expressed in thousands of current United States dollars.

Translation of Currencies

Assets, liabilities and unexpended balance are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. As to contributions committed, the used portions have been translated at the applicable exchange rates as of the respective dates of use whereas the unused portions are translated at the applicable exchange rates as of the end of a reporting period. 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.

Other translation adjustments are charged or credited to "ACCUMULATED TRANSLATION ADJUSTMENTS". Exchange gains or losses on currency transactions between the Japanese yen and other currencies are charged or credited to operations.

Investments

Investment securities are reported at cost or amortized cost. Gains and losses on sales of investments are measured by the difference between average cost or amortized cost and the net proceeds of sales.

Contributions

Contributions by Japan are included in the financial statements as amounts committed from the date indicated by Japan that funds are expected to be made available.

Statement of Cash Flows

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

NOTE C – INVESTMENTS

As of 31 December 1988, investments consisted of time deposits not traded in the market which were valued at their cost of \$36,063,000. The annualized rate of return on the average investments held during the period, based on the portfolio held at the beginning and end of the period, was 4.96%.

NOTE D – SERVICES TO MEMBER COUNTRIES

The JSF's outstanding commitments for projects and programs totalled approximately \$15,975,000 as of 31 December 1988.

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ECONOMIC DATA OF DMCs

TABLE 1
ESTIMATED RATE OF REAL GDP GROWTH, 1978-1988 AND
PER CAPITA GNP, 1987 OF SELECTED DMCs

Country	Rate of Real GDP Growth (%)				Per Capita GNP ^a in Current \$ 1987
	Annual Average (1978-1985)	1986	1987	1988 ^b	
	(1)	(2)	(3)	(4)	
NIEs					
Hong Kong	7.1	10.7	11.8	9.0	
Korea, Rep. of	7.5	11.9	13.8	7.4	8,260 ^c
Singapore	6.7	11.7	11.1	11.0	2,690
Taipei, China	7.4	1.8	8.8	11.0	7,940
					5,080
SOUTHEAST ASIA					
Indonesia	5.2	3.2	5.3	7.0	
Malaysia	5.9	4.0	3.6	4.1	450
Philippines	6.2	1.2	5.2	7.8	1,800
Thailand	1.8	1.5	4.7	6.6	590
					840
SOUTH ASIA					
Bangladesh ^d	4.8	4.9	4.4	7.9	
Burma ^e	3.9	4.7	4.0	2.6	160
India ^e	5.6	1.0	2.2	2.3	200 ^f
Nepal ^d	4.5	4.6	4.4	9.0	300
Pakistan ^d	3.7	3.9	2.4	7.1	160
Sri Lanka	6.8	7.8	5.4	5.3	350
					400
CHINA, PEOPLE'S REP. OF	5.6	4.2	1.6	3.0	
	9.4	8.0	10.5	11.2	300
SOUTH PACIFIC					
Fiji	2.1	5.7	1.2	3.4	
Papua New Guinea	2.1	8.8	7.8	2.0	1,510
Solomon Islands	2.0	5.0	4.8	4.1	730
Western Samoa	5.3	2.2	5.1	2.0	420
	0.1	0.5	1.4	-1.9	680 ^f
Average (All DMCs) ^g	6.6	6.9	8.0	8.8	
Average (Without China, People's Rep. of)	5.7	6.6	7.2	8.1	

a World Bank Atlas Methodology; 1984-1986 base period, except for Taipei, China; values rounded to the nearest ten.

b Preliminary estimates.

c Refers to per capita GDP.

d Refers to fiscal year ending 30 June for Bangladesh and Pakistan; fiscal year ending 15 July for Nepal.

e Refers to fiscal year beginning 1 April for Burma and India.

f Refers to GNP per capita for 1986 using World Bank Atlas Methodology; 1984-1986 base period; value rounded to the nearest ten.

g Weights are proportional to GDP in US dollars in 1987.

Sources: Country sources for columns (1), (2), (3) and (4).

World Bank, 10 October 1987 and 27 September 1988 for column (5), except for Taipei, China which was taken from country source.

TABLE 2
RICE (PADDY) PRODUCTION OF SELECTED DMCs, 1985-1988^a
(Million metric tons)

Country	1985	1986	1987	1988 ^b	Annual Growth Rate (%)		
					1986	1987	1988 ^b
NIEs	10.516	10.438	9.999	10.165	-0.7	-4.2	1.7
Korea, Rep. of	7.855	7.872	7.596	7.800	0.2	-3.5	2.7
Taipei, China	2.661	2.566	2.403	2.365	-3.6	-6.4	-1.6
SOUTHEAST ASIA	70.056	69.388	68.796	72.809	-1.0	-0.9	5.8
Indonesia	39.033	39.388	40.372	41.400	0.9	2.5	2.5
Malaysia	1.953	1.885	1.842	1.875	-3.5	-2.3	1.8
Philippines	8.806	9.247	8.540	9.040	5.0	-7.6	5.9
Thailand	20.264	18.868	18.042	20.494	-6.9	-4.4	13.6
SOUTH ASIA	143.271	137.346	129.136	141.054	-4.1	-6.0	9.2
Afghanistan, Rep. of	0.480	0.480	0.482	0.490	—	0.4	1.7
Bangladesh	22.562	23.109	23.110	21.900	2.4	0.0	-5.2
Bhutan	0.068	0.073	0.084	0.087	7.4	15.1	3.6
Burma	14.317	14.126	13.722	14.100	-1.3	-2.9	2.8
India	96.001	89.368	81.860	94.500	-6.9	-8.4	15.4
Nepal	2.804	2.372	2.982	2.430	-15.4	25.7	-18.5
Pakistan	4.378	5.230	4.768	5.150	19.5	-8.8	8.0
Sri Lanka	2.661	2.588	2.128	2.397	-2.7	-17.8	12.6
CHINA, PEOPLE'S REP. OF	168.569	172.224	174.420	171.000	2.2	1.3	-2.0
SOUTH PACIFIC	0.035	0.028	0.026	0.027	-20.0	-7.1	3.8
Fiji	0.028	0.025	0.023	0.024	-10.7	-8.0	4.3
Papua New Guinea	0.001	0.001	0.001	0.001	—	—	—
Solomon Islands	0.006	0.002	0.002	0.002	-66.7	—	—
TOTAL	392.447	389.424	382.377	395.055	-0.8	-1.8	3.3

— magnitude zero.

0.0 magnitude less than half of the unit employed.

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

b Preliminary estimates.

Sources: FAO, *Basic Data Unit*, 19 January 1989.

FAO, *Food Outlook*, November 1988.

TABLE 3
WHEAT AND COARSE GRAIN PRODUCTION OF SELECTED DMCs, 1985-1988^a
(Million metric tons)

Country	1985	1986	1987	1988 ^b	Annual Growth Rate (%)		
					1986	1987	1988 ^b
WHEAT	146.497	155.621	150.172	150.127	6.2	-3.5	0.0
NIEs	0.013	0.009	0.008	0.007	-30.8	-11.1	-12.5
Korea, Rep. of	0.011	0.005	0.004	0.003	-54.5	-20.0	-25.0
Taipei, China	0.002	0.004	0.004	0.004	100.0	—	—
SOUTH ASIA	60.679	65.572	62.394	62.620	8.1	4.8	0.4
Afghanistan, Rep. of	2.750	2.750	2.800	2.900	—	1.8	3.6
Bangladesh	1.403	1.043	1.091	1.200	-25.7	4.6	10.0
Bhutan	0.014	0.016	0.018	0.020	14.3	12.5	11.1
Burma	0.206	0.190	0.192	0.210	-7.8	1.1	9.4
India	44.069	47.052	45.576	44.600	6.8	-3.1	-2.1
Nepal	0.534	0.598	0.701	0.744	12.0	17.2	6.1
Pakistan	11.703	13.923	12.016	12.946	19.0	-13.7	12.7
CHINA, PEOPLE'S REP. OF	85.805	90.040	87.770	87.500	4.9	-2.5	-0.3
COARSE GRAINS ^c	126.794	133.128	139.806	142.101	5.0	5.0	1.6
NIEs	0.946	0.858	0.944	1.020	-9.3	10.0	8.1
Korea, Rep. of	0.720	0.586	0.646	0.700	-18.6	10.2	8.4
Taipei, China	0.226	0.272	0.298	0.320	20.4	9.6	7.4
SOUTHEAST ASIA	13.570	14.572	12.497	16.131	7.4	-14.2	29.1
Indonesia	4.334	5.924	5.200	6.200	36.7	-12.2	19.2
Malaysia	0.024	0.026	0.030	0.031	8.3	15.4	3.3
Philippines	3.863	4.091	4.276	4.400	5.9	4.5	2.9
Thailand	5.349	4.531	2.991	5.500	15.3	-34.0	83.9
SOUTH ASIA	29.803	30.670	29.363	32.870	2.9	-4.3	11.9
Afghanistan, Rep. of	0.810	0.810	0.815	0.839	—	0.6	2.9
Bangladesh	0.001	0.001	0.001	0.001	—	—	—
Burma	0.543	0.545	0.578	0.600	0.4	6.1	3.8
India	25.796	26.572	25.400	28.800	3.0	4.4	13.4
Nepal	1.035	1.029	0.969	0.930	-0.6	-5.8	-4.0
Pakistan	1.618	1.713	1.600	1.700	5.9	-6.6	6.2
CHINA, PEOPLE'S REP. OF	82.475	87.028	97.002	92.080	5.5	11.5	-5.1
TOTAL GRAIN (DMCs)^d	665.738	678.173	672.355	687.283	1.9	-0.9	2.2

— magnitude zero.

0.0 magnitude less than half of the unit employed.

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

b Preliminary estimates.

c Total cereals minus rice and wheat.

d Includes paddy, wheat and coarse grain production of selected DMCs.

Sources: FAO, Basic Data Unit, 19 January 1989.

FAO, Food Outlook, November 1988.

FAO, Production Yearbook 1987.

TABLE 4
OIL PRODUCTION AND IMPORTS OF SELECTED DMCs, 1986-1988

Country	Crude Petroleum Production ('000 mt)				Petroleum & Petroleum Products Imports (\$ million)			
	1986	1987	% Increase 1988 ^a	1988/1987	1986	1987	% Increase 1988 ^a	1988/1987
NIEs	90	127	140	10.2	12,241	14,437	13,864	-4.0
Hong Kong	—	—	—	—	859	926	897	-3.1
Korea, Rep. of	—	—	—	—	3,841	4,569	3,800	-16.8
Singapore	—	—	—	—	5,045	5,943	6,168	3.8
Taipei, China	90	127	140	10.2	2,496	2,999	2,999	—
SOUTHEAST ASIA	94,542	90,072	90,822	0.8	3,909	4,991	4,500	-9.8
Indonesia	69,199	65,356	66,006	1.0	964	1,079	970	-10.1
Malaysia	23,911	23,604	23,560	-0.2	925	945	823	+12.9
Philippines	429	278	297	6.8	795	1,257	1,126	-10.4
Thailand	1,003	834	959	15.0	1,225	1,710	1,581	-7.5
SOUTH ASIA	34,241	33,055	35,205	6.5	3,425	4,486	4,405	-1.8
Bangladesh	—	—	—	—	212	242	200	-17.4
Burma	1,129	866	1,400	61.7	—	—	—	—
India	31,157	30,142	31,580	4.8	1,893	3,078	2,935	-4.6
Nepal	—	—	—	—	50	48	50	4.2
Pakistan	1,955	2,047	2,225	8.7	1,043	812	982	20.9
Sri Lanka	—	—	—	—	227	306	238	-22.2
CHINA, PEOPLE'S REP. OF	130,680	140,450	137,000	-2.5	—	—	—	—
SOUTH PACIFIC	—	—	—	—	189	260	249	-4.2
Fiji	—	—	—	—	70	80	70	-12.5
Papua New Guinea	—	—	—	—	93	150	150	—
Solomon Islands	—	—	—	—	12	13	12	-7.7
Tonga	—	—	—	—	5	5	5	—
Vanuatu	—	—	—	—	5	8	7	12.5
Western Samoa	—	—	—	—	4	4	5	25.0
TOTAL (Reporting)	259,503	263,704	263,167	-0.2	19,764	24,174	23,018	-4.8

— data not available.
— magnitude zero.

^a Preliminary estimates.

Sources: Country sources.

TABLE 5
CHANGES IN CONSUMER PRICES OF SELECTED DMCs, 1986-1988^a
(Per cent)

Country	1986	1987	1988 ^b
NIEs	1.8	2.5	4.7
Hong Kong	2.8	5.5	7.5
Korea, Rep. of	2.7	3.3	6.9
Singapore	-1.4	0.5	1.5
Taipei, China ^c	0.7	0.5	1.3
SOUTHEAST ASIA	3.6	5.5	6.0
Indonesia	5.5	9.0	7.4
Malaysia	0.7	1.1	2.7
Philippines	5.3	6.7	9.4
Thailand	1.7	2.6	3.7
SOUTH ASIA	8.4	8.8	9.4
Bangladesh	11.0	9.5	12.0
Burma	9.2	23.6	14.0 ^d
India ^c	8.7	8.8	9.1
Nepal	19.0	10.8	10.9
Pakistan ^c	3.5	4.7	7.8
Sri Lanka	8.0	7.7	13.7
CHINA, PEOPLE'S REP. OF ^c	7.0	8.8	19.0
SOUTH PACIFIC	5.6	4.1	8.9
Cook Islands	10.0	10.8	9.0
Fiji ^c	1.8	5.7	10.5
Kiribati	6.5	6.5	6.0
Papua New Guinea	6.4	3.4	7.9
Solomon Islands	23.6	6.3	19.3
Tonga	21.7	4.7	10.0
Vanuatu	4.8	14.8	7.0
Western Samoa	5.8	4.5	8.5
Weighted Average^e	5.4	6.5	9.8

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

b Preliminary estimates.

c Data refer to average of all cities.

d Refers to QI-III.

e Weights are proportional to GDP in US dollars in 1987.

Sources: Country sources.

IMF, *International Financial Statistics*, February 1989.

IMF, *International Financial Statistics Yearbook* 1988.

TABLE 6
FOREIGN TRADE OF SELECTED DMCs, 1985-1988
 (\$ million)

Country	Exports (fob)				Imports (clf)				Balance of Trade			
	1985	1986	1987	1988 ^a	1985	1986	1987	1988 ^a	1985	1986	1987	1988 ^a
NIEs	113,996	132,500	177,987	223,728	107,219	116,624	156,930	209,238	6,777	15,876	21,057	14,490
Hong Kong	30,183	35,439	48,478	63,165	29,703	35,365	48,467	63,899	480	74	11	-734
Korea, Rep. of	30,283	34,715	47,281	60,696	31,136	31,584	41,020	51,811	-853	3,131	-6,261	8,885
Singapore	22,807	22,497	28,616	39,282	26,278	25,510	32,486	43,842	-3,471	-3,013	-3,870	-4,560
Taipei, China	30,723	39,849	53,612	60,585	20,102	24,165	34,957	49,686	10,621	15,684	18,655	10,899
SOUTHEAST ASIA	45,647	41,905	52,450	58,379	37,400	37,471	45,814	56,112	8,247	4,434	-6,636	2,267
Indonesia	18,587	14,396	17,206	16,639	10,262	11,938	12,710	13,431	8,325	2,458	4,496	3,208
Malaysia	15,311	13,838	17,915	19,213	12,259	10,816	12,674	15,037	3,052	3,022	5,241	4,176
Philippines	4,629	4,842	5,720	6,480	5,445	5,394	7,188	7,900	-816	-552	-1,468	-1,420
Thailand	7,120	8,829	11,609	16,047	9,434	9,323	13,242	19,744	-2,314	-494	-1,633	-3,697
SOUTH ASIA	14,799	15,445	18,227	21,500	27,511	26,039	28,237	29,770	-12,712	-10,594	-10,010	-8,270
Bangladesh	999	880	887	1,100	2,772	2,486	2,730	2,600	-1,773	-1,606	-1,843	-1,500
Burma	1330	299	219	200	283	304	269	360	47	-5	-50	-160
India	9,214	9,499	11,375	13,700	16,075	15,406	16,724	17,500	-6,861	-5,907	-5,349	-3,800
Maldives	23	25	31	40	48	63	74	90	-25	-38	-43	-50
Nepal	160	142	151	210	453	459	570	620	-293	-317	-419	-410
Pakistan	2,740	3,384	4,172	4,890	5,890	5,374	5,822	6,500	-3,150	-1,990	-1,650	-1,610
Sri Lanka	1,333	1,216	1,392	1,360	1,990	1,947	2,048	2,100	-657	-731	-666	-740
CHINA, PEOPLE'S REP. OF	27,545	31,343	39,540	47,489	42,834	43,397	43,392	55,219	-15,289	-12,054	-3,852	-7,730
SOUTH PACIFIC	1,290	1,415	1,698	1,610	1,577	1,815	2,073	1,990	-287	-400	-375	-380
Cook Islands	3	3	4	4	25	26	20	20	-22	-23	-16	-16
Fiji	235	276	334	250	441	439	466	400	-206	-163	-132	-150
Kiribati	4	2	2	2	15	14	18	17	-11	-12	-16	-15
Papua New Guinea	926	1,034	1,258	1,250	875	1,132	1,313	1,300	51	98	-55	-50
Solomon Islands	70	66	64	65	69	60	75	70	1	6	-11	-5
Tonga	5	6	6	6	41	40	48	50	-36	-34	-42	-44
Vanuatu	31	17	18	20	60	56	68	65	-29	-39	-50	-45
Western Samoa	16	11	12	13	51	48	65	68	-35	-37	-53	-55
TOTAL	203,277	222,608	289,902	352,706	216,541	225,346	276,446	352,329	-13,264	-2,738	13,456	377

^a Preliminary estimates.

