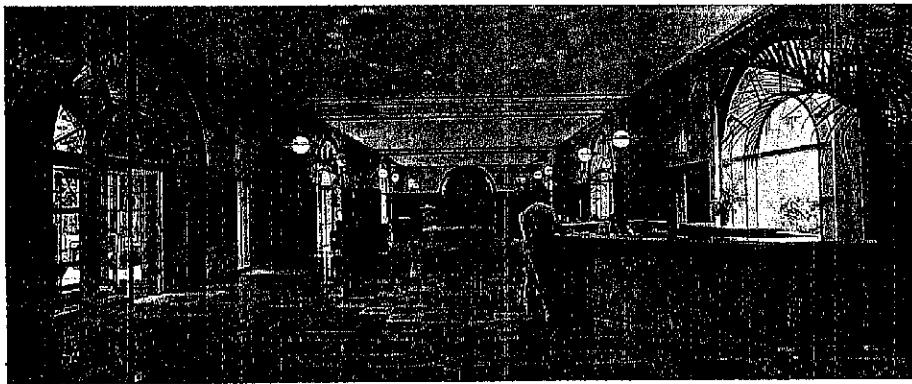


ASIAN  
DEVELOPMENT  
BANK

Annual Report 1995





*Main reception  
lobby at the ADB  
Headquarters in  
Manila, Philippines.*

## The Asian Development Bank

The Asian Development Bank, a multilateral development finance institution whose capital stock was owned by 56 member countries\* as of end-1995, is engaged in promoting the economic and social progress of its developing member countries in the Asian and Pacific region.

The Bank started functioning in December 1966 with its Headquarters in Manila, Philippines. It is owned by the governments of 40 countries from the region and 16 countries from outside the region.

In 29 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 developing 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 and promote regional cooperation.

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 on nonconcessional terms account for 73.5% of cumulative Bank lending. Such loans 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 Asia, Europe, the Middle East and United States as well as international capital markets, and from certain member countries' central banks. The Bank's callable capital, which at the end of 1995 accounted for about 92% of its subscribed capital, backs its borrowings in the capital markets.

The Bank's operations cover a wide spectrum of social and economic development. Its medium-term strategy has formally adopted the objectives of economic growth, poverty reduction, improving the status of women, population planning and environmental protection. These objectives are supported by specific thematic priorities, such as encouragement of the private sector, strengthening of public sector management capacity, human development and natural resource management. Most Bank financing is designed to support specific projects. However, the Bank also provides program, sector and multiproject loans.

The Bank actively pursues cofinancing 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 nonregional 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, and may be reelected. The President is Chairperson of the Board of Directors and, under the Board's direction, conducts the business of the Bank. The President is responsible for the organization, appointment and dismissal of officers and staff in accordance with regulations adopted by the Board of Directors. In this, the President is assisted by three Vice-Presidents, who are appointed by the Board of Directors on the recommendation of the President.

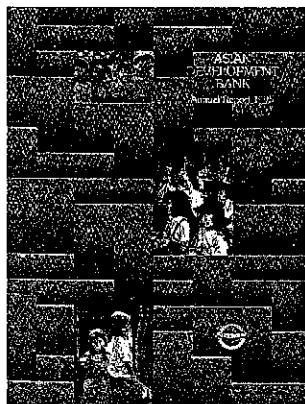
The Bank has 25 departments and offices at Headquarters, including the offices of Management. Also at the Headquarters are a Private Sector Group and a Cofinancing Division. In addition, the Bank has five Resident Missions, one each in Dhaka (Bangladesh), New Delhi (India), Jakarta (Indonesia), Kathmandu (Nepal) and Islamabad (Pakistan); a Regional Mission for the South Pacific based in Port Vila, Vanuatu; and a North American Representative Office based in Washington D.C., USA. At the end of 1995, the Bank had 642 professional staff and 1,278 supporting staff.

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

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# Asian Development Bank

## Annual Report 1995



**COVER:** This year's cover highlights the Bank's concern for social sector development in its developing member countries, alongside their economic growth. Photos: (top) children of beneficiaries of the Irrigation and Flood Protection Rehabilitation Project in Viet Nam; (middle) students at a primary school in Cambodia, restored under the Special Rehabilitation Assistance Project; and (bottom) two of the beneficiaries of the Second Health and Population Project in Indonesia.

*This Report is printed on recycled paper.*

**ASIAN DEVELOPMENT BANK**  
**Manila**

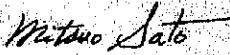
Office of the President

21 March 1996

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 1995, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MITSUO SATO  
President and  
Chairman of the  
Board of Directors

Chairman of the  
Board of Governors  
Asian Development Bank

**THE BOARD OF DIRECTORS**  
(As of 31 December 1995)

**President and Chairman of the  
Board of Directors**

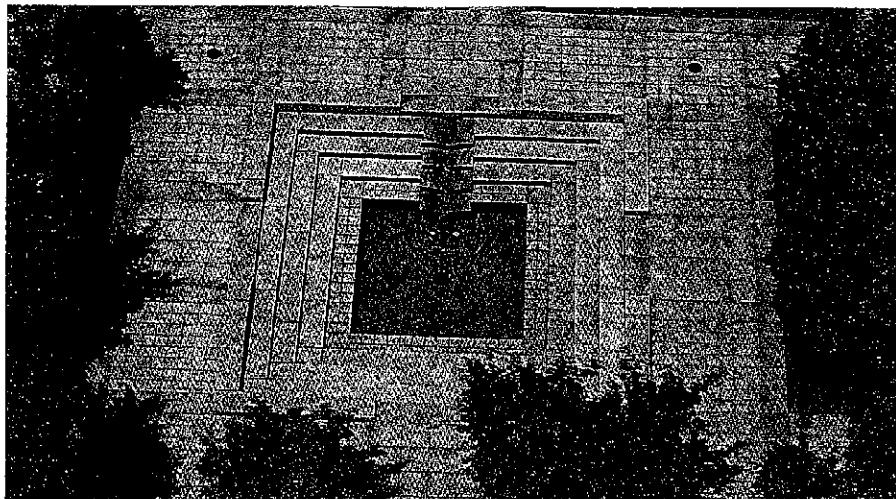
Mitsuo Sato

**Directors**

Daniel Besson  
Vicente R. Jayme  
Shigeo Kashiwagi  
Yong-Keun Lee  
Li Ruogu  
Peter McCawley  
Syed Muhamad Abdul Kadir  
Julian H. Payne  
Soegito Sastromidjojo  
Hans-Jürgen Stryk  
K. Venkatesan  
Linda Tsao Yang

**Alternate Directors**

Hermann Escher  
A.B. Soomro  
Soichi Yoshimura  
Lloyd Fernando  
Zhou Yuequn  
John Russell  
Thein Aung Lwin  
Pieter C. Verheugd  
Colin Pratt  
John Millett  
Kamaluddin Siddiqui  
N. Cinnamon Dornsife



*Top view of the courtyard  
at the ADB Headquarters.*

### MEMBER COUNTRIES WITH CAPITAL STOCK AND VOTING POWER

31 December 1995

MEMBERS	SUBSCRIBED CAPITAL	VOTING POWER	MEMBERS	SUBSCRIBED CAPITAL	VOTING POWER			
	Per Cent of Total	Per Cent of Total		Per Cent of Total	Per Cent of Total			
<b>REGIONAL</b>								
Afghanistan	0.041	0.390	Thailand	1.662	1.687			
Australia	7.065	6.009	Tonga	0.002	0.359			
Bangladesh	1.247	1.354	Tuvalu	0.001	0.358			
Bhutan	0.004	0.360	Uzbekistan	0.822	1.015			
Cambodia	0.030	0.381	Vanuatu	0.004	0.360			
China, People's Rep. of	7.868	6.651	Viet Nam	0.417	0.691			
Cook Islands	0.002	0.358	Western Samoa	0.002	0.359			
Fiji	0.042	0.390	<hr/>		<hr/>			
Hong Kong	0.665	0.889	Subtotal Regional	67.492	68.279			
India	7.730	6.541	<hr/>		<hr/>			
Indonesia	3.325	3.017	<b>NONREGIONAL</b>					
Japan	19.055	15.601	Austria	0.415	0.690			
Kazakhstan	0.492	0.751	Belgium	0.208	0.523			
Kiribati	0.002	0.359	Canada	6.387	5.467			
Korea, Rep. of	6.151	5.278	Denmark	0.415	0.690			
Kyrgyz Republic	0.183	0.503	Finland	0.415	0.690			
Lao PDR	0.008	0.364	France	2.842	2.631			
Malaysia	3.325	3.017	Germany	5.282	4.583			
Maldives	0.005	0.361	Italy	1.103	1.240			
Marshall Islands	0.002	0.358	Netherlands	1.252	1.359			
Micronesia, Fed. States of	0.005	0.361	Norway	0.415	0.690			
Mongolia	0.009	0.364	Spain	0.208	0.523			
Myanmar	0.332	0.623	Sweden	0.415	0.690			
Nauru	0.002	0.359	Switzerland	0.713	0.927			
Nepal	0.090	0.429	Turkey	0.415	0.690			
New Zealand	0.938	1.107	United Kingdom	2.494	2.352			
Pakistan	2.660	2.485	United States	9.528	7.979			
Papua New Guinea	0.057	0.403	<hr/>		<hr/>			
Philippines	1.455	1.521	Subtotal Nonregional	32.508	31.721			
Singapore	0.415	0.690	<hr/>		<hr/>			
Solomon Islands	0.004	0.360	<b>TOTAL</b>	<b>100.000</b>	<b>100.000</b>			
Sri Lanka	0.708	0.924	<hr/>		<hr/>			
Taipei, China	0.665	0.889	<hr/>		<hr/>			

Note: Figures may not add due to rounding. Percentage of shareholding will fluctuate as member countries subscribe to the Fourth General Capital Increase (GCI IV). For tables with fuller details, see pages 158 and 159.

## Glossary

ADF	—	Asian Development Fund, the Bank's soft lending window.
BOO	—	Build-Operate-Own, a mechanism by which private investors build, operate and continue to own infrastructure projects.
BOT	—	Build-Operate-Transfer, a mechanism by which private investors build and operate infrastructure projects and then transfer them to the government after a period of time.
CFS	—	Complementary Financing Scheme, under which two separate loans are extended to a DMC: one exclusively from the Bank and the other specially structured to meet commercial lender requirements. Any default on a CFS loan is a default on the Bank.
Credit Line	—	Government-guaranteed loan provided to selected financial intermediaries in DMCs for onlending to small and medium-sized private enterprises.
DFI	—	Development Finance Institution. The Bank uses such institutions in its DMCs as vehicles to finance small to medium projects in the private sector.
DMC	—	Developing Member Country of the Bank, as opposed to developed country members.
GDP	—	Gross Domestic Product, the total value of a country's goods and services produced during a specified period, excluding external accounts.
GNP	—	Gross National Product, the total value of a country's goods and services produced during a specific period and combining domestic and external accounts.
JSF	—	Japan Special Fund, established in March 1988 and administered by the Bank to help DMCs restructure their economies and broaden the scope for new investments by recycling funds, and to support DMCs' efforts toward industrialization, natural and human resource development and technology transfer.
NIE	—	Newly Industrializing Economy. Among the Bank's DMCs, the term refers to Hong Kong, Republic of Korea, Singapore and Taipei, China.
NGO	—	Non-Governmental Organization. NGOs work as special interest groups at all levels.
OCR	—	Ordinary Capital Resources, the interest-bearing window for the Bank's ordinary lending operations.
PCR	—	Project Completion Report, which certifies the completion of a Bank project.
PPAR	—	Project Performance Audit Report.
Project Loan	—	Loan provided to finance specific projects.
Program Loan	—	Loan provided to support DMCs' efforts to improve the policy, institutional and investment environment of sector development. Helps meet short-term costs that policy adjustments entail.
Sector Loan	—	Loan provided to develop a specific sector or subsector. Finances a large number of subprojects in a single sector or subsector.
TASF	—	Technical Assistance Special Fund, the principal vehicle of technical assistance grants from the Bank's own resources.
WID	—	Women in Development, a crosscutting concern aimed at enhancing the economic status of women, identified as one of the major strategic objectives of the Bank.

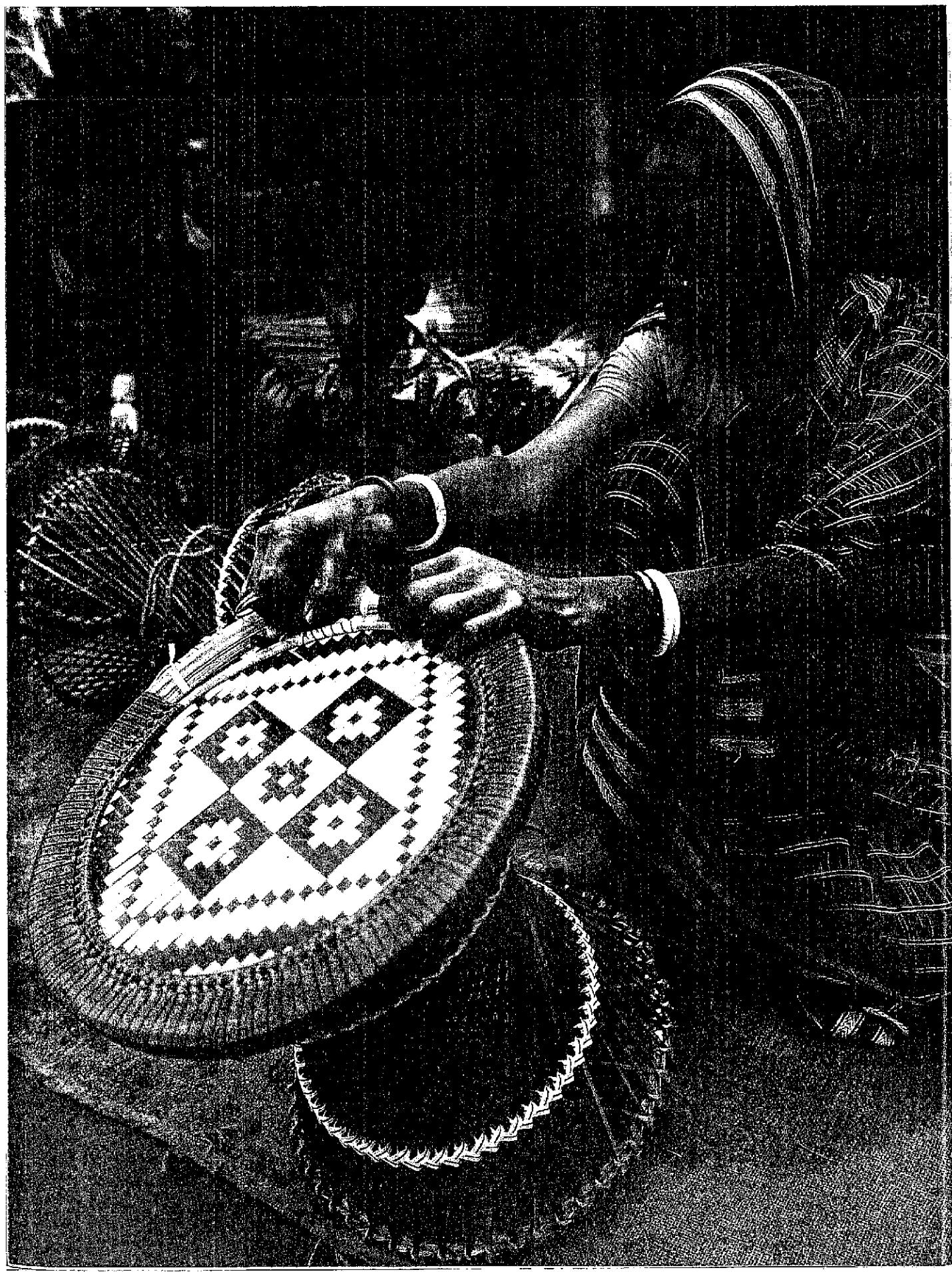
### NOTE ON DOLLAR AMOUNTS

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

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

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# Overview

## THE BANK IN 1995

I

**N**LINe with its development objectives and priorities, the Bank adopted a number of new policies in 1995 to further enhance the quality and sustainability of its operations. These included policies on: (i) governance to facilitate developing member countries' (DMCs) efforts to be more accountable, participatory, predictable and transparent in their development activities; (ii) involuntary resettlement to strengthen the Bank's approach to the issue of people displaced by Bank projects; and (iii) inspection function to establish a grievance procedure in case there are allegations of violation of Bank operational policies and procedures in the formulation and implementation of public sector projects.

In addition, a new policy was adopted to sharpen the focus of the Bank's private sector operations. Three policy papers were approved outlining new directions for agricultural and natural resources research, and for the forestry and energy sectors. A new cofinancing and guarantee strategy was endorsed to intensify the Bank's catalytic role in private resource mobilization.

Operationally, the full impact of the Bank's internal reorganization, which came into effect in January, began to be felt, with a distinct sharpening of the country focus.

During the year, a third Central Asian republic, Uzbekistan, became the 56th member of the Bank. This underlined the increasing role of the Bank in supporting former centrally planned economies in their transition to an open, market-oriented system.

The 28th Annual Meeting of the Bank's Board of Governors was held in Auckland, New Zealand, from 3 to 5 May 1995.

### Operations

Of the total approvals of \$5,614 million in 1995, loans amounted to \$5,504 million and equity investments \$110 million. The total represented a 50% increase from 1994.

Of the lending total, government and government-guaranteed loans accounted for \$5,418 million and direct private sector loans amounted to \$87 million. Loans from ordinary capital resources (OCR) totalled \$4,049 million and those from the concessionary Asian Development Fund (ADF) \$1,455 million.

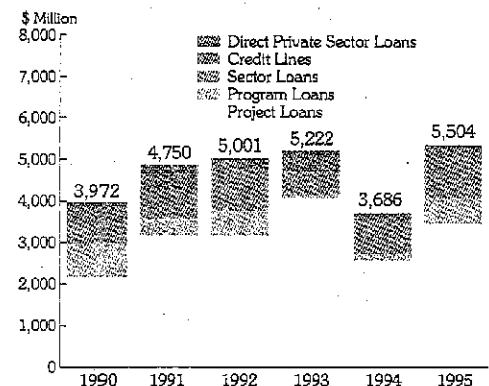
By lending modality, project loans amounted to \$3,556 million, or 64.6% of the total. Sector loans accounted for \$1,081 million to take a 20% share; program loans accounted for \$575 million, or 10%; credit lines totalled \$203 million, or 4%; direct private sector loans \$87 million, or 1.5%; and engineering loans \$3.2 million, or 0.1%.

By the end of 1995, the Bank had approved public and private

### 1995 LOANS BY SECTOR

Sector	Amount (\$ million)	% share of total
Energy	1,791.5	32.5
Social Infrastructure	1,256.8	22.8
Transport and Communications	970.0	17.6
Agriculture and Agro-industry	896.6	16.3
Finance	563.0	10.3
Industry and Nonfuel Minerals	18.5	0.3
Multisector and Others	8.0	0.2
<b>Total</b>	<b>5,504.4</b>	<b>100.0</b>

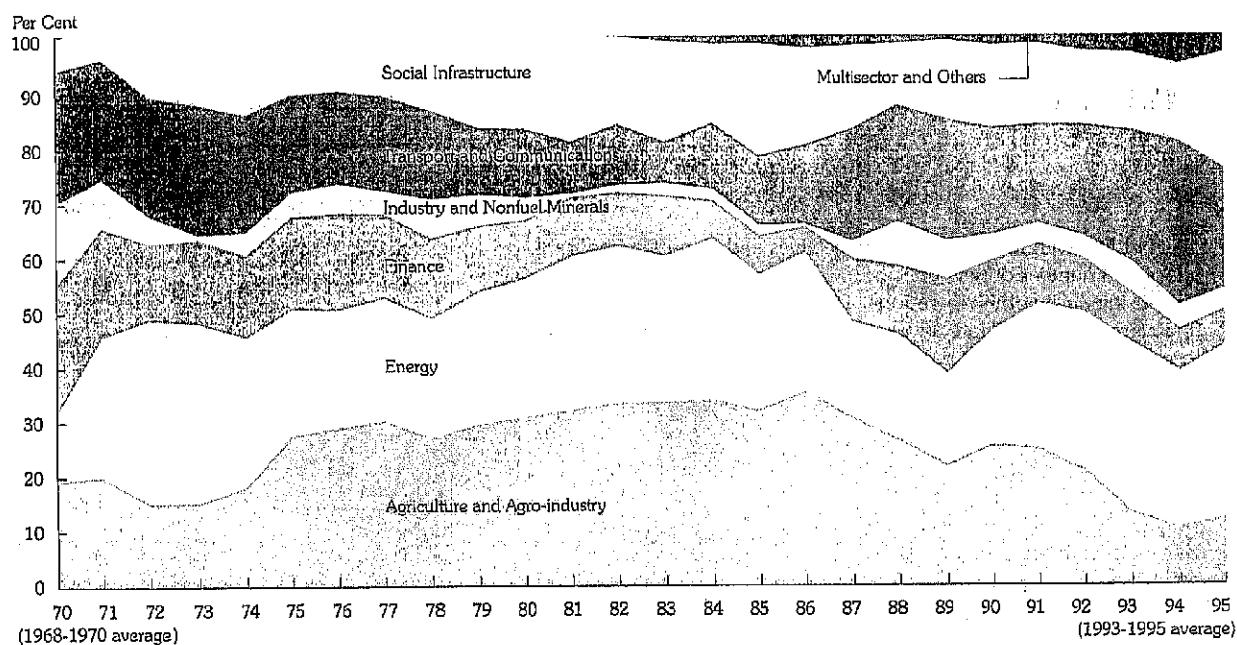
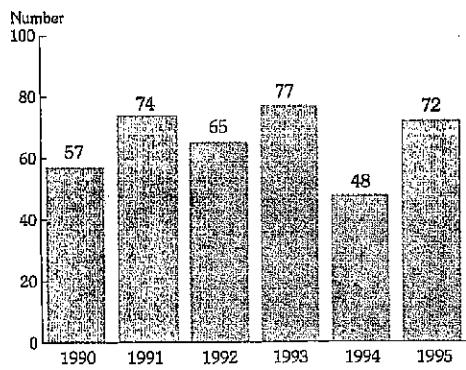
### Loan Approvals



The Bank-funded Rural Women Employment Creation Project in Bangladesh has created new livelihood opportunities for the poor.

**Loan Approvals: Three-Year Moving Averages, 1968-1970 – 1993-1995**

(% Share by Sector)

**Number of Loan Projects and Programs\***

\* Including private sector.

sector loans for 1,294 projects in 34 DMCs since its inception.

During the year, **technical assistance grants** were approved for 297 projects, amounting to \$145 million.**Cofinancing** arranged by the Bank during the year amounted to \$2,482 million. Of this total, \$2,266 million came from official sources and \$216 million from commercial sources.**Net transfer of resources** from the Bank to DMCs (disbursements plus equity investments, minus capital repayments, payments of interest and other charges) decreased by 28% to \$794 million.**Loan disbursements** amounted to \$3,587 million, of which \$2,442 million was from OCR and \$1,145 million from ADF.

A total of 70 projects were completed during the year, bringing the cumulative total number of completed projects to 973.

**Contracts** totalling \$3,438 million were awarded during the year by executing agencies in DMCs for consulting services, procurement of goods and services, and civil works.The **postevaluation** exercise during the year included 20 project performance audit reports, four technical assistance performance audit reports, three impact evaluation studies, five reevaluation studies and two special studies.**Borrowings** undertaken by the Bank during the year raised a total of \$1,715 million. The average maturity of the borrowings was 9.9 years. The after-swap cost of the fixed-rate liabilities declined to 4.32% from 5.47% in 1994.

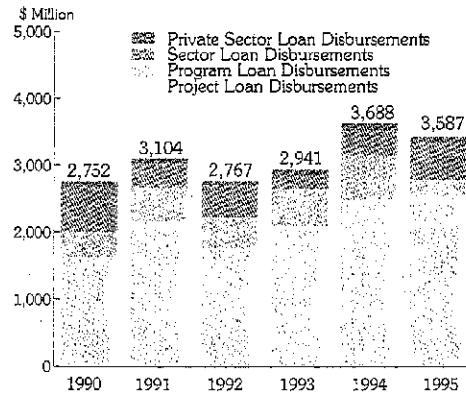
As of end-December 1995, the Bank's **OCR investments** amounted to the equivalent of \$6,069 million. The portfolio was denominated in 23 currencies. The realized rate of return on these investments was 6.9%.

Steps were initiated during the year for a further **ADF replenishment** (ADF VII). An informal consultation with ADF donors was held in Auckland, New Zealand, on 2 May as an initial step. This was followed by a meeting of current and potential donors in Amsterdam, Netherlands, on 13-14 November to initiate discussions on the scope, issues and timetable of the negotiations.

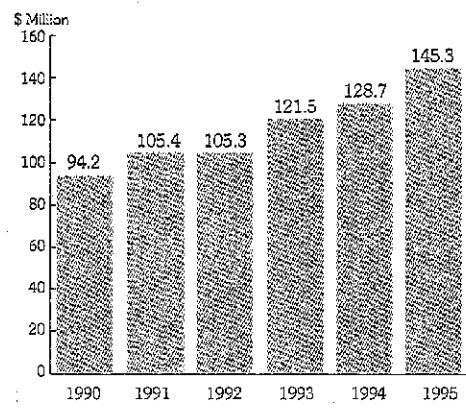
**ADF investments** at the end of 1995 amounted to \$418 million. Of the portfolio, 17% was held in securities issued or guaranteed by governments of member countries. The rest was invested in deposits and other bank instruments in member countries. The return on ADF investments over the year was 5.7%. The portfolio was denominated in 18 currencies.

The Bank's **net income** for 1995 was \$660 million.

### Loan Disbursements

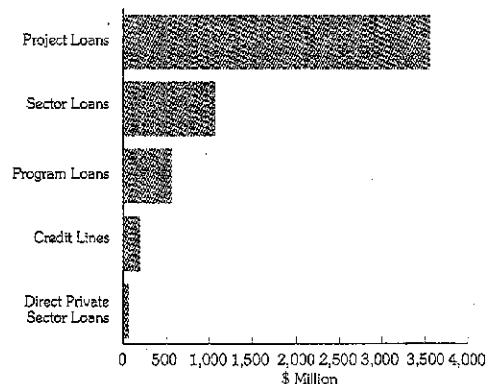


### Technical Assistance Grants\*



\* Including regional activities.

### 1995 Loans by Category



# The Record

(Amounts in \$ million)

	1966-1995 <sup>a</sup>	1992	1993	1994	1995
<b>OPERATIONAL ACTIVITIES</b>					
<b>TOTAL LENDING (Amount)</b>	<b>56,686.8<sup>b</sup></b>	<b>5,000.6<sup>c</sup></b>	<b>5,222.3</b>	<b>3,686.5</b>	<b>5,504.4</b>
Number of Projects <sup>d</sup>	1,294 <sup>b</sup>	65	76	48	72
<b>OCR Loans (Amount)</b>	<b>39,194.5<sup>b</sup></b>	<b>3,846.7<sup>c</sup></b>	<b>3,924.8</b>	<b>2,509.8</b>	<b>4,049.5</b>
Number of Loans	736 <sup>b</sup>	35	36	24	37
Disbursements	21,683.3	1,879.6	2,016.2	2,501.4	2,442.1
<b>ADF Loans (Amount)</b>	<b>17,492.3</b>	<b>1,153.9</b>	<b>1,297.5</b>	<b>1,176.7</b>	<b>1,454.9</b>
Number of Loans	672	32	40	26	37
Disbursements	10,747.2	887.5	925.1	1,186.5	1,144.9
<b>A. Government &amp; Government-Guaranteed Loans (Amount)</b>	<b>55,944.4</b>	<b>4,950.6<sup>c</sup></b>	<b>5,040.2</b>	<b>3,679.0</b>	<b>5,417.9</b>
Number of Projects <sup>d</sup>	1,237	64	66	47	66
<b>OCR Loans (Amount)</b>	<b>38,466.6</b>	<b>3,796.7<sup>c</sup></b>	<b>3,742.7</b>	<b>2,502.3</b>	<b>3,963.0</b>
Number of Loans	684	34	26	28	31
Disbursements	21,100.4	1,819.9	1,917.2	2,375.2	2,341.6
<b>ADF Loans (Amount)</b>	<b>17,479.8</b>	<b>1,153.9</b>	<b>1,297.5</b>	<b>1,176.7</b>	<b>1,454.9</b>
Number of Loans	667	32	40	26	37
Disbursements	10,731.9	881.3	924.3	1,186.3	1,144.9
<b>B. Private Sector Loans<sup>b</sup> (Amount)</b>	<b>742.4</b>	<b>50.0</b>	<b>182.1</b>	<b>7.5</b>	<b>86.5</b>
Number of Projects <sup>d</sup>	57	1	10	1	6
<b>OCR Loans (Amount)</b>	<b>727.9</b>	<b>50.0</b>	<b>182.1</b>	<b>7.5</b>	<b>86.5</b>
Number of Loans	52	1	10	1	6
Disbursements	583.0	59.7	99.0	126.2	100.5
<b>ADF Loans (Amount)</b>	<b>14.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Number of Loans	5	-	-	-	-
Disbursements	15.3	6.3	0.8	0.2	-
<b>EQUITY INVESTMENTS<sup>b</sup> (Amount)</b>	<b>347.2</b>	<b>5.4</b>	<b>20.7</b>	<b>50.9</b>	<b>110.4</b>
Number of Investments	85	3	8	14	11
<b>EQUITY UNDERWRITING<sup>b</sup> (Amount)</b>	<b>40.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Number of Commitments	6	-	-	-	-
<b>TECHNICAL ASSISTANCE<sup>e</sup> (Amount)</b>	<b>4,316.9</b>	<b>477.7</b>	<b>524.0</b>	<b>324.0</b>	<b>480.4</b>
Number of Projects	3,749	278	287	295	321
<b>COFINANCING<sup>f</sup> (Amount)</b>	<b>21,921.2</b>	<b>3,007.1</b>	<b>3,319.6</b>	<b>1,574.1</b>	<b>2,482.0</b>
Number of Projects	407	21	22	16	20
<b>RESOURCES</b>					
(Amounts in \$ million)					
<b>Ordinary Capital Resources</b>					
Authorized Capital (at end of period)	51,893	23,224	23,200	50,789	51,893
Subscribed Capital (at end of period)	43,078	23,100	23,076	30,151	43,078
Borrowings (gross)	19,144	3,050	1,720	1,335	1,715
Outstanding Debt (at end of period)	14,636	10,961	12,245	13,717	14,636
Ordinary Reserve (at end of period)	5,003.3	3,705.5	4,180.4	4,650.3	5,003.3
Special Reserve (at end of period)	178.1	177.0	177.3	177.7	178.1
Gross Income	16,216.5	1,345.2	1,510.0	1,525.3	1,745.3
Net Income after Appropriation of Commissions/Guarantee Fees to Special Reserve	6,100.8	534.3	569.4	513.1	660.0
<b>Special Funds Resources</b>					
Asian Development Fund:					
Total Resources (at end of period)	20,166.6	15,263.5	15,948.5	19,444.8	20,166.6
Technical Assistance Special Fund:					
Total Resources (at end of period) <sup>g</sup>	623.1	351.7	427.5	532.2	623.1
Japan Special Fund:					
Contributions (at end of period)	608.6	270.4	376.7	512.5	608.6

a Cumulative totals may not add due to rounding.

b Amounts and numbers adjusted to exclude cancellations.

c Adjusted to reflect reduced financing of the Energy Industry Conservation Project (EIC) in the amount of \$24.2 million.

d Projects financed from both OCR and ADF are counted only once. Cumulative number of projects excludes supplementary loans.

e Comprising technical assistance grants and loans funded by the Bank and other sources. Regional technical assistance projects included.

f Adjusted to reflect changes in cofinancing arrangements.

g Figures revised to include other resources and transfers to ADF.

# Operational Highlights, 1966-1995

## Sources of Funds

Authorized capital of the equivalent of \$51.9 billion as of 31 December 1995.

About \$19 billion borrowed from international capital markets for ordinary capital lending and private sector investments.

About \$20.2 billion from the Asian Development Fund for concessional lending to poorer DMCs, and about \$623.1 million in Technical Assistance Special Fund resources for financing technical assistance grants.

## Uses of Funds

\$57.1 billion in total public and private sector operations involving 1,385 projects, including \$56.7 billion in loans and \$34.7 million in equity investments and \$40.5 million in equity underwritings.

\$4.3 billion in technical assistance, \$466 million for project preparation resulting in 598 Bank loans totalling \$25.5 billion; \$3.6 billion for project implementation and advisory purposes; and \$1.81 million for regional activities.

\$21.9 billion mobilized by way of co-financing, of which official sources contributed \$15.2 billion and commercial sources (including commercial banks, insurance companies and export credit sources) \$6.7 billion.

## Sectoral Activities

Agriculture and Agro-industry: 186 irrigation and rural development projects, 95 fisheries, livestock and forestry projects, 129 projects for industrial crops, agro-industry and support services, and 8 fertilizer projects.

Energy: 219 projects, including 184 power projects for the creation of 24,746 MW of generation capacity and for about 126,600 km of transmission-distribution circuits. Nonpower energy projects provided for expanded production of natural gas and coal, rehabilitation of refineries and distribution networks for gas.

Finance: 124 credit lines totaling \$4.5 billion to 76 financial intermediaries in 23 DMCs, which have been used so far to create 23,150 subloans to small and medium-scale enterprises, as well as 10 program loans amounting to \$1.4 billion.

Industry and Nonfuel Minerals: 68 projects, including 61 industry projects and 7 nonfuel-mineral projects.

Social Infrastructure: 90 water supply and sanitation projects benefiting more than 113 million people, 80 education projects involving the establishment, as well as rehabilitation and expansion of primary, secondary and tertiary level education and training institutions, 37 projects providing physical and institutional support for housing and/or a variety of urban infrastructure facilities, and 31 health and population projects providing physical and institutional support.

Transport and Communications: 50 projects in the ports and shipping sector for the construction, rehabilitation, modernization and expansion of port facilities, 18 projects for the rehabilitation, maintenance and construction of primary, secondary and feeder roads, 9 railway projects primarily to increase freight capacity, 12 airport projects for the expansion and upgrading of airport facilities, and 21 telecommunications projects to improve and extend services.



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# The Board of Directors

In 1995, the Board met 51 times in formal sessions (including executive sessions) and approved a total lending of \$5,504 million (\$4,049 million from ordinary capital resources and \$1,455 million from the Asian Development Fund) and equity investments of \$110 million. These approvals comprised 72 loan projects (66 government-guaranteed loan projects and six private sector loan projects) and 11 private sector equity investments. The Board also approved 297 technical assistance grants amounting to \$145 million. The approved projects focused on economic growth and poverty reduction, in line with the Bank's strategic objectives of emphasizing crosscutting issues. Other goals included ensuring the sustainability of projects, making greater use of local expertise and encouraging the transfer of technology.

In addition to its formal meetings, the Board held eight seminars and informal discussions. A three-day discussion on the Compendium of Country Notes 1995-1997, which summarizes the Bank's strategy of operations in developing member countries (DMCs), provided an opportunity to review country issues in detail. This was complemented by discussions on the Bank's Strategy Paper for the Pacific as well as country operational strategy studies for Maldives, Pakistan and Viet Nam. The other significant informal discussion was on the Three-Year Rolling Work Program and Budget Framework (1996-1998).

## Policy Decisions

During 1995, the Board reviewed several major policy initiatives aimed at increasing the Bank's capacity to assist its DMCs and enhancing the effectiveness of Bank operations (see box).

**Financial Policies:** In the light of the growing need of DMCs for capital, the limited volume of official development assistance and the resulting need for an increased mobilization of private resources, the Board reviewed the Bank's cofinancing strategy and guarantee operations. The Bank's revised cofinancing and guarantee strategy, together with the recently introduced market-based loan window, puts at the Bank's disposal a combination of efficient tools for the delivery of its developmental services.

During the year, the Board also reviewed the Bank's policy of lending foreign exchange for local currency expenditures on projects. The review confirmed that, basically, the policies enunciated in 1983 continued to be relevant. However, as the region's needs for development assistance and external resources had increased, the review found it necessary to monitor local cost financing closely. The purpose of such monitoring is to ensure that excessive use of local cost financing does not act as a deterrent to domestic resource mobilization and that such financing is primarily applied for supporting high-priority projects in countries confronted with particularly difficult financial constraints.

Besides considering these policies, the Board continued to closely

## The Boards and Their Functions

**T**HE BANK is governed by a **Board of Governors**, which, at the end of 1995, consisted of 56 members representing 40 regional and 16 nonregional member countries. Under Article 28 of the Bank's Charter, the Board of Governors is vested with all the powers of the Bank. In turn, the Governors delegate their authority to the Board of Directors, except for certain powers reserved to them under the Charter.

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

The membership of the Board of Governors is shown in Appendix 3, and the resolutions it approved during 1995 are listed in Appendix 2.

Under the same Article, the Board of Governors elects a 12-member **Board of Directors**, eight elected by regional members and four by nonregional members. Each Director appoints an alternate. The President of the Bank is also the Chairperson of the Board of Directors.

The Board of Directors performs its duties on a full-time basis at the Bank's Headquarters in Manila, Philippines, and meets in regular formal sessions chaired by the President. The Directors exercise their authority and functions through their quarterly and annual supervision of the Bank's financial statements, their annual approval of the Bank's administrative budget, and their continuous review and approval of policy documents and all loans, equity and technical assistance operations (except smaller operations, which may be decided upon by the President).

A list of the Board of Directors and the members they represent is provided in Appendix 4.

The Forestry Sector Project in the Philippines exemplifies the Bank's concern for environmental protection in its developing member countries.

### Policy Papers Discussed by the Board in 1995

- ✓ Review of Lending Foreign Exchange for Local Currency Expenditures on Projects
- ✓ Bank Policy Initiatives for the Energy Sector
- ✓ Strategy for the Bank's Assistance for Private Sector Development
- ✓ The Bank's Policy on Forestry
- ✓ The Bank's Cofinancing Strategy
- ✓ Review of the Bank's Guarantee Operations
- ✓ Governance: Sound Development Management
- ✓ Involuntary Resettlement
- ✓ Establishment of an Inspection Function
- ✓ The Bank's Policy on Agriculture and Natural Resources Research

monitor the efficient use of the Bank's resources. The Board reviewed the quarterly financial statements, the Bank's borrowing program, and Asian Development Fund resources and lending. It monitored the overall project administration of the Bank through semiannual Project Administration and Technical Assistance Implementation reports.

**Operational Policies:** The Board approved the policy on Governance: Sound Development Management. The policy focuses on the four elements of accountability, participation, predictability and transparency, and how to promote these elements in the context of the Bank's operations.

The Board supported the Strategy for the Bank's Assistance for Private Sector Development, acknowledging that, if the environment is conducive, the private sector can make a major contribution to development. In addition to creating a suitable environment for private sector operations within DMCs, the implementation of the strategy will enable the Bank to effectively apply innovative development finance techniques and modalities.

In approving the Bank Policy Initiatives for the Energy Sector, the Board recognized the need for efficient energy supply in DMCs and emphasized the importance of integrating environmental considerations closely in all energy sector activities. The policy includes measures to promote energy efficiency and alternative sources of energy.

The policy on Involuntary Resettlement approved by the Board addresses an important issue of equity that relates to the impact of projects on vulnerable groups. At the same time, it highlights problems that might adversely affect the efficiency of project implementation in cases where land must be acquired and persons resettled. Successful resettlement should contribute to improved project quality and impact, and also promote more equitable development.

The Board policy on the Establishment of an Inspection Function complements the Bank's policy on Confidentiality and Disclosure of Information approved by the Board in 1994. The new policy also outlines a formal procedure for groups affected by a public sector Bank project to air grievances if they believe such a project is inconsistent with Bank policies or procedures. Pursuant to this policy, a Board Inspection Committee is being set up.

### Board Committees

**Audit Committee:** The Audit Committee of the Board met on 14 occasions. It reviewed 11 Project Performance Audit Reports; three Impact Evaluation Studies and four Technical Assistance Performance Audit Reports (see box). The committee also reviewed the 1994 Financial Statements with the outside auditors of the Bank, appointed the outside auditors for 1995 and oversaw the activities of the Office of the General Auditor.

The committee presented its annual report to the Board of Directors in June. The report listed 14 thematic issues that the committee felt needed to be addressed if there was to be an improvement in the implementation and long-term sustainability of Bank projects. The committee considered that project implementation issues in general remained among the more intractable problems. It recommended that

staff should pay greater attention to analyses of past performance as a means of avoiding problems usually faced by Bank projects.

The committee noted that the success rate of the Bank's social infrastructure projects as well as social infrastructure components of its recent projects had not been up to expectation. In view of the Bank's increasing attention to social infrastructure projects, the committee emphasized that social components should be carefully designed to avoid pitfalls encountered in earlier projects.

The committee felt that often the results of postevaluation were applied only to new projects. It recommended that more use be made of lessons learned for ongoing projects, mainly during midterm reviews.

Finally, the committee drew attention to the issues of 'ownership' and beneficiary participation for the success of a project. It cautioned that, notwithstanding the level of commitment displayed by a borrower, a project could face difficulties if a similar degree of commitment and ownership was not displayed by beneficiaries. Accordingly, the committee recommended that all persons affected by the implementation of a project should be consulted during project preparation and processing.

In reviewing the internal audit activities, the committee appreciated the continued increase in productivity of the Office of the General Auditor.

**Budget Review Committee:** The Budget Review Committee discussed the work plan of various departments and offices, deliberated on substantive issues underlining Management's 1996 budget proposal and reached a consensus on its recommendations with regard to the 1996 budget.

The committee recognized that the projected 1995 work outcome represented a significant achievement despite constraints at the beginning of the year, mainly in relation to the Bank's internal reorganization. It noted that the planned levels of public sector lending and technical assistance commitments would be achieved while loan disbursements were expected to exceed the levels projected. The committee welcomed steps taken during 1995 to streamline the processes of budget formulation and implementation. It particularly noted efforts to strengthen the link between work program planning and budget formulation as well as the apparent success of the internal reorganization, which was implemented in January 1995.

The reorganization seemed to the committee to have enhanced the Bank's country focus and its efficiency. Coordination among operational departments had improved. The committee appreciated the efforts made by individual departments to implement the recommendations of the Task Force on Improving Project Quality.

As regards staffing, the committee noted that no new position had been created in 1995 and projected for 1996. It recognized the increasing demand placed in the medium term on staffing resources for implementing the new policy initiatives as well as continuing work programs. It expressed a general concern that a number of Bank staff were being stretched. It recommended that steps be taken to improve the Bank's processes. It also reviewed the projected and actual results of the Special Separation Program. However, the committee acknowledged that since the program was still ongoing, it was not yet possible to fully assess its impact.

In the light of its deliberations and based on consistencies with the

### Postevaluation Reports Discussed by the Audit Committee of the Board in 1995

#### Project Performance Audit Reports

- ✓ Forestry Development Project (Indonesia) (28 Nov. 1985)
- ✓ Agricultural Bank of China (People's Republic of China) (29 Nov. 1990)
- ✓ Rural Electrification Project (Philippines) (17 Nov. 1991)
- ✓ Technical Teachers' Training and Polytechnic Institutes Project (Pakistan) (29 Oct. 1979)
- ✓ Upgrading of Hospitals Project (Myanmar) (3 Dec. 1981)
- ✓ Plantation Sector Project (Sri Lanka) (4 Dec. 1994)
- ✓ Island Provinces' Rural Water Supply Sector Project (Philippines) (4 Dec. 1986)
- ✓ First and Second Rural Health Services Projects (Papua New Guinea) (30 Sep. 1982/24 Oct. 1985)
- ✓ Science Education Project (Nepal) (18 Nov. 1982)
- ✓ Agriculture Development Program (Western Samoa) (28 Nov. 1989)
- ✓ Kedah Regional Development Sector Project (Malaysia) (8 Jan. 1985)

#### Impact Evaluation Studies

- ✓ Bank Operations in the Water Supply and Sanitation Sector in Malaysia
- ✓ An Impact Evaluation Study of Bank Operations in the Irrigation Sector in Nepal
- ✓ Reevaluation of the Bandung Urban Development Project in Indonesia

#### Technical Assistance Performance Audit Reports

- ✓ Human Resource Planning Project (Lao People's Democratic Republic) (4 Feb. 1992)
- ✓ Western Watershed Conservation and Management (Bhutan) (27 Mar. 1992)
- ✓ Fishery and Coastal Marine Resources Management and Development in East China Sea (People's Republic of China) (30 Sep. 1992)
- ✓ Institutional Support to Water Supply Enterprises (Indonesia) (15 Jun. 1992)

Note: Dates in parentheses refer to dates of project approvals.



*Power transmission facilities in Sri Lanka were improved under the Secondary Towns Power Distribution project.*

Three-Year Rolling Work Program and Budget Framework, the committee unanimously agreed to recommend the Board approval of the proposed budget for 1996, amounting to \$189.9 million.

### **Directors' Visits**

The Board of Directors undertook two group visits in 1995. The first visit was to India and Sri Lanka from 11 February to 2 March, and the second to Viet Nam and Cambodia from 3 to 16 September. The groups held wide-ranging policy discussions with ministers and senior officials in the four countries and visited a number of Bank-funded projects.

The purpose of such annual visits is to enable Board members to gain greater understanding of the development experience and needs not only of the DMCs visited but, more generally, also of the region as a whole, and to become better acquainted with the Bank's activities in its DMCs.

Eight Directors, including the host Directors, visited India and Sri Lanka. In India, the group was received by the Minister of Finance, Manmohan Singh, as well as senior officials of the Government of India and of several State Governments. In Sri Lanka, the team was granted an audience by the President, Her Excellency Chandrika Bandaranaike Kumaratunga, and had meetings with senior government officials. ADB project sites were visited in both countries.

The group visiting Viet Nam and Cambodia comprised nine Board members, including the host Directors. In Viet Nam, the group met Deputy Prime Minister Phan Van Kai, and in Cambodia, it was received by the First Prime Minister, His Royal Highness Samdech Krom Preah Norodom Ranaridh. The group met senior officials in both countries and visited several ADB projects.

### **Appointment of Vice-President**

On the recommendation of the President, the Board appointed Pierre Uhel as Vice-President (Finance and Administration), effective 1 July 1995, to succeed Vice-President Günther Schulz, who retired from the Bank on 30 June 1995.

# Special Theme



*Roadside stall in  
Hanoi:  
Economic liberalization  
and market reforms  
are widening the range  
of consumer goods  
available to  
the people of Viet Nam,  
as also to those of  
other transitional  
economies of Asia.*

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# Economies in Transition: *The Asian Experience*

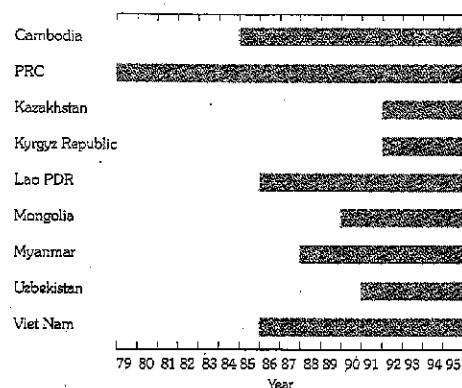
## PART I. INTRODUCTION

ONE OF the most exciting events in recent history is the conversion of planned economies to adopting market mechanisms. It began in the late 1970s with economic reform in the People's Republic of China (PRC) and spread to the Soviet Union in the mid-1980s with the adoption of *perestroika* under Mikhail Gorbachev, to Viet Nam under *doi moi* in 1986, to the flood tide of countries in Eastern Europe embracing market reforms after the collapse of the Berlin Wall in 1989, to the disintegration of the Soviet Union in 1991 and the subsequent conversion to market reform of all of its former republics. Among the members of the Bank, nine countries are in transition; aside from PRC and Viet Nam, they include Cambodia, Lao People's Democratic Republic (Lao PDR), Mongolia, Myanmar, and three republics of the former Soviet Union - Kazakhstan, Kyrgyz Republic and Uzbekistan. These nine countries are collectively referred to as the transitional economies of Asia.

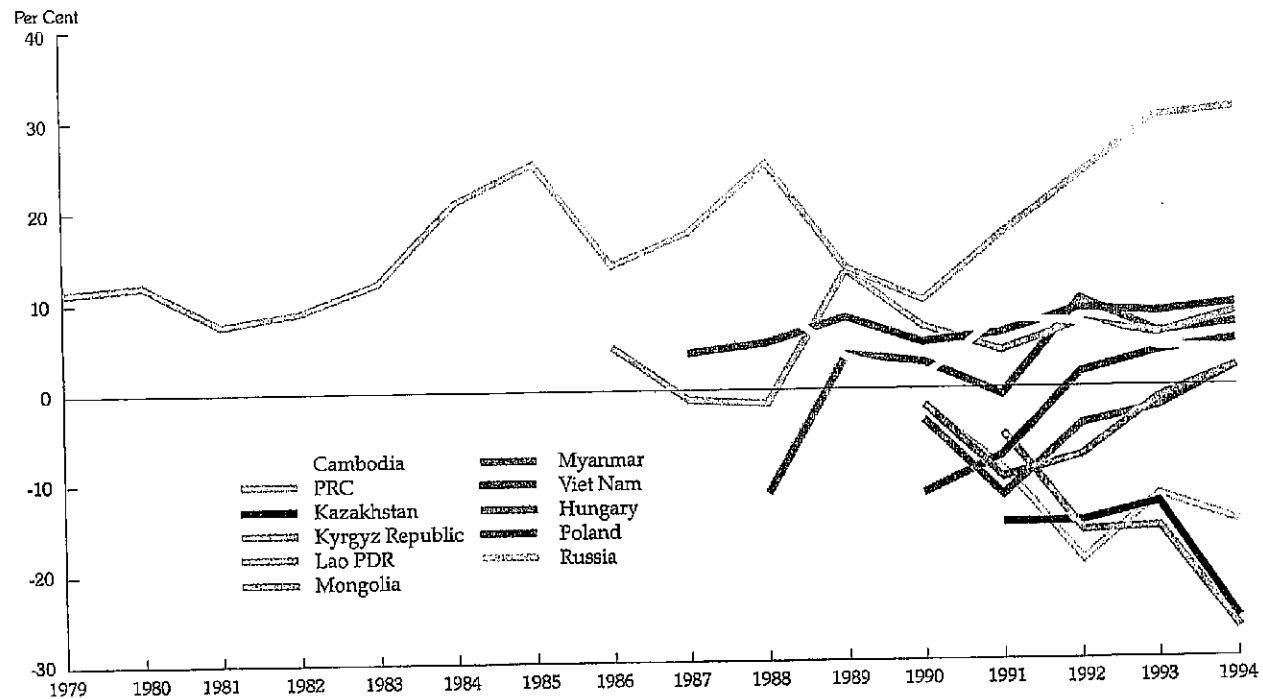
This is an historic event with far-reaching implications. The end of the "Cold War" has eliminated a great source of tension that had divided the world into two ideologically opposed camps, and this has opened up opportunities to redirect resources toward economic development and social objectives. This change will have equally important implications for the world economy, permitting the integration of a large group of countries previously left out of world trade. This added participation of another 30% of the world's population and about 10% of the world's gross output will greatly expand the volume of trade and permit further exploitation of comparative advantages in extending the world division of labor. For development banks and other aid agencies, this historic event brings new challenges alongside opportunities. The process of transforming planned economies into market economies has been more difficult and prolonged than expected. While some of the problems encountered are similar to those of developing countries, such as how to build a modern financial system capable of mobilizing resources for investment, others are unique to the process of transition, such as how to dismantle an extensive but unaffordable social security system while preserving a safety net for the aged and infirm populations, or what to do with a vast sector of state-owned enterprises. Some of these problems may require new approaches in providing development assistance.

The transitional economies of Asia have to date experienced a wide range of outcomes in the transition process. For PRC and, to a lesser extent, Lao PDR, Myanmar and Viet Nam, even in the early stages, transition had brought an acceleration of growth and development, while in Kazakhstan, Kyrgyz Republic, Uzbekistan and Mongolia it brought

**Figure 1:**  
**Start of Transition to Market System**



**Figure 2:**  
**Growth of GDP in Selected Transitional Economies During the Transition Period**



Note: Initial year shown does not necessarily correspond to the beginning of transition owing to data limitations.

substantial declines in GDP and standards of living. For Cambodia, GDP growth fluctuated but remained positive.

### Initial Conditions

To a large extent, these outcomes stem from differences in the initial conditions of the countries and the factors that prompted reform. For example, the economies of the Central Asian republics and Mongolia had been highly integrated with those of the Soviet Union. In 1991, intra-Soviet Union trade ratios (exports plus imports) ranged from 68% of GDP for Kazakhstan to 90% for the Kyrgyz Republic. The sudden collapse of the Soviet Union and interrepublican trade brought a seismic shock to the Central Asian republics, which were plunged into the daunting triple tasks of building a new nation, finding new trading

**Table 1: BASIC INDICATORS FOR THE TRANSITIONAL ECONOMIES OF ASIA**  
(most recent estimates)

Country	Total Area ('000 sq km)	Population (in million)	Per Capita GNP (\$)	Agriculture's Share of Labor Force (%)	Agriculture's Share of GDP (%)	State Sector's Share of Employment at Start of Transition (%)
Cambodia	181	9.9	240	74	45	34
China, Peoples Rep. of	9,597	1,191.8	530	56	21	34
Kazakhstan	2,717	16.9	1,110	22	18	39
Kyrgyz Republic	199	4.5	610	39	37	33
Lao PDR	237	4.6	320	86	57	15
Mongolia	1,567	2.3	340	40	23	20
Myanmar	677	43.9	220	68	47	55
Uzbekistan	447	21.9	950	29	29	31
Viet Nam	332	72.5	190	75	32	24

Note: Employment on collective farms is counted as state employment in Kazakhstan, Kyrgyz Republic and Uzbekistan because collective laborers were paid monthly wages just like state sector workers. This was not true of collective farms in People's Republic of China, Viet Nam or Lao PDR.

partners and transforming their economies all at the same time. These are far more wrenching than circumstances faced by PRC, Lao PDR or Viet Nam at the outset of their reform efforts. For PRC, Lao PDR and Viet Nam, reforms were prompted by growing dissatisfaction with their economic performances compared with those of their neighbors. Profound economic reforms in these countries are being introduced and managed by existing political regimes, after shifts in the balance of political power within their own countries made it possible to change the orientation of economic policy.

Initial conditions and resource endowments differ. Mongolia, with just over two million people and a high degree of linguistic and ethnic homogeneity, could hardly be more different from PRC, with its enormous population, and from the Central Asian republics with their diverse ethnic populations. The sectoral composition of the transitional economies of Asia ranges from the predominantly rural economy of Lao PDR, where nearly 90% of the population relies on farming, to the more industrialized and urbanized Central Asian republics. Cambodia is endowed with relatively low soil fertility and limited mineral resources, while Kazakhstan has potential reserves of oil and natural gas comparable to the major members of the Organization of Petroleum Exporting Countries. At the low end of the social development scale, in terms of life expectancy and adult literacy, are Cambodia and Lao PDR, while the other transitional economies of Asia rank much higher among developing countries. Location is an asset for those Asian transitional economies that are situated in and adjacent to the Pacific Rim, while Mongolia and the Central Asian republics face problems arising from their relative geographical isolation.

The transitional economies of Asia differ also in the relative size of their state sectors and the degree of control of the state apparatus over economic activity at the initiation of reform. In Cambodia, Lao PDR,

### Box 1: Asia's Quasi-Transitional Economies

**C**OUNTRIES such as those of South Asia (Bangladesh, India, Pakistan and Sri Lanka) have until recently been subject to a high degree of state control and government intervention in the functioning of their economies. During the late 1980s, an elaborate program of reform was begun in these countries, which has continued in the 1990s. Reform measures include the easing of exchange and trade controls, reduction in subsidies and price liberalization, removal of barriers to foreign investment, privatization programs in the state sector, and, most importantly, reforms in financial, fiscal and monetary policies.

The nature of the reform process is, in many respects, similar to that being undertaken in the transitional economies of Asia. For example, public ownership of industry is closely linked to subsidized and directed credit through the state banking sector. Thus, privatization of industry should be coordinated with bank restructuring and recapitalization, and sequencing issues need to be considered. Similarly, the delinking of fiscal policy and the financial sector is necessary to ensure that the state-controlled banking sector is not used to help finance government spending. Also, the development of legal and institutional infrastructure and a regulatory framework conducive to the private sector and a liberalized market economy has been necessary in these countries.

There are, however, some fundamental differences between these quasi-transitional economies and the former centrally planned socialist economies of Asia. In all these countries, a private sector has always existed alongside the state sector. While private sector

activity may have been restricted, certain key areas, such as agriculture and services, particularly domestic trade and commerce, have been dominated by the private sector. As a result, many fundamental institutions and conditions necessary for liberalized market activity have always existed. Even in industry, the private sector has functioned alongside the public sector. While conditions have been restrictive, there has not been a need to create market-oriented institutions from scratch as it has been in the transitional economies of Asia. What has been necessary is a greater liberalization of policies. This fundamental difference is important in distinguishing the emerging markets of South Asia from those of the Asian transitional economies.

The Bank has been actively involved in recent years in helping the liberalization of the economies of South Asia. Policy-based lending in trade, industry and agriculture has been accompanied by assistance for financial sector development in Bangladesh, India, Pakistan and Sri Lanka. At the same time, technical assistance has been provided to all the countries of South Asia for the development and improvement of legal and institutional infrastructure. Privatization programs in industry and finance are also being actively supported. Considerable progress in this sector has been achieved in countries such as Pakistan. Since many of the problems in these countries are somewhat similar in nature to those of the transitional economies of Asia, there can be benefits from a cross-fertilization of ideas and experiences, if the differences mentioned above are kept in mind.

Myanmar and Viet Nam, the state enterprise sector was smaller than in PRC and Mongolia and much smaller than in the Central Asian republics. Despite complete collectivization of the agricultural sector in PRC, production technology remained consistent with the requirements of family farming. Therefore, it proved relatively easy to shift the agricultural system in the direction of market-oriented family-based farming. The return to household-based farming was similarly easy for Viet Nam, which had never fully collectivized agriculture. In contrast, agricultural reform and privatization are proving more difficult for the highly mechanized collective and state farms of the Central Asian republics.

While these differences are significant and noteworthy, the transitional economies of Asia also have many shared experiences on the road to market reforms, as they go through the same process of shedding planning mechanisms and "plan mentality." It is in identifying the common "road blocks" and how the transitional economies of Asia have grappled with them that lessons can be drawn from "best practices" to facilitate the passage for latecomers. As many of these obstacles stem from difficulties of building market-supporting institutions, lessons learned from the transition process can have application to other developing countries as well.

## PART II. OVERVIEW OF TRANSITION

It is generally recognized that the Soviet-type centrally planned economy had some distinctive features. To implement its philosophy of replacing the market's role in allocating resources and distributing income, a whole structure of mechanisms and institutions was created to effect the centralized allocation of resources and eradicate private property. This included state ownership of the means of production, collectivized agriculture, a centralized banking system, the use of administered prices and a system of production planning by material balances. Production was determined by a central plan that began by specifying the desired levels of a few key outputs, such as energy, cement, steel and grain. Through an elaborate system of input-output coefficients, the required level and composition of all outputs in the economy were derived to support the achievement of these key targets. Enterprises were given detailed orders for outputs, inputs and delivery, and managers were simply agents for carrying out state orders. Prices and profits played a passive role in this system as mere accounting devices, devoid of the signalling function that they play in market economies, where they convey information about shifts in demand and supply. Foreign trade was also highly centralized. Imports and exports were strictly controlled and incorporated in command plans. Trading was monopolized by a small number of specialized state agencies, which procured export commodities from domestic producers at prices completely divorced from world prices, and sold imported goods at domestic prices that were often equally insulated.

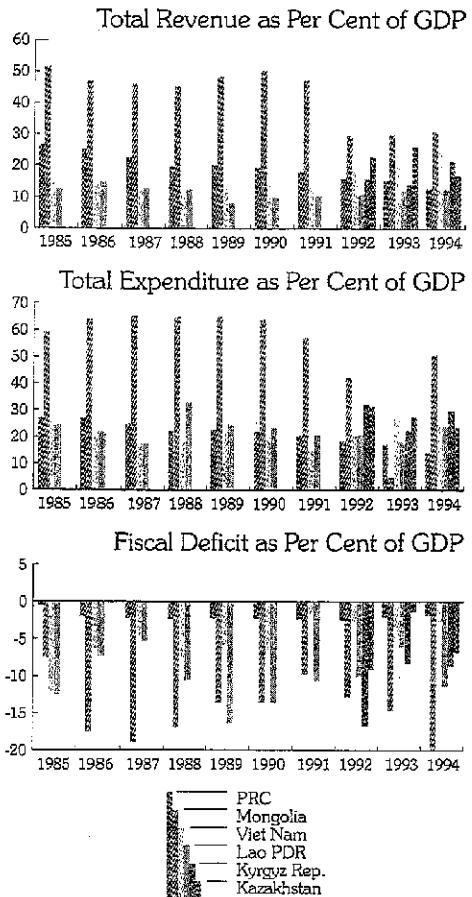
To build a market economy requires, first of all, eliminating direct control over resource allocation, prices and foreign trade, and dismantling the whole structure of central planning mechanisms. These are commonly referred to as liberalization measures. As Table 2 shows, the transitional economies of Asia have all made substantial progress in freeing resources to market allocation and allowing the emergence of product markets. To cushion the effect of price liberalization, most of these economies retain subsidies for a few consumer goods, such as basic foods, public utilities and housing. Progress on freeing interest rates and credit allocation, and breaking up state monopolies has been slower, mainly because of worry over their effect on state-owned enterprises and their impact on budgetary revenues. Building market-supporting institutions has proven far more difficult, and in most transitional economies of Asia the process is just beginning.

### Macroeconomic and Regulatory Restructuring

The process of dismantling the planning system commonly produces a number of structural dislocations, the symptoms of which include macroeconomic imbalance, inflation, large shifts in relative prices and production, and in some cases a sudden loss of employment and the social safety net. While the severity of these problems may differ across the transitional economies of Asia, the nature of restructuring necessary to address these problems is similar.

Declines in budgetary resources are a common phenomenon (see Figure 3), whether caused by the cessation of transfers from the former

**Figure 3:**  
**Fiscal Declines in the Transitional Economies of Asia**



**Table 2: STATUS OF ECONOMIC REFORMS IN THE TRANSITIONAL ECONOMIES OF ASIA**

	Cambodia	PRC	Kazakhstan	Kyrgyz Republic	Lao PDR	Mongolia	Myanmar	Uzbekistan	Viet Nam
<b>LIBERALIZATION</b>									
Factor markets	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
Labor mobility	Restricted	Controlled	Restricted	Controlled	Restricted	Controlled	Controlled	Controlled	Controlled
Interest rate determination	Transferable lease rights	Transferable lease rights	Transferable lease rights	Introducing privatization	Transferable lease rights	Private	Transferable lease rights	Introducing privatization	Introducing privatization
Rural land ownership	Some restricted	Some restricted	Some restricted	Some restricted	Free	Controlled	Some restricted	Some restricted	Some restricted
Prices	Basic items subsidized	Basic items subsidized	Free	Free	Basic items subsidized	Basic items subsidized	Controlled	Basic items subsidized	Basic items subsidized
Producer goods	None	None	None	Some	Some	Some	Some	Some	Some
Consumer goods	Strong	Moderate	Moderate	Moderate	Moderate	Moderate	Weak	Weak	Weak
Barrriers to entry to production	Unified	Unified	Unified	Unified	Unified	Multiple	Multiple	Unified	Unified
Foreign trade	Medium	Medium	Low	Medium	High	Medium	Low	High	High
Exchange rate <sup>a</sup>	(1) turnover taxes (2) Unified rate structure for enterprise income (3) introduced personal income tax	(1) Single Rate VAT (17%) (2) Yes (3) Yes	(1) Single Rate VAT (20%) (2) Yes (3) Yes	(1) Multiple Rates (2) Yes (3) Yes	(1) Multiple Rates (2) No (3) No	(1) Multiple Rates (2) Yes (3) Yes	(1) Multiple Rates (2) Yes (3) Yes	(1) Multiple Rates (2) Yes (3) Yes	(1) Multiple Rates (2) No (3) Yes
Intergovernmental revenue-sharing	Negotiated	Rule-based	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated	Negotiated
Financial									
Banking reform									
(1) private banks	(1) Yes (2) Yes	(1) Yes (2) Limited (3) 30-40% allocated by policy	(1) Yes (2) Yes (3) Mostly policy	(1) Yes (2) Yes (3) Commercial	(1) Yes (2) Limited (3) 30-40% allocated by policy	(1) Yes (2) Yes (3) Yes	(1) Yes (2) Yes (3) Strong govt intervention	(1) Yes (2) Modest (3) Strong govt intervention	(1) Yes (2) Yes
Capital market development <sup>b</sup>	Nonexistent	Advanced	Limited	Limited	Nonexistent	Limited	Limited	Limited	Limited
Commercial Law									
Property law	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes
Bankruptcy law	No	Yes	Yes	Yes	No	Yes	No	Yes	No
Antimonopoly law	No	No	Yes	Yes	No	Yes	No	Yes	Yes
Foreign investment law	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State enterprise reform	SOEs account for less than 10% of GDP	(1) Yes (2) No (3) Yes (4) Yes	(1) Yes (2) No (3) Yes (4) Yes	(1) Yes (2) No (3) Yes (4) Yes	SOEs account for less than 10% of GDP	(1) Yes (2) Yes (3) Yes (4) Yes	(1) Yes (2) Yes (3) Yes (4) Yes	(1) Yes (2) Strong govt intervention (3) Minimum wage compliance (4) Yes	(1) Yes (2) Yes (3) Yes (4) Yes
Ownership									
Small and medium enterprises	Extensive leasing, beginning privatization	Privatization well underway	+ 90% privatized	Completed privatization	Some privatization	Nearly completed privatization			
Large enterprises	No privatization, limited corporatization	Little privatization, extensive corporatization	Little privatization, extensive corporatization	Partial privatization	Some leasing, beginning privatization	No privatization, limited corporatization			
Social sector									
Urban housing	Rapidly privatizing	Privatized	Privatized	Privatized	Public/private	Substantial privatization	Mostly private		
Pension coverage	25% of total labor force (80% of urban labor force)	80% of total labor force	80% of total labor force	Civil servants only	80% of total labor force	80% of total labor force	80% of total labor force	80% of total labor force	80% of total labor force
Unemployment insurance coverage	25% of total labor force (80% of urban labor force)	80% of total labor force	80% of total labor force	None	Under formulation	80% of total labor force			

a Exchange rates: "unified" means there is only one official exchange rate, and/or that differences between the official and parallel (black market) rates are small; "multiple" means there are multiple official exchange rates or there is a large gap between the official and parallel (black market) rates.

b Capital market development: "advanced" means that several instruments are available—securities, government bonds, enterprise bonds and commercial paper—and that there are stock markets and secondary markets for bonds, etc.

### Box 2: The Need for Tax Reform

**T**URNOVER taxes were the principal indirect tax that accounted for a major portion of budgetary revenues under central planning. They were levied at each stage of production. Unlike a sales tax, which is typically added to the sales price and paid by the buyer, the turnover tax was paid by the producer and embedded in the price of the product.

Turnover tax rates varied by product. The multiplicity of rates was designed to absorb the gap between administered prices of production, and, in principle, allowed the government to use the tax rates as economic levers to balance supply and demand while equalizing rates of return across industries. In practice, however, turnover tax rates were changed infrequently, and their "economic lever" function was largely unrealized. Typically, rates ranged from nothing for products whose production was to be encouraged, such as agricultural inputs (chemical fertilizer, farm machinery, and tools), to a high of several hundred percent for cigarettes and liquor. In PRC, turnover tax rates averaged 18.9% on light industry and 4.6% on heavy industry.

This tax system was designed to work in concert with administered prices. As price liberalization proceeded, however, this system was no longer viable. Moreover, as reforms tore down administrative barriers to entry, the differential turnover tax rates

became a major source of distortion. In PRC, these rates quickly spawned duplicative local industries in sectors with high profits and high tax yields. For example, a high tax rate was set on cigarettes in order to discourage their consumption; however, the effect was just the opposite. Local governments, which, through their ownership of local enterprises, viewed profits and taxes as the same, were eager to establish cigarette factories to capture the high taxes.

As turnover tax was paid each time a product was turned over from one firm to another with no allowance for rebating taxes paid on inputs, it had a cascading effect, which led to excessive vertical integration by firms seeking to minimize input costs. As foreign trade began to be liberalized, this tax system also posed problems for exporters, who now had to compete against world market prices but still were paying taxes at rates based on an outdated set of administered prices. It was difficult to determine equitable tax rebates for exporters. Finally, turnover taxes created problems for tax administration because of the difficulty in measuring local tax capacity.

In 1994, PRC finally took a big step toward introducing a modern tax system by replacing the antiquated tax structure with a value-added tax, which is levied at a uniform rate of 17% across virtually all sectors.

Soviet Union and the Council for Mutual Economic Assistance (which affected the Central Asian republics, Lao PDR, Mongolia and Viet Nam) or collapsing profitability of state-owned enterprises, or both. Persistent fiscal deficits are also common, since expenditures are often buoyed by ballooning subsidies as governments try to shield state-owned enterprises and consumers from the shock of market adjustment. The largest fiscal deficits are in the Central Asian republics, where macroeconomic imbalance was far more severe. The period of transition is also accompanied by higher inflation – the severity of which corresponds roughly with the size of the initial shock brought by transition – ranging from the modest increases experienced by PRC, Lao PDR and Myanmar to hyperinflation in Mongolia (albeit shortlived), Cambodia and especially the Central Asian republics.

Reforming the fiscal system requires overhauling all key components, from the structure of taxes to tax administration and revenue-sharing arrangements. The tax system of Asian transitional economies differs from the systems of other countries in a number of respects. First, the ratio of tax to GDP was high. Second, the tax structure was narrowly focused on industry, where administered prices were biased in favor of industry and against agriculture, and raw materials produced huge surpluses in industry, which were collected from the state-owned enterprises. There was little need for a complex system of taxes or of tax administration. At the same time, the large number of rates for turnover taxes distorted incentives (see Box 2). As prices are liberalized and state ownership of industry declines, a new structure of taxes is needed to broaden the revenue base and eliminate distortions. Finally, overall tax rates should be reduced to avoid discouraging production and consump-

### **Box 3: The Bad Debt Problem**

**T**HE BAD debt problem is a legacy of the centrally planned system. Loans were routinely extended to state-owned enterprises regardless of their ability to pay back or of their productive efficiency. Many state-owned enterprises were being run on subsidies. Once these subsidies are removed and prices liberalized, it becomes impossible for enterprises to service their debts. In addition to the stock of bad loans, which itself is difficult to estimate, almost all transitional economies continue to provide new loans to loss-making state-owned enterprises, and thus the burden of bad debt continues to increase.

The problems that arise due to the burden of bad debt are numerous. First, the stock of bad loans and new loans to loss-making enterprises make it difficult to improve bank efficiency. It also distorts the allocation of credit by creating bias against newly emerging, more efficient and profit-making firms. An additional problem of having a large number of loss-making state-owned enterprises is that banks cannot improve their supervisory and regulatory functions. Finally, the bad debt problem complicates and delays bank privatization.

There are two main approaches to dealing with the bad debt problem. The first advocates transferring all bad debts off the balance sheets of state banks to the central bank, or to a central institution, which then looks after the bad loan portfolio. This allows the banks to start anew and to incorporate standardized supervisory and regulatory procedures when making new loans. The second approach is a decentralized one, where each bank takes care of its loan portfolio, while providing recapitalization in order to improve the solvency of the bank. This approach, while preferred by many transitional economies, must be accompanied by very strict reforms of enterprises. It may be necessary to allow enterprises to close down rather than continue being a burden. In both approaches, the incentive structure for banks should be changed to ensure that they alter their lending behavior and stop making imprudent loans. Also, taking care of bad debts, both accumulated and new, has broader fiscal implications. The state will either have to raise revenues or cut expenditures to fund these "fiscal" liabilities.

tion, and the overall size of government will have to shrink.

Reform of the financial system is needed to ensure separation of fiscal and monetary controls, to free the banking system from the dictates of central planning and to increase its effectiveness in mobilizing private savings. Under central planning, financial indicators were secondary to quantitative planning. The financial sector was comprised mainly of the state bank, whose task was to allocate funds according to fiscal directives. Credit plans and ceilings acted as the key tools for implementing monetary policy, and the legal and institutional frameworks required for the regulation and supervision of the financial system were nonexistent. The state bank operated principally as cashier and accountant for the government. Its functions included not only those of a central bank in managing the credit plan, money supply and issuance of currency, but also commercial bank functions such as lending and deposit taking. State regulation typically required each enterprise to hold accounts at only one branch of the state bank, enabling the bank to monitor enterprise accounts to check their financial activities.

The main challenge with respect to banking reform is to create a banking sector that is more efficient in performing its role in a market economy; specifically, in the mobilization and allocation of financial savings, the development of mechanisms for credit decisions, and improvement in banking services (i.e., interbank services, payments processing, customer service and so forth). Developing a modern and efficient banking sector takes time. Reforms in the transitional economies of Asia have usually started with the restructuring of state-owned banks. However, recapitalization of banks has been constrained by budgetary problems and concomitant reforms in the enterprise sector. The next step will require strengthening the regulatory framework through the enforcement of adequate prudential norms, financial reporting requirements, loan classification and loan loss provisioning requirements, and the implementation of new accounting standards within commercial banks. The central bank should be given greater powers of supervision and enforcement of these norms, including powers to terminate and liquidate banks that fail to meet them.

Promoting the development of the private and financial sectors and securities market requires a legal system which protects private property, regulates transfers and registers titles. Private sector development requires that property can be used as collateral, thus enhancing credit and liquidity. The legal system is also required to enforce contracts, reduce the costs of bankruptcies and set competition policy, including rules for entry and exit. By determining the ease with which creditors can attach assets of borrowers in case of default, the effectiveness of the legal system can affect the cost of credit and the willingness of lenders to make loans. The transitional economies of Asia have just begun to introduce commercial laws. Developing the capability to enforce contracts and agreements is vital for the promotion of investment and trade, and for the reduction of economic uncertainty and costs.

### **Social Sector Issues**

As part of the transition process, countries need to reevaluate the provision of social services, in particular education, health and social welfare. Public and private roles in providing these services need to be

**Table 3: SOCIAL INDICATORS FOR THE TRANSITIONAL ECONOMIES OF ASIA**  
(most recent estimates)

Country	Life Expectancy at Birth (Years)		Infant Mortality Rate (per 1,000 live births)	Maternal Mortality Rate (per 100,000 live births)	Adult Literacy Rate (%)		Use of Contraceptive Method Among Married Women of Reproductive Age (%)	Gross Primary Enrollment Ratio (%)	
	Male	Female			Male	Female		Male	Female
Cambodia	50	52	116	500	48	22	—	—	—
China, People's Rep. of	68	71	31	95	87	68	83 (80)	125	116
Kazakhstan	64	73	31	55	99	96	30	—	—
Kyrgyz Republic	62	70	37	63	99	96	31	—	—
Lao PDR	50	53	97	300	65	35	19 (15)	112	84
Mongolia	62	65	60	240	98	96	—	96	100
Myanmar	58	62	72	460	89	72	13	107	104
Uzbekistan	66	72	37	34	98	96	28	—	—
Viet Nam	65	69	36	120	92	84	53 (35)	105	99

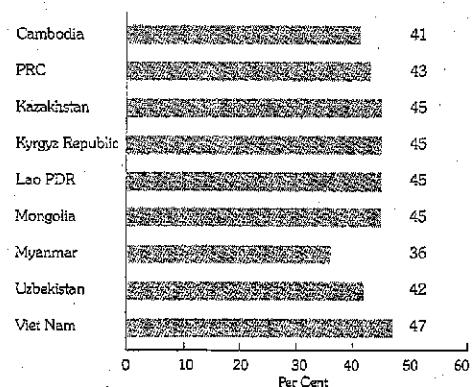
Data in parentheses refer to the use of modern methods.

redefined and the organizational structure and financing of these services revamped. In the reform process, the old systems are being dismantled and/or privatized, while new institutional and market structures are slowly evolving. Attempts to increase cost recovery, encourage private sector participation and promote insurance are being experimented with in almost all the Asian transitional economies.

Under central planning, the transitional economies of Asia gave high priority to the provision of social services, offering free or low-cost education and health services to a large portion of the population with emphasis on equity in access, often at the cost of efficiency. Thus, at the start of reform, these economies, with the exceptions of Cambodia and Lao PDR, had more favorable education and health indicators than those of most market economies at similar income levels (see Table 3). In a market-oriented economy, the government needs to continue to provide and subsidize only those goods and services which can be considered public goods and to introduce user fees where appropriate.

In the Asian transitional economies, government provision of these services has been cut back, in some places quite drastically with the closing of kindergartens and health clinics. Private sector provision of education and health is just being introduced and formalized, and is beginning to play a supplementary role in a number of countries. Students are facing substantially higher fees and tuition, and patients now must pay the market price for medicine and higher fees for services. At the same time, some educators and medical personnel have left the traditionally low-paying jobs in the social sector, lured by increased

**Figure 4:**  
**Women's Share of Labor Force**  
(most recent estimates)



**Box 4: Land Titling and the Status of Women in Lao PDR**

**T**RADITIONALLY, many Lao women inherited family land as a corollary of their duty to care for elderly parents. For example, frequently the youngest daughter would remain at home to care for the parents in their old age and would maintain her household in the parents' home after her marriage. In exchange, it was customary that her parents' land would pass to her upon their deaths. Recently, land titling is being introduced in Lao PDR in conjunction with financial sector reform so that property can be used as collateral. However, because Lao women are not deemed to have a role in public life, they are generally not encouraged to sign the new formal deeds of ownership being prepared. All surveyors to date have been men, and the *de facto* land ownership of many women appears to be going unrecognized, with potentially adverse consequences for the economic status of women.

opportunities in other sectors of the economy, or, in some cases, (such as Viet Nam and the Central Asian republics) have left the country altogether. As a result, most of the transitional economies of Asia have noted, particularly in poor areas, declines in primary and secondary education attendance and a deterioration in health indicators, such as increases in the infant mortality rate and the reemergence of contagious diseases. These may be short-term phenomena resulting from the fiscal crisis and disruptions of ongoing reforms that will hopefully be halted and reversed once new institutional and market structures are in place.

Many of the transitional economies of Asia offered generous social welfare benefits, such as retirement, maternity leave, and low-income assistance, to broad segments of their populations through state organizations. Some of these programs are no longer affordable, and costs will have to be partially shifted to consumers through insurance schemes with employee contributions. Some governments have already been forced to curtail social expenditures to bring the budget under control and achieve macroeconomic stability. For example, in an attempt to reduce the fiscal deficit, Kazakhstan has eliminated the indexing of social benefits to increases in the cost of living and reduced the scope of eligibility. These measures have allowed the Government to achieve some control over the budget, but in the process left gaping holes in the social safety net.

Changing employment patterns, brought about by reform of state-owned enterprises, encouragement of private sector growth and increased labor mobility, have altered the demand for social security programs, such as old-age and unemployment insurance. With the adoption of more market-oriented systems, open unemployment is rising and domestic and international migration is increasing. Estimates place urban unemployment in early 1995 at over two million in Viet Nam, with the unemployment rate as high as 25% in some urban areas. Increased labor flows necessitate the introduction not only of unemployment insurance but also of portable pensions. PRC is in the process of shifting from a firm-based pension system to insurance pools at the city and provincial levels.

In general, women fared relatively well under the socialist systems of the transitional economies of Asia, which gave high priority to the equality of women by increasing their access to education, emphasizing maternal and child health, and expanding women's participation in the labor force. The favorable social indicators for women in Table 3 and Figure 4 reflect these efforts. It is too early to draw firm conclusions since the signals about the situation of women in the transition period are mixed.

In PRC and Viet Nam, which are experiencing rapid economic growth, women enjoy greater employment opportunities and higher incomes. In Lao PDR and Cambodia, where women's status and per capita GDP levels were lowest at the start of reforms, women are experiencing a slower expansion of job opportunities and are still held back by the severe restrictions on budget support for social services. In the Central Asian republics and Mongolia with plummeting GDP, women's employment and incomes are declining and women are likely to be faring worse than men. The economic depression and fiscal cutbacks have posed particularly hard challenges for women. The closure of social service facilities has meant increased unemployment in fields where women have traditionally been predominant. For example, in the Central Asian republics, 80% of employees in the social services and 65% of

those employed in the administrative services are women. The reduction in the provision of social services has also increased the burden on women as, traditionally, they have borne the primary responsibility for caring for children, the sick and the elderly. Thus, the closure of kindergartens, daycare centers and clinics has reduced their employment opportunities. At the same time, it has increased the difficulties of carrying out work in the household. In the Kyrgyz Republic, in 1995, approximately 60% of the registered unemployed were women and almost three quarters of them had children under 14 years of age.

Finally, women may also be adversely affected by the growing wage differentiation across sectors since wages in the sectors where women predominate are among the lowest. For example, in Kazakhstan, social sector wages are only 55% of the average wage and agricultural wages are 31% of industrial wages.

## Restructuring of the Productive Sectors

### *Industry*

The more industrialized transitional economies of Asia face enormous and difficult tasks in restructuring their industries. Under central planning, industrialization was vigorously pursued in isolation from world markets and behind very high protectionist walls. Built to meet the demands of an autarkic planned economy, guided by distorted domestic prices, lacking access to world technology and led by managers with little autonomy and fewer incentives, state-owned enterprises suffered from rampant inefficiency. Once state-owned enterprises were forced to face increasing pressures from the market, many could not survive without substantial restructuring and reorganization. Other industries built in response to strategic concerns of the Cold War – the preponderance of military and defense industries scattered throughout the transitional economies of Asia – also had to be substantially trimmed. The problem of an industrial structure and composition that is unsuited to economies opened to world trade is especially acute in the Central Asian republics, where most industries were designed to produce inputs for industries

### **Box 5: Rapid Rise in Maternal Deaths in Mongolia**

**W**OMEN, particularly mothers, have been adversely affected by the collapse of the health system in Mongolia during the transition period. The maternal mortality rate stood at 120 deaths per 100,000 live births in 1991, but rose to 200 in 1992 and 240 in 1993. An analysis of the rapid rise in maternal deaths has found a disproportionate increase of mortality in rural areas. In 1992, rural women accounted for 70% of births but 83% of maternal deaths. One factor contributing to the recent increase in maternal mortality is the severe shortage of fuel and spare parts for vehicles, with resulting delays in transporting high-risk women to medical facilities. In rural Mongolia, a pregnant woman must travel an average of 44 kilometers to the nearest hospital, but 119 of the 392 sumons (rural districts) do not have a functioning ambulance. A second major factor is the closure of maternity test homes owing to the fiscal crisis and drastic cutbacks in health care expenditures. During the socialist era, everyone had a test home for pregnant women where they received medical advice and treatment. Rural women could live at these centers starting two weeks prior to delivery. Finally, anemia, poor nutrition and toxemia are common among pregnant rural women, adding to the risks of childbearing.

### **Box 6: Trade and Interdependence in the Central Asian Republics**

**T**HE INDUSTRIAL system in the former Soviet Union was designed with an extreme faith in economies of scale. In many industries, a single plant was designed to produce all or most of the output using raw materials and parts supplied by other monopolistic plants scattered throughout the Union. The system was characterized by a high degree of specialization and interdependence among the republics, in which raw materials and component parts were shipped long distances for processing.

The economies of the Central Asian republics were developed as an integral part of this system, whose legacy was an industrial system characterized by excessive specialization, dominance of large enterprises concentrated in the production of raw materials, a dependence on production inputs brought in from other republics, and underdevelopment of transport connections

with non-Soviet Union countries.

The collapse of the Union and the ensuing economic chaos caused a severe contraction of trade. For Kazakhstan, trade with former Soviet Union republics fell by more than 50% during 1991–1994; for the Kyrgyz Republic it fell by a staggering 90%, and for Uzbekistan by almost 70%. One estimate claims that 60% of the economic slump in the Central Asian republics can be attributed to the collapse of inter-republican trade.

Reviving trade and diversifying trade patterns are clearly crucial to economic recovery in the Central Asian republics. The relatively small size of these countries makes it necessary for them to be integrated into the world trade system and participate in the international division of labor. Their highly specialized industries make them especially dependent on external trade.

**Box 7: The Impact of Restructuring on Company Towns**

**T**HE CITY of Temirtau in Kazakhstan has a population of 210,000, of which 34,000 or nearly half of the labor force are employed by the Karaganda Metallurgic Enterprises (KARMET), a major producer of pig iron, steel and other metal products. KARMET is the largest state-owned industrial enterprise in Kazakhstan. In addition to its primary activity of steel production, it also operates a garment factory and seven state farms. Temirtau, typical of the company towns that can be found throughout the Central Asian republics and PRC, is heavily dependent on the activities of this one large state-owned firm. The community is dependent on KARMET not only for employment but also for the provision of social services. For example, KARMET constructed and operates 32 kindergartens, a stadium and 2 million square meters of housing in the city. Since the early 1990s, it has fully subsidized the city's public bus system. KARMET estimates that maintenance of these social assets accounts for 12% of its production costs.

KARMET is in serious financial difficulties and operated at only about 40% of its capacity in 1994. The collapse of the former Soviet Union and the deterioration of the economy in Russia have meant a loss of its major export market. Price liberalization and inflation have led to rising energy and transport costs. Like many state-owned enterprises in Kazakhstan, the company is caught up in triangular debt: it is not paid for deliveries of products and in turn does not pay its input suppliers. Employees' salaries are months in arrears. Furthermore, the company is experiencing an outflow of skilled technicians, many of them ethnic Russians.

The restructuring of state enterprises in company towns is particularly difficult. The government does not feel it can allow a firm such as KARMET to simply go bankrupt because the social costs are so tremendous. The government proceeds cautiously with reform and often continues to subsidize such firms in the interest of the larger community. Ultimately, the survival of Temirtau as a community depends on the successful reorientation of KARMET to the market.

elsewhere in the Soviet Union (see Box 6).

All the transitional economies of Asia have taken at least initial steps to boost efficiency in state-owned enterprises by improving management incentives, by granting some autonomy over production and the choice of inputs, wage setting and the issuance of bonuses, and by tightening the flow of subsidized credit. To separate state-owned enterprises more clearly from government finances, some effort has been made to help such enterprises shed their quasi-fiscal burdens of providing pensions, medical care and other social services, such as day care and subsidized housing, to employee families. However, progress on shedding these social burdens is constrained by the lack of alternative supplies at affordable prices. Some effort has also gone into upgrading the technical efficiency of state-owned enterprises through new investments in advanced technology and machinery from abroad. In PRC, the government has injected massive investments into state-owned enterprises through the transition period.

In general, the governments of the transitional economies of Asia have been reluctant to shut off credit extension to loss-making enterprises even though such a situation is unsustainable and inflationary. Moreover, in PRC, as long as subsidies continue, the door remains open for the misallocation of state funds to benefit workers and managers, and improvements in technical efficiency have not translated into improved financial performance in state-owned enterprises. As a result, more than 40% of these enterprises are loss-making. In the early 1990s, subsidies cost as much as 10% of GDP through a combination of budgetary outlays and bank loans. In the Central Asian republics, loss subsidies to state-owned enterprises were similarly of the order of 10% of GDP in 1992 and 1993. In spite of these high costs, the transitional economies of Asia, with substantial state-owned enterprise sectors are proceeding slowly and cautiously on reform for fear of massive unemployment and a loss in the social safety net (see Box 7).

In contrast to their East European counterparts, the transitional economies of Asia have, in general, applied privatization only to small and medium state-owned enterprises, keeping large ones under public ownership. The process of ownership reform has been most rapid in the Kyrgyz Republic, where nearly 90% of all registered enterprises were in the private sector by 1995. In Kazakhstan, more than 20% of all small and medium-size enterprises had been privatized by the beginning of 1995. While privatization has gone quite far in the service sector in PRC, selling off small state-owned enterprises in industry began only in 1995. Instead, the PRC Government has relied on the growth of nonstate enterprises to reduce the share of industrial output from state-owned enterprises to just 40%. On the margin, they have also experimented with the conversion of selected state-owned enterprises into joint-stock companies, whereby enterprises issue shares that are sold to other enterprises, government departments, employees or the public.

**Agriculture**

Prior to reform, agriculture was the most important sector, in terms of employment and/or output, in all the transitional economies of Asia, except Mongolia and Kazakhstan. Even in the latter two countries, agriculture was considered vitally important both economically and culturally. In the Asian transitional economies, with the exception of Myanmar, agriculture was organized around a system of state farms and

some form of collective farming. The state set prices and dominated the marketing of both inputs and outputs. Agricultural production and marketing outside the state sector were limited. In the shift to a market-oriented economy, reforms in the agriculture sector have focused on the restructuring of farms, including granting management autonomy to individuals or households; liberalization of input and output prices; and reduction of trade restrictions.

Decollectivization, along with increases in state procurement prices, has dramatically improved the incentive structure for agriculture in Cambodia, PRC, Lao PDR and Viet Nam. But, for several reasons, it is proving more difficult in the Central Asian republics and Mongolia. First, in these countries, farms were highly organized and specialized, using capital-intensive technology and skilled labor. This type of state farm organization does not lend itself to conversion to household-based farming as easily as was the case in Cambodia, PRC, Lao PDR and Viet Nam with their small-scale, low-technology farming systems. Second, under central planning, extensive investment had been undertaken in the Central Asian republics to bring marginal lands under production. In facing the competition of world prices, continued cultivation of these lands cannot be economically or ecologically justified. Finally, the situation is compounded by the collapse of the former Soviet Union and the loss of input and output markets. The result has been severe declines in output rather than the increases experienced by PRC, Lao PDR and Viet Nam. In the Kyrgyz Republic, between 1990 and 1994, crop production fell 40% and livestock 32%. In Kazakhstan, grain production declined 44% over the same period and the number of cattle fell by nearly 20%. The decline in agriculture, however, was less serious than in other sectors. It is noteworthy that in Mongolia, with the return to positive GDP growth in 1994, agriculture recorded a growth rate of over 7% compared with less than 3% for industry.

Decollectivization in the transitional economies of Asia has meant the assignment of land use and management rights to individuals or households, while land ownership has remained vested with the state or all the people. Clear land-use and ownership rights, protected by a legal system, are essential for production and investment incentives and for the use of land as loan collateral. In the Kyrgyz Republic, land leases with a term of 49 years are available with the right to sell, exchange, transfer by inheritance and use as a security deposit. Viet Nam, through the Land Law of 1993, extended land tenure rights to 20 to 50 years, depending on land use. Kazakhstan has gone the farthest with 99-year leases and the introduction of private ownership for small garden plots.

### PART III. LESSONS FROM THE TRANSITIONAL ECONOMIES OF ASIA

There appears to be no quick-fix solution to transition. Just as building a planned economy took decades of political struggle and experimentation, the road back from it will also be long and arduous. Rather than focusing on the need for short-term demand management to achieve macroeconomic stabilization, this chapter has emphasized the need for broadbased restructuring throughout the economy. These changes take time because many of the market-supporting institutions have to be built from the ground up, while others will require a funda-

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*Gradualism can transform planned economies to market-oriented ones while avoiding large social and economic upheavals.*

mental shift in thinking.

The list of needed changes is broadly similar across the transitional economies of Asia – building new macroeconomic and regulatory control levers, restructuring the productive sectors, adjusting the output mix and providing for social services, etc. However, the specific strategy in terms of the pace, sequence and orientation of change will differ in each case.

Two lessons can be drawn for the transition process through an examination of the case of PRC, which has had the longest-running and, to date, a very successful experience with economic liberalization among all transitional economies – not just in Asia but in Eastern Europe and the former Soviet Union as well. These are, first, that gradualism can transform planned economies to market-oriented ones while avoiding the large social and economic upheavals often caused by “big bang” approaches. Second, serendipitous factors are often overlooked in explaining why particular “good policies” are chosen and not others. The fortuitous choice in this case was the early decision by PRC to begin opening its economy to world trade, which has been a major source of growth and dynamism that have smoothed the transition process.

### **The Gradualist Approach to Transition**

The distinctive “model” in the Asian transitional economies is the gradualist approach pioneered by PRC and adopted by Lao PDR and Viet Nam. Through step-by-step reduction of state control, PRC has successfully built fairly competitive product markets and turned most of the economy over to market allocation. By the mid-1990s, the share of GDP produced by the state sector had fallen to less than 20%, with state-owned enterprises accounting for less than 45% of gross industrial output. In the process, the PRC economy has enjoyed unprecedented growth and structural change, with an annual growth of 9.5% in real GDP during 1978-1994, a decline in the proportion of the labor force in agriculture from 71% to 56% in 1993, and exports rising to more than 20% of GDP. During the transition, the average Chinese citizen has enjoyed relative price stability and impressive improvements in the standard of living, buttressed by steady increases in life expectancy and other socioeconomic indicators.

This remarkable performance has evoked a lively debate about what is the best strategy for transforming planned economies into market economies: the “big bang” approach (often called the shock therapy) or gradualism. In contrast to the gradualist approach, “big bang” calls for immediate price liberalization and elimination of state control over resource allocation and rapid privatization of state assets. This strategy was essentially adopted in Mongolia and the Central Asian republics, and in many European transitional economies.

Aside from the incremental, cautious approach to liberalization, the most notable feature of the gradualist model is the creation of a dualistic economy in the short to medium term, where a market segment is permitted to emerge and grow while the planned segment is gradually allowed to shrink. In PRC, this process began in the late 1970s in agriculture. Reductions in procurement quotas and the liberalization of rural trade permitted an incipient market to emerge, while the bulk of agricultural products remained under state procurement and allocation. Subsequent changes, such as decollectivization, the gradual elimination of

### Box 8: Financial Sector Reforms in PRC

**I**N CONTRAST with Eastern Europe and the former Soviet Union, PRC has, over the past 15 years, adopted a gradual but sustained approach to transforming its monobank system into a financial system capable of serving the needs of a more market-oriented economy. Gradual progress has been made on many fronts, including the opening-up of the banking sector, institutional reforms and elimination of the People's Bank of China's direct financing of the Government's budget deficit.

The pace of financial sector reforms has accelerated in the past two years. Major landmarks in the financial reform process have included: (i) passage of the Central Bank Law in March 1995; (ii) passage of the Commercial Bank Law in May 1995; (iii) unification of the exchange rate; and (iv) establishment of three new policy banks (the State Development Bank, Agricultural Development Bank and Export-Import Bank). By strengthening the central bank, separating policy lending from the commercial banks and establishing a basis for the prudential regulation of commercial banks, these recent reforms will have far-reaching implications for PRC's financial sector. The Central Bank and Commercial Bank laws provide a legal framework to strengthen monetary policy, improve resource mobilization and facilitate reforms in the financial sector.

Today, apart from the People's Bank of China (central bank), PRC's financial sector comprises three policy banks, four large state commercial banks, some 12 other domestic commercial banks, around 55,000 rural and urban credit cooperatives, a whole host of domestic trust and investment companies, leasing companies and finance companies, and a variety of foreign and joint venture financial institutions – both bank and nonbank. A fledgling capital market is also in place, with securities exchanges in Shanghai and Shenzhen.

The considerable financial deepening that has taken place as a result of these reforms can be gauged from a rise in the ratio of broad money to GDP, which tripled from 37% in 1979 to 115% in 1993. The range of financial instruments available to savers has broadened beyond bank deposits and treasury bonds to include central bank bills, commercial paper, bonds and stocks.

Notwithstanding this progress, there remain some deep-seated deficiencies in the existing financial system which have to be overcome if PRC is to successfully complete its reform process. Key challenges include the need to:

- ✓ cease directed credit primarily to loss-making state-owned enterprises;
- ✓ transform the People's Bank of China into a full-fledged independent central bank and simultaneously develop indirect monetary policy instruments;
- ✓ gradually liberalize and rationalize interest rates;
- ✓ expedite the commercialization of state-owned banks. A large percentage of the portfolios of these banks remained tied up in nonperforming loans to the 100,000 or so state-owned enterprises, around 40% of which incurred losses in 1994. Therefore, the pace of financial sector reforms will, in part, be determined by the success of reforms in the state-owned enterprise sector;
- ✓ establish transparency in the financing of the newly created policy banks;
- ✓ intensify efforts to develop and deepen capital markets;
- ✓ strengthen the framework for regulating banks, nonbank financial institutions and capital markets; and
- ✓ promote competition in the financial sector.

labor and migration controls, and official sanctioning of private enterprise, permitted the market in agriculture products to grow rapidly through the 1980s. However, it was not until the early 1990s that all state orders were eliminated, turning the agriculture sector completely over to market pricing and allocation.

In industry, dualism was even more pronounced in pricing, product markets and financing. State-owned enterprises were kept under plan control through the 1980s, while nonstate firms were permitted to enter and grow, and to operate at market prices. The state-run banking system provided subsidized credit to state-owned enterprises, while nonstate firms were self-financed or had to raise funds at high cost through informal channels. Over time, plan orders to state-owned enterprises were reduced and state control of product and commodity markets gradually eliminated. Even in 1991, one third of all transactions in the economy still occurred at plan prices and were covered by state plans. With accelerated liberalization in the 1990s, only a few strategic commodities, such as oil, electric power and coal, remain under partial state allocation today, and the gap between plan and market prices has been

*The debate over gradualism vs. 'big bang' has been inconclusive because, in general, the countries concerned have not yet completed the process of transition.*

closed. The two-track system of industry has been gradually eliminated over 15 years, except for the continued allocation of credit in favor of the state sector. Box 8 presents the story of gradualist reform in the financial sector in PRC.

PRC's impressive record notwithstanding, the gradualism vs. "big bang" debate has been inconclusive because, in general, the countries concerned have not yet completed the process of transition. While PRC may be the farthest along the road, its reforms are still incomplete. Some of the biggest remaining hurdles include building an effective set of macroeconomic management levers. Progress on this is constrained by the Government's inability to rein in the huge financial burden of subsidies to state-owned enterprises. As a result, macroeconomic stability is difficult to maintain in PRC. Moreover, critics point out that the gradualist option is not available to everyone. Highly urbanized and industrialized countries, where the state sector accounts for the overwhelming share of employment, have much less room to maneuver. PRC, Lao PDR and Viet Nam can afford to carry the inefficient state sector on the strength of growth in the nonstate economy; but countries like Kazakhstan, where the state sector accounted for 90% of GDP at the outset of transition, have a much smaller "margin for liberalization." Resources are simply too limited outside the state sector to engender significant growth dynamism.

The debate is not likely to be settled easily. However, it is useful to focus attention on the sources of dynamism and price stability in PRC over the past decade to draw two lessons from the gradualist success that may have application in all transitional economies. First, from the mid-1980s onward, nonstate enterprises and the foreign trade sector have played a significant role in PRC's economic development. To enable these sectors to grow and prosper, a favorable incentive environment should be created. Second, while cultural factors undoubtedly play a role in explaining the very high household savings rate in PRC (in excess of 20% of household income), maintaining positive real interest rates through most of the transition period also played a key role in mobilizing financial resources to support the rapid economic growth.

### **The "Proximate Model" of Development and Outward Orientation**

Opening the economy to international trade and financial flows is one of the crucial aspects of economic decentralization and liberalization. It also represents a decisive and philosophical break from the past, when, under central planning, the transitional economies of Asia had been sealed off from international trade to pursue autarkic development strategies. All the transitional economies of Asia have, by their membership in the Bank and other development institutions, explicitly accepted the premise that foreign capital inflows will speed up the process of transition by helping to finance needed imports and investment. However, the extent to which they will open their economies to trade will likely vary.

Among the Asian transitional economies, PRC has most successfully tapped trade as an engine of growth (see Box 9). The rapid entry of PRC into world trade was due in large part to two serendipitous circumstances: namely, its location in the fast-growing East Asian region and its close cultural and linguistic ties to the dynamic economies of Hong Kong and

### Box 9: International Trade of PRC

**I**NTERNATIONAL trade has been a major source of growth and dynamism in PRC since the mid-1980s. By value, trade has grown much faster than GDP (see Figure 5). Moreover, it has grown at roughly twice the rate of growth in total world trade, surpassing projections made at the outset of reform. As a result, PRC's share of world trade has grown, and the country has become a major source of labor-intensive manufactures ranging from toys to garments and electronic products in world markets. Concomitant with its successful entry to world trade, PRC has become one of the most attractive destinations for foreign investment. Of the total foreign direct investment in developing countries in 1994, PRC accounted for more than 38%.

It was ironic that before transition began, PRC was the most autarkic of the transitional economies of Asia. Whereas others were to varying extents trading with the former Soviet Union and countries under the former Council for Mutual Economic Assistance, PRC had been largely cut off from this trade since its break from the Soviet Union in 1960. Isolated also by the American embargo until 1974, PRC pursued a "self-reliant"

development strategy. In 1978, trade accounted for only 1% of GDP.

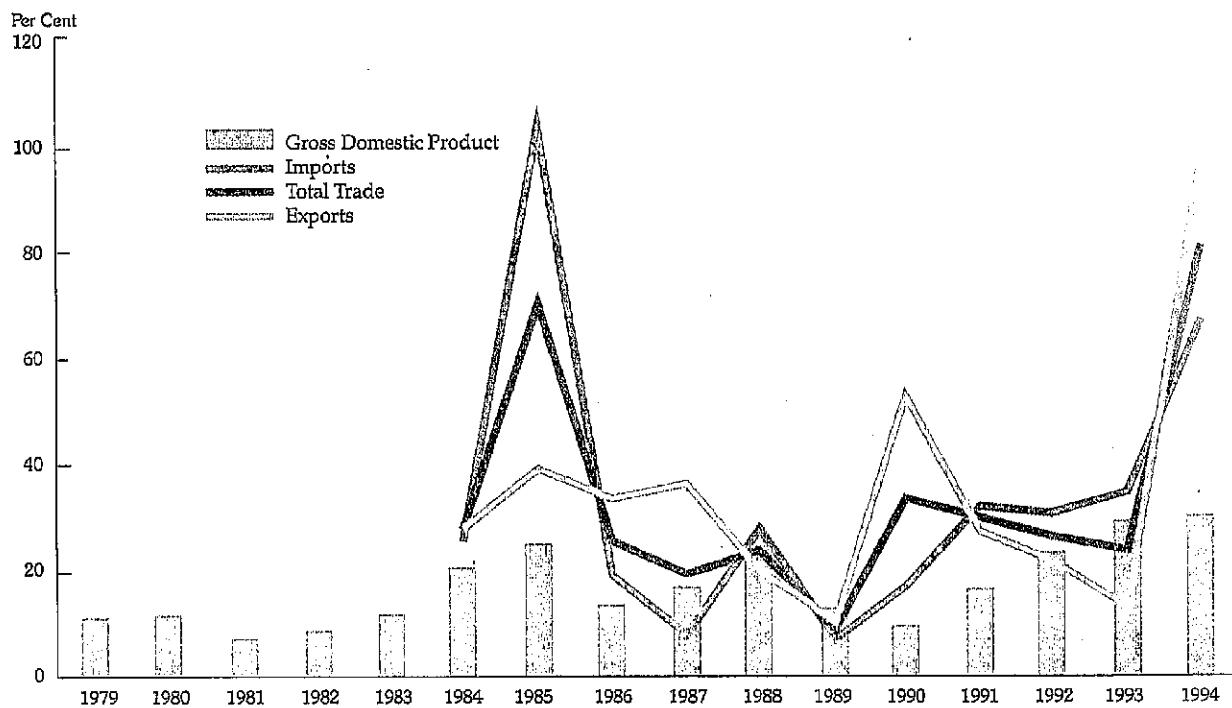
In the late 1970s, it was partly dissatisfaction with its own slow growth compared with the vibrant dynamism of its neighboring "tiger" economies of Hong Kong, Taipei, China, Singapore and Republic of Korea that led the post-Mao leadership in PRC to take a decisive turn in economic policy. One of the first measures of the reform program was the creation of four "special economic zones" including Shenzhen to open new channels of trade and communication with the outside world. From this beginning, PRC has gradually dismantled trade restrictions, reduced trade barriers and introduced competition. It found new trading partners and diversified its structure of exports—manufactured products, mostly labor intensive ones, now account for over 80% of exports by value. From these developments PRC appears to be reaping substantial benefits in income growth, employment creation, technology absorption, new product introduction, and other gains from tapping its comparative advantage and integrating into the world economy.

Taipei, China. Strong complementarities link the three economies: PRC has abundant and low-cost land and labor, while Hong Kong and Taipei, China have abundant financial capital and marketing knowhow. Upon its opening, PRC quickly displaced locations in Southeast Asia as export platforms for firms in Hong Kong and Taipei, China, for whom Guangdong and Fujian Provinces in PRC are closer in both geographic and cultural-linguistic terms.

Aside from supplying the capital and knowhow, Hong Kong and Taipei, China had in another respect played an even more important role in paving the way for PRC's rapid integration into world trade. They provided a "proximate model" of development. Although among the most successful, Hong Kong and Taipei, China were by no means the only economies pursuing an export-led growth strategy in the late 1970s. But they were the most important to PRC's decisionmaking because these economies were well known to many in PRC. Their very success in transforming low-income economies into newly industrializing economies in a short span of time definitively demonstrated the benefits of an export orientation and helped reformers in PRC to overcome internal opposition to embrace the strategy of opening to world trade. This successful experience of opening to trade means that PRC can now provide a comparable demonstration effect to the other Asian transitional economies. To these economies, PRC's journey from an autarkic planned economy to one with a vibrant export sector can be a "proximate model" for the transition process.

The transitional economies in Southeast Asia seem poised for integration into world trade. Viet Nam became a member of the Association of Southeast Asian Nations in 1995, and the others – Cambodia, Lao PDR and Myanmar – may soon follow. With its abundant and skilled labor force, Viet Nam will likely be quickly absorbed into the network of

**Figure 5:**  
**PRC: Growth of GDP and External Trade**



Note: Data are in current prices.

East Asian export industries. Already it is attracting significant investments from the "tiger" economies, competing directly against PRC to become an export platform in textiles and garments. Lao PDR has clear complementarities with the rapidly growing economy of neighboring Thailand, and is already exporting hydroelectricity and raw materials in exchange for investment capital and markets for agricultural products and light manufactures.

Integration into world trade will be more difficult for the Central Asian republics because of their landlocked position – especially their poor transport and communication facilities except to Russia – and their location in a slow-growing region marked by significant political strife. In the short run, the hope for economic recovery may lie in reviving economic cooperation among the countries of the former Soviet Union. However, a number of cooperation agreements have been signed and abandoned because of the difficulties of coordinating customs regulations and tax policies among the participants. In the longer run, the Central Asian republics must diversify to markets other than those of the former Soviet Union because of the limited complementarities among themselves and to avoid perpetuating the distortions that had marked their preferential trade with the former Soviet Union economies.

## PART IV. BANK OPERATIONS IN THE TRANSITIONAL ECONOMIES OF ASIA

The central focus of the Bank's operational strategy in the transitional economies of Asia is to facilitate their transition to a market economy. The strategy entails providing three types of assistance: (i) short-term assistance to help these economies survive the shock of restructuring; (ii) financing improvements in infrastructure, capital equipment and technology to raise efficiency and environmental standards; and (iii) policy advice and assistance in building market-supporting institutions. The Bank provides this assistance in a mix of program and project loans as well as technical assistance grants. These operating objectives are consistent with thematic priorities of the Bank's medium-term strategic framework and reflected in the country operational strategy studies for the individual transitional economies.

The Bank works in close cooperation with the World Bank and the International Monetary Fund, which are providing substantial support to the governments through policy advice related to macroeconomic stabilization and structural adjustment programs. The Bank also cooperates with others active in the Asian transitional economies, such as the European Bank for Reconstruction and Development, United Nations Development Programme, and a number of bilateral donors.

The transition to a market economy involves a fundamental change in the role of government. While withdrawing from resource allocation in the productive sectors, the government must provide an appropriate policy, regulatory and legal framework to support the proper functioning of market mechanisms. Consequently, the Bank's strategy emphasizes that its assistance in all sectors be accompanied by policy advice and sector restructuring to ensure better governance and appropriate macroeconomic and sectoral policies.

### **Short-Term Assistance**

To provide short-term assistance, agriculture sector program loans were approved by the Bank for Viet Nam in 1994 and for Kazakhstan, Kyrgyz Republic and Mongolia in 1995. Policy advice which accompanied these loans related to institutional reform, promotion of competitive markets, improvement of agricultural infrastructure, facilitation of the restructuring and privatization of state-owned agricultural enterprises, and social and environmental concerns. Loans to the industrial sector have helped the transitional economies of Asia implement policy and institutional reforms, promote the private sector, and develop the legal and regulatory framework. In addition to program lending, the Bank finances specific projects to support the development of export industries and the private sector in general.

*The Bank's assistance to the transitional economies of Asia is accompanied by policy advice and sector restructuring to ensure better governance and appropriate macroeconomic and sector policies.*

### **Box 10: The Progress of Legal Reform in Mongolia**

In 1990, Mongolia began a rapid transition to a market economy after a lengthy experimentation with a command structure, but with little experience in the operation of a market system. In a July 1993 letter to the Bank, Mongolia's Prime Minister referred to the essential role that the legal and regulatory framework plays in a market economy, and requested the Bank to support the Government's efforts in developing Mongolia's legal framework. The Bank subsequently provided a technical assistance.

The technical assistance has enabled the engagement of a team of lawyers who have worked as resource persons in the Ministry of Justice, the Ministry of Trade and Industry, and the Supreme Court. These lawyers have been able to provide general advisory services and also specialist advice in certain cases, for example, during the passage of the Law on Companies and Partnerships. The technical assistance has also financed overseas training for a limited number of Mongolian lawyers, and, jointly with the Asia Foundation, provided training to members of the judiciary in the new Civil Code. Laws on property, the creation and winding-up of business entities, contracts and establishing a fair marketplace are now in place, as are laws governing more complex issues, such as banking, securities, taxes and accounting. However, many of these new laws still need to be refined and improved.

The Bank has played a leading role in helping the Government in improving the legal/regulatory framework in several areas, such as telecommunications, civil aviation, roads and power.

## **Development of Infrastructure**

Loans provided to the transitional economies of Asia in 1995 included the construction of the Hebei and Liaoning expressways in PRC, national air navigation development in Mongolia, rural infrastructure improvement in Cambodia and the integrated urban development of Vientiane in Lao PDR. By alleviating constraints in key sectors, such as transport and communications, energy, industry and agriculture, and by supporting reform policies in these sectors, the loans will help improve economic efficiency and growth. At the same time, they will improve environmental protection and natural resource conservation by reducing pollution in major urban industrial centers; promoting the use of improved environmental management; and strengthening the institutional capabilities of agencies involved in assessing and monitoring environmental impacts and in formulating and enforcing environmental laws and regulations.

## **Policy Advice and Assistance**

Through its research and technical assistance activities, the Bank helps to increase the countries' understanding of the transition process and its associated problems. In January 1992, the Bank approved a technical assistance grant for PRC to support policy analysis in the Ministry of Finance. In 1994, the PRC Government implemented a comprehensive fiscal reform package that was fully consistent with the recommendations of the technical assistance. In late 1994, the Bank gave its approval for a series of three regional studies on issues relevant to the transitional economies. Two of the studies, on public finance and social sector issues, are being implemented. Follow-up assistance on revenue-sharing reforms has been requested from the Bank by the governments of Kazakhstan and Lao PDR.

The Bank also provides technical assistance to promote subregional cooperation. Since 1992, the Bank has provided a number of grants for the promotion of subregional economic cooperation within the Greater Mekong subregion comprising Cambodia, PRC, Lao PDR, Myanmar, Thailand and Viet Nam. A number of areas for cooperation were identified. Sector studies or master plans completed as part of the assistance have recommended over 100 subregional projects and initiatives. Many of these projects have progressed towards implementation with Bank support and through the initiatives of other donor agencies and the countries themselves.

The Bank provides extensive technical assistance financing in support of capacity building and institutional development. The successful transition to a market economy requires new skills in accounting, computers, law and others that are not widely available in the present work force. It also requires the creation or development of market-oriented institutions. The Bank has substantial expertise and experience in providing assistance in areas such as legal reform, capital market development and banking sector reforms.

To strengthen legal capacity in the transitional economies, the Bank has financed a project to develop Mongolia's legal framework (see Box 10), phase II of a project in Viet Nam for institutional strengthening of the Government's national office for procurement evaluation, and an industry

### Box 11: Technical Assistance to Viet Nam for Capacity Building

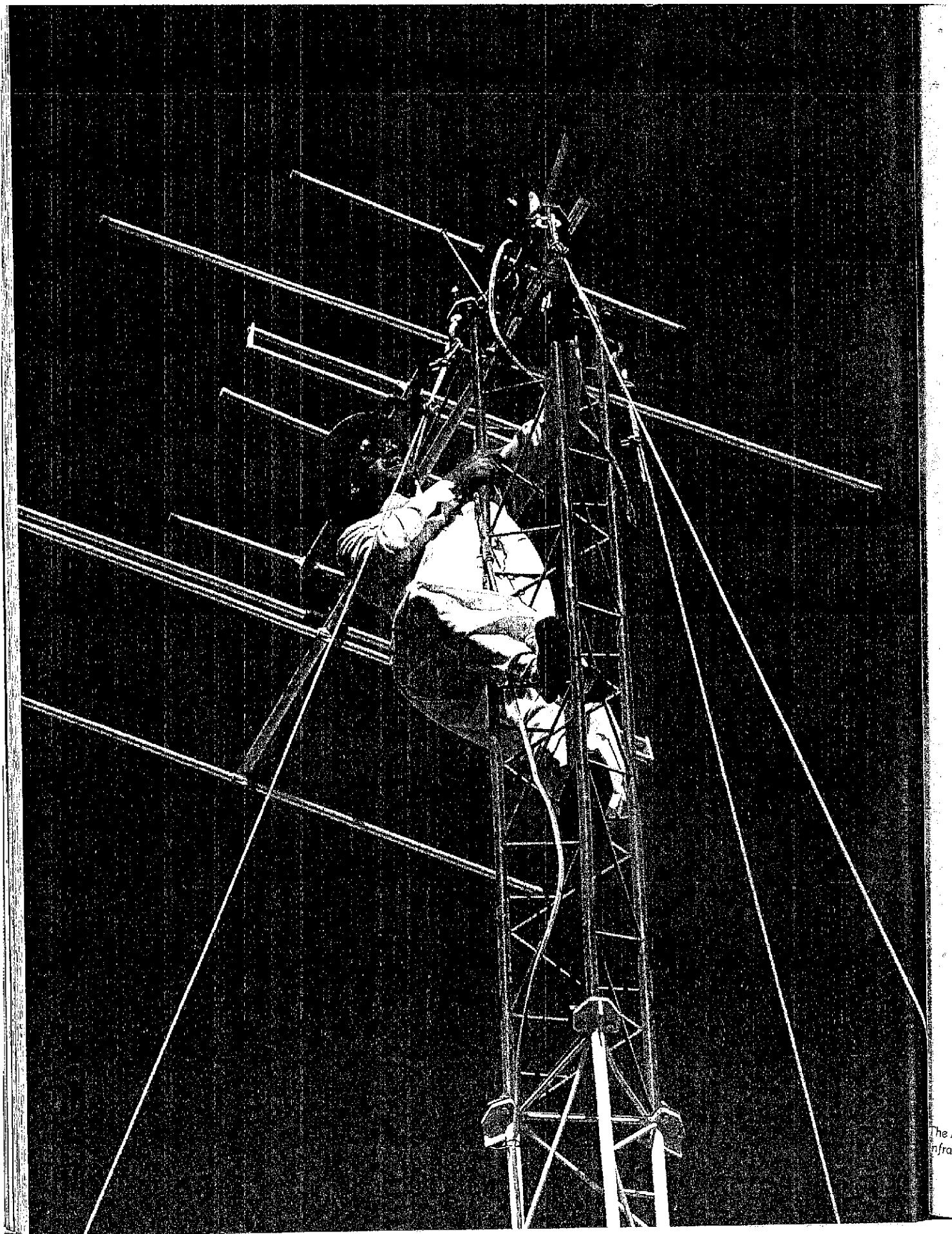
**T**HE MINISTRY of Planning and Investment (MOPI) was created in October 1995 to merge Viet Nam's State Planning Committee and the State Committee for Co-operation and Investment. Under the new structure, MOPI will serve as the Government's principal economic advisor in setting out the broad strategy of the country's development agenda. It will provide macroeconomic policy advice, coordinate all donor activities in the country and facilitate foreign investments. The Bank has provided a technical assistance grant to help MOPI acquire the capability to provide advice on macroeconomic policy and assist in the development management of the country. The lack of such capability, as most staff of MOPI have had only limited exposure to the concepts and operations of a market-oriented economy, is a major constraint facing the institution. Activities proposed under the technical assistance are consistent with the Bank's medium-term strategy of encouraging capacity building in its developing member countries and with the proposed country strategy of assisting Viet Nam in achieving sustainable economic growth.

The six principal components of the technical assistance project are:

- ✓ A skills development program for MOPI staff up to mid-level and relevant staff of the Office of the Government, State Bank of Viet Nam, Ministry of Finance, planning divisions of selected line ministries and provincial governments;
- ✓ Assignment of international consultants to selected operational departments of MOPI;
- ✓ Out-of-country degree programs. Students of high merit and potential will enroll in formal degree programs in Economics at the Master's level at reputable international universities;
- ✓ Out-of-country nondegree programs. Staff at various levels, particularly at the mid levels, will attend nondegree executive development programs at institutions around the world;
- ✓ Study tours of organizations similar to MOPI in other countries for senior officials who find it difficult to attend study programs;
- ✓ Eminent persons' group. A group of three eminent persons will meet twice a year in Hanoi to guide and review the progress of the program. This group will also be available for consultation to the senior MOPI management and the Government.

and trade sector study in the Kyrgyz Republic to identify policy-related, legal and institutional constraints to the development of industry. In Mongolia, the Bank is financing a technical assistance to improve the accounting and auditing systems, including the drafting of an audit law.

For several of the transitional economies of Asia, absorptive capacity is limited by a lack of experience with policies and procedures of external agencies. In Cambodia, the Bank has provided technical assistance to develop the planning capability in the Ministry of Public Works and Transport. The Bank is also assisting to strengthen the capacity of Kazakhstan's Committee for the Utilization of Foreign Capital to manage external aid flows. Seminars have been conducted in Kazakhstan on Bank policies and procedures. During the economic transition, public administration in the transitional economies of Asia faces new practical challenges that force changes from within. Extensive administrative reform is underway and the relative power of various agencies is being modified. In support of these changes, the Bank often provides technical assistance for the executing agencies of Bank loans.



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# Economic Developments in DMCs

## The International Setting

**T**HE WORLD economy sustained a reasonable level of economic progress in 1995. However, there was a fair degree of diversity in the performance of the main groups of countries. In the industrial countries, growth was lower than in 1994. Anti-inflationary policies were pursued early in the year in North America, and consumer confidence in Europe weakened because of uncertain employment prospects.

Among the developing regions, Asia again took the lead, with a growth rate more than twice that of any other region. African economies also registered some modest progress. The performance of transitional economies was mixed while that of Latin America deteriorated, partly as the aftermath of the Mexican financial crisis.

*The volume  
of world trade  
increased rapidly  
in 1995,  
particularly for  
developing  
countries.*

ECONOMIC INDICATORS OF ADB DMCs  
AND REST OF DEVELOPING WORLD<sup>a</sup>

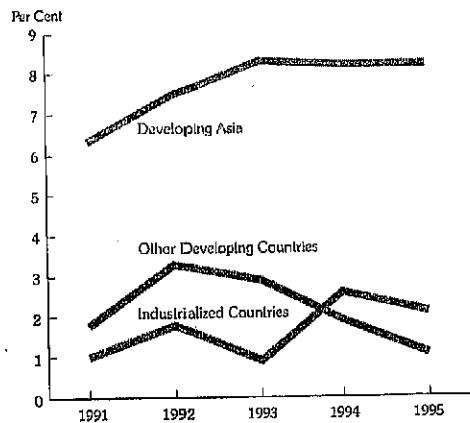
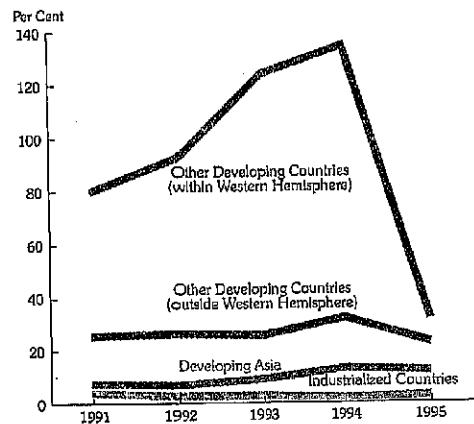
	DMCs			Latin America			Africa		
	1993	1994	1995 <sup>a</sup>	1993	1994	1995 <sup>a</sup>	1993	1994	1995
GDP Growth Rate (%)	8.3	8.3	7.9	3.3	2.5	0.3	0.8	2.6	3.0
Inflation Rate (%)	7.9	10.5	8.6	212.2	226.7	38.2	27.9	32.9	20.8
Current Account Balance (\$ billion)	-19.2	-3.0	10.1	45.2	46.8	29.7	8.6	11.2	14.5
Exports Growth Rate (%)	-13.2	18.6	24.5	5.4	14.6	18.3	3.9	0.5	13.0
Imports Growth Rate (%)	13.8	17.1	26.4	8.5	15.3	5.9	2.7	5.1	16.0
External Debt Outstanding (\$ billion)	509.4	576.1	598.2	502.0	549.6	580.5	246.7	256.0	277.9
Debt Service Ratio <sup>b</sup>	15.5	13.4	12.5	41.4	39.4	37.9	30.2	28.9	31.0

<sup>a</sup> Preliminary estimate.

<sup>b</sup> As percentage of exports of goods and services.

Sources: IMF, *World Economic Outlook*, October 1995  
ADB data file.

The Bank has provided three loans totalling \$213 million to improve telecommunications infrastructure in Pakistan.

**World Economic Growth Rates****Inflation\***

\* Refers to consumer prices.

The volume of world trade increased rapidly, particularly for developing countries. Export volumes in these countries grew strongly. This reflected the rapid growth of intraregional trade among developing Asian economies as well as the revival of many transitional economies and increased globalization. Nonfuel commodity prices generally remained at the levels of the previous year. While this kept the terms of trade for primary exporters relatively stable, it did little to reverse the vulnerability of the external sectors in these countries, which include many of the world's poorest.

Among the industrial countries, the United States recorded an estimated 2.1% growth in 1995, lower by more than a percentage point than in 1994. The interest-sensitive components of aggregate demand were adversely affected as monetary policy was tightened in response to higher-than-sustainable growth toward the end of 1994. Housing investment declined after a strong performance in the previous year. Consumption grew more slowly. Durable goods purchases also weakened. Investment in plant and equipment continued to be the leading sector, growing in double digits for the second year in a row. New exports made a smaller net contribution to growth compared with the previous year.

Japan, struggling to recover from its longest period of low growth in postwar history, made some modest progress in 1995. GDP grew by less than 1%. Consumer spending recorded only a modest increase. Output continued to adjust to rising inventory levels. The situation was exacerbated by the Kobe earthquake, a sharp appreciation of the yen (especially in the earlier part of the year), and a decrease in prices, which influenced business profitability. A series of measures were taken to stimulate the economy. These included steps to correct the yen's appreciation, a cut in the discount rate and a fiscal stimulus package providing for new public works spending. The impact of these measures was only partially reflected in the economic performance in 1995.

Economic performance in Germany was modest, with GDP growing by around 2%. The main reason for the relatively low growth rate was the continuing strength of the currency. This had an adverse impact on exports and, in turn, on the industrial sector. Consumption growth was slow. Economic growth was also influenced by continuing attempts at fiscal consolidation while profit margins were squeezed by increasing operating costs, mainly from higher wages. Investment spending was also weak. Inflationary pressures were, however, low as the currency appreciation reduced the prices of both raw material and consumer goods imports. In reaction to slower growth, monetary policy was eased. While some response to the cut in interest rates was noticed in the interest-sensitive components of aggregate demand during 1995, the full impact of these measures is likely to be manifested more fully in 1996.

For the other countries of Europe, economic performance was determined by a mixture of domestic and international factors. The United Kingdom, which had experienced rapid growth in 1994, cooled off as a result of a successive tightening of monetary policy. Overall growth remained strong in some countries, such as France, which maintained a growth rate of 2.7%. Inflation remained generally low throughout the European Union, but unemployment was a persistent problem for most European countries.

Transitional economies with a record of decisive reform measures, such as the Czech Republic, Hungary and Poland, registered strong

positive growth rates and made good progress in raising living standards, reducing inflation, becoming competitive and restoring macroeconomic stability. Other transitional economies also made considerable progress, but their growth rates were either low or negative and significant imbalances remained.

Among developing regions outside Asia, the financial crisis in Mexico at the beginning of the year had spillover effects on several other Latin American countries. Economic performance in that region was adversely affected. In Africa, there was significant progress in economies which had undertaken liberalization measures and adopted market-oriented policies. Nevertheless, many African countries still suffered from stagnant per capita income levels and poor saving performance.

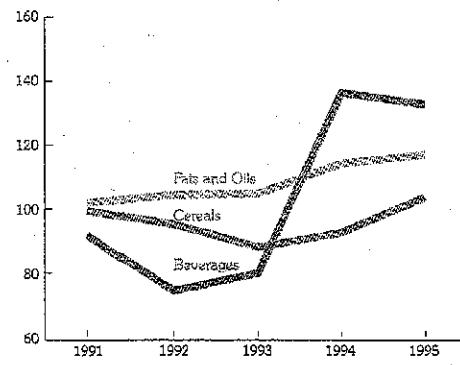
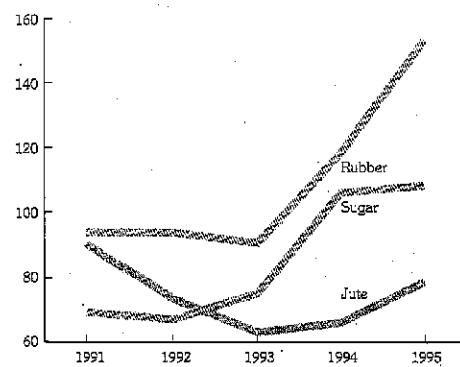
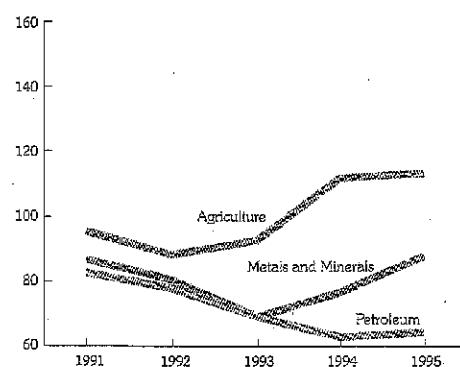
### Overview of Developing Member Countries

The overall economic performance of the Bank's developing member countries (DMCs) continued to be very good. With an improvement in the global trading environment, the export prospects of DMCs improved considerably. Their general economic prospects were also good because most of the countries continued to pursue prudent macroeconomic policies and make progress in structural reforms and economic deregulation. The DMCs' currency and financial markets were not affected much by the change in investor confidence after the Mexican crisis. The sharp fluctuations in the exchange rates of major international currencies also did not significantly affect their exports.

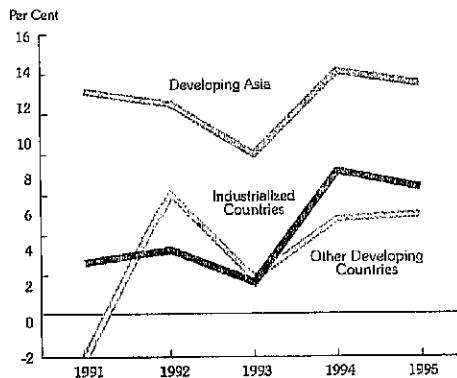
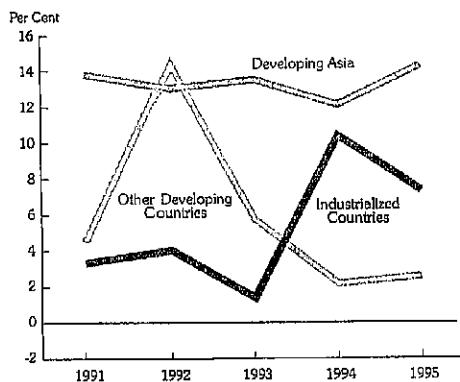
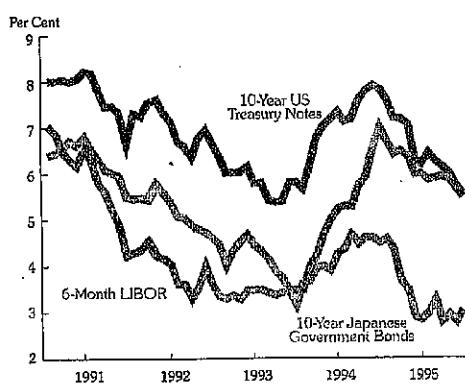
Economic growth remained brisk in the newly industrializing economies (NIEs), with Republic of Korea and Singapore performing exceptionally well. Southeast Asia was able to maintain its strong growth mainly due to large inflows of foreign investment. Indonesia, Malaysia, Thailand and Viet Nam registered growth rates within the range of 7.5%-9.5%. After several years of slow economic performance, the Philippine economy rebounded as a result of better macroeconomic management and the introduction of sector-specific policy reforms. In South Asia, the performance was mixed. India's growth rate of 6.2% did not change significantly from 1994. Pakistan experienced a pick-up. Sri Lanka was able to maintain its 1994 growth rate of 5.6%, while Bangladesh and Nepal recorded a slowdown. The People's Republic of China's (PRC's) growth slowed a little in response to tight monetary and fiscal policies. However, its growth rate still remained in the double digits. Mongolia's growth rate picked up perceptibly during the year. The Central Asian republics maintained their efforts at structural reforms. While they continued to experience a contraction in their economic activities during the year, the situation, however, has been progressively improving. The overall economic performance of the Pacific developing member countries (PDMCs) remained weak, with GDP declining by 4.8% in Papua New Guinea, the largest economy in the Pacific area.