Sources: Country sources.

IMF, International Financial Statistics, February 1989.

IMF, International Financial Statistics Yearbook 1988.

TABLE 7
INTERNATIONAL RESERVES AND RATIO OF RESERVES
TO IMPORTS OF SELECTED DMCs, 1985-1988

Country	International Reserves ^a (\$ million)				Ratio to Imports ^b (months)			
	1985	1986	1987	1988 ^c	1985	1986	1987	1988 ^c
NIEs	39,266.3	62,600.1	95,590.3	102,683.4	6.1	9.2	10.6	8.5
Korea, Rep. of	2,900.7	3,351.1	3,615.3	12,378.2	1.1	1.3	1.1	2.9
Singapore	12,846.6	12,939.0	15,227.0	16,279.2	5.9	6.1	5.6	4.5
Taipei, China	23,519.0	46,310.0	76,748.0	74,026.0	14.0	23.0	26.3	17.9
SOUTHEAST ASIA	15,001.0	17,841.0	21,688.0	22,134.0	4.8	5.7	5.7	4.7
Indonesia	5,880.0	5,411.0	6,911.0	6,254.0	6.9	5.4	6.5	5.6
Malaysia	5,002.0	6,127.0	7,552.0	6,657.0	4.9	6.8	7.2	5.3
Philippines	1,116.0	2,527.0	2,014.0	2,111.0	2.5	5.6	3.4	3.2
Thailand	3,003.0	3,776.0	5,211.0	7,112.0	3.8	4.9	4.7	4.3
SOUTH ASIA	8,951.4	8,893.9	9,411.2	7,050.5	3.9	4.1	4.0	2.9
Bangladesh	349.4	425.9	865.9	1,046.1 ^d	1.5	2.1	3.8	4.8
Burma	43.6	43.9	39.7	85.1	1.8	1.7	1.8	2.8
India	6,623.0	6,605.0	6,667.0	5,071.0	4.9	5.1	4.8	3.5
Nepal	62.4	93.1	184.6	220.3 ^d	1.7	2.4	3.9	4.3
Pakistan	1,412.0	1,363.0	1,365.0	395.0 ^d	2.9	3.0	2.8	0.7
Sri Lanka	461.0	363.0	289.0	233.0	2.8	2.2	1.7	1.3
CHINA, PEOPLE'S REP. OF	13,214.0	11,994.0	16,934.0	20,127.0	3.7	3.3	4.7	4.4
SOUTH PACIFIC	745.4	768.5	770.9	827.8	6.0	5.3	4.7	5.2
Fiji	131.3	171.5	132.6	233.3 ^d	3.6	4.7	3.4	7.0
Kiribati ^e	93.7	90.0	90.0	90.0	75.0	77.1	60.0	63.5
Papua New Guinea	453.5	436.5	447.9	393.5 ^d	6.2	4.6	4.1	3.6
Solomon Islands ^d	35.6	29.6	36.8	39.6	6.2	5.9	5.9	6.8
Tonga ^e	17.3	17.1	26.4	25.0	5.1	5.1	6.6	6.0
Western Samoa ^d	14.0	23.8	37.2	46.4	3.3	5.9	6.9	8.2
TOTAL	77,178.1	102,097.5	144,394.4	152,822.7	5.0	6.5	7.6	6.4

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

^b Imports, cif from trade statistics were used for computing the ratio.

^c India is as of June; Singapore is as of October; Indonesia, Malaysia, Burma and People's Rep. of China are as of November.

^d Refers to total reserves minus gold.

^e Foreign exchange holdings only.

Sources: IMF, *International Financial Statistics*, February 1989.

Country sources for Kiribati, Taipei, China and Tonga.

TABLE 8
DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCE GAP
AS PERCENTAGE OF GDP OF SELECTED DMCs, 1985-1987
 (Per cent)

Country	Gross Domestic Savings as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
NIEs									
Hong Kong	27.3	28.6	32.5	21.7	24.0	26.7	-5.6	-4.6	-5.8
Korea, Rep. of	31.1	33.6	36.5	30.0	28.8	29.1	-1.1	-4.8	-7.4
Singapore	40.8	38.9	39.8	42.5	38.2	39.1	1.7	-0.7	-0.7
Taipei, China	31.9	36.5	37.9	17.6	16.0	19.7	-14.3	-20.5	-18.2
SOUTHEAST ASIA									
Indonesia	28.5	24.9	29.1	26.5	24.6	26.3	-2.0	-0.3	-2.8
Malaysia	32.7	31.5	37.7	27.6	25.3	24.0	-5.1	-6.2	-13.7
Philippines	16.2	17.4	18.6	18.9	13.1	14.6	-2.3	-4.3	-4.0
Thailand	20.1	20.2	22.9	24.0	22.0	25.8	3.9	1.8	2.9
SOUTH ASIA									
Bangladesh (FY)	3.1	3.1	3.2	11.0	11.0	11.0	7.9	7.9	7.8
Burma (FY)	10.9	9.7	10.6	15.5	12.7	14.5	4.6	3.0	3.9
India (FY)	22.0	21.6	20.4	26.0	24.5	22.5	4.0	2.9	2.1
Nepal (FY)	11.5	11.4	11.1	20.5	21.0	21.0	9.0	9.6	9.9
Pakistan (FY)	4.9	9.1	9.8	16.7	16.4	17.0	11.8	7.3	7.2
Sri Lanka	11.2	12.5	15.2	23.9	23.1	23.2	12.7	10.6	8.0
CHINA, PEOPLE'S REP. OF	34.6	33.4	36.7	38.6	38.9	38.6	4.1	5.5	1.9
SOUTH PACIFIC									
Papua New Guinea	7.7	19.5	13.4	22.0	21.9	18.5	14.3	2.4	5.1

Sources: Country sources.

TABLE 9
TOTAL NET FLOWS OF RESOURCES^a TO DMCs, 1985-1987
 (\$ million)

Country	Concessional Flows (ODA)			Non-Concessional Flows ^b			Total Flows		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
NIEs	26.1	20.5	53.3	-425.5	-1,617.1	1,364.6	-399.4	-1,596.6	1,417.9
Hong Kong	20.5	18.5	19.4	-1,226.9	-1,414.3	3,608.6	-1,206.4	-1,395.8	3,628.0
Korea, Rep. of	-8.6	-17.3	10.5	1,600.9	402.3	-2,534.0	1,592.3	385.0	-2,523.5
Singapore	23.9	29.4	23.3	-291.2	-138.8	703.5	-267.3	-109.4	726.8
Taipei, China	-9.7	-10.1	0.1	-508.3	-466.3	-413.5	-518.0	-476.4	-413.4
SOUTHEAST ASIA	1,799.5	2,354.7	2,889.7	1,742.2	887.8	2,071.1	3,541.7	3,242.5	4,960.8
Indonesia	603.2	710.9	1,245.2	1,212.7	882.2	1,877.6	1,815.9	1,593.1	3,122.8
Malaysia	229.2	192.0	363.3	3.2	-208.2	-134.6	232.4	-16.2	228.7
Philippines	486.2	955.8	774.8	128.2	135.6	-89.7	614.4	1,091.4	685.1
Thailand	480.9	496.0	506.4	398.1	78.2	417.8	879.0	574.2	924.2
SOUTH ASIA	4,672.0	5,895.1	5,721.8	1,062.9	1,635.0	1,632.8	5,734.9	7,530.1	7,354.6
Afghanistan	16.8	2.3	45.2	-22.7	0.2	0.6	-5.9	2.5	45.8
Bangladesh	1,151.7	1,455.7	1,637.4	-31.6	-27.7	-4.5	1,120.1	1,428.0	1,632.9
Bhutan	24.1	40.0	42.0	—	0.1	—	24.1	40.1	42.0
Burma	355.7	415.7	364.6	34.9	-43.2	-13.9	320.8	372.5	350.7
India	1,592.1	2,123.6	1,852.2	914.7	1,697.8	1,529.3	2,506.8	3,821.4	3,381.5
Maldives	9.2	16.3	19.1	0.6	-0.1	5.0	9.8	16.2	24.1
Nepal	236.3	300.9	344.6	10.0	29.9	25.6	246.3	330.8	370.2
Pakistan	801.5	970.3	914.9	127.4	34.5	77.7	928.9	1,004.8	992.6
Sri Lanka	484.6	570.3	501.8	99.4	56.5	13.0	584.0	513.8	514.8
CHINA, PEOPLE'S REP. OF	940.0	1,133.9	1,448.8	1,357.2	2,344.9	2,902.0	2,297.2	3,478.8	4,350.8
INDOCHINA	163.9	207.9	189.4	6.4	23.2	-26.6	170.3	184.7	162.8
Cambodia	12.9	13.2	14.3	—	0.3	—	12.9	13.5	14.3
Lao PDR	37.0	48.2	58.9	27.1	0.2	0.1	64.1	48.4	59.0
Viet Nam, Soc. Rep. of	114.0	146.5	116.2	20.7	-23.7	-26.7	93.3	122.8	89.5
SOUTH PACIFIC	388.1	438.6	552.7	83.3	-109.3	-19.2	471.4	329.3	533.5
Cook Islands	9.7	26.4	11.0	0.9	0.9	—	10.6	27.3	11.0
Fiji	31.9	42.5	35.7	-9.4	4.2	-14.1	22.5	46.7	21.6
Kiribati	12.0	13.4	18.4	—	0.4	-0.1	12.0	13.8	18.3
Papua New Guinea	258.9	263.4	322.4	72.9	-61.4	-17.4	331.8	202.0	305.0
Solomon Islands	20.8	30.1	57.0	1.2	-0.2	13.3	22.0	29.9	70.3
Tonga	13.6	15.1	21.4	—	—	15.3	13.6	15.1	36.7
Vanuatu	21.8	24.4	51.0	16.7	-52.8	-15.8	38.5	-28.4	35.2
Western Samoa	19.4	23.3	35.8	1.0	-0.4	-0.4	20.4	22.9	35.4
TOTAL	7,989.6	10,050.7	10,855.7	3,826.5	3,118.1	7,924.7	11,816.1	13,168.8	18,780.4

— magnitude zero.

a Net flows imply total flows minus repayments of principal.

b Including bilateral and multilateral non-concessional flows and private flows.

Source: OECD, *Geographical Distribution of Financial Flows to Developing Countries*, January 1989.

TABLE 10
EXTERNAL PUBLIC DEBT^a AND DEBT-SERVICE RATIO
OF SELECTED DMCs, 1985-1987
 (\$ million)

Country	Debt Outstanding ^b			Service Payments			Debt-Service Ratio ^c (%)		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
NIEs	35,173.0	35,032.2	28,973.8	7,263.8	9,697.0	14,757.2	5.4	6.1	9.6
Hong Kong	306.0	303.6	...	71.4	81.8	...	0.2	0.2	...
Korea, Rep. of	28,304.0	29,354.5	24,541.2	5,052.1	7,074.6	12,298.4	15.3	16.9	21.9
Singapore	1,798.5	2,137.9	2,543.0	723.3	426.7	502.7	2.4	1.4	1.4
Taipei, China	4,764.5	3,236.2	1,889.6	1,417.0	2,113.9	1,956.1	4.0	4.6	3.2
SOUTHEAST ASIA	65,556.7	81,979.9	96,692.4	11,087.1	10,495.9	12,497.0	19.8	19.8	19.6
Indonesia	26,862.6	32,850.9	41,284.2	3,990.8	4,378.4	5,434.4	19.8	27.3	27.9
Malaysia	15,189.6	17,107.8	19,064.7	4,367.5	2,191.5	2,973.7	24.6	13.4	14.3
Philippines	13,567.1	20,408.7	22,320.8	1,233.1	1,968.8	2,142.4	15.4	22.4	22.7
Thailand	9,937.4	11,612.5	14,022.7	1,495.7	1,957.2	1,946.5	14.6	16.2	13.6
SOUTH ASIA	50,938.1	59,191.3	68,654.8	3,536.1	4,458.3	5,354.1	17.4	20.1	20.8
Bangladesh	5,977.9	7,272.4	8,851.1	222.7	269.6	323.1	14.1	17.1	16.5
Burma	2,937.1	3,648.2	4,256.6	199.0	248.1	182.3	53.1	69.1	59.3
India	27,725.8	32,118.8	37,324.7	1,793.7	2,538.9	3,296.2	13.5	17.2	18.9
Maldives	50.6	58.7	61.8	7.7	12.5	6.4	8.5	14.4	16.3
Nepal	561.3	711.1	902.1	16.3	30.2	34.1	5.3	9.1	9.7
Pakistan	10,773.6	11,886.4	13,149.7	1,065.8	1,080.7	1,173.3	18.2	16.4	17.5
Sri Lanka	2,911.8	3,495.7	4,108.8	231.1	278.2	338.6	11.9	14.6	16.1
CHINA, PEOPLE'S REP. OF	10,303.2	16,439.0	23,658.6	1,884.5	2,453.1	2,842.4	6.3	7.9	7.1
SOUTH PACIFIC	1,528.0	1,691.9	1,977.0	191.7	178.6	251.8	11.0	9.2	12.7
Fiji	302.2	311.5	334.2	55.4	56.5	62.3	10.6	10.3	12.1
Papua New Guinea	1,098.4	1,238.8	1,471.2	128.0	109.9	175.5	12.4	9.2	13.0
Solomon Islands	55.8	67.8	85.0	2.3	5.3	8.1	2.6	6.2	12.5
Vanuatu	6.9	9.0	14.6	0.6	1.1	1.4	0.7	1.3	7.0
Western Samoa	64.8	64.9	71.8	5.6	5.8	4.5	11.1	10.9	6.6
TOTAL	163,499.0	194,334.3	219,956.6^d	23,963.2	27,282.9	35,702.5^d	9.9	10.2	12.5^d

... data not available.

a. Long-term external public and publicly guaranteed debt only.

b. Disbursed only.

c. Debt-service payments as a percentage of exports of goods and all services.

d. Excluding Hong Kong.

Sources: World Bank, *World Debt Tables*, 1988-89 edition and country sources.

BANK OPERATIONAL DATA

LOAN APPROVALS IN 1988 AND TOTAL PROJECT COSTS

(amounts in \$ million)

Country/Project	Ordinary Capital Resources	Asian Development Fund	Total Project Cost ^a
BANGLADESH			
Flood Rehabilitation (Flood Control and Irrigation)	—	14.30	16.00
Meghna-Dhonagoda Irrigation (Supplementary)	—	8.40	11.39
Flood Damage Restoration (Roads and Railways)	—	40.00	48.00
Industrial Program	—	65.00	97.50
Rural Infrastructure Development	—	99.80	110.90
Flood Rehabilitation (Rural Infrastructure)	—	40.00	43.30
BHUTAN			
Industrial Estates	—	1.15	1.33
Bhutan Development Finance Corporation	—	2.50	3.75
CHINA, PEOPLE'S REPUBLIC OF			
Qingdao Tire Development	86.80	—	138.10
Nanning Integrated Pigment	46.50	—	65.00
Shanghai Investment and Trust Corporation (SITCO)	100.00	—	150.00
Hexian Pulp Mill	49.60	—	82.95
FIJI			
Agriculture Diversification Program	20.00	—	20.00
Road Maintenance Sector	13.00	—	18.10
INDIA			
Telecommunications	135.00	—	247.00
Andhra Petrochemicals Ltd ^b	4.00	—	91.90
Unchahar Thermal Power Extension	160.00	—	597.80
Road Improvement	198.00	—	253.50
INDONESIA			
Agro-Industries Credit	30.00	—	45.00
Marine Sciences Education	43.25	30.10	91.63
P.T. Gunung Garuda ^b	15.00	—	79.50
Nucleus Estate and Smallholder Cocoa/Cocoanut	47.50	—	79.00
Second Medan Urban Development	175.00	—	219.78
Second Health and Population	39.30	—	49.29
Financial Sector Program	150.00	50.00	300.00
KIRIBATI			
Power Distribution	—	0.90	1.12
KOREA, REPUBLIC OF			
Fifth Sewage Treatment	20.65	—	132.85
Fifth Road Improvement	100.00	—	294.00
LAO PDR			
Nam Ngum-Luang Prabang Power Transmission	—	11.00	12.72

a Total cost of credit lines and program loans is estimated.

b Private sector loan without government guarantee.