Several DMCs were extremely successful in keeping inflation under control. This was achieved through tight budgetary and monetary policies and by accommodating a mild appreciation of the exchange rate. Inflation was moderate in Republic of Korea, Malaysia, Singapore, Taipei, China and Thailand. In PRC, Hong Kong, India, Indonesia, Mongolia, Philippines, Viet Nam and the Central Asian republics, where inflationary pressures remained a problem, the governments took strong

**Index of Commodity Prices\***  
1990 = 100



\* In current US\$.

**Growth in Export Volumes****Growth in Import Volumes****Major Interest Rates**

measures to abate inflationary pressures. The situation should improve over the medium term.

Rapid expansion of exports and improved competitiveness of domestic industries have been the distinct characteristics of the region's economic success. Many DMCs took measures during the year to further liberalize their foreign trade sectors. With an improved global trading environment, Bangladesh, India, Republic of Korea, Malaysia, Myanmar, Pakistan, Philippines, Singapore, Sri Lanka, Taipei, China, Thailand and Viet Nam did well in their exports. Many of these economies also liberalized their import regimes, which allowed imports to grow at a healthy rate as economic growth gathered momentum. In some instances, trade deficits widened despite a healthy growth in exports. However, barring a few exceptions, the current account deficits of most DMCs remained sustainable. Many DMCs had also built up sizeable levels of foreign exchange reserves. DMCs that were experiencing temporary balance-of-payments difficulties (e.g., Pakistan) took corrective measures.

The region's economic scenario in the short to medium term appear to be optimistic. The optimism is based on an anticipation of healthy growth in global trade and the perception that DMC exports would not be subject to 'unfair' restrictions in important markets. Equally importantly, DMCs have maintained their prudent macroeconomic stance and continue to progressively deregulate their economies. However, while several economies have made considerable progress in putting an appropriate policy framework in place, the South Asian economies, some economies in East Asia and economies in transition to a market-based system still confront severe challenges.

**Newly Industrializing Economies\*****Economic Growth**

Economic growth continued to be brisk in the NIEs. The average GDP growth rate for the subgroup was 7.6% compared to 7.5% in 1994. However, Hong Kong's GDP growth weakened to 4.6% from 5.4% in 1994 mainly because of a softening of domestic demand. Because of the Hong Kong dollar's linkage to the US dollar, the tightening of US monetary policy in late 1994 and in the early part of 1995 raised interest rates in Hong Kong, and this, along with other factors, depressed the property and asset markets. Although interest rates were lowered in the second half of the year, the cuts were modest and did little to boost domestic demand. Due to the deceleration in growth, unemployment in Hong Kong increased to a ten-year high in 1995.

The Republic of Korea grew by 9.2% in 1995, its fastest growth rate since 1990. The strong upswing was generated by continued brisk investment demand and strong export performance. The growth in demand for equipment investment was led by capacity expansion in heavy chemical, electronics, semiconductor and automobile sectors, which are also major export sectors. As a result of rapid growth, unemployment fell to a historical low of under 2% of the labor force.

\* Hong Kong, Republic of Korea, Singapore and Taipei, China.

**Singapore's** economic vigor remained unabated, although its 8.9% GDP growth in 1995 was lower than the 10% average growth rate recorded for the previous two years. The strong growth represented a continuation of the export-led economic expansion that Singapore had enjoyed since 1992, stimulated by a strong global demand for electronics and complementary products. The economy also benefited from its role as a regional hub for the Association of Southeast Asian Nations (ASEAN). It is noteworthy that external demand remained strong despite an appreciation of Singapore's currency in the first half of 1995. While the growth of manufacturing output slipped a little in the first half, that of services accelerated. In the second half, manufacturing output outpaced the growth in services.

**Taipei, China** posted a GDP growth rate of 6.3%, against 6.5% in 1994. While the recovery in the industrial countries and a slight depreciation of the local currency helped exports, domestic demand remained comparatively weak. Private consumption demand continued to expand, while public expenditure was depressed because the Government reduced its expenditure on goods and services to correct its large fiscal deficit. The industrial sector improved to 6.1% from the 1994 growth level of 5.7% due to higher manufacturing and energy outputs. The services sector, on the other hand, suffered from a weakness in the financial services sector and sluggish private consumption.

### Inflation

Inflation in the NIEs moderated to 4.8% from 5.7% in 1994. In **Hong Kong**, inflation is to a large extent determined by its link to the US dollar. The need for a real appreciation of the Hong Kong currency is the predominant reason why its rate of domestic inflation in recent years has been higher than that of many of its trading partners. In 1995, inflation in Hong Kong, in terms of changes in the consumer price index (CPI), was 8.7%. Notwithstanding an increase in the unemployment rate, inflationary expectations appear to be ingrained in Hong Kong's economy. Civil service pay was raised by 10% in 1995 so that it could keep pace with that in the private sector. It is noteworthy that in 1995 high inflation persisted in Hong Kong despite some softening of property and other asset prices.

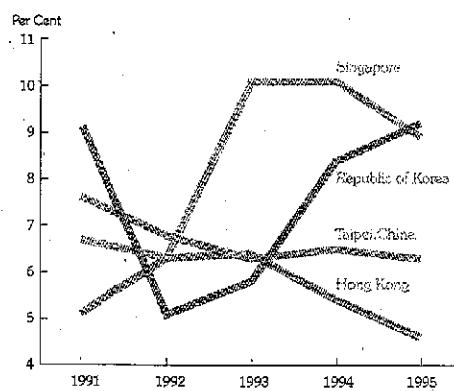
Despite strong growth, inflationary pressures were moderate in the **Republic of Korea**. At 4.5%, the growth of the consumer price index was lower than 6.2% in 1994. The demand pressure was lower due to the presence of spare capacity in some sectors. More importantly, wage increases were moderate and accompanied steady increases in productivity.

**Singapore** has traditionally combated domestic inflation through the use of its exchange rate policy and through the discretion the Government exercises over wage bonuses. In 1995, consumer price inflation dropped to around 3.2% from 3.8% in 1994. The temporary effect of the introduction of a goods and services tax in 1994 had worked itself out during the year. Inflation was further dampened by an appreciation of the Singapore dollar.

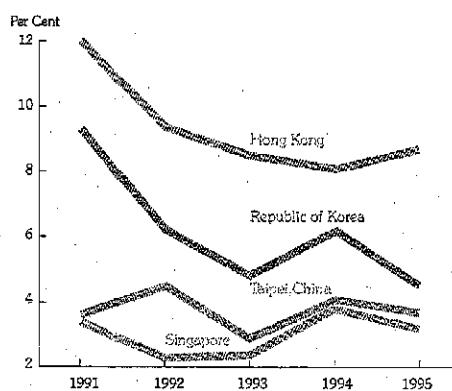
In **Taipei, China**, consumer price inflation fell to 3.7% from 4.1% in 1994. Weak domestic demand contributed to the deceleration.

### Newly Industrializing Economies

#### GDP Growth Rates

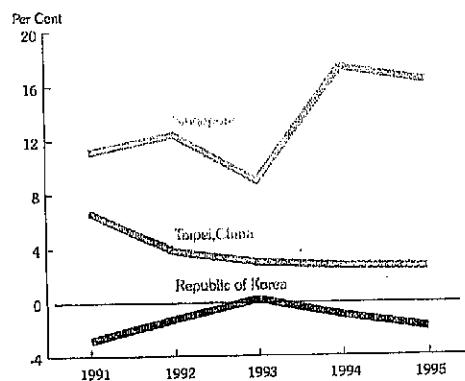


#### Changes in Consumer Prices



### Newly Industrializing Economies

Current Account Balance (Per Cent of GDP)



### External Sector

A substantial proportion of **Hong Kong**'s trade is in the form of "reexports." These are goods that are imported to Hong Kong for onward shipment to other destinations. In 1995, reexports from Hong Kong rose by 19% in value terms, largely as a result of Hong Kong's strong entrepôt relationship with PRC. Domestic exports, however, grew by 5% in real terms. Thus, aggregate merchandise exports grew by 16.7%. Against this, merchandise imports registered a growth of 17.8%, causing Hong Kong's trade balance to slip further into deficit. While no data for Hong Kong's current account are available, it is likely that a surplus on the services account more than offset the trade deficit in 1995, leading to a current account surplus.

In the **Republic of Korea**, exports grew by 32%, about double the previous year's rate of increase. The rapid expansion was due mainly to the strength of the yen and an improvement in the global trading environment. However, imports grew by 33%, resulting in deficits in both overall trade and current accounts. The current account deficit nearly doubled in dollar terms, although, as a proportion of GDP, it increased from 1% in 1994 to 1.9%.

**Singapore**'s robust export growth over the past 15 years continued in 1995. Merchandise exports grew by 15.5% and imports by 18%. Exports of electronic items remained particularly strong. The current account surplus rose to around \$14 billion, equivalent to 16% of GDP.

**Taipei, China**'s nominal exports grew by 20.5% in 1995, while imports grew by 22% over the previous year. The current account surplus, however, rose to \$7.2 billion from \$6.2 billion a year ago. Taipei, China's integration with the economies of Hong Kong and People's Republic of China was further strengthened in 1995. Hong Kong surpassed the United States as Taipei, China's largest trading partner.

### Domestic Policies

There were no significant policy changes in **Hong Kong** in 1995. The budgetary policy continued to be prudent and there were no financial pressures for spending on current and pending infrastructure investments. The Government did not stimulate the economy as a method of dealing with rising unemployment. The major task facing policymakers was to moderate the inflationary expectations that prevented inflation from slowing despite falling property prices and a deceleration in economic activity.

Liberalization of the financial sector was at the top of the policy agenda in the **Republic of Korea**. Measures to further deregulate the current and capital accounts of the balance of payments were introduced in 1995. The ceilings that apply to foreign investments were relaxed. Some of the bank lending rates were deregulated. An unemployment insurance scheme, to be financed through employees' and employers' contributions, was introduced.

In **Singapore**, the Government's fiscal program remained prudent and the fiscal balance was in surplus. In an attempt to deal with large accumulated budget surpluses, the Government resorted to a variety of schemes to upgrade and encourage investment. The monetary authorities continued to support a strong local currency, which led to a downward

revision of inflation forecasts.

In **Taipei, China**, the financial sector came under some pressure as a result of asset price deflation. Partly as a response to this, measures were introduced in 1995 to bolster Taipei, China's flagging property market. Restrictions on property development were lifted and first-time homebuyers were offered loans at below market rates.

## Southeast Asia\*

### Economic Growth

Overall, Southeast Asia achieved a 7.9% economic growth, against 7.8% in 1994. Brisk domestic demand and strong exports, bolstered by large inflows of foreign investment, continued to support the strong economic performance in almost all Southeast Asian countries.

**Indonesia**'s 7.6% growth in 1995 was about the same as in the preceding year. The achievement was based on the strength of industrial and infrastructure-related activities, such as electricity and gas. The agriculture sector also contributed to the uptrend; following the relatively poor performance in 1994, when floods and droughts hit certain parts of the country. On the demand side, growth was spurred by strong consumption and investment demand.

**Malaysia**'s GDP growth was sustained at the high average rate of almost 9% for the last eight years. Growth in 1995 improved to 9.3% from 9.2% in 1994, fueled by a rapid increase in manufacturing output (13%) and manufactured exports (28%). Performance was also strong in the agriculture sector (due to a significant expansion in palm oil and rubber), oil and gas, construction, public utilities, and transport and communications.

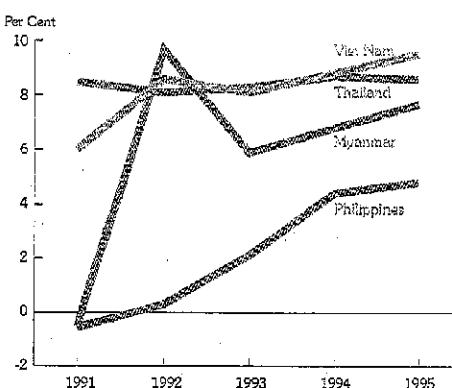
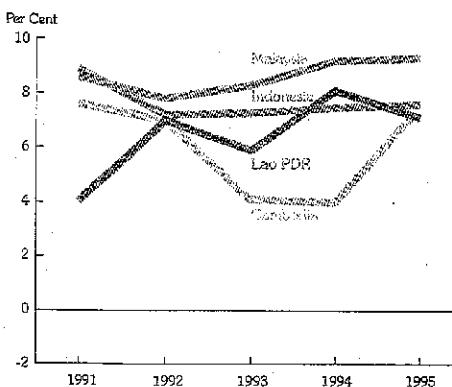
Continuing the economic upturn that started a couple of years back, the **Philippines**' GDP grew 4.8% in 1995, against 4.4% in 1994. Despite the poor performance of the agriculture sector, overall output growth improved due to considerable expansion of the industrial sector, mainly construction. Encouraged by structural reforms, greater reliability of power supply and improvement in the policy environment, private investment picked up sharply in 1995. There was also a significant increase in the inflow of foreign direct investment.

**Thailand**'s economic performance remained strong, although the 8.6% GDP growth in 1995 was marginally lower than 8.7% in the previous year. The growth stemmed mainly from an expansion in private and public consumption, and a strong demand for investment and exports. With the Government's vigorous effort to expand infrastructure facilities, the overall investment level increased to 40% of GDP.

In **Viet Nam**, the economy continued to perform well. GDP grew by 9.5% in 1995, slightly higher than the 8.8% registered during the previous year. The expansion was led by the industry sector (which experienced a 14.2% growth), particularly by large-scale, centrally owned state enterprises in import-substituting heavy industries. The agriculture sector posted a relatively modest but satisfactory growth of 4.7%

## Southeast Asian Economies

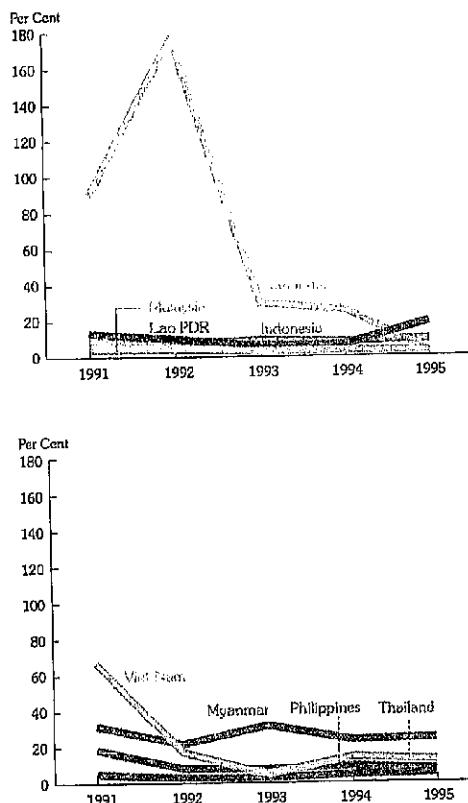
### GDP Growth Rates



\* Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Thailand and Viet Nam. Singapore is treated under Newly Industrializing Economies.\*

## Southeast Asian Economies

### Changes in Consumer Prices



In **Cambodia**, growth accelerated to 7.5% from the previous year's 4%, due mainly to improved weather conditions and better macroeconomic management.

**Lao People's Democratic Republic (Lao PDR)** achieved a GDP growth of 7.1% in 1995, against 8.1% in 1994. The slowdown was due mainly to unfavorable weather conditions which affected the agriculture sector.

Real GDP in **Myanmar** grew by 7.7%, against 6.8% in 1994. Both the agriculture and industry sectors improved on their 1994 performance, achieving growth rates of 7.3% and 11.4%, respectively. There was a sharp increase in manufacturing growth from 9% to over 13%.

### Inflation

With an acceleration of economic growth in the Southeast Asian subregion, the average inflation rate rose to 7.4%, against 7% in 1994. Inflationary pressures were mainly the result of buoyant private and government spending. This was aggravated by higher prices for agriculture products as harvests in several countries suffered from unfavorable weather conditions.

The inflation rate in **Indonesia** increased to 9.4% from 8.5% in 1994. An expansion in economic activity arising from strong consumption and investment spending, and a rise in food prices accounted for the higher inflation.

**Malaysia**'s inflation was the lowest among the countries of the subregion. The 3.4% rate in 1995 was even slightly lower than the 3.7% increase in the preceding year. Prudent fiscal and monetary policy helped rein in the inflationary pressures despite strong economic growth and a tight labor market.

Inflation moderated in the **Philippines** to about 8% as compared to 9.1% in 1994, despite the failure of the rice crop due to bad weather and an accommodating monetary policy.

In **Thailand**, the inflation rate increased to 5.8% compared to 5.1% in 1994. The Bank of Thailand introduced several monetary and prudential measures to control money supply and ease the pressure on domestic prices.

**Viet Nam**'s inflation rate decreased to 12.7% from 14.4% in 1994. Efforts to contain inflation through relatively more stringent monetary targets were not particularly successful because of unfavorable weather conditions affecting the prices of primary commodities.

In **Cambodia**, the consumer price index rose by only 3.5%, which was a substantial improvement from the 26.1% inflation in 1994.

**Lao PDR** experienced a 19% inflation in 1995, compared to 6.7% in 1994, as aggregate demand rose as a result of expansionary monetary and fiscal policies.

In the case of **Myanmar**, prices rose by about 24.7% in Yangon, the only city in the country for which price indices are available.

### External Sector

Despite the subregion's continued rapid growth in exports, several Southeast Asian DMCs registered higher import growth rates, primarily of capital goods. Thus, there was a deterioration in the current account balance in some instances.

**Indonesia's** exports showed an increase of 11.1% in 1995, with expansion in both oil and nonoil exports. Simultaneously, with an expansion in the demand for capital goods, raw materials and consumption goods, imports grew by 23.1%. The current account deficit deteriorated to \$8 billion from \$2.8 billion in 1994.

**Malaysia** continued to benefit from large inflows of foreign capital, and the surplus on the capital account more than covered the current account deficit of almost \$7.6 billion (8.9% of GNP). Although exports grew by more than 26%, the trade balance was in deficit for the first time since 1982. The deficit on the services account was also large as the massive foreign direct investments since the 1980s resulted in increasing outflows of profits.

Helped by economic reform measures which reduced the anti-export bias, the **Philippines** experienced an impressive 28.9% growth in exports. However, due to increased economic activity and possibly due to the high import intensity of exports such as electronics and garments, imports grew by more than 24%. Thus, the trade deficit worsened to over \$9 billion. Nevertheless, an increase in net services income and in overseas workers' remittances was sufficient to contain the current account deficit to about \$2 billion.

In recent years, investment aimed at improving the productive capacity has increased **Thailand's** export potential. As a result, Thailand's exports grew by over 24% in 1995, compared to 22.2% in 1994. However, imports also rose by a strong 28% as the demand for capital goods rose for government-commissioned infrastructure projects. The current account deficit widened to 7.5% of GDP.

**Viet Nam** also recorded a significant growth of about 45% in exports. The success was partly the result of policy measures adopted by the Government to ease infrastructure bottlenecks and improve the management of state-run enterprises. On the other hand, imports grew at a much faster pace (58%) and the current account deficit deteriorated further to \$1.7 billion, against \$1 billion in 1994.

**Cambodia's** exports registered a hefty increase of 55.7% despite a ban on log exports. However, with imports recording a high 52% growth, the trade deficit increased to 11.3% of GDP, compared to 9.3% in 1994. The current account deficit also increased to 13.2% of GDP from 11.6% a year ago.

In **Lao PDR**, the current account deficit was estimated at 11.4% of GDP, against 15% in 1994. Export growth was lower at 15.8% due to a slowdown in the exports of forest products. The growth of imports dropped substantially to 4.1% in 1995 from 30.6% in 1994.

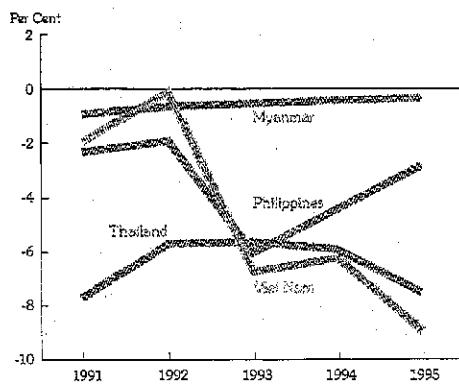
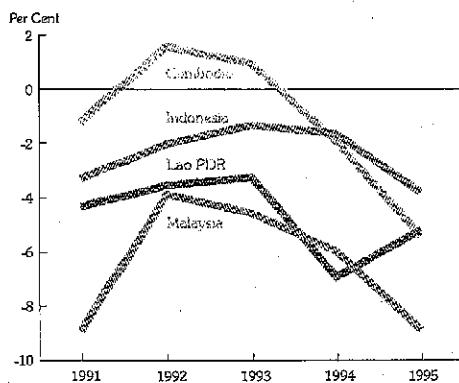
Exports of **Myanmar** grew by 25.6%, while imports recorded a 12.6% growth. The country has suffered from a lack of diversification in its exports of nontraditional items. The current account showed a deficit of \$311 million.

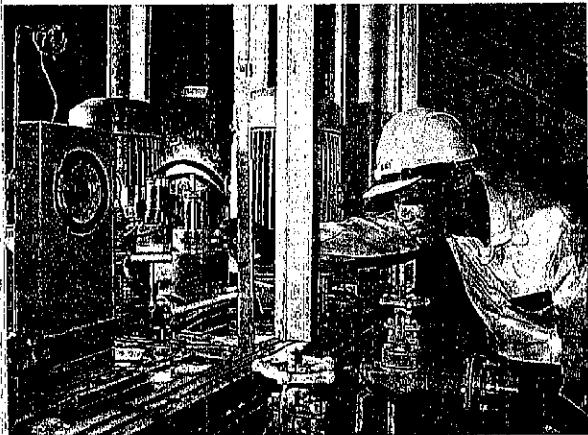
### Domestic Policies

Most Southeast Asian countries continued to face challenges posed by rapid economic growth and large inflows of foreign investment. In addition, the fast-growing economies faced infrastructure bottlenecks and escalating factor and consumer prices. In response, the governments pursued various structural reform measures and prudent macroeconomic management.

### Southeast Asian Economies

Current Account Balance (Per Cent of GDP)





*Engineer at work  
at the Bank-funded  
Sungai Piah  
hydropower station  
in Malaysia.*

In **Indonesia**, the Government continued to pursue economic policies that permit only a moderate growth in monetary supply. Its intention was to stabilize prices in light of rapid economic growth. Towards the end of the year, a bill was passed to improve the legal framework for the development of the domestic capital market. Further progress was made in deregulating investment and reforming the banking and financial sectors.

**Malaysia** maintained its conservative fiscal policy which has led to the emergence of a budget surplus since 1993 following a continuous decline in the budget deficit since 1989. A number of tax reforms were implemented, including lower corporate and personal income tax rates and the abolition of import duty and/or sales tax on 1,500 items. To solve the problem of shortage of skilled labor, the Government pledged substantial resources for the development of education.

The **Philippines** continued to implement structural reforms and policy initiatives to enhance its competitiveness in the world market. The Government resolutely pursued policy measures to liberalize foreign trade, encourage private sector investment and deregulate the foreign exchange market. The Central Bank exercised prudence in monetary management. Fiscal consolidation was strengthened by a tightening of expenditure and a reduction in government borrowings.

**Thailand**'s economic policies during the year were focused on financial sector reforms, the adoption of a conservative monetary policy and issues relating to human development. In February, a Comprehensive Financial System Plan was adopted to: (i) improve the mobilization of both domestic and foreign savings; (ii) promote competitiveness within the financial sector; (iii) enhance the role of Thailand as a regional financial center; (iv) channel more credit to the countryside; and (v) move toward compliance with the new world trade rules in preparation for opening the country's financial sector to international competition.

**Viet Nam** entered a new phase in its transition to a market-oriented economy. Economic reforms were complemented by public administration reforms. The Government successfully completed the first year of a three-year enhanced structural adjustment facility supported by the International Monetary Fund (IMF) and reached an understanding with IMF on the second year of the same facility. Among the key policy measures introduced in 1995 were: (i) tax and tariff reforms; (ii) state enterprise reform involving the provision of a legal framework for corporatization, equitization and improved corporate governance; (iii) mergers of overlapping agencies; and (iv) adoption of a civil code to enhance economic and social activities under a market-oriented economy.

**Cambodia**'s broad economic concern during the year was to consolidate the gains made after the Policy Framework Paper for 1994-1996 was put in place.

**Lao PDR** pursued efforts to sustain structural adjustment reforms, mainly to control public expenditure, broaden the revenue base and improve the balance-of-payments position.

In **Myanmar**, the process of transformation from a centrally planned economy to a market-oriented economy began in the late 1980s. Major policy initiatives taken in that direction have included the deregulation of government control in the agriculture sector; the opening up of foreign trade, including border trade, to the private sector; an open-door policy for foreign direct investment; and permission for private

financial institutions to operate. The system of forced government procurement of major crops has been abolished and the domestic marketing and processing of crops have been liberalized. In the industry sector, all subsectors have been opened up to the private sector except oil and gas extraction and the mining of gems.

### South Asia\*

#### Economic Growth

South Asia's average economic growth was maintained at the 5.8% rate achieved in 1994. Largely in response to economic liberalization measures introduced since the early 1990s, several economies achieved high growth in manufacturing. Performance in agriculture varied substantially as some countries, such as Bhutan and Pakistan, did well while others were adversely affected by poor weather.

GDP growth in **Bangladesh** fell slightly to 4.1% from 4.2% in 1994, as unfavorable weather conditions affected agriculture. Foodgrain production declined by 5.7%. However, industry achieved a healthy 8.5% growth, primarily due to the improved performance of the manufacturing, construction, and gas and power subsectors. The services sector grew by 5.9% due to increased activity in transportation, communications, banking and insurance.

**India** has made significant economic progress since it began its liberalization program in 1991. Real GDP grew by 6.2% in 1995, against 6.3% in 1994. There was a sharp 12% growth in the industry sector, compared to 8.3% in 1994, due mainly to a strong demand for capital goods. The growth of the agriculture sector decelerated to 0.5% from 4.9% in 1994.

The rate of GDP growth in **Nepal** slowed to 2.3% in 1995, mainly because of a decline in agricultural output. Though cash crop and livestock production increased, food crop was seriously affected by drought conditions. The growth in manufacturing was also much lower than in the previous year.

**Pakistan**'s GDP recorded a 4.7% growth in 1995, compared to 3.8% in 1994. The agriculture sector performed well and grew by 4.9%, while output growth in the manufacturing sector slowed down. In December, the Government entered into a 15-month standby credit arrangement with IMF to correct macroeconomic imbalance and improve the fiscal situation.

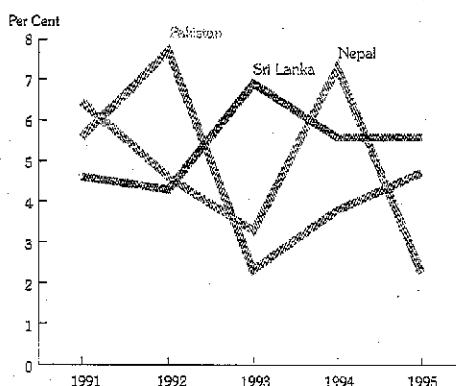
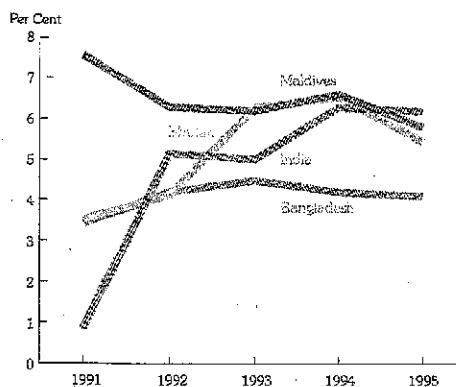
**Sri Lanka**'s economy grew by 5.6%, the same rate as in 1994. The industry sector remained buoyant. However, its 8% growth in 1995 was lower than the rates in the previous two years. The agriculture sector's growth decelerated to 2.3%, against 3.3% in 1994, due mainly to civil disturbances in the northeastern part of the country.

**Bhutan** recorded a GDP growth of 5.5%, against 6.5% in 1994. Increased construction activity and the commissioning of export-oriented ferro-alloy and cement projects influenced the higher growth rate.

Real GDP growth in **Maldives** slipped to 5.8%, against 6.6% in the

#### Selected South Asian Economies

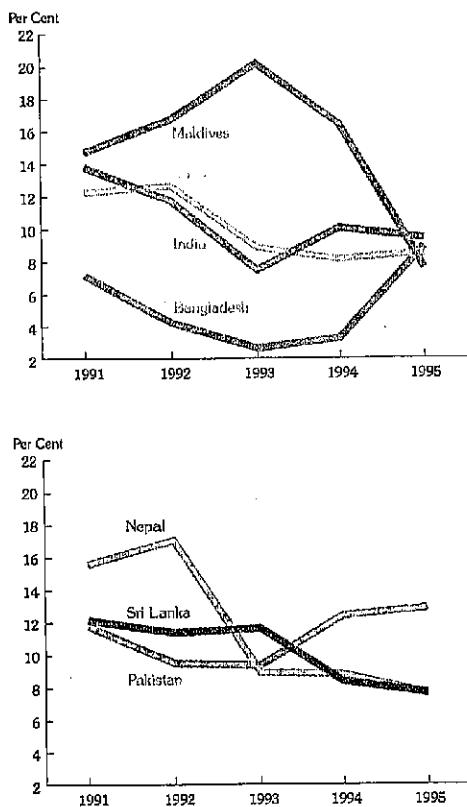
##### GDP Growth Rates



\* Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

## Selected South Asian Economies

### Changes in Consumer Prices



earlier year. The slowdown reflected the structural adjustment measure being pursued by the Government as well as the sluggish performance of the fisheries sector. Poor fish catches in early 1995 and large stock levels in the frozen fish export market combined to depress fishing activity.

### Inflation

Higher economic growth, adverse weather conditions and accommodating monetary and fiscal policies exerted pressure on prices in South Asia. Average inflation for the subregion was 9.8% in 1995, against 9.9% in 1994.

In **Bangladesh**, inflation jumped from 3.3% in 1994 to 8.9% as a result of rising foodgrain prices.

In **India**, inflation declined to 9.5% from 10.1% in 1994 due to a tightening of monetary policies.

In **Nepal**, inflation eased to 7.6%, against 8.9% in 1994, due mainly to a contractionary monetary policy.

Inflationary pressures remained strong in **Pakistan**. The consumer price index rose by 12.9% compared to the original target of 7%. Food prices rose particularly sharply. An increase in prices of several imported commodities and relaxed monetary and fiscal policies were primarily responsible for the higher inflation.

In **Sri Lanka**, the inflation rate fell marginally to 7.7% from 8.4% in 1994 as a result of lower import duties and taxes, and a reduction in the administered prices of several commodities.

Consumer prices rose by 8.6% in **Bhutan**, against 8.2% in 1994. However, inflationary pressures in the country have eased considerably since the early 1990s.

**Maldives** was able to reduce its inflation rate to 7.7% from the double-digit levels experienced since 1991. The main reason for this success was the slowdown in monetary growth.

### External Sector

The balance of payments of several South Asian countries deteriorated in 1995. While exports were generally healthy, imports surged strongly due to higher income growth and as a consequence of the liberalization measures undertaken over the last few years. DMCs with large current account deficits undertook corrective measures.

Exports from **Bangladesh** grew by a record 37% after a poor performance in 1994. This was due mainly to a strong growth in the readymade garments sector. However, imports grew by an even higher rate of 39%, which turned the current account balance from a surplus of 1.1% to a deficit of 0.5% of GDP in 1995.

In **India**, exports registered a 21% growth on top of an 18% increase in the previous year. But a higher level of economic activity and lower import tariffs led to an import growth of 26.7%. As a result, the current account deficit increased from \$2.3 billion in 1994 to \$5 billion.

**Nepal's** current account deficit widened to 6.5% of GDP from 4.4% in 1994 because of a rapid growth in imports and a slowdown in the export of carpets and garments, the country's two major export items. The balance of payments came under considerable pressure, and gross official reserves fell to less than six months of imports of goods and services, the lowest level in several years.

**Pakistan's** exports grew by 17.9% after experiencing a 1.4% decline in the previous year. Merchandise imports recorded an increase of 16.7%, due mainly to larger imports of food items, machinery, chemicals and petroleum products. The invisibles account of the balance of payments, however, deteriorated. As a result, the current account deficit deteriorated to 3.5% of GDP, compared to 3.2% in the previous year.

**Sri Lanka** experienced a 20.3% increase in its exports, while imports grew by 18.6%. The current account deficit was estimated at 8.4% of GDP.

**Bhutan's** exports grew by about 6%, while imports increased by 16%. The current account deficit, as a percentage of GDP, was about 15.6%.

**Maldives'** export performance in 1995 was somewhat lower than in the previous year because of stagnant fish exports. The overall import demand remained strong. Consequently, the current account deficit rose to 11% of GDP, almost twice the level of the previous year.

### Domestic Policies

Although the macroeconomic indicators in **Bangladesh** have deteriorated recently, structural reforms continued during 1995. The ongoing deregulation and liberalization process is helping create a competitive economy. However, public enterprise reforms, including the privatization of public enterprises, progressed at a slow pace. In the area of trade policy reforms, the Government reduced the average unweighted nominal tariff. But greater emphasis needs to be given to make customs procedures transparent and simple.

In **India**, more public enterprises were divested under the Government's ongoing policy reforms. Further tariff reforms as well as the liberalization of the telecommunications sector remained on the cards. Reforms of the exchange rate regime were also under consideration. To sustain the economic performance achieved during the year, India needs to increase domestic saving and investment. Slow progress in fiscal consolidation and rigidities in factor markets are among the worrying factors.

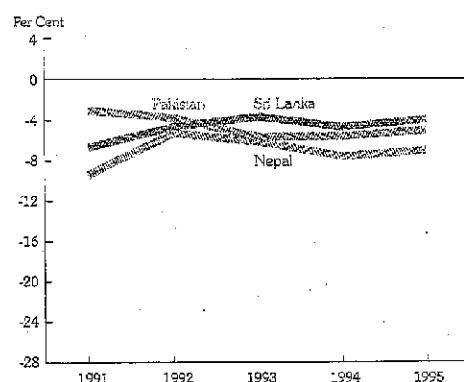
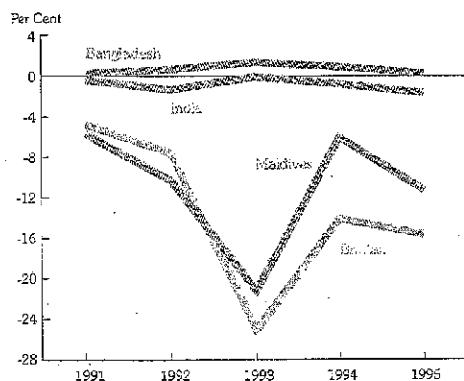
Economic liberalization in **Nepal** did not make much progress during the year. However, the export tax was reduced, the income and corporate tax rates were lowered; the wealth tax was abolished, and the highly distortionary local taxes were proposed to be replaced by locally administered taxes. The Government is fully committed to introduce the value-added tax in 1996.

Although structural and macroeconomic reforms initiated in **Pakistan** in the early 1990s continued during the year, the budget and tariff reforms announced in mid-1995 did not meet the IMF targets. Other reforms undertaken included the privatization of state-owned enterprises and further deregulation of the economy. In November, the Government announced measures to address the country's macroeconomic difficulties. The Pakistani rupee was devalued by 7% vis-à-vis the US dollar. Import duties were increased along with an upward revision in interest rates. A 15-month IMF standby program was negotiated in December.

In the light of ongoing civil disturbances in the northern and eastern parts of **Sri Lanka**, the Government adopted a passive approach to

### Selected South Asian Economies

Current Account Balance (Per Cent of GDP)



economic policy during 1995 and pursued an active role to stop the civil conflict. The budget for 1995 was aimed at containing inflation within single digit, reducing the budget deficit and achieving strong economic growth. However, with the escalation of hostilities, defense expenditure increased. It was financed partly through an increase in the defense levy from 3.5% to 4.5%. As a result, the budget deficit remained at the same level as in 1994, or about 10% of GDP.

**Maldives** faces a range of development challenges. Despite the fast growth of its economy, macroeconomic balances are now seriously out of alignment. This has led to escalating debt, high inflation, an overvalued nominal exchange rate, and low foreign exchange reserves. A major requirement is to improve fiscal management and substantially reduce the fiscal deficit, which reached 10.9% of GDP in 1995. Making the transition from a highly regulated economy to one in which the private sector is allowed a freer role is the major development challenge ahead.

## People's Republic of China and Mongolia

### Economic Growth

PRC's 1995 GDP growth rate of 10.2% was slightly lower than the 11.8% growth in 1994 and reflected the tight fiscal and monetary policies the Government continued to enforce to control inflation. The growth rate, however, remained among the highest in the world. The slight slowdown in 1995 was caused by a further reduction in fixed asset investment, which had traditionally driven economic growth in PRC. A tighter screening of investments and stronger Central Government control over the banking sector curtailed speculative investment in real estate and the stock market.

Agricultural output increased due to better climatic conditions, while adjustments in the purchasing price of grains by 40% and that of cotton by 60% provided the incentive for expanding production. The agriculture sector grew by 4.5% in 1995, compared to 4% in 1994.

Industrial output was affected by the tight monetary and fiscal policies and the lagged effect of slower investment, especially by state-owned enterprises. Despite this, industrial output grew by 13.6%, against 17.4% in 1994. This robust growth exerted strains on electricity, transportation and communications facilities.

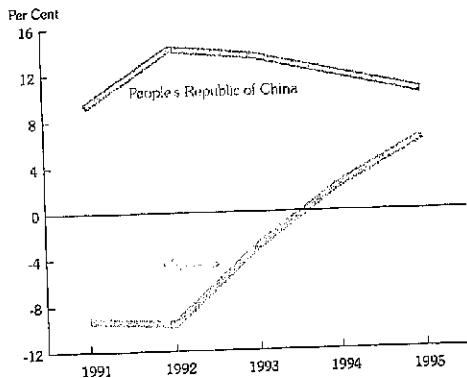
**Mongolia** recorded a remarkable 6.3% growth in GDP, against 2.3% in 1994. This was based on a 16.2% growth in industry, 5.7% growth in agriculture and 1.5% growth in services. The development of the private sector and the liberalization of the trade regime markedly improved the supply situation in the country. Agricultural output increased despite some decline in the area under cultivation. Industrial growth was broadbased, with output declining in only three of 12 subsectors. The growth in the services sector almost exclusively reflected increased private sector activity.

### Inflation

Inflation in PRC was 14.8%, slightly below the targeted rate of 15% announced at the beginning of the year and well below the high rate of

### PRC and Mongolia

#### GDP Growth Rates



21.7% experienced in 1994. The rate declined steadily by about 1.1% per month, reflecting tighter monetary control, the reimposition of administrative controls over some food prices and the curtailment of public investment projects in mid-1995.

**Mongolia** recorded a 56.8% inflation rate, against 87.6% in 1994. A further contraction in government expenditure and tighter credit ceilings on commercial banks are necessary so that private investment can grow at a faster rate without aggravating inflationary pressures.

### External Trade

Continued progress in trade and foreign exchange reforms boosted PRC's total trade on a customs basis by 18.6% to \$235 billion. Exports were up by 23% to \$126.2 billion, while imports rose by 14% to \$108.6 billion. This resulted in a merchandise trade surplus of \$17.5 billion. Foreign-funded enterprises accounted for about 28% of PRC's total trade value. The current account surplus more than doubled to \$16.5 billion, compared to \$6.5 billion in 1994. The services account of PRC's balance of payments, however, showed a deficit in 1995. Realized foreign direct investment increased by 11% to reach \$37 billion, reflecting continued investor confidence in PRC's economy.

Export earnings in **Mongolia** rose by 23%, but were outpaced by a 28% growth in imports. Capital goods and energy imports comprised more than half the total imports for 1995. As a result, the deficit on the external account widened to 7.3% of GDP from 5.9% in 1994. This was fully financed by foreign capital inflows.

### Domestic Policies

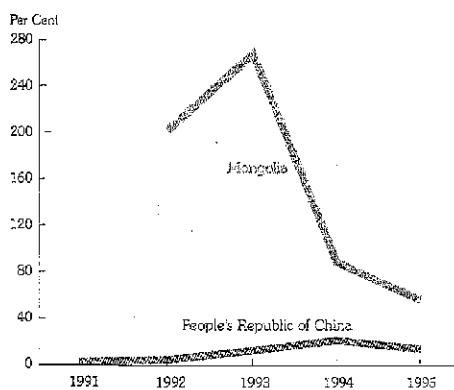
In **PRC**, the wideranging policy reforms, covering agriculture, state-owned enterprises, financial and fiscal affairs, trade and social welfare, announced at the Fourteenth Party Congress in November 1993, continued to be implemented during the year. In early 1995, the Government announced a comprehensive program to improve the agriculture sector and the rural economy. Under the program, grain output is to be increased, arable land is to be protected from nonagricultural uses, low-yielding land is to be improved to boost output, farm infrastructure is to be upgraded and more government funds are to be appropriated for investment in agriculture.

In the financial sector, a major achievement was the ratification of the Central Bank Law in March. This law aims at establishing a strong central bank for effectively conducting monetary policy and supervising the financial system. The Commercial Bank Law, which became effective on 1 July, will further strengthen the role of the People's Bank of China as the central bank and main regulator of the commercial banking sector.

In order to deepen reforms as well as to facilitate PRC's early entry into the World Trade Organization, the Government announced a 30% reduction in tariff levels on 4,000 items in November 1995. Tight fiscal and monetary policies continued to be enforced, which helped reduce aggregate demand, boost exports and ease inflationary pressures. In October, the Government released a basic framework for the formulation of the Ninth Five-Year Plan (1996-2000). The central thrust of the nine guiding principles contained in the document is the continued implementation of reforms to transform PRC into a socialist market economy.

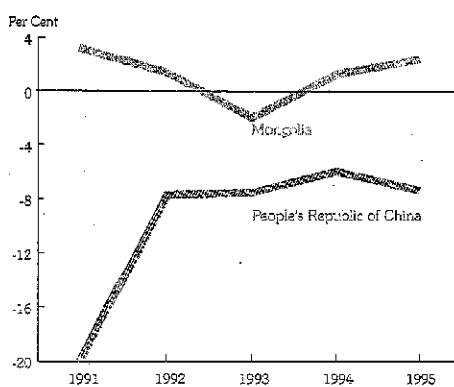
### PRC and Mongolia

#### Changes in Consumer Prices



### PRC and Mongolia

#### Current Account Balance (Per Cent of GDP)



**Mongolia** was able to maintain macroeconomic stability and improve fiscal balances, with some help from favorable international circumstances. This was a considerable achievement. Net lending to state-owned enterprises was substantially reduced. A 20% cut by all budgetary agencies on purchases of goods and services and a 60% increase in urban transport fares were announced in September. Borrowing from the Bank of Mongolia was also brought down. Expansion of commercial credit was brought under control through an agreement between the Bank of Mongolia and commercial banks.

## Central Asian Republics\*

### Economic Growth

Since achieving independence in 1991, the Central Asian republics' transition from a command system to an economy based on market competition has met with serious difficulties. Production in these countries generally suffered during the period as regular supplies of inputs were interrupted by the breakup of the former Soviet Union.

In **Kazakhstan**, real GDP continued to decline in 1995, although at a slightly lower rate (8.9%) than in earlier years. Sectorwise, both industry and services experienced losses as value-added decreased by an average rate of nearly 8% and 3%, respectively. The output contraction was particularly felt in heavy industry following the collapse of the Soviet military-industrial system. Agricultural output had fallen by an average rate of 12% during the 1992-1994 period. In 1995, the harvest of important grains showed declines in the range of 22%-33% relative to 1994, which adversely affected the overall performance of the agriculture sector. Poor weather was also a contributory factor.

Real GDP of the **Kyrgyz Republic** showed a smaller decline of 6.2% in 1995. Agriculture, which accounted for almost 46% of GDP, posted a more modest decline of 2%, against a 17% decline experienced in 1994. The output of heavy industry was adversely affected by energy shortages, unavailability of primary inputs and tight credit. The construction industry also performed poorly.

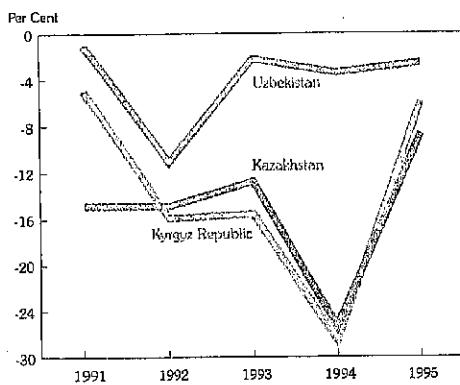
In **Uzbekistan**, GDP decline has been modest and the degree of economic and social disruption has been small. In the period from 1991 to 1995, GDP declined by about 4%. Output contracted by only 2.7% in 1995. The limited contraction was the result of a sharp increase in oil and grain production, a buoyant world market for cotton and the slower pace of economic reform that minimized economic dislocation.

### Inflation

Both Kazakhstan and Kyrgyz Republic made good progress in achieving price stability, and the inflation rate fell rapidly in 1995. However, these economies remained cautious about the vulnerability of prices to renewed upward pressures. **Kazakhstan** had experienced hyperinflation between 1992 and 1994, when the inflation rate stayed above 1,500%. The rate dropped to about 176% in 1995.

### Central Asian Republics

#### GDP Growth Rates



\* Kazakhstan, Kyrgyz Republic and Uzbekistan.

In the **Kyrgyz Republic**, the average inflation rate was above 1,000% during 1992 and 1993. As a result of efforts by the authorities to moderate inflation, the rate was brought down to 278% in 1994 and to 42% in 1995.

In both countries, the governments remained committed to maintain low inflation as an integral part of macroeconomic reforms. In particular, the establishment of national currencies, the substantial completion of price liberalization and the development of new instruments for monetary control helped reduce inflationary pressures.

Inflation has been a serious problem in **Uzbekistan**. Imported inflation caused prices to soar in 1992 and 1993 since the country remained in the ruble zone and money supply was increased to finance large fiscal deficits. However, inflation was reduced to 516% in 1995 as a result of tighter monetary and fiscal policies.

### External Sector

The external accounts of the Central Asian republics remained weak as the breakup of the payment mechanism, falling aggregate demand and adjustments related to the implementation of economic reforms presented serious difficulties to regional trade. The merchandise trade deficit in **Kazakhstan** was over \$900 million in 1995, about the same level as in 1994, representing close to 7% of GDP. However, in spite of the large deficit, the current level of imports would be inadequate to support the economy during a period of recovery, when positive growth resumes. The current account deficit was almost at the same level as the trade deficit, or just over 7% of GDP.

The **Kyrgyz Republic** ran a trade deficit averaging around \$100 million in both 1994 and 1995. Imports increased by almost 26%, of which almost two-thirds were obtained from the former Soviet Union countries. Exports registered a relatively modest annual increase of 7.6%, but this was a significant recovery from the depressed situation in 1992 when exports had contracted by more than 90%. Because of official grants, the current account deficit was slightly smaller than the trade deficit, or about 8% of GDP.

**Uzbekistan** has not experienced any severe balance-of-payments difficulties. In fact, the external sector underwent an encouraging turnaround between 1993 and 1995. The trade balance moved from deficit to surplus and the current account deficit fell from nearly 12% of GDP in 1992 to less than 3% in 1995. This enabled the country to build up foreign exchange reserves, which currently stand at a comfortable six months of import cover.

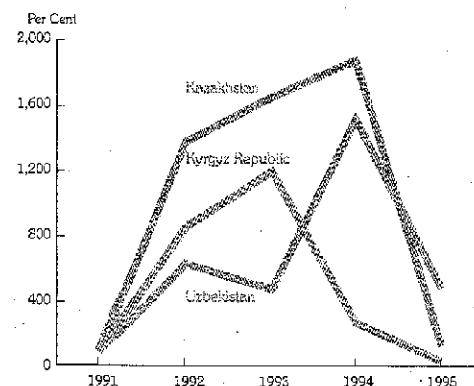
### Domestic Policies

**Kazakhstan**'s immediate concern is to implement the current macrostabilization program that has been drawn up with the support of IMF through a standby arrangement approved on 5 June 1995. This program focuses on containing inflation and improving the external and fiscal positions through tight monetary and fiscal policies.

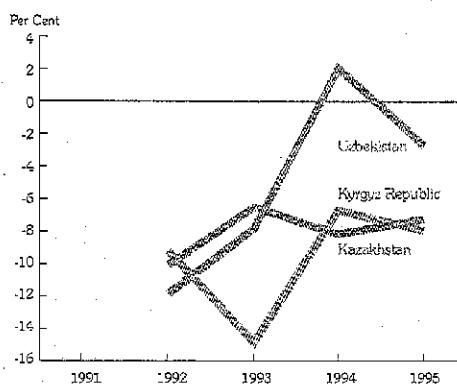
The **Kyrgyz Republic** continued its broad macroeconomic stabilization program. The Government made further progress in dismantling the state order system in the agriculture sector. Action was taken to develop an international payments mechanism. Restrictions on international trade

### Central Asian Republics

#### Changes in Consumer Prices

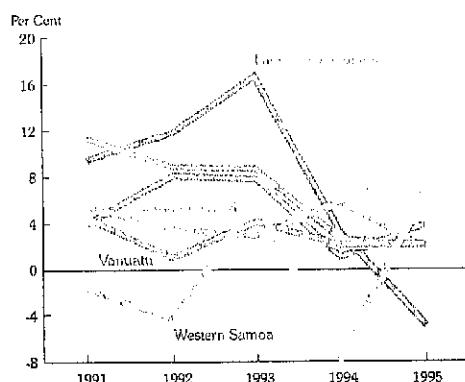
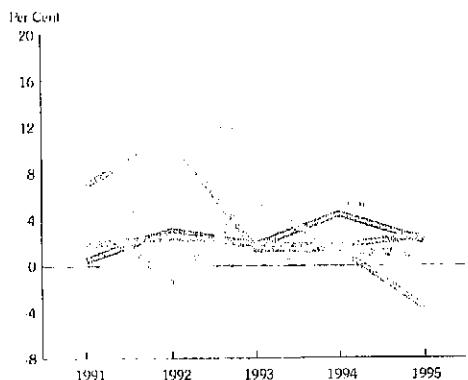


#### Current Account Balance (Per Cent of GDP)



## Selected Pacific Economies

### GDP Growth Rates



were largely eliminated. Other measures were adopted to improve the allocation of resources through concerted efforts; undertake enterprise reforms, including the privatization of large state enterprises; and strengthen the banking sector to make funds available on commercial terms and facilitate domestic and international payments.

**Uzbekistan** has adopted a gradualist approach to structural reform and has proceeded cautiously on price liberalization, privatization and the dismantling of the state order system. Nevertheless, a major improvement in fiscal performance has been achieved as a result of measures undertaken to increase revenue. These include a value-added tax, import duties and a strengthening of the tax administration. In 1995, the Government started an ambitious program of structural reform and adjustment designed in consultation with the World Bank and IMF.

## Pacific DMCs\*

### Economic Growth

In 1995, GDP growth among the Pacific DMCs (PDMCs) was in most cases lower than in 1994. **Western Samoa** was one exception. Following a contraction of 7.8% in 1994, when its main crop, taro, was devastated, the economy achieved a 6.7% GDP growth in 1995. A sharp recovery in exports of coconut products and improved earnings from tourism were mainly responsible for the turnaround. In **Papua New Guinea**, structural adjustment programs necessitated by financial crisis and a reduction in mining and petroleum output slowed down the economy. GDP fell by 4.8% in 1995 compared with a 3.1% growth in 1994 and 16.6% in 1993. Most sectors of the economy showed negative growth. The principal exception was the construction sector as the development of new mining ventures began.

In **Fiji**, GDP grew by 2.2%, about half the rate in 1994, principally because of a decline in sugar production and in the contribution to GDP of community and personal services. However, other sectors of the economy, such as fishing, forestry, tourism services and general manufacturing, achieved growth rates higher than in 1994. Growth in **Tonga**, at 1.8%, was also about one-third that recorded in 1994, mainly because of a sharp contraction in exports of squash. Among other smaller PDMCs, **Kiribati** registered positive growth of 2.6% after some years of decline. Expanded government activity was the main reason behind the positive outcome. In **Solomon Islands**, GDP maintained an unsustainable 4% growth rate, resulting from excessive government expenditure and forest logging rates well above long-run sustainable yields.

**Marshall Islands** had a growth of 1.4% in 1995. The main contribution came from fishing, copra and services, such as trade and telecommunications. Economic growth in the **Federated States of Micronesia** continued to be modest. The 1% growth achieved in 1995 was slightly lower than the 1.3% achieved in 1994. **Vanuatu** managed to maintain its 1994 growth rate of 2%, partly because of a slight recovery in tourism and exports. However, in most sectors, economic

\* Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu and Western Samoa.



activity was sluggish. **Tuvalu** also recorded an estimated 2% growth. In **Cook Islands**, GDP declined by 3.7% as tourism earnings fell off and consumer confidence declined in the wake of a currency crisis and the imposition of credit controls by commercial banks.

### Inflation

Consumer price inflation was largely kept under control in most PDMCs. In the **Federated States of Micronesia** and **Marshall Islands**, the rate was 4%, the same as in 1994 for the former and slightly lower for the latter. The inflation rate in **Fiji** rose somewhat in 1995 but was still relatively low at 2%. Much the same rate was experienced by **Vanuatu** in both 1994 and 1995. In **Kiribati**, the increase in consumer prices was about 6.5%, against 5.1% in 1994. An expansionary budget policy, which included higher wages for civil servants, was one of the reasons behind the increase. Rising inflation in Australia, the main source of Kiribati's imports, was also a contributory factor. **Solomon Islands** experienced an inflation of 9%, lower than the 12.8% recorded in 1994. Currency depreciation in **Papua New Guinea** following the floating of the kina in late 1994 was the main factor that pushed the country's inflation rate to around 15% in 1995, against 2.9% in 1994. In **Western Samoa**, by contrast, inflation was reduced from 18.4% in 1994 to 4.5% in 1995 as local food supplies became more abundant and the effects of the value-added general services tax introduced in 1994 were absorbed. In **Tonga**, improved domestic food supplies and lower import prices brought inflation down from 2.4% in 1994 to virtually zero in 1995. For similar reasons, inflation in **Tuvalu** was also held at low levels.

### External Sector

In 1995, PDMCs showed some diversity of experience in their external account positions. In **Papua New Guinea**, though the trade surplus was almost similar to that of 1994, the deficit on services account increased. As a result, the current account surplus fell from 10.6% of GDP in 1994 to 7.1% in 1995.

By contrast, **Fiji**'s trade deficit shrank somewhat and the surplus on services increased because of higher receipts from tourism. The current account thus improved from a deficit of 4.1% of GDP in 1994 to a small surplus of 0.2% of GDP in 1995.

Increased exports helped the **Federated States of Micronesia** reduce its current account deficit. However, the deficit still remained very high at around 53% of GDP, before taking account of official transfers. **Marshall Islands** also experienced an increase in exports.

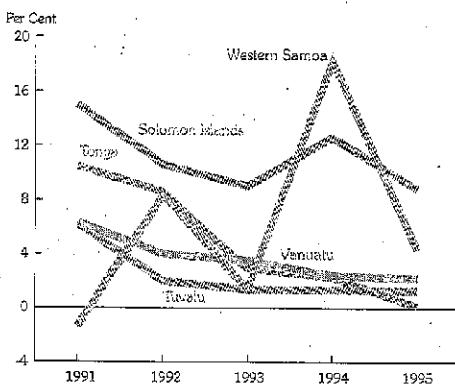
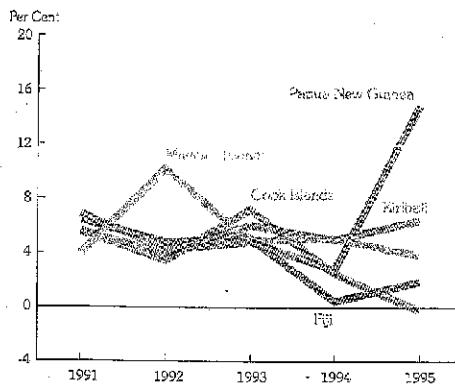
**Western Samoa**, which had a current account surplus of about 2.8% of GDP in 1994, managed to increase the surplus to 5.7% in 1995 as a result of higher export receipts and earnings from tourism.

In **Tonga**, the current account deficit surged to 8.1% of GDP in 1995 compared with 0.3% in 1994, mainly because of a decline in exports of squash and a rise in import payments.

**Vanuatu** experienced a 6.5% rise in exports and a 5.7% increase in imports. The higher trade deficit, however, was offset by improved receipts from services, especially tourism. The current account deficit, after allowing for official transfers, was about 5.7% of GDP, about half

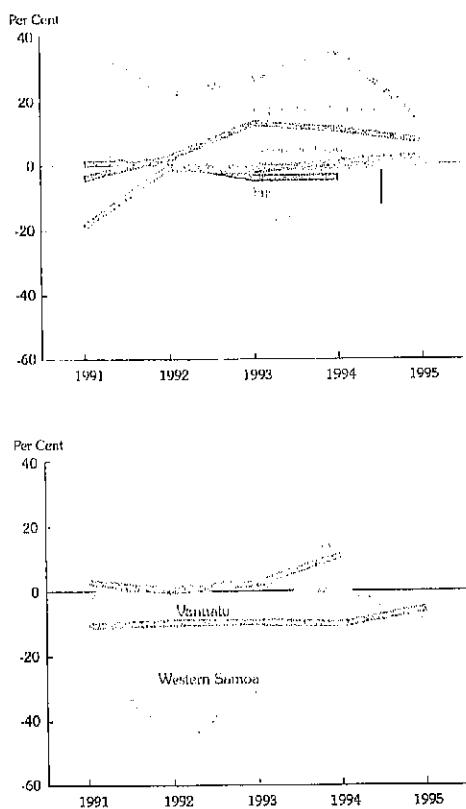
### Selected Pacific Economies

#### Changes in Consumer Prices



### Selected Pacific Economies

#### Current Account Balance (Per Cent of GDP)



what it was in 1994.

A surge in exports of logs enabled **Solomon Islands** to increase its trade surplus to \$16 million and to achieve a current account surplus of 2.4% of GDP, against 0.9% in 1994. Because of private debt repayment, a small overall deficit was recorded, leaving the country's external reserves at the low level of about one month's imports.

The external position of **Kiribati** was less favorable than in 1994. The small rise in exports – mainly of copra and marine products – was insufficient to match the increase in imports, so that the trade deficit widened to \$31 million. However, net services receipts, investment income and official transfers were sufficient to yield a current account surplus equal to about 13.7% of GDP. The surplus, however, was much lower than in 1994 when it was nearly 35%.

As in past years, both **Cook Islands** and **Tuvalu** had to rely on services receipts, remittances and official transfers to cover continued large trade deficits. Cook Islands also experienced a significant capital flight and loss of external reserves following a currency crisis.

### Domestic Policies

Fiscal positions worsened in many of the PDMCs during 1995. In a number of cases, increases in current expenditures were not matched by proportionate increases in revenue.

This was particularly the case in **Solomon Islands**, where an expansionary budget worsened the fiscal deficit problem. The problem has already led to heavy government borrowing, high inflation and currency depreciation.

An expansionary budget was also the case in **Kiribati**, which led to a deficit of nearly 7% of GDP, compared with a surplus of 20.4% in 1994.

**Western Samoa**'s fiscal position also worsened with the deficit rising to about 29.8% of GDP, compared to 21.3% in 1994. In part, this resulted from a shortfall in expected revenue, but principally because of debt repayments on behalf of the national airline.

**Tonga** experienced a fiscal deficit of 3.4% of GDP, against a surplus of 1.4% in 1994. Increased spending on social services, a decline in nontax revenue and higher development spending were the contributing factors.

In **Fiji**, the overall fiscal deficit increased somewhat from 1.7% to 2.6% of GDP, partly because of increased outlays on salaries and debt interest, and partly because revenue, especially nontax revenue, was below 1994 levels.

**Papua New Guinea** was an exception to the general trend. Strict expenditure controls had been successful in holding the fiscal deficit to 2.8% of GDP in 1994. A continuation of these policies left a small overall fiscal surplus in 1995.

The fiscal position in **Cook Islands** remained difficult. Although the overall deficit was lower than in 1994, a slowdown in economic activity impacted adversely on tax revenue and some special measures had to be taken to ease the cash-flow problem. Even so, a debt interest payment that fell due in the latter part of the year was not made.

In the **Federated States of Micronesia**, the overall deficit of the national government declined slightly to 4.2% of GDP from 4.5% in 1994, after allowing for external grants. But some of the constituent

states encountered serious problems as expenditures ran well ahead of revenue.

**Marshall Islands** also ran into difficulties. The fiscal deficit of over 10% of GDP had to be financed by virtual exhaustion of financial reserves.

In **Tuvalu**, after a small surplus in 1994, a current fiscal deficit of nearly 35.7% of GDP was recorded in 1995 as a drop in interest and dividend receipts was not matched by sufficient expenditure reduction.

**Vanuatu** managed to increase its current fiscal surplus through better revenue performance.

In the PDMCs generally, the diversification of the productive base and of the export structure is an essential requirement for achieving sustainable growth. Reducing the scope of the public sector and encouraging a greater role for private activity are important in that context. Though most PDMC governments concur with that view, progress in that direction has been limited. Serious shortages of professional and skilled labor as well as an insufficient capacity for policy and project analysis are among the other problems these countries face.

The high share of salaries and wages in public expenditure means that enough resources are not available for operational purposes, for the effective maintenance of public infrastructure and for the improvement of educational and health services. These remain critical areas for reform generally in the PDMCs.

## Outlook for 1996

### NIEs

Hong Kong's international competitiveness is likely to be eroded further unless it can bring down the rate of inflation. Therefore, although the prospects for 1996 appear bright, Hong Kong may not be in a position to fully exploit the expanding market opportunities. On the demand side, the adverse wealth effects of asset price deflation are likely to constrain private consumption demand. The combination of increasing real costs and declining domestic demand is unlikely to lead to a quick recovery in economic growth. On a more optimistic note, the apparent success that PRC has had in fighting inflation enhances the possibilities of strong and sustained growth in that country, and Hong Kong should benefit from this. In 1996, GDP in Hong Kong is expected to grow by about 4.5%.

The business cycle in the **Republic of Korea** reached its peak towards the end of 1995. In 1996, the issue is not whether GDP growth will be slow, but rather by how much. Domestic demand is likely to contract as many enterprises have already undertaken substantial investments. Export demand is, however, expected to remain strong. In the absence of unexpected factors, it is likely that growth of GDP in the Republic of Korea will be about 7.5% in 1996.

Economic growth in **Singapore** is likely to be slow in 1996. The extent of the slowdown will depend on a range of factors, including growth in global demand for electronics and ancillary products. It is unlikely that the fast growth momentum of recent years can be maintained in this sector. Given the Government's express desire to maintain



The Bank has provided a loan to Fiji to develop housing for low-income people.



*A family planning clinic in Indonesia under the Bank-funded Second Health and Population Project.*

a noninflationary expansion in economic activity, some slippage in growth may even be desirable. It is, however, unlikely that GDP growth will fall much below 8% in 1996.

Real GDP growth in **Taipei, China** is also expected to be somewhat slow in 1996. Investment demand in particular is expected to decline, but consumption demand is also likely to remain comparatively depressed. These adverse factors should, however, be offset, to some degree, by conducive external factors. The economy should post a growth of close to 6.4% in 1996. Over the longer term, Taipei, China's economic prospects will depend on its success in easing various supply-side bottlenecks and in facilitating its graduation to higher value-added manufacturing and services activities.

### Southeast Asia

Southeast Asia should be able to sustain the current tempo of economic growth in 1996, with continued strong inflow of foreign investment. Given this situation, the macroeconomic management strategy for most countries will be to proceed cautiously. The focus will be on containing inflationary pressures and current account deficits, and on reducing supply bottlenecks.

Economic growth in **Indonesia** is likely to be 7.8% in 1996, lower than the rates achieved during the preceding two years. Faced with greater competition in the international market, industrial growth is forecast to be somewhat lower than in 1995, but the services sector is likely to improve with tourism providing the major stimulus. Gross domestic investment will pick up, reflecting strong private investment growth supported by heavy inflows of foreign investment. Some reduction in the levels of unemployment and underemployment is likely. On the external front, exports are projected to increase more rapidly in tandem with the expansion of Indonesia's main Asian markets. Exports of textiles will benefit from a higher export quota recently arranged with the US. Imports are likely to increase to support investment demand. Overall, the current account deficit is forecast to decline slightly from more than \$8 billion in 1995.

**Malaysia** is considering giving more importance to the quality and sustainability of its long-term growth prospects than facing potential macroeconomic instability that excessive growth imposes. Economic growth is expected to slow down to 8.5%. Strong domestic demand for both consumption and investment, and sustained exports will provide the impetus for growth. Exports are expected to grow faster than imports, which should result in a small trade surplus. The expected buoyant economic performance, sustained domestic demand and a tight labor market will exert pressure on prices in 1996. However, prudent fiscal and monetary policies, and import liberalization should ease the pressures.

Growth prospects for the **Philippines** over the medium term appear reasonably bright. GDP is expected to grow at an annual rate of about 5.5% in 1996. The industry and services sectors will spearhead growth. Industrial output is expected to increase by about 8% and the services output by about 5%. Assuming normal weather conditions, agricultural output should improve by about 2.5%. Growth of the economy generally will continue to be driven by investment and exports. Led mainly by private investment, gross investment as a ratio of GDP is

expected to increase by about a percentage point. Since the increase in investment is expected to be matched by higher private savings, it should not put pressure on the external balance.