Country/Project	Ordinary Capital Resources	Asian Development Fund	Total Project Cost^a
MALAYSIA			
Second Compensatory Forestry Sector	29.50	—	69.00
MALDIVES			
Male' Port Development	—	6.40	14.90
NEPAL			
Irrigation Sector	—	36.30	45.40
Agriculture Program	—	55.00	82.50
Second Tribhuvan International Airport (Second Supplementary Including Extension)	—	8.00	10.05
PAKISTAN			
Khushab Salinity Control and Reclamation	—	53.00	65.90
Small-Scale Industry	50.00	—	75.00
Second National Development Leasing Corporation, Ltd. ^b	15.00	—	22.50
Second Aquaculture Development	—	15.00	19.50
Second Farm-to-Market Roads	—	106.00	132.95
KESC Fifth Power Expansion (Sector)	100.00	—	389.76
Industrial Sector Program	100.00	100.00	300.00
Third Pirkoh Gas Development	65.35	45.00	230.35
PHILIPPINES			
Agricultural Technology Education	—	15.86	24.76
Philippine Long Distance Telephone Company Inc. ^b	24.00	—	100.68
Forestry Sector Program	60.00	60.00	311.00
Secondary Education Development Sector	—	70.00	174.96
Fourteenth Power (Sector)	120.00	—	161.00
Sorsogon Integrated Area Development	—	24.10	30.10
NGO-Microcredit	—	8.00	10.67
SRI LANKA			
Second Technical Education	—	36.00	45.00
Emergency Schools Restoration	—	15.00	18.83
Second Development Financing	—	40.00	60.00
Perennial Crops Development	—	17.30	25.70
THAILAND			
Sixth Power Distribution (Sector)	64.75	—	252.15
TONGA			
Fourth Multiproject	—	3.30	4.10
WESTERN SAMOA			
Second Multiproject	—	6.00	7.60
GRAND TOTAL	2,062.20	1,083.41	5,985.77

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1987, 1988, 1968-1988^a
 (amounts in \$ million)

Country	1987		
	O C R	A D F	Total
Afghanistan, Rep. of	—	—	—
Bangladesh	—	265.70	265.70
Bhutan	—	3.30	3.30
Burma	—	—	—
Cambodia	—	—	—
China, People's Rep. of	133.30	—	133.30
Cook Islands	—	2.75	2.75
Fiji	—	—	—
Hong Kong	—	—	—
India	393.60	—	393.60
Indonesia	441.00	135.00	576.00
Kiribati	—	—	—
Korea, Rep. of	133.20	—	133.20
Lao PDR	—	34.50	34.50
Malaysia	82.30	—	82.30
Maldives	—	6.10	6.10
Nepal	—	91.29	91.29
Pakistan	249.00	292.60	541.60
Papua New Guinea	5.00	5.00	10.00
Philippines	43.50	—	43.50
Singapore	—	—	—
Solomon Islands	—	9.30	9.30
Sri Lanka	—	106.30	106.30
Taipei, China	—	—	—
Thailand	—	—	—
Tonga	—	—	—
Vanuatu	—	5.75	5.75
Viet Nam, Soc. Rep. of	—	—	—
Western Samoa	—	—	—
TOTAL	1,480.90	957.59	2,438.49

^a Includes loans to private sector without government guarantee.

b Adjusted due to the withdrawal of the \$5 million loan to Pakistan for the Cherat Cement Co., Ltd. Expansion which was approved in 1986.

1988			1968-1988			
O C R	A D F	Total	O C R	A D F	Total	%
—	—	—	—	95.10	95.10	0.38
—	267.50	267.50	11.40	2,448.79	2,460.19	9.85
—	3.65	3.65	—	31.63	31.63	0.13
—	—	—	6.60	524.26	530.86	2.13
—	—	—	—	1.67	1.67	0.01
282.90	—	282.90	416.20	—	416.20	1.67
—	—	—	—	5.25	5.25	0.02
33.00	—	33.00	93.50	—	93.50	0.37
—	—	—	101.50	—	101.50	0.41
497.00	—	497.00	1,140.60	—	1,140.60	4.57
500.05	80.10	580.15	4,551.85	377.38	4,929.23	19.74
—	0.90	0.90	—	3.90	3.90	0.02
120.65	—	120.65	2,319.68	3.70	2,323.38	9.30
—	11.00	11.00	—	117.64	117.64	0.47
29.50	—	29.50	1,391.14	3.30	1,394.44	5.58
—	6.40	6.40	—	15.88	15.88	0.06
—	99.30	99.30	2.00	738.16	740.16	2.96
330.35	319.00	649.35	2,014.52 ^b	2,399.45	4,413.97	17.67
—	—	—	142.25	140.34	282.59	1.13
204.00	177.96	381.96	2,546.04	307.26	2,853.30	11.43
—	—	—	178.08	3.00	181.08	0.72
—	—	—	—	38.11	38.11	0.15
—	108.30	108.30	14.13	768.93	783.06	3.14
—	—	—	100.39	—	100.39	0.40
64.75	—	64.75	1,721.00	72.10	1,793.10	7.18
—	3.30	3.30	—	14.55	14.55	0.06
—	—	—	—	10.85	10.85	0.04
—	—	—	3.93	40.67	44.60	0.18
—	6.00	6.00	—	56.37	56.37	0.23
2,062.20	1,083.41	3,145.61	16,754.81	8,218.29	24,973.10	100.00

CO-FINANCING ARRANGEMENTS, 1988

(amounts in \$ million)

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	ADF		
Flood Rehabilitation (Flood Control and Irrigation)	Bangladesh	—	14.30	0.07	UNDP
Shanghai Investment and Trust Corporation (SITCO)	China, People's Republic of	100.00	—	50.00	Eximbank of Japan
Andhra Petrochemicals, Ltd.	India	4.00	—	37.70	Industrial Dev. Bank of India
				13.60	Commercial banks
				5.30	Standard Chartered Bank
				3.20	CDC, UK
				0.90	Short-term bank loans
Unchahar Thermal Power Extension	India	160.00	—	160.00	OECF
Financing for ongoing ADB-assisted projects	Indonesia	—	—	46.60	OECF
				96.10	Eximbank of Japan
Nam Ngum-Luang Prabang Power Transmission	Lao PDR	—	11.00	0.80	Switzerland
Male' Port Development	Maldives	—	6.40	2.00	OPEC Fund
				4.10	UNCDF
Small-Scale Industry	Pakistan	—	50.00	1.20	UNDP
				8.00	OPEC Fund
KESC Fifth Power Expansion (Sector)	Pakistan	100.00	—	12.20	ODA, UK
				100.00	Eximbank of Japan
Third Pirkoh Gas Development	Pakistan	65.35	45.00	15.00	Complementary Financing Scheme
Agricultural Technology Education	Philippines	—	15.86	6.50	OPEC Fund
Philippine Long Distance Telephone Company, Inc.	Philippines	24.00	—	24.00	International Finance Corp
Forestry Sector Program	Philippines	60.00	60.00	120.00	OECF
				0.92 ^a	Finland
Emergency Schools Restoration	Sri Lanka	—	15.00	4.00	Canada
Second Development Financing	Sri Lanka	—	40.00	40.00	IDA
Sixth Power Distribution (Sector)	Thailand	64.75	—	21.29	Other loans/ suppliers' credits
Second Multiproject	Western Samoa	—	6.00	0.70	OPEC Fund
TOTAL (17)		578.10	263.56	774.18	

^a For the Master Plan for Forestry Development Advisory Technical Assistance.

LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 — 1986-1988
 (amounts in \$ million)

	Total Lending ^a	Agriculture and Agro-Industry	Energy	Industry and Non-Fuel Minerals	Transport and Communications	Social Infrastructure	Multi-sector
Average during							
1968-1970	128.44	25.02	15.38	49.34	30.87	7.83	0.00
1969-1971	199.25	40.80	50.56	56.32	43.20	8.37	0.00
1970-1972	271.92	42.65	89.90	51.72	58.42	29.23	0.00
1971-1973	330.53	52.17	106.38	52.58	78.92	40.49	0.00
1972-1974	428.41	80.87	114.44	81.77	91.35	60.49	0.00
1973-1975	543.15	151.38	125.11	113.93	96.02	56.72	0.00
1974-1976	661.29	193.57	141.17	151.57	109.87	65.12	0.00
1975-1977	774.22	236.23	170.47	152.12	131.38	84.02	0.00
1976-1978	940.36	257.86	202.50	203.32	150.23	126.45	0.00
1977-1979	1,098.92	328.09	264.03	191.56	132.98	181.87	0.40
1978-1980	1,282.01	396.74	318.98	190.83	158.78	215.95	0.73
1979-1981	1,454.96	473.69	395.94	169.13	136.88	278.02	1.29
1980-1982	1,598.97	543.60	443.08	171.63	184.41	255.35	0.89
1981-1983	1,751.46	589.95	465.85	227.23	131.77	319.90	16.76
1982-1984	1,937.03	662.09	561.38	172.90	234.70	278.17	27.79
1983-1985	1,978.52	641.47	487.38	165.60	252.23	401.57	30.26
1984-1986	2,013.77	714.10	508.75	100.60	289.98	351.94	48.39
1985-1987	2,081.84	637.76	363.75	297.77	427.53	317.31	37.72
1986-1988	2,527.67	675.87	471.19	525.48	534.33	284.45	36.35
Cumulative (1968-1988)	24,973.10	7,379.35	5,785.85	3,923.29	3,970.84	3,710.06	203.71
Percentage Distribution							
1968-1970	100	19.48	11.98	38.41	24.03	6.10	0.00
1969-1971	100	20.48	25.37	28.27	21.68	4.20	0.00
1970-1972	100	15.69	33.06	19.02	21.48	10.75	0.00
1971-1973	100	15.78	32.18	15.91	23.88	12.25	0.00
1972-1974	100	18.76	26.71	19.09	21.32	14.12	0.00
1973-1975	100	27.87	23.03	20.98	17.68	10.44	0.00
1974-1976	100	29.27	21.35	22.92	16.61	9.85	0.00
1975-1977	100	30.51	22.02	19.65	16.97	10.85	0.00
1976-1978	100	27.42	21.53	21.62	15.98	13.45	0.00
1977-1979	100	29.85	24.03	17.43	12.10	16.55	0.04
1978-1980	100	30.95	24.88	14.89	12.38	16.84	0.06
1979-1981	100	32.56	27.21	11.62	9.41	19.11	0.09
1980-1982	100	34.00	27.71	10.73	11.53	15.97	0.06
1981-1983	100	33.68	26.60	12.97	7.52	18.27	0.96
1982-1984	100	34.18	28.98	8.93	12.12	14.36	1.43
1983-1985	100	32.42	24.63	8.37	12.75	20.30	1.53
1984-1986	100	35.46	25.26	5.00	14.40	17.48	2.40
1985-1987	100	30.64	17.47	14.30	20.54	15.24	1.81
1986-1988	100	26.74	18.64	20.79	21.14	11.25	1.44
Cumulative (1968-1988)	100	29.55	23.17	15.71	15.90	14.86	0.81

^a Total column may not tally due to rounding.

LOAN APPROVALS BY SECTOR, 1987, 1988, 1968-1988^a

(amounts in \$ million)

Sector	1987				TOTAL		%
	OCR		ADF		No. ^b	Amount	
	No.	Amount	No.	Amount	No. ^b	Amount	
Agriculture and Agro-Industry	3	78.50	13	450.49	14	528.99	21.69
Energy	4	201.30	4	130.40	8	331.70	13.60
Industry and Non-Fuel Minerals	7	528.00	4	117.50	9	645.50	26.47
Transport and Communications	5	571.10	6	222.75	11	793.85	32.56
Social Infrastructure	3	102.00	2	33.70	5	135.70	5.57
Multisector	—	—	1	2.75	1	2.75	0.11
TOTAL	22	1,480.90	30	957.59	48	2,438.49	100.00

a. Includes loans to private sector without government guarantee.

b. A project which is financed from both sources is counted as one project.

c. Adjusted due to the withdrawal of the \$5 million loan to Pakistan for the Cherat Cement Co., Ltd. Expansion which was approved in 1986.

1988

1968-1988

1988					1968-1988								
OCR		ADF		TOTAL	OCR		ADF		TOTAL				
No.	Amount	No.	Amount	No. ^b	Amount	%	No.	Amount	No.	Amount	No. ^b	Amount	%
6	236.60	13	437.20	18	673.80	21.42	122	3,290.97	204	4,088.38	296	7,379.35	29.55
5	510.10	3	56.90	7	567.00	18.03	105	4,380.10	69	1,405.75	152	5,785.85	23.17
9	567.30	6	258.65	13	825.95	26.26	92 ^c	2,996.87 ^c	48	926.42	128	3,923.29	15.71
5	470.00	4	160.40	9	630.40	20.04	90	3,120.53	51	850.31	129	3,970.84	15.90
4	278.20	5	166.96	8	445.16	14.15	90	2,864.64	47	845.42	128	3,710.06	14.86
—	—	1	3.30	1	3.30	0.10	3	101.70	14	102.01	13	203.71	0.81
29	2,062.15	32	1,083.41	56	3,145.61	100.00	502	16,754.81	433	8,218.29	846	24,973.10	100.00

NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION,
 PCR_s CIRCULATED, PROJECTS COMPLETED AND LOANS CLOSED IN 1988
 (As of 31 December 1988)

Country	Cumulative No. of Loans Approved ^a	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved ^b	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans
Afghanistan, Rep. of	9	8	8	—	1
Bangladesh	79	77	71	3	4
Bhutan	8	7	8	—	—
Burma	32	32	28	2	2
Cambodia	1	1	1	—	—
China, People's Rep. of	6	2	6	—	—
Cook Islands	3	3	3	—	—
Fiji	10	10	10	—	—
Hong Kong	5	5	5	—	—
India	10	8	10	—	—
Indonesia	134	126	124	7	2
Kiribati	4	3	4	—	—
Korea, Rep. of	79	76	79	—	—
Lao PDR	16	15	15	—	1
Malaysia	64	63	62	1	1
Maldives	4	3	4	—	—
Nepal	58	56	48	1	9
Pakistan	110	100	87	18	5
Papua New Guinea	28	26	21	7	—
Philippines	91	88	82	5	2
Singapore	14	14	14	—	—
Solomon Islands	11	11	11	—	—
Sri Lanka	52	50	46	1	4
Taipei, China	12	12	12	—	—
Thailand	52	52	49	2	1
Tonga	8	7	8	—	—
Vanuatu	4	4	4	—	—
Viet Nam, Soc. Rep. of	11	9	9	2	—
Western Samoa	20	19	17	—	2
TOTAL	935	887	846	49	34

a Includes Special Assistance loans, private sector loans, but excludes the loans withdrawn by borrowers before loan signing.

b Excludes Special Assistance loans and loans withdrawn by borrowers before loan signing but includes private sector loans.

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

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

e Projects which were physically completed in 1988.

Cumulative No. of Co-Financed Projects	No. of Projects Under Administration ^c As of 31/12/88	No. of Loans Under Administration As of 31/12/88	Cumulative No. of PCRs Circulated/ Prepared ^d	No. of Projects Completed in 1988 ^e	No. of Loans Closed in 1988
2	8	9	0	0	0
32	46	48	24	8	2
4	8	8	0	0	0
12	13	15	11	3	4
0	1	1	0	0	0
3	6	6	0	0	0
0	1	1	1	1	1
3	4	4	3	1	1
0	0	0	5	0	0
4	10	10	0	0	0
25	66	69	39	11	6
1	3	3	0	2	0
8	12	12	46	3	1
10	8	8	4	0	1
9	19	19	24	5	4
2	3	3	1	0	0
23	29	32	16	3	4
40	53	63	24	7	7
2	12	18	7	2	0
24	37	40	31	5	5
2	0	0	7	0	0
5	5	5	5	1	0
15	31	31	14	3	0
0	0	0	1	0	0
21	17	18	24	3	1
2	2	2	5	1	2
2	4	4	0	0	0
0	2	2	5	0	0
8	5	5	11	1	1
259	405	436	308	60	40

AMOUNTS OF LOANS APPROVED, CONTRACTS AWARDED AND DISBURSEMENTS

(As of 31 December 1988)

(amounts in \$ million)

Country	Cumulative Loan Amount Approved ^a	Cumulative Net Effective Loans	Contracts Awarded in 1988 ^b
Afghanistan, Rep. of	95.10	74.05	—
Bangladesh	2,460.19	2,348.95	264.552
Bhutan	31.63	33.63	4.089
Burma	530.86	533.73	33.757
Cambodia	1.67	1.67	—
China, People's Rep. of	416.20	126.80	25.411
Cook Islands	5.25	5.39	0.028
Fiji	93.50	87.17	24.597
Hong Kong	101.50	94.50	—
India	1,140.60	782.60	86.115
Indonesia	4,929.23	3,940.28	622.924
Kiribati	3.90	2.00	0.532
Korea, Rep. of	2,323.38	1,734.52	97.253
Lao PDR	117.64	106.39	29.463
Malaysia	1,394.44	1,042.39	20.173
Maldives	15.88	10.15	0.972
Nepal	740.16	736.96	47.838
Pakistan	4,413.97	3,840.97	351.179
Papua New Guinea	282.59	273.44	16.896
Philippines	2,853.30	2,318.35	174.566
Singapore	181.08	144.44	—
Solomon Islands	38.11	39.53	1.631
Sri Lanka	783.06	744.74	70.207
Taipei, China	100.39	91.14	—
Thailand	1,793.10	1,374.35	51.333
Tonga	14.55	10.86	2.645
Vanuatu	10.85	11.90	1.742
Viet Nam, Soc. Rep. of	44.60	25.43	—
Western Samoa	56.37	52.34	1.246
TOTAL	24,973.10	20,588.67	1,929.149

a Includes Special Assistance loans and private sector loans but excludes four loans withdrawn.

b Figures obtained from Procurement Statistics.

c Total US\$ value of contracts exceeded total effective loans but excess was not financed by the Bank.