In **Thailand**, the economic fundamentals remain strong although GDP is likely to grow at a slower rate than in 1995. Agriculture will sustain its growth of about 4%, while industry will register a lower increase. The Government will continue to pursue measures to reduce the gap in the current account, which in 1995 rose to about 7.5% of GDP. Similarly, efforts will continue to restrain upward price movements. As domestic pressure on prices brought about by the effects of floods ease up, inflation will likely be lower in 1996.

In 1996, **Viet Nam's** GDP growth is projected at 9.8%, with agriculture growing by 4.5%, industry by 14.6% and services by 11%. Given the high economic growth targets of the Government and large capital inflows, inflation is expected to remain a major issue. As regards external accounts, the demand for imports is likely to continue at a faster rate than exports, resulting in a current account deficit of about 9% of GDP.

In **Cambodia**, output growth is projected to be 7.5% in 1996. Both industry and agriculture are expected to perform well. Inflation is expected to ease to 3.5%. Trade and current account deficits are expected to rise as exports are constrained by bans on shipments of several primary products.

In **Lao PDR**, growth prospects will continue to depend upon weather conditions. Acceleration in the industry and services sectors can be expected if financial sector reforms are implemented and the regulation of the private sector is further streamlined. GDP growth is projected to be 7.5% in 1996.

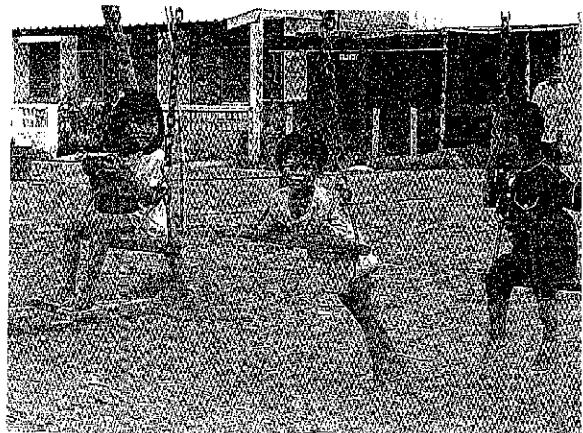
**Myanmar's** economy is likely to grow again by over 7%. The need to meet domestic rice requirements could result in a slowdown in exports, while imports will continue to rise by 8%-9%. This will further widen trade and current account deficits.

## South Asia

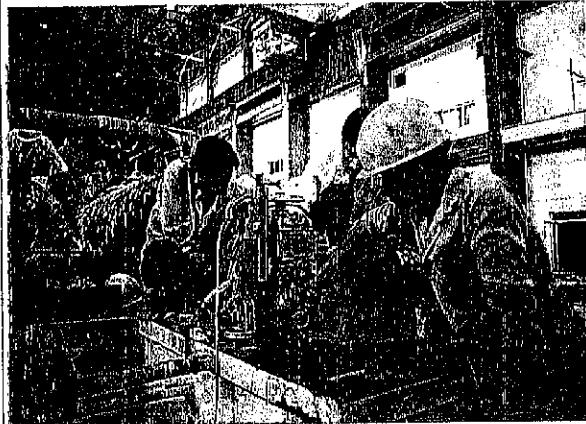
South Asia's economic prospects appear to be promising provided policies to promote macroeconomic stabilization are maintained and the pace of economic liberalization is accelerated. There is, however, considerable political uncertainty in several countries and the economic outlook will be influenced to a large extent by the manner in which the current conflicts are resolved. Furthermore, reducing poverty and improving income distribution remain long-term challenges in the subregion.

Economic prospects for **Bangladesh** in 1996 appear to be mixed, and the recent macroeconomic situation in the country shows a downward trend. Floods between June and October 1995 will adversely affect foodgrains production in the early part of 1996. Given this background, economic growth is expected to be about 3.6% in 1996, provided industrial output is not further held back. Economic growth should, especially, pick up later in the year, provided private sector investment plays a more important role in the economy. Because of the lagged effect of expansionary monetary and fiscal policies, inflation is likely to remain high at 8.8% in 1996. The balance of payments is likely to remain strained, with a high anticipated growth in imports.

Economic growth in **India** is likely to accelerate to 6.5% in 1996,



Children in a residential area in Thailand developed under the Bank-funded Shelter Sector Project.



Technicians at the North Madras Thermal Power Project in India, for which the Bank has provided a \$150 million loan.

with the manufacturing sector leading the expansion. However, sustained economic growth will depend on continued economic liberalization and further fiscal consolidation. With the various policy changes that have been undertaken, it is expected that the fiscal deficit of the Central Government will be reduced to about 5% of GDP. However, to attain this goal, expenditure needs to be controlled more tightly and tax revenue needs to be augmented. Exports are expected to rise by 18% as a result of the depreciation of the rupee in the second half of 1995.

In **Nepal**, the rate of GDP growth is likely to more than double to 5.6% in 1996, largely because of a strong expected recovery in agricultural output and better performance in the industry and services sectors. Reforms in the financial sector will stimulate both savings and investment. Macroeconomic stability will be enhanced by a further decline in the fiscal deficit. Inflation should moderate to 7%. Some further contraction in carpet and garment exports will expand the trade deficit, but with increased tourism receipts the current account deficit should contract to 7.8% of GDP.

In **Pakistan**, GDP growth is projected to pick up to 5.5% in 1996. The agriculture sector will continue to play a major role in boosting economic growth over the next two years. In a bid to lower inflation, which is a condition of the standby credit program arranged with IMF, a tight monetary policy will be pursued. However, taking into account both the supply and demand side factors, the inflation rate is expected to remain in double digits, at around 13%. The trade deficit will deteriorate further and, combined with uncertain overseas workers' remittances, the current account deficit will be in the range of 4.5%-5% of GDP.

Economic growth in **Sri Lanka** is expected to be 5.2%. Under normal weather conditions, agricultural output could increase by 2%-3%—primarily because of higher output of plantation and other high-value-added crops. The industry sector should grow by 7.9%. Investment should pick up in 1997 as the momentum of industrial output accelerates. Given that the Government will continue to administer the prices of key commodities over the short term, the official inflation rate is expected to be maintained at the current levels of 9%-10%. Assuming a stable real effective exchange rate, total exports in dollar terms should increase by 11% in 1996, while imports should expand by 13% in the short term as investments begin to recover and the need for capital goods increases. As a result, the trade deficit will widen to \$1.2 billion in 1996 while the current account deficit should remain at 3% of GDP.

### **PRC and Mongolia**

A gradual slowdown of the economy is expected in **PRC** over the next two years. Real GDP growth should stabilize in the noninflationary, sustainable range of 8% to 9%. With greater attention being given to agriculture, the sector's growth performance should be sustained at the 4.5% level over the next two years. Industrial growth is anticipated to stabilize at 8.5% per annum over the next two years in line with the Government's efforts to prevent economic overheating and rationalize the activities of state-owned enterprises. The Government has set an inflation target of 10% for 1996. Money supply is expected to contract further and the Government will continue its strict control over fixed asset investment. Consumption demand will also weaken. Exports are projected to grow at a more moderate rate of 17.5% in 1996. Imports are

anticipated to grow at a higher rate of 24%, mainly on account of custom duty reductions and the strong domestic demand for advanced technology-based items. Strong inflows of foreign capital will also be accompanied by increased imports of machinery and equipment.

**Mongolia**'s economic recovery is only two years old and fragile. Inflation rate is persistently high and poverty is rising. If some macroeconomic stability is achieved, the economy can be expected to grow by 4.5% to 5% in 1996. Inflation should come down gradually over the next two years as the economy absorbs the impact of price liberalization and prices settle down to market-determined levels. Exports are expected to increase by 10% in 1996. With continued economic growth and the removal of import restrictions, imports are expected to grow by 9.9%. This will yield a current account deficit of about 10% of GDP because of large invisibles payment for interest and remittances abroad.

### Central Asian Republics

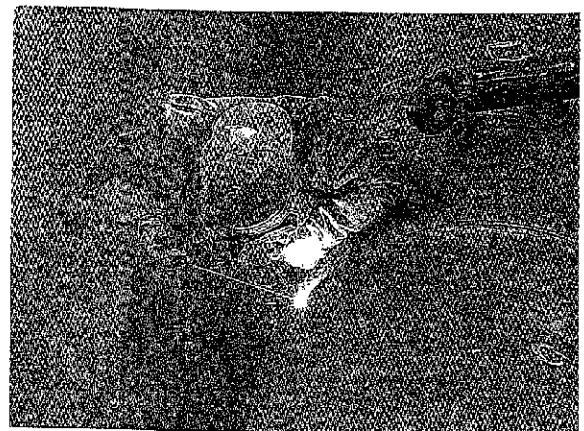
**Kazakhstan**'s economy is projected to continue to contract in 1996. A slow recovery will follow thereafter. On the external front, Kazakhstan's recovery will depend much on improvement in economic conditions of its trading partners. The current account is expected to require \$1 billion in annual financing, partly from foreign direct investment and partly from multilateral financial institutions or bilateral assistance programs. The debt-service burden is expected to reach 14% of GDP in 1996.

The **Kyrgyz Republic** has had continuous declines in its GDP and large increases in prices since 1992. Although prices began to stabilize in 1994, the fall in GDP that year was severe. Consequently, GDP is not likely to show positive growth before 1997. For 1996, a 5% decline is projected. Growth in the informal sector, which was estimated to be about 30% of GDP, will continue to help ease the impact of the economic downturn. Although a slow recovery is projected, the current account balance will likely require \$200 million in annual financing, the bulk of which will have to come from medium and long-term lending by multilateral development institutions or bilateral assistance programs.

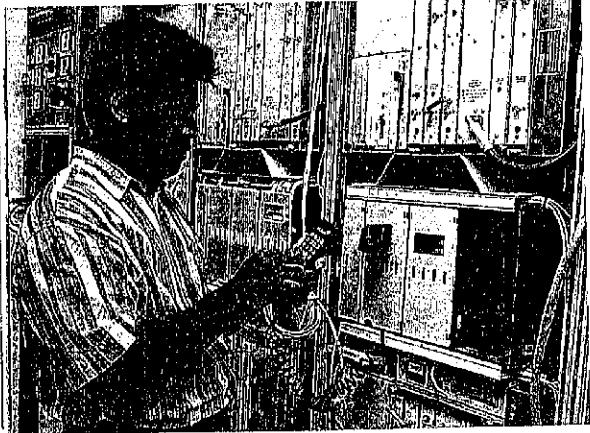
The outlook for **Uzbekistan** is promising. The Government intends to deepen the process of enterprise reform in 1996. While certain strategic sectors have been excluded, such measures, combined with strength in petroleum, cotton and grain production, should enable the country to achieve positive growth.

### Pacific DMCs

Prospects for the Pacific DMC economies in 1996 are not encouraging. In **Papua New Guinea**, the largest economy in the subregion, GDP is expected to recover to a positive growth of nearly 2% after contracting by 4.8% in 1995. Output of the mining and petroleum sectors will continue to contract, but this will be offset by gains in other sectors, especially agriculture and construction. **Fiji** also should achieve a growth rate of 2.9% with higher sugar production and further rise in tourism. Growth in **Tonga** will remain in the region of 2%. **Vanuatu** seems likely to have some difficulty in maintaining the growth rate of 2% it achieved in 1994 and 1995. **Solomon Islands** is likely to experience a fall in GDP growth to about 3% as capacity constraints in forestry and fishing



*Welder repairing a pipe used for district heating in Qingdao in the People's Republic of China. The Bank has provided a loan of \$103 million for environmental improvement of Qingdao.*



*The Bank has provided a loan of \$2.6 million to Western Samoa to improve its telecommunications infrastructure.*

begin to affect output. GDP in the **Federated States of Micronesia** and **Marshall Islands** is likely to decline as both countries are trying to adjust to a scaling down of external assistance from the United States. In **Cook Islands**, a revival of tourism and of consumer confidence could help to stem any further decline in GDP.

Partly as a result of increased capital spending, and recapitalization of a domestic bank, the net fiscal deficit is expected to rise in Fiji to about 3.6% of GDP, more than twice what it was in 1994. In Papua New Guinea, the deficit is expected to be contained within about 1% of GDP. Modest increases in fiscal deficits are also expected in Tonga, Western Samoa and Vanuatu. On external account, Tonga is expected to reduce its current account deficit in 1996 to about 3% of GDP. Papua New Guinea's current account balance, which showed a surplus of 7% of GDP in 1995, is expected to move into deficit of a similar order in 1996 because of higher imports, virtually no growth in exports and higher debt services and other invisible payments. An improvement in services receipts, especially from tourism, is expected to enable Fiji to increase its current account surplus in 1996 to about 2% of GDP.

# Operational Priorities and Policies

## Strategic Planning and Operational Agenda

**T**

HE BANK's 1995-1998 Medium-Term Strategic Framework guides its operational directions and defines its areas of emphasis. The framework outlines the following five long-term strategic development objectives:

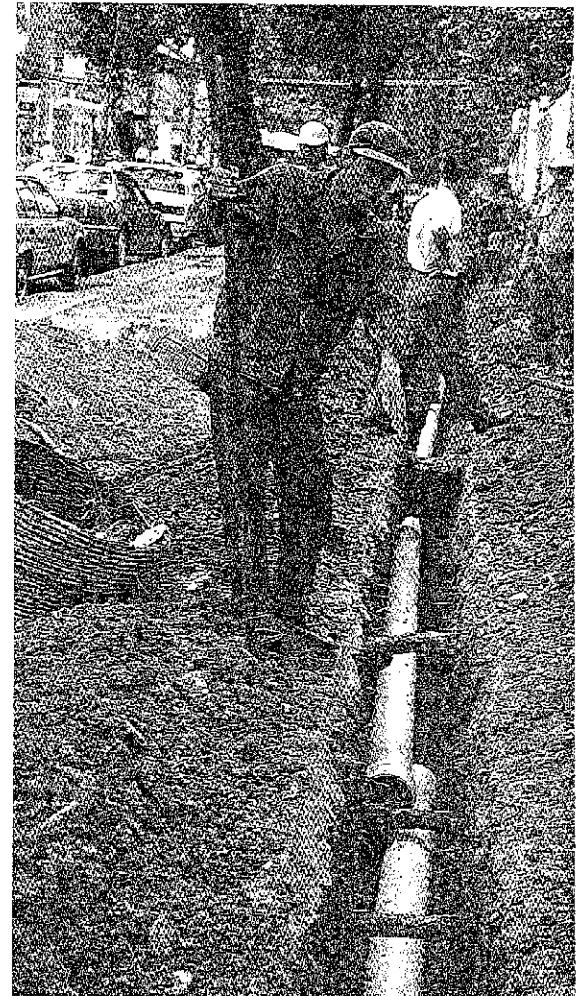
- ✓ promoting economic growth;
- ✓ reducing poverty;
- ✓ supporting human development (including population planning);
- ✓ improving the status of women; and
- ✓ protecting the environment.

Thus, in addition to its traditional role as project financier in its developing member countries (DMCs), the Bank has a new role as a catalyst for policy reform, capacity development and regional cooperation. This expanded and integrated role is operationalized by three-year rolling work programs prepared by country and by department.

In each DMC, target sectors are selected on the basis of the Bank's operational strategy for that country. A long-term perspective is taken for Bank involvement in these sectors and a close partnership is forged with the counterpart agencies concerned. While project financing will continue to be the major operational instrument of the Bank, the selection of projects, the process of their design and the approaches adopted for implementation will all be utilized to catalyze and leverage changes on a much broader front.

The Bank follows a classification system for its loan projects that links the objectives of individual projects with its strategic development objectives. The classification system distinguishes between projects that are directly aimed at meeting the Bank's strategic objectives and those that have these objectives as a secondary goal. The system enables the Bank to assess whether the mix of projects is in line with its development agenda and DMCs' development priorities.

While the strategic framework highlights the Bank's role in policy formulation, capacity building and regional cooperation, its role in mobilizing additional financial resources for DMCs' development programs will be equally important in the coming years. For optimal results, the Bank will work out its comparative advantages in delivering country-specific development assistance.



*The Bank is helping improve water supply in Ho Chi Minh City, Viet Nam.*

*The policy  
on governance  
marks  
an important  
step toward  
the promotion  
of sound  
development  
management.*

## New Policy Initiatives

In 1995, the Board approved a number of new policies to consolidate the Bank's operational thrusts. The policies are in line with the agenda agreed upon in connection with the Fourth General Capital Increase, the development objectives and thematic priorities defined in the Medium-Term Strategic Framework and the recommendations of the Task Force on Improving Project Quality. Following are brief accounts of the policies adopted:

**Governance:** This policy marks an important step toward the promotion of sound development management. Governance issues, which have drawn increasing attention in recent development debates, matter in relation to the effectiveness with which development assistance is used, the impact of development programs and projects, and the absorptive capacity of borrowing DMCs. The Bank recognizes that the policy environment in which development takes place should be appropriate, that equity issues should be addressed, that DMCs should strengthen their ownership of projects and take a participatory approach in project design and implementation, and that the experience of the high-performing economies in the region could be useful in formulating development strategies. To make the elements of good governance operationally relevant, the Bank has identified four areas for action, i.e., accountability (building government capacity), participation (participatory development processes), predictability (legal frameworks) and transparency (openness of information). The Bank will integrate these dimensions into its operations, and support programs and projects to raise the quality of governance in its DMCs.

In April, a workshop on "Governance and Development: Lessons of the East Asian Experience" was held at the Bank's headquarters. It brought together specialists on governance from the high-performing East Asian countries and drew attention to questions of bureaucratic capability, government-business interface and the principle of shared growth.

The workshop on governance and development was followed by a series of workshops in the Philippines, called "Partnership for Development," highlighting opportunities for closer collaboration between the national government, local government units, non-governmental organizations (NGOs), the private sector and external donors. A seminar was also organized in Sri Lanka on "Governance and Economic Development," which laid the ground for further public administration reform in the country.

**Inspection Function:** The policy establishes formal procedures for any community, organization or other group affected by a public sector Bank project to assert that the formulation or implementation of the project was inconsistent with Bank policies, to the material detriment of that group. The community, organization or group making a request for inspection must present reasonable evidence that its rights or interests have been or are likely to be directly, materially and adversely affected as a result of the Bank's failure to follow its operational policies and procedures in connection with the project concerned.

An applicant must first raise its grievance with Management. If the applicant is not satisfied with Management's response, it can submit a request for inspection to a six-member committee of the Board of Directors (the Board Inspection Committee), which will decide whether to

recommend an inspection to the Board of Directors. The Board of Directors will consider the recommendation. If the Board authorizes an inspection, a panel, composed of at least three individuals from a standing roster of independent outside experts, will be formed to carry out the inspection. The panel's report will: (i) identify all relevant facts, (ii) ascertain whether the Bank has complied with its operational policies and procedures, and (iii) recommend, if appropriate, any remedial changes in the scope or implementation of the inspected project. The report of the panel and Management's response to it will be considered by the Board for appropriate decision.

The Bank's inspection procedures will take effect upon the Board's approval of the initial roster of experts. The possibility of applying these procedures to private sector operations will be reviewed in two years.

**Involuntary Resettlement:** The policy on involuntary resettlement formalizes and strengthens the Bank's approach to the issue of population displaced by a development project. The policy enunciates the following objectives and principles:

- (i) involuntary resettlement should be avoided wherever feasible;
- (ii) where population displacement is unavoidable, it should be minimized;
- (iii) displaced people should be compensated and assisted, so that their economic and social future would be generally as favorable as it would have been in the absence of the project;
- (iv) affected people should be fully informed of and consulted on resettlement and compensation options;
- (v) existing social and cultural institutions of resettlers and their hosts should be supported and used to the greatest extent possible, and resettlers should be integrated economically and socially into host communities;
- (vi) the absence of a formal legal title to land should not be a bar to compensation;
- (vii) as far as feasible, involuntary resettlement should be conceived and executed as part of the project;
- (viii) the full cost of resettlement and compensation should be included in the presentation of project costs and benefits; and
- (ix) costs of resettlement and compensation may be considered for inclusion in Bank loan financing for projects.

The policy requires an initial social assessment of every development project from 1996 onwards. Where significant involuntary resettlement is necessary, the Bank will provide the government concerned and other

#### CLASSIFICATION OF PROJECTS BY OBJECTIVE, 1992-1995<sup>a</sup> (by number)

Classification	1992		1993		1994		1995		1992-1995	
	No.	%	No.	%	No.	%	No.	%	No.	%
Traditional Growth Projects	27	44	28	45	24	51	25	38	104	44
Social Projects	16	25	22	35	10	21	21	32	69	29
Poverty Reduction	4	6	4	6	—	—	4	6	12	5
Human Development	12	19	17	27	9	19	17	26	55	23
Women in Development	—	—	1	2	1	2	—	—	2	1
Environmental Projects	5	8	2	4	1	2	5	8	13	6
Growth-Oriented Projects	14	23	10	16	12	26	14	22	50	21
Total	62	100	62	100	47	100	65	100	236	100

<sup>a</sup> Excludes private sector loans/equity and technical assistance loans.

*Plans for  
private sector  
development  
will be  
dovetailed  
with country  
operational  
strategy studies  
and  
country  
operational  
programs.*

project sponsors with necessary capacity-building support.

**Cofinancing Strategy and Guarantee Policy:** To intensify its catalytic role for resource mobilization, the Bank adopted a new strategy on cofinancing and modified its policy and guidelines on guarantee operations. The intention is to make cofinancing and guarantee operations a mainstream Bank activity. The basic objectives of the cofinancing strategy are to catalyze additional private capital for DMCs by assisting cofinanciers in the appraisal and management of risks, and to continue to promote official cofinancing, particularly for low-income countries. The strategy envisages that: (i) official cofinancing on nonconcessional terms will be provided mainly to growth-oriented projects while concessional resources will be targeted at DMCs receiving only ADF assistance, subject to donor preferences; (ii) parallel commercial cofinancing will be encouraged for projects that can attract private capital on a voluntary basis; (iii) DMCs that are unable to obtain maturities long enough to suit their projects will be assisted in obtaining parallel loans with the support of Bank guarantees; (iv) in case guarantee support does not suit the requirements of a DMC, the Bank will, where appropriate, help arrange loans under its Complementary Financing Scheme; and (v) the Bank will take proactive measures to enable DMCs to obtain export credit on the best possible terms.

Under the new guarantee policies and guidelines, the Bank will provide either partial credit guarantees, where it provides all-inclusive cover for a portion of the debt service, or partial risk guarantees, where it covers specific risk events for all or part of the debt service. In cases where the Bank is the primary obligor, it will generally seek to obtain a counter-guarantee from the host-country government. The eligibility criteria for guarantee operations have been enlarged to include: (i) all borrowers eligible for Bank lending, including countries receiving only ADF loans; (ii) all projects eligible for a Bank loan, provided that the Bank has a stake in the form of direct loan, bond subscription or equity investment; (iii) a wider set of debt instruments, including bond issues; (iv) where appropriate, partial guarantee of commercial loans or bond issues of highly rated private sector entities without a counter-guarantee from the DMC government; and (v) where appropriate, local currency debt, especially domestic bond issues or long-term loans from local financial institutions for infrastructure/utilities projects.

**Assistance to the Private Sector:** The new policy sharpens the focus of the Bank's private sector operations and reconfirms the importance of technical assistance and policy advice to improve the environment for private sector development. The Bank will particularly emphasize policy, legal and regulatory reforms, institutional enhancement and human development. The formulation and implementation of reforms will continue to be supported, on a selective basis, through program lending. In the direct financing of private sector projects, the priority will be on capital market and infrastructure development. Plans for private sector development will be dovetailed with country operational strategy studies and country assistance programs.

Based on this policy, the Bank has allocated \$500 million of additional ordinary capital resources for its private sector operations up to the end of 1997. To facilitate quicker decisions on small private sector loans and equity investments, approval procedures have been streamlined. For supplementary equity investments not exceeding \$2 million, the approving authority has been shifted from the Board of Directors to



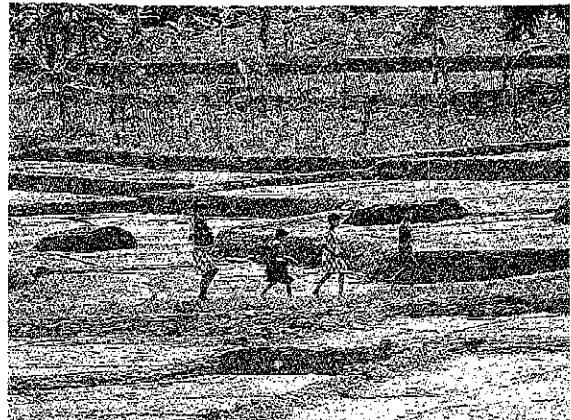
the President. For equity investment and/or loans not exceeding \$5 million per enterprise, a summary approval procedure has been adopted (except where the investment/loan is the first private sector operation in a DMC in a particular year).

**Sector Policy Papers:** The Bank also approved three sector policy papers during the year on energy, forestry, and agriculture and natural resources research. The focus of the **energy** sector policy is on increasing private sector participation in large-scale energy investments; improving energy efficiency on both supply and demand sides; and integrating environmental considerations in energy development. A major portion of the Bank's lending and technical assistance for the power subsector will be directed to DMCs committed to increasing efficiency and mobilizing resources from the private sector. In general, the Bank will finance new capacity additions if it is satisfied that the utility concerned is paying adequate attention to supply efficiency and demand management. The Bank will encourage power utilities, and provide them with training assistance, to incorporate into their planning models key elements of integrated resource planning, including demand-side management and internalization of environmental costs. DMCs will be encouraged to phase out subsidies to the power subsector and minimize cross-subsidies. In the hydrocarbon subsector, the Bank will play an important role in funding the development, processing, transportation and distribution of natural gas. It will actively promote environmentally sound coal mining practices and clean coal technologies. In respect of rural energy systems, assistance to provide commercial energy in rural areas will receive priority if it is economically and financially viable to do so. If a project is only economically viable, assistance will depend on the power utility's ability to accommodate it without adversely affecting its overall financial viability. Technical assistance will be provided to assess the economic viability of solar, minihydro and wind energy options in rural areas, particularly in isolated locations.

The new Bank policy for the **forestry** sector is based on three imperatives: protection, production and participation. Accordingly, the following guiding principles have been outlined: (i) the multiple and complementary uses of forests for their economic, environmental and social values should be borne in mind; (ii) the renewable character of forest resources should be capitalized on; (iii) forest development strategies should recognize and support the identity, culture and rights of forest-dwelling communities, and involve the recent encroacher in a constructive way; and (iv) the vital role of forests in maintaining biodiversity, acting as a global carbon storage area, reducing air pollution and mitigating global warming should be recognized.

The policy has identified several priority areas for the Bank's operations in the forestry sector. These include the improvement of DMCs' policy and regulatory frameworks for forestry development; support for technological, policy and valuation research; public consultation in forestry development; the development of investment strategies; and raising the capability of forestry agencies for sector analysis, planning, regulation, enforcement and monitoring.

Different strategic approaches will be followed in respect of DMCs that are forest-rich and those that are now net importers of wood products. In the case of the former, the emphasis will be on maximizing the area to be kept as functioning forests and ensuring that adequate areas are set aside for harvesting, catchment protection, plantations and



*The Bank-financed Walawe Irrigation Improvement Project in Sri Lanka has helped develop sustainable and remunerative farming systems.*

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operations.*

forest-dwelling communities. In the case of the latter, the objective will be to increase domestic wood supplies through plantations and better forest management. In both cases, the Bank will encourage the use of wood substitutes and alternative energy sources to reduce the demand on forest resources.

The policy paper on **agriculture and natural resources research** identifies new challenges in this field. It notes that, despite impressive past accomplishments in agricultural research, which allowed rice production in DMCs to double and wheat production to quadruple in three decades, poverty and population pressures persist while land and water resources are becoming increasingly scarce and degraded. Against this background, the new policy has identified the following areas as the focal points of Bank support: (i) developing sustainable and remunerative farming systems for poor farmers; (ii) ensuring sustainable management of agriculture and natural resources; and (iii) raising agricultural productivity. In relation to farming systems for poor farmers, the multidisciplinary aspects of these systems and the social, economic and environmental appropriateness of technologies will be emphasized. Assistance to both international and national agricultural research centers will be enhanced. Assistance under a single regional technical assistance of at least \$5 million a year will be provided to the Consultative Group on International Agricultural Research Centers, while assistance to other international and national research centers will also be strengthened.

### Social Dimensions

While continuing to view economic growth as essential to development, the Bank is acutely aware of the social problems the region faces. Consequently, its priorities and policies reflect specific concern for issues such as beneficiary participation, poverty reduction, enhancing the role of women, human development and population planning.

The Bank is making concrete efforts to ensure that social dimensions are considered and incorporated in all aspects of its operations. During 1995, 37 of 66 approved public sector projects included components that reflected the Bank's policy concerns on social issues. Two new policies were approved, outlining the Bank's approaches to the questions of indigenous peoples and involuntary resettlement. All new loan, technical assistance and policy proposals continued to be reviewed specifically from the social dimensions perspective, and, increasingly, social development specialists among Bank staff were involved directly in the preparation of such proposals. The Bank's *Handbook for Incorporation of Social Dimensions in Projects* provides guidance for staff, consultants and executing agencies.

The Bank has identified four social issues for special attention in its operations: poverty reduction, women in development, human development (including population planning) and protection of vulnerable groups from adverse effects of development activities.

**Poverty Reduction:** With income and quality-of-life gaps continuing to widen in much of the region despite economic growth, poverty reduction remains a primary aim of Bank operations. Of the more than 1 billion poor people in the world, some 750 million live in Asia. Some 500 million suffer from abject poverty.

The Bank's broad concern for poverty reduction is reflected in the



formulation and implementation of all projects. Specific attention is paid to projects that provide direct support and economic opportunities for the poor. At the same time, efforts are being undertaken to make health, family planning, education and other social services more accessible to the poor. The target groups for such efforts include the landless, small farmers, upland communities, marginal fisherfolk and other disadvantaged communities in both rural and urban areas.

Operational areas that have a direct bearing on poverty reduction include microfinance, agriculture and rural development, community health services, water resource development and infrastructure development. A total of 20 projects, approved during 1995, included poverty reduction as a specific objective.

During the year, the Bank became a member of the Consultative Group to Assist the Poorest, a multidonor effort focusing on issues of poverty reduction. The group provides grants and loans to enable poor people to become progressively more productive, with the expectation that some participants would ultimately move into the formal financial sector. Also during the year, a regional technical assistance project was undertaken to assess the impact of Bank projects on poverty reduction.

**Women in Development:** The Bank's policy and practice with regard to women in development are increasingly oriented toward integrating gender considerations into all aspects of its operations. The objective is to help women expand their participation in and contribution to economic activity; enhance their economic and social status; and ensure that they benefit from development.

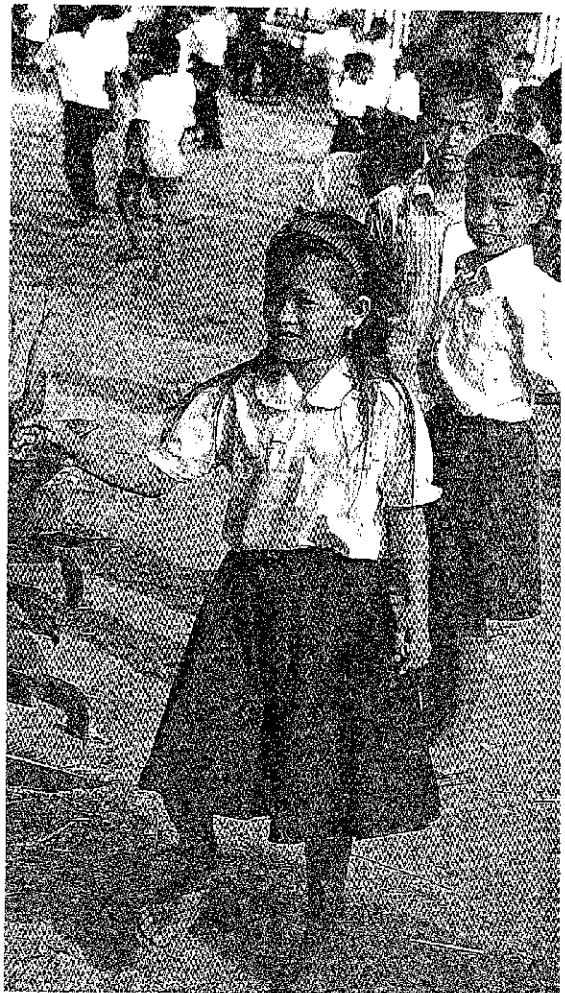
Accordingly, the Bank emphasizes projects that benefit women directly. Specific efforts have been undertaken in areas such as agriculture, rural development and small-scale industries, through development interventions that create new income and employment opportunities. The social sectors, such as health and population, education and training, water supply and low-income housing, are other areas where developmental activities can offer specific benefits for women. Gender considerations are now an essential part of country operational strategies and programs. Country profiles prepared by the Bank specifically deal with aspects that reflect the status of women.

During 1995, women-in-development considerations were particularly addressed in projects dealing with water supply, rural microenterprise financing, provision of health services and education. Technical assistance projects undertaken during the year addressed credit for women, human development considerations related to women and the direct impact of Bank projects on the status of women.

The Bank participated in the Fourth World Conference on Women held in Beijing. At the annual Board of Governors' meeting in Auckland, a seminar was organized to examine specific aspects of the Bank's involvement in women in development.

**Human Development:** Human development is meant to improve people's skills, productivity and quality of life for sustainable and accelerated economic growth. It encompasses considerations such as improved health and population-related services, better education, more dependable water supply and sanitation facilities, and urban and rural development.

For the Bank, this is an expanding area of activity. In 1995, 20 of the 66 public sector projects approved showed human development as a specific objective. Education, health care, and water supply and sanitation



School children in Cambodia:  
For the Bank,  
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*Consideration  
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groups  
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by the Bank  
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means to  
improve project  
quality  
and  
implementation.*

were areas of particular concern.

Specific details of Bank activities on human development are discussed in the section of this report dealing with Social Infrastructure.

**Protection of Vulnerable Groups:** In general, vulnerable groups are those that are excluded from the benefits of development or that are unable to absorb the economic, social and environmental shocks that sometimes result from changes brought about by development. Such groups include indigenous and tribal populations, ethnic and cultural minorities, old and new immigrants, illegal settlers and urban squatters, children, the aged and disabled persons. Also considered vulnerable are people at the very bottom of the existing socioeconomic structure who do not have the capacity to participate in mainstream economic activity. In extreme cases, it may be necessary to create social safety nets and compensation mechanisms for them.

Consideration of vulnerable groups is regarded by the Bank as an important means to improve project quality and project implementation. In processing all new projects, it considers the impact its development interventions may have on vulnerable groups.

A new policy was approved in 1995 on involuntary resettlement to ensure that people displaced by Bank projects receive assistance, preferably under the project, so that they would be at least as well off as they would have been in the absence of the project. Staff instructions were issued to require a poverty impact assessment in the preparation of program loans.

In connection with the preparation of a working paper on indigenous peoples in development, the Bank organized a first-ever consultation meeting with representatives of indigenous peoples' groups to seek their views and to review its own policy initiatives so far.

## Social Infrastructure

The Bank continues to emphasize the importance of social infrastructure in its operational priorities not only to enhance the quality of people's lives, particularly that of lower-income groups, but also to sustain economic growth in the longer term. Investments in education, health and population, water supply and sanitation, and urban development and housing are made to further the social sector goals of both the Bank and its borrowing DMCs. The Bank supports initiatives for private sector involvement in these sectors. Expanding the poor's access to primary health care and sanitation facilities; improving basic skills and technical, vocational and nonformal education; ensuring adequate and safe water supply; and providing the basic infrastructure are among the major objectives. Strengthening social sector institutions and capacity building are considered critical in achieving these objectives and the broad social sector goals.

The Bank's specific objectives in the social subsectors are as follows:

**Education:** Many of the Bank's DMCs are paying increasing attention to expanding primary, secondary and nonformal education to ensure that access to educational services is equitable. Likewise, the Bank emphasizes investments in education to contribute to DMCs' efforts in asset building for the poor and capacity building for the nation. Particular attention is paid to expanding educational opportunities for women and the poor. Over time, the focus has shifted from physical facilities to

curriculum and institutional development, and sectoral planning and management.

While projects in Bangladesh, Cambodia, Malaysia and Pakistan have emphasized basic skills and nonformal, technical and vocational education, secondary and postsecondary education are the focus in Indonesia and Lao People's Democratic Republic (Lao PDR). An education sector master plan in the Kyrgyz Republic and an education subsector study in Kazakhstan are being supported to identify key human development strategies for the two Central Asian republics. Technical assistance grants are being used for an education master plan in Maldives, a human development sector study in India, and an education sector strategy in Nepal. Efforts to strengthen the management capability of specific educational institutions are being undertaken in Bangladesh, Cambodia, People's Republic of China (PRC), Pakistan, Philippines and Sri Lanka. These efforts reflect the Bank's concern about policy and institutional issues involving the subsector as a whole.

**Health and Population:** The Bank's main objective in this subsector is to widen people's access to and improve the quality of primary health care and family planning services. Projects are aimed at ensuring the effective functioning of health referral networks, preventive and primary health services, control of communicable diseases and the integration of health activities with related community services in family planning and nutrition. The Bank also emphasizes the importance of strengthening the management and financing of health systems.

In providing assistance, the Bank seeks to be flexible and responsive to the specific needs of DMCs. Attention is focused on high-risk populations, particularly the poor, children and women of reproductive age. DMCs are encouraged to allocate sectoral resources more equitably and efficiently.

The Bank's population policy, approved in 1994, seeks to integrate family planning with health and community development efforts, and to create an environment that will promote reproductive health and reduce family size. The enhancement of the educational, economic and social status of women and access to family planning services are considered key elements in this respect. The Bank's technical assistance is being used to prepare health and nutrition projects in Bangladesh, Indonesia, Mongolia, Philippines and Viet Nam, and to decentralize health service delivery in Indonesia and Kazakhstan. Projects to enhance the quality of reproductive health care in Indonesia, support early childhood development in the Philippines and sustain the health of the working population, also in the Philippines, are among the Bank's other activities in this subsector.

**Water Supply and Sanitation:** The provision of adequate, reliable and safe drinking water, and effective sanitation and wastewater disposal facilities are among the major goals in this subsector. An integrated approach to the use and conservation of water resources for human consumption is encouraged. Such an approach makes water allocation more efficient, strengthens the sustainability of water sources and ensures consumer access to water over the long run. This helps improve public health, reduce poverty and enhance the quality of the environment. In respect of rural water supply and sanitation services, beneficiary involvement and participatory approaches are favored to sustain project investments.

Indonesia, Pakistan, Philippines, Thailand and Viet Nam received



Adequate, reliable and safe supply of drinking water is one of the Bank's major social concerns.

## Addressing Social Concerns: Rural Water Supply and Sanitation Sector Project in Indonesia

**A**BOUT 3 million people in the Indonesian territories of Kalimantan and Sumatra, 80% of whom live below the poverty line, will benefit from the Bank's Rural Water Supply and Sanitation Sector Project in that country. The project is a typical example of how the Bank addresses social concerns in its operations.

The project, based on a community approach, is designed to provide reliable water supply and sanitation services, and improve health and hygiene education, for 3,000 low-income rural communities in the 12 provinces of the two territories.

In implementing the project, a participatory and demand-led approach will be followed. Beneficiaries will be involved in determining service levels. Village development councils will be responsible for part of the capital costs during construction (through the provision of labor) and for the full costs of operation and maintenance later. Subprojects will be prepared, implemented, operated and maintained in consultation with and direct participation of communities.

Non-governmental organizations will be involved in sub-project planning and construction, health and hygiene education,

operation and maintenance training, and the monitoring and evaluation of subprojects.

The improved water supply and sanitation services planned under the project will benefit women in particular, since collecting and storing water is mainly their responsibility. By reducing their physical burden, the project will enable women to engage in more productive activities. An important role for women is foreseen as educators and disseminators of information about hygienic practices and the proper use of water supply and sanitation facilities.

The project is expected to reduce the incidence of waterborne diseases over time and thus improve the health of the communities it serves. Productivity will increase, as will the quality of life. Since community participation is central to achieving the project's human development goals, a community information program has been included in the project.

The total cost of the project is estimated at \$142 million. In February 1995, the Bank approved a loan of \$85 million from its ordinary capital resources to support the project. The remaining cost will be shared by the central, provincial and local governments, and the beneficiary communities.

Bank support in this subsector in 1995. Technical assistance is being used to prepare investment projects in Cambodia, PRC, Nepal and Thailand.

**Urban Development and Housing:** The Bank's urban development projects are aimed at improving urban infrastructure (e.g., water supply, drainage, sewerage, solid waste management, urban transportation and housing) to help DMCs cope with rapid urbanization. Since urban centers have become important growth centers in many DMCs, the Bank seeks to strengthen national and local government agencies responsible for urban planning and management. Maintaining a balanced regional development through the decentralization of economic activity, away from high-growth urban centers, is favored. Measures to expand revenue generation, particularly at the local level, through the introduction of cost-recovery mechanisms, a broadening of the tax base, fees and consumer charges, and efficient collection are supported. The Bank also promotes the participation of the private sector in urban development and the contracting out of public services.

The development of physical infrastructure to meet basic needs and improve living conditions was the focus of projects in Bangladesh, India, Indonesia and Lao PDR, approved in 1995. Technical assistance was approved to prepare urban development projects in Bangladesh, India, Lao PDR and Thailand.

## Environmental Policies and Priorities

It is the Bank's policy to promote environmentally sound development. In fulfilling this commitment, the Bank: (i) systematically examines

the environmental impact of its projects, programs and policies; (ii) encourages DMC governments and executing agencies to incorporate environmental protection measures in their project design and implementation procedures, and provides technical assistance for this purpose; (iii) promotes projects and programs that will protect, rehabilitate and enhance the environment and the quality of life; and (iv) trains Bank and DMC staff in, and provides documentation on, environmental aspects of economic development.

The Bank will continue to offer support for developing environmental policies, building capacity for environmental management, implementing projects with environmental objectives and promoting regional cooperation in environmental affairs. It will demand environmental assessment reports from its borrowers. Efforts will be made to ensure that adequate beneficiary participation has taken place during the environmental assessment process, possible alternatives have been explored, and the costs and benefits have been compared. Environmental economic analyses of selected sensitive and strategically important projects will be undertaken. Sectoral reviews will be made of completed environmental impact assessments of projects to draw lessons and identify alternatives or improvements. Studies will be initiated to develop a conceptual framework in designing projects or programs with environmental objectives. Financing schemes will be developed to help small and medium-scale enterprises interested in adopting clean technologies and processes.

Country operational strategies on the environment will continue to be more focused and analytical to make assistance to DMCs more effective. Timely updates will be made of country environment papers to serve as inputs for country strategy and programming tasks. Greater use will be made of country program and portfolio performance review missions to monitor borrowers' compliance with environmental aspects mentioned in loan covenants. Cooperation with various regional and international organizations, including non-governmental organizations (NGOs), will continue.

### **Cooperation with NGOs**

The Bank recognizes cooperation with NGOs as one of the keys to achieving its strategic objectives. It regards as particularly important the role that NGOs can play as grassroots implementation agencies.

The Bank's project activities have shown a steadily increasing level of NGO involvement at all stages of the project cycle. NGOs are similarly involved in technical assistance activities. Cooperation with NGOs takes the form of basic information sharing; practical assistance in identifying, developing and implementing programs and projects; inputs for developing country assistance plans; and consultation on operational and sectoral policies.

Consultation meetings with NGOs are held regularly, both informally to address specific policy and project questions, and formally during such events as the Bank's Annual Meeting. During 1995, an extensive review of the Bank's cooperation with NGOs was undertaken. At the Annual Meeting in Auckland, a seminar was organized to examine specific aspects of such cooperation.

### **How NGOs Can Help Bank Projects**

A N EXAMPLE of how NGOs can be directly involved in Bank projects is provided by the Nonformal Education Project in Bangladesh. The project has been developed to assist the Government in achieving "Education for All" targets by expanding nonformal education to teach illiterate young adults, particularly females.

The project will tap the considerable experience in literacy programs that exists among NGOs in Bangladesh. Their effectiveness in delivering nonformal education is widely recognized. They have developed innovative need-based education methodologies and programs. Education materials prepared by them are based on the experiences of potential learners and the communities in which they live.

NGOs will be the main implementors of project activities. In addition to the delivery of nonformal education services, a key function of NGOs will be to manage all field activities, especially baseline surveys to develop a profile of the target population. They will also maintain records of students take, day care services, evaluation of output, financial and accounting matters, and outreach programs. Close cooperation between NGOs and the project's district coordinators will be maintained to ensure effective implementation.

The expansion of nonformal education services supported by the project is expected to benefit an estimated 2.5 million illiterate adults.

## Improving Project Quality

Following completion of the work of the Task Force on Improving Project Quality in 1994, a number of wide-ranging initiatives were taken in 1995 to implement its recommendations.

The principal recommendation was to shift the emphasis of Bank operations from fulfilling lending and resource transfer targets to effective implementation of projects and realization of their developmental impact. This implied, *inter alia*, more extensive project preparation, increased efforts to enhance the commitment and institutional capacities of borrowers and executing agencies, greater involvement of beneficiaries at all stages and more attention to project supervision on the part of the Bank.

Action was taken in all these respects during 1995. The country focus sharpened as a result of the Bank's reorganization. A new format was adopted for country assistance plans. Country program and implementation review meetings were combined to enhance linkages between country operational strategy and the selection and design of projects. In recognition of the importance of local ownership and commitment to development projects, participatory approaches were incorporated in Bank operations, and long-term programs to strengthen institutional capacities in key sectors and agencies were being devised.

To enhance project quality "at entry," the processing cycle was adjusted to enable better project preparation, including fuller consultation with all parties concerned. Use of the project (logical) framework was made compulsory for all projects to clearly identify the relationships between expected outputs and ultimate objectives, and the various activities and inputs provided under the project. Consideration of a project brief prior to fact finding was also made mandatory so that inputs could be obtained on key design, policy and institutional issues during early stages of the project cycle.

Steps were taken to allocate more resources for project supervision. The number of review missions as well as the time spent in the field increased, and resident missions started to assume more responsibilities. Efforts were made to ensure greater continuity of Bank staff, especially during the processing and implementation stages. The format of the Project Administration Memorandum, which must be agreed upon prior to loan approval, was revised to facilitate project implementation by clearly spelling out the duties and obligations of all relevant parties.

Greater use was made of feedback mechanisms to incorporate lessons learned into the selection, design and implementation of projects. For the first time, a comprehensive annual performance evaluation program was carried out during the year, bringing together all performance-related activities of the Bank. Also, the timing of project performance audit reports was adjusted to permit better assessment of project operational performance. Stronger emphasis was placed on reevaluation and impact studies to assess overall development impacts (see the chapter on Postevaluation and Internal Audit). Similarly, the timing and format of project completion reports were reviewed to allow an early evaluation of project operation and benefits.

The Bank's regional and resident missions play an important role in the implementation of projects and thus help enhance project quality. These missions have been given increasing responsibility to administer complex projects. Their contributions in facilitating disbursements have also been substantial.



A schoolboy in Vanuatu: Education is one of the Bank's priorities in its DMCs.

## **Support for Capacity Building and Governance**

In April, staff guidelines on capacity-building services to DMCs were prepared and circulated. A major lesson embodied in the guidelines is that assistance for capacity building, if provided on a piecemeal basis, is neither effective nor sustainable. Accordingly, the guidelines require that the Bank adopt a longer-term perspective in providing capacity-building services and follow a holistic approach taking careful account of the many facets of DMC institutions.

Country assistance plans prepared annually for each DMC are required to specify capacity building objectives that have been agreed, in principle, with the governments concerned. The Bank's assistance is largely focused on strengthening: (i) policy analysis and sector planning, (ii) effective management and delivery of public sector services, and (iii) government capacity to create an environment conducive to the growth of the private sector.

The Bank is in the process of establishing a database of local expertise and resource institutions that can be tapped for capacity-building efforts. Training programs and materials on capacity-building processes are under preparation.

## **Policy Support**

With the adoption of policy support as a key operating objective in the Bank's 1995-1998 Medium-Term Strategic Framework, increased emphasis is being placed on policy analysis and policy reform in all lending, technical assistance and advisory activities.

Policy-based program lending continues to play an important part in this effort to encourage the adoption of sound policies in the Bank's DMCs. After a relative decline during the previous two years, program lending increased to \$575 million in 1995. The Bank continued to support the transition process in the formerly centrally planned economies of Central Asia and Mongolia, through program loans aimed at increasing the market orientation and efficiency of their agriculture sectors. Program loans for capital market development were provided to India and Philippines to strengthen the policy and regulatory frameworks of their securities markets and thereby enhance their ability to mobilize long-term debt and equity capital for development.

The concern for policy analysis and policy reform, however, goes beyond program lending. Increasingly, the processing of sector and project loans also includes dialogue with government authorities on policy and institutional issues. These issues are then reflected in the conditions or covenants of loan approval. Similarly, economic and sector work as well as technical assistance operations are designed to support an agenda of policy dialogue and reform. A large number of technical assistance projects are specifically designed to analyze policy issues or to strengthen the capacity of key agencies for policy formulation.

The linkage between the Bank's policy support objectives and its operational program is being formalized in the new format of the country assistance plans. The format now includes a synopsis of the policy support program in each DMC.

The Bank's policy agenda encompasses a wide range of

*The Bank has formalized the linkage between its policy support objectives and operational programs*



*The Second  
NGO-Microcredit  
Project  
in the Philippines  
has helped the poor  
find new  
income opportunities,  
like setting up  
retail stores.*

macroeconomic issues, including regulatory and legal frameworks, the scope for private sector participation, pricing and tariffs, cost recovery, good governance, decentralization and beneficiary participation, and social and environmental concerns. With the increased emphasis on policy support, the Bank sees its role not only as a major project financier supporting specific capital investments, but increasingly as a broader development catalyst.

### **Participatory Approaches to Development**

Participatory approaches are an important element of the development process that allows individuals and groups to identify, formulate, implement and evaluate policies, programs and projects that affect them. Such interaction not only helps identify interventions that are most appropriate, but also ensures the quality and sustainability of such interventions. Besides, people's participation enhances the sense of "ownership" of projects and establishes people's willingness to support specific activities. The Bank's experience is that projects that have included active beneficiary participation have been more successful than those that have not. The participatory approach is particularly effective in the identification, design and implementation of projects in agriculture and rural development.

# Operations

## Reorganization and Its Impact on Operations

**T**

HE BANK's operations in 1995 reflected a sharpening of the country focus as a result of an internal reorganization that came into effect in January 1995. The reorganization enhanced a country-based distribution of responsibilities across operational activities and streamlined the country assistance planning process.

The reorganization is based on broad geographical specialization at the regional vice-presidency level, functional specialization at the department level, and technical specialization at the division level. The regional vice-presidents are in charge of all operating functions for countries under them. Thus, coordination among operational units has improved considerably.

## Project Approvals

The total volume of Bank operations (lending and equity investments combined) during the year amounted to \$5,614 million for 83 projects. This was a 50% increase from \$3,737 million in 1994.

### LENDING AND INVESTMENT MODALITIES, 1994 AND 1995

	1994	1995		
	Number of Projects	Amount (\$ million)	Number of Projects	Amount (\$ million)
<b>LENDING</b>				
Project Loans	35	2,508.3	47	3,556.1
Program Loans	2	160.0	5	575.0
Sector Loans	6	810.0	10	1,080.6
Credit Lines	2	100.7	3	203.0
Special Assistance	2	100.0	-	-
Detailed Engineering (Technical Assistance) Loans	-	-	1	3.2
Private Sector Loans without Government Guarantee	1	7.5	6	86.5
<b>Total Lending</b>	<b>48</b>	<b>3,686.5</b>	<b>72</b>	<b>5,504.4</b>
<b>INVESTMENT</b>				
Direct Investment	14	50.9	11	110.4

### BANK OPERATIONS

	Volume (\$ million)		
	1994	1995	% change
OCR	2,510	4,049	61.3
ADF	1,177	1,455	23.6
<b>Total Lending</b>	<b>3,687</b>	<b>5,504</b>	<b>49.3</b>
Equity Investments/ Underwriting	50	110	116.1
<b>Total</b>	<b>3,737</b>	<b>5,614</b>	<b>50.0</b>

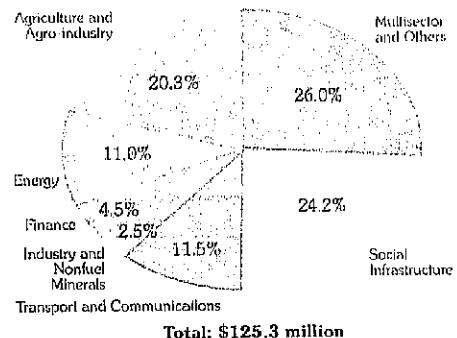
### Classification of Country Groups

**U**NDER the Bank's general classification, Group A countries are those with a per capita GNP of less than \$610 in 1990. Twenty-four DMCs have been classified as Group A. These include nine Pacific DMCs with a per capita GNP higher than \$610 in 1990. They have been classified as Group A because of their special economic circumstances.

Group B includes Indonesia with a 1990 per capita GNP of \$550 and Papua New Guinea, Philippines and Thailand with per capita GNP in the range of \$760 and \$1,420. Kazakhstan and Nauru have also been classified as Group B.

Group C DMCs had per capita GNP of \$1,770 or more in 1990.

### Technical Assistance Grants by Sector: 1995\*



\* Excludes regional activities.

**Lending:** Total lending to both public and private sectors amounted to \$5,504 million, against last year's level of \$3,687 million, reflecting an increase of about 49%. Loans from ordinary capital resources (OCR) increased by 61% to \$4,049 million. Those from the concessionary Asian Development Fund (ADF) increased by 24% to \$1,455 million.

Of the total lending, government and government-guaranteed loans accounted for \$5,418 million, comprising \$3,963 million from OCR and \$1,455 million from ADF. In the private sector, six direct loans amounting to \$87 million were approved without government guaranteee.

**Equity Investments:** The Bank approved 11 equity investments in the private sector amounting to \$110 million.

Since its inception and as of end-1995, the Bank had approved public and private sector loans for 1,294 projects in 34 developing member countries (DMCs). The Bank's equity operations, which began in 1983, reached a cumulative total of \$388 million in direct investments and underwriting commitments.

### Technical Assistance

During 1995, technical assistance grants were approved for 297 projects, amounting to \$145 million (an increase of 12.6% from 1994). The amount included \$20 million for regional activities. Technical assistance components of loans amounted to \$335 million (an increase of 72% from a year ago).

Forty-eight of the Bank's 1995 loans, involving an amount of \$3,108 million, resulted from earlier technical assistance projects. Of this, \$2,187 million was from OCR and \$921 million from ADF.

The Bank's technical assistance is financed through grants or loans, or a combination of both. Grants are funded from voluntary contribution to the Technical Assistance Special Fund (TASF) by both developed and developing member countries, regularized allocation to TASF from ADF VI, TASF income, reflows from reimbursable technical assistance, annual transfer of OCR net income to TASF where necessary, annual contributions received from Japan Special Fund (JSF) and grants from multilateral and bilateral sources (under cofinancing and exclusive financing arrangements). See also the section on "Cofinancing and Guarantee Operations" on page 90.

### Review of Operations

Lending to the public sector during 1995 increased in both volume (47%) and number of loans (39%) from the previous year. The increase was largely due to higher lending to India, Indonesia, Pakistan, Philippines and Viet Nam as well as an increase in the number and amount of sector and program loans.

The average size of the year's loans to the public sector was \$80 million, against \$75 million in 1994.

The People's Republic of China (PRC) was again the top borrower in 1995, with \$1,201 million in approvals. It was followed by Indonesia with \$1,056 million, India with \$630 million, Pakistan with \$592 million and Philippines with \$572 million.

Energy was the top sector for Bank loans in 1995, accounting for

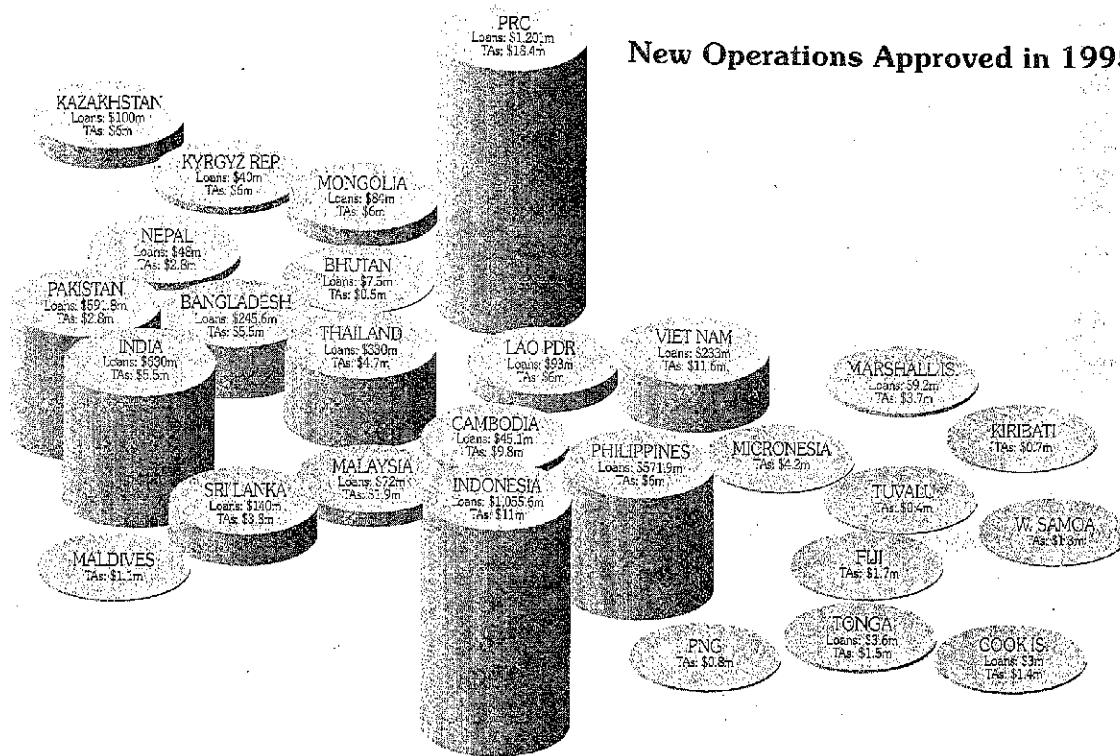
### Distribution of Technical Assistance Grants and Loans

COUNTRY-specific grants to DMCs accounted for \$125 million of the total grant assistance in 1995, an increase of 20% from 1994 (for sectoral breakdown, see Table 35 in the Statistical Annex). Group A (low-income) DMCs received 74% of the country-specific grants (77% in 1994). PRC was the major recipient. Group B (middle-income) DMCs received 23% (20% in 1994), Indonesia being the major recipient. Group C (higher-income) DMCs accounted for the remaining 3% (same as in 1994). For an explanation of country classification, see page 81.

Of the technical assistance components of loans, amounting to \$335 million, 99% was provided for advisory and project implementation purposes, and 1% for project preparation. Group A DMCs received about 38% of the total technical assistance loans (31% in 1994), Group B DMCs 61% (69% in 1994) and Group C DMCs 1% (none in 1994).



## New Operations Approved in 1995



Note: Not to scale. Based on the total value of loans and technical assistance grants approved. For details, see operational data in the Statistical Annex.

\$1,791 million. It was followed by social infrastructure with \$1,257 million, transport and communications with \$970 million, agriculture and agro-industry with \$897 million and finance with \$563 million.

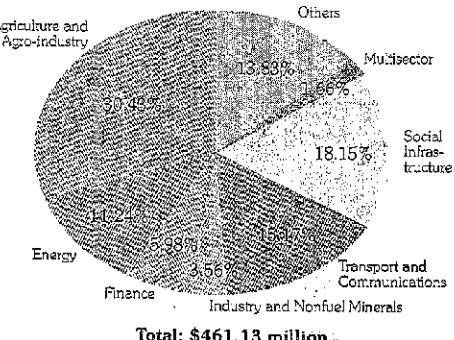
A review of the year's lending and technical assistance operations by sector follows:

**Agriculture and Agro-industry:** The Bank's strategy in this sector is to reduce rural poverty and enhance the quality of life of the rural people through increases in productivity, introduction of sustainable agricultural practices, diversification, value-added activities and exports. Rural development projects support rural enterprises, rural financial services and improvements in rural infrastructure. Efforts are made to ensure that an appropriate policy framework (both economywide and sector-specific) and institutional arrangements are in place. Private sector participation is encouraged and particular attention is paid to the needs of women and disadvantaged groups.

With regard to natural resource management, the objective is to introduce, institutionalize and strengthen sustainable management strategies primarily through community-based initiatives. To this end, DMCs' efforts to improve the policy, institutional and investment environment are supported.

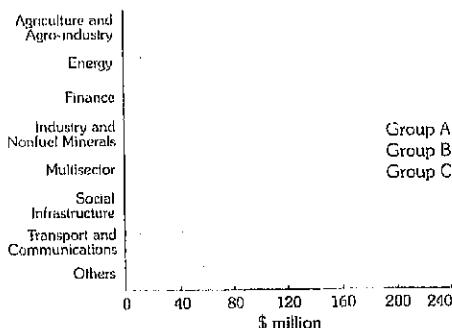
In 1995, lending for the agriculture and agro-industry sector (focusing on rural development and natural resource management) increased by

### Technical Assistance by Sector: 1990-1994\*



\* Excludes regional activities and technical assistance loans.

**1967-1995 Grant-Financed  
Technical Assistance Approvals:  
Sector Distribution (by DMCs)**



Note: For explanations on country groups, see box on page 81.

**AGRICULTURE & AGRO-INDUSTRY  
LOANS & TA GRANTS IN 1995**

	<b>Loans</b>		<b>TA Grants</b>	
	\$ million	No.	\$ million	No.
Irrigation & Rural Development	381.96	9	3.71	7
Agricultural Support Services	278.64	5	14.26	25
Forestry	66.00	2	3.76	7
Fisheries	57.00	1	2.70	6
Livestock	-	-	0.60	1
Industrial Crops & Agro-industry	113.00	2	0.50	2
<b>Total</b>	<b>896.60</b>	<b>19</b>	<b>25.53</b>	<b>48</b>

**ENERGY LOANS AND TA GRANTS IN 1995**

	<b>Loans</b>		<b>TA Grants</b>	
	\$ million	No.	\$ million	No.
Electric Power	1,443.50	9	10.20	25
Natural Gas	348.00	2	1.77	5
Refinery	-	-	-	7
Fuel Minerals	-	-	1.10	2
Others	-	-	0.50	2
<b>Total</b>	<b>1,791.50</b>	<b>11</b>	<b>13.57</b>	<b>34</b>

over 80% from the previous year to \$896.6 million for 19 projects in 11 DMCs. The major borrowing countries were Bangladesh, PRC, Kazakhstan and Pakistan. A notable element of the 1995 lending was the three program loans to the transitional economies of Kazakhstan, Kyrgyz Republic and Mongolia to develop market-based agriculture. In addition, 48 technical assistance grants totalling \$25.5 million were approved, of which 17 were for project preparation and 31 were advisory and operational in nature. The subsectoral distribution of loans and grants is shown in the accompanying table.

The pattern of the 1995 lending reflected the Bank's increasing concern for poverty reduction and natural resource management. Of the 19 projects approved in 1995, five had these crosscutting issues as a primary objective. The Small-Scale Water Resources Development Sector Project in Bangladesh, the Farmer-Managed Irrigation Systems Project in Indonesia and the Second Irrigation Systems Improvement Project in the Philippines were geared toward poverty reduction. The Coastal Greenbelt Project in Bangladesh and the Forestry Sector Project in Pakistan were designed as environmental protection activities. The remaining projects addressed crosscutting issues as a secondary objective.

Rural development and natural resource management projects approved during the year placed increased emphasis on beneficiary participation to ensure ownership of projects at the local level and to promote better maintenance and sustainability of facilities. Four notable projects with a high degree of beneficiary participation were the Small-Scale Water Resources Development Sector Project and the Command Area Development Project in Bangladesh, the Hainan Agriculture and Natural Resources Development Project in PRC, and the Farmer-Managed Irrigation Systems Project in Indonesia.

**Energy:** The Bank's operational policy for the energy sector is explained on page 71. Basically, it is intended to enhance private sector participation in funding large-scale energy projects, improve energy efficiency and integrate environmental considerations in energy development. In the power subsector, the thrust is to introduce elements of competition in the areas of generation, transmission and distribution.

Loans to this sector totalled \$1,791 million in 1995. Of this, \$1,443 million was in the power subsector. The loans reflected the DMCs' goals of environmental protection and energy efficiency. For example, the rural electrification project in Bhutan, based on hydropower, was intended to reduce the use of fuelwood for cooking and domestic heating. Efficiency improvement was the objective of projects in Bangladesh, India, Sri Lanka and Viet Nam. Expansion of transmission networks was the purpose of loans to Indonesia and Philippines.

In the hydrocarbon subsector, two loans totalling \$348 million were made to PRC and Indonesia for oil and gas field development, oil transportation, and natural gas transmission and distribution systems.