Cumulative Contracts Awarded As of 31/12/88 ^b	% of Cumulative Contracts Awarded to Cumulative Net Effective Loans	Disbursements in 1988	Cumulative Disbursements As of 31/12/88	% of Cumulative Disbursements to Cumulative Net Effective Loans
34.213	46.20	—	27.90	37.68
1,275.679	54.31	225.81	1,069.51	45.53
13.368	39.75	3.48	9.76	29.02
385.530	72.23	39.18	350.13	65.60
1.577	94.43	—	0.64	38.32
25.411	20.04	2.71	2.71	2.14
1.658	30.76	0.03	2.50	46.38
72.961	83.70	20.88	68.96	79.11
102.462 ^c	108.43	—	94.50	100.00
177.925	22.74	56.38	67.95	8.68
2,372.491	60.21	530.02	2,038.84	51.74
1.936	96.80	0.28	1.86	93.00
1,611.684	92.92	24.75	1,487.61	85.76
71.877	67.56	5.84	43.51	40.90
715.524	68.64	40.08	639.34	61.83
3.543	34.91	0.89	3.29	32.41
361.533	49.06	42.31	300.67	40.80
1,898.783	49.43	309.82	1,636.13	42.60
175.792	64.29	25.48	145.54	53.23
1,526.281	65.83	157.39	1,533.13	66.13
130.217	90.15	—	144.44	100.00
25.029	63.32	5.81	25.56	64.66
409.038	54.92	64.83	350.97	47.13
90.278	99.05	—	91.14	100.00
1,245.809	90.65	88.83	1,145.21	83.33
11.344 ^c	104.46	1.47	9.48	87.29
3.852	32.37	0.77	2.64	22.18
27.963 ^c	109.96	—	25.43	100.00
38.593	73.74	2.04	37.56	71.76
12,812.351	62.23	1,649.08	11,356.91	55.16

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS,^a 1968-1988
 (amounts in \$ million)

Year	No. ^b	Amount ^c	Cumulative Contracts Awarded		Cumulative Disbursements	
			Amount	Percentage of Cumulative Effective Loans	Amount ^d	Percentage of Cumulative Effective Loans
1968	4	20	4.5 ^e	23	1.8	9
1969	13	67	13.5 ^e	20	9.3	14
1970	28	137	54.4 ^f	40	26.4	19
1971	67	404	115.0	28	75.1	19
1972	93	696	271.5	39	136.2	20
1973	130	998	453.2	45	282.7	28
1974	187	1,612	836.1	52	470.2	29
1975	221	2,052	1,150.2	56	832.1	41
1976	264	2,846	1,505.9	53	1,158.7	41
1977	294	3,461	1,862.0	54	1,514.9	44
1978	340	4,289	2,432.8	57	1,977.1	46
1979	391	5,274	2,941.5	56	2,463.4	47
1980	451	6,592	3,820.4	58	3,042.4	46
1981	510	7,953	4,503.6	57	3,709.5	47
1982	570	9,672	5,570.7	58	4,504.6	47
1983	621	11,100	6,296.3	57	5,441.5	49
1984	675	13,027	7,299.8	56	6,442.0	49
1985	727 ^g	14,793	8,279.0	56	7,452.1	50
1986	771	16,135	9,443.1	59	8,476.4	53
1987	815	17,807	10,883.2	61	9,707.8	55
1988	887	20,589	12,812.4	62	11,356.9	55

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

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

c. Net of cancellations and amount transferred to subsequent loans.

d. Includes interest and other charges financed during construction.

e. Figures for 1968 and 1969 are based on Bank's Monthly Statement of Loans as no Quarterly Procurement Statistics were prepared during those years.

f. Figures from 1970 onwards are based on Quarterly Procurement Statistics of the Bank.

g. Number of loans adjusted from 1985 Annual Report to reflect Loan Nos. 624/625-TON and 646/647-SOL as single loans.

CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT
 (As of 31 December 1988)

ORDINARY CAPITAL RESOURCES

(Net of Adjustments)^a

(amounts in \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	0.000	0.00	0.000	0.00	0.000	0.00
Australia	99.882	1.24	12.535	2.47	112.417	1.31
Austria	78.202	0.97	1.590	0.31	79.792	0.93
Bangladesh	0.108	0.00	0.091	0.02	0.199	0.00
Belgium	48.566	0.60	0.477	0.09	49.043	0.57
Bhutan	0.000	0.00	0.000	0.00	0.000	0.00
Burma	0.000	0.00	0.000	0.00	0.000	0.00
Canada	82.084	1.02	30.655	6.04	112.739	1.32
China, People's Rep. of	0.225	0.00	0.000	0.00	0.225	0.00
Cook Islands	0.000	0.00	0.000	0.00	0.000	0.00
Denmark	15.142	0.19	13.372	2.63	28.514	0.33
Fiji	36.535	0.45	0.000	0.00	36.535	0.43
Finland	3.814	0.05	1.055	0.21	4.869	0.06
France	165.594	2.06	20.524	4.04	186.118	2.18
Germany, Fed. Rep. of	424.183	5.27	20.961	4.13	445.144	5.20
Hong Kong	105.388	1.31	1.804	0.36	107.192	1.25
India	186.054	2.31	3.487	0.69	189.541	2.22
Indonesia	1,024.682	12.73	53.487	10.54	1,078.169	12.60
Italy	144.059	1.79	22.211	4.38	166.270	1.94
Japan	1,885.140	23.42	67.594	13.32	1,952.734	22.83
Kiribati	0.000	0.00	0.000	0.00	0.000	0.00
Korea, Rep. of	1,146.196	14.24	16.152	3.18	1,162.348	13.59
Lao PDR	0.000	0.00	0.000	0.00	0.000	0.00
Luxembourg	0.035	0.00	0.000	0.00	0.035	0.00
Malaysia	368.718	4.58	5.409	1.07	374.127	4.37
Maldives	0.000	0.00	0.000	0.00	0.000	0.00
Nepal	0.000	0.00	0.000	0.00	0.000	0.00
Netherlands	76.037	0.94	12.516	2.47	88.553	1.04
New Zealand	24.382	0.30	6.341	1.25	30.723	0.36
Norway	3.069	0.04	0.828	0.16	3.897	0.05
Pakistan	45.511	0.57	0.181	0.04	45.692	0.53
Papua New Guinea	28.832	0.36	0.843	0.17	29.675	0.35
Philippines	520.552	6.47	8.195	1.61	528.747	6.18
Singapore	107.876	1.34	1.256	0.25	109.132	1.28
Solomon Islands	0.036	0.00	0.000	0.00	0.036	0.00
Spain	1.721	0.02	0.000	0.00	1.721	0.02
Sri Lanka	0.041	0.00	0.105	0.02	0.146	0.00
Sweden	39.710	0.49	1.067	0.21	40.777	0.48
Switzerland	111.351	1.38	25.016	4.93	136.367	1.59
Taipei, China	124.523	1.55	12.330	2.43	136.853	1.60
Thailand	410.617	5.10	0.975	0.19	411.592	4.81
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
United Kingdom	203.160	2.52	45.736	9.01	248.896	2.91
United States	535.239	6.65	120.717	23.79	655.956	7.67
Vanuatu	0.000	0.00	0.000	0.00	0.000	0.00
Viet Nam, Soc. Rep. of	0.368	0.00	0.000	0.00	0.368	0.00
Western Samoa	0.000	0.00	0.000	0.00	0.000	0.00
T O T A L	8,047.632	100.00	507.510	100.00	8,555.142	100.00

^a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT
 (As of 31 December 1988)

ASIAN DEVELOPMENT FUND

(Net of Adjustments)^a

(amounts in \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	8.991	0.22	0.000	0.00	8.991	0.21
Australia	42.816	1.07	8.898	3.59	51.714	1.21
Austria	11.418	0.28	0.000	0.00	11.418	0.27
Bangladesh	286.343	7.14	3.003	1.21	289.346	6.80
Belgium	30.182	0.75	0.075	0.03	30.257	0.71
Bhutan	0.853	0.02	0.068	0.03	0.921	0.02
Burma	20.153	0.50	0.000	0.00	20.153	0.47
Canada	16.337	0.41	18.491	7.46	34.828	0.82
China, People's Rep. of	24.104	0.60	0.000	0.00	24.104	0.57
Cook Islands	1.048	0.03	0.000	0.00	1.048	0.02
Denmark	21.100	0.53	0.566	0.23	21.666	0.51
Fiji	1.660	0.04	0.000	0.00	1.660	0.04
Finland	6.348	0.16	2.081	0.84	8.429	0.20
France	53.917	1.34	5.256	2.12	59.173	1.39
Germany, Fed. Rep. of	205.338	5.12	11.463	4.63	216.801	5.09
Hong Kong	36.519	0.91	0.000	0.00	36.519	0.86
India	204.533	5.10	20.256	8.17	224.789	5.28
Indonesia	54.054	1.35	2.797	1.13	56.851	1.34
Italy	110.592	2.76	2.795	1.13	113.387	2.66
Japan	880.640	21.96	42.095	16.98	922.735	21.67
Kiribati	0.307	0.01	0.000	0.00	0.307	0.01
Korea, Rep. of	267.612	6.67	5.907	2.38	273.519	6.42
Lao PDR	2.553	0.06	0.072	0.03	2.625	0.06
Luxembourg	0.000	0.00	0.000	0.00	0.000	0.00
Malaysia	31.427	0.78	1.491	0.60	32.918	0.77
Maldives	0.425	0.01	0.000	0.00	0.425	0.01
Nepal	90.520	2.26	1.211	0.49	91.731	2.15
Netherlands	54.908	1.37	7.860	3.17	62.768	1.47
New Zealand	23.228	0.58	6.500	2.62	29.728	0.70
Norway	32.448	0.81	1.028	0.41	33.476	0.79
Pakistan	234.972	5.86	3.265	1.32	238.237	5.60
Papua New Guinea	55.021	1.37	0.823	0.33	55.844	1.31
Philippines	96.732	2.41	4.811	1.94	101.543	2.39
Singapore	87.099	2.17	0.192	0.08	87.291	2.05
Solomon Islands	9.063	0.23	0.176	0.07	9.239	0.22
Spain	0.219	0.01	0.000	0.00	0.219	0.01
Sri Lanka	118.269	2.95	1.597	0.64	119.866	2.82
Sweden	52.789	1.32	0.098	0.04	52.887	1.24
Switzerland	96.137	2.40	10.206	4.12	106.343	2.50
Taipei, China	23.580	0.59	0.088	0.04	23.668	0.56
Thailand	75.340	1.88	0.134	0.05	75.474	1.77
Tonga	5.217	0.13	0.000	0.00	5.217	0.12
United Kingdom	236.513	5.90	50.634	20.43	287.147	6.74
United States	386.566	9.64	33.798	13.64	420.364	9.87
Vanuatu	0.587	0.01	0.000	0.00	0.587	0.01
Viet Nam, Soc. Rep. of	2.341	0.06	0.000	0.00	2.341	0.05
Western Samoa	8.545	0.21	0.110	0.04	8.655	0.20
T O T A L	4,009.364	100.00	247.845	100.00	4,257.209	100.00

^a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT
 (As of 31 December 1988)

ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED
 (Net of Adjustments)^a

(amounts in \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	8,991	0.07	0.000	0.00	8,991	0.07
Australia	142,698	1.18	21,433	2.84	164,131	1.28
Austria	89,620	0.74	1,590	0.21	91,210	0.71
Bangladesh	286,451	2.38	3,094	0.41	289,545	2.26
Belgium	78,748	0.65	0,552	0.07	79,300	0.62
Bhutan	0.853	0.01	0,068	0.01	0.921	0.01
Burma	20,153	0.17	0,000	0.00	20,153	0.16
Canada	98,421	0.82	49,146	6.51	147,567	1.15
China, People's Rep. of	24,329	0.20	0,000	0.00	24,329	0.19
Cook Islands	1,048	0.01	0,000	0.00	1,048	0.01
Denmark	36,242	0.30	13,938	1.85	50,180	0.39
Fiji	38,195	0.32	0,000	0.00	38,195	0.30
Finland	10,162	0.08	3,136	0.42	13,298	0.10
France	219,511	1.82	25,780	3.41	245,291	1.91
Germany, Fed. Rep. of	629,521	5.22	32,424	4.29	661,945	5.17
Hong Kong	141,907	1.18	1,804	0.24	143,711	1.12
India	390,587	3.24	23,743	3.14	414,330	3.23
Indonesia	1,078,736	8.95	56,284	7.45	1,135,020	8.86
Italy	254,651	2.11	25,006	3.31	279,657	2.18
Japan	2,765,780	22.94	109,689	14.52	2,875,469	22.44
Kiribati	0.307	0.00	0,000	0.00	0.307	0.00
Korea, Rep. of	1,413,808	11.73	22,059	2.92	1,435,867	11.21
Lao PDR	2,553	0.02	0,072	0.01	2,625	0.02
Luxembourg	0.035	0.00	0,000	0.00	0.035	0.00
Malaysia	400,145	3.32	6,900	0.91	407,045	3.18
Maldives	0.425	0.00	0,000	0.00	0.425	0.00
Nepal	90,520	0.75	1,211	0.16	91,731	0.72
Netherlands	130,945	1.09	20,376	2.70	151,321	1.18
New Zealand	47,610	0.39	12,841	1.70	60,451	0.47
Norway	35,517	0.29	1,856	0.25	37,373	0.29
Pakistan	280,483	2.33	3,446	0.46	283,929	2.22
Papua New Guinea	83,853	0.70	1,666	0.22	85,519	0.67
Philippines	617,284	5.12	13,006	1.72	630,290	4.92
Singapore	194,975	1.62	1,448	0.19	196,423	1.53
Solomon Islands	9,099	0.08	0,176	0.02	9,275	0.07
Spain	1,940	0.02	0,000	0.00	1,940	0.02
Sri Lanka	118,310	0.98	1,702	0.23	120,012	0.94
Sweden	92,499	0.77	1,165	0.15	93,664	0.73
Switzerland	207,488	1.72	35,222	4.66	242,710	1.89
Taipei, China	148,103	1.23	12,418	1.64	160,521	1.25
Thailand	485,957	4.03	1,109	0.15	487,066	3.80
Tonga	5,217	0.04	0,000	0.00	5,217	0.04
United Kingdom	439,673	3.65	96,370	12.76	536,043	4.18
United States	921,805	7.65	154,515	20.46	1,076,320	8.40
Vanuatu	0.587	0.00	0,000	0.00	0.587	0.00
Viet Nam, Soc. Rep. of	2,709	0.02	0,000	0.00	2,709	0.02
Western Samoa	8,545	0.07	0,110	0.01	8,655	0.07
T O T A L	12,056,996	100.00	755,355	100.00	12,812,351	100.00

^a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT IN 1988
ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED
 (Net of Adjustments)^a

(amounts in \$ million)

Country of Procurement	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan, Rep. of	0.000	0.00	0.000	0.00	0.000	0.00
Australia	9.957	0.54	1.839	1.84	11.796	0.61
Austria	21.059	1.15	0.042	0.04	21.101	1.09
Bangladesh	92.422	5.05	1.301	1.30	93.723	4.86
Belgium	28.542	1.56	0.001	0.00	28.543	1.48
Bhutan	0.508	0.03	0.068	0.07	0.576	0.03
Burma	1.517	0.08	0.000	0.00	1.517	0.08
Canada	4.419	0.24	3.736	3.74	8.155	0.42
China, People's Rep. of	2.817	0.15	0.000	0.00	2.817	0.15
Cook Islands	0.000	0.00	0.000	0.00	0.000	0.00
Denmark	-0.641	-0.04	0.576	0.58	-0.065	0.00
Fiji	23.269	1.27	0.000	0.00	23.269	1.21
Finland	5.334	0.29	0.055	0.06	5.389	0.28
France	8.053	0.44	2.763	2.77	10.816	0.56
Germany, Fed. Rep. of	84.749	4.63	-1.010	-1.01	83.739	4.34
Hong Kong	26.541	1.45	0.279	0.28	26.820	1.39
India	88.947	4.86	5.584	5.59	94.581	4.90
Indonesia	355.865	19.45	12.568	12.59	368.433	19.10
Italy	47.739	2.61	0.323	0.32	48.062	2.49
Japan	209.972	11.48	25.723	25.76	235.695	12.22
Kiribati	0.252	0.01	0.000	0.00	0.252	0.01
Korea, Rep. of	166.800	9.12	0.404	0.40	167.204	8.67
Lao PDR	0.717	0.04	0.072	0.07	0.789	0.04
Malaysia	46.123	2.52	2.335	2.34	48.458	2.51
Maldives	0.000	0.00	0.000	0.00	0.000	0.00
Nepal	17.073	0.93	-0.048	-0.05	17.025	0.88
Netherlands	20.428	1.12	3.294	3.30	23.722	1.23
New Zealand	1.053	0.06	2.145	2.15	3.198	0.17
Norway	-0.394	-0.02	0.118	0.12	-0.276	-0.01
Pakistan	69.141	3.78	0.767	0.77	69.908	3.62
Papua New Guinea	14.702	0.80	0.619	0.62	15.321	0.79
Philippines	70.977	3.88	1.015	1.02	71.992	3.73
Singapore	36.364	1.99	0.233	0.23	36.597	1.90
Solomon Islands	1.119	0.06	0.018	0.02	1.137	0.06
Spain	1.687	0.09	0.000	0.00	1.687	0.09
Sri Lanka	27.457	1.50	1.103	1.10	28.560	1.48
Sweden	10.207	0.56	0.488	0.49	10.695	0.55
Switzerland	16.170	0.88	2.513	2.52	18.683	0.97
Taipei, China	29.904	1.63	1.527	1.53	31.431	1.63
Thailand	21.677	1.18	0.684	0.69	22.361	1.16
Tonga	1.384	0.08	0.191	0.19	1.575	0.08
United Kingdom	40.835	2.23	10.636	10.65	51.471	2.67
United States	223.373	12.21	17.880	17.91	241.253	12.51
Vanuatu	0.148	0.01	0.000	0.00	0.148	0.01
Viet Nam, Soc. Rep. of	0.732	0.04	0.000	0.00	0.732	0.04
Western Samoa	0.309	0.02	0.000	0.00	0.309	0.02
T O T A L	1,829.307	100.00	99.842	100.00	1,929.149	100.00

Note: Negative figures indicate that there was a decrease in the total value of contracts awarded during the period due to any combination of: (i) change in currency translation rates; (ii) cancellation of contract; and (iii) reduction of contract amount.

a Net of adjustments implies that increase in contract amounts resulting from changes in currency translation rates, cancellation of contracts or reduction of contract values are already reflected in the cumulative figures for each borrowing country.

CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT

(As of 31 December 1988)

TECHNICAL ASSISTANCE OPERATIONS

(Net of Adjustments)^a

(amounts in \$ million)

Country of Procurement	Bank's Own Resources		Administered Trust Funds ^b		Japan Special Fund		Total Procurement		% Distribution	
	Amount	% Distribution	Amount	% Distribution	Amount	% Distribution	Amount	% Distribution	Amount	% Distribution
Afghanistan, Rep. of	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00
Australia	15.232	8.76	6.293	8.57	0.116	4.48	21.641	8.66		
Austria	0.065	0.04	0.000	0.00	0.000	0.00	0.065	0.03		
Bangladesh	0.636	0.37	0.437	0.60	0.000	0.00	1.073	0.43		
Belgium	1.063	0.61	0.136	0.19	0.000	0.00	1.199	0.48		
Bhutan	0.000	0.00	0.021	0.03	0.000	0.00	0.021	0.01		
Butma	0.020	0.01	0.000	0.00	0.000	0.00	0.020	0.01		
Canada	10.856	6.24	3.074	4.19	0.974	37.61	14.904	5.96		
China, People's Rep. of	0.058	0.03	0.000	0.00	0.000	0.00	0.058	0.02		
Cook Islands	0.002	0.00	0.000	0.00	0.000	0.00	0.002	0.00		
Denmark	3.522	2.03	0.976	1.33	0.038	1.47	4.536	1.81		
Fiji	0.131	0.08	0.000	0.00	0.000	0.00	0.131	0.05		
Finland	1.914	1.10	2.119	2.89	0.000	0.00	4.033	1.61		
France	4.134	2.38	4.079	5.56	0.019	0.73	8.232	3.29		
Germany, Fed. Rep. of	4.356	2.50	2.893	3.94	0.025	0.97	7.274	2.91		
Hong Kong	0.827	0.48	0.046	0.06	0.012	0.46	0.885	0.35		
India	8.834	5.08	3.003	4.09	0.036	1.39	11.873	4.75		
Indonesia	1.655	0.95	0.000	0.00	0.014	0.54	1.669	0.67		
Italy	2.390	1.37	0.643	0.88	0.000	0.00	3.033	1.21		
Japan	9.150	5.26	4.267	5.81	0.112	4.32	13.529	5.41		
Kiribati	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00		
Korea, Rep. of	1.634	0.94	0.898	1.22	0.000	0.00	2.532	1.01		
Lao PDR	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00		
Malaysia	1.051	0.60	0.000	0.00	0.024	0.93	1.075	0.43		
Maldives	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00		
Nepal	0.287	0.17	0.221	0.30	0.000	0.00	0.508	0.20		
Netherlands	5.888	3.36	1.353	1.84	0.019	0.73	7.210	2.88		
New Zealand	7.907	4.55	1.329	1.81	0.000	0.00	9.236	3.70		
Norway	1.312	0.75	2.093	2.85	0.000	0.00	3.405	1.36		
Pakistan	1.748	1.01	0.000	0.00	0.023	0.89	1.771	0.71		
Papua New Guinea	0.238	0.14	0.000	0.00	0.000	0.00	0.238	0.10		
Philippines	10.266	5.90	3.931	5.35	0.045	1.74	14.232	5.69		
Singapore	1.714	0.99	0.000	0.00	0.000	0.00	1.714	0.69		
Solomon Islands	0.013	0.01	0.000	0.00	0.000	0.00	0.013	0.01		
Spain	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00		
Sri Lanka	1.128	0.65	0.266	0.36	0.000	0.00	1.394	0.56		
Sweden	1.359	0.78	0.583	0.79	0.000	0.00	1.942	0.78		
Switzerland	2.373	1.36	3.047	4.15	0.000	0.00	5.420	2.17		
Taipei, China	0.303	0.17	0.068	0.09	0.011	0.42	0.382	0.15		
Thailand	0.853	0.49	0.319	0.43	0.000	0.00	1.172	0.47		
Tonga	0.029	0.02	0.000	0.00	0.000	0.00	0.029	0.01		
United Kingdom	26.514	15.25	14.076	19.17	0.560	21.62	41.150	16.46		
United States	33.851	19.46	13.181	17.95	0.562	21.70	47.594	19.04		
Vanuatu	0.000	0.00	0.000	0.00	0.000	0.00	0.000	0.00		
Viet Nam, Soc. Rep. of	0.019	0.01	0.000	0.00	0.000	0.00	0.019	0.01		
Western Samoa	0.091	0.05	0.000	0.00	0.000	0.00	0.091	0.04		
International Organizations	10.556	6.07	4.067	5.54	0.000	0.00	14.623	5.85		
T O T A L	173.919	100.00	73.419	100.00	2.590	100.00	249.928	100.00		

a Net of adjustments implies actual expenses which may be more or less than the committed amounts.

b Trust Funds are provided by other external agencies and administered by the Bank.

CONTRACTS AWARDED BY COUNTRY OF PROCUREMENT, 1986-1988

TECHNICAL ASSISTANCE OPERATIONS

(Net of Adjustments)^a

(amounts in \$ million)

Country of Procurement	1986		1987		1988	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Afghanistan, Rep. of	0.000	0.00	0.000	0.00	0.000	0.00
Australia	1.844	5.82	4.606	13.05	3.577	12.37
Austria	0.000	0.00	0.000	0.00	-0.001	0.00
Bangladesh	0.106	0.33	0.534	1.51	0.040	0.14
Belgium	0.019	0.06	0.000	0.00	0.299	1.03
Bhutan	0.000	0.00	0.000	0.00	0.021	0.07
Burma	0.000	0.00	0.000	0.00	-0.001	0.00
Canada	2.286	7.21	0.437	1.24	2.463	8.52
China, People's Rep. of	0.006	0.02	0.005	0.01	0.047	0.16
Cook Islands	0.000	0.00	0.002	0.01	0.000	0.00
Denmark	0.889	2.81	0.696	1.97	0.084	0.29
Fiji	0.130	0.41	0.000	0.00	0.000	0.00
Finland	0.963	3.04	0.509	1.44	1.293	4.47
France	0.539	1.70	2.231	6.32	-0.053	-0.18
Germany, Fed. Rep. of	0.431	1.36	0.692	1.96	0.535	1.85
Hong Kong	0.089	0.28	0.165	0.47	0.086	0.30
India	2.171	6.85	0.735	2.08	1.410	4.88
Indonesia	0.161	0.51	0.512	1.45	0.732	2.53
Italy	0.399	1.26	0.025	0.07	0.329	1.14
Japan	0.501	1.58	0.436	1.23	1.554	5.38
Kiribati	0.000	0.00	0.000	0.00	0.000	0.00
Korea, Rep. of	0.457	1.44	0.220	0.62	0.383	1.32
Lao PDR	0.000	0.00	0.000	0.00	0.000	0.00
Malaysia	0.310	0.98	0.058	0.16	0.077	0.27
Maldives	0.000	0.00	0.000	0.00	0.000	0.00
Nepal	0.025	0.08	0.197	0.56	0.044	0.15
Netherlands	0.810	2.56	1.039	2.94	1.046	3.62
New Zealand	0.875	2.76	1.928	5.46	1.541	5.33
Norway	0.061	0.19	0.257	0.73	1.663	5.75
Pakistan	0.235	0.74	0.165	0.47	0.180	0.62
Papua New Guinea	0.014	0.04	0.005	0.01	-0.033	-0.11
Philippines	1.527	4.82	2.886	8.17	1.625	5.62
Singapore	1.183	3.73	0.123	0.35	0.026	0.09
Solomon Islands	0.000	0.00	0.000	0.00	0.013	0.04
Spain	0.000	0.00	0.000	0.00	0.000	0.00
Sri Lanka	0.089	0.28	0.105	0.30	0.105	0.36
Sweden	0.048	0.15	0.509	1.44	0.124	0.43
Switzerland	0.598	1.89	1.440	4.08	0.070	0.24
Taipei, China	0.039	0.12	0.003	0.01	0.075	0.26
Thailand	0.350	1.10	1.400	3.97	-0.897	-3.10
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
United Kingdom	6.109	19.28	4.982	14.11	3.918	13.55
United States	6.014	18.98	6.041	17.11	4.286	14.83
Vanuatu	0.000	0.00	0.000	0.00	0.000	0.00
Viet Nam, Soc. Rep. of	0.000	0.00	0.000	0.00	0.016	0.06
Western Samoa	0.005	0.02	0.077	0.22	-0.004	-0.01
International Organizations	2.410	7.60	2.284	6.47	2.233	7.73
TOTAL	31.693	100.00	35.304	100.00	28.906	100.00

^a Net of adjustments implies actual expenses which may be more or less than the committed amounts.

REGIONAL ACTIVITIES, 1988

	Amount (\$ thousand)
Program Support to the Asian and Pacific Energy Planning Network	150.00
Regional Workshop on Animal Disease Reporting System	150.00
Study on Irrigation and Improved Operations and Management	350.00
1988 Seminars on Procurement and Project Implementation Management	220.00
World Resources Institute (WRI) and International Institute for Environment and Development (IIED)	60.00
Project Benefit Monitoring and Evaluation System (PBMES) for IDFD and IMD Projects	75.00
Asian Institute of Technology for Strengthening Information Systems for Environmental Sanitation in Selected Developing Member Countries	350.00
Study of Impact of Exchange Risk on Development Finance Institutions and their Sub-Borrowers and Measures to Minimize Risks	75.00
International Center for Living Aquatic Resources Management for Genetic Improvement of Tilapia Species in Asia	475.00
Symposium-cum-Workshop on Country Development Strategies for SPDMCs (Supplementary)	4.27
Study of Government Incentives and Comparative Advantage in the Livestock and Feedstuff Sectors of the ASEAN Region	350.00
Study on the Development of Rubber-Based Manufacturing Industries in ANRPC Member Countries	240.00
Planning and Organization Research Workshop to Establish a Collaborative Vegetable Program in Southeast Asia	75.00
Regional Symposium on Modernization and Rehabilitation of Irrigation and Drainage Schemes	75.00
International Board for Soil Research and Management for Research on the Management of Sloping Lands for Sustainable Agriculture	600.00 ^a
Cooperation with NGOs in Agriculture/Rural Development	216.00
Preparation of Training Resources for Accounting Technicians	350.00
1988 Asian Productivity Organization (APO) Program	50.00
Preparation of Women in Development (WID) In-House Training Seminar	47.00 ^b
ADB Development Round Table on "The Promotion of Medium and Small-Scale Industries for Development"	100.00
Technical Assistance to Smaller DMCs for a Scholarship Program	300.00
Regional Seminar on Rainfed Agriculture	175.00
South Pacific Agricultural Research Cooperation — Second Phase	395.00
International Centre for Integrated Mountain Development (ICIMOD) for a Study of Strategies for the Sustainable Development of Mountain Agriculture	540.00
Regional Study of the Health and Population Sector	198.00
Study of Export Financing in Selected DMCs	245.00
Review of Private Sector Participation of Electric Power Subsector	100.00
Regional Seminar on Transport Policy	240.00
South Pacific Regional Environmental Program (SPREP) for Pacific Regional Environmental Impact Assessment Training Course	70.00
International Rice Research Institute for Strengthening Research on Integrated Pest Management in Deepwater Rice Farming Systems — Phase III	400.00
Regional Collaboration Workshop on Monitoring National Research	150.00
Post-Evaluation Impact and Tracer Studies in Selected Sectors and DMCs	55.00
Regional Program on Investment Banking	180.00
Second Round Capital Market Study in Selected Developing Member Countries	430.00
Study of Securities Market Institutions in Selected Developing Member Countries	597.00
ADB-TDB Program on Project Supervision for Development Finance Institutions in the Pacific Region	150.00
ADB Round Table on Development Strategies	100.00 ^c
Regional Study on the Role of the Private Sector in Economic Development of South Pacific Developing Member Countries	399.00
Regional TA to Support the OISCA-Sponsored "Asia-Pacific Development Conference"	50.00
Regional Seminar on Monitoring and Evaluation of Development Projects and Trainers' Workshop	39.00
Study of the Role of the Bank in the 1990s (Supplementary)	450.00
Workshop on Asian Economic Outlook	65.00
ADB Round Table on the Role of Newly Industrializing Economies (NIEs) in Asian Development	100.00
Regional Study on Domestic Shallow Well Water Supplies	175.00 ^d
TOTAL	9,615.27

a Of this amount, \$250,000 is financed by the Government of Switzerland with the Bank acting as Executing Agency.

b To be financed by the Government of Norway with the Bank acting as Executing Agency.

c To be financed from the Japan Special Fund.

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

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, 1988

(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
BANGLADESH		
Institutional Strengthening of Procurement of Medical Supplies	—	75.0
Industrial Environmental Pollution Control Study	—	75.0
Training in Feeder Road Construction and Maintenance	—	1,800.0
Preparation of a Road Master Plan	2,060.0 ^a	—
BHUTAN		
Institutional Strengthening of the Department of National Budget and Accounts of the Ministry of Finance	—	230.0
Low-Income Housing Finance	96.0	—
Master Plan for Forestry Development	—	738.0 ^b
Agricultural Extension Course	—	75.0
Institutional Support to the Bhutan Development Finance Corporation	—	270.0
Women in Development Profiles in Highland Livestock Development	—	30.0 ^c
Institutional Strengthening of the Department of Trade and Industry	—	250.0
CHINA, PEOPLE'S REPUBLIC OF		
Improvement of Irrigation Management and Cost Recovery	—	320.0
Institution Building of the State Statistical Bureau	—	350.0
Institutional Strengthening of the National Environmental Protection Agency	—	340.0
Liu Lin Thermal Power Plant	100.0	—
Industry Energy Conservation Program	—	830.0 ^d
Guangdong Railway	99.0 ^e	—
Huang Pu Bridge	95.0 ^e	—
Technology Transfer in Hydropower Design	—	375.0 ^e
Strengthening Government Implementation Capacity in the Pulp and Paper Sector	—	400.0 ^e
Institutional Support to SITCO	—	450.0 ^e
COOK ISLANDS		
Marketing and Transport of Agricultural Products	68.0	—
Rarotonga Water Supply	85.0	—
FJJI		
Fiji Housing Authority	—	96.0
Tourism Master Plan Study	—	375.0
Farm Management Information System	—	295.0
Northern Division Agricultural Development	300.0	—
Strengthening the Project Formulation, Evaluation and Monitoring Capabilities of Key Government Ministries	—	475.0 ^e
INDIA		
Road Improvement	75.0	—
Ports and Shipping Sector Study	—	500.0
Indian Acrylics Ltd.	22.0	—
Financial Sector Profile Study	—	48.5

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

b Of this amount, \$390,000 is to be financed by DANIDA with the Bank acting as Executing Agency.

c To be financed by the Government of Norway with the Bank acting as Executing Agency.

d Of this amount, \$412,000 is to be financed from JSF and \$418,000 by UNDP with the Bank acting as Executing Agency.

e To be financed from JSF.