Altogether, 34 technical assistance grants were approved in the energy sector for a total of \$14 million. These were meant to support activities such as power system planning, strategic planning, energy efficiency efforts, institutional strengthening, environmental improvement, demand management, corporatization and financial accounting. The subsectoral distribution of loans and grants is shown in the accompanying table.



**Finance:** In the financial sector, the Bank assists DMCs in liberalizing financial regimes, restructuring banking systems, adopting prudential norms and sound banking practices, and strengthening regulation and supervision. Measures to deepen and broaden capital markets are supported to encourage long-term domestic resource mobilization. Assistance is provided in reducing intermediation costs and building the financial infrastructure, e.g., the regulatory framework for securities markets, enforcement of disclosure requirements and the development of credit rating. Loans were made in 1995 for capital market development in India (\$250 million) and Philippines (\$150 million). The purpose of the Indian loan was to establish the framework for an integrated national market system, modernize the support infrastructure, eliminate impediments to the market's growth and enhance competition. The Philippine loan was the result of years of technical assistance to the Government and the private sector to support efforts to formulate comprehensive capital market reform programs.

A loan was made to Pakistan (\$100 million) for relending to eligible public and private sector financial institutions to enable them to finance private sector investments in high-technology and export-oriented industries. The loan, which was cofinanced by the World Bank for \$216 million, will bring about extensive policy reforms in the financial sector in the areas of monetary management, taxation of financial institutions, prudential regulations, promotion of long-term finance and debt instruments, formulation of corporate strategies for financial institutions, enhancement of loan recovery mechanisms and improvement in the functioning of securities markets.

A \$3 million loan was provided for the Third Cook Islands Development Bank Project to encourage private investment in development projects, which should create employment and lead to economic growth.

In addition, 16 technical assistance grants were approved for the sector for a total of \$5.6 million to strengthen the legal framework of various financial institutions.

**Industry and Nonfuel Minerals:** In the industrial sector, the Bank helps DMCs to establish market-oriented policies, encourages privatization, promotes reforms in state-owned enterprises, and generally seeks to reduce government involvement in industry.

Five technical assistance grants totalling \$3 million were approved during the year. The purposes of these grants were to promote enterprise and trade reforms, improve environmental protection, automate customs data processing and introduce a new customs valuation system.

**Social Infrastructure:** Lending to the social infrastructure sector in 1995 amounted to \$1,257 million for 21 projects in ten DMCs, against \$486 million for eight projects approved in 1994 for seven DMCs. This accounted for 23% of the total Bank lending in 1995. The increase reflected not only the high priority the Bank attaches to social sectors, but also the strong pipeline of projects that has been developed in a number of DMCs to better respond to their social goals and policies.

The subsectoral distribution of loans and TA grants is shown in the accompanying table. Six projects for water supply and sanitation, including wastewater management and transbasin development, accounted for 35% of the lending for social infrastructure. The Rural Water Supply and Sanitation Sector Project in Indonesia, the Majuro Water

#### SOURCES OF 1995 LOANS

(\$ million)

##### Countries Receiving Only OCF Loans

China, People's Republic of	1,201.0
India	630.0
Kazakhstan	100.0
Malaysia	72.0
Thailand	330.0

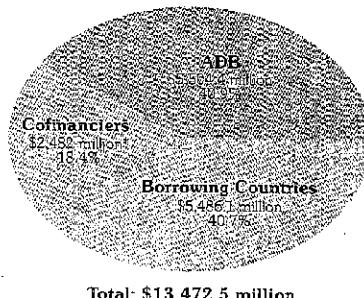
##### Countries Receiving Only ADF Loans

Bhutan	7.5
Cambodia	45.1
Cook Islands	3.0
Kyrgyz Republic	40.0
Lao PDR	93.0
Marshall Islands	9.2
Mongolia	84.0
Sri Lanka	140.0
Tonga	3.6
Viet Nam	233.0

##### Countries Receiving Both OCF and ADF Loans

Bangladesh	18.5 (OCF) 227.1 (ADF)
Indonesia	999.0 (OCF) 56.7 (ADF)
Nepal	8.0 (OCF) 40.0 (ADF)
Pakistan	160.0 (OCF) 431.8 (ADF)
Philippines	551.0 (OCF) 40.9 (ADF)

#### Loan Projects Approved in 1995: Total Cost and Sources of Finance



\* Includes \$171 million arranged during the year for projects approved in previous years.

**SOCIAL INFRASTRUCTURE LOANS  
AND TA GRANTS IN 1995**

	<b>Loans</b>		<b>TA Grants</b>	
	\$ million	No.	\$ million	No.
Education	357.7	7	9.91	21
Health and Population	30.9	2	7.06	12
Water Supply and Sanitation	448.2	6	6.65	14
Urban Development	420.0	6	6.66	14
<b>Total</b>	<b>1,256.8</b>	<b>21</b>	<b>30.28</b>	<b>61</b>

Supply and Sanitation Project in Marshall Islands, the Punjab Rural Water Supply and Sanitation (Sector) Project in Pakistan, the Umiray-Angat Transbasin Project in the Philippines and the Provincial Towns Water Supply and Sanitation Project in Viet Nam were all designed to improve access to adequate, safe and reliable water supply and sanitation facilities in the respective project areas, particularly for low-income groups. The projects were formulated using participatory approaches and in consultation with beneficiary communities, and were aimed at strengthening the capacity of institutions responsible for the operation, management and maintenance of water supply and sanitation services.

*Urban development* projects accounted for 33% of the social sector lending. Six projects were approved for urban infrastructure development, one each for Bangladesh, India, Lao PDR and Philippines, and two for Indonesia. While the development of physical infrastructure was a major objective of most of the projects, some, like the Vientiane Integrated Urban Development Project in Lao PDR, adopted an integrated approach and addressed the issues of water supply, drainage, solid waste management, sanitation, roads, social action programs and institutional strengthening. The Sumatra Urban Development Project and the West Java Urban Development (Sector) Project in Indonesia, and the Regional Municipal Development Project in the Philippines were aimed at improving the ability of local governments to provide basic infrastructure and municipal services to rapidly expanding urban areas, using the integrated approach.

Seven *education* projects were approved during the year for an amount of \$358 million, about 28% of the total social sector lending. The Nonformal Education Project in Bangladesh would provide literacy and skills training to increase the productive capacity of the poor, particularly women. The Technical Education Project in Pakistan was focused on improving the quality of training of industrial and engineering technicians. The Postsecondary Education Rationalization Project in Lao PDR would help establish a national university by restructuring small schools and creating new faculties to meet the need for high-level managerial and technical manpower. The Technical and Vocational Education Project in Malaysia was designed to support the improvement of upper secondary technical and vocational education to meet the rapidly changing needs of industry and commerce. Two secondary education projects were approved for Indonesia. The Private Junior Secondary Education Project was the Bank's first directly supporting private education and intended to reduce the differences in standard between private and public junior secondary schools. Similarly, the Senior Secondary Education Project would improve the quality of graduates preparing for postsecondary education and the labor market. A Basic Skills Project was approved for Cambodia to help meet the need for skilled manpower in the industry and health sectors.

Two projects were approved in the *health* subsector. The Primary Health Care Project in Lao PDR was designed to improve basic health services in remote areas, while the Integrated Community Health Project in the Philippines was aimed at strengthening the ability of local governments to deliver quality services to disadvantaged groups. No *population* project was approved during the year. However, a technical assistance grant was approved to assist in the preparation of a population and family health project in Viet Nam.

A total of 61 technical assistance grants amounting to \$30 million



were approved during the year for the social sectors. Of these, 25 were project preparatory technical assistance projects, suggesting that the project pipeline for the social subsectors remained strong. Advisory technical assistance grants were approved to address issues of human resource development and capacity building, sector studies and master plans, and institutional and public services reforms. Four regional technical assistance grants were approved for studies on urban infrastructure financing in the Asian and Pacific region, and regional health policy priorities, primary teacher training through distance education and tourism training in the Greater Mekong subregion.

**Transport and Communications:** Eleven loans totalling \$970 million were approved for the transport and communications sector. The subsectoral distribution of the loans and technical assistance grants is shown in the accompanying table.

The roads subsector included loans to PRC for the construction of toll expressways; to Lao PDR to provide all-weather road access between the Thailand border at Chong Mek and the Cambodian border at Veune Kham via Pakse town; to Mongolia to develop the road sector; to Nepal for the improvement of national roads and rehabilitation of feeder roads; to Thailand for the improvement of the road network; and to Pakistan for the improvement of farm-to-market roads in four provinces. The emphasis of activities in this subsector was on improvement or rehabilitation of facilities.

Two loans were made to the ports subsector. Viet Nam received a loan for the rehabilitation of Saigon Port, while a project was approved in PRC to support economic reform by expanding port capacity at Yantai in Shandong Province.

The airports subsector in Mongolia received a loan to upgrade national air navigation facilities.

One loan was made to the telecommunications subsector in PRC for a second project to improve the quality of telecommunications services.

Thirty-one technical assistance grants, totalling \$14.5 million, were also approved for the transport and communications sector, mainly to support project preparation, institutional strengthening, policy reforms and service enhancement.

## Environmental Activities

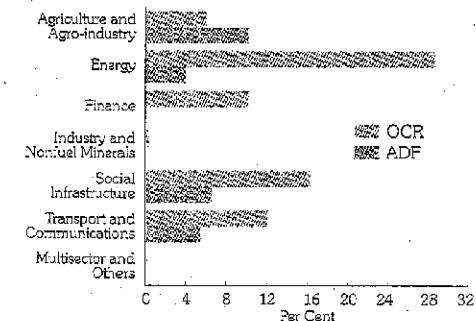
In support of the Bank's strategic development objectives, which reflect DMCs' needs, special efforts were made in 1995 to promote projects that improve the environment. Through its technical assistance operations, the Bank supported environmental capacity-building efforts in PRC and India to strengthen the policy and regulatory environment. These countries, together with Kyrgyz Republic, Lao PDR, Malaysia and Thailand, also received assistance to improve their environmental impact assessment capabilities and institutional framework. Technical assistance was provided to PRC to support the transfer of clean technology from developed countries and the use of better air quality models that would aid in decision making and policy formulation.

Environmental capacity building was also promoted through regional activities focusing on environmental legislation and environmental

## TRANSPORT AND COMMUNICATIONS LOANS AND TA GRANTS IN 1995

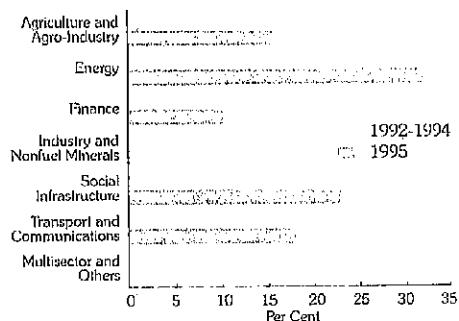
	Loans		TA Grants	
	\$ million	No.	\$ million	No.
Roads	753.0	7	8.80	19
Railways	-	-	0.25	1
Ports	93.0	2	3.34	6
Airports	24.0	1	1.33	3
Telecommunications	100.0	1	0.80	2
Multimode	-	-	-	-
Total	<b>970.0</b>	<b>11</b>	<b>14.52</b>	<b>31</b>

## Sectoral Distribution of Project Approvals from OCR and ADF, 1995\*



\* Per cent of total approved loan commitments.

**Sectoral Distribution of Project Approvals: 1992-1994 (Average) and 1995 - By Value\***



\* Per cent of total approved loan commitments.

economics. Assistance was provided to establish an environmental information system in the Greater Mekong subregion. Selected countries in the region also received help in improving their overall capacities to plan, formulate and implement environmental legislation and programs.

In addition to participating in country programming missions, the Bank's environment specialists provided guidance in the preparation of environment sector reports and assisted in the preparation of country operational strategy studies and country assistance plans. Environmental economists were deployed in the programs departments to improve the country focus of Bank operations.

The environmental assessment review procedure was further improved to enhance the quality of summary environmental impact assessment reports for sensitive projects.

An estimated \$760 million worth of loans in 1995 were aimed at protecting the environment or promoting sound natural resource management. The loans covered five projects with primary environmental objectives and six projects with secondary environmental objectives.

One project with a primary environmental objective was the Samut Prakarn Wastewater Management Project in one of Thailand's rapidly industrializing areas. Under the project, wastewater collection, treatment and disposal facilities would be expanded and pollution prevention measures would be introduced. A project in Pakistan was aimed at improving the productivity of private, communal and government lands suitable for planting trees, fodder and other crops. The project adopted the social forestry approach to involve beneficiaries in its design, planning and execution. Also in Pakistan, a project was approved to assist in implementing a national drainage sector program. The Bank also assisted Lao PDR in developing and implementing an integrated urban development project for Vientiane. Bangladesh received assistance to protect and improve its coastal environment by increasing the vegetative cover.

Projects with secondary environmental objectives included two in PRC (one for agriculture and natural resource development in Hainan and the other for oil and gas development in Ping Hu); one in Indonesia for rainfed agriculture development in Sulawesi; a plantation sector reform project in Sri Lanka; a rural water supply and sanitation project in Pakistan; and a water supply and sanitation project for selected provincial towns in Viet Nam.

The Bank's role as an environmental resource center was reflected in several of the activities undertaken during the year. These included the preparation of a regional State of the Environment report jointly with the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). A review was initiated to evaluate the Bank's environmental capacity-building effort in the region and to develop a related strategy for the medium term. Studies were conducted to identify causal linkages among poverty, women-in-development and environment issues in selected countries; identify environmental investment opportunities; and determine the environmental impact of hydropower projects on fisheries. In addition, several papers were prepared for publication, including *Environmental Considerations in Program Lending*, environment sector profiles for selected countries and an Environmental Impact Assessment Training Manual. In-house training and lectures were arranged to enhance environmental awareness among Bank staff.

Steps were taken to strengthen regional cooperation among groups of countries in matters such as environmental management information



systems; environmental planning; waste management; transboundary air pollution; marine/coastal environmental management; and control of greenhouse gas emissions.

Active collaboration was maintained with various international organizations, including ESCAP, the United Nations Environmental Programme, United Nations Development Programme, multilateral development banks and bilateral organizations. Discussions were held with these organizations on various issues, including national and regional environmental action plans, financing mechanisms to mobilize resources for funding environmental activities, global environmental issues, the development of environmental indicators and indexes, and other measures to facilitate the implementation of national and regional environmental programs.

### Private Sector Activities

Fifteen private sector projects were approved during the year, involving an amount of \$87 million in loans and \$110 million in equity investments. This was the second largest annual volume of private sector investment approvals since the Bank began such operations over ten years ago. For details of these projects, see Table 16 in the Statistical Annex.

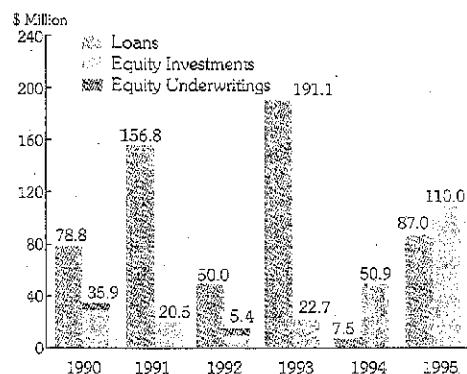
Each project reflected the Bank's strategy of maximizing its catalytic role in capital market development and the infrastructure sector. Several of the investments were the first of their kind – for example, investments in a regional company to finance private sector infrastructure projects, a subregional fund to promote economic development in the Greater Mekong area and a regional bond insurance company – and were developed by the Bank in close coordination with private investors. Based upon projections, the Bank's total 1995 private sector investment approvals are expected to mobilize additional funds totalling \$1,489 million. This would indicate that for every \$1 invested by the Bank, an additional \$7.6 would be mobilized from the private sector.

### Law and Development

In recent years, the Bank and many of its member governments have increasingly focused on the relationship between law and economic and social development.

During the year, the Bank approved, implemented or completed 50 law-related technical assistance and loan projects. These projects dealt with a broad range of subjects, such as strengthening environmental impact assessment and environmental legislation in India; improving the regulatory framework for import of hazardous and toxic materials in Bangladesh; strengthening the banking system in the Kyrgyz Republic; preparing national regulations for the public sector in Lao PDR; strengthening social services delivery and finance in Kazakhstan; developing an institutional and regulatory framework for the leasing industry in Sri Lanka; strengthening Tuvalu's foreign investment framework; and revising procurement regulations in Viet Nam as part of institutional strengthening of the Government's National Office for Procurement Evaluation.

### Private Sector Loans, Equity Investments and Underwritings



Assistance continued to be provided to Mongolia for developing a legal framework and formulating legal training programs to meet the needs of a market economy. In PRC, the Bank provided technical assistance for state enterprise insolvency reform in support of the Government's proposed new law on insolvency of state-owned and other enterprises.

A workshop was held in Ulaanbaatar to assess the state of development of the Mongolian legal system and a conference was organized in Beijing on the question of bankruptcy and reorganization of state-owned enterprises.

A regional technical assistance grant was approved for 1995/96 to hold training workshops for midcareer government lawyers in Cambodia, PRC, Mongolia and Viet Nam and to study the opportunities for the development of continuing legal education programs at local and regional institutions.

The Bank also approved a major study on the role of law and legal institutions in Asian economic development.

In May, during the Twenty-Eighth Annual Meeting of the Board of Governors in Auckland, New Zealand, a seminar on Law and Development was held to focus on legal issues relating to (i) the corporatization and privatization of state enterprises in the Bank's DMCs, and (ii) private sector infrastructure development through build-own-operate and build-own-operate-transfer arrangements.

## Cofinancing and Guarantee Operations

The Bank continued to pursue its efforts as a catalyst to increase financial resource flows to DMCs through cofinancing, project finance and guarantee operations, especially in view of the huge investment need for infrastructure development in the Asian and Pacific region. It has become necessary to enhance the Bank's capacity to leverage its own limited resources with international and regional private capital. With that objective in mind, the Board of Directors approved revisions to the Bank's cofinancing strategy and guarantee policy in April (see page 70).

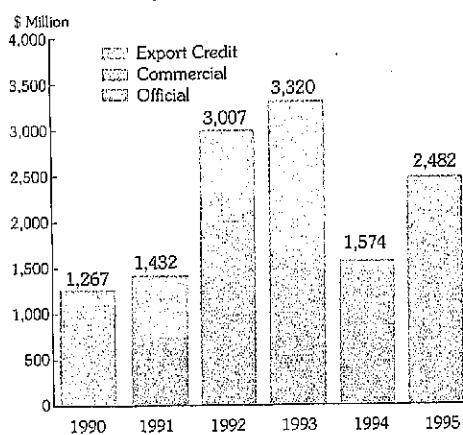
In 1995, cofinancing mobilized from all sources amounted to \$2,482 million, which was 45% of the Bank's total lending for the year. The amount represented a 58% increase over that of the previous year. In other words, for every \$1 lent by the Bank, 45¢ was mobilized through the cofinancing function.

Cofinancing operations continued to focus on traditional infrastructure projects. The energy sector received the biggest share of cofinancing (50%), followed by transport and communications (16%) and agriculture and agro-industry (15%).

Altogether, nine countries received cofinancing in 1995. Pakistan received the largest share (26%), followed by Philippines (22%), Indonesia and Thailand (15% each). The largest amount of cofinancing arranged was for a power generation and transmission project in the Philippines (\$523 million). Pakistan received \$385 million for its national drainage program and Thailand \$300 million for regional roads.

**Official cofinancing** reached a historical record of \$2,266 million, a 92% increase over the previous year, and accounted for 91% of total cofinancing. About \$1,322 million was provided by bilateral agencies and \$944 million by multilateral institutions. Bilateral cofinancing support was

### Cofinancing Arrangements



received from six countries, namely, Australia, France, Germany, Japan, Netherlands and Switzerland. Japan continued to be the largest source of official cofinancing. It cofinanced nine projects for a total of \$1 billion - \$463 million from the Overseas Economic Cooperation Fund (OECF) and \$559 million from the Export-Import Bank of Japan (EXIM Bank). Since February 1993, when the Board of Governors of the European Investment Bank (EIB) authorized it to operate outside the European Union, EIB's lending to Asia through cofinancing with the Bank amounted to \$278 million cumulatively and \$130 million in the year under review. EIB has become the fourth largest cofinancier of the Bank after EXIM Bank of Japan, OECF and the World Bank.

Cofinancing from **commercial sources** amounted to \$216 million for four projects<sup>1</sup>. Only a limited number of projects required such financing during the year. All the main cofinancing modalities were employed, namely, the Complementary Financing Scheme (CFS), parallel loan and guarantee-supported financing. In May, a parallel syndicated loan for \$55 million was arranged for a power project in PRC. The maturity was 15 years, and a partial guarantee backing was examined but was not required by the market. In November, a bond issue in the external yen public bond market was launched by the National Power Corporation of the Philippines with the support of the Bank's partial credit guarantee to partly finance the Northern Luzon Transmission and Generation Project. The Bank guaranteed the bullet payment of the principal of the bond, which made it possible for the borrower to extend the maturity to 20 years and obtain a substantially lower fixed rate of interest for a long-gestation infrastructure project (see box). This transaction marked the beginning of efforts by the Bank to introduce high-quality infrastructural debt to institutional investors in the bond markets.

The Bank actively pursued **cofinancing for technical assistance** with official donors. There were voluntary contributions to TASF by both developed and developing member countries, regularized allocation to TASF through ADF replenishment, annual contributions to JSF and grants from multilateral and bilateral sources. The latter were received under cofinancing and exclusive financing arrangements, including grant financing of soft components processed together with the Bank's loan projects. The donors included the United Nations Development Programme, the World Bank and the Governments of Australia, Denmark, Finland, France, Netherlands, Norway, Sweden and Switzerland.

The Government of Japan made its eighth yearly contribution to JSF amounting to ¥10.68 billion (\$105 million equivalent) in untied grant assistance. Grants from bilateral and multilateral sources, where the Bank acted as the grant administrator, amounted to \$9.4 million. Other bilateral donors, such as Netherlands and Switzerland, continued to provide untied grant assistance to finance soft components included in Bank loans.

During 1995, the Bank made efforts to simplify cofinancing arrangements and improve consultation with its main official cofinanciers. A streamlined set of procedures was established with the EXIM Bank of Japan, whereby resources could be mobilized expeditiously. Cooperation with the Nordic Investment Bank and the Nordic Development Fund was formalized in 1995 in the form of a memorandum of understanding. The

### **Bank Guarantees Innovative Bond Financing**

ONE of the major features of the Bank's cofinancing strategy is to use its guarantee facility to enable DMCs which have limited access to capital markets to attract long-term debt financing. The Bank's guarantee had been used in the past to catalyze long-term syndicated loans. Recently, for the first time, the facility was successfully used to assist the National Power Corporation of the Philippines in issuing 20-year Dragon bonds for 1.2 billion yen (\$140 million equivalent) in the Japanese yen external bond market. The issue was launched on 20 November 1995 with Nomura International (Hong Kong) Ltd as the lead manager and eight international investment banks as co-lead managers. The semi-annual coupon rate and yield was 1.55% per annum. The innovative cofinancing structure involving guarantee from the Republic of the Philippines covering the coupon payments and guarantee in the form of a put option from the Bank supporting the bullet repayment at maturity was instrumental in making the issue of a super-long-maturity bond successful. The National Power Corporation was able to lock in a low fixed interest rate.

The issue was a success with a good mix of private Japanese and international investment houses participating in the syndicate. The issue represented a significant value to the issuer and to the Philippines. This was the first multilateral cofinancing bond in the yen bond market and the first Philippine issue to a 20-year maturity.

<sup>1</sup> Statistics for commercial cofinancing are based on financial closing, unlike in the case of official cofinancing where records are based on the commitments of the cofinanciers.

**GRANT-FINANCED TECHNICAL  
ASSISTANCE FROM OTHER SOURCES, 1995\***  
(Amounts in \$ thousand)

Agency	Number of Projects	Amount
Australia	3	230.0
Denmark	4	2,087.0
France	3	2,185.0
Netherlands	2	325.0
Norway	3	1,878.0
UNDP	1	628.9
United States	2	1,998.0
World Bank	1	25.0
<b>Total</b>	<b>18**</b>	<b>9,856.9</b>

\* Administered by the Bank.

\*\* A project financed from more than one source is counted as one.

**RESOURCE TRANSFER TO DMCs**  
(\$ million)

	1994	1995
OCR	124	107
ADF	977	901
<b>Total</b>	<b>1,101</b>	<b>794</b>

Bank continued to hold semi-annual consultations with OECF and EXIM Bank of Japan. All in all, 30 formal cofinancing consultations were held during the year with 24 bilateral and multilateral donor agencies.

The Bank's new cofinancing strategy calls for a more proactive arrangement of export credits for public sector projects. In this regard, consultations were initiated with various export credit agencies and guarantee boards, the Berne Union and other multilateral development banks which have similar objectives.

Since the Bank's inception and as of end-1995, 407 loan projects and programs had received cofinancing for a cumulative total of \$21.9 billion.

### Bank's Role in Resource Transfer

The net transfer of resources (defined as disbursements less principal repayments and prepayments, payments of interest and other charges plus net equity investments) from the Bank to the DMCs decreased from \$1,100 million in 1994 to \$794 million in 1995. This meant a decrease of 28%, compared with an increase of 18% in the previous year.

Of the total net transfer, a negative \$107 million was from OCR and a positive \$901 million from ADF. The net transfer from OCR was negative mainly because of prepayments by PRC, Fiji, India, Republic of Korea, Philippines and Thailand, which amounted to \$330 million.

Loan disbursements amounted to \$3,587 million. The amount exceeded the year's target, although it was down by 3% from last year. There was a decline in disbursements from both OCR (2.4%) and ADF resources (3.5%). Bangladesh, Pakistan, Philippines and Thailand experienced decreases in disbursements.

The disbursement ratio (including program loans), defined as the ratio of disbursement during the year over the undisbursed net loan balance at the beginning of the year plus effective loans approved during the year, was 18.2%, compared to 18.7% in 1994.

By volume of net flow, Bangladesh, PRC, India and Pakistan were the top four recipients of net transfers from the Bank. The DMCs that experienced negative transfer were Fiji, Indonesia, Republic of Korea, Malaysia, Myanmar, Papua New Guinea, Philippines, Solomon Islands and Thailand.

For details of net transfer, see tables 36-38 in the Statistical Annex.

### Economic Research and Development Studies

The Bank's research activities are intended to support its operations as well as uphold its role as a resource center. In 1995, regional technical assistance projects were initiated to study the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area as well as social sector issues and concerns in the transitional economies of Asia. Studies that were under implementation during the year included economic implications of the emerging trading environment; financial sector policies of selected DMCs; public finance issues in the transitional



economies of Asia; and financing human development in Asia.

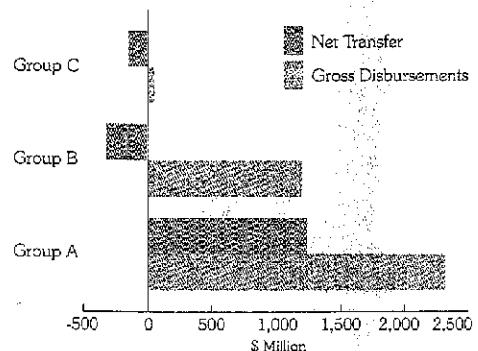
Conferences and seminars were held on various economic issues. These included a training workshop on antidumping and countervailing measures organized in New Delhi jointly with the General Agreement on Tariffs and Trade, and a conference on regional cooperation and integration in Asia held jointly with the Organisation for Economic Co-operation and Development in Paris.

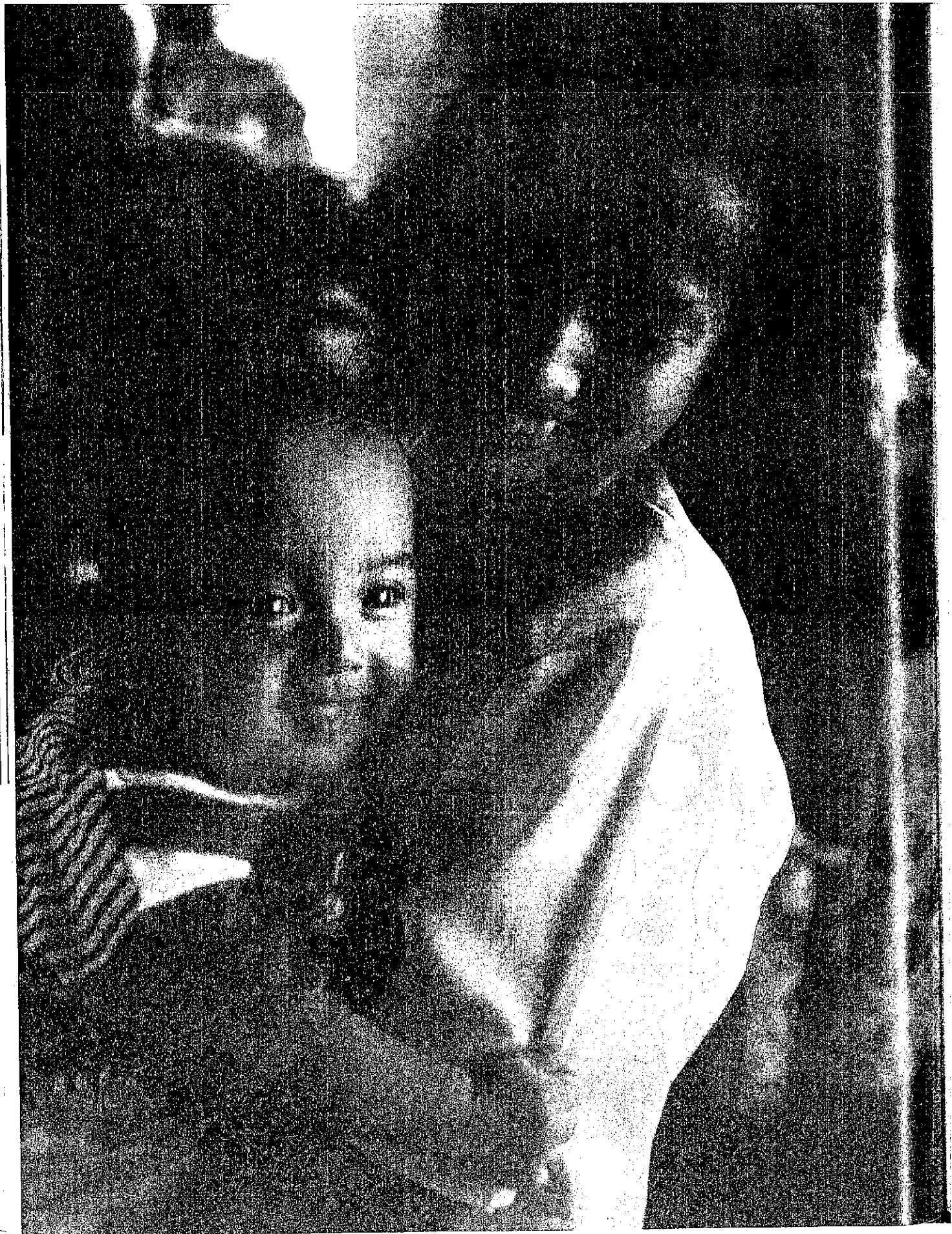
In the area of project quality improvements, several steps were taken to enhance the economic analysis of projects prior to loan approval. These included the preparation of necessary guidelines and a draft policy paper on Bank criteria for subsidies. A study was made on the methodology for estimating economic benefits of telecommunications projects and an initial study was undertaken of the socioeconomic impact of infrastructure projects using the Yao-Mao railway in PRC as an example. A regional technical assistance grant was approved to develop a methodology for the economic analysis of projects under different financing arrangements, such as the build-own-operate-transfer mechanism. Interim guidelines for the economic analysis of water supply projects were approved.

The Bank continued to improve its statistical database system in terms of data coverage and upgrade its facilities to provide better service in support of Bank operations as well as to external users. Database linkages with other international organizations and with DMCs were also improved. Technical assistance projects were approved to develop a gender database system in Pakistan, hold an international conference on information systems of transitional countries, and improve the social and economic databases in the Pacific DMCs.

As part of its efforts to strengthen institutions and human development in DMCs, the Bank organized training programs on taxation and financial policies for policymakers. Some of the training activities were undertaken in collaboration with other development institutions, such as the Association of Development Research and Training Institutes of Asia and the Pacific. A new program was launched in collaboration with the International Monetary Fund on macroeconomic management for government officials from transitional economies. The format of the Bank's ongoing special secondment scheme was substantially modified to better reflect the needs of DMC government officials.

### 1995 Net Transfer of ADB Resources to DMCs





# Country Highlights

**T**HIS CHAPTER provides brief accounts of the Bank's operational strategies, policy discussions, lending and technical assistance activities, and project implementation in its borrowing DMCs. Policy dialogue on both macro and microeconomic issues forms an increasingly important part of the Bank's efforts to improve the climate for economic development in its DMCs.

For details of country operations, see the Statistical Annex (Tables 9-14 for loans by country and sector, Tables 22-30 for contract awards and disbursements, and Tables 31-35 for technical assistance grants).

The DMCs are arranged alphabetically. Uzbekistan became the 56th member of the Bank in 1995, but there were no operations there during the year. It was the third Central Asian republic to join the Bank, after Kazakhstan and Kyrgyz Republic.

## Bangladesh

**Operational Strategy:** Bank strategy for Bangladesh focuses on poverty reduction. The emphasis is on creating economic opportunities for the poor and improving their access to basic social services through equitable and sustainable growth. Human development comprises a significant component of the Bank's operations in the country in support of economic growth. There is added emphasis on policies and projects which directly benefit women and provide them with education, employment and income opportunities. The Bank pays serious attention to protecting and improving the environment. Broadbased economic growth will be promoted through greater market orientation and support will be given to enhance private sector participation. Policies and projects which favor the productive and sustainable use of labor will be adopted to make growth more equitable.

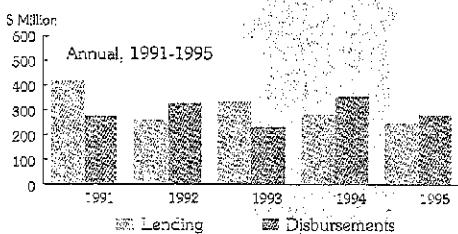
**Policy Dialogue:** Policy dialogue centered on improving the efficiency and accountability of the Bangladesh Railways through institutional and organizational reforms. Discussions were held on an area development plan for the northwest region to seize opportunities created by the Jamuna Bridge to reduce regional disparities in respect of jobs and incomes. Reforms in the power subsector were encouraged to improve its financial viability and long-term sustainability. The Bank promoted beneficiary participation in the design and implementation of small-scale irrigation systems to improve their sustainability and cost recovery. In the urban sector, the Bank continued its efforts to make municipalities financially viable. The proposed Urban Poverty Reduction and Primary Health Care projects will help the Bank target the urban poor directly.

**Loans and Technical Assistance:** In 1995, the Bank provided seven loans amounting to \$246 million, including a private sector loan without government guarantee. The loans were for projects in the agriculture and agro-industry, energy, industry and social infrastructure

Cumulative Bank Lending to Bangladesh  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	55	1,932.1	39.1
Energy	17	935.4	19.9
Transport and Communications	13	783.1	16.7
Social Infrastructure	20	736.5	16.1
Industry and Trade	—	—	—
Minerals	9	248.5	5.3
Finance	7	137.6	2.9
Total	121	4,695.2	100.0

## Bangladesh: Lending and Disbursements

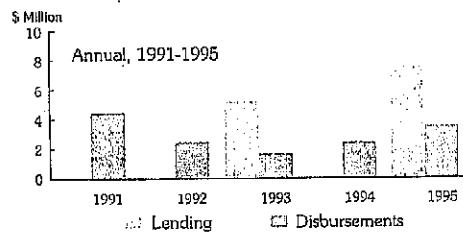


*Other and child at a population clinic in Indonesia. The Bank has provided loans totaling \$120.9 million to improve health and population services in the country.*

**Cumulative Bank Lending to Bhutan**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Multisector	2	12.4	24.1
Social Infrastructure	2	10.4	20.3
Transport and Communications	2	9.7	18.8
Agriculture and Agro-industry	2	7.8	15.1
Energy	1	7.5	14.6
Finance	1	2.5	4.9
Industry and Nonfuel Minerals	1	1.2	2.2
<b>Total</b>	<b>11</b>	<b>51.5</b>	<b>100.0</b>

**Bhutan:**  
**Lending and Disbursements**



sectors. The Bank also approved 11 technical assistance grants totalling \$5.5 million, of which \$2.6 million was for project preparation.

**Project Implementation:** Of the 121 loans approved as of end-1995, 79 had been closed and 42 were under administration. Contracts worth \$308 million were awarded during the year, bringing the cumulative total of contracts to \$3,310 million. Disbursements for the year totalled \$279 million, bringing cumulative disbursements to \$3,189 million. The Bangladesh Resident Mission continued to assist the Government in coordinating and monitoring Bank projects and programs, as well as in the dialogue on policy issues. A portfolio performance review mission was undertaken to deal with issues concerning project implementation and quality.

### Bhutan

**Operational Strategy:** The Bank aims at assisting Bhutan's efforts to move toward a more diversified economy. It will help enhance the country's capacity to earn convertible foreign exchange and develop its capacity for macroeconomic management. Lending will be focused on infrastructure projects, including power, roads and urban development. The financial sector and environmental protection will also be emphasized. Technical assistance will continue to be focused on a broad range of sectors where capacity building is required, including agriculture, physical infrastructure and social infrastructure.

**Policy Dialogue:** Private sector operations have been hindered by lack of infrastructure, a small base of entrepreneurs, labor shortage and the difficult terrain. The Bank encouraged a more transparent and liberal commercial environment to help promote private sector activities. The Government continues to aim at financing all its recurrent expenditures by domestic resources and development expenditures by external grants and soft loans. To improve revenue prospects before any major projects come on stream, it will be particularly important to broaden the base for tax revenues, introduce user fees and improve cost recovery. In the meantime, increased efforts will also be needed to prevent any prolonged deterioration in the fiscal situation.

**Loans and Technical Assistance:** One loan of \$7.5 million was approved during the year for a rural electrification project. Two technical assistance grants, totalling \$546,500, were also approved.

**Project Implementation:** Of the 11 loans approved as of end-1995, seven had been closed and four were under implementation. Contracts amounting to \$4.7 million were awarded during 1995, bringing the cumulative total to \$33 million. Disbursements during the year amounted to \$3.5 million and brought cumulative disbursements to \$31 million. A shortage of qualified staff and counterpart funds, and administrative constraints continued to affect project implementation.



## Cambodia

**Operational Strategy:** The Bank supports Cambodia's transition to a market economy and assists the Government in strengthening sector institutions, expanding employment opportunities for the poor, developing human resources and protecting the environment. Projects and programs which benefit the poor, particularly in rural areas, are emphasized.

**Policy Dialogue:** In the light of Cambodia's transition from a centrally planned to a market-oriented economy, discussions between the Bank and the Government continued to be focused on macroeconomic management, medium-term economic planning, investment programming, and the strengthening of institutions and the legal framework. Agriculture sector reform was an important item on the sectoral policy agenda.

**Loans and Technical Assistance:** Lending in 1995 totalled \$45 million for two projects in the agriculture and social infrastructure sectors. Eleven technical assistance grants were also approved, totalling \$10 million. Two of the grants were for the preparation of new projects.

**Project Implementation:** Of the five loans, totalling \$143 million, approved as of end-1995, one had been closed and four were under administration. Contracts amounting to over \$28 million were awarded during the year, bringing the cumulative contract total to \$72 million. Disbursements in 1995 totalled \$36 million, bringing cumulative disbursements to \$54 million. As the country is in the midst of transition to a market economy, institutional, financial and human resource constraints were encountered in project implementation.

## People's Republic of China

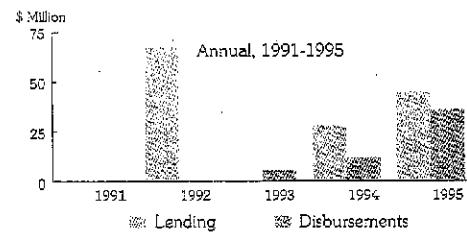
**Operational Strategy:** The Bank's current operational strategy in the People's Republic of China (PRC) emphasizes three broad objectives: (i) improvement of economic efficiency; (ii) environmental protection and natural resource conservation; and (iii) poverty reduction. The Bank supports market-oriented reforms and the development of appropriate institutional systems. Critical issues associated with rapid economic growth, such as transport bottlenecks, energy shortages, water shortages for agriculture and in urban areas, environmental degradation and growing income disparities are also addressed. To help the Government attain a more balanced regional growth, the Bank is now paying greater attention to the less-developed inland provinces where most of the country's poor and minority groups are located. Following the fielding of a country operational strategy mission in September, a revision of the strategy is contemplated, to take into account PRC's significant socioeconomic transformation during the Eighth Plan period (1991-1995) and the development priorities of the Ninth Plan (1996-2000).

**Policy Dialogue:** Policy discussions were focused on the need to strengthen macroeconomic management through continued monetary,

**Cumulative Bank Lending to Cambodia**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Multisector	1	67.7	47.5
Energy	2	29.9	20.9
Agriculture and Agro-industry	1	25.1	17.6
Social Infrastructure	1	20.0	14.0
<b>Total</b>	<b>5</b>	<b>142.7</b>	<b>100.0</b>

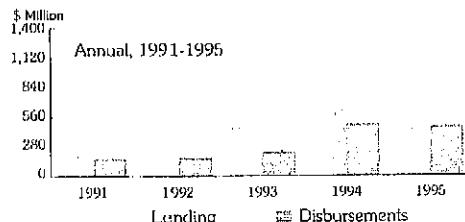
## Cambodia: Lending and Disbursements



**Cumulative Bank Lending to the People's Republic of China**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	18	1,985.0	37.7
Energy	10	1,236.3	23.4
Industry and Nonfuel Minerals	4	574.8	10.9
Finance	5	470.0	8.9
Agriculture and Agro-industry	7	449.6	8.5
Multisector	3	400.0	7.6
Social Infrastructure	1	160.0	3.0
<b>Total</b>	<b>48</b>	<b>5,276.7</b>	<b>100.0</b>

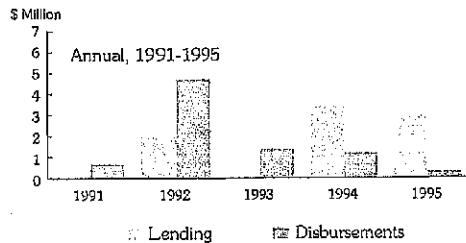
### PRC: Lending and Disbursements



### Cumulative Bank Lending to Cook Islands (As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Finance	3	6.0	32.1
Transport and Communications	2	5.4	28.9
Multisector	2	3.8	20.3
Social Infrastructure	1	2.7	14.4
Agriculture and Agro-industry	1	0.8	4.3
<b>Total</b>	<b>9</b>	<b>18.7</b>	<b>100.0</b>

### Cook Islands: Lending and Disbursements



fiscal, financial and enterprise reforms. To facilitate the discussions, advisory technical assistance was provided to key government agencies that formulate and implement policy reforms. The Bank also discussed the need to promote the private sector's role in developing transport, communications and power facilities through build-operate-transfer and build-operate-own schemes as well as joint ventures in view of large infrastructure investment requirements. Other major policy issues discussed were: (i) domestic resource mobilization through capital market development; (ii) restructuring of state-owned enterprises and the separation of social welfare functions from commercial activities of enterprises; (iii) adoption of appropriate energy pricing to promote energy conservation and environmental protection; and (iv) investments in agriculture and rural development to help reduce poverty.

**Loans and Technical Assistance:** Ten loans totalling \$1,201 million were approved in 1995. Four were for transport and communications projects (\$483 million), three for energy/power (\$500 million) and three for agriculture (\$218 million). A total of 45 technical assistance grants were also approved, amounting to \$18.4 million. Of these, eight were for the preparation of new projects.

**Project Implementation:** Of the 48 loans approved as of end-1995, nine had been closed, 39 were under implementation, including ten waiting to become effective. During the year, contracts amounting to \$749 million were awarded, bringing cumulative contract awards to \$2,394 million. Disbursements for the year amounted to \$558 million, exceeding projections by 20.5%. Cumulative disbursements reached \$1,933 million. A country project review mission was undertaken to discuss cross-sectoral and project-specific implementation issues. Seminars on loan disbursements, procurement and the use of consultants were held to prepare new executing agencies for effective and smooth project implementation.

### Cook Islands

**Operational Strategy:** The Bank seeks to promote sustainable economic growth within a stable macroeconomic environment by: (i) supporting policy and public sector reforms; (ii) enhancing the role of the private sector; and (iii) developing social and physical infrastructure to promote private sector growth and the development of the outer islands. Improvement of human resources and protection of the environment are also important concerns.

**Policy Dialogue:** Policy dialogue centered on reform of the institutional, administrative and business processes for sound financial and economic management. To this end, an advisory technical assistance program was approved. Potential fiscal and debt-service problems, matters relating to integrated urban development and issues concerning public sector reform were also discussed.

**Loans and Technical Assistance:** During 1995, the Bank approved a \$3 million loan for the Third Cook Islands Development Bank Project, and three advisory technical

assistance grants amounting to \$1.4 million.

**Project Implementation:** Of the nine loans approved as of end-1995, five had been closed and four were under administration, including one waiting to become effective. Contract awards in 1995 totalled \$260,000, while disbursements amounted to \$420,000. Cumulative contract awards and disbursements reached \$11 million and \$12.5 million, respectively. Shortage of qualified staff, and weaknesses in management and accounting systems affected project implementation.

## Fiji

**Operational Strategy:** Bank operations in Fiji support the Government's efforts to develop market-oriented policies and improve public sector performance. Infrastructure development, the key to private sector development and overall economic growth, is emphasized. Measures to liberalize and deepen capital markets are also supported.

**Policy Dialogue:** Discussions were held on sector-level initiatives and ways to introduce environmental legislation, encourage capital market development and improve the efficiency of public works, the Housing Authority and the Ministry of Agriculture. Measures to promote cost efficiency in the health sector and trade issues were also addressed.

**Loans and Technical Assistance:** No loan was made in 1995. Four advisory technical assistance grants were approved, amounting to \$1.7 million.

**Project Implementation:** Of the 12 loans approved as of end-1995, ten had been closed. Contract awards for the year amounted to \$1.5 million, bringing the cumulative total to \$113.5 million. Disbursements amounted to \$9.6 million and cumulative disbursements reached \$108 million.

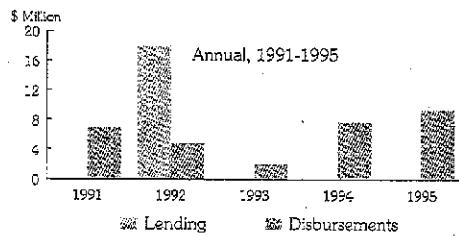
## India

**Operational Strategy:** The main objective of the Bank's strategy is to promote efficiency and sustainable economic growth to improve employment opportunities and incomes, and reduce poverty. To achieve this overall objective, the Bank supports efforts to: (i) improve macroeconomic stability and reduce sector inefficiencies; (ii) promote competition and private sector participation through policy, regulatory and institutional frameworks at the state level; (iii) encourage corporatization and restructuring of the public sector; and (iv) enhance resource mobilization through further reforms of financial and capital markets. The strategy advocates that the Bank gradually shift toward more state-focused interventions to broaden and deepen economic reforms, accelerate infrastructure development and industrial restructuring, and maximize the multiplier effect of the Bank's policy dialogue. Within state-focused operations, the Bank will support social interventions for urban infrastructure development, improvement of the quality and cost recovery of social services, and the establishment of social safety nets.

**Cumulative Bank Lending to Fiji**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	3	38.0	31.4
Energy	3	36.9	30.5
Agriculture and Agro-industry	3	27.6	22.8
Social Infrastructure	1	9.6	7.9
Finance	2	9.0	7.4
<b>Total</b>	<b>12</b>	<b>121.1</b>	<b>100.0</b>

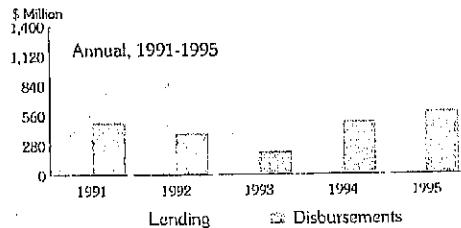
**Fiji: Lending and Disbursements**



**Cumulative Bank Lending to India**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Energy	14	2,581.1	44.4
Transport and Communications	11	1,875.3	32.2
Finance	10	1,080.0	18.6
Industry and Nonfuel Minerals	4	175.9	3.0
Social Infrastructure	2	105.0	1.8
<b>Total</b>	<b>41</b>	<b>5,817.3</b>	<b>100.0</b>

### India: Lending and Disbursements



for workers affected by industrial restructuring programs.

**Policy Dialogue:** During the year, the major focus of the policy dialogue was to support the broadening and deepening of macroeconomic and structural reforms, including at the state level. The Bank supported improvements in the policy, regulatory and institutional frameworks for critical infrastructure sectors, including energy and transport, and discussed the possibilities of developing financing modalities to suit the long-gestation requirements of infrastructure projects. The Bank also discussed reforms of the financial and capital markets to develop effective regulatory systems and a long-term debt market.

**Loans and Technical Assistance:** In 1995, the Bank approved three loans amounting to \$630 million for the energy, financial and social infrastructure sectors. The Bank also approved 14 technical assistance grants totalling \$5.5 million. Of this amount, \$1.95 million was for project preparation.

**Project Implementation:** Of the 41 loans approved as of end-1995, seven had been closed and 34 were under administration, including five waiting to become effective. Contract awards for the year totalled \$659 million, bringing the cumulative total to \$3,008 million. Total disbursements for the year amounted to \$600 million, with cumulative disbursements reaching \$2,577 million. As a result of a country project review mission, the Government held quarterly project review meetings, standardized bidding documents and released 25% of projected annual expenditures at the start of the fiscal year to expedite project implementation. The Government also agreed to establish a task force to streamline procurement procedures and form a working group to study issues related to the timely release of funds, direct payment procedure and imprest accounts. A country seminar on procurement was held.

### Indonesia

**Cumulative Bank Lending to Indonesia**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	82	3,102.3	25.5
Social Infrastructure	49	2,970.6	24.5
Energy	26	2,730.1	22.5
Transport and Communications	27	1,980.9	16.3
Finance	7	940.0	7.7
Industry and Nonfuel Minerals	12	351.7	2.9
Multisector	3	69.0	0.6
<b>Total</b>	<b>206</b>	<b>12,144.6</b>	<b>100.0</b>

**Operational Strategy:** The Bank's operational strategy in Indonesia is in line with the Government's development objectives of efficient, equitable and environmentally sustainable growth. The strategy aims to raise the country's international competitiveness and increase factor productivity by: (i) improving physical infrastructure; (ii) developing human resources; and (iii) promoting sustainable resource management. Poverty reduction and improving the status of women are major concerns in improving factor productivity.

**Policy Dialogue:** Policy dialogue focused on sectoral issues. In the agriculture sector, the Bank emphasized: (i) beneficiary management of irrigation systems; (ii) operation and maintenance of irrigation, flood control and water supply systems, and greater cost recovery; (iii) innovative ways to provide financial assistance to farmers; and (iv) capacity building, particularly in relation to decentralizing project administration and implementation. In the power subsector, the dialogue concentrated on restructuring, establishing an appropriate regulatory framework, improving pricing policies and phasing out subsidies. Private sector participation and partnership between the public and private

sectors were emphasized. In the urban development and water supply subsectors, the question of promoting further decentralization was discussed. In the education subsector, issues relating to private sector education and better delivery of services were addressed.

**Loans and Technical Assistance:** Nine loans, totalling \$1,056 million, were approved during the year, including two from the Bank's concessional funds. Two loans were for the agriculture sector (\$57 million), two for education (\$159 million), two for energy (\$555 million), two for urban development (\$200 million) and one for water supply (\$85 million). The Bank also approved 20 technical assistance grants totalling \$11 million.

**Project Implementation:** Of the 206 loans approved as of end-1995, 135 had been closed and 71 were under administration, including six waiting to become effective. Contract awards during the year totalled \$416 million, bringing the cumulative total to \$6,824 million. Total disbursements for the year amounted to \$710 million, with cumulative disbursements reaching \$6,819 million. Project implementation continued to be satisfactory with the Indonesia Resident Mission providing assistance to the Government and executing agencies. A project portfolio review was held jointly with the Government in October. This resulted in a further streamlining of operations and a better understanding of procurement and disbursement procedures. A project implementation management seminar was held for executing agency staff to identify ways to speed up project implementation.

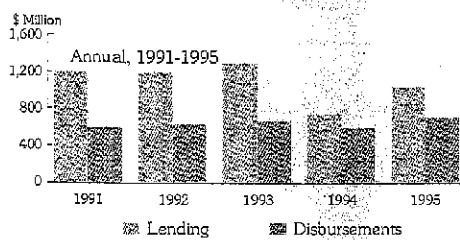
## Kazakhstan

**Operational Strategy:** The Bank's interim strategy in Kazakhstan is aimed at facilitating its transition to a market economy through policy and institutional reforms. The Bank will also finance the development of social and physical infrastructure to encourage and attract private investment in the productive sectors. Because of the need to support policy reforms in view of the current fiscal crisis, a large part of the Bank's operations in the medium term will involve quick-disbursing program lending. Cofinancing with other donors will be actively sought to address difficulties in sourcing local counterpart funds. Work on drafting a new strategy for the country began during the year.

**Policy Dialogue:** Discussions were focused on structural reforms to create competition in the marketplace, the strengthening of the social safety net and environmental protection. Ongoing discussions in the agriculture sector were focused on: (i) land reform and farm restructuring; (ii) the dismantling of monopolies and privatization of input supply; (iii) institutional capacity building; (iv) preservation of the environmental resource base; and (v) social protection. In the education subsector, discussions touched on the structure and administration of the educational system; actions to help meet the rapidly changing labor market needs; and ways to solve the present financial crisis through rationalization of expenditure and improved efficiency.

**Loans and Technical Assistance:** One loan for \$100 million was

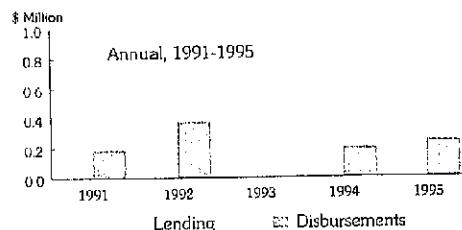
## Indonesia: Lending and Disbursements



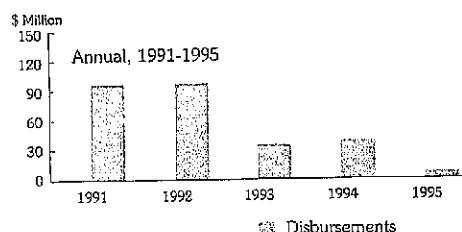
**Cumulative Bank Lending to Kiribati**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	2	2.3	46.9
Energy	2	1.6	32.7
Finance	1	1.0	20.4
<b>Total</b>	<b>5</b>	<b>4.9</b>	<b>100.0</b>

**Kiribati:**  
**Lending and Disbursements**



**Republic of Korea:**  
**Disbursements**



approved in 1995 to support the Government's continued reforms in the agriculture sector. Nine technical assistance grants amounting to \$6 million were also approved.

**Project Implementation:** All three loans extended to Kazakhstan since it became a member in 1994 are under implementation. In 1995, contracts amounting to \$82 million were awarded, while disbursements reached \$64 million. Institutional support continued to be provided under ongoing technical assistance operations to acquaint government personnel with the Bank's procurement and disbursement policies and procedures. A technical assistance was provided to train the staff of executing agencies in project implementation practices.

## Kiribati

**Operational Strategy:** The Bank seeks to promote sustainable growth and improve the quality of life. To this end, its operations are focused on: (i) public sector and public enterprise reforms; (ii) creation of a policy environment conducive to the private sector; (iii) development of skills; and (iv) tackling urbanization, environmental, public health and sanitation problems.

**Policy Dialogue:** Macroeconomic management, reform of the budgetary process, public sector efficiency, and sanitation and public health matters were among the key issues discussed.

**Loans and Technical Assistance:** No loan was made in 1995. A \$100,000 advisory technical assistance grant for marine export development was approved under channel financing from the Government of Australia, while a \$577,000 grant was provided for the preparation of a sanitation and public health project.

**Project Implementation:** Of the five loans approved as of end-1995, four had been closed. Contract awards for the year amounted to \$250,000, bringing the cumulative total to \$3.8 million. Disbursements made during the year amounted to \$250,000, with cumulative disbursements reaching \$3.8 million.

## Republic of Korea

**Project Implementation:** One loan was still under implementation in 1995. A small contract amounting to \$10,000 was awarded. Disbursements during the year amounted to \$6.6 million.

## Kyrgyz Republic

**Operational Strategy:** The principal objective of the Bank's interim strategy is to facilitate the country's transition to a market economy. To this end, macroeconomic stabilization is emphasized. Support for policy reforms, institutional strengthening, human development and selective interventions in favor of economic growth and private

sector development are the major elements of the Bank's strategy. Considering the likely effect of reforms on vulnerable groups, Bank programs will attempt to resolve social safety net issues. During the year, a mission was sent to work on a new Bank strategy for the country.

**Policy Dialogue:** The Bank's policy dialogue focused on the agriculture, power, social infrastructure and transport sectors. In agriculture, discussion centered on land reform and farm restructuring; improved use of irrigation water; privatization of input supply; institutional capacity building and restructuring of government agencies; preserving the environmental resource base; and providing social protection. In the power sector, issues raised by the Bank included arrangements for energy trade with neighboring countries; the rationalization of electricity and district heating tariffs; and institutional reforms in the Kyrgyz National Energy Holding Company. In the transport sector, the Bank encouraged a policy and regulatory environment conducive to a market economy, the establishment of a road maintenance program and appropriate financing mechanisms for the development and maintenance of road networks. In the social infrastructure sector, structural reforms were encouraged to develop a sustainable education system and to rationalize social services and employment generation.

**Loans and Technical Assistance:** A \$40 million loan was approved in 1995 to support the Government's continued reforms in the agriculture sector. Seven technical assistance grants amounting to \$6 million were also approved.

**Project Implementation:** As of end-1995, two loans totalling \$80 million had been approved for the Kyrgyz Republic. Contract awards in 1995 amounted to \$28 million, while disbursements reached \$34 million. Ongoing technical assistance operations continued to help acquaint government agencies with the Bank's operational policies and procedures to improve project implementation.

## Lao People's Democratic Republic

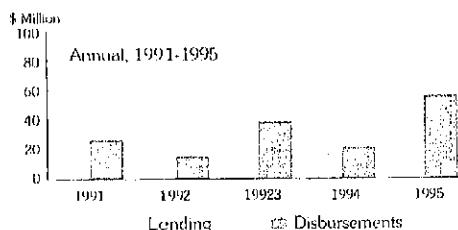
**Operational Strategy:** Two major macroeconomic considerations govern the Bank's strategy in Lao PDR: the mobilization of domestic resources and the expansion of exports. The process of the country's transition to a market economy will continue to be supported through policy dialogue and institutional reform. Interventions to encourage private sector investment, particularly in essential physical infrastructure, will be undertaken. In recognition of the importance of developing stronger economic linkages with neighboring countries, sectoral investments will be considered in a wider regional context. Human development and capacity building will also receive greater attention.

**Policy Dialogue:** The dialogue was focused on sectoral reforms to manage resources more efficiently and to strengthen capacity building. A major development was the provision of a technical assistance grant to support the proposed separate municipality for Vientiane. The establishment of the National University in Vientiane, the first in Lao PDR, was the first step in streamlining postsecondary education. The Bank was

Cumulative Bank Lending to Lao PDR  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	8	204.0	36.2
Energy	11	141.3	25.5
Social Infrastructure	8	96.4	17.4
Agriculture and Agro-industry	8	91.0	16.4
Finance	1	26.0	4.5
<b>Total</b>	<b>36</b>	<b>554.7</b>	<b>100.0</b>

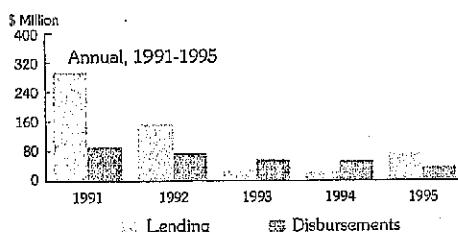
### Lao PDR: Lending and Disbursements



**Cumulative Bank Lending to Malaysia**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Social Infrastructure	20	710.6	37.0
Agriculture and Agro-industry	26	566.0	29.5
Energy	11	321.5	16.7
Transport and Communications	15	255.1	13.3
Industry and Nonfuel Minerals	1	53.0	2.8
Finance	1	15.0	0.8
<b>Total</b>	<b>74</b>	<b>1,921.2</b>	<b>100.0</b>

### Malaysia: Lending and Disbursements



involved in discussions leading to the privatization of road maintenance companies. The Government also made a commitment to use domestic resources to fund maintenance costs and to promote cost-recovery measures in the road subsector.

**Loans and Technical Assistance:** Four loans totalling \$93 million were approved in 1995 in the social infrastructure and transport sectors. Thirteen technical assistance grants were also approved for \$6 million, of which four were for project preparation.

**Project Implementation:** Of the 36 loans approved as of end-1995, 19 had been closed and 17 were under administration. During the year, contracts amounting to \$57 million were awarded, bringing the cumulative total to \$339 million. Disbursements in 1995 totalled \$58 million and cumulative disbursements amounted to \$279.5 million. Institutional weaknesses and a shortage of skilled personnel were the major constraints affecting project implementation.

### Malaysia

**Operational Strategy:** The Bank's operational strategy for Malaysia has evolved in step with the country's rapid economic growth. The thrusts of the strategy are human development, institutional strengthening and capacity building, regional balance, environmental management and subregional cooperation. A revision of the strategy is envisaged to support the objectives of the proposed Seventh Malaysia Plan (1996-2000).

**Policy Dialogue:** The Bank worked closely with the Government in analyzing export performance, assessing the infrastructure investment requirements up to the year 2010, and strengthening the institutional framework for sustainable development. The Bank is also helping improve the regulatory system for private sector infrastructure and the effectiveness of the Women's Affairs Division of the Government.

**Loans and Technical Assistance:** In 1995, a \$72 million loan was approved to improve the quality of upper secondary technical and vocational education. Six technical assistance grants totalling \$2 million were also approved.

**Project Implementation:** Of the 74 loans approved as of end-1995, 63 had been closed and 11 were under administration, including two waiting to become effective. Contract awards for the year amounted to \$67 million, bringing cumulative contract awards to \$1,131 million. Disbursements amounted to \$47 million, bringing cumulative disbursement to \$1,082 million.

### Maldives

**Operational Strategy:** The operational strategy for Maldives addresses three key issues: fiscal and financial management, regional development and protection of the environment. In 1995, the Bank



helped the Government prepare a medium-term macroeconomic stabilization program in collaboration with the International Monetary Fund and the World Bank. A technical assistance grant was provided to the financial sector to review domestic resource mobilization and institutional issues.

**Policy Dialogue:** Fiscal management and financial sector issues dominated the Bank's dialogue with the Government in 1995. The topics discussed included budgetary deficit, monetary and exchange rate issues, and domestic resource mobilization. Educational and regional development issues were also discussed, emphasizing the need for equitable distribution of the benefits of growth.

**Loans and Technical Assistance:** No loan was made during the year. Three technical assistance grants totalling \$1.1 million were approved.

**Project Implementation:** Of the six loans approved for Maldives as of end-1995, four had been closed and two were under administration. Contracts worth \$5.2 million were awarded during the year, bringing the cumulative figure to \$32 million. Disbursements amounted to \$4.6 million in 1995, with total disbursements reaching \$25 million.

## Marshall Islands

**Operational Strategy:** The operational strategy for Marshall Islands emphasizes donor coordination and policy reform for improved economic management in preparation for the end of large fund transfers from the United States by 2001. Lending will be directed toward public sector reform and private sector development.

**Policy Dialogue:** Macroeconomic and fiscal management remained a key issue. In view of the projected sharp reduction of external assistance, matters such as domestic resource mobilization, cost recovery, investment planning, aid coordination and civil service reform were discussed. The Bank convened the country's first aid group meeting to discuss the Government's reform plans and broaden external assistance.

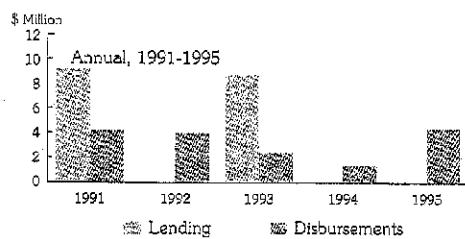
**Loans and Technical Assistance:** A \$9.2 million loan was made in 1995 for a water supply and sanitation project. Four technical assistance grants totalling \$3.7 million were also approved. These included a special grant of \$2.5 million to support a policy advisory team to assist the Government in designing and implementing a policy reform program.

**Project Implementation:** Of the six loans approved as of end-1995, one had been closed and five were under administration, including one yet to become effective. Contract awards for the year amounted to \$750,000, bringing cumulative contract awards to \$6 million. Disbursements amounted to \$3 million, bringing the cumulative total to \$5 million. The lack of skilled personnel and institutional weaknesses affected the work of executing agencies.

**Cumulative Bank Lending to Maldives**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	3	16.2	47.8
Energy	2	15.3	45.2
Multisector	1	2.4	7.0
<b>Total</b>	<b>6</b>	<b>33.9</b>	<b>100.0</b>

**Maldives:**  
**Lending and Disbursements**



## Federated States of Micronesia

**Operational Strategy:** Donor coordination and policy reform for improved economic management are the cornerstones of the Bank's strategy for the Federated States of Micronesia. Institutional development, to cope with the end of large fund transfers from the United States by 2001, is emphasized. Lending will be directed toward public sector reform and private sector development.

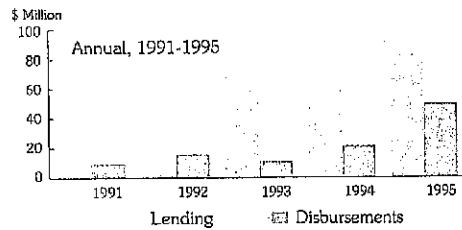
**Policy Dialogue:** The Bank focused its discussions on macroeconomic and fiscal management in view of the projected sharp reduction of external assistance. Issues such as domestic resource mobilization, cost recovery, investment planning, aid coordination and civil service reform were discussed. The Bank convened the country's first aid group meeting to discuss the Government's reform plans and broaden the base of external assistance.

**Loans and Technical Assistance:** No loan was made in 1995. Five technical assistance grants were approved for a total of \$4.2 million. These included three for the preparation of new projects and a special grant of \$2.5 million to support a policy advisory team to assist the Government in designing and implementing a policy reform program.

**Cumulative Bank Lending to Mongolia  
(As of 31 December 1995)**

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	4	109.5	43.6
Industry and Nonfuel Minerals	2	60.0	23.9
Energy	2	43.8	17.4
Agriculture and Agro-Industry	2	38.0	15.1
<b>Total</b>	<b>10</b>	<b>251.3</b>	<b>100.0</b>

**Mongolia:  
Lending and Disbursements**



## Mongolia

**Operational Strategy:** Ways to facilitate Mongolia's transition from a centrally planned to a market economy are at the core of the Bank's country strategy, which was completed in 1994. Efforts are directed toward creating an environment that encourages competition and efficiency, developing human resources, strengthening institutions and improving infrastructure.

**Policy Dialogue:** Policy reforms discussed included measures to enhance market orientation, increase competition, develop the financial and agriculture sectors, and reduce poverty. In the financial sector, the discussions centered on stopping directed lending through the banking system, dealing with the inherited debt of commercial banks, strengthening the regulatory and supervisory role of the central bank, and improving commercial banking policies. In the agriculture sector, dialogue centered on freeing meat and grain prices, sectoral restructuring and efficiency, and privatization. Employment generation, rural development, human development, health services, and strengthening the social safety net were also among the key issues discussed. A staff study assessing the impact of Mongolia's economic transformation on the country's women was completed in 1995.

**Loans and Technical Assistance:** Three loans totalling \$84 million were approved in 1995. Two were for transport and communications projects (\$49 million) and one for an agriculture sector program (\$35 million). Eleven technical assistance grants, amounting to \$6 million, were also approved, of which three were for the preparation of new projects.

**Project Implementation:** Of the ten loans approved as of end-1995, one had been closed and nine were under administration. During the year, contract awards and disbursements amounted to \$74.5 million and \$50 million, respectively. The respective cumulative figures were \$163 million and \$109 million.

## Myanmar

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

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

**Project Implementation:** All 32 loans approved as of 1986 have been closed. No contract award or disbursement was made in 1995.

## Nauru

**Operational Strategy:** Nauru joined the Bank in 1991. An operational strategy is under preparation. The Bank expects to help the economy sustain livelihoods, following the depletion of its phosphate resources, by focusing on reforms in public finance and management of overseas assets.

**Policy Dialogue:** Following the classification of Nauru as a Group B borrower, the Bank has begun discussions with the Government on several issues, including national economic and financial management.

**Loans and Technical Assistance:** No loan or technical assistance has yet been provided.

## Nepal

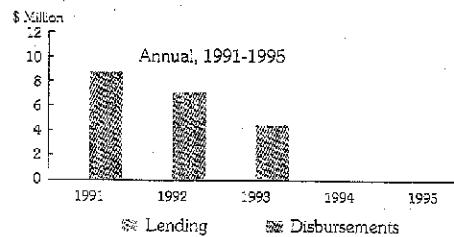
**Operational Strategy:** Poverty reduction through broadbased and labor-absorbing economic growth and expansion of basic social services is the Bank's strategy in Nepal. It supports agriculture, tourism, physical and social infrastructure, and power projects, and seeks to expand job opportunities for the poor. Structural reform is supported to create the right policy environment for private sector development. The Bank will also continue to assist in improving and protecting the environment through human development, poverty reduction and natural resource management. The Bank-financed Agricultural Perspective Plan has provided strong support for this growth-oriented strategy.

**Policy Dialogue:** Discussions were focused on economic liberalization to increase reliance on market forces and promote the private sector. To maintain fiscal and macroeconomic stability, the Government was encouraged to mobilize domestic resources (among other things, through tax and customs reforms) and to prepare for the introduction of the value-

**Cumulative Bank Lending to Myanmar**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	15	816.1	59.5
Social Infrastructure	6	99.0	7.1
Transport and Communications	2	42.5	3.0
Energy	5	31.8	2.3
Industry and Nonfuel Minerals	2	21.4	1.5
Finance	2	20.0	1.4
<b>Total</b>	<b>32</b>	<b>530.8</b>	<b>100.0</b>

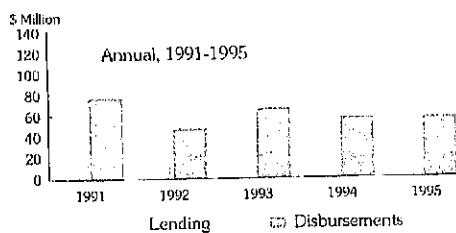
**Myanmar:**  
**Lending and Disbursements**



**Cumulative Bank Lending to Nepal**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	44	622.0	51.4
Transport and Communications	11	197.7	16.3
Energy	10	185.9	15.3
Social Infrastructure	9	112.1	9.3
Industry and Nonfuel Minerals	5	75.1	6.2
Others	2	18.4	1.5
<b>Total</b>	<b>81</b>	<b>1,211.2</b>	<b>100.0</b>

### Nepal: Lending and Disbursements



added tax. The need to prioritize development expenditure for both ongoing and new projects, and to improve budgeting, release and reimbursement procedures was emphasized. Improvements in the institutional, financial and technical viability of power sector institutions were also discussed in preparation for a hydropower development program.

**Loans and Technical Assistance:** In 1995, the Bank approved a \$40 million loan for the transport sector and an \$8 million direct loan to the private sector. Six technical assistance grants totalling \$3 million were also approved.

**Project Implementation:** Of the 81 loans approved as of end-1995, 50 had been closed and 31 were under implementation, including one yet to become effective. Contract awards in 1995 totalled \$38 million, bringing the cumulative total to \$806 million. Disbursements for the year totalled \$59 million, with cumulative disbursements standing at \$769.5 million. Both contract awards and disbursements suffered due to noncompliance of covenants under the Industrial Sector Program Loan, poor implementation of projects under the Special Assistance for Oil Supply and delays in contract approval. The Nepal Resident Mission helped the Government and executing agencies in administering projects and carrying out other Bank operations in the country. A technical assistance to improve the submission of audited financial statements on projects was implemented.

### Pakistan

**Operational Strategy:** The Bank prepared a new operational strategy for Pakistan in 1995. Its main emphasis is on human development (including education, health, population welfare), and water supply and sanitation. The importance of raising the economic status of women is also accorded high priority. Economic growth continues to be advocated as the second main objective to ensure job opportunities for a rapidly growing population and to generate the financial resources for sustained investment in human and physical capital by both the public and private sectors. Critical infrastructure bottlenecks in the agriculture, transport and energy sectors are to be addressed on a priority basis, and natural resource management remains an important consideration.

**Policy Dialogue:** In the agriculture sector, beneficiary participation was encouraged in forestry and irrigation. The introduction of cost-recovery mechanisms in operating and maintaining irrigation systems was pursued. In the energy sector, the focus was on reducing the demand-supply gap through investments in power generation and the upgrading of transmission and distribution systems. The privatization of the Karachi Electric Supply Corporation and selected facilities of the Water and Power Development Authority, and greater private sector participation in power generation and transmission were also discussed.

Extensive financial sector reforms will be implemented under the Financial Sector Intermediation Loan.

The Social Action Program formed the basis of the dialogue on social sectors. Policy dialogue on education focused on helping the

### Cumulative Bank Lending to Pakistan (As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	50	2,609.8	31.3
Energy	41	2,375.0	28.4
Finance	31	1,172.0	14.0
Social Infrastructure	21	946.2	11.3
Transport and Communications	11	767.0	9.2
Industry and Nonfuel Minerals	12	341.4	4.1
Multisector	2	144.0	1.7
<b>Total</b>	<b>168</b>	<b>8,355.4</b>	<b>100.0</b>



federal and provincial governments improve public sector management, increase recurrent expenditures, and provide guidelines on school site selection and deployment of teachers. In the health, nutrition and population sector, efforts were made to enhance the provincial focus of projects and build capacities to improve project design, implementation and monitoring. The Bank has actively pursued sectoral reforms in the transport sector through continuous policy dialogue which focused on three main policy areas, namely: road maintenance, road sector taxes and road safety.

**Loans and Technical Assistance:** Eleven loans were approved during the year, totalling \$592 million, for projects in the agriculture, financial, social infrastructure and transport sectors. Eight technical assistance grants totalling about \$3 million were also approved.

**Project Implementation:** Of the 168 loans approved as of end-1995, 94 had been closed and 74 were under administration, including nine yet to become effective. Contract awards during the year amounted to \$405 million, bringing the cumulative figure to \$5,514 million. Disbursements for the year totalled \$490 million, with cumulative disbursements reaching \$5,350 million. The Pakistan Resident Mission was strengthened to assist in project preparation and implementation. It assumed the implementation of 18 projects and held project review meetings with provincial and federal entities. A country portfolio review mission and a country programming mission were undertaken to ensure that cross-sectoral issues affecting project performance were considered in finalizing the lending program.

## Papua New Guinea

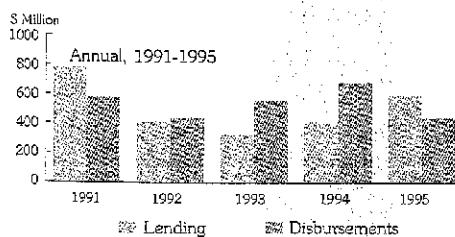
**Operational Strategy:** The Bank's strategic focus in Papua New Guinea is on employment creation in the nonmineral sector on a sustainable basis. The Bank helps promote the country's international competitiveness and a policy environment that encourages private investment to expand the nonmineral base of the economy. Agriculture, fisheries and marine resources, health, urban water supply and sewerage, and education remain the key areas of interest. The transport and industry sectors are also being assisted.

**Policy Dialogue:** Papua New Guinea experienced a severe economic crisis in 1994 and remedial measures were introduced late in that year. In 1995, the Government introduced a stabilization and economic recovery program to avoid future fiscal imbalances and to shift public expenditure toward investment. Given the tight fiscal situation in 1995, the Bank sought the implementation of ongoing projects instead of starting new ones. The question of improving natural resource management was addressed.

**Loans and Technical Assistance:** No loan was made in 1995. Two advisory technical assistance grants were approved for a total of \$780,000.

**Project Implementation:** Of the 42 loans approved as of end-

## Pakistan: Lending and Disbursements

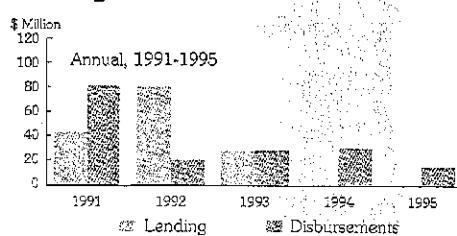


## Cumulative Bank Lending to Papua New Guinea

(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	10	171.1	31.4
Agriculture and Agro-industry	9	164.6	30.2
Social Infrastructure	11	126.1	22.0
Energy	5	43.0	7.9
Finance	3	22.5	4.1
Multisector	3	16.0	2.9
Industry and Nonfuel Minerals	7	8.4	1.5
<b>Total</b>	<b>42</b>	<b>545.7</b>	<b>100.0</b>

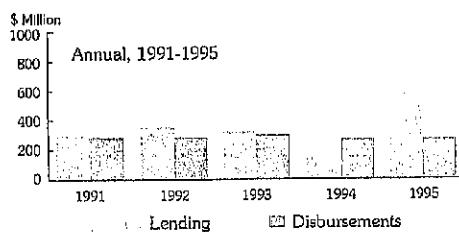
## Papua New Guinea: Lending and Disbursements



**Cumulative Bank Lending to Philippines  
(As of 31 December 1995)**

Sector	No. of Loans	Amount of Loans (\$ million)	%
Energy	24	1,760.9	30.5
Agriculture and Agro-industry	52	1,422.9	24.7
Social Infrastructure	24	904.8	15.7
Transport and Communications	22	760.8	13.1
Finance	14	595.0	10.3
Multisector	6	283.7	4.9
Industry and Nonfuel Minerals	4	42.8	0.8
<b>Total</b>	<b>146</b>	<b>5,770.9</b>	<b>100.0</b>

**Philippines:  
Lending and Disbursements**



1995, 30 had been closed and 12 were under administration. Contract awards for the year amounted to about \$10 million, bringing the cumulative total to \$430.5 million. Disbursements totalled \$17.6 million for the year, with cumulative disbursements standing at \$412.5 million. A country project review mission was undertaken to help the Government identify problems affecting project implementation, such as inadequate counterpart funds and a shortage of qualified manpower. A report was prepared to guide government agencies in improving project implementation.

## Philippines

**Operational Strategy:** The Bank's operational strategy in the Philippines is in line with the Bank's overall strategic framework and is supportive of the Government's priorities and programs under the six-year Medium-Term Philippine Development Plan (1993-1998). The strategy is to encourage growth and employment through greater private sector involvement in the economy and promote a more open economic system. Over the longer term, the promotion of growth and employment will require more funding and technical support for infrastructure development. Both the expansion of capacity and the improvement of the operational efficiency of existing investments, particularly in the power, water supply, irrigation and roads subsectors, will be emphasized. The Bank will also continue to support the management and sustainable development of the country's natural resources, particularly in forestry and fisheries. Complementing these activities, the Bank's operational program will be increasingly involved in human development in the education and health subsectors.

**Policy Dialogue:** Discussions focused on the Government's continuing efforts to improve public sector management, strengthen the planning and administrative capacities of government agencies, decentralize functions to local governments, and privatize public enterprises. Micropolicy issues in key sectors, and structural and procedural bottlenecks that contribute to institutional inefficiencies figured in the discussions. In the agriculture and agro-industry sector, the need to strengthen basic rural infrastructure and related support services, particularly credit, marketing and extension services, was pointed out. In respect of natural resource management, particularly in the forestry and fisheries sectors, the importance of community-based approaches was stressed. In the power, water supply and transport subsectors, the Bank highlighted the need for cost recovery, better project supervision and the privatization of public sector services. In the health and education subsectors, discussions were focused on the absorptive capacity of central agencies to manage rapidly expanding external assistance programs and on the impact of the Government's decentralization policies on local institutions.

**Loans and Technical Assistance:** Seven loans totalling \$572 million were approved in 1995 for six projects in the agriculture (\$30 million), power (\$244 million), financial (\$150 million) and social infrastructure (\$148 million) sectors. The Bank also approved 17 technical assistance grants amounting to \$6.1 million.



**Project Implementation:** Of the 146 loans approved as of end-1995, 94 had been closed and 52 were under administration, including seven waiting to become effective. Contract awards totalled \$156 million, bringing the cumulative total to \$3,508 million. Total disbursements for the year amounted to \$237 million and cumulative disbursements reached \$3,537 million. Following the portfolio performance review carried out in 1994, a joint project review meeting was held with the Government in 1995 to continue discussions on policies and procedures affecting project implementation. Meetings were held with government authorities and executing agencies to determine realistic project plans and schedules, and identify remedial measures to remove obstacles causing delays in project implementation. In addition, a country seminar on project implementation and administration was held.

## Solomon Islands

**Operational Strategy:** The Bank aims to promote the development of productive industries in Solomon Islands by improving the business environment. It seeks to ensure that the country's natural resources are better managed and a greater share of incomes from fisheries and forestry is retained within the country. A key strategy is to strengthen the central government agencies' capacity to formulate policies, plan and evaluate projects.

**Policy Dialogue:** Fiscal issues and, more generally, ways of improving financial and economic management were discussed. The critical situation in the forestry sector and the need to reform policies and practices were among the other matters raised.

**Loans and Technical Assistance:** No loan or technical assistance was provided in 1995.

**Project Implementation:** All 13 loans approved as of end-1995 had been closed. No new contract was awarded during the year. The cumulative total of contract awards amounted to \$37 million. Disbursements for the year amounted to \$110,000, with cumulative disbursements reaching about \$38 million. Project implementation suffered from a shortage of qualified personnel, institutional weaknesses and insufficient local funds.

## Sri Lanka

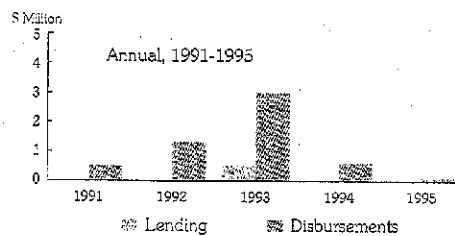
**Operational Strategy:** The Bank emphasizes efforts to reduce unemployment and poverty through higher economic growth. The strategy is aimed at removing obstacles to growth, expanding the poor's access to income and job opportunities, and promoting environmental sustainability.

**Policy Dialogue:** Discussions centered on ways to increase economic efficiency, enhance private sector participation and improve the performance of the agriculture sector. Extensive discussions were held in preparation for the Plantation Reform Project, which aims at privatizing

### Cumulative Bank Lending to Solomon Islands (As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	4	20.2	46.7
Energy	2	8.9	20.6
Transport and Communications	3	8.0	18.5
Finance	2	4.0	9.2
Social Infrastructure	1	1.7	3.8
Multisector	1	0.5	1.2
<b>Total</b>	<b>13</b>	<b>43.3</b>	<b>100.0</b>

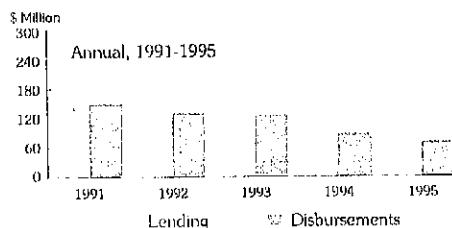
### Solomon Islands: Lending and Disbursements



### Cumulative Bank Lending to Sri Lanka (As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	34	724.9	40.8
Finance	11	336.0	18.9
Social Infrastructure	11	263.5	14.8
Energy	8	241.7	13.6
Transport and Communications	9	192.3	10.8
Multisector	1	14.7	0.8
Industry and Nonfuel Minerals	2	5.2	0.3
<b>Total</b>	<b>76</b>	<b>1,778.3</b>	<b>100.0</b>

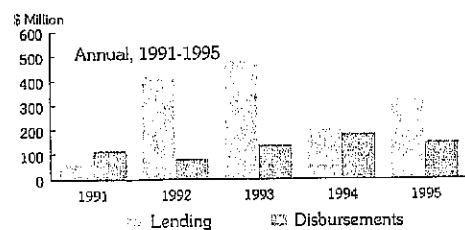
### Sri Lanka: Lending and Disbursements



Cumulative Bank Lending to Thailand  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Energy	26	1,532.3	44.1
Transport and Communications	16	1,114.5	32.1
Social Infrastructure	11	489.4	14.1
Agriculture and Agro-industry	10	159.1	4.6
Finance	6	140.0	4.0
Industry and Nonfuel Minerals	1	39.0	1.1
<b>Total</b>	<b>70</b>	<b>3,474.3</b>	<b>100.0</b>

### Thailand: Lending and Disbursements



plantation companies. Under the Second Power System Expansion (Sector) Project, the dialogue took up issues related to the tariff structure, and financial viability and efficiency of power utilities.

**Loans and Technical Assistance:** Two loans amounting to \$140 million were approved in 1995, one in the agriculture sector and one in energy. Nine technical assistance grants totalling \$4 million were approved, three of which were for project preparation.

**Project Implementation:** Of the 76 loans approved as of end-1995, 51 had been closed and 25 were under administration, including two yet to become effective. Contract awards during the year amounted to \$118 million, bringing the cumulative total to \$1,208 million. Disbursements during the year amounted to \$87 million, with cumulative disbursements reaching \$1,128 million. A country project review mission undertaken during the year noted steps taken by the Government to improve the performance of Bank-financed projects. These include: (i) holding monthly project review meetings chaired by the President; (ii) submission by line ministries of monthly project performance reports to the Ministry of Finance; and (iii) presentation of quarterly reports to the Cabinet by the President for review and follow-up action.

### Thailand

**Operational Strategy:** The Bank's strategy for Thailand is to help the country improve its long-term competitiveness and achieve a balanced development of all its regions. Priority is given to efforts to improve physical infrastructure, develop human resources and ensure an effective management of the environment and natural resources. Appropriate measures to mitigate adverse environmental effects of ongoing activities are encouraged.

**Policy Dialogue:** Discussions were held on ways to encourage private sector investments, privatize infrastructure and public utilities, enhance the efficiency of state enterprises and improve the management of the environment and natural resources. There was extensive dialogue on road safety, transport efficiency and environmental improvement in connection with the processing of the Second Regional Roads (Sector) Project and the Samut Prakarn Wastewater Management Project. The discussions also touched on how the institutional framework could be improved to encourage greater private sector participation in infrastructure projects. The development of a program for industrial pollution prevention, the transfer of clean technology, mechanisms for cost recovery, and the monitoring and enforcement of pollution control regulations were among the other topics discussed.

**Loans and Technical Assistance:** Two loans totalling \$330 million were approved in 1995, one for the transport and communications sector (\$180 million) and one for social infrastructure (\$150 million). Twelve technical assistance grants totalling about \$5 million were also approved, five of which were for project preparation.

**Project Implementation:** Of the 70 loans approved as of end-



1995, 55 had been closed and 15 were under administration. Contracts amounting to \$85.5 million were awarded during the year, bringing the cumulative value of contract awards to \$2,073 million. Disbursements totalled \$162 million, with cumulative disbursements reaching \$2,009 million.

## Tonga

**Operational Strategy:** Bank operations in Tonga are aimed at achieving economic growth, institutional strengthening, private sector development and greater public sector efficiency. To attain these objectives, support is given for efforts to improve economic and financial management systems; upgrade the transport infrastructure, power supply and agricultural extension services; and enhance the private sector's role in development.

**Policy Dialogue:** Advisory technical assistance to strengthen financial and economic management was the focus for policy dialogue in 1995. Issues related to agriculture, transport (ports and roads) and human development were also addressed.

**Loans and Technical Assistance:** A \$3.6 million loan was approved for the agriculture sector, together with two advisory technical assistance grants amounting to \$1.5 million.

**Project Implementation:** Of the 13 loans approved as of end-1995, seven had been closed and six were under administration. Contract awards during the year totalled \$6.5 million, bringing the cumulative total to \$30 million. Disbursements for the year totalled \$5.5 million, with the cumulative total reaching \$26 million. Project implementation continued to suffer from shortage of qualified personnel and inadequate institutional capacity.

## Tuvalu

**Operational Strategy:** The operational strategy for Tuvalu is to promote sustainable institution building, export promotion, infrastructure development and active private sector participation in development.

**Policy Dialogue:** Discussions centered on public sector efficiency, fisheries development, international and domestic transport, and resource mobilization.

**Loans and Technical Assistance:** No loan was made in 1995. Two advisory technical assistance grants amounting to \$410,000 were approved.

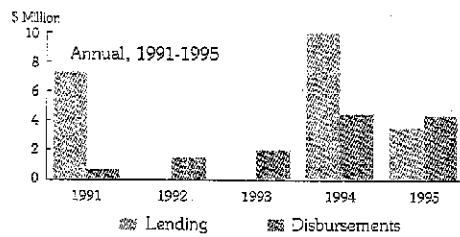
## Vanuatu

**Operational Strategy:** In support of the Government's goals, the Bank's strategy is focused on promoting human development and

**Cumulative Bank Lending to Tonga**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Multisector	5	11.4	26.5
Transport and Communications	2	11.3	26.3
Energy	1	7.3	17.0
Finance	2	6.5	15.2
Agriculture and Agro-industry	2	6.0	14.1
Industry and Nonfuel Minerals	1	0.4	0.9
<b>Total</b>	<b>13</b>	<b>42.9</b>	<b>100.0</b>

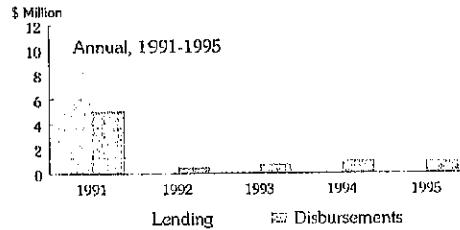
**Tonga:**  
**Lending and Disbursements**



**Cumulative Bank Lending to Vanuatu**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Transport and Communications	2	9.2	47.5
Finance	2	6.0	31.2
Multisector	1	3.0	15.6
Agriculture and Agro-industry	1	1.1	5.7
<b>Total</b>	<b>6</b>	<b>19.3</b>	<b>100.0</b>

### **Vanuatu: Lending and Disbursements**



improving the quality of life. This is sought to be achieved by upgrading water supply and sanitation facilities, and controlling pollution in the lagoons of Port Vila and Luganville. Balanced regional development, mainly through the development of the outer islands, is also part of the effort. The Bank remains committed to support productive activities, and promote private sector development and public sector efficiency.

**Policy Dialogue:** Through its technical assistance, the Bank encouraged policy reforms that would help strengthen macroeconomic policy analysis, protect the environment, undertake privatization and set up a ports authority.

**Loans and Technical Assistance:** No loan or technical assistance was provided in 1995.

**Project Implementation:** Of the six loans provided as of end-1995, four had been closed and two were under administration. Contract awards in 1995 totalled \$1 million, bringing cumulative contract awards to over \$16 million. Disbursements for the year amounted to \$1 million, with cumulative disbursements totalling about \$17 million. Project implementation suffered from a lack of qualified personnel, institutional weaknesses and difficulties in land acquisition.

### **Cumulative Bank Lending to Viet Nam (As of 31 December 1995)**

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	9	294.0	43.3
Transport and Communications	4	156.2	23.0
Social Infrastructure	4	135.6	20.0
Energy	2	86.2	12.7
Finance	1	7.0	1.0
<b>Total</b>	<b>20</b>	<b>679.0</b>	<b>100.0</b>

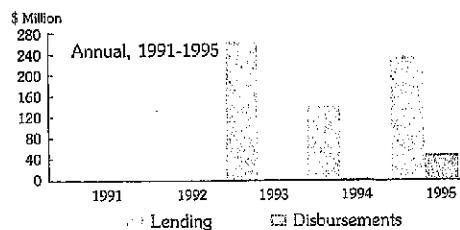
### **Viet Nam**

**Operational Strategy:** The Bank's overall strategic objective in Viet Nam is to promote efficient economic growth, poverty reduction and sustainable development. It takes into account the particular needs of an economy in transition from a centrally planned to a market-oriented system. The Bank's operational strategy in Viet Nam is designed to facilitate the transition and restructuring of the economy, according to market-based principles, while promoting balanced and sustainable development. The Bank's support to Viet Nam in the medium term addresses critical constraints in the following areas: (i) policy reform and institutional development; (ii) infrastructure development; (iii) rural development; (iv) human development; and (v) environmental and natural resource management.

**Policy Dialogue:** A vital component of the Bank's operations in Viet Nam is support for policy and structural reforms to improve public sector efficiency and to encourage the development of the private sector. The Bank's first policy-based loan, to support the Government's proposed Agriculture Sector Program, was approved in 1994. Other policy-based loans, in the financial and industrial sectors, are included in the medium-term program. In addition to program lending, policy dialogue is an important feature in all of the Bank's proposed loan projects. The dialogue includes support for increased efficiency through tariff reform, and other measures to increase cost recovery and strengthen financial management, policy analysis, and planning within state-owned utilities. Policy dialogue also plays an important role in improving natural resource management and environmental protection.

**Loans and Technical Assistance:** The Bank approved four loans

### **Viet Nam: Lending and Disbursements**



totalling \$233 million for the agriculture, energy, social infrastructure and transport sectors. Fifteen technical assistance grants totalling \$11.6 million were also approved, five of which were for project preparation.

**Project Implementation:** Of the 20 loans approved as of end-1995, 11 had been closed and nine were under administration. Contract awards in 1995 amounted to \$136 million, bringing the cumulative figure to \$164 million. Disbursements amounted to \$48 million, with cumulative disbursements reaching \$77 million. Still in the process of transition to a market-based economy, Viet Nam is experiencing institutional, financial and human constraints in project implementation. A Bank technical assistance grant is supporting the institutional strengthening of the National Office for Procurement Evaluation. Draft procurement regulation and implementing rules have been prepared for review by the Government.

## Western Samoa

**Operational Strategy:** The Bank aims to assist Western Samoa in effecting structural changes in the productive sectors of the economy. It supports efforts to promote the private sector, improve basic infrastructure, strengthen institutional capabilities and develop skills.

**Policy Dialogue:** Policy reforms and institutional changes to stimulate and sustain economic growth were among the issues discussed. The need to ensure a financially sustainable level of investment, given the country's low absorptive capacity, and to adopt a private sector-led economic strategy was stressed. Private sector participation was particularly encouraged in agriculture, forestry, fisheries and tourism.

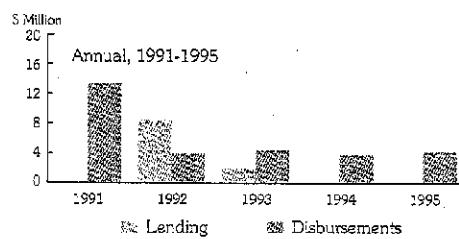
**Loans and Technical Assistance:** No loan was made in 1995. Four technical assistance grants totalling \$1.3 million were approved, two of which were for project preparation.

**Project Implementation:** Of the 25 loans approved as of end-1995, 24 had been closed and one was under administration. Contract awards during the year totalled \$510,000, bringing the cumulative amount to \$85 million. Disbursements for the year totalled \$5 million, with cumulative disbursements reaching \$84 million.

**Cumulative Bank Lending to Western Samoa**  
(As of 31 December 1995)

Sector	No. of Loans	Amount of Loans (\$ million)	%
Agriculture and Agro-industry	9	41.5	46.2
Finance	5	16.0	17.8
Energy	6	15.0	16.7
Transport and Communications	4	13.0	14.4
Multisector	1	4.4	4.9
<b>Total</b>	<b>25</b>	<b>89.9</b>	<b>100.0</b>

## Western Samoa: Lending and Disbursements





# Ordinary Capital Resources and Financial Management

## Fourth General Capital Increase

**R**ESOLUTION No. 232, authorizing the fourth general capital increase (GCI IV), was adopted by the Board of Governors in May 1994. The increase, which became effective on the date on which the resolution was adopted, consists of an additional 1,770,497 shares in the Bank's authorized capital stock, and amounts to \$26,318 million (SDR 17,705 million). The final date for subscribing to GCI IV specified in the resolution was 31 December 1995 or such later date as the Board of Directors might determine. By the end of 1995, 28 members had subscribed to the additional shares to which they were entitled and 28 had yet to do so.<sup>1</sup>

## Capitalization

As of 31 December 1995, the Bank's authorized capital stock amounted to \$51,893.3 million (SDR 34,909.9 million). During the year, Uzbekistan's membership subscription became effective, while 24 members subscribed to their GCI IV entitlements in an aggregate amount of \$12,199.1 million (SDR 8,206.6 million). As of 31 December 1995, the subscribed capital stock stood at \$43,077.8 million (SDR 28,979.6 million).

## Review of Income Outlook

Based on a review of the Bank's income outlook and allocation of the 1994 net income, the Board decided in March 1995 that the lending spread of 40 basis points and the commitment charge of 0.75% per annum for the Bank's variable-rate loans be maintained at their current levels. The Board also decided to recommend to the Board of Governors that the 1994 OCR net income of \$513.106 million, after appropriation of guarantee fees to the Special Reserve, be allocated as follows: \$362.106 million to the Ordinary Reserve, \$70 million to surplus and \$81 million to TASF. The allocation of net income was approved by the Board of Governors in May 1995 with the adoption of Resolution No. 238.

<sup>1</sup> In February 1996, the Board of Directors, acting under the authority given in Resolution No. 232 of the Board of Governors, extended the final date for subscription to GCI IV by six months to 30 June 1996.

With nine loans totalling \$604.6 million, the Bank has played an important role in the development of roads and highways in Thailand.



Subloans provided through the Industrial Credit and Investment Corporation of India have helped small-scale entities in the private sector strengthen management systems.

**LENDING RATES\***  
 (% per annum)

	<b>1994</b>	<b>1995</b>	
1 January	6.26 6.67	6.11 6.90	(Multicurrency) (US dollar)
1 July	6.21 6.68	6.05 6.91	(Multicurrency) (US dollar)

\* Lending rates are set on 1 January and 1 July every year and are valid for six-month periods.

## Financial Ratios

The Bank considers the interest coverage ratio (ICR) and the reserves:loans ratio (RLR) as its decisive financial indicators. The ICR, which is the ratio of net income (before deducting interest on borrowings) to interest on borrowings, measures the Bank's capacity to meet interest obligations on its debts out of earnings. The RLR, which is the ratio of reserves to disbursed and outstanding loans, measures the Bank's capacity to protect itself against capital impairment due to possible loan losses. At the end of 1995, the ICR and RLR were 1.7 times and 35.2%, compared with 1.6 times and 33.4% at the end of 1994.

## Lending Rates

The pool-based variable lending rates for the Bank's multicurrency and US dollar loan facilities are adjusted on 1 January and 1 July each year. For each facility, the lending rate is determined by adding a spread (currently 0.40% per annum) to the preceding six months' average cost of the respective pool of outstanding Bank borrowings established to fund such loans. For the first and second semesters of 1995, the Bank's pool-based variable lending rates were 6.11% per annum and 6.05% per annum, respectively, for multicurrency loans, and 6.90% per annum and 6.91% per annum, respectively, for US dollar loans. The corresponding lending rates for the preceding year were 6.26% per annum and 6.21% per annum, respectively, for multicurrency loans, and 6.67% per annum and 6.68% per annum, respectively, for US dollar loans. For the first half of 1996, the applicable lending rates, which are effective from 1 January 1996, are 5.97% per annum for multicurrency loans and 6.89% per annum for US dollar loans.

Under the Bank's new single-currency market-based loan facility, lending rates are determined on the basis of the six-month London interbank offered rate (LIBOR) plus a lending spread. For financial intermediaries in the public sector, the spread is the same as that which applies to the pool-based variable-rate loans (currently 0.40%), while for private sector borrowers, the spread is determined on a case-to-case basis. At the option of the borrowers, the lending rate under this facility may be either floating or fixed at disbursement.

## Currency Composition of Loans

In 1995, the major currencies of loan disbursement were yen (53.5%), Swiss franc (0.1%) and US dollar (46.4%). The concentration in yen and Swiss francs was in line with the Bank's practice of borrowing and disbursing in low-coupon currencies to keep the lending rate low. Disbursements in US dollars were principally for loans under the US dollar lending facility.

## Status of Loans

Altogether, 37 OCR loans were approved in 1995. About 69.3% of cumulative loan approvals were made to four countries, viz., People's

Republic of China, India, Indonesia and Philippines.

At the end of 1995, eight private sector loans were in arrears. Of these, four loans with an aggregate outstanding disbursed balance of about \$36.6 million were in nonaccrual status.

### **Loan Disbursements and Repayments**

OCR loan disbursements in 1995 totalled \$2,442.1 million, a decrease of 2.37% from 1994. Principal repayments for the year were \$1,295.5 million, of which \$330.3 million represented prepayment on loans. On 31 December 1995, cumulative loans outstanding after allowance for possible losses amounted to \$17,491.6 million.

### **Borrowings**

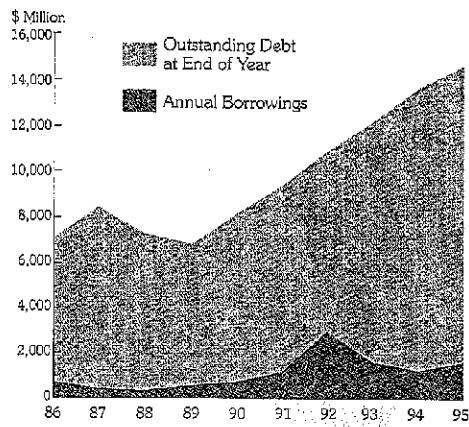
The major objectives of the Bank's borrowing and liability management strategy are to ensure the availability of long-term funds for lending operations, to fund the liquidity portfolio and to minimize the cost of borrowing for the Bank and its borrowing member countries. To achieve these objectives, the Bank seeks to:

- (i) maintain a borrowing presence in the major capital markets and, where possible, increase the size of its public bond issues to provide "benchmark issues" that increase liquidity in the secondary markets, broaden the distribution of its bonds and favorably align its funding and trading spreads with those of other supranational borrowers;
- (ii) emphasize borrowings in the longer-maturity range (to the extent that the related borrowing costs remain attractive) to minimize fluctuations in its lending rates and to ensure a reasonable maturity relationship between borrowings and loans;
- (iii) expand its investor base by borrowing in the private placement markets of various currencies;
- (iv) tap new markets, especially where this will help develop capital markets in the Asian and Pacific region;
- (v) utilize swap markets where cost-efficient arbitrage can significantly lower the cost of target currencies and transform structured financing into "plain vanilla" fixed-rate liabilities; and
- (vi) use short-term bridge financing should temporary deficiencies in disbursement or debt-service currencies arise and if market conditions are not attractive for bond issues with longer maturities.

During 1995, the Bank raised funds totalling \$1,714.6 million (see table). The amount consisted of \$1,659.5 million in fixed-rate borrowings and \$55.1 million in a floating-rate borrowing. After currency and interest rate swaps, the year's borrowings (except for the New Taiwan dollar borrowing which was swapped into a US dollar floating-rate liability to fund loans under the market-based loan window) were fixed-rate liabilities denominated in US dollars and Japanese yen. The average maturity of the borrowings undertaken in 1995 was 9.9 years, compared to 10.4 years in 1994. The after-swap cost of the fixed-rate liabilities was 4.32%, compared to 5.47% in 1994.

The highlight of the 1995 borrowing program was the Bank's second \$750 million ten-year global bond issue launched in October. The issue was priced flat to the secondary market spread of the comparable

### **Borrowings: 1986-1995**



**BORROWINGS, 1995**

(Amounts in millions)

Country	Type	Borrowing	Currency of Borrowing	US\$ Equivalent <sup>a</sup>
Global	Public Offering	6.25% 10-Year Bonds due 2005	\$ 750	750.0
Eurobond Market	Private Placement	8-Year Structured Bonds due 2003	¥ 5,000	55.1
	Private Placement	4.40% 15-Year Bonds due 2010 <sup>b</sup>	¥ 10,000	120.2
	Public Offering	3.125% 10-Year Bonds due 2005	¥ 40,000	472.8
Japan	Public Offering	4.60% 10-Year Bonds due 2005 <sup>c</sup>	¥ 10,000	111.9
Korea, Rep. of	Public Offering	12.15% 7-Year Bonds due 2002	W 80,000	105.2
Taipei, China	Public Offering	6.28% 7-Year Bonds due 2002	NT\$ 2,600	99.3
<b>Total</b>				<b>1,714.6<sup>d</sup></b>

a At the Bank's exchange rates effective at the time the terms of the borrowing were determined by the President.

b A dual currency bond issue - principal is payable in yen while the interest is payable in Deutsche Marks.

c A dual currency bond issue - principal is payable in yen while the interest is payable in Australian dollars.

d Total does not tally due to rounding.

World Bank ten-year benchmark global bond issue. Of the total issue amount, \$200 million was swapped into a Japanese yen fixed-rate liability.

The NT\$2.6 billion and W80 billion public bond issues, launched in July and August, respectively, in the domestic capital markets of Taipei, China and Republic of Korea, underscored the Bank's continuing commitment in the development of the capital markets in the Asian and Pacific region. The New Taiwan dollar bond issue was swapped into a US dollar floating-rate liability while the Korean Won bond issue was swapped into a fixed-rate Japanese yen liability.

With a view to expanding the investor base, the Bank entered into three Japanese yen private placements for a total amount of ¥25 billion. This includes the dual-currency Japanese yen/Australian dollar public bond issue since the pricing, syndication and distribution of these bonds were largely done on a private placement basis. With a weighted average after-swap all-in cost level equivalent to approximately US dollar LIBOR minus 23 basis points, these transactions exemplified the relative cost efficiency that is achievable when reaching targeted investors with structured investment instruments. In June, the Bank launched a tightly priced ¥40 billion ten-year Euroyen public bond issue, marking its successful return to the Euroyen bond market for the first time since 1993.

In early 1995, the Board approved an expansion of the Bank's Euro-commercial paper (ECP) program from \$500 million to \$1 billion. Under the expanded program, the Bank undertook a total of \$748 million of ECP bridge-financing to counteract temporary deficiencies in



disbursement and debt-service currencies. This was in addition to its 1995 longer-dated borrowings.

During 1995, the Bank called its 6.25% Swiss franc bonds of 1985/2005 with an outstanding principal amount of SwF 88 million.

As of 31 December 1995, the Bank's outstanding borrowings amounted to \$14,636.5 million, with an average maturity of 6.51 years and an average after-swap cost of 5.95%.

### Liquid Asset Investments

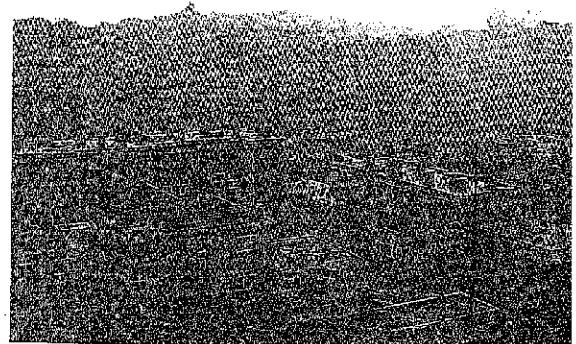
As of 31 December 1995, the Bank's liquid assets, consisting of investment holdings (net of special reserve investments) and unrestricted cash, totalled \$5,911.7 million, or approximately 42.5% of undisbursed loan balances. Year-end levels of liquid assets are maintained at no less than 40% of undisbursed balances of both effective and not-yet-effective loans. This helps to ensure the uninterrupted availability of funds for the Bank's operations and adds to flexibility in borrowing activities, especially when borrowings may be temporarily affected by adverse conditions in the capital markets.

The Bank invests its liquid assets with the primary objective of ensuring the security and liquidity of funds invested. Subject to this objective being met, the Bank seeks to maximize income on its investments. It actively manages its liquid asset portfolio within the credit and market risk parameters outlined under the Investment Authority approved by the Board. Under this authority, the Bank is permitted, among other things, to invest in the obligations of government and government-guaranteed entities, engage in securities lending and borrowing, enter into 'short' securities positions, execute transactions in exchange-traded financial futures and options, and engage in covered forward investments. The Bank may not assume foreign exchange risk in its investment portfolio.

The investment portfolio generates a substantial portion of the Bank's income. To enhance risk management control over the Bank's investment activities, organizational changes were made during 1995 which would ensure complete segregation of investment activities from the investment settlement function.

As a consequence of the improved prospects for fixed-income securities in 1995, the Bank extended the market risk exposure of its liquid asset portfolio from the defensive levels held during 1994. Holdings of securities increased from approximately 32% of the portfolio at the end of 1994 to 41% at the end of 1995. At the same time, holdings of short-dated time deposits and other banking instruments declined from 68% of the portfolio to 59%. The duration of the portfolio increased to 13 months at the end of 1995 from five months at the end of 1994.

As of 31 December 1995, the Bank's OCR investments totalled \$6,069 million equivalent, compared to \$5,645 million equivalent a year ago. The investment portfolio was denominated in 23 currencies. The realized rate of return on OCR investments in 1995 was 6.9% compared with 4.9% in 1994. The increase was attributed to favorable conditions prevailing in international fixed-income markets during the year.



*The Bank is assisting in the environmental improvement of Qingdao City in Shandong province of the People's Republic of China.*

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

Income and Expenses	Actual				
	1991	1992	1993	1994	1995
1. Total Income	1,213.3	1,345.2	1,510.0	1,525.3	1,745.3
a. From Loans	825.5	943.4	1,075.8	1,187.5	1,312.8
b. From Investments	374.8	392.1	410.0	296.1	418.7
c. From Other Sources	13.0	9.7	24.2	41.7	13.8
2. Less: Expenses					
a. Interest and other Financial Expenses	609.8	729.0	831.8	878.4	962.6
b. Administrative Expenses <sup>a</sup>	83.1	81.0	88.9	110.7	108.3
c. Provision for Losses	—	0.6	19.5	22.7	14.0
d. Services to Member Countries	2.5	—	—	—	—
Total Expenses	695.3	810.6	940.2	1,011.8	1,084.9
3. Net Income <sup>b</sup>	518.0	534.6	569.8	513.5	660.4

Note: Figures may not add due to rounding.

a Net of Administration Charge allocated to Asian Development Fund.

b Before appropriation of guarantee fees to Special Reserve.

### Income and Expenses

Gross income increased by 14% from \$1,525 million in 1994 to \$1,745.3 million, despite an 11% growth in the Bank's average operating assets. The marginal increase in gross income was due mainly to an increase in the realized rate of return on the investment portfolio. Of the total gross income, \$1,313 million was generated by the loan portfolio and \$418 million by the investment portfolio. Miscellaneous income amounted to \$14 million.

The average yield on the loan portfolio declined to 7.1% from 7.7% in 1994, due mainly to the increasing share of lower-yielding variable-rate loans in the portfolio. The share of such loans increased from 69.2% in 1994 to 74.3% in 1995. The yield on the investment portfolio increased to 6.9%, from 4.9% in 1994, due to higher interest rates in the major investment currencies. The overall return on average operating assets achieved for the year was 2.8%, compared with 2.4% in 1994.

Total operating expenses amounted to \$1,085 million, up \$73 million, or 7.2% from the previous year. The rise in expenses was due to an \$84 million increase in financial expenses, a \$2 million decrease in administrative expenses and a \$9 million decrease in the provision for losses. Total operating expenses accounted for 62.2% of the gross income, compared with 66.4% in 1994.

Net income for the year, before appropriation of guarantee fees to Special Reserve, amounted to \$660.4 million, a 28.6% increase from the previous year. This compared with a 9.9% decrease in net income in 1994.

# Special Funds: Asian Development Fund, Technical Assistance Special Fund & Japan Special Fund

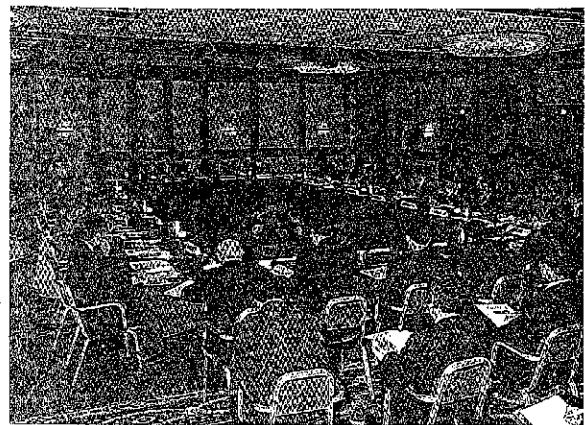
## Asian Development Fund

### ADF and TASF Replenishment (ADF VI)

THE CURRENT replenishment of the Asian Development Fund (ADF) and the Technical Assistance Special Fund (TASF), known as ADF VI was authorized by Resolution No. 214 of the Board of Governors in February 1992. It was intended to finance the Bank's concessional lending operations during the four years from 1992 to 1995. The replenishment total, based on the exchange rates specified in the resolution (the average of daily exchange rates during the first quarter of 1991), was \$4.2 billion. Of this amount, \$140 million was for allocation to TASF, primarily for project-related technical assistance to poorer developing member countries (DMCs) and for regional technical assistance.

As of 31 December 1995, instruments of contribution to ADF VI had been deposited by all intending donors except Italy. The contributions of Canada and United States contained qualifications, as permitted by the resolution, that payments of all installments except the first were subject to subsequent budgetary appropriations.

The resolution envisaged that contributions to ADF VI would become available to the Bank for operational commitments in four equal tranches during the years 1992-1995. It was expected that the third and fourth tranches of the unqualified contributions would become available as from 1 January 1994 and 1 January 1995, respectively. By the end of 1994, the United States had made available its first tranche and 42.93% of its second tranche. Accordingly, ten of the other donors (Austria, Belgium, Canada, France, Germany, Nauru, Spain, Switzerland, Turkey and United Kingdom) had exercised their right, pending the availability of a further amount of the United States' contribution, to reduce the amount of their third tranches and not to make their fourth tranches available as from 1 January 1995. The fourth tranches of the remaining 11 donors (Australia, Denmark, Finland, Hong Kong, Japan, Republic of Korea, Netherlands, New Zealand, Norway, Sweden and Taipei, China) became available for operational commitments as from 1 January 1995, as envisaged in the resolution. With the United States unable to release any further amounts of its



Donors' meeting  
in Amsterdam  
on initial  
preparations for  
the next  
replenishment of  
the Asian Development  
Fund (ADF VII).

**ADF COMMITMENT AUTHORITY**  
(at end of period; \$ million)

	1994	1995
ADF Lending Limitation	7,877	7,655
Total ADF Commitment Authority	2,099	1,400
Lending Headroom	1,887	1,400
Advance Commitment Authority	212	-

contribution during 1995, the amounts released by other donors remained unchanged at the end of the year.<sup>1</sup>

### **ADF Commitment Authority**

At the end of 1994, total ADF commitment authority, i.e., the maximum amount of ADF lending which the Bank could undertake with available resources, was about \$2,099 million. The ADF VI fourth tranches which became available for operational commitments as from 1 January 1995 added about \$673 million to ADF resources (at the exchange rates applicable at the time of release).

At the end of 1995, the ADF lending limitation, which represents a certain proportion (referred to as the gearing ratio) of undisbursed resources, was about \$7,655 million. With committed but undisbursed loans amounting to \$6,256 million, the ADF commitment authority at the end of 1995 stood at \$1,400 million.

### **Future Resource Requirements**

As an initial step to starting negotiations on a further ADF replenishment (ADF VII) to support the Bank's medium-term concessional lending program, an informal consultation with ADF donors on the status of ADF operations and resources was held on 2 May 1995 in Auckland. This was followed by a meeting of current and potential donors in Amsterdam on 13-14 November 1995 to initiate discussions on the scope, issues and timetable of the ADF VII negotiations. Donors agreed that negotiations should continue and that the next meeting should be held on 26-27 February 1996 in Bonn. Donors also agreed to provisionally schedule a third meeting in Manila at the end of April, immediately preceding the 29th Annual Meeting of the Bank's Board of Governors.

During 1995, as part of its effort to mobilize donor support for ADF, the Bank undertook a series of consultations with non-borrowing DMCs and several higher-income borrowing DMCs to encourage them to strengthen and broaden support for ADF from the region.

### **ADF Loan Disbursements and Repayments**

ADF disbursements during 1995 decreased by 3.5% to \$1,145 million from \$1,186 million in 1994. At the end of the year, cumulative disbursements from ADF resources reached \$10,747 million. Loan repayments for the year amounted to \$122.5 million and cumulative repayments came to \$763.9 million. During 1995, three ADF loans were fully repaid and 37 new ADF loans were approved by the Board.

<sup>1</sup> On 12 February 1996, legislation was signed into law enabling the United States to pay a further \$100 million of its ADF VI contribution in early 1996, representing the balance (57.07%) of the United States' second tranche and 1.75% of its third tranche. The availability of this amount would release about \$179 million of the amounts previously withheld by the ten donors which had not released their third and fourth tranches in full pending the availability of a further amount of the United States' contribution. The \$179 million represents the balance (57.07%) of the third tranches of those ten donors.



## **ADF Revenue and Expenses**

In 1995, the excess of ADF revenue over expenses (net income) was \$78 million, bringing the accumulated surplus to \$948 million at the end of the year.

Gross revenue, consisting mainly of revenue from ADF investments and service fees on ADF loans, amounted to \$162 million. Expenses, consisting mainly of administration charge payable to ordinary capital resources, were \$83 million.

## **Portfolio Position**

The ADF investment portfolio at the end of 1995 amounted to \$418 million, compared with \$614 million at the end of 1994. Of the portfolio, 17% was held in securities issued or guaranteed by governments of member countries. The remaining part was invested in deposits and other bank instruments in member countries. The return on ADF investments over the year was 5.7%, compared with 4.4% in 1994.

The portfolio was denominated in 18 currencies. Japanese yen and US dollars formed 46% of the portfolio.

Cumulative ADF loans grew by 7% to \$18,563 million (at current exchange rates). The biggest borrowers were Bangladesh, Pakistan and Sri Lanka. Loans to Afghanistan have been in nonaccrual status since the beginning of 1993. Total outstanding loans to the country amounted to \$33 million, about 0.27% of the total ADF loan outstanding.

## **Technical Assistance Special Fund**

The TASF portion of ADF VI contributions received by the Bank as of 31 December 1995 amounted to \$146.4 million (equivalent to \$134.6 million at the exchange rates specified in Governors' Resolution No. 214).

In May 1995, the Board of Governors allocated \$81 million to TASF from the 1994 net income of ordinary capital resources (OCR). During the year, Pakistan made a direct voluntary contribution of \$72,000 equivalent. The contribution (Pakistan's 19th) was partly untied, available for use in financing costs of services and facilities procured from all DMCs.

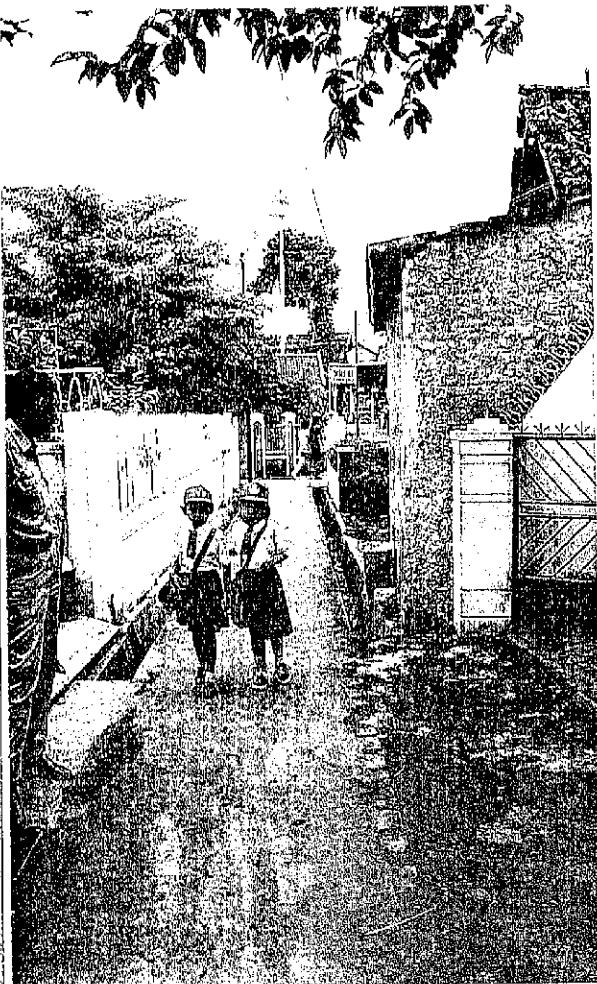
As of end-1995, total TASF resources amounted to \$623.1 million, composed of allocations from ADF V and ADF VI contributions (\$237.1 million), allocations from OCR net income (\$261 million), direct voluntary contributions to TASF (\$85.7 million), income from investments and other sources (\$40.6 million) and transfers out of TASF to ADF (\$1.3 million). Of the total TASF resources, \$443 million had been utilized/committed, leaving an uncommitted balance of \$180.1 million.

## **Operations and Resource Position**

The TASF contributed 39% of funding for services to member countries, with 146 effective technical assistance projects during the year. Revenue from investments increased from \$2.2 million in 1994 to \$7.9 million, due mainly to an increase in the yield on TASF investments from 2.7% in 1994 to 4.1%, additional resources available from the

**TASF RESOURCES**  
(at end of period; \$ million)

	1994	1995
Regularized Replenishment Contributions	235.5	237.1
Allocations from OCR Net Income	180.0	261.0
Direct Voluntary Contributions	85.6	85.7
Income from Investment and Other Sources	32.4	40.6
Transfers out of TASF to ADF	(1.3)	(1.3)
<b>Total TASF Resources</b>	<b>532.2</b>	<b>623.1</b>



*Young beneficiaries  
of the Second  
Bandung Urban  
Development  
Project  
in Indonesia.*

allocation from OCR income and the second regularized TASF replenishment. Total revenue and contributions amounted to \$89 million. Against the TASF undisbursed balance of \$180 million, there were outstanding commitments of \$101 million.

The \$81 million cash contribution received in 1995 more than fully funded the \$48 million TASF expenditure. The balance was used to increase the investment portfolio.

At the end of the year, TASF investments stood at \$264 million. Other assets, comprising dues from banks, accounts receivable from ADF and contributors, advances to consultants and others, totalled \$18 million.

### **Japan Special Fund**

During 1995, the Government of Japan provided a total amount of ¥10.68 billion (equivalent to about \$105 million) for its eighth year contribution to the Japan Special Fund (JSF). The amount included ¥8.1 billion in regular contributions and ¥2.58 billion in supplementary contributions. This brought Japan's cumulative commitments to JSF since its inception of the fund on 10 March 1988 to ¥63.8 billion (equivalent to about \$608.59 million, including translation adjustments).

The cumulative total included regular contributions amounting to ¥53.6 billion (equivalent to approximately \$508.44 million) and supplementary contributions of ¥10.2 billion (about \$100.15 million). The supplementary contributions were to be used for environment-related activities (¥6.2 billion), activities to promote the private sector (¥2.49 billion), women-in-development activities (¥1.25 billion), and for organizing symposia/training (¥0.26 billion).

Of the total contributions received, \$249.34 million had been utilized as of 31 December 1995, including \$247.24 million for technical assistance and \$2.1 million for equity investments. Undisbursed funds are invested. In 1995, income from such investments amounted to \$6.4 million, down by 12.9% as a result of a decline in interest rates. As agreed with the Japanese Government, part of the investment income was used to defray the Bank's direct and identified administrative expenses.

### **Operations and Resource Position**

The revenue from investments of JSF resources decreased by 13% during the year. The realized rate of return on investment declined from 2.2% in 1994 to 1.5%. Total expenditure amounted to \$75 million (up 37%) for services to member countries and \$1 million (up 11%) in administrative expenses.

With additional contributions committed during the year, there was an operational surplus, which raised JSF net assets to \$359 million.

The cash flow position remained satisfactory. The \$7 million received on account of interest earned on investments provided the major source of funds.

At year-end, the quantum of JSF investments stood at \$450 million, up 11%. Other assets, comprising advances to consultants and others, decreased by 61% to \$4 million, while accounts payable (mainly for consulting services) stood at \$11 million.

# Project and Program Administration

**A**

TOTAL of 461 loan projects were under administration as of end-1995. These included 408 projects in the public sector and 53 projects in the private sector. Of the total public sector projects, 389 were performing satisfactorily (by conforming to target dates and project costs, and complying with loan covenants established during appraisal), 19 faced implementation or operational problems and one was considered inactive.

Altogether, 441 project administration missions, including private sector loan missions and multiproject missions, were fielded to review the progress of projects and to discuss problems, if any, with executing agencies. These missions spent a total of 4,759 persondays, or an average of 7.1 persondays per project. The average was lower than last year's 8.3 persondays per project. Implementation support was provided to executing agencies by the Bank's regional and resident missions. Portfolio performance reviews were carried out to improve disbursements by restructuring or reformulating slow-moving projects and identifying loan proceeds for cancellation.

Country project review missions were undertaken in ten developing member countries (DMCs). The purpose was to discuss implementation problems, cross-sectoral issues and remedial measures with senior government officials.

The implementation of 70 projects was completed during the year, bringing to 973 the cumulative number of completed projects. Project completion reports were prepared for 49 projects. The total number of such reports prepared as of end-1995 was 677. For details, see *Table 21 in the Statistical Annex*.

As in earlier years, project administration procedures continued to be revised in the light of the Bank's Strategic Plan. Computer systems continued to be developed for better monitoring and evaluation of benefits. Ten seminars and workshops were held to enhance the implementation capabilities of executing agencies (see table). A total of 296 senior and middle-level officials benefited from this activity. Besides, five in-house seminars were held for Bank staff dealing with project processing and administration.

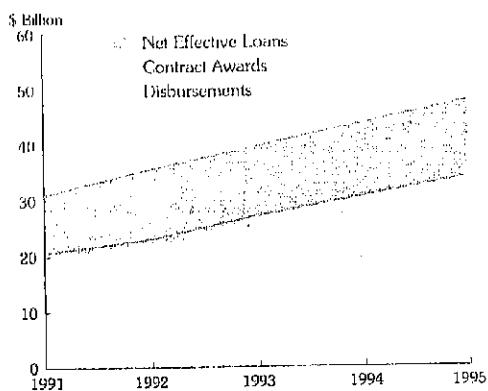
## Contract Awards

During 1995, contracts totalling \$3,438 million were awarded by executing agencies in DMCs for consulting services, procurement of goods and related services, and civil works. This represented an 8% decrease from 1994. Consultancy contracts under loan projects totalled \$78.6 million. These involved 117 consulting firms

## SEMINARS ON PROJECT IMPLEMENTATION AND ADMINISTRATION, 1995

Type	Country/City	Seminar Dates
Country Project Implementation and Administration	Sri Lanka/Colombo	17-19 Mar
Regional Project Implementation and Administration	Philippines/Manila	15-26 May
Country Project Implementation and Administration	Indonesia/Jakarta	17-25 Jul
Training of Trainers	Thailand/Bangkok	14 Aug-01 Sep
Country Project Implementation and Administration	Vanuatu/Port Vila	11-22 Sep
Country Project Implementation and Administration	Pakistan/Islamabad	17-28 Sep
Regional Project Implementation and Administration	Philippines/Manila	16-27 Oct
Country Project Implementation and Administration	Philippines/Cebu	13-24 Nov
Country Project Implementation and Administration	China, People's Rep. of/Chengdu	20 Nov-01 Dec
Country Project Implementation and Administration	Nepal/Kathmandu	30 Nov-12 Dec

### **Contract Awards and Disbursements: 1991-1995**



(51 international and 66 domestic) and 33 individual consultants (17 international and 16 domestic).

For technical assistance projects, 519 contracts were awarded for consultancy services amounting to \$110 million and involving 394 consulting firms and 395 individual consultants.

Seminars on business opportunities were held in Belgium, Denmark, Finland, France, India, Indonesia, Italy, Netherlands, Norway, Singapore, Sweden, Taipei, China, Turkey and United States.

For details, see Tables 22-30 in the Statistical Annex.

### **Loan Disbursements**

Loan disbursements in 1995 amounted to \$3,587 million, of which OCR disbursements totalled \$2,442 million and ADF disbursements \$1,145 million. The total loan disbursements exceeded the year's target by 5%. The comparative details of disbursements in 1994 and 1995 by lending modality are shown on the accompanying table.

Countries with significant disbursements during the year – a mark of their success in implementing Bank projects – included Bangladesh, People's Republic of China, India, Indonesia and Viet Nam.

### **Private Sector Investment Portfolio**

The private sector investment portfolio had grown to \$592 million as of end-1995 from \$505 million in 1994. The investments were in 88 companies in 11 DMCs. The portfolio was 17% higher than the previous year in terms of invested funds. Loans accounted for 67% of the portfolio.

Of the 88 companies which received Bank investments, 51 were in full-scale operation, nine were in their initial operation, six were under implementation, two were experiencing implementation problems, two were having start-up problems, four were underperforming, three were in liquidation and 11, representing 4% of the portfolio, were operating at a loss.

Disbursements were in progress for ten investments, amounting to \$121 million, net of loan recoveries. Disbursements had been completed for 104 investment facilities.