CONTINUED

Country/Project	Project Preparatory	Advisory and Operational
INDONESIA		
Indonesian Banking Development Institute		400.0
Study for Institutional and Manpower Development in the Coal Subsector	350.0	
Urban Public Works Institutional Development	350.0	
Agriculture Sector Policy Formulation (BAPPENAS)	—	75.0
Financial Information System Development for the Ministry of Agriculture	—	500.0
Second Medan Urban Development	75.0	
Airborne Geophysical Survey	310.0	
Industrial Estate Promotion Study	—	350.0
Study on Establishment of Indonesian Venture Capital Company and a Detailed Evaluation of P.T. Bahana Ninth Port	75.0	
Natural Gas Rehabilitation and Expansion	91.0	
P.T. Kayu Lapis Indonesia Plywood Project in Irian Jaya	325.0 ^a	
Financial Sector Program	45.0	
Strengthening of the Industrial Information System of the Ministry of Industry	57.0	
Strengthening the Capability for Environmental Impact Assessment in the Ministry of Public Works	—	350.0
Upgrading of Industrial Research and Development Facilities	342.0 ^a	
Five Universities Development and Rehabilitation	450.0 ^a	
Second Vocational Education Sector	100.0 ^a	
Medan Urban Transportation Study	—	600.0 ^a
Medan Urban Land Development Study	—	500.0 ^a
Strengthening Bank Indonesia's Supervisory Capabilities	—	65.0
Technical Assistance to Ministry of Forests to Monitor Performance of Sustainable Utilization of Forest Resources and Environment Protection by P.T. Kayu Lapis Indonesia	—	73.0
Water Quality Management Sector	590.0 ^a	
KOREA, REPUBLIC OF		
Training System for Sewage Treatment Plant Personnel	—	350.0
LAO PEOPLE'S DEMOCRATIC REPUBLIC		
Northern Roads Improvement	350.0	
Restructuring of the Financial Sector	—	12.0
MALAYSIA		
Sarawak Electricity Supply Corporation Institutional Efficiency Study		350.0
Development of Selected Urban Centers (Supplementary)	75.0	
Coastal Villages Environmental Improvement	195.0	
Technology Assessment, Development and Management	400.0 ^a	
Timber Marketing Strategy Study	—	325.0 ^a
Third Health	100.0	
Establishment of an Industrial Sector Data Base	—	188.8

a To be financed from JSF.

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, 1988

(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
MALDIVES		
Institutional Strengthening of the Maldives Ports Authority		480.0 ^a
NEPAL		
Improvement of Communications Between the Bank and Nepal	—	20.0
Irrigation Sector Loan	75.0	—
Privatization of Nepal Tea Development Corporation (NTDC's Assets)	—	75.0
Inventory of Agriculture Inputs Corporation's Assets	—	40.0
Agriculture Projects Management Workshop	—	83.0
Upper Sagarmatha Integrated Rural Development	362.0 ^a	—
Second Road Improvement	100.0	—
Second Industrial Sector Study	—	525.0 ^a
Institutional Support to Department of Irrigation	—	2,000.0 ^b
Institutional Strengthening of the Agriculture Inputs Corporation	—	580.0 ^a
Regulation, Registration and Use of Pesticides	—	577.0 ^b
Livestock Sector Investment Study	—	334.0 ^a
Rajapur Irrigation Rehabilitation	456.0 ^a	—
PAKISTAN		
House-Building Finance Corporation	—	318.0
Second Urban Development	350.0	—
Study of the Federal Bank for Cooperatives	—	350.0
Urban Water Supply and Sanitation Sector Study	—	350.0
Low-Income Housing	100.0	—
Review of Industrial Policy Framework	—	30.0
Technical and Vocational Education Development Study	—	495.0
Primary Education (Girls) (Supplementary)	25.0	—
Credit Guarantee Scheme for SSIs	—	150.0
Institution-Building of Regional Development Finance Corporation	—	250.0 ^b
Pilot Assistance Program for Micro Industries (MIs)	—	200.0 ^b
Institution-Building for Small Industries Corporations (SICs)	—	400.0 ^b
Promotion of Subcontracting	—	350.0 ^b
Provincial Roads	250.0 ^a	—
Domestic Road Contractors	—	830.0
Second Oil and Gas Development	315.0 ^a	—
Study on Regional Industrial Potential and Industrial Pollution Control Policy	—	296.0 ^a
Disinvestment Strategy of Public Enterprises	—	240.0 ^a
Rural Development Strategy for Sind Arid Zone	—	1,450.0 ^c
PAPUA NEW GUINEA		
Second Ports Development	350.0 ^a	—
Health Sector Financing	—	361.0 ^a
PHILIPPINES		
Irrigation Systems Improvement	350.0	—
Agricultural Statistics Improvement	—	344.0
Study of the Venture Capital Industry	—	75.0
Study of Thrift Banks in the Philippines	75.0	—
Private Development Corporation of the Philippines' Rehabilitation Program	—	75.0
Privatization Strategy Study for Philippine Airlines	—	350.0
Strengthening DENR's System for Selection, Appraisal & Monitoring of Forestation Projects	—	677.0 ^a
Master Plan for Forestry Development	—	1,317.0 ^a
Study on Rationalization of the Wood-Based Industry	—	350.0 ^a

a. To be financed from JSF.

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

c. Of this amount, \$700,000 is to be financed by UNDP and \$400,000 by the Government of Switzerland with the Bank acting as Executing Agency.

d. Of this amount, \$395,000 is to be financed from JSF and \$922,000 by the Government of Finland with the Bank acting as Executing Agency.

Country/Project	Project Preparatory	Advisory and Operational
PHILIPPINES (cont'd)		
Formulation of a Comprehensive Scheme for the Promotion of Commercial and Industrial Tree Plantations	206.0 ^a	—
Rattan Plantations Development	250.0 ^a	—
Monitoring and Evaluating the Performance of State-Owned Enterprises	—	500.0
Study of the Leasing Industry	—	30.0
Advisory Services for the Telecommunications Sector	—	880.0 ^a
Development Study of the Visayas Power System	—	358.0
Feeder Ports	500.0 ^a	—
Angat Water Supply Optimization	100.0	—
Power Sector Cost Structure and Transfer Pricing Study	—	230.0 ^a
Community Mobilization and Development	—	100.0 ^a
Manila Metropolitan Region Environmental Improvement Study	—	551.0 ^b
Bicol River Basin Flood Control Irrigation Development	3,753.0 ^c	—
Institutional Strengthening of NGOs	—	490.0 ^b
Palawan Integrated Area Development II	355.0 ^d	—
SOLOMON ISLANDS		
Privatization and Commercialization Policies and Strategies	—	267.0
Mid-Term Review of the Third National Development Plan and Medium-Term Investment Programming	—	69.4
Santa Isabel Forest Development	100.0	—
Projects Identification in Agriculture Sector	—	97.0
SRI LANKA		
Accelerated Development of the Southern Province	—	60.0
Review of Crop Production Incentives	—	300.0
Crop and Fisheries Rehabilitation	75.0	—
Education and Training Sector Study	—	405.0
Telecommunications Development Study	350.0 ^a	—
Urban Sector Profile	—	98.0
Establishment of a Domestic Unit Trust	—	230.0
Institution-Building for Capital Development and Investment Company Ltd. (CDIC)	—	100.0
Establishment of an Investors' Compensation Fund and Workshops for Training in Securities	—	170.0
THAILAND		
Provincial Towns Water Supply (Supplementary)	40.0 ^b	—
Government Manpower Planning and Information System (Supplementary)	—	20.0
Private Tree Farms Development Study	—	320.0 ^a
Study of MEA's Computer Based Systems	—	430.0
VANUATU		
Preparation of a National Transport Development Plan	—	350.0
Agricultural Support Services	62.0	—
WESTERN SAMOA		
Implementing Privatization of Selected Government Corporations and Activities	—	270.0
TOTAL	15,879.0	33,308.7

a To be financed from JSF.

b To be financed by the Government of Switzerland with the Bank acting as Executing Agency.

c Of this amount, \$1,650,000 is to be financed from JSF and \$1,853,000 by UNDP with the Bank acting as Executing Agency.

d Of this amount, \$205,000 is to be financed by UNDP with the Bank acting as Executing Agency.

**GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY COUNTRY AND REGIONAL ACTIVITIES,^a
1987, 1988, 1967-1988**
(amounts in \$ thousand)

Country	No.	1987			%
		Bank Financing	Other Sources	Total	
Afghanistan, Rep. of	—	—	—	—	—
Bangladesh	11	479.00	6,103.00	6,582.00	15.72
Bhutan	2	700.00	—	700.00	1.67
Burma	4	600.00	650.00	1,250.00	2.98
Cambodia	—	—	—	—	—
China, People's Rep. of	5	652.00	750.00	1,402.00	3.35
Cook Islands	1	288.00	—	288.00	0.69
Fiji	—	—	—	—	—
India	—	—	—	—	—
Indonesia	13	3,470.00	300.00	3,770.00	9.00
Kiribati	—	—	—	—	—
Korea, Rep. of	1	350.00	—	350.00	0.84
Lao PDR	4	555.00	2,760.00	3,315.00	7.92
Malaysia	4	994.00	—	994.00	2.37
Maldives	2	610.00	—	610.00	1.46
Nepal	8	1,465.00	3,091.00	4,556.00	10.88
Pakistan	14	2,863.00	1,355.00	4,218.00	10.07
Papua New Guinea	2	376.00	—	376.00	0.90
Philippines	8	1,834.50	—	1,834.50	4.38
Singapore	—	—	—	—	—
Solomon Islands	6	1,365.00	—	1,365.00	3.26
Sri Lanka	7	1,292.50	—	1,292.50	3.09
Taipei, China	—	—	—	—	—
Thailand	7	955.00	40.00	995.00	2.38
Tonga	—	—	—	—	—
Vanuatu	2	329.76	—	329.76	0.79
Viet-Nam, Soc. Rep. of	—	—	—	—	—
Western Samoa	1	150.00	—	150.00	0.36
Sub-Total	102	19,328.76	15,049.00	34,377.76	82.11
Regional	39	6,642.00	850.00	7,492.00	17.89
TOTAL	141	25,970.76	15,899.00	41,869.76	100.00

a Excluding technical assistance financed under loans, which are included in the Bank's loan data.

b Adjusted to exclude \$350,000 under Bank financing of the Forestry Development Study (Papua New Guinea) which was withdrawn by the Government.

1988

1967-1988

No.	Bank Financing	JSF Financing	Other Sources	Total	%	No.	Amount	% Total
—	—	—	—	—	—	15	2,465.70	0.73
4	1,950.00	—	2,060.00	4,010.00	6.82	97	46,617.32	13.74
7	1,269.00	—	420.00	1,689.00	2.87	28	8,864.00	2.61
—	—	—	—	—	—	38	10,716.00	3.16
—	—	—	—	—	—	2	111.00	0.03
10	1,110.00	1,831.00	418.00	3,359.00	5.71	16	4,836.00	1.42
2	153.00	—	—	153.00	0.26	5	602.00	0.18
5	1,066.00	475.00	—	1,541.00	2.62	21	3,902.50	1.15
4	645.50	—	—	645.50	1.10	4	645.50	0.19
23	3,641.00	2,907.00	—	6,548.00	11.14	150	33,382.27	9.84
—	—	—	—	—	—	7	1,125.00	0.33
1	350.00	—	—	350.00	0.59	33	5,010.15	1.48
2	362.00	—	—	362.00	0.61	32	12,174.78	3.59
7	908.80	725.00	—	1,633.80	2.78	44	9,989.80	2.94
1	—	480.00	—	480.00	0.82	8	1,833.00	0.54
13	393.00	2,257.00	2,577.00	5,227.00	8.89	100	38,769.70	11.48
19	3,348.00	1,101.00	2,300.00	6,749.00	11.48	92	25,376.15	7.48
2	—	711.00	—	711.00	1.21	38 ^b	7,358.60 ^b	2.17
23	2,657.00	5,238.00	4,021.00	11,916.00	20.26	109	31,983.90	9.43
—	—	—	—	—	—	2	577.42	0.17
4	533.40	—	—	533.40	0.91	32	4,967.74	1.46
9	1,438.00	350.00	—	1,788.00	3.04	63	11,508.00	3.39
—	—	—	—	—	—	1	100.00	0.03
4	450.00	320.00	40.00	810.00	1.38	53	12,429.60	3.66
—	—	—	—	—	—	10	1,466.00	0.43
2	412.00	—	—	412.00	0.70	13	2,373.76	0.70
—	—	—	—	—	—	11	1,110.60	0.33
1	270.00	—	—	270.00	0.46	27	4,510.50	1.33
143	20,956.70	16,395.00	11,836.00	49,187.70	83.65	1,051	284,806.99	83.94
44	9,043.27	100.00	472.00	9,615.27	16.35	308	54,503.60	16.06
187	29,999.97	16,495.00	12,308.00	58,802.97	100.00	1,359	339,310.59	100.00

GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY SECTOR,^a 1987, 1988, 1967-1988
 (amounts in \$ thousand)

Sector	1987			1988			1967-1988		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	35	10,597.00	30.83	46	21,507.00	43.72	464 ^b	140,734.67 ^b	49.41
Energy	15	5,709.76	16.61	10	3,663.00	7.45	128	37,194.60	13.06
Industry and Non-Fuel Minerals	10	3,442.00	10.01	32	6,461.30	13.14	110	21,482.80	7.54
Transport and Communications	15	5,189.00	15.09	17	7,710.00	15.67	137	37,443.55	13.15
Social Infrastructure	17	5,661.00	16.47	29	7,745.00	15.75	165	36,750.27	12.90
Multisector	2	438.00	1.27	—	—	—	10	1,989.00	0.70
Others	8	3,341.00	9.72	9	2,101.40	4.27	37	9,212.10	3.24
TOTAL	102	34,377.76	100.00	143	49,187.70	100.00	1,051	284,806.99	100.00

a Excluding technical assistance financed under loans which are included in the Bank's loan data.

b Adjusted to exclude \$350,000 under Bank financing of the Forestry Development Study (Papua New Guinea) which was withdrawn by the Government.

1988 LOANS THAT RESULTED FROM EARLIER BANK TECHNICAL ASSISTANCE
 (amounts in \$ million)

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Cost	Amount of Bank Financing			Amount of Co-Financing	Amount of Government Financing
				OGR	ADF	TOTAL		
BHUTAN								
Bhutan Development Finance Corporation	1984)	0.230	3.75	—	2.50	2.50	—	—
	1988)	0.270	—	—	—	—	—	—
Industrial Estates	1984)	0.230	1.33	—	1.15	1.15	—	0.18
	1986)	0.140	—	—	—	—	—	—
CHINA, PEOPLE'S REP. OF								
Hexian Pulp Mill	1987	0.075	82.95	49.60	—	49.60	—	33.40
INDIA								
Road Improvement	1988	0.075	253.50	198.00	—	198.00	—	55.50
INDONESIA								
Marine Sciences Education	1987	0.350	91.63	43.25	30.10	73.35	—	18.30
Nucleus Estate and Smallholder Cocoa/Coconut	1985	0.340	79.00	47.50	—	47.50	—	31.50
Second Medan Urban Development	1988	0.075	219.78	175.00	—	175.00	—	44.80
Second Health and Population	1987	0.335	49.29	39.30	—	39.30	—	10.00
Financial Sector Program	1988	0.057	300.00	150.00	50.00	200.00	—	—
KOREA, REPUBLIC OF								
Fifth Sewage Treatment	1985	0.075	132.85	20.65	—	20.65	—	111.85
MALDIVES								
Male' Port Development	1987	0.260	14.90	—	6.40	6.40	6.10	2.40
NEPAL								
Irrigation Sector	1988	0.075	45.40	—	36.30	36.30	—	4.70
PAKISTAN								
KESC Fifth Power Expansion (Sector)	1987	0.075	389.76	100.00	—	100.00	112.20	177.60
Khushab Salinity Control and Reclamation	1987	0.215	65.90	—	53.00	53.00	—	12.90
Second Aquaculture Development	1979)	0.135	19.50	—	15.00	15.00	—	4.50
	1986)	0.290	—	—	—	—	—	—
Second Farm-to-Market Roads	1985	0.075	132.95	—	106.00	106.00	—	26.95
Small-Scale Industry	1985	0.330	75.00	50.00	—	50.00	9.20	—
PHILIPPINES								
Agricultural Technology Education	1983)	0.215	24.76	—	15.86	15.86	6.50	2.39
	1987)	0.075	—	—	—	—	—	—
Sorsogon Integrated Area Development	1982)	0.350 ^a	30.10	—	24.10	24.10	—	6.00
	1987)	0.075	—	—	—	—	—	—
SRI LANKA								
Second Technical Education	1986	0.294	45.00	—	36.00	36.00	—	9.00
Perennial Crops Development	1986	0.400 ^b	25.70	—	17.30	17.30	—	3.28
WESTERN SAMOA								
Second Multiproject	1987	0.150	7.60	—	6.00	6.00	0.70	0.90
T O T A L		5.266	2,090.65	873.30	399.71	1,273.01	134.70	556.15

a Financed by EEC with the Bank acting as Executing Agency.

b Of this amount, \$250,000 is to be financed by the Government of Switzerland with the Bank acting as Executing Agency.

NET FLOW OF RESOURCES^a TO DMCs (OCR)
 (amounts in \$ million)

DMC	1980	1981	1982	1983	1984	1985	1986	1987	1988
Bangladesh	-0.09	-0.73	-1.20	-1.01	-0.96	-0.87	-0.89	-0.88	0.01
Burma	0.20	-0.57	-0.61	-0.55	-0.59	-0.60	-0.71	-0.77	-0.73
China, People's Rep. of	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.57
Fiji	7.21	0.05	1.42	3.34	4.54	-2.49	-2.15	-3.42	13.71
Hong Kong	8.36	0.53	1.97	-1.90	-7.05	-9.33	-10.87	-43.24	0.00
India	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.77	52.74
Indonesia	36.64	61.77	91.45	110.17	91.13	74.09	72.35	148.71	241.36
Korea, Rep. of	5.49	50.00	37.38	7.40	13.74	-19.76	-87.00	-228.89	169.33
Malaysia	9.48	10.20	27.58	20.85	-0.80	-18.38	-26.39	-30.22	-47.34
Nepal	-0.33	-0.32	-0.31	0.00	0.00	0.00	0.00	0.00	0.00
Pakistan	3.93	-3.61	-1.54	13.26	11.43	8.54	-10.81	-20.36	20.75
Papua New Guinea	5.19	3.29	4.98	-1.26	-0.58	1.51	4.43	4.40	7.74
Philippines	45.70	73.79	61.45	113.70	84.96	6.57	-31.03	-75.89	-76.71
Singapore	1.65	-3.84	2.35	1.85	-6.43	-11.76	-15.16	-16.46	-15.35
Sri Lanka	-1.87	-1.84	-1.79	-1.66	-1.46	-1.07	-0.64	0.00	-0.30
Taipei, China	-11.15	-9.17	-7.68	-7.21	-6.97	-7.01	-7.55	-7.75	-7.65
Thailand	52.24	29.94	56.67	48.27	51.96	45.46	-11.49	-86.21	-80.43
Viet Nam, Soc. Rep. of	0.56	0.81	-0.09	-0.18	-0.18	-0.17	-0.10	-0.21	-0.11
TOTAL	163.23	210.30	272.03	305.09	232.74	64.74	-128.01	-350.41	-58.46

a . Net transfer of resources defined as Disbursements less Repayments and Interest/Charges Received.

Note: Includes Private Sector loans and equity investments. Totals may not tally due to rounding.

NET FLOW OF RESOURCES^a TO DMCs (ADF)
(amounts in \$ million)

DMC	1980	1981	1982	1983	1984	1985	1986	1987	1988
Afghanistan, Rep. of	4.14	0.68	-0.69	-0.48	-0.48	-0.09	-1.12	-1.75	-1.50
Bangladesh	55.19	42.49	29.20	45.89	74.57	139.79	133.53	164.43	208.52
Bhutan	0.00	0.00	0.00	0.00	0.00	1.58	1.48	3.18	3.38
Burma	11.35	20.40	33.15	15.18	22.94	30.40	23.80	31.86	31.46
Cambodia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cook Islands	0.00	0.56	-0.26	0.77	0.09	0.39	0.17	0.14	0.00
Indonesia	-0.81	-0.16	-1.32	-2.00	-0.99	2.78	-0.60	26.23	54.92
Kiribati	-0.01	0.00	-0.01	0.00	0.00	0.06	0.10	0.88	0.26
Korea, Rep. of	-0.32	-0.33	-0.31	-0.32	-0.31	-0.31	-0.33	-0.34	-0.34
Lao PDR	0.21	1.09	5.04	3.78	1.48	3.61	5.02	2.11	4.77
Malaysia	-0.26	-0.26	-0.25	-0.25	-0.25	-0.25	-0.27	-0.28	-0.28
Maldives	0.00	0.00	0.02	0.70	0.02	0.08	0.48	1.05	0.86
Nepal	7.82	13.08	18.42	21.06	34.26	39.46	30.62	23.26	35.52
Pakistan	19.13	16.49	42.31	61.26	98.88	94.68	96.59	138.31	174.05
Papua New Guinea	6.91	15.26	2.98	7.79	2.34	2.59	0.29	4.13	8.31
Philippines	6.18	1.00	3.37	5.85	1.39	1.99	27.67	32.30	31.51
Singapore	-0.11	-0.26	-0.26	-0.25	-0.25	-0.25	-0.28	-0.29	-0.30
Solomon Islands	3.44	3.09	1.74	1.12	0.86	1.60	1.64	2.74	5.39
Sri Lanka	4.15	8.08	15.71	27.01	24.12	26.85	35.47	42.34	57.09
Thailand	1.17	0.25	2.98	7.14	8.61	8.82	11.17	7.45	1.99
Tonga	1.28	0.61	0.11	0.57	0.97	0.57	0.46	0.56	1.32
Vanuatu	0.00	0.00	0.00	0.00	0.27	0.34	0.22	1.02	0.74
Viet Nam, Soc. Rep. of	6.61	2.70	-0.46	0.19	-0.01	1.47	0.50	0.06	-0.23
Western Samoa	3.09	2.94	1.08	3.15	2.64	0.52	-0.14	0.93	1.04
TOTAL	130.77	127.70	153.08	198.15	271.16	356.68	366.45	480.31	618.48

^a Net transfer of resources defined as Disbursements less Repayments and Interest/Charges Received.

Note: Includes Private Sector loans. Totals may not tally due to rounding.

FINANCIAL RESOURCES

BORROWINGS, 1988

Country	Borrowing	Amount in Currency of Borrowing (million)	US\$ Equivalent^a (million)
Japan	5.50% 10-Year Bonds due 1998	¥ 30,000	222.2
Switzerland	4.25% 7-Year Bonds due 1995 (Tranche A)	SwF 100	75.0
	5.00% 20-Year Bonds due 2008 (Tranche B)	SwF 50	37.5
United States	9.375% 7-Year Bonds due 1995	\$ 100	100.0
TOTAL			434.7

^a Based on the exchange rates effective at the date of Board approval of each borrowing.

STATUS OF ASIAN DEVELOPMENT FUND RESOURCES

	Valued as of 31/12/87 US\$m.	Change in 1988			Valued as of 31/12/88 US\$m.	SDRm. ^b
		Addition US\$m.	Exchange Rate Adjustments ^a US\$m.	Net Change US\$m.		
Contributed Resources^c						
Australia	264.97	135.90	58.08	193.98	458.95	341.05
Austria	71.75	23.37	-8.33	15.04	86.79	64.49
Belgium	78.77	7.00	-9.02	-2.02	76.75	57.03
Canada	575.40	64.97	51.44	116.41	691.81	514.09
Denmark	69.53	12.30	-8.16	4.14	73.67	54.74
Finland	52.76	10.68	-2.92	7.76	60.52	44.97
France	325.07	69.80	-32.89	36.91	361.98	268.99
Germany, Fed. Rep. of	708.44	87.64	-79.61	8.03	716.47	532.41
Hong Kong	1.09	0.32	—	0.32	1.41	1.05
Indonesia	3.04	0.79	—	0.79	3.83	2.84
Italy	208.42	99.66	-22.42	77.24	285.66	212.28
Japan	5,318.43	685.95	-128.10	557.85	5,876.28	4,366.71
Korea, Rep. of	4.16	1.41	—	1.41	5.57	4.14
Netherlands	201.88	66.77	-25.37	41.40	243.28	180.78
New Zealand	17.31	4.03	-0.97	3.06	20.37	15.14
Norway	45.01	13.45	-2.78	10.67	55.68	41.37
Spain	34.20	5.15	-1.14	4.01	38.21	28.39
Sweden	79.53	16.90	-3.90	13.00	92.53	68.76
Switzerland	139.98	18.70	-21.44	-2.74	136.24	101.24
Taipei, China	1.72	0.28	—	0.28	2.00	1.49
United Kingdom	335.63	50.01	-11.23	38.78	374.41	278.23
United States	1,222.11	168.70	—	168.70	1,390.81	1,033.52
Total Contributed Resources	9,758.17	1,543.79	-248.72	1,295.07	11,053.24^d	8,213.75
Additional Resources						
Set-Aside Resources	67.54	—	-3.47	-3.47	64.07	47.61
Other Resources ^e	5.08	—	—	—	5.08	3.78
Accumulated Translation Adjustments	84.85	-7.12	—	-7.12	77.73	57.76
Accumulated Surplus	285.28	47.10	—	-47.10	332.38	246.99
Total Additional Resources	442.75	89.98	-3.47	36.51	479.26	356.14
Total Resources	10,200.92	1,583.77	-252.19	1,331.58	11,532.50	8,569.89
Less: Amounts Disbursed and Outstanding	3,912.51	660.02	-96.17	563.85	4,476.36	3,326.42
Amounts Committed but Undisbursed:						
Denominated in US Dollars	903.74	-266.43	—	-266.43	637.31	473.59
Denominated in SDRs	3,773.54	571.53	-191.34	380.19	4,153.73	3,086.67
Total Uncommitted Resources	1,611.13	618.65	35.32	653.97	2,265.10	1,683.21
Less: Provision for Exchange Rate Fluctuations ^f	558.25	76.01	—	76.01	634.26	471.32
Net Amount Available for Loan Commitments	1,052.88	542.64	35.32	577.96	1,630.84	1,211.89

Note: * Figures may not add due to rounding.

a Relating to balances as of 31 December 1987 and additions in 1988.

b Valued at the rate of \$1.3457 per SDR as of 31 December 1988.

c Amounts are adjusted for exchange rate changes and do not necessarily correspond to the initial ADF contributions by individual countries.

d Excludes advance payments totalling \$281.94 million representing amounts of ADF V contributions paid but not available as of 31 December 1988 for loan commitments.

e Amounts initially accrued or allocated to other Special Funds.

f Equivalent to the sum of Other Resources, Accumulated Translation Adjustments, Accumulated Surplus and Accumulated Loan Principal Repayments.

TECHNICAL ASSISTANCE SPECIAL FUND

(US Dollar Equivalent)^a

Contributor	Total Contributions	Amount Utilized
Direct Voluntary Contributions		
Australia	2,484,371	2,484,371
Austria	150,362	106,439
Bangladesh	47,352	47,352
Belgium	1,325,697	872,726
Canada	3,345,751	3,345,751
Denmark	1,962,529	1,962,529
Finland	237,201	237,201
France	1,694,880	1,694,880
Germany, Fed. Rep. of	3,314,813	3,314,813
Hong Kong	100,000	100,000
India	1,824,226	1,824,226
Indonesia	250,000	250,000
Italy	774,147	774,147
Japan	47,728,769	47,260,872
Korea, Rep. of	1,750,000	1,750,000
Malaysia	909,129	909,129
Netherlands	1,346,712	1,346,712
New Zealand	1,095,632	1,095,632
Norway	3,300,102	3,152,328
Pakistan	682,678	641,684
Singapore	100,000	99,923
Spain	189,580	189,580
Sri Lanka	6,309	6,309
Sweden	861,358	861,358
Switzerland	1,035,043	1,035,043
Taipei, China	200,000	200,000
United Kingdom	5,616,741	5,616,741
United States	1,500,000	1,500,000
Sub-Total	83,833,382	82,679,746
Regularized Replenishment Contributions^b	91,049,855	23,712,453
Other Resources^c	16,214,418	13,552,959
T O T A L	191,097,655	119,945,158

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 1988.

b Represents the TASF portion of contributions to the Replenishment of the Asian Development Fund and the Technical Assistance Special Fund authorized by Governors' Resolution No. 182.

c Represents income, repayments and reimbursements accruing to TASF since April 1980.

JAPAN SPECIAL FUND

Statement of Operations and Unexpended Balance
(amounts in \$ million)

	<u>1988</u>
Contribution committed	35.8
Revenue	<u>1.2</u>
Total	37.0
Expenses	<u>1.6</u>
Unexpended Balance at end of the Period	35.4

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SUMMARY OF BUDGET FOR 1989**Internal Administrative Expenses**

(amounts in \$ thousand)

	1988			1989 Budget
	Budget	After Transfers ¹	Actual ²	
I. BOARD OF GOVERNORS	165	209	209	347
II. BOARD OF DIRECTORS	4,589	4,589	4,367	5,284
Salaries	2,416	2,416	2,364	2,554
Benefits	1,119	1,119	1,085	1,300
Relocation	319	319	214	663
Business Travel	346	346	323	356
Staff Services	389	389	381	411
III. STAFF	72,655	73,092	73,092	80,625
Salaries	42,856	43,156	43,156	46,903
Benefits	24,093	23,769	23,769	26,218
Relocation	1,707	1,548	1,548	1,713
Consultants	3,999	4,619	4,619	5,791
IV. BUSINESS TRAVEL & REPRESENTATION	6,472	6,521	6,521	7,196
Business Travel	6,362	6,389	6,389	7,069
Representation	110	132	132	127
V. OTHER ADMINISTRATIVE EXPENSES	13,590	13,590	12,653	14,870
Communications	2,018	2,112	2,112	2,233
Office Occupancy	3,101	2,751	2,651	2,947
Library	275	300	300	300
Expendable Supplies	1,213	1,400	1,400	1,498
Office Equipment	1,724	1,768	1,768	1,816
Contractual Services	3,172	3,172	2,633	3,113
Insurance	253	253	204	257
Depreciation	1,703	1,703	1,468	1,648
Miscellaneous	131	131	117	133
New Headquarters Building				825
New Field Offices				100
VI. GENERAL CONTINGENCY	975	445		1,083
T O T A L	98,446	98,446	96,842	109,405

1 An amount of \$530,000 was allocated out of the General Contingency to the Budget Categories BOARD OF GOVERNORS (\$44,000), STAFF (\$437,000), and BUSINESS TRAVEL & REPRESENTATION (\$49,000). Transfers were made between Budget Items within the Budget Categories STAFF and OTHER ADMINISTRATIVE EXPENSES.

2 Excludes the amount of \$2,850,000 consisting of provisions for accumulated compensated absences — \$559,000 and severance pay — \$2,279,000 to meet accounting requirements as of 31 December 1988, and \$12,000 representing bank charges pertaining directly to ADF. The total expenses of \$99,692,000 have been distributed (as shown in the financial statements) to OCR — \$52,875,000 (Ref. OCR-2), ADF — \$45,741,000 (Ref. ADF-2), TASF — \$19,000 (Ref. TASF-2), and JSF — \$1,041,000 (Ref. JSF-2).

RESOLUTIONS OF BOARD OF GOVERNORS ADOPTED DURING 1988

Resolution No.	Subject	Date Adopted
188	Agreement Between United Nations Development Programme and Asian Development Bank	6 April 1988
189	Financial Statements and Opinions of Independent Auditors	30 April 1988
190	Allocation of Net Income	30 April 1988
191	Decisions Relating to Sections 5 and 7 (B)(a) of the By-Laws	3 June 1988
192	Increase in Authorized Capital Stock	16 September 1988
193	Special Increase in Capital Subscription of Japan	16 September 1988
194	Special Increase in Capital Subscription of Sweden	16 September 1988
195	Special Increase in Capital Subscription of the United States	16 September 1988

BOARD OF GOVERNORS
 (As of 31 December 1988)

Li Guixian (People's Republic of China) (Chairman)

Christopher Patten, MP (United Kingdom) (Vice-Chairman)

Ahmed Mujuthaba (Maldives) (Vice-Chairman)

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Republic of	Mohamad Kabir	Abdul Ghafoor Joushan
Australia	P. J. Keating	R. B. Dun
Austria	Ferdinand Lacina	Othmar Haushofer
Bangladesh	A.V.M.(Retd.) A. K. Khandker ¹	Enam Ahmed Chaudhury ²
Belgium	PH. Maystadt ³	Jan Vanormelingen ⁴
Bhutan	Dawa Tsering	Nado Rinchen ⁵
Burma	Rear Admiral Maung Maung Khin ⁶	U Soe Thwin ⁷
Cambodia		
Canada	Joe Clark	Frederick W. Gorbet ⁸
China, People's Republic of	Li Guixian ⁹	Che Peiqin
Cook Islands	Terepai Maoate	Parei Joseph
Denmark	Ole Loensmann Poulsen ¹⁰	Sten Lilholt
Fiji	J. N. Kamikamica	Ratu Jone Y. Kubuabola ¹¹
Finland	Kai Helenius	Pasi Rutanen ¹²
France	Pierre Beregovoy ¹³	Jean-Claude Trichet
Germany, Federal Republic of	Hans Klein	Eckard Pieske
Hong Kong	Piers Jacobs	D. A. C. Nendick
India	S. B. Chavan ¹⁴	S. Venkitaramanan
Indonesia	J. B. Sumarlin ¹⁵	Adrianus Mooy ¹⁶

CONTINUED

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
Italy	Carlo Azeglio Ciampi	Mario Sarcinelli
Japan	Noboru Takeshita ¹⁷	Satoshi Sumita
Kiribati	Teatao Teannaki	Beniamina Tinga
Korea, Republic of	Kyu Sung Lee ¹⁸	Kun Kim ¹⁹
Lao People's Democratic Republic	Sisavath Sisane	Soulignong Nhouyvanisvong
Malaysia	Daim Zainuddin D.H.M.S.	Tan Sri Datuk Zain Azraai
Maldives	Ahmed Mujuthaba	Ismail Fathy
Nepal	Bharat Bahadur Pradhan	Lok Bahadur Shrestha
Netherlands	H. O. Ruding	P. Bukman
New Zealand	David Caygill ²⁰	Graham Scott
Norway	Arne Arnesen	Bernt H. Lund
Pakistan	(Vacant) ²¹	Izhar-Ul-Haque ²²
Papua New Guinea	Paul Pora ²³	Morea Vele ²⁴
Philippines	Vicente Jayme	Jose B. Fernandez, Jr.
Singapore	Richard Hu Tsu Tau	Lee Ek Tieng
Solomon Islands	George Kejona	Mathias Pepena ²⁵
Spain	Carlos Solchaga Catalan	Apolonio Ruiz Ligero ²⁶
Sri Lanka	M.H.M. Naina Marikar ²⁷	Chandi Chanmugam
Sweden	Bengt Saeve-Soederbergh	Carl-Johan Groth
Switzerland	Pierre-Louis Girard ²⁸	Louis Currat
Taipei, China	Chi-Cheng Chang	Yu-Chi Hsueh ²⁹
Thailand	Pramual Sabhavasu ³⁰	Panas Simasathien
Tonga	J. C. Cocker	Baron Vaea
United Kingdom	Christopher Patten, MP	J. L. F. Buis
United States	Nicholas F. Brady ³¹	W. Alien Wallis

BOARD OF GOVERNORS
 (As of 31 December 1988)

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
Vanuatu	Sela Molisa	John Sethy Regenvanu
Viet Nam, Socialist Republic of	Lu Minh Chau	Le Hoang
Western Samoa	Tuilaepa S. Malielegaoi ³²	Kolone Va'ai

- 1 Succeeded M. Syeduzzaman in January.
- 2 Succeeded M. K. Anwar in August.
- 3 Succeeded M. Eyskens in May.
- 4 Succeeded Rene Lauwerjins in April.
- 5 Succeeded Yeshey Zimba in January 1987.
- 6 Succeeded U Tun Tin in October.
- 7 Succeeded U Kyaw Myint in October.
- 8 Succeeded Stanley Hartt in August.
- 9 Succeeded Mme. Chen Muhsia in June.
- 10 Succeeded Bjoern Olsen in July.
- 11 Succeeded Savenaca Siwatibau in July.
- 12 Succeeded Risto Kauppi in January.
- 13 Succeeded Edouard Balladur in June.
- 14 Succeeded Narayan Datt Tiwari in July.
- 15 Succeeded Radius Prawiro in April.
- 16 Succeeded Arifin M. Shregar in April.
- 17 Succeeded Kiichi Miyazawa in December.
- 18 Succeeded Il Sakong in December.

- 19 Succeeded Sung Sang Park in March.
- 20 Succeeded Roger Owen Douglas in December.
- 21 Mahbub-Ul-Haq succeeded Mian Muhammad Yasin Khan Wattoo in August.
Successor to Mahbub-Ul-Haq is to be advised.
- 22 Succeeded Saeed Ahmad Qureshi in August.
- 23 Succeeded Galeva Kwarara in July.
- 24 Succeeded J. Vulupindi in September.
- 25 Succeeded George Lepping in September.
George Lepping succeeded John Rofeta in April.
- 26 Succeeded Miguel Angel Fernandez Ordonez in August.
- 27 Succeeded Ronnie de Mel in January.
- 28 Succeeded Silvio Arioli in June.
- 29 Succeeded Pei-Ying Pai in April.
- 30 Succeeded Suthee Singhasaneh in August.
- 31 Succeeded James A. Baker III in September.
- 32 Succeeded Faasootauloa S.P. Saiti in April.

BOARD OF DIRECTORS AND VOTING GROUPS
 (As of 31 December 1988)

DIRECTOR	ALTERNATE DIRECTOR	ELECTED BY ¹
D. Bandyopadhyay ²	Quazi Azher Ali	Bangladesh; Bhutan; India; Lao People's Democratic Republic; Socialist Republic of Viet Nam
Heinz Bühler ³	Christian Heilingsetzer ⁴	Austria; Federal Republic of Germany; United Kingdom
Sofjan Djajawinata	Cliff F. Sproule	Cook Islands; Fiji; Indonesia; New Zealand; Tonga; Western Samoa
Victor H. Frank, Jr.	William R. Thomson	United States
Kong Fannong	Wei Benhua ⁵	People's Republic of China
Jean-Marc Métivier	Inga Klevby	Canada; Denmark; Finland; Netherlands; Norway; Sweden
Shoji Mori	Satoshi Hashimoto	Japan
Suwat Pasugswad	Bhubaneshwar Khatri	Burma; Malaysia; Nepal; Singapore; Thailand
N. M. Qureshi	Joker P. Arroyo	Maldives; Pakistan; Philippines
Michel Rougé	Paul Obrist	Belgium; France; Italy; Spain; Switzerland
Kenneth Walier	Dereck Rooken-Smith ⁶	Australia; Hong Kong; Kiribati; Solomon Islands
Sung-Yong Wei	H. B. Disanayaka	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Vanuatu

1 In alphabetical order within each group.

2 Elected with effect from 23 September to succeed S. M. Kelkar who was Director until 7 May.

3 Succeeded David Craxton on 1 July.

4 Succeeded Heinz Bühler on 1 July.

5 Succeeded Li Dongqun on 1 July.

6 Succeeded Ralph Hilman on 16 May.

COMMITTEES OF THE BOARD OF DIRECTORS
(As of 31 December 1988)

AUDIT COMMITTEE

N. M. Qureshi (Chairman)

Heinz Bühler

Kong Fannong

Jean-Marc Métivier

Suwan Pasugswad

Michel Rougé

BUDGET REVIEW COMMITTEE

Sofjan Djajawinata (Chairman)

D. Bandyopadhyay

Victor H. Frank, Jr.

Shoji Mori

Kenneth Waller

Sung-Yong Wei

PRINCIPAL OFFICERS

(As of 31 December 1988)

CONTINUED

OFFICE OF THE PRESIDENT

Masao Fujioka	President
S. Stanley Katz	Vice-President
Günther G. Schulz	Vice-President
In Yong Chung	Vice-President

OFFICE OF THE SECRETARY

Arun B. Adarkar	Secretary
William G. Brown	Assistant Secretary

OFFICE OF THE GENERAL COUNSEL

Chun Pyo Jhong	General Counsel
Ramdass K. Keswani	Assistant General Counsel
Peter H. Sullivan	Assistant General Counsel
D.C. Amerasinghe	Assistant General Counsel

PROGRAMS DEPARTMENT (EAST)

David A. Artko	Director
Eiichi Watanabe	Deputy Director
Hatsuya Azumi	Co-Financing Manager
Bhanuphol Horayangura	Programs Manager (Division I — People's Rep. of China; Philippines; Taipei, China)
Sharda P. Srivastava	Programs Manager (Division II — Hong Kong; Indonesia; Malaysia; Singapore)
Osman R.I. Bako	Programs Manager (Division III — Republic of Korea; Papua New Guinea; South Pacific DMCs)

PROGRAMS DEPARTMENT (WEST)

Ronald S. Skeates	Director
Noritada Morita	Deputy Director
Grahame G. Muller	Programs Manager (Division I — Republic of Afghanistan; Maldives; Pakistan; Sri Lanka)
Dinh Xuan Vinh	Programs Manager (Division II — Bangladesh; Bhutan; India; Nepal)
Ricardo M. Tan	Programs Manager (Division III — Burma; Cambodia; Lao People's Dem. Rep.; Thailand; Soc. Rep. of Viet Nam)

DEVELOPMENT POLICY OFFICE

Kunio Saito	Chief
William T.C. Ho	Manager

AGRICULTURE DEPARTMENT (EAST)

M. Zaki Azam	Director
Klaus J.L. Hoffarth	Deputy Director
Eiji Kobayashi	Manager (Division I — Papua New Guinea; Philippines; People's Rep. of China; Taipei, China)
Paul Mampilly	Manager (Division II — Hong Kong; Indonesia; Singapore)
(Vacant)	Manager (Division III — Rep. of Korea; Malaysia; South Pacific DMCs)

PRINCIPAL OFFICERS

(As of 31 December 1988)

AGRICULTURE DEPARTMENT (WEST)

E. Frank Tacke.....	Director
Satish C. Jha.....	Deputy Director
Theodore C. Patterson.....	Manager (Division I — Republic of Afghanistan; Maldives; Pakistan; Sri Lanka)
Musunuru S. Rao.....	Manager (Division II — Bhutan; Burma; India; Nepal)
Hans-Juergen Springer.....	Manager (Division III — Bangladesh; Cambodia; Lao People's Dem. Rep.; Thailand; Soc. Rep. of Viet Nam)

INFRASTRUCTURE DEPARTMENT

S.V.S. Juneja.....	Director
Neil R. Collier.....	Deputy Director
Mahesan Ganesan.....	Manager (Airports and Highways)
Akira Seki.....	Manager (Ports, Railways and Telecommunications)
Javier M. Gomez.....	Manager (Water Supply)
Mazhar Ali Khan.....	Manager (Social Infrastructure)
G.H.P.B. van der Linden.....	Manager (Education)

INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT

Akira Tsusaka.....	Director
Stephen Y.C. Lau.....	Deputy Director
Vishvanath Desai.....	Energy Adviser
H. Leigh Durland.....	Manager (Private Sector)
Alberto M. Balagot.....	Manager (Industry and Minerals)
Urs Rolf Sieber.....	Manager (Power Division East)
Alan D. Burrell.....	Manager (Power Division West)
Ivan L. Zimonyi.....	Manager (Development Finance)

CENTRAL PROJECTS SERVICES OFFICE

Sayed A. Baha.....	Chief
Eustace A. Nonis.....	Manager (Consulting Services)
V. Krishnaswamy.....	Manager (Central Loan Administration Services)

BANGLADESH RESIDENT OFFICE

Basudev Dahal.....	Chief
--------------------	-------

INDONESIA RESIDENT OFFICE

Richard M. Bradley.....	Chief
-------------------------	-------

SOUTH PACIFIC REGIONAL OFFICE

Lewis Hayashi.....	Chief
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BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT

Motomichi Ikawa.....	Director
Dang Fook Lee.....	Deputy Director
Vernon G. Jorssen.....	Manager (Budget and Planning)
Tony Wan.....	Manager (Human Resources)
Roger E. Matchett.....	Manager (Compensation and Training)
N. Viswanathan.....	Manager (Systems and Procedures)

OFFICE OF ADMINISTRATIVE SERVICES

Jayanta Madhab.....Chief
Hi Young Kim.....Manager (General Services)
Lim Say Hup.....Manager (Support Services)

SPECIAL PROJECTS OFFICE

Pradhan J. Prasad.....Chief

CONTROLLER'S DEPARTMENT

Shamshad Ali Khan.....Controller
Bernard Donge.....Assistant Controller (Loans)
Francis W. Mentus.....Assistant Controller (Accounting)
S. Kalyanaraman.....Assistant Controller (Administrative Expenses)

TREASURER'S DEPARTMENT

Alan F. Gill.....Treasurer
Yukiji Miyazaki.....Deputy Treasurer
Daud Ilyas.....Financial Advisor
Rip Min.....Assistant Treasurer (Funding)
Erkki K. Jappinen.....Assistant Treasurer (Investments)
Chi Chuan Hung.....Assistant Treasurer (Treasury Services)

ECONOMICS OFFICE

Hakchung Choo.....Chief Economist
John Malcolm Dowling, Jr.....Assistant Chief Economist
A.I. Aminul Islam.....Assistant Chief Economist

INFORMATION OFFICE

Reynaldo D. Pacheco.....Chief Information Officer
George V. Liu.....Assistant Chief Information Officer

OFFICE OF COMPUTER SERVICES

Gene Lindsey.....Chief
Louis Wong.....Assistant Chief

INTERNAL AUDIT OFFICE

M.M. Soerakoesoemah.....Chief

POST-EVALUATION OFFICE

S. Mahboob Alam.....Chief

ADB PRESIDENTS AND VICE-PRESIDENTS**PRESIDENTS**

Mr. Takeshi Watanabe	—	24 November 1966 - 24 November 1972
Mr. Shiro Inoue	—	25 November 1972 - 23 November 1976
Mr. Taroichi Yoshida	—	24 November 1976 - 23 November 1981
Mr. Masao Fujioka	—	24 November 1981 - Present

VICE-PRESIDENTS

Mr. C. S. Krishna Moorthi	—	19 December 1966 - 31 March 1978
Mr. A. T. Bambawale	—	1 April 1978 - 28 October 1985
Mr. M. Narasimham	—	1 November 1985 - 31 July 1988
Mr. S. Stanley Katz	—	1 April 1978 - Present
Mr. Günther G. Schulz	—	1 April 1983 - Present
Mr. In Yong Chung	—	1 August 1988 - Present

MAJOR ADB PUBLICATIONS STUDIES AND REPORTS

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- Asian Development Bank Economics Staff Paper Series
- Asian Development Bank Statistical Report Series
- Asian Electric Power Utilities Data Book
- Capital Market Development in Selected Developing Member Countries of the ADB
- Conference on Privatization Policies, Methods and Procedures
- Costing and Pricing of Electricity in Developing Countries
- Distance Education: Professional Staff Paper
- Distance Education in Asia and the Pacific (Volume I & II)
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- Energy Study Series
- Entrepreneurship and Self-Employment Training
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- Indonesia Urban Sector Profile
- Irrigation Development and Management
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- Pakistan/Fisheries Sector Study
- Papua New Guinea Water Supply and Sanitation Sector Profile (Volume I & II)
- Philippines Water Supply and Sanitation Sector Profile (Volume I & II)
- Power System Efficiency Through Loss Reduction and Load Management
- Proceedings of the Asia and Pacific Conference on Accounting Education for Development
- Proceedings and Papers Presented at a Symposium on Capital Market Development in the Asia-Pacific Region
- Proceedings of Regional Workshop on the Planning and Management of Agricultural Research in the South Pacific
- Regional Conference on Sail-Motor Propulsion
- Regional Seminar on Control of Water Supply Distribution Systems: A Summary Report
- Regional Seminar on Irrigation Service Fees: The Proceedings
- Regional Seminar on the Use of Rural Health Services
- Regional Symposium on Environmental and Natural Resources Planning
- Regional Workshop on Forestry Development and Prospectives: The Proceedings
- Review of Bank Operations in the Irrigation Sector 1966-1985
- Review of Forestry and Forest Industries in the Asia-Pacific Region
- Rural Development in Asia and the Pacific (Volume I & II)
- Rural Employment Creation in Asia and the Pacific: Papers and Proceedings
- Sector Paper on Agriculture and Rural Development
- Sector Paper on Rural Development
- Study of Selected Industries
- The Climate for Private Business — India
- The Climate for Private Business — Indonesia
- The Climate for Private Business — Republic of Korea
- The Climate for Private Business — Malaysia
- The Climate for Private Business — Pakistan
- The Climate for Private Business — Philippines
- The Climate for Private Business — Sri Lanka
- The Climate for Private Business — Thailand
- The Planning and Management of Agricultural Research in the South Pacific
- Toward Regional Cooperation in South Asia
- Urban Policy Issues — Proceedings of the Regional Seminar on Major National Urban Policy Issues
- Vegetable Research in Southeast Asia
- Western Samoa Agriculture Sector Study (Volume I & II)

INFORMATION BROCHURES AND OTHER PUBLICATIONS

- Application Guide for Assistance to the Private Sector
- Asian Development Bank: Co-Financing 1987 with Commercial and Export Credit Sources
- Asian Development Bank: Quarterly Review (English, French, German and Japanese)
- Asian Development Bank: Questions and Answers (English, French, German and Japanese)
- Asian Development Bank: Technical Assistance Activities
- Asian Development Bank: What It Is, What It Does, How It Works (English, French, German and Japanese)
- Asian Development Bank Young Professional Program
- Asian Development Review (bi-annually, by subscription)
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- Sample Bidding Documents for Supply, Delivery and Installation of Goods*
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- Staff Guidelines on Institution Development

Copies of these publications may be obtained from the Information Office, Asian Development Bank, P.O. Box 789, 1099 Manila, Philippines. All are free of charge, except Proposed Projects and Contracts Awarded (\$30.00 annual subscription), Asian Development Review (\$8.00 per two issues), and A Bank for Half the World (\$25.00 and postage of \$3.50 for Asia and \$5.00 for Australia, Europe and USA).

* Publications may be obtained from the Central Projects Services Office, Asian Development Bank, P.O. Box 789, 1099 Manila, Philippines (\$5.00 each, except Handbook for Users of Consultants — \$10.00 each).