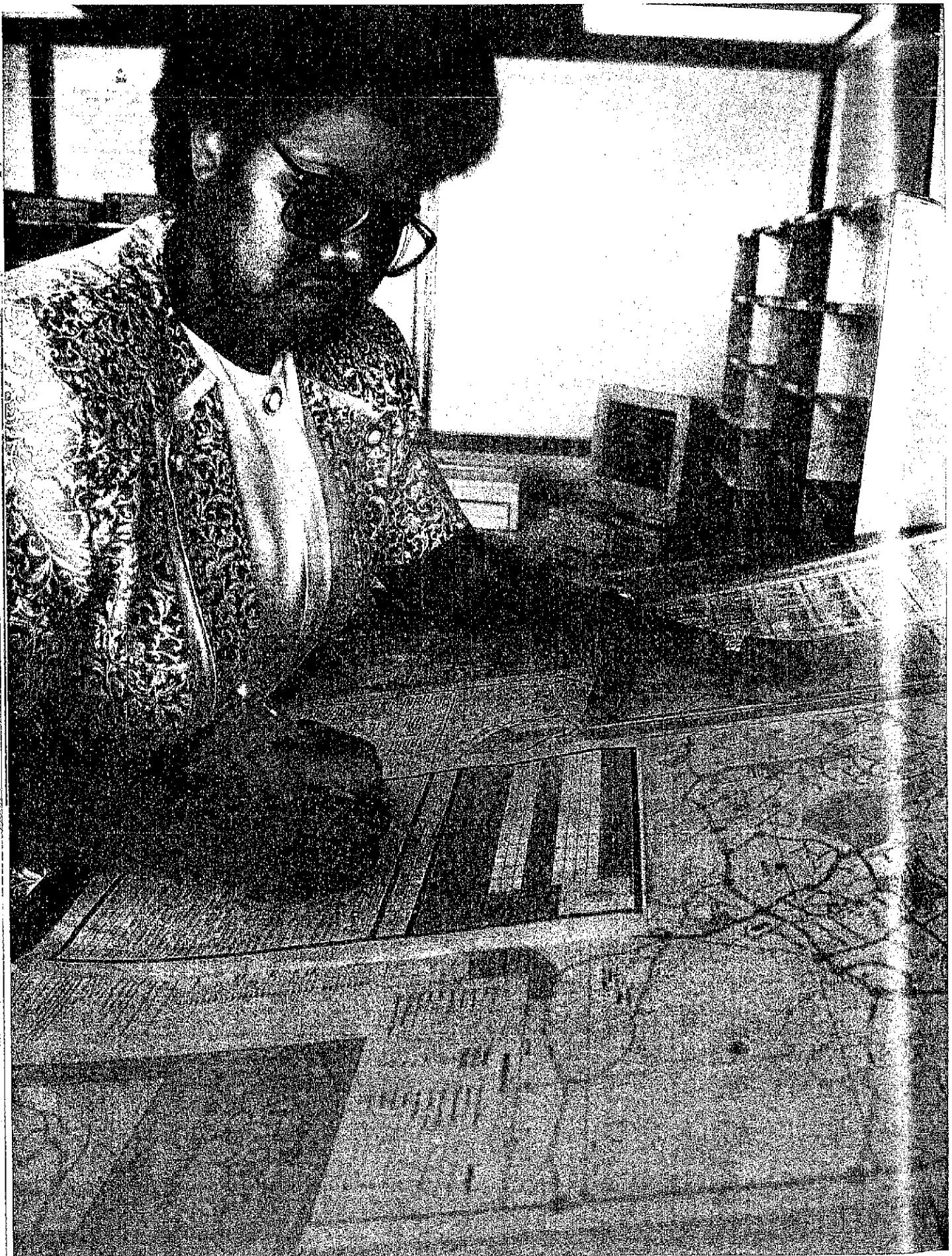
Interest and fee income earned in 1995 totalled \$35 million, compared to \$33 million in 1994. Dividends received amounted to \$6 million (3.9% yield), compared to \$3.9 million in 1994 (3% yield). Capital gains during the year, through the sale of shares and stock rights, amounted to \$400,000 against \$30.2 million in 1994. The Bank's specific provision against possible losses totalled \$18.6 million at year-end. A general loss provision of \$44.6 million was made, 8% of the outstanding private sector portfolio (excluding projects with specific provision) as of 31 December 1995.

**LOAN DISBURSEMENTS, 1994 AND 1995**

(Amounts in \$ thousand)

		1 9 9 4				
	OCR	% of Total OCR	ADF	% of Total ADF	Total	% of Total Disbursements
<b>A. Project Loan Disbursements</b>						
Non-DFI	1,493,765	60	735,899	62	2,229,664	61
DFI	217,478	8	19,074	2	236,552	6
Special Assistance	-	-	-	-	-	-
Total Project Loans	1,711,243	68	754,973	64	2,466,216	67
<b>B. Sector Loan Disbursements</b>	513,961	21	206,210	17	720,171	20
<b>C. Program Loan Disbursements</b>	150,000	6	225,096	19	375,096	10
<b>D. Private Sector</b>	126,185	5	215	-	126,400	3
<b>GRAND TOTAL</b>	<b>2,501,389</b>	<b>100</b>	<b>1,186,494</b>	<b>100</b>	<b>3,687,883</b>	<b>100</b>

		1 9 9 5				% Change (1995/94)			
	OCR	% of Total OCR	ADF	% of Total ADF	Total	% of Total Disbursements	OCR	ADF	Total
<b>A. Project Loan Disbursements</b>									
Non-DFI	1,697,436	69	852,173	74	2,549,609	71	14	16	14
DFI	115,482	5	29,574	3	145,056	4	48	50	40
Special Assistance	-	-	-	-	-	-	-	-	-
Total Project Loans	1,810,918	74	881,747	77	2,692,665	75	6	17	13
<b>B. Sector Loan Disbursements</b>	382,034	16	174,050	15	556,084	15	26	16	23
<b>C. Program Loan Disbursements</b>	145,675	6	89,124	8	237,799	7	-1	-50	-37
<b>D. Private Sector</b>	100,467	4	-	-	100,467	3	20	-100	-21
<b>GRAND TOTAL</b>	<b>2,442,094</b>	<b>100</b>	<b>1,144,921</b>	<b>100</b>	<b>3,587,015</b>	<b>100</b>	<b>-2</b>	<b>-4</b>	<b>-3</b>



# Postevaluation and Internal Audit

## Postevaluation Activities

**I**N LINE with the recommendations of the Task Force on Improving Project Quality, the postevaluation work program in 1995 placed emphasis on impact evaluation studies, reevaluation studies and special studies, as well as on helping developing member countries (DMCs) develop their performance evaluation capability. The coverage of project performance audit reports was kept at a level of 30% of completed projects (down from 50% in the preceding year), while that of impact evaluation/reevaluation studies was increased to eight from four in the previous year.

During the year, a total of 40 postevaluation reports were completed. These comprised 20 project performance audit reports, four technical assistance performance audit reports, three impact evaluation studies, five reevaluation studies, two special studies, the Seventeenth Annual Review of Postevaluation Reports, the Fourteenth Report of Postevaluation Abstracts, two country syntheses of postevaluation findings and two sector syntheses of postevaluation findings.

**PERFORMANCE CLASSIFICATION BY INVESTMENT COSTS AND LOAN DISBURSED, 1995**

	Investment Cost		Loan Disbursed	
	Amount (\$Mn)	%	Amount (\$Mn)	%
Generally Successful	1,050	76	425	59
Partly Successful	277	20	265	37
Unsuccessful	77	3	31	4
<b>Total</b>	<b>1,374</b>	<b>100</b>	<b>721</b>	<b>100</b>

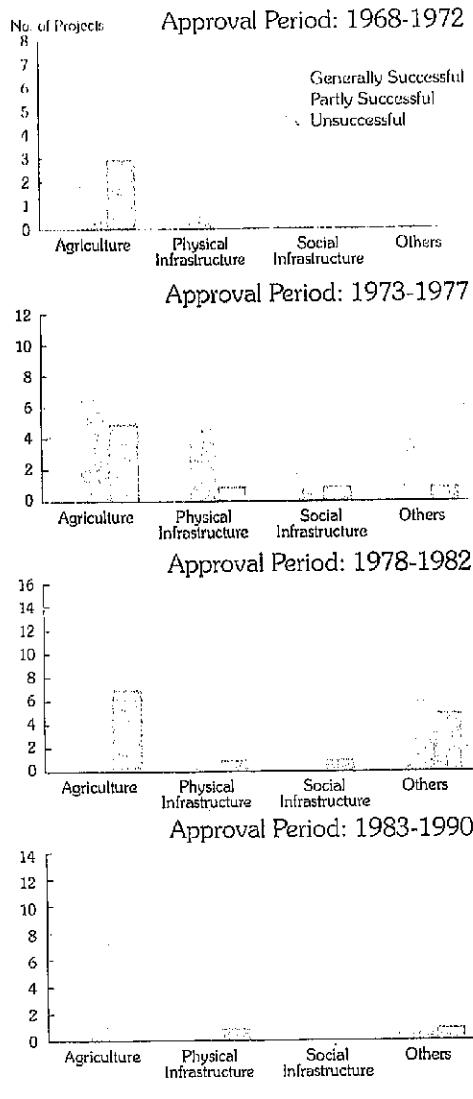
Note: Investment cost percentages do not add up because of rounding.

**PERFORMANCE CLASSIFICATION, 1995**

Sector	Generally Successful		Partly Successful		Unsuccessful		Total	
	No.	%	No.	%	No.	%		
Agriculture	3	33	5	56	1	11	9	100
Energy	1	100	-	-	-	-	1	100
Industry	1	100	-	-	-	-	1	100
Social	-	-	-	-	-	-	-	-
Infrastructure	1	25	3	75	-	-	4	100
Transport and Communications	4	80	1	20	-	-	5	100
<b>Total</b>	<b>10</b>	<b>50</b>	<b>9</b>	<b>45</b>	<b>1</b>	<b>5</b>	<b>20</b>	<b>100</b>

The Bank has provided a loan to strengthen institutional capability for road maintenance in Fiji.

### Performance of Postevaluated Projects by Sector and Approval Period - Group A Countries



### Postevaluation Approach and Project Classification

**T**HE BANK undertakes postevaluation of completed projects mainly to account to its shareholders and to draw lessons which can be applied to improve the design of future projects and the developmental impact of its lending to DMCs. Towards this end, a two-step evaluation system is followed. The first step is the preparation of project completion reports by the operational divisions for all completed projects/programs. It is believed that doing the initial evaluation themselves is the best learning exposure for the operational divisions. The second step is the preparation of project performance audit reports by the Bank's Postevaluation Office, providing an independent assessment. Project performance audit reports examine the effectiveness and sustainability of projects and focus on specific issues meriting closer attention.

On the basis of implementation experience, expected performance and developmental impact, projects are classified as "generally successful," "partly successful" or "unsuccessful." A project is considered generally successful if it is expected to be economically viable or can generate socioeconomic benefits commensurate with original expectations and/or costs incurred. A project is rated as partly successful if its benefits are believed to be sustainable at reduced levels, with reasonable prospects for improvement if timely remedial actions are taken. If a project is not technically and/or economically viable, it is classified as unsuccessful. It is important to note that such classification made at the time of postevaluation may be revised during subsequent reevaluation. Also, a partly successful project is not to be viewed as an unsuccessful one. Postevaluation is undertaken not only through the preparation of project performance audit reports but also through evaluation studies, which are aimed at more intensive analyses of particular issues or subjects of broader relevance to the Bank's operations, practices and procedures. These studies comprise impact evaluation, reevaluation and special studies. Impact evaluation provides insights into the extent to which the benefits of Bank lending in a particular sector are spread and sustained. Reevaluation analyzes project impact and sustainability about five years after postevaluation. Special studies provide intensive analyses of particular issues or comprehensive reviews of postevaluation findings in a specific country or sector.

Postevaluation has been expanded to cover the Bank's technical assistance operations. However, the preparation of technical assistance performance audit reports has been conducted only on a limited scale.

### Project Performance Audit Reports

The 20 project performance audit reports prepared during the year covered 18 projects and two program loans, selected on a random basis. Of these, 13 projects and one program were in six Group A countries; four projects and one program in three Group B countries; and one project in a Group C country<sup>1</sup>.

Most of the projects/programs postevaluated during the year had been approved during the 1980s and completed by the early 1990s.

Sectorwise, eight projects and one program were under agriculture and agro-industry, four projects and one program under transport and

1 For an explanation of country groups, see box on page 81.



communications, four projects under social infrastructure and one project each under energy and industry.

Cumulatively, by the end of the year, 452 project performance audit reports had been prepared for 472 projects and programs, covering all major sectors and subsectors in 26 DMCs.

Of the 20 projects and programs postevaluated in 1995, 10 were rated as generally successful (50%), nine as partly successful (45%) and one as unsuccessful (5%).

Cumulatively, of the 472 projects and programs postevaluated, 470 had been classified as of end-1995. The classification of two projects had been deferred. Of the 470 projects/programs classified, 279 (60%) were generally successful, 143 (30%) partly successful and 48 (10%) unsuccessful.

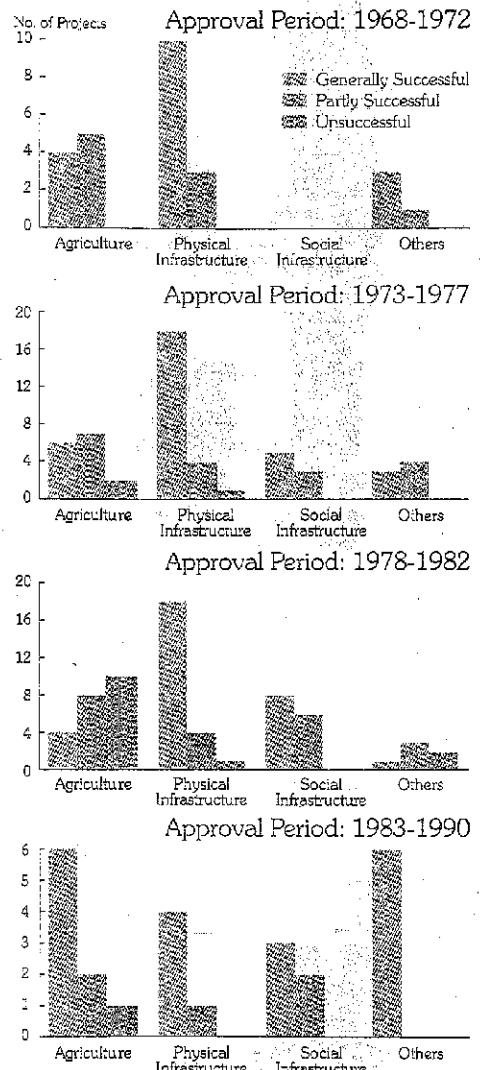
The performance analysis by sector for the 1995 group of postevaluated projects/programs is limited by the small sample size. Nevertheless, the projects in the energy, industry, and transport and communications sectors continued to have high success rates because these projects used known technologies and were not heavily influenced by external factors, like fluctuations in international commodity prices. On the other hand, projects in the agriculture and social infrastructure sectors performed somewhat less satisfactorily. Such projects suffered from design deficiencies, weak management, limited absorptive capacity of public institutions, poor consultant services, intermittent civil disturbances, changes in government policies and inadequate funds for operation and maintenance.

Total investment costs of the projects/programs postevaluated in 1995 had originally been estimated at \$1,561 million. Actual costs upon completion came to \$1,374 million, about 12% lower. The factors responsible for the cost underruns included reduction in project scope, movements of exchange rates, underutilization of credit lines resulting, among other things, from lack of credit demand, and overestimation of project costs and contingencies during appraisal.

In terms of actual investment costs and total disbursements, the performance of the 1995 sample was more satisfactory. On the basis of investment costs, 76% of the projects/programs postevaluated were generally successful, 20% partly successful and 3% unsuccessful. This indicated that, on average, postevaluated projects rated as "generally successful" involved bigger investment costs. In terms of disbursements, the respective rates were 59%, 37% and 4%.

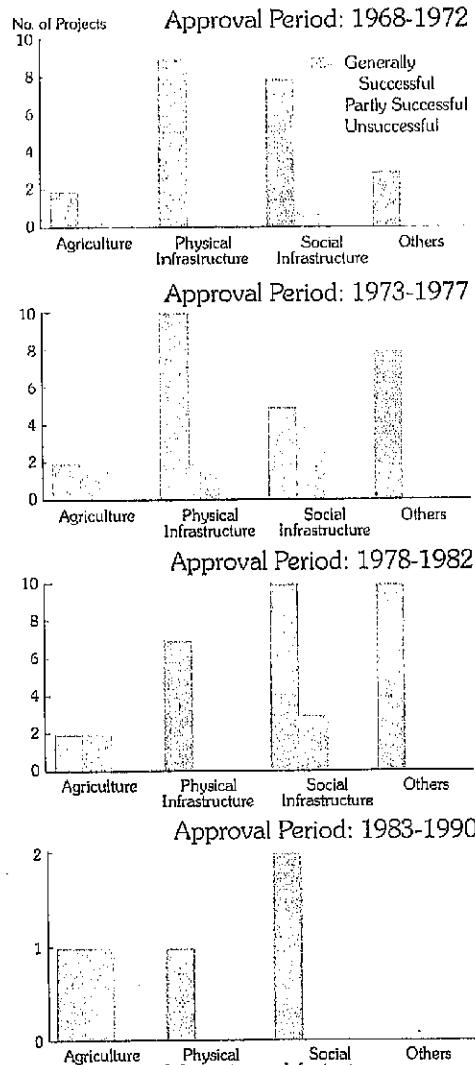
All projects encountered implementation delays, ranging from six months to seven years. The slippages were attributable to factors such as delays in loan effectiveness, deficiencies in design and changes in project scope, unsatisfactory performance of contractors, lack of counterpart funds, difficulties in the recruitment of consultants, labor and procurement problems, inexperience and lack of authority of executing agencies, land acquisition problems and civil disturbances. In the case of the two postevaluated program loans, certain policy reforms had not been completed.

### Performance of Postevaluated Projects by Sector and Approval Period - Group B Countries



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

### Performance of Postevaluated Projects by Sector and Approval Period - Group C Countries



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

### Technical Assistance Performance Audit Reports

The four technical assistance audit reports prepared in 1995 related to a project in the People's Republic of China (PRC) for coastal marine resource management and development in the East China Sea; institutional strengthening in the housing sector in Bangladesh; institutional support to water supply enterprises in Indonesia; and a study on vehicular emission control planning in the Philippines. The first two projects were found to be successful in meeting their objectives while the other two were partly successful. The less-than-satisfactory performance of the two latter projects were due largely to design shortcomings and an inadequate analysis of the absorptive capacity of the recipients.

The experience of the postevaluated technical assistance projects highlighted the need for an accurate assessment of the effective demand for services and the absorptive capacity of beneficiary agencies.

Capacity-building goals should be set on the basis of institutional analysis. Capacities that are expected to exist after project completion should also be explicitly defined. In addition, it is important to adopt a logical framework approach in designing technical assistance projects to ensure the consistency of inputs and outputs, and to facilitate monitoring during implementation.

### Impact Evaluation Studies

Three impact evaluation studies were carried out during the year to assess the impact of Bank lending in the health and population subsector in Sri Lanka, the gas subsector in Pakistan, and the agriculture and social sectors in the Philippines. Benefit monitoring and evaluation aspects were particularly looked into in the Philippine study.

The study on the Sri Lanka project revealed a positive impact on health in the areas covered by the project. The rate of population growth had decreased, as had the morbidity and mortality rates. The study emphasized that full participation of key government officials, regional health administrators and care providers, as well as of targeted beneficiaries, is important during project design to create a sense of ownership among all concerned.

The Pakistan study indicated that Bank assistance to the country's gas subsector had benefited industrial and household consumers. However, the relatively low prices of gas at certain times and for certain sectors had encouraged a less efficient use of gas and led to shortages. The study confirmed that: (i) an appropriate policy environment is important if the full potential of a project's benefits is to be realized; and that (ii) low prices are not always an effective way of assisting the poor.

The study on the Philippines confirmed the Bank's positive contributions in sensitizing policymakers at both national and executing agency levels about the concept of benefit monitoring and evaluation. However, the Bank approach of placing the responsibilities for benefit monitoring and evaluation at the project management unit level did not help in institutionalizing the system.



### Economic and Social Benefits of Projects: Some Examples

**A** NUMBER of projects postevaluated in 1995 were found to have provided tangible economic and social benefits to the DMCs concerned. They also addressed crosscutting issues, such as poverty reduction, development of the status of women, and environmental protection. Some examples:

- ✓ A groundwater irrigation project in Pakistan was able to supplement surface irrigation, reduce waterlogging and salinity, boost agricultural production, help expand agro-industries and livestock raising, employment and income opportunities, and increase the supply of safe drinking water to rural communities.

- ✓ A plantation sector project in Sri Lanka through its field development component, which included milling, tree planting, replanting, and diversification into fuelwood plantation,

boosted employment opportunities for both resident and nonresident estate workers. In addition, better housing, drinking water supply, and hospital and sanitary facilities improved living conditions, particularly of women who accounted for about 60% of the estate workforce.

- ✓ A shelter sector project in Thailand provided about 3,500 sites and services housing units and helped ease the housing shortage in several provincial towns.

- ✓ A fisheries development project in Pakistan raised incomes and improved socioeconomic conditions of fishing communities in the Balochistan province. The project contributed to the growth of coastal town in terms of population and new business establishments.

- ✓ A flood damage restoration project in Bangladesh through the

reconstruction of roads and railways helped restore a major transportation infrastructure to sustain business and commerce.

- ✓ A load despatch and power transmission project in Pakistan improved the quality and reliability of electricity in most parts of the country, facilitating social and economic development. The new technology introduced under the project helped reduce system losses and economic costs.

- ✓ A road maintenance sector project in Thailand facilitated a more efficient transportation of goods and people between agricultural areas, towns, markets, and agricultural processing centers on the country's two large islands.

- ✓ A hospital upgrading project in Micronesia helped improve diagnostic and surgical treatment facilities particularly in rural areas.

### Reevaluation Studies

Reevaluation studies were undertaken for five projects under various sectors to assess their performance and sustainability several years after their postevaluation.

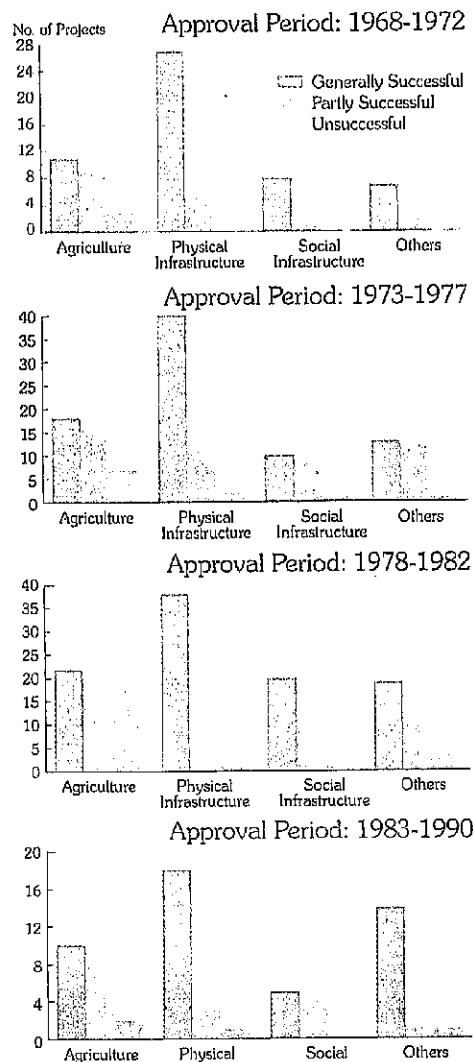
The reevaluation of an irrigation project in Viet Nam reconfirmed its performance rating of "partly successful" given at postevaluation in 1987. The project was unable to solve the problems of recurrent flooding, intrusions of salinity and acidity, and sluggish surface drainage despite several changes in scope, components and implementation arrangements.

The Rural Electrification Project in Sri Lanka was reevaluated six years after its postevaluation in 1989 and its classification was changed from "generally successful" to "partly successful." The civil unrest in that country had rendered 95 schemes completed under the project nonfunctional. At least 15 of these schemes had been destroyed.

The fourth development bank project in Western Samoa was reevaluated six years after its postevaluation in 1989 and reconfirmed as "partly successful." Due to limitations in loan supervision and collection, subloan collections had been slow. The findings indicated that the development bank's loan appraisal, administration and collection capabilities should have been upgraded and it should have been allowed to charge market-based rates of interest to improve its self-sustainability.

Reevaluation of the Technical Education Project in Papua New Guinea reconfirmed its "partly successful" rating at postevaluation in 1990. The decline in enrollment, first identified at postevaluation,

### Performance of Postevaluated Projects by Sector and Approval Period - All Projects



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

continued, and the employment potential of graduates fell to 50% (from around 60% to 70% until 1992) because of a downturn in the economy. In addition, the underutilization and inadequate maintenance of equipment and facilities, reduction in the number of apprentices, and discontinuance of the monitoring system had adversely affected project operations.

An urban development project in Indonesia was reevaluated and the "generally successful" rating given at postevaluation in 1989 was reconfirmed. The project substantially achieved its objectives of expanding the national *kampung* (village) improvement program, upgrading essential sanitary services and providing low-cost housing in Bandung. It emphasized the importance of an integrated approach to urban development. Environmental surcharges on water supply were found to be an effective means of financing sewerage development. Joint billing of solid waste management and electricity charges was seen as an effective means of improving the cost recovery of solid waste management services.

### Special Studies

During the year, two special studies were carried out to assess the effectiveness of Bank assistance for capacity building in Nepal and Western Samoa in terms of the extent of technology transfer and institutional development.

Of the ten advisory technical assistance projects under the social sector covered in the Nepal study, seven were found to have substantially achieved their objectives in general (e.g., formulation of plans, the development of a regulatory framework, etc.). The study, however, found that these projects were ad hoc in nature, formulated independently of each other without adequate sectoral or institutional analysis, and involved very few key officials of targeted institutions. The study concluded that the preparation of advisory technical assistance must be preceded by rigorous institutional needs analyses and that such projects should foster executing agency ownership and involve domestic expertise.

The study on Western Samoa concluded that, even though the technical assistance projects covered had achieved substantial success in terms of technical effectiveness, they generally fell short of expectations in terms of capacity building. It emphasized the importance of: (i) adequate diagnostic analysis and needs assessment (with client priorities clearly established); (ii) a comprehensive institutional program (for the Bank), identifying the core areas of business in a recipient country and ensuring that agencies have adequate resources for specified tasks; and (iii) institutionalizing the criteria for screening capacity-building proposals and for developing strict design criteria for advisory technical assistance projects.

### Feedback of Postevaluation Findings

The 1995 postevaluation experience highlighted several lessons relevant to future Bank operations. These include the importance of keeping project design simple, well focused and manageable in scope, in line with DMCs' capacity for implementation, operation and maintenance. It is also important to examine the sociocultural aspects of beneficiaries, secure their participation at various stages of project

processing and ensure that benefits are properly targeted and delivered. The project design should also provide for a detailed monitoring and evaluation of benefits. Any alternatives should be considered at the project preparation and design stage. These findings are now being incorporated in the design of new projects.

Efforts were continued during the year to enhance the effectiveness of the feedback system within the Bank so that lessons learned from postevaluation could be applied to improve projects and development activities. The computerized postevaluation information system was redesigned to make it more user-friendly. This was supplemented by the circulation of the Fourteenth Report of Postevaluation Abstracts and the Seventeenth Annual Review of Postevaluation Reports in April, and the completion of two country syntheses of postevaluation findings (Papua New Guinea and Viet Nam) and two sector syntheses (irrigation and rural development, and urban development and housing).

Apart from reviews of operational documents on a routine basis, a feedback workshop was held in April to discuss the issues arising from the experience of Bank-financed projects in the water supply and sanitation subsector. Several issues were discussed, including economic evaluation of water supply projects, valuation and pricing of water, institutional development and corporatization/privatization, project design and the financing of sanitation projects. Also, two meetings of the Management Committee on Postevaluation Findings were held in April and December. The meetings emphasized the need to address issues relating to borrower commitment and beneficiary participation, program lending, privatization of infrastructure projects, performance of social sector projects and project completion reports.

### **Postevaluation Capacity of DMCs**

The Bank further stepped up its efforts to help develop DMCs' own evaluation capabilities and feedback systems. Under a regional technical assistance grant, feedback workshops were conducted in Nepal, Sri Lanka and Thailand, continuing the series first launched in the Philippines in late 1994. A regional workshop was organized in June, and an Agenda for Action was drawn up, outlining short and long-term measures for strengthening the evaluation capacity and the feedback process in DMCs. In addition, two advisory technical assistance grants were provided to study project planning and management in PRC and to further strengthen the postevaluation capability in Thailand.

### **Interagency Cooperation**

The Bank maintained close coordination with multilateral and bilateral aid agencies on postevaluation activities through the Expert Group on Aid Evaluation of the Development Assistance Committee of the Organization for Economic Cooperation and Development. This has promoted professional contact and interaction among agencies on areas relating to evaluation policy, classification system, methodology and feedback, and the sharing of information on postevaluation results and findings.

*The Bank continued its efforts to draw lessons from postevaluation to improve its projects and development activities.*

*In 1995,  
the Bank expanded  
the scope  
of project-related  
audits  
as part of its  
efforts to  
improve project  
quality.*

### **Internal Audit**

In order to further promote efficiency and economy in Bank administration and to improve its internal control systems, the responsibilities of the Internal Audit Office (IAO) were expanded to cover the investigation function. This function includes independent investigations into possible abuse, waste and inefficiency of internal administrative matters within the Bank. IAO was thus renamed Office of the General Auditor (OGA), effective 1 January 1995, as part of the reorganization of the Bank.

OGA reports to the President. Its activities are reviewed by the Audit Committee of the Board to ensure that these are adequate and efficient. OGA's principal responsibilities include assisting all levels of management in the Bank by furnishing them with periodic, independent and objective appraisals and audits of financial, accounting, administrative, project-related, computer-based and other activities within their areas of responsibility, including identifying possible means of improving the efficiency and economy of activities and of the use of resources.

In conformity to Management's directives for all departments and offices to increase productivity, adopt more rigorous standards of performance and enforce stricter accountability, OGA actively participated in the Bankwide effort to enhance the efficiency and effectiveness of the Bank's operations. OGA continues to implement its initiatives commenced in 1994, in addition to the regular activities which have considerably expanded. As such, during the year: (i) an audit of the financial derivatives was conducted; (ii) an update of the Audit Manual was in its final stages of completion; (iii) the development and testing of the Audit Information Management System, which will automate the work of OGA staff, was ongoing; and (iv) to further promote operations audit, the terms of reference of selected audits were expanded to place additional emphasis on the 3Es, i.e., economy, efficiency and effectiveness.

During the year, OGA continued to maintain an adequate level of financial, administrative and computer-related audits, and expanded the scope of project-related audits, in view of the Bank's emphasis on enhancement of project quality, including improved project implementation and administration. Various audit subjects were covered, including the staff retirement plan, Indonesia Resident Mission procedures, SWIFT Operations, the security of personnel information, and systemwide password and access control administration. OGA also undertook a mission to the India and Nepal Resident Missions and reviewed audit-related issues of selected loans in Nepal.

As part of its advisory services to other departments and offices, OGA actively participated in, among others: (i) the formulation of the Executive Information System, particularly for the departments and offices in the finance and administration group, as part of the Management Information System being developed to provide Management, in a timely manner, with key data on operations and other activities; (ii) the restructuring of the Operations Manual; and (iii) the revision of certain project administration instructions. OGA also participated in the development and signing-off of a number of in-house computer systems and subsystems. This ensured that appropriate internal control mechanisms were included in the design of each system and that the systems were in compliance with the related policies and procedures of the Bank.

In line with an audit recommendation that the role of government auditors in borrowing countries be expanded beyond financial account-



ability to focus more on performance accountability, OGA was actively involved, in an advisory capacity, in the formulation of technical assistance projects for this purpose in a number of DMCs. It also participated in a country programming mission to explore a possible project on the development of auditing capabilities.

OGA continued to be actively involved in the annual audits of selected consultants' contracts for technical assistance projects. Commencing in 1995, ongoing contracts were also selected for audit purposes in addition to completed contracts. Advice was provided on how to resolve issues resulting from such audits. OGA's direct and integrated assistance to the Bank's outside auditors continued to include updating of the internal control questionnaire and examination of selected transactions on borrowing, investment, administrative expenses and loan disbursements. The outside auditors evaluated OGA's work as competent, objective and independent.

The status of implementation of audit recommendations is monitored by OGA and reported semi-annually to Management and the Audit Committee of the Board, as well as to heads of departments/offices for necessary action. The response of the auditee departments/offices indicated that OGA's recommendations were appropriate. The Audit Committee of the Board was generally satisfied at the rate of implementation of audit recommendations.



*The Bank has assisted Cook Islands in developing telecommunications facilities in its outer islands.*





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# Administration

## Appointment of Vice-President

**T**HE BOARD of Directors, acting on the recommendation of President Mitsuo Sato, appointed Pierre Uhel as Vice-President (Finance and Administration) with effect from 1 July. Mr. Uhel succeeded Vice-President Günther Schulz, who retired from the service of the Bank on 30 June.

Prior to his appointment, Mr. Uhel was the Resident Executive Director at the African Development Bank in Abidjan, representing Belgium, France and Italy.

## Human Resource Management and Development

At the end of 1995, the Bank had a total staff of 1,920 coming from 42 of its 56 member countries. The total comprised 642 professional staff<sup>1</sup> and 1,278 supporting staff. During the year, there were 57 appointments and 60 terminations of professional staff while 60 supporting staff joined the Bank and 63 left.

A strengthened career progression system has been introduced for supporting staff. It supports career growth for junior-level supporting staff through a person-driven promotion system. For supporting staff in the senior levels, staff development programs have been revised to enhance skills and facilitate changes in career stream.

The menu of staff development programs has been expanded. Besides in-house training, Bank staff can now avail of external learning events, study tours, external assignments, leave of absence for staff development, education assistance, temporary reassessments within the Bank, job rotation and computer-based self-learning programs.

The Bank entered into a long-term contract with an outside consultant to further develop its Manager Development Program, which will focus specifically on building key managerial skills, such as strategy development, decision making, team management, work process redesign and staff development.

The Special Separation Program, approved by the Board in 1994, was implemented during the year. Thirty-four professional staff and 76 supporting staff availed of the program.



Conducting a laboratory test under the Brackishwater Aquaculture Development Project in Indonesia.

<sup>1</sup> Includes Management, i.e., the President and Vice-Presidents, but excludes Directors' Assistants.

A striking picture of a worker against the backdrop of a giant crane at the construction site of the Power XXI Project in Indonesia.



For this farmer-beneficiary in Nepal, this store set up with a loan under the Third Small Farmers Development Project has opened up a new income opportunity.

## Compensation and Benefits

The Board approved overall pay increases of 4.4% for professional staff and 10.8% for supporting staff, effective 1 June 1995. The increases were distributed to staff according to performance and their relative positions in their respective salary ranges. The dependency allowance for supporting staff was increased.

The Pension Committee approved the implementing guidelines for discretionary benefits under the Staff Retirement Plan, which enabled the staff to buy additional retirement benefits. Effective 1 April 1995, the Group Life and Group Disability Insurance Plans were restructured to allow staff to choose their level of coverage. A Sponsored Group Medical Insurance Plan was introduced, under which staff could enroll their parents/parents-in-law. These changes provided additional flexibility to staff, with no additional cost to the Bank.

## Appeals Committee

During 1995, the Bank's Appeals Committee, which is charged with the responsibility to ensure that the Bank's interpretation and application of administrative rules and regulations have been just and fair, considered 17 appeals and rendered its decision on 14 of them.

## Administrative Tribunal

In 1995, the Board approved an expansion in the membership of the ADB Administrative Tribunal from three to five judges. Consequent to the resignations of Professor Elihu Lauterpacht, the president of the tribunal, and of Mr. Justice Florentino P. Feliciano, Mr. Justice Mark D. H. Fernando of the Supreme Court of Sri Lanka and Professor Robert A. Gorman of the University of Pennsylvania, USA, were elected as its president and vice-president, respectively. The other members of the tribunal are: Professor Brigitte Stern of the University of Paris I - Panthéon Sorbonne; H.E. Dr. Laxmi M. Singhvi, a senior advocate before the Supreme Court of India and currently High Commissioner for India to the United Kingdom; and Professor Toshio Sawada of Sophia University and vice-chairman of the ICC International Court of Arbitration, Paris.

The tribunal met in March and August, and rendered decisions in five cases.

## Opening of North American Office

The Bank opened a North American Representative Office (NARO) in Washington, D.C., USA in October, its first official presence in a donor country. The purpose of NARO is to communicate better with the Governments of Canada and United States, and liaise with development communities, businessmen, academics and non-governmental organizations in the two countries. It is expected that this improved communication will generate stronger support in North America for the Bank's

efforts to promote socioeconomic growth in the developing countries in the Asian and Pacific region.

### **Information Technology Program**

Network capabilities were extended during the year to the South Pacific Regional Mission, Indonesia Resident Mission and India Resident Mission.

An ADB World Wide Web home page was established on the Internet, which included, among other things, information on ADB Business Opportunities and project profiles. Full Internet capabilities were provided for selected areas in the Bank for accessing other multilateral organizations, news providers, online libraries and legal information sources.

The Lotus Notes infrastructure was completed during the year allowing the implementation of Bankwide applications, such as Administrative Orders and Circulars, Project Administration Instructions and Loan Documents from 1993 to 1995.

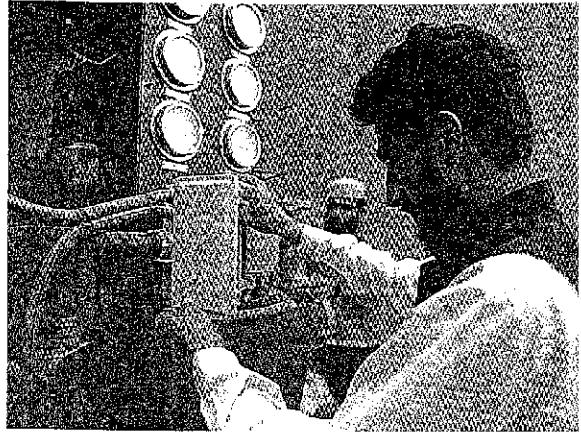
Client/server applications development was initiated. It included the Resident Mission Accounting System, Exit Clearance System, Visitors Access Control System, and Lotus Notes-extensions for interface with the Private Sector System and Project Processing Information System. A client/server-based Bank Account Reconciliation System was selected and implemented.

### **Administrative Services**

To improve the efficiency of its library, the Bank implemented the initial introduction of the Virginia Technology Library System. The integrated system is intended to provide staff with full access to library information in varied formats. The introduction of Internet resources as a supplement to the print collection of the library made useful information available via the World Wide Web. The Bank's energy conservation project continued to be implemented during the year, resulting in significant savings in energy cost. A shift was made during the year to computerize the production of maps, vastly improving the quality of maps and reducing staffhours in producing them.

### **Budget**

Internal Administrative Expenses (IAE) for 1995 amounted to \$174.749 million, against the original budget of \$176.966 million<sup>1</sup>. The underutilization of \$2.217 million was mainly due to the nonutilization of the provision for the inspection panel, lower expenses for staff development, consultants, business travel, office occupancy and contractual services, which were partially offset by increased expenses for salaries, benefits, relocation and office equipment.



*Engineer at the  
Turbela Hydropower  
station in Pakistan,  
which has  
received Bank  
loans totalling  
\$400.8 million.*

<sup>1</sup> Excludes the Special Separation Program (SSP) cost of \$11.300 million. Total expenses for the program amounted to \$8.980 million (of which \$2.550 million was charged to 1994) due to the lower-than-projected number of eligible staff that availed of it.





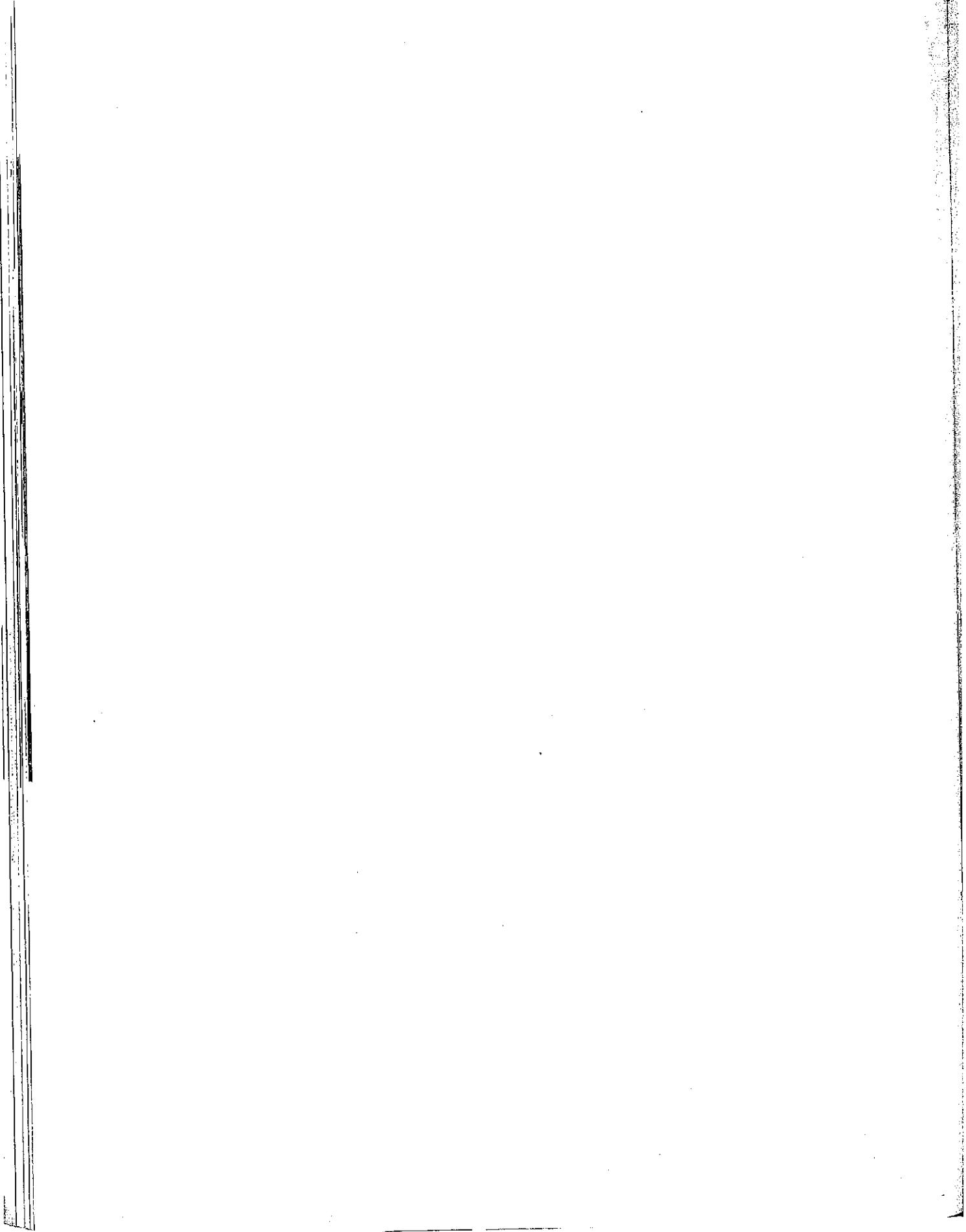
*Low-cost housing  
in Tonga, one of the  
activities supported  
through the  
Fourth Tonga  
Development Bank  
loan.*

The IAE Budget for 1996 of \$189.881 million (summarized in Appendix 1) represents an increase of \$15.132 million over the actual expenses of \$174.749 million incurred in 1995. The increase is mainly due to provisions for anticipated price changes, higher requirements for staff consultants and staff development, requirements of the proposed establishment of new representative offices and resident missions, the inspection function and other policy initiatives, as well as further work in relation to ADF VII negotiations and the usual provision for general contingency.



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# Deloitte & Touche LLP



San Francisco, California

## 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 1995 and 31 December 1994
- OCR-2 Statement of Income and Expenses for the Years Ended  
31 December 1995 and 31 December 1994
- OCR-3 Statement of Cash Flows for the Years Ended  
31 December 1995 and 31 December 1994
- OCR-4 Statement of Changes in Capital and Reserves for the Years Ended  
31 December 1995 and 31 December 1994
- OCR-5 Summary Statement of Loans, 31 December 1995 and  
31 December 1994
- OCR-6 Summary Statement of Borrowings, 31 December 1995 and  
31 December 1994
- OCR-7 Statement of Subscriptions to Capital Stock and Voting Power  
31 December 1995
- OCR-8 Notes to Financial Statements, 31 December 1995 and  
31 December 1994

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 1995 and 31 December 1994 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Deloitte & Touche LLP*

21 February 1996

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### BALANCE SHEET

**31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

	A S S E T S	
	1995	1994
DUE FROM BANKS (Notes B and C)	\$ 84,414	\$ 147,464
INVESTMENTS (Notes B, C, D and J)		
Government and government-guaranteed obligations	\$ 2,502,675	\$ 1,797,847
Time deposits and other obligations of banks	3,565,862	3,846,856
	6,068,537	5,644,703
LOANS OUTSTANDING (OCR-5) (Notes A, B and E)		
Members and guaranteed by members	17,131,900	16,120,532
Private sector	398,201	378,252
	17,530,101	16,498,784
Less – allowance for possible losses	38,540	33,466
	17,491,561	16,465,318
EQUITY INVESTMENTS (Notes A, B and F)	184,279	130,666
Less – allowance for possible losses	20,496	11,624
	163,783	119,042
ACCRUED INCOME		
On investments	183,685	73,682
On loans	286,772	294,732
	420,457	368,414
RECEIVABLE FROM MEMBERS		
Non-negotiable, non-interest-bearing demand obligations (Notes C and J)	325,147	305,975
Amounts required to maintain value of currency holdings (Note I)	4,552	3,897
Subscription instalments (Note I)	2,144	387
	331,843	310,259
OTHER ASSETS		
Receivable from currency swaps (Note H)	4,476,938	4,022,880
Notional amounts required to maintain value of currency holdings (Note I)	652,799	621,581
Property, furniture and equipment (net of accumulated depreciation of \$43,195 – 1995 \$34,547 – 1994) (Notes B and G)	180,266	185,411
Unamortized issuance costs of borrowings	83,592	91,439
Administration charge receivable from the Asian Development Fund (Note K)	15,800	19,720
Miscellaneous	63,366	88,968
	5,472,761	5,029,999
<b>TOTALS</b>	<b>\$30,033,356</b>	<b>\$28,085,199</b>

See notes to financial statements (OCR-8).

## LIABILITIES, CAPITAL AND RESERVES

	1995	1994
BORROWINGS (OCR-6) (Note H)	\$ 14,598,850	\$ 13,684,305
ACCRUED INTEREST ON BORROWINGS	356,757	349,898
ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Payable for currency swaps (Note H)	\$ 5,358,182	\$ 4,976,634
Notional amounts required to maintain value of currency holdings (Note I)	334,610	357,691
Payable to Technical Assistance Special Fund (Note J)	118	70,000
Payable to Asian Development Fund	—	40,178
Advance payments on subscriptions (Note I)	667	
Miscellaneous (Note G)	<u>112,539</u>	<u>5,806,116</u>
CAPITAL AND RESERVES (OCR-4)		
Capital Stock (OCR-7) (Notes B and I)		
Authorized		
(SDR34,909,940,000 – 1995)		
SDR34,790,770,000 – 1994)		
Subscribed		
(SDR28,979,560,000 – 1995,	43,077,826	30,151,392
SDR20,653,760,000 – 1994)	<u>39,642,563</u>	<u>27,038,159</u>
Less – "callable" shares subscribed		
"Paid-in" shares subscribed	3,435,263	3,113,233
Less – subscription instalments not due	<u>337,110</u>	<u>129,916</u>
Subscription instalments matured	3,098,153	2,983,317
Less – capital transferred to the		
Asian Development Fund (Note I)	<u>70,771</u>	<u>69,503</u>
	3,027,382	2,913,814
Unrealized investment holding gains (losses)		
(Notes B and D)	26,169	(12,947)
Accumulated translation adjustments (Note B)	306,651	235,186
Ordinary Reserve (Note J)	5,003,274	4,650,255
Special Reserve (Note J)	178,112	177,717
Surplus (Note J)	70,000	—
Net income after appropriation of guarantee fees to Special Reserve (OCR-2) (Note J)	<u>660,045</u>	<u>9,271,633</u>
<b>TOTALS</b>	<b>\$30,033,356</b>	<b>\$28,085,199</b>

**ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES**

**STATEMENT OF INCOME AND EXPENSES**

**For the Years Ended 31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

	1995	1994
<b>INCOME (Note K)</b>		
From loans (Notes B and E)		
Interest	\$1,263,909	\$1,139,155
Commitment charge	47,430	45,487
Other	<u>1,489</u>	<u>2,869</u>
	<u>\$1,312,828</u>	<u>\$1,187,511</u>
From investments (Notes B and D)		
Interest	372,140	308,667
Net gain (loss) on sales	<u>46,538</u>	<u>(12,568)</u>
	<u>418,678</u>	<u>296,099</u>
From other sources – net	<u>13,824</u>	<u>41,700</u>
<b>TOTAL INCOME</b>	<b>\$1,745,330</b>	<b>\$1,525,310</b>
<b>EXPENSES (Note K)</b>		
Interest and other financial expenses	962,641	878,367
Administrative expenses (Notes L and M)	108,303	110,733
Provision for losses (Notes B, E and F)	<u>13,946</u>	<u>22,731</u>
<b>TOTAL EXPENSES</b>	<b><u>1,084,890</u></b>	<b><u>1,011,831</u></b>
<b>NET INCOME</b>	<b>660,440</b>	<b>513,479</b>
<b>APPROPRIATION OF GUARANTEE FEES TO SPECIAL RESERVE (Note J)</b>	<b>(395)</b>	<b>(573)</b>
<b>NET INCOME AFTER APPROPRIATION OF GUARANTEE FEES TO SPECIAL RESERVE</b>	<b>\$ 660,045</b>	<b>\$ 513,106</b>

See notes to financial statements (OCR-8).



## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

## STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1995 and 31 December 1994

Expressed in Thousands of United States Dollars (Note B)

	1995	1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and other charges on loans received	\$ 1,109,918	\$ 991,831
Interest on investments received	315,247	303,241
Interest and other financial expenses paid	(899,599)	(851,343)
Administrative expenses paid	(80,401)	(65,143)
Other - net	(36,478)	1,574
<b>Net Cash Provided by Operating Activities</b>	<b>408,687</b>	<b>380,160</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash withdrawn from (invested in) time deposits and other obligations of banks	364,282	(2,448,819)
Sales of investment securities	8,178,766	10,422,091
Maturities of investment securities	16,498,806	24,070,786
Purchases of investment securities	(25,270,910)	(31,788,127)
Principal collected on loans	1,350,889	1,222,035
Loans disbursed	(2,222,273)	(2,301,711)
Property, furniture and equipment acquired	(2,309)	(15,936)
Sales (Purchases) of equity investments - net	(57,740)	19,034
<b>Net Cash Used for Investing Activities</b>	<b>(1,160,489)</b>	<b>(820,647)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds of new borrowings	2,445,546	1,781,339
Bonds purchased, for redemption and borrowings redeemed	(1,566,370)	(1,347,017)
Matured capital subscriptions collected <sup>1</sup>	21,810	9,809
Demand obligations of members encashed	3,931	1,277
Net currency swaps	(71,391)	(17,484)
Resources transferred to Technical Assistance Special Fund	(145,000)	—
<b>Net Cash Provided by Financing Activities</b>	<b>688,526</b>	<b>427,924</b>
Effect of Exchange Rate Changes on Due from Banks	226	(9,678)
<b>Net Decrease in Due from Banks</b>	<b>(63,050)</b>	<b>(22,241)</b>
Due from Banks at Beginning of the Year	147,464	169,705
Due from Banks at End of the Year	<b>\$ 84,414</b>	<b>\$ 147,464</b>
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net income	\$ 660,440	\$ 513,479
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrued interest and other expenses	17,948	18,207
Accrued income including interest and commitment charges added to loans	(259,803)	(202,334)
Depreciation and amortization	55,531	49,069
Net gain (loss) from sales of investments	(46,538)	12,568
Accrued administrative expenses	3,920	12,009
Provision for losses	13,946	22,731
Other - net	(36,757)	(45,569)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 408,687</b>	<b>\$ 380,160</b>

1. In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to \$25,850 (\$12,503 - 1994) were received from members.

See notes to financial statements (OCR-8).

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### STATEMENT OF CHANGES IN CAPITAL AND RESERVES

**For the Years Ended 31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

	Capital Stock	Unrealized Investment Holding Gains (Losses)	Accumulated Translation Adjustments	Ordinary Reserve	Special Reserve	Surplus	Net Income After Appropriation of Guarantee Fees to Special Reserve	Totals
<b>Balances -</b>								
<b>1 January 1994</b>	<b>\$2,716,047</b>	<b>\$ 40,001</b>	<b>\$ (22,774)</b>	<b>\$4,180,432</b>	<b>\$177,344</b>	<b>\$ -</b>	<b>\$569,450</b>	<b>\$7,660,500</b>
Change in SDR value of paid-in shares subscribed	179,449						179,449	
Additional paid-in shares subscribed during the year	127,451						127,451	
Change in subscription instalments not due	(105,025)						(105,025)	
Change in SDR value of capital transferred to Asian Development Fund	(4,108)						(4,108)	
Change in unrealized investment holding losses (Note D)	(52,948)						(52,948)	
Change in accumulated translation adjustments	257,960						257,960	
Allocation of 1993 net income to ordinary reserve (Note J)				499,450			(499,450)	-
Allocation of 1993 net income to Technical Assistance Special Fund (Note J)							(70,000)	(70,000)
Charge to ordinary reserve for change in SDR value of capital stock (Note J)			(29,627)					(29,627)
Net income for the year 1994				373			513,106	513,479
<b>Balances -</b>								
<b>31 December 1994 (Forward)</b>	<b>\$2,913,814</b>	<b>\$ (12,947)</b>	<b>\$235,186</b>	<b>\$4,650,255</b>	<b>\$177,717</b>	<b>\$ -</b>	<b>\$513,106</b>	<b>\$8,477,131</b>

See notes to financial statements (OCR-8).

	Capital Stock	Unrealized Investment Holding Gains (Losses)	Accumulated Translation Adjustments	Ordinary Reserve	Special Reserve	Surplus	Net Income After Appropriation of Guarantee Fees to Special Reserve	Totals
<b>Balances -</b>								
31 December 1994 (Forward)	\$2,913,814	\$(12,947)	\$235,186	\$4,650,255	\$177,717	\$	\$513,106	\$8,477,131
Change in SDR value of paid-in shares subscribed	65,822							65,822
Additional paid-in shares subscribed during the year	215,237							215,237
Change in subscription instalments not due	(166,223)							(166,223)
Change in SDR value of capital transferred to Asian Development Fund	(1,268)							(1,268)
Change in unrealized investment holding gains (Note D)	39,116							39,116
Change in accumulated translation adjustments	71,465							71,465
Allocation of 1994 net income to ordinary reserve (Note J)	362,106						(362,106)	
Allocation of 1994 net income to Technical Assistance Special Fund (Note J)							(81,000)	(81,000)
Allocation of 1994 net income to surplus (Note J)						70,000	(70,000)	-
Charge to ordinary reserve for change in SDR value of capital stock (Note J)			(9,087)					(9,087)
Net income for the year 1995			395			660,045		660,440
<b>Balances -</b>								
31 December 1995	\$3,027,382	\$26,169	\$306,651	\$5,003,274	\$178,112	\$70,000	\$660,045	\$9,271,633

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF LOANS

**31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors	Loans Outstanding <sup>1</sup>	Undisbursed Balances of Effective Loans <sup>2</sup>	Loans Not Yet Effective	Total Loans	Per Cent of Total Loans
Bangladesh	\$ 734	\$ -	\$ 26,000	\$ 26,734	0.09
China, People's Rep. of	1,946,766	2,038,687	1,258,000	5,243,453	16.69
Fiji	64,450	5,396	-	69,846	0.22
India	2,393,052	2,392,056	432,000	5,217,108	16.60
Indonesia	5,856,896	3,489,926	755,000	10,101,822	32.14
Kazakhstan	63,675	76,325	-	140,000	0.45
Korea, Rep. of	599,580	1,774	-	601,354	1.91
Malaysia	566,047	285,350	94,600	945,997	3.01
Myanmar	2,957	-	-	2,957	0.01
Nepal	2,050	-	8,000	10,050	0.03
Pakistan	2,214,384	553,166	100,000	2,867,550	9.12
Papua New Guinea	148,344	46,546	-	194,890	0.62
Philippines	2,592,803	835,123	531,000	3,958,926	12.60
Thailand	1,078,363	637,876	330,000	2,046,239	6.51
<b>TOTALS - 31 December 1995</b>	<b>17,530,101</b>	<b>10,362,225</b>	<b>3,534,600</b>	<b>31,426,926</b>	<b>100.00</b>
Allowance for possible losses	(38,540)				(38,540)
<b>NET BALANCES - 31 December 1995</b>	<b>\$17,491,561</b>	<b>\$10,362,225</b>	<b>\$3,534,600</b>	<b>\$31,388,386</b>	
Made up of loans to:					
Members and guaranteed by members	\$ 17,131,900	\$ 10,255,081	\$ 3,500,600	\$ 30,887,581	
Private sector (net of allowance for possible losses)	359,661	107,144	34,000	500,805	
Net balances - 31 December 1995	<b>\$ 17,491,561</b>	<b>\$ 10,362,225</b>	<b>\$ 3,534,600</b>	<b>\$ 31,388,386</b>	
<b>TOTALS - 31 December 1994</b>	<b>\$ 16,498,784</b>	<b>\$ 10,004,495</b>	<b>\$ 2,530,821</b>	<b>\$ 29,034,100</b>	
Allowance for possible losses	(33,466)				(33,466)
<b>NET BALANCES - 31 December 1994</b>	<b>\$16,465,318</b>	<b>\$10,004,495</b>	<b>\$2,530,821</b>	<b>\$29,000,634</b>	
Made up of loans to:					
Members and guaranteed by members	\$ 16,120,532	\$ 9,881,880	\$ 2,489,321	\$ 28,491,733	
Private sector (net of allowance for possible losses)	344,786	122,615	41,500	508,901	
Net balances - 31 December 1994	<b>\$ 16,465,318</b>	<b>\$ 10,004,495</b>	<b>\$ 2,530,821</b>	<b>\$ 29,000,634</b>	

1 The interest rates charged on loans outstanding range from 6.05% per annum to 11.00% per annum on loans to governments on with government guarantee and 7.125% per annum to 11.01% per annum for loans to the private sector. Amounts outstanding on loans made under the Pool-Based Variable Interest Rate System and market-based variable interest rate loans totalled \$13,027,293 (\$11,417,437 - 1994). The average yield on loans was 7.10% in 1995 (7.40% - 1994).

2 Of the undisbursed balances, the Bank has made irrevocable commitments to disburse various amounts totalling \$825,061 (\$707,772 - 1994). Certain loans to the private sector are denominated in specific currencies.

See notes to financial statements (OCR-8)



**MATURITY OF EFFECTIVE LOANS**

<b>Twelve Months Ending 31 December</b>	<b>Amounts</b>	<b>Five Years Ending 31 December</b>	<b>Amounts</b>
1996	\$1,059,254	2005	7,576,628
1997	1,183,414	2010	6,681,382
1998	1,334,674	2015	5,430,960
1999	1,399,388	2020	1,756,920
2000	1,469,706		
		<b>Total:</b>	<b>\$27,892,326</b>

**SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING**

<b>Currency</b>	<b>1995</b>	<b>1994</b>	<b>Currency</b>	<b>1995</b>	<b>1994</b>
Australian dollar	\$ 495	\$ 602	Malaysian ringgit	378	37,481
Deutsche mark	196,006	294,471	Netherlands guider	1,862	42,267
French franc	-	61	New Zealand dollar	4,238	6,085
Japanese yen	11,733,073	11,610,406	Swiss franc	2,344,241	2,211,754
			United States dollar	3,249,808	2,295,657
			<b>Totals:</b>	<b>\$17,530,101</b>	<b>\$16,498,784</b>

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### SUMMARY STATEMENT OF BORROWINGS

**31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

B o r r o w i n g s			
	Principal Outstanding <sup>1</sup>		Weighted Average Cost (%)
	1995	1994	1995
Austrian schilling	\$ 99,128	\$ 91,166	8.08
Canadian dollar	183,123	178,215	7.88
Deutsche mark	482,735	587,229	7.16
Hong Kong dollar	193,987	193,848	7.34
Japanese yen	6,495,925	6,427,491	5.45
Korean won	103,466	-	12.33
Netherlands guilder	389,865	377,788	7.67
New Taiwan dollar	95,280	-	6.36
Pound sterling	346,425	349,219	11.01
Swiss franc	1,559,091	1,501,307	6.35
United States dollar	4,687,463	4,010,322	7.51
 Principal amounts outstanding	 14,636,488	 13,716,585	 6.58 <sup>2</sup>
Unamortized discounts and premiums	(37,638)	(32,280)	
 <b>TOTALS</b>	 <b>\$14,598,850</b>	 <b>\$13,684,305</b>	

### MATURITY STRUCTURE OF BORROWINGS OUTSTANDING

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1996	\$ 562,873	2005	8,864,417
1997	827,787	2010	890,201
1998	1,051,287	2015	291,744
1999	893,512	2016	151,746
2000	1,102,921		
		<b>Total</b>	<b>\$14,636,488</b>

<sup>1</sup> includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in US dollar equivalents) are:

Currency	Aggregate Face Amounts		Discounted Values	
	1995	1994	1995	1994
Swiss franc	\$425,033	\$372,856	\$151,746	\$126,469
United States dollar	676,063	676,063	254,676	227,535

<sup>2</sup> The weighted average cost of borrowings outstanding at 31 December 1995 after adjustment for swap activities, was 5.95% (6.10% - 1994).

**Currency Swap Arrangements<sup>3</sup>**

<b>Payable (Receivable)</b>		<b>Weighted Average Cost (Return) %</b>	<b>Net Currency Obligations</b>	
<b>1995</b>	<b>1994</b>	<b>1995</b>	<b>1995</b>	<b>1994</b>
\$ (99,347)	\$ (91,394)	(8.08)	\$ (219)	\$ (228)
(181,596)	(176,580)	(7.88)	1,527	1,635
(278,985)	(258,210)	(7.63)	203,750	329,019
(193,987)	(193,848)	(7.34)	-	-
3,823,424	3,639,531	5.66	10,319,349	10,067,022
(103,466)	-	(12.33)	-	-
(249,089)	(241,833)	(8.17)	140,776	135,955
(95,280)	-	(6.36)	-	-
(193,315)	(194,799)	(10.21)	153,110	154,420
925,134	929,912	6.04	2,397,307	2,354,970
(86,918)	(76,249)	(5.99)	-	-
609,624	407,191	5.69	2,302,132	1,627,546
(2,994,955)	(2,789,967)	(7.52)	-	-

**INTEREST RATE SWAP ARRANGEMENTS**

	<b>Average Rate (%)</b>			
	<b>Notional Amounts</b>	<b>Receive</b>	<b>Pay</b>	<b>Maturing Through</b>
<b>Receive Fixed Swaps:</b>				
Australian dollar <sup>5</sup>	\$ 291,744	6.34	4.89	2001-2005
Deutsche mark <sup>6</sup>	97,248	4.40	3.62	2010
Japanese yen	97,248	5.50	0.08	2004
United States dollar	300,000	6.75	5.77	1999-2004
<b>Receive Floating Swaps:</b>				
Japanese yen	559,175	2.20	4.88	1998-2004
<b>Total</b>	<b>\$1,345,415</b>			

3. At 31 December 1995, the remaining duration of currency swap agreements ranged from one to ten years. Approximately 65% of the currency swap receivables and 63% of the payables are due from 31 December 2000 through 31 December 2005.

4. The interest rate swap information is based on interest rates at 31 December 1995. To the extent that interest rates change, variable interest rate information will change.

5. Consists of a currency coupon swap with interest receivable in Australian dollars and interest payable in Japanese yen.

6. Consists of a currency coupon swap with interest receivable in Deutsche mark and interest payable in Japanese yen.

See notes to financial statements (OCR-8).

# ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

## STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

**31 December 1995**

Expressed in Thousands of United States Dollars (Note B)

MEMBERS	SUBSCRIBED CAPITAL					VOTING POWER	
	Number of Shares	Per Cent of Total	Par Value of Shares			Number of Votes	Per Cent of Total
			Total	Callable	Paid-in		
<b>REGIONAL</b>							
Afghanistan	1,195	0.041	\$ 17,764	\$ 12,085	\$ 5,678	14,132	0.390
Australia	204,740	7.065	3,043,440	2,830,307	213,133	217,677	6.009
Bangladesh	36,128	1.247	537,039	499,431	37,608	49,065	1.354
Bhutan	110	0.004	1,635	1,323	312	13,047	0.360
Cambodia	875	0.030	13,007	8,845	4,162	13,812	0.381
China, People's Rep. of	228,000	7.868	3,389,197	3,151,790	237,407	240,937	6.651
Cook Islands	47	0.002	699	624	74	12,984	0.358
Fiji	1,203	0.042	17,882	15,727	2,155	14,140	0.390
Hong Kong	19,270	0.665	286,447	266,379	20,068	32,207	0.889
India	224,010	7.730	3,329,886	3,096,701	233,186	236,947	6.541
Indonesia	96,350	3.325	1,432,233	1,260,291	171,942	109,287	3.017
Japan	552,210	19.055	8,208,546	7,633,691	574,855	565,147	15.601
Kazakhstan	14,268	0.492	212,092	186,614	25,478	27,205	0.751
Kiribati	71	0.002	1,055	922	134	13,008	0.359
Korea, Rep. of	178,246	6.151	2,649,609	2,464,080	185,529	191,188	5.278
Kyrgyz Republic	5,291	0.183	78,650	69,211	9,439	18,228	0.503
Lao PDR	246	0.008	3,657	2,943	714	13,183	0.364
Malaysia	96,350	3.325	1,432,233	1,331,925	100,308	109,287	3.017
Maldives	142	0.005	2,111	1,962	149	13,079	0.361
Marshall Islands	47	0.002	699	624	74	12,984	0.358
Micronesia, Fed. States of	142	0.005	2,111	1,962	149	13,079	0.361
Mongolia	266	0.009	3,954	3,478	476	13,203	0.364
Myanmar	9,635	0.332	143,223	126,025	17,199	22,572	0.623
Nauru, Rep. of	71	0.002	1,055	922	134	13,008	0.359
Nepal	2,601	0.090	38,664	34,011	4,653	15,538	0.429
New Zealand	27,170	0.938	403,879	355,390	48,489	40,107	1.107
Pakistan	77,080	2.660	1,145,786	1,065,546	80,241	90,017	2.485
Papua New Guinea	1,660	0.057	24,676	21,732	2,943	14,597	0.403
Philippines	42,152	1.455	626,585	551,369	75,216	55,089	1.521
Singapore	12,040	0.415	178,973	166,442	12,531	24,977	0.690
Solomon Islands	118	0.004	1,754	1,546	208	13,055	0.360
Sri Lanka	20,520	0.708	305,028	283,667	21,361	33,457	0.924
Taipei, China	19,270	0.665	286,447	252,064	34,383	32,207	0.889
Thailand	48,174	1.662	716,102	665,948	50,154	61,111	1.687
Tonga	71	0.002	1,055	922	134	13,008	0.359
Tuvalu	25	0.001	372	327	45	12,962	0.358
Uzbekistan	23,834	0.822	354,290	329,481	24,810	36,771	1.015
Vanuatu	118	0.004	1,754	1,546	208	13,055	0.360
Viet Nam	12,076	0.417	179,509	158,921	20,588	25,013	0.691
Western Samoa	58	0.002	862	699	164	12,995	0.359
<b>Total Regional (Forward)</b>	<b>1,955,880</b>	<b>67.492</b>	<b>\$29,073,960</b>	<b>\$26,857,470</b>	<b>\$2,216,490</b>	<b>2,473,360</b>	<b>68.279</b>



MEMBERS	SUBSCRIBED CAPITAL			VOTING POWER			
	Number of Shares	Per Cent of Total	Par Value of Shares		Number of Votes	Per Cent of Total	
			Total	Callable			
<b>Total Regional (Forward)</b>	<b>1,955,880</b>	<b>67.492</b>	<b>\$29,073,960</b>	<b>\$26,857,470</b>	<b>2,216,490</b>	<b>2,473,360</b>	<b>68.279</b>
<b>NON-REGIONAL</b>							
Austria	12,040	0.415	178,973	166,442	12,531	24,977	0.690
Belgium	6,020	0.208	89,487	78,739	10,747	18,957	0.523
Canada	185,086	6.387	2,751,285	2,558,621	192,664	198,023	5.467
Denmark	12,040	0.415	178,973	166,442	12,531	24,977	0.690
Finland	12,040	0.415	178,973	166,442	12,531	24,977	0.690
France	82,356	2.842	1,224,214	1,138,473	85,741	95,293	2.631
Germany	153,068	5.282	2,275,341	2,115,989	159,352	166,005	4.583
Italy	31,975	1.103	475,305	418,239	57,066	44,912	1.240
Netherlands	36,294	1.252	539,507	501,735	37,772	49,231	1.359
Norway	12,040	0.415	178,973	166,442	12,531	24,977	0.690
Spain	6,020	0.208	89,487	78,739	10,747	18,957	0.523
Sweden	12,040	0.415	178,973	166,442	12,531	24,977	0.690
Switzerland	20,650	0.713	306,960	285,451	21,510	33,587	0.927
Turkey	12,040	0.415	178,973	166,442	12,531	24,977	0.690
United Kingdom	72,262	2.494	1,074,167	998,951	75,216	85,199	2.352
United States	276,105	9.528	4,104,273	3,611,502	492,771	289,042	7.979
<b>Total Non-Regional</b>	<b>942,076</b>	<b>32.508</b>	<b>14,003,866</b>	<b>12,785,093</b>	<b>1,218,773</b>	<b>1,149,068</b>	<b>31.721</b>
<b>TOTALS</b>	<b>2,897,956</b>	<b>100.000</b>	<b>\$43,077,826</b>	<b>\$39,642,563</b>	<b>\$3,435,263</b>	<b>3,622,428</b>	<b>100.000</b>

Note: Figures may not add due to rounding.

See notes to financial statements (OCR-8).

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

31 December 1995 and 31 December 1994

#### NOTE A - NATURE OF OPERATIONS AND LIMITATIONS ON LOANS, GUARANTEES AND EQUITY INVESTMENTS

##### *Nature of Operations*

The Asian Development Bank, a development finance institution, was established in 1966 with its Headquarters in Manila, Philippines. The Bank and its operations are governed by the Agreement Establishing the Asian Development Bank (the Charter). Its principal objective is to help accelerate economic and social development of its developing member countries in the Asian and Pacific region by providing financial and technical assistance for projects and programs which will contribute to sustainable economic development and social advancement. As of 31 December 1995, the Bank is owned by 56 member countries, 40 countries from the region and 16 countries from outside the region.

Mobilizing financial resources including cofinancing is an integral part of the Bank's operational activities. In addition, the Bank, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses which include technical assistance for borrowers as well as for regional programs.

The Bank's ordinary operations comprise loans, equity investments and guarantees. It finances its ordinary operations through borrowings, paid-in capital and retained earnings.

##### *Limitations on Loans, Guarantees and Equity Investments*

Article 12, paragraph 1 of the Charter provides that the total amount outstanding of loans, equity investments and guarantees made by the Bank shall not exceed the total of the Bank's unimpaired subscribed capital, reserves and surplus, exclusive of the special reserve. At 31 December 1995, the total of such loans, equity investments and guarantees aggregated approximately 65.0% (82.6% - 1994) of the total subscribed capital, reserves and surplus, as defined.

Article 12, paragraph 3 of the Charter provides that equity investments shall not exceed 10% of the unimpaired actually paid-in capital together with reserves and surplus, exclusive of the special reserve. At 31 December 1995,

such equity investments represented approximately 2.7% (2.0% - 1994) of the paid-in capital, reserves and surplus, as defined.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Functional Currencies and Reporting Currency*

The currencies of members are all functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

##### *Valuation of Capital Stock*

The authorized capital stock of the Bank is defined in Article 4, paragraph 1 of the Charter "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar) and the value of each share is defined as 10,000 1966 dollars. The capital stock had historically been translated into the current United States dollar (the Bank's unit of account) on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the capital stock has been valued for purposes of these financial statements in terms of the Special Drawing Right (SDR) at the value in current United States dollars as computed by the IMF, with each share valued at SDR10,000.

As of 31 December 1995, the value of the SDR in terms of the current United States dollar was \$1.48649 (\$1.45985 - 1994) giving a value for each share of the Bank's capital equivalent to \$14,864.90 (\$14,598.50 - 1994). 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.

## CONTINUED

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 I and J), are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in income.

#### *Investments*

All investment securities held by the Bank are considered by management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES". Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in income from investments and are measured by the difference between average cost or amortized cost and the net proceeds of sales.

#### *Loans*

The Bank's loans are made to or guaranteed by members or their governments, with the exception of loans to the private sector, and have maturities ranging between 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. It is the policy of the Bank to place in non-accrual status all loans for which principal, interest or other charges are overdue by six months. When loans are placed in non-accrual status, the related unpaid interest and other charges are reversed and are deducted from loan interest income and other charges, as appropriate. Interest and other charges on non-accruing loans are included in income only to the extent that payments have actually been received by the Bank. The Bank follows a policy of not taking part in debt rescheduling agreements.

The Bank makes specific provisions for possible losses on impaired loans in which principal or interest is in arrears for one year for loans made to or guaranteed by a member based on consideration by the Board of Directors; and six months for loans to the private sector based on an evalua-

tion by management of the collectibility of loans outstanding. Impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. On the remainder of the private sector portfolio, the Bank makes a general loan loss provision at a rate approved by the Board of Directors.

#### *Equity Investments*

Equity investments are reported at the lower of cost or estimated net realizable value on an individual investment basis. The Bank makes provisions for possible loss of value quarterly based on management's evaluation of potential losses in the equity investments portfolio.

#### *Property, Furniture and Equipment*

Property, furniture and equipment is stated at cost and, except for land, is depreciated over estimated useful lives on the straight-line method. Maintenance, repairs and minor betterments are charged to expense.

#### *Accounting Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the year and the reported amounts of revenues and expenses during the year. The actual results could differ from those estimates.

#### *Statement of Cash Flows*

For the purposes of the statement of cash flows, the Bank considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

#### *Reclassifications*

Certain 1994 amounts have been reclassified to conform to the 1995 presentation.

#### **NOTE C - RESTRICTIONS ON USE OF CURRENCIES AND DEMAND OBLIGATIONS OF MEMBERS**

In accordance with Article 24, paragraph 2(i) of the Charter, the use by the Bank or by any recipient from the Bank

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

**31 December 1995 and 31 December 1994**

of certain currencies may be restricted by members to payments for goods or services produced and intended for use in their territories. With respect to the currencies of 36 (35 – 1994) developing member countries, cash in banks (due from banks) and demand obligations totalling \$63,071,000 (\$62,548,000 – 1994) and \$249,241,000 (\$238,164,000 – 1994), respectively, may be, but are not currently so restricted.

In accordance with Article 24, paragraphs 2(i) and (ii) of the Charter, two members have restricted the use by the Bank or by any recipient from the Bank of their currencies to payments for goods or services produced in their territories. Cash in banks (due from banks), demand obligations and investments totalling \$61,000 (\$15,000 – 1994), \$1,000 (\$972,000 – 1994) and \$3,454,000 (\$2,911,000 – 1994), respectively, have been so restricted.

#### **NOTE D – INVESTMENTS**

The currency compositions of the investment portfolio as of 31 December 1995 and 31 December 1994 were as follows:

Currency	1995	1994
Australian dollar	\$ 475,356,000	\$ 458,392,000
Canadian dollar	597,805,000	550,672,000
Deutsche mark	420,780,000	396,456,000
Italian lira	410,146,000	354,547,000
Japanese yen	405,810,000	205,753,000
Pound sterling	271,743,000	280,318,000
Swiss franc	567,045,000	632,516,000
United States dollar	1,885,684,000	1,926,164,000
Others	1,034,168,000	839,885,000
<b>Totals</b>	<b>\$ 6,068,537,000</b>	<b>\$ 5,644,703,000</b>

The amortized cost and estimated fair value of the investments by contractual maturity at 31 December 1995 and 31 December 1994 were as follows:

<b>1995</b>		
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due in one year or less	\$4,514,821,000	\$4,516,162,000
Due after one year through five years	1,074,074,000	1,089,007,000
Due after five years through ten years	453,473,000	463,368,000
<b>Totals</b>	<b>\$6,042,368,000</b>	<b>\$6,068,537,000</b>

<b>1994</b>		
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due in one year or less	\$4,932,748,000	\$4,930,411,000
Due after one year through five years	677,927,000	668,911,000
Due after five years through ten years	46,975,000	45,381,000
<b>Totals</b>	<b>\$5,657,650,000</b>	<b>\$5,644,703,000</b>

Additional information relating to investments in government and government-guaranteed obligations is as follows:

	1995	1994
<b>As of 31 December</b>		
Amortized cost	\$2,476,506,000	\$1,810,794,000
Estimated fair value	2,502,675,000	1,797,847,000
Gross unrealized gains	27,477,000	1,391,000
Gross unrealized losses	1,308,000	14,338,000
<b>For the years ended</b>		
<b>31 December:</b>		
Change in net unrealized holding gains (losses)	39,116,000	(52,948,000)
Proceeds from sales	8,178,766,000	10,422,091,000
Gross realized gains	57,604,000	26,438,000
Gross realized losses	11,066,000	39,006,000

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

CONTINUED

To reduce credit risk, the Bank is restricted by its Investment Authority to invest in (a) securities which are obligations of limited class of issuers, primarily government or government-guaranteed obligations, multilateral banks and selected commercial banks; and (b) exchange-traded derivatives of such securities. Exposure to interest rate risk may be adjusted within defined bands to reflect changing market circumstances. These adjustments are made through the purchase and sale of both securities and exchange-traded financial futures and options. The use of options has been minimal and there were no outstanding options as at 31 December 1995 (nil - 1994). To increase returns, the Bank may invest in securities denominated in currencies other than the original functional currencies and then enter into covered forward foreign exchange agreements in order to maintain its original mix of functional currency holdings. Accordingly, the financial futures, options and covered forwards are held for risk management rather than trading purposes.

**Futures:** Futures are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities, and changes in the market prices are settled daily. Changes in the market value of open futures contracts are recognized as gains or losses in the period of the change and included in income from investments. Outstanding futures contracts at 31 December 1995 include sales contracts with notional value of \$9,725,000 (\$49,783,000 - 1994) and no purchase contracts (\$40,354,000 - 1994). All contracts expire in 1996.

**Covered forwards:** Covered forwards are agreements in which cash in one currency is converted into a different currency and simultaneously a forward exchange agreement is executed providing for a future exchange of the two currencies in order to recover the currency converted. The Bank records the covered forward as an investment in the underlying currency. A receivable is created for the forward contract of the originating currency and a payable for the underlying instrument to be converted into the originating currency at maturity. Premiums or discounts are deferred and amortized as income from investments over the life of the underlying instrument. No covered forward agreements were outstanding at 31 December 1995 (nil - 1994).

**Short sales:** Short sales are sales of securities not held in the Bank's portfolio at the time of the sale. The Bank must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered. The payable created upon entering into a short sale is stated at the market value of the security subject to the short sale and gains and losses resulting from changes in market value are included in income from investments in the period of the change. Short sales are used by the Bank for adjusting the risk exposure of the investment portfolio and for establishing spread positions to enhance income. As of 31 December 1995, there were no open short sale position (\$34,495,000 - 1994).

#### NOTE E - LOANS AND GUARANTEES

##### Loans

The carrying amounts and estimated fair value of loans outstanding at 31 December 1995 and 31 December 1994 were as follows:

	<b>1995</b>	
	<b>Carrying Amounts</b>	<b>Estimated Fair Value</b>
Loans to the public sector with interest at variable rates	\$12,770,549,000	\$12,770,549,000
Loans to the public sector with interest at fixed rates	4,361,351,000	5,176,048,000
Loans to the private sector	359,661,000	359,661,000
<b>Totals</b>	<b>\$17,491,561,000</b>	<b>\$18,306,258,000</b>
 <b>1994</b>		
	<b>Carrying Amounts</b>	<b>Estimated Fair Value</b>
Loans to the public sector with interest at variable rates	\$11,182,855,000	\$11,182,855,000
Loans to the public sector with interest at fixed rates	4,937,677,000	5,753,613,000
Loans to the private sector	344,786,000	344,786,000
<b>Totals</b>	<b>\$16,465,318,000</b>	<b>\$17,281,254,000</b>

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

31 December 1995 and 31 December 1994

Prior to 1 July 1986, the lending rate of the Bank was based on a multicurrency fixed lending rate system under which loans carried interest rates fixed at the time of loan approval for the entire life of the loans. Effective 1 July 1986, the Bank adopted a multicurrency pool-based variable lending rate system. In addition, in July 1992, the Bank introduced a pool-based variable United States dollar lending system, and in November 1994, a market-based variable lending system was made available to financial intermediaries in the public sector and in the private sector.

For most loans to the private sector, interest is variable.

Undisbursed loan commitments and an analysis of loans by borrowing member countries as of 31 December 1995 and 31 December 1994 are shown in OCR-5.

#### Public Sector Loans

Loans outstanding to or guaranteed by members or their governments with interest rates which vary based on the pool-based variable lending rate system were fair valued using an entry value method. Under this method, fair value was determined based on the terms at which a similar loan would currently be made by the Bank to a similar borrower. For such loans, fair value approximated the carrying amount. For undisbursed balances of effective loans and for loans not yet effective, the contractual amount approximated fair value.

Loans outstanding to or guaranteed by members or their governments with fixed interest rates (principally loans made prior to 1 July 1986) were fair valued using a discounted cash flow method. This method takes into account the scheduled cash flows over the average life, by currency, of the loans, and current funding costs for the average life including a factor for administrative costs. The effect of expected prepayments are also taken into account.

The estimated fair value of loans to or guaranteed by members or their governments was not affected by credit risks based on the Bank's experience with its borrowers.

As of 31 December 1995, there were no public sector loans in non-accrual status (nil - 1994).

#### Private Sector Loans

Loans outstanding to the private sector are not considered material to the loan portfolio and were fair valued at carrying amounts.

Four private sector loans were placed in non-accrual status as of 31 December 1995 (four - 1994). The principal outstanding at that date was \$36,594,000 (\$26,046,000 - 1994) of which \$3,805,000 (\$1,850,000 - 1994) was overdue. Overdue interest and other charges on these loans totalled \$3,611,000 (\$2,750,000 - 1994). Placing these loans in non-accrual status resulted in a reduction of \$1,614,000 (\$3,263,000 - 1994) in income from loans for the year ended 31 December 1995.

#### Loan Loss Provision

The Bank has not suffered any losses on loans made to or guaranteed by members or their governments. No loan loss provisions have been made against loans outstanding guaranteed by members or their governments, but specific and general provisions were made against private sector loans during the year. (See Note K.)

Information appertaining to loans which are subject to specific loan loss provisions as at 31 December 1995 and 31 December 1994 were as follows:

	1995	1994
Total loans without specific loss provisions	\$17,505,572,000	\$16,472,738,000
Total loans subject to specific loss provisions	<u>24,529,000</u>	<u>26,046,000</u>
Total loans	<u>\$17,530,101,000</u>	<u>\$16,498,784,000</u>
Average amount of loans subject to specific loss provisions	\$ 23,233,000	\$ 25,230,000
Related interest income recognized on such loans	\$ 1,170,000	\$ (407,000)
Cash received on related interest income on such loans	\$ 901,000	\$ 856,000



CONTINUED

The changes in the allowance for loan losses during 1995 and 1994 were as follows:

	<b>1995</b>	<b>1994</b>
Balance - 1 January	\$ 33,466,000	\$ 13,242,000
Recovery during the year	(1,058,000)	
Addition during the year	6,132,000	20,224,000
Balance - 31 December	<u>\$ 38,540,000</u>	<u>\$ 33,466,000</u>
Made up of:		
Specific loan loss provision	\$ 8,646,000	\$ 12,334,000
General loan loss provision	29,894,000	21,132,000
Totals	<u>\$ 38,540,000</u>	<u>\$ 33,466,000</u>

#### Guarantees

The Bank extends guarantees for the benefit of its members which are not reflected in the financial statements. Such guarantees include partial credit guarantees where only certain principal and/or interest payments are covered. Such guaranteed payments are generally due 10 or more years from the loan inception date. As of 31 December 1995, guarantees outstanding amounted to \$258,305,000 (\$145,112,000 - 1994). The present value of the contingent future payment obligations of all outstanding guarantees as of 31 December 1995 of \$83,697,000 (\$55,400,000 - 1994) is used to calculate the Bank's lending limitation. None of this amount was subject to call as of that date. The Bank estimates that the fair value of guarantees outstanding at 31 December 1995 and 31 December 1994 is immaterial as no guarantees are expected to be called.

#### NOTE F - EQUITY INVESTMENTS

The Bank's equity investments are made in private enterprises located in developing member countries and at 31 December 1995, included an investment of \$35,521,000 (\$35,454,000 - 1994) in Asian Finance and Investment Corporation Ltd.

Undisbursed equity investment commitments were \$85,650,000 at 31 December 1995 (\$46,906,000 - 1994). Equity investments' fair value approximates the carrying value.

#### NOTE G - PROPERTY, FURNITURE AND EQUIPMENT

In 1991, under the terms of an agreement with the Government of the Republic of the Philippines (Government), the Bank returned the former headquarters premises which had been provided by the Government. In accordance with the agreement as supplemented by a memorandum of understanding, the Bank was compensated \$22,657,000 for the return of these premises. The compensation is in lieu of being provided premises under the agreement and accordingly is deferred and amortized over the estimated life of the new headquarters building as a reduction of occupancy expense. The amortization for the year ended 31 December 1995, amounted to \$566,000 (\$566,000 - 1994) reducing depreciation expense for the new headquarters building from \$4,684,000 (\$5,878,000 - 1994) to \$4,118,000 (\$5,312,000 - 1994). At 31 December 1995, the unamortized deferred compensation balance (included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES - Miscellaneous") was \$19,872,000 (\$20,439,000 - 1994).

#### NOTE H - BORROWINGS AND SWAPS

The Bank uses derivative financial instruments in connection with its borrowing activities to diversify its funding sources across public and private debt markets, currencies and instruments. Currency swaps are used to convert a currency borrowed under advantageous terms into one of the Bank's major operational currencies, taking advantage of the opportunities offered in different financial markets. Such currency swaps enable the Bank to raise operationally needed currencies in a cost-efficient way and to maintain its borrowing presence in the major capital markets. Interest rate swaps are used generally to reduce balance sheet interest rate mismatches arising from lending operations.

The Bank issues structured debt which includes embedded currency and/or interest rate derivatives in order to decrease its cost of borrowing. However, the Bank enters into simultaneous currency and/or interest rate swaps to fully hedge against the effects of such embedded derivatives.

The Bank has a potential risk of loss if the swap counterparty fails to perform its obligations (See Note O). In order to reduce such credit risk, the Bank only enters

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

**31 December 1995 and 31 December 1994**

into long-term swap transactions with counterparties eligible under the Bank's swap guidelines. The Bank does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

**Interest rate swaps:** Under a typical interest rate swap agreement used by the Bank, one party agrees to make periodic payments based on a notional principal amount and an interest rate that is fixed at the outset of the agreement. The counterparty agrees to make floating rate payments based on the same notional principal amount. Amounts receivable or payable under the terms of the swap are accrued over the period to which the payment relates and the related cost or income is included in interest and other financial expenses. The terms of the Bank's interest rate swap agreements specifically match the terms of particular borrowings.

**Currency swaps:** Under a typical currency swap agreement, one party agrees to make periodic payments in one currency while the counterparty agrees to make periodic payments in another currency. The payments may be fixed at the outset of the agreement or vary based on interest rates. A receivable is created for the periodic payments to be received and a payable is created for the payments to be made. Swap premiums and discounts are deferred and amortized into interest and other financial expenses over the life of the underlying instruments. The terms of the Bank's currency swap agreements specifically match the terms of particular borrowings.

The fair value of borrowings outstanding is estimated using prevailing market prices where available, or estimated replacement values where market prices were not available.

Outstanding currency and interest rate swap agreements are fair valued at the estimated amount that the Bank would receive or pay to terminate the agreements based upon market quotes from dealers.

As of 31 December 1995 and 31 December 1994, the carrying amounts and estimated fair values of borrowings and swaps were as follows:

1995		
	Carrying Amounts	Estimated Fair Value
Balance sheet financial instruments:		
Borrowings	\$ 14,598,850,000	\$ 15,832,603,000
Currency swap receivables	4,476,938,000	4,730,779,000
Currency swap payables	5,358,182,000	5,951,218,000
	Notional Amount	Unrealized Gain (Loss)
Off-balance sheet financial instruments:		
Interest rate swaps	\$ 1,345,415,000	\$ 34,320,000
1994		
	Carrying Amounts	Estimated Fair Value
Balance sheet financial instruments:		
Borrowings	\$13,684,305,000	\$13,670,846,000
Currency swap receivables	4,022,880,000	3,958,531,000
Currency swap payables	4,976,634,000	5,294,370,000
	Notional Amount	Unrealized Gain (Loss)
Off-balance sheet financial instruments:		
Interest rate swaps	\$ 1,127,153,000	\$ (56,184,000)

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**NOTE I - CAPITAL STOCK, CAPITAL TRANSFERRED TO ASIAN DEVELOPMENT FUND AND MAINTENANCE OF VALUE OF CURRENCY HOLDINGS**

*Capital Stock*

The authorized capital stock of the Bank consists of 3,490,994 shares (3,479,077 – 1994), of which 2,897,956 shares (2,065,376 – 1994) have been subscribed by members. Of the subscribed shares, 2,666,857 (1,852,119 – 1994) are "callable" and 231,099 (213,257 – 1994) 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 of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. The "paid-in" share capital has been paid or is payable in instalments, partly in convertible currencies and partly in the currency of the subscribing member which may be convertible. In accordance with Article 6, paragraph 3 of the Charter, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations. The settlement of such amounts is not determinable and, accordingly, it is not practicable to fair value these receivables.

As of 31 December 1995, all matured instalments amounting to \$3,098,154,000 (\$2,983,317,000 – 1994) were received except for \$2,144,000 (\$387,000 – 1994). Instalments not due aggregating \$337,110,000 (\$129,916,000 – 1994) are receivable as follows:

**31 December**

	<b>1995</b>	<b>1994</b>
1995	\$ –	\$29,184,000
1996	79,635,000	29,184,000
1997	79,594,000	29,173,000
1998	69,908,000	20,601,000
1999	63,260,000	20,601,000
2000	35,038,000	1,173,000
2001	9,675,000	

Payments in respect of capital subscription instalments in advance of due dates are shown in the balance sheet under the caption "ACCOUNTS PAYABLE AND

OTHER LIABILITIES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

*Capital Transferred to Asian Development Fund*

Pursuant to the provisions of Article 19, paragraph 1(i) of the Charter, the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973 to be used as a part of the Special Funds of the Bank. The resources so set aside, amounting to \$70,771,000 as of 31 December 1995 (\$69,503,000 – 1994) expressed in terms of the SDR on the basis of \$1.48649 (\$1.45985 – 1994) per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar – see Note B), were allocated and transferred to the Asian Development Fund.

*Maintenance of Value of Currency Holdings*

Prior to 1 April 1978, the effective date of the Second Amendment to the IMF Articles, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of the Charter and relevant resolutions of the Board of Directors. The "Amounts required to maintain value of currency holdings" under "RECEIVABLE FROM MEMBERS" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of the Bank's holdings of certain member currencies. The settlement of such amounts is not determinable and, accordingly, it is not practicable to fair value these receivables.

Since 1 April 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain and, accordingly, it is not practicable to fair value such receivables and payables. The

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

31 December 1995 and 31 December 1994

notional amounts as of 31 December 1995 consisting of receivables of \$652,799,000 (\$621,581,000 - 1994) and payables of \$334,610,000 (\$357,691,000 - 1994) consist of (a) the increase of \$531,633,000 (\$475,317,000 - 1994) 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 1995 and (b) the net increase of \$213,444,000 (\$211,427,000 - 1994) in the value of such currency holdings in relation to the United States dollar during the same period.

#### NOTE J - ORDINARY RESERVE AND NET INCOME, SPECIAL RESERVE AND SURPLUS

##### Ordinary Reserve and Net Income

Under the provisions of Article 40 of the Charter, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. During 1995 and 1994, net income after appropriation of guarantee fees to Special Reserve for the years ended 31 December 1995 and 31 December 1994, respectively, were allocated to the Ordinary Reserve, except for \$81,000,000 and \$70,000,000 (\$70,000,000 and nil - 1994), which was allocated to the Technical Assistance Special Fund and Surplus, respectively.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Note B) resulted in a net charge of \$9,087,000 to the Ordinary Reserve during the year ended 31 December 1995 (\$29,627,000 - 1994). That charge is the increase 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.

##### Special Reserve

The Special Reserve represents commissions on loans and guarantee fees on guarantees set aside pursuant to Article 17 of the Charter. Special Reserve assets consist princi-

pally of government and government-guaranteed obligations and are included under the heading "INVESTMENTS". For the year ended 31 December 1995, guarantee fees amounting to \$395,000 (\$373,000 - 1994) were appropriated to Special Reserve. The commission charged on loans was discontinued in 1986.

##### Surplus

During 1995, the Board of Governors allocated \$70,000,000 (nil - 1994) out of 1994 net income after appropriation of guarantee fees to the Special Reserve. Surplus represents funds for future use to be determined by the Board of Governors.

#### NOTE K - INCOME AND EXPENSES

Total income from loans for the year ended 31 December 1995 was \$1,312,828,000 (\$1,187,511,000 - 1994). The average yield on the loan portfolio during the year was 7.10% (7.71% - 1994).

Total income from investments for the year ended 31 December 1995 was \$418,678,000 (\$296,099,000 - 1994). The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 6.86% (4.87% - 1994). If unrealized gains and losses were included, the annualized rate of return would have been 7.49% (4.02% - 1994).

Total interest expense incurred for the year ended 31 December 1995 amounted to \$940,222,000 (\$860,299,000 - 1994).

Other financial expenses consist of amortization of borrowings issuance costs and other expenses of \$18,178,000 (\$18,068,000 - 1994) and charges which represent the difference between reacquisition price and net carrying amount of borrowings extinguished prior to maturity of \$4,241,000 (nil - 1994).

Administrative expenses (other than those appertaining directly to ordinary operations and special operations) for the year ended 31 December 1995 were apportioned between ordinary capital resources and the Asian Development Fund according to the number of loans and equity investments approved during the year. Of the total administrative expenses of \$191,158,000 (\$186,218,000 -

CONTINUED

1994), \$82,855,000 (\$75,485,000 - 1994) was accordingly charged to the Asian Development Fund.

From October 1994 to 18 January 1995, the Bank offered special benefits to eligible staff who elected to resign from the Bank before their normal retirement date. Administrative expenses for 1995 include the \$6,430,000 (\$2,550,000 - 1994) cost of benefits for staff members who applied for such early retirement.

In 1994, administrative expenses also include the \$6,340,000 cumulative effect of changing from the pay-as-you-go method to an accrual method for certain postemployment benefits provided to staff members.

For the year ended 31 December 1995, the provision for losses totalled \$13,946,000 (\$5,074,000 for private sector loans and \$8,872,000 for equity investments). For the year ended 31 December 1994, the provision for losses totalled \$22,731,000 (\$20,224,000 for private sector loans and \$2,507,000 for equity investments).

#### NOTE L - STAFF RETIREMENT PLAN

The Bank has a contributory defined benefit Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of service, provided that as of such a date, the employee shall not have reached the normal retirement date at age 60. The Plan applies also to members of the Board of Directors who elect to join the Plan. Retirement benefits are based on length of service and highest average remuneration during two years of eligible service. The Plan assets are segregated and held in trust and are not included in the accompanying balance sheet. The costs of administering the Plan are absorbed by the Bank, except for fees paid to the investment managers and related charges, including custodian fees, which are borne by the Plan.

Participants are required to contribute 9 1/3% of their remuneration to the Plan and may also make voluntary contributions. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions.

Net periodic pension cost for the years ended 31 December 1995 and 31 December 1994, which have been included in administrative expenses for the respective

years, consisted of the following components:

	<b>1995</b>	<b>1994</b>
Service costs-benefits earned for the year	\$ 16,270,000	\$ 15,746,000
Interest cost on projected benefit obligation	29,216,000	23,245,000
Return on Plan assets	(73,392,000)	(2,831,000)
Net amortization and deferral	<u>44,041,000</u>	<u>(19,846,000)</u>
Net periodic pension cost	<u>\$ 16,135,000</u>	<u>\$ 16,314,000</u>

The following table sets forth the Plan's funded status at 31 December 1995 and 31 December 1994.

	<b>1995</b>	<b>1994</b>
Actuarial present value of pension benefit obligations		
Accumulated benefit obligation including vested benefits of \$318,001,000 (\$292,466,000 - 1994)	<u>\$320,634,000</u>	<u>\$295,184,000</u>
Projected benefit obligation	\$379,819,000	\$352,870,000
Fair value of Plan assets principally marketable securities	<u>436,568,000</u>	<u>361,950,000</u>
Plan assets over projected benefit obligation	56,749,000	9,080,000
Unrecognized net asset at transition, net of amortization	(8,847,000)	(9,952,000)
Unrecognized prior service cost	6,044,000	6,367,000
Unrecognized net gain	<u>(70,408,000)</u>	<u>(18,921,000)</u>
Accrued pension cost	<u>\$ (16,462,000)</u>	<u>\$ (12,026,000)</u>

The discount rate used in determining the actuarial present value of the projected benefit obligation was 7% (8% - 1994). The effect of projected compensation levels was calculated based on a scale that provides for a decreasing rate of salary increase depending on age, beginning with 13% (14% - 1994) at age 21 and decreasing to 4.50% (5.50% - 1994) at age 59. The expected long-term rate of return on assets was 8% (8% - 1994).

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

**31 December 1995 and 31 December 1994**

#### **NOTE M – POSTRETIREE MEDICAL BENEFITS PLAN**

In 1993, the Bank adopted a cost-sharing plan for retirees medical insurance premiums. Under the plan, the Bank is obligated to pay 80% of the Group Medical Insurance Plan premiums for retirees, including retired members of the Board of Directors, and their eligible dependents who elected to participate. The cost-sharing plan is currently unfunded.

Generally accepted accounting principles require an actuarially determined assessment of the periodic cost of postretirement medical benefits. Net periodic postretirement medical benefit cost for the years ended 31 December 1995 and 31 December 1994, which have been included in administrative expenses for the respective years, consisted of the following components:

	<b>1995</b>	<b>1994</b>
Service costs – benefits earned for the year	\$3,050,000	\$3,581,000
Interest cost on accumulated postretirement medical benefit obligation	2,580,000	2,680,000
Net amortization and deferral	<u>1,742,000</u>	<u>2,409,000</u>
Net periodic postretirement benefit cost	<u>\$7,372,000</u>	<u>\$8,670,000</u>

The following table sets forth the plan's status at 31 December 1995 and 31 December 1994.

	<b>1995</b>	<b>1994</b>
Accumulated postretirement medical benefit obligation:		
Retirees	\$ 7,231,000	\$ 7,026,000
In-service participants	<u>22,537,000</u>	<u>22,359,000</u>
Totals	<u>29,768,000</u>	<u>29,385,000</u>
Fair value of plan assets	—	—
Accumulated obligation in excess of plan assets	(29,768,000)	(29,385,000)
Unrecognized net obligation at transition, net of amortization	22,160,000	24,569,000
Unrecognized net gain	<u>(15,115,000)</u>	<u>(11,031,000)</u>
Accrued postretirement benefit cost	<u>\$(22,723,000)</u>	<u>\$(15,847,000)</u>

The accumulated postretirement medical benefit obligation was determined using medical cost trend rate of 7% (8% - 1994). Increasing the medical cost trend rate by 1% would increase the accumulated postretirement medical benefit obligation as of 31 December 1995 by \$2,789,000 (\$3,135,000 - 1994) and the net periodic postretirement benefit cost by \$557,000 (\$631,000 - 1994) for the year then ended. The weighted average discount rate used in determining the accumulated postretirement medical benefit obligation was 7% (8% - 1994).

#### **NOTE N – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts and estimated fair values of the Bank's significant financial instruments as of 31 December 1995 and 31 December 1994 are summarized as follows:

	<b>1995</b>	
	<b>Carrying Amounts</b>	<b>Estimated Fair Value</b>
<b>On-balance sheet financial instruments:</b>		
<b>ASSETS:</b>		
Investments (Note D)	\$ 6,042,368,000	\$ 6,068,537,000
Loans outstanding (Note E)	17,491,561,000	18,306,258,000
Equity investments	163,783,000	163,783,000
Other assets		
Currency swap receivables (Note H)	4,476,938,000	4,730,779,000
<b>LIABILITIES:</b>		
Borrowings (Note H)	14,598,850,000	15,832,603,000
Other liabilities		
Currency swap payables (Note H)	5,358,182,000	5,951,218,000
Short sales (Note D)	—	—
<b>Notional/Contract Amount      Unrealized Gain (Loss)</b>		
<b>Off-balance sheet financial instruments:</b>		
Investments (Note D)	\$ —	\$ —
Futures – Purchase Sell	9,725,000	—
Borrowings (Note H)		
Interest rate swaps	1,345,415,000	34,320,000
Guarantees (Note E)	258,305,000	—

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<b>1994</b>		
	<b>Carrying Amounts</b>	<b>Estimated Fair Value</b>
<b>On-balance sheet financial instruments:</b>		
<b>ASSETS:</b>		
Investments (Note D)	\$ 5,657,650,000	\$ 5,644,703,000
Loans outstanding (Note E)	16,465,318,000	17,281,254,000
Equity investments	119,042,000	119,042,000
Other assets		
Currency swap receivables (Note H)	4,022,880,000	3,958,531,000
<b>LIABILITIES:</b>		
Borrowings (Note H)	13,684,305,000	13,670,846,000
Other liabilities		
Currency swap payables (Note H)	4,976,634,000	5,294,370,000
Short sales (Note D)	34,495,000	34,495,000

	<b>Notional/Contract Amount</b>	<b>Unrealized Gain (Loss)</b>	<b>1995</b>	<b>1994</b>
<b>Off-balance sheet financial instruments:</b>				
Investments (Note D)				
Futures – Purchase	\$ 40,354,000	\$ 28,000	\$ 28,078,000	\$ 3,318,000
Sell	49,783,000	8,000	52,177,000	13,189,000
Borrowings (Note H)				
Interest rate swaps	1,127,153,000	(56,184,000)	Guarantees (Note E)	83,697,000
Guarantees (Note E)	145,112,000	–		55,400,000

Additional fair value information, including methods used to estimate certain values, is included in the notes referenced in the above table.

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

#### NOTE O – OFF-BALANCE SHEET CREDIT RISK

The Bank is a party to off-balance sheet financial instruments. These financial instruments involve elements of credit risk in excess of amounts reflected on the balance sheet. Credit risk represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contract.

#### Credit risk at 31 December:

Currency swaps	\$ 28,078,000	\$ 3,318,000
Interest rate swaps	52,177,000	13,189,000
Guarantees (Note E)	83,697,000	55,400,000

#### NOTE P – SPECIAL AND TRUST FUNDS

The Bank's operations include special operations, which are financed from special funds resources, consisting of the Asian Development Fund, the Technical Assistance Special Fund and the Japan Special Fund.

In addition, the Bank, alone or jointly with donors, administers on behalf of the donors, including members of the Bank, their agencies and other development institutions, projects/programs supplementing the Bank's operations. Such projects/programs are funded with external funds administered by the Bank and with external funds not under the Bank's administration. The funds are restricted for specific uses including technical assistance to borrowers and technical assistance for regional programs. The responsibilities of the Bank under these arrangements range from project processing to project implementation including the facilitation of procurement of goods and services.

Special funds and funds administered by the Bank on behalf of the donors are not included in the assets of

## ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

**31 December 1995 and 31 December 1994**

ordinary capital resources. The breakdown of the total of such funds together with the funds of the special operations as of 31 December 1995 and 31 December 1994 was as follows:

		1995		1994	
		Total Net Assets	No. of Funds	Total Net Assets	No. of Funds
Special Funds				Special Funds	
Asian Development Fund	\$20,379,747,000	1		Asian Development Fund	\$19,521,101,000
Technical Assistance Special Fund	180,127,000	1		Technical Assistance Special Fund	128,139,000
Japan Special Fund	359,244,000	1		Japan Special Fund	332,234,000
Sub-totals	<u>20,919,118,000</u>	<u>3</u>		Sub-totals	<u>19,981,474,000</u>
Trust Funds				Trust Funds	
Funds administered by the Bank	29,887,000	16		Funds administered by the Bank	29,550,000
Funds not administered by the Bank	26,766,000	1		Funds not administered by the Bank	30,771,000
Sub-totals	<u>56,653,000</u>	<u>17</u>		Sub-totals	<u>60,321,000</u>
Totals	<u><u>\$20,975,771,000</u></u>	<u><u>20</u></u>		Totals	<u><u>\$20,041,795,000</u></u>

During the year ended 31 December 1995, a total of \$814,000 (\$409,000 - 1994) was received as compensation for administering projects/programs under Trust Funds. The amount has been included in "Income from Other Sources".

# Deloitte & Touche LLP



San Francisco, California

## 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 1995 and 31 December 1994
- ADF-2 Statement of Operations and Accumulated Surplus for the Years Ended  
31 December 1995 and 31 December 1994
- ADF-3 Statement of Cash Flows for the Years Ended  
31 December 1995 and 31 December 1994
- ADF-4 Summary Statement of Loans, 31 December 1995 and  
31 December 1994
- ADF-5 Statement of Resources, 31 December 1995
- ADF-6 Notes to Financial Statements, 31 December 1995 and  
31 December 1994

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 1995 and 31 December 1994 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Deloitte + Touche LLP*

21 February 1996





## ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

## BALANCE SHEET

31 December 1995 and 31 December 1994

Expressed in Thousands of United States Dollars (Note B)

ASSETS	1995	1994
DUE FROM BANKS (Note B)	\$ 4,546	\$ 18,341
INVESTMENTS (Notes B and C)		
Government and government-guaranteed obligations	\$ 71,154	\$ 152,041
Time deposits and other obligations of banks	346,683	417,837
LOANS OUTSTANDING (ADF-4) (Notes B and D)	12,309,768	11,356,790
Less - allowance for possible losses	1,936	12,307,832
ACCRUED REVENUE		
On investments	8,350	7,263
On loans	32,868	41,218
NOTES OF CONTRIBUTORS (Notes B and E)		
Non-negotiable, non-interest-bearing notes	7,627,022	7,503,585
RECEivable FROM CONTRIBUTORS (ADF-5) (Note B)	-	22,458
RECEivable FROM ORDINARY CAPITAL RESOURCES	-	40,178
OTHER ASSETS	1,715	711
<b>TOTALS</b>	<b>\$20,400,170</b>	<b>\$19,591,731</b>
<b>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</b>		
PAYABLE TO ORDINARY CAPITAL RESOURCES (Note F)	\$ 15,800	\$ 19,720
PAYABLE TO TECHNICAL ASSISTANCE SPECIAL FUND (Note A)	1,408	40,759
OTHER LIABILITIES	3,215	10,151
<b>UNEXPENDED BALANCES AND CAPITAL</b>		
Amounts available for loan commitments (ADF-5)		
Contributed Resources (Note B)	\$19,039,459	\$18,394,187
Set-Aside Resources (Note G)	70,771	69,503
Transfers from Technical Assistance Special Fund	1,342	1,270
	19,111,572	18,464,960
Advance payments on contributions (ADF-5)	213,166	76,284
Unrealized investment holding gains (losses) (Notes B and C)	879	(2,869)
Accumulated translation adjustments (Note B)	106,359	113,218
Accumulated surplus (ADF-2)	947,771	20,379,747
<b>TOTALS</b>	<b>\$20,400,170</b>	<b>\$19,591,731</b>

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 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

	<b>1995</b>	<b>1994</b>
<b>REVENUE</b>		
From loans (Notes B and D)	\$125,399	\$107,075
From investments (Notes B and C)		
Interest	\$34,805	\$29,855
Net gain (loss) on sales	889	(230)
From other sources - net	496	\$ 161,589
		29,625
		581
		\$ 137,281
<b>EXPENSES</b>		
Administrative expenses (Note F)	82,863	75,519
Provision for losses (Notes B and D)	463	824
	83,326	76,343
<b>EXCESS OF REVENUE OVER EXPENSES - NET INCOME</b>	78,263	60,938
<b>ACCUMULATED SURPLUS AT BEGINNING OF THE YEAR</b>	869,508	808,570
<b>ACCUMULATED SURPLUS AT END OF THE YEAR</b>	<b>\$947,771</b>	<b>\$869,508</b>

See notes to financial statements (ADF-6).

## ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

## STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1995 and 31 December 1994

Expressed in Thousands of United States Dollars (Note B)

	1995	1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Service charges on loans received	\$ 102,727	\$ 86,692
Interest on investments received	33,956	28,032
Revenue received from other activities	496	581
Administrative expenses paid	<u>(86,783)</u>	<u>(87,528)</u>
Net Cash Provided by Operating Activities	<u>50,396</u>	<u>27,777</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash withdrawn from (invested in) time deposits and other obligations of banks	140,087	(151,255)
Sales of investment securities	550,138	821,000
Maturities of investment securities	3,585,103	7,447,434
Purchases of investment securities	<u>(4,061,290)</u>	<u>(7,967,371)</u>
Principal collected on loans	122,537	105,067
Loans disbursed	<u>(1,124,610)</u>	<u>(1,167,833)</u>
Net Cash Used for Investing Activities	<u>(788,035)</u>	<u>(912,958)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Demand obligations of contributors encashed	681,054	921,097
Contributions received	3,515	750
Cash received from (paid to) Ordinary Capital Resources and others - net	36,975	(27,370)
Net Cash Provided by Financing Activities	<u>721,544</u>	<u>894,477</u>
Effect of Exchange Rate Changes on Due from Banks	2,300	(1,109)
Net Increase (Decrease) in Due from Banks	<u>(13,795)</u>	<u>8,187</u>
Due from Banks at Beginning of the Year	18,341	10,154
Due from Banks at End of the Year	<u>\$ 4,546</u>	<u>\$ 18,341</u>
<b>RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES - NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Excess of revenue over expenses - net income	\$ 78,263	\$ 60,938
Adjustments to reconcile excess of revenue over expenses - net income to net cash provided by operating activities:		
Accrued revenue on investments and loans	(4,543)	(4,292)
Accrued administrative expenses	(3,920)	(12,009)
Charges capitalized	(18,978)	(17,914)
Provision for losses	463	824
Other - net	<u>(889)</u>	<u>230</u>
Net Cash Provided by Operating Activities	<u>\$ 50,396</u>	<u>\$ 27,777</u>

1. In addition, non-negotiable, non-interest-bearing demand promissory notes amounting to \$814,353 (\$1,254,452 - 1994) were received from contributing members.

See notes to financial statements (ADF-6).

**ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND**  
**SUMMARY STATEMENT OF LOANS**

**31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

Borrowers/Guarantors <sup>1</sup>	Loans Outstanding <sup>2</sup>	Undisbursed Balances of Effective Loans <sup>3</sup>	Loans Not Yet Effective <sup>3</sup>	Total Loans	Per Cent of Total Loans
Afghanistan	\$ 33,233	\$ -	\$ -	\$ 33,233	0.18
Bangladesh	3,709,472	1,092,680	151,521	4,953,673	26.68
Bhutan	33,053	10,649	7,149	50,851	0.27
Cambodia	53,076	44,288	43,535	140,899	0.76
Cook Islands	13,623	3,337	2,939	19,899	0.11
Indonesia	688,051	178,322	25,759	892,132	4.80
Kazakhstan	-	20,026	-	20,026	0.11
Kiribati	3,966	-	-	3,966	0.02
Kyrgyz Republic	32,436	6,245	39,784	78,465	0.42
Lao PDR	303,100	201,230	79,679	584,009	3.15
Maldives	26,418	11,523	-	37,941	0.20
Marshall Islands	5,098	18,136	9,011	32,245	0.17
Micronesia, Fed. States of	344	6,541	-	6,885	0.04
Mongolia	111,151	147,512	-	258,663	1.39
Myanmar	535,470	48,537	-	584,007	3.15
Nepal	846,559	258,264	38,127	1,142,950	6.16
Pakistan	3,257,125	1,761,423	381,258	5,399,806	29.09
Papua New Guinea	289,343	67,134	-	356,477	1.92
Philippines	777,833	312,291	40,543	1,130,667	6.09
Solomon Islands	38,837	-	-	38,837	0.21
Sri Lanka	1,274,179	492,360	140,299	1,906,838	10.27
Thailand	77,200	-	-	77,200	0.42
Tonga	25,506	14,892	3,618	44,016	0.24
Vanuatu	17,337	3,782	-	21,119	0.11
Viet Nam	71,657	395,397	194,830	661,884	3.56
Western Samoa	85,701	3,035	-	88,736	0.48
<b>BALANCES - 31 December 1995</b>	<b>12,309,768</b>	<b>5,097,604</b>	<b>1,158,052</b>	<b>18,565,424</b>	<b>100.00</b>
Allowance for possible losses	(1,936)	-	-	(1,936)	-
<b>NET BALANCES - 31 December 1995</b>	<b>\$12,307,832</b>	<b>\$5,097,604</b>	<b>\$1,158,052</b>	<b>\$18,563,488</b>	
<b>BALANCES - 31 December 1994</b>	<b>\$ 11,356,790</b>	<b>\$ 5,168,566</b>	<b>\$ 821,874</b>	<b>\$ 17,347,230</b>	
Allowance for possible losses	(1,473)	-	-	(1,473)	-
<b>NET BALANCES - 31 December 1994</b>	<b>\$11,355,317</b>	<b>\$5,168,566</b>	<b>\$ 821,874</b>	<b>\$17,345,757</b>	

1. Loans other than those made directly to a member or to its central bank have been guaranteed by the member with the exception of loans to the private sector amounting to \$17,533 (\$17,680 - 1994).

2. Loans are generally levied a service charge on amounts disbursed and outstanding at the rate of 1% per annum.

## Maturity of Effective Loans

Twelve Months Ending 31 December		Five Years Ending 31 December	
	Amounts		Amounts
1996	\$185,475	2005	2,091,674
1997	194,649	2010	2,803,380
1998	218,971	2015	3,505,329
1999	256,848	2020	3,492,814
2000	296,652	2025	2,761,692
		2030	1,268,018
		2035	331,870
		Total	\$17,407,372

## Summary of Currencies Receivable on Loans Outstanding

Currency	1995	1994	Currency	1995	1994
Australian dollar	\$339,162	\$340,892	Japanese yen	6,958,333	6,724,913
Austrian schilling	103,349	81,572	Netherlands guilder	327,229	268,851
Belgian franc	86,342	72,804	New Zealand dollar	26,994	26,684
Canadian dollar	734,414	532,607	Norwegian krone	78,849	54,891
Danish krone	82,928	64,764	Pound sterling	314,614	295,413
Deutsche mark	787,836	692,434	Spanish peseta	43,689	38,191
Finnish markka	64,764	48,103	Swedish krona	73,931	57,144
French franc	384,245	313,551	Swiss franc	173,443	131,142
Italian lira	171,652	154,390	United States dollar	1,557,994	1,458,444
			Totals	\$12,309,768	\$11,356,790

3. Loans negotiated before 1 January 1983 were denominated in current United States dollars. Loans negotiated after that date are denominated in Special Drawing Rights (SDR) for the purpose of commitment. The undisbursed portions of such SDR loans are translated into United States dollars at the applicable exchange rates as of the end of a reporting period. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse various amounts totalling \$96,937 (\$65,500 - 1994).

See notes to financial statements (ADF-6).

## ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

## STATEMENT OF RESOURCES

31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	Amounts Committed During 1995	Effective Amounts Committed <sup>1</sup> At Exchange Rates Per Resolutions	At 31 Dec. 1995 Exchange Rates	Amounts Not Yet Available for Loan Commitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
<b>CONTRIBUTED RESOURCES</b>							
Australia	\$ -	\$ 964,302	\$ 824,621	\$ -	\$ 824,621	\$ 824,621	\$ -
Austria	-	121,216	174,812	15,314	159,498	159,498	-
Belgium	-	119,116	155,736	12,848	142,888	142,888	-
Canada	-	1,154,360	1,029,341	101,928	927,413	927,413	-
Denmark	-	130,199	162,642	-	162,642	162,642	-
Finland	-	82,734	86,575	-	86,575	86,575	-
France	-	691,755	831,782	90,309	741,473	741,473	-
Germany	-	955,427	1,368,059	113,694	1,254,365	1,254,365	-
Hong Kong	-	4,880	4,880	-	4,880	4,880	-
Indonesia	-	4,960	4,960	-	4,960	4,960	-
Italy	-	419,850	326,291	-	326,291	326,291	-
Japan	-	5,422,521	10,549,428	-	10,549,428	10,549,428	-
Korea, Rep. of	-	22,900	22,900	-	22,900	22,900	-
Nauru, Rep. of	-	1,933	1,933	785	1,148	1,148	-
Netherlands	-	347,887	497,679	-	497,679	497,679	-
New Zealand	-	47,923	43,302	-	43,302	43,302	-
Norway	-	114,158	110,870	-	110,870	110,870	-
Spain	-	90,013	95,426	10,662	84,764	84,764	-
Sweden	-	210,254	185,594	-	185,594	185,594	-
Switzerland	-	179,200	281,286	24,398	256,888	256,888	-
Taipei, China	-	18,500	16,500	-	16,500	16,500	-
Turkey	-	84,266	84,266	18,307	65,959	65,959	-
United Kingdom	-	622,877	533,429	52,519	480,910	480,910	-
United States	-	2,524,928	2,524,928	437,017	2,087,911	2,087,911	-
<b>Totals</b>		<b>14,334,159</b>	<b>19,917,240</b>	<b>877,781</b>	<b>19,039,459</b>	<b>19,039,459<sup>2</sup></b>	
<b>SET-ASIDE RESOURCES</b>							
(Note G)	-	-	70,771	-	70,771	70,771	-
<b>TRANSFERS FROM TECHNICAL ASSISTANCE SPECIAL FUND<sup>3</sup></b>							
	-	-	1,342	-	1,342	1,342	-
<b>TOTALS</b>	<b>\$ -</b>	<b>\$14,334,159</b>	<b>\$19,989,353</b>	<b>\$877,781</b>	<b>\$19,111,572</b>	<b>\$19,111,572</b>	<b>\$ -</b>

1. Includes initial mobilization of ADF resources, transfer from Multi-Purpose Special Fund and five replenishments of the Asian Development Fund.

2. Excludes \$213,166 equivalent representing advance payments received but not yet available for loan commitments as of 31 December 1995.

3. Includes translation adjustments of \$86 as of 31 December 1995.

See notes to financial statements (ADF-6).

## ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 1995 and 31 December 1994**

CONTINUED

#### **NOTE A - NATURE OF OPERATIONS**

The Asian Development Fund (the Fund) was established on 28 June 1974 to carry out more effectively the special operations of the Bank by providing resources on concessional terms which are made available almost exclusively to the poorest borrowing countries.

The resources of the Fund have been subsequently augmented by five replenishments, the most recent of which was in August 1992 in a total amount equivalent to US\$4,200,000,000 to cover the operational requirements for the four years ending 31 December 1995. An aggregate amount equivalent to \$140,000,000 was 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, amounts available for loan commitments and advance payments on contributions are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Revenue and expense amounts are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Translation adjustments relating to set-aside resources (see Note G) are recorded as notional amounts receivable from or payable to Ordinary Capital Resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in revenue.

##### *Investments*

All investment securities held by the Bank are considered by management to be available for sale and are reported at estimated fair value, with unrealized gains and losses excluded from revenue and reported in "UNEXPENDED BALANCES AND CAPITAL". Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). Realized gains and losses are included in revenue from investments and are measured by the difference between average cost or 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. It is the policy of the Fund to place in non-accrual status all loans made to eligible developing member countries if the principal or service charges with respect to any such loan are overdue by six months. When loans are placed in non-accrual status, the related unpaid service charges are reversed and are deducted from revenue. Service charges on non-accruing loans are included in revenue only to the extent that payments have actually been received by the Fund. The Bank follows a policy of not taking part in debt rescheduling agreements.

The Bank makes specific provisions for possible losses on impaired loans in which principal or service charges are in arrears for one year for loans made to or guaranteed by a member based on consideration by the Board of Directors; and six months for loans to the private sector based on an evaluation by management of the collectibility of loans outstanding. Impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. On the remainder of the private sector portfolio, the Bank makes a general loan loss provision at a rate approved by the Board of Directors.

## ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 1995 and 31 December 1994**

<i>Contributed Resources</i>	<i>Currency</i>	<b>1995</b>	<b>1994</b>
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.	Australian dollar	\$ 47,437,000	\$ 40,206,000
Contributions are generally paid or to be paid in the currency of the contributor either in cash or notes.	Canadian dollar	18,866,000	25,797,000
	Deutsche mark	48,464,000	41,261,000
	Italian lira	12,993,000	17,673,000
	Japanese yen	104,114,000	213,836,000
	Netherlands guilder	8,137,000	11,613,000
	Pound sterling	65,401,000	58,150,000
	United States dollar	89,997,000	106,451,000
	Others	22,428,000	99,056,000
	<b>Totals</b>	<b>\$417,837,000</b>	<b>\$614,043,000</b>

#### *Accounting Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

#### *Statement of Cash Flows*

For the purposes of the statement of cash flows, the Fund considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

#### *Reclassifications*

Certain 1994 amounts have been reclassified to conform to the 1995 presentation.

#### **NOTE C - INVESTMENTS**

The currency compositions of the investment portfolio as of 31 December 1995 and 31 December 1994 were as follows:

The amortized cost and estimated fair value of the investments by contractual maturity at 31 December 1995 and 31 December 1994 were as follows:

	<b>1995</b>	
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due in one year or less	\$366,659,000	\$366,706,000
Due after one year through five years	50,299,000	51,131,000
<b>Totals</b>	<b>\$416,958,000</b>	<b>\$417,837,000</b>

	<b>1994</b>	
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due in one year or less	\$544,532,000	\$544,757,000
Due after one year through five years	72,380,000	69,286,000
<b>Totals</b>	<b>\$616,912,000</b>	<b>\$614,043,000</b>

CONTINUED

Additional information relating to investments in government and government-guaranteed obligations, is as follows:

	1995	1994
<b>As of 31 December:</b>		
Amortized cost	\$ 70,275,000	\$154,910,000
Estimated fair value	71,154,000	152,041,000
Gross unrealized gains	889,000	298,000
Gross unrealized losses	10,000	3,167,000
<b>For the years ended:</b>		
<b>31 December:</b>		
Change in net unrealized holding gains (losses)	3,748,000	(7,187,000)
Proceeds from sales	550,138,000	821,000,000
Gross gains	935,000	967,000
Gross losses	46,000	1,197,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 5.71% (4.44% - 1994). If unrealized gains and losses were included, the annualized rate of return would have been 6.32% (3.37% - 1994).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

#### NOTE D - LOANS AND LOAN LOSS PROVISION

##### Loans

Loans are fair valued using an entry value method. Under this method, fair value is determined based on the terms at which a similar loan would currently be made by the Bank to a similar borrower. Such terms generally include a service charge of 1 percent and a final maturity of about 40 years. For such loans, fair value approximates the carrying amount. The estimated fair value of loans is not affected by credit risks because the amount of any such adjustment is not considered to have a material effect based on the Bank's experience with its borrowers.

Undisbursed loan commitments and an analysis of loans by countries as of 31 December 1995 and 31 December 1994 are shown in ADF-4.

The principal amount outstanding of loans placed in non-accrual status as of 31 December 1995 was \$33,800,000 (\$33,903,000 - 1994) of which \$6,173,000 (\$5,079,000 - 1994) was overdue. Overdue charges on these loans totalled \$1,458,000 (\$1,115,000 - 1994). Placing these loans in a non-accrual status resulted in a reduction of \$396,000 (\$364,000 - 1994) in revenue from loans for the year ended 31 December 1995. The loans in non-accrual status as of 31 December 1995 were loans made to Afghanistan and Solomon Islands. (Only Afghanistan loans were placed under non-accrual status as of 31 December 1994.)

Private sector loans outstanding as of 31 December 1995 were \$15,597,000 (\$16,207,000 - 1994), net of accumulated provision for loan losses as of 31 December 1995 of \$1,936,000 (\$1,473,000 - 1994), and there was no undisbursed loan commitments (nil - 1994).

##### Loan Loss Provision

To date, the Fund has not suffered any loan losses. As of 31 December 1995, no loan loss provisions have been made against public sector loans, and \$1,936,000 (\$1,473,000 - 1994) have been made against private sector loans.

Information appertaining to loans which are subject to specific loan loss provisions as at 31 December 1995 and 31 December 1994 were as follows:

	1995	1994
Total loans without specific loss provisions	\$12,303,098,000	\$11,349,913,000
Total loans subject to specific loss provisions	6,670,000	6,877,000
<b>Total loans</b>	<b>\$12,309,768,000</b>	<b>\$11,356,790,000</b>

## ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 1995 and 31 December 1994**

	<b>1995</b>	<b>1994</b>
Average amount of loans subject to specific loss provisions	\$7,383,000	\$6,333,000
Related service charges recognized on such loans	\$ 73,000	\$ 67,000
Cash received on related service charges on such loans	\$ 69,000	\$ 67,000

The changes in the allowance for loan losses during 1995 and 1994 were as follows:

	<b>1995</b>	<b>1994</b>
Balance - 1 January	\$1,473,000	\$ 649,000
Addition during the year	<u>463,000</u>	<u>824,000</u>
Balance - 31 December	<u>\$1,936,000</u>	<u>\$1,473,000</u>
Made up of:		
Specific loan loss provision	\$1,067,000	\$ 825,000
General loan loss provision	<u>869,000</u>	<u>648,000</u>
Totals	<u>\$1,936,000</u>	<u>\$1,473,000</u>

### NOTE E - NOTES OF CONTRIBUTORS

Notes of contributors are non-negotiable, non-interest-bearing and, subject to certain restrictions imposed by applicable Board of Governors' resolutions, encashable by the Bank at par upon demand.

The Bank currently expects that the notes outstanding at 31 December 1995 will be encashed in varying amounts over the eight-year period ending 31 December 2003.

Notes of contributors are fair-valued using an entry value method, whereby fair value is determined based on the terms at which notes are currently being accepted from contributors. On this basis, fair value of outstanding notes of contributors approximates carrying amount.

### NOTE F - ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include an administration charge amounting to \$82,855,000 (\$75,485,000 - 1994). 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 G - SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i) of the Articles of Agreement Establishing the Asian Development Bank (the Charter), the Board of Governors has authorized the setting aside of 10% of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) of the Charter and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) of the Charter as of 28 April 1973, to be used as a part of the Special Funds of the Bank. The capital so set aside was allocated and transferred from the Ordinary Capital Resources to the Fund as Set-Aside Resources.

The capital stock of the Bank is defined in Article 4, paragraph 1 of the Charter, "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. Pending the Bank's selection of the appropriate successor to the 1966 dollar, the Set-Aside Resources has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1995, the value of the SDR in terms of the current United States dollar was \$1.48649 (\$1.45985 - 1994). On this basis, Set-Aside Resources amounted to \$70,771,000 (\$69,503,000 - 1994). If the capital stock of the Bank as

of 31 December 1995 had been valued in terms of \$12,063.50 per share, Sei-Aside Resources would have been \$57,434,000.

#### **NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's balance sheet carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B, D and E for discussions with respect to investments, loans and notes of contributors, respectively.

# Deloitte & Touche LLP



San Francisco, California

## 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 1995 and 31 December 1994

TASF-2 Statement of Operations and Changes in Net Assets for the Years Ended  
31 December 1995 and 31 December 1994

TASF-3 Statement of Cash Flows for the Years Ended  
31 December 1995 and 31 December 1994

TASF-4 Statement of Resources, 31 December 1995

TASF-5 Summary Statement of Services to Member Countries  
for the Year Ended 31 December 1995

TASF-6 Notes to Financial Statements, 31 December 1995 and  
31 December 1994

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 1995 and 31 December 1994 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note B to the financial statements, in 1995, TASF changed its method of accounting and reporting for certain investments in securities and for contributions made and, retroactively, restated the 1994 financial statements for the changes.

21 February 1996

## ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

## BALANCE SHEET

31 December 1995 and 31 December 1994

Expressed in Thousands of United States Dollars (Note B)

ASSETS	1995	1994
DUE FROM BANKS (Note B)	\$ 1,495	\$ 4,896
INVESTMENTS (Notes B and C)		
Government and government-guaranteed obligations	\$ 17,259	\$
Time deposits and other obligations of banks	<u>247,103</u>	<u>264,362</u>
ACCRUED REVENUE	2,394	209
RECEIVABLE FROM CONTRIBUTORS	-	73
RECEIVABLE FROM ORDINARY CAPITAL RESOURCES (Note D)	118	70,000
RECEIVABLE FROM ASIAN DEVELOPMENT FUND (Note D)	1,408	40,759
OTHER ASSETS	12,625	11,416
<b>TOTALS</b>	<b>\$282,402</b>	<b>\$225,426</b>
<b>LIABILITIES AND UNCOMMITTED BALANCES</b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ 844	\$ 3,900
UNDISBURSED COMMITMENTS (Notes B and E)	101,431	93,387
UNCOMMITTED BALANCES (TASF-2 and TASF-4), represented by:		
Unrestricted net assets	\$177,401	\$125,689
Temporarily restricted net assets	335	247
Permanently restricted net assets	<u>2,391</u>	<u>2,203</u>
<b>TOTALS</b>	<b>\$282,402</b>	<b>\$225,426</b>

See notes to financial statements (TASF-6).

**ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND****STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS****For the Years Ended 31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

	1995	1994
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (TASF-4) (Notes B and D)	\$ 81,000	\$ 94,221
REVENUE		
From investments (Notes B and C)		
Interest	\$ 7,242	\$ 2,163
Unrealized investment holding gains	694	-
Net loss on sales	(3)	(3)
	7,933	2,160
From other sources - net (Note E)	265	677
	<u>8,198</u>	<u>2,837</u>
Totals	<u>89,198</u>	<u>97,058</u>
EXPENSES		
Services to member countries (TASF-5) (Note B)	47,904	29,686
Administrative expenses	2	2
	<u>47,906</u>	<u>29,688</u>
Totals	<u>41,292</u>	<u>67,370</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	<u>10,420</u>	<u>14,537</u>
EXCHANGE GAINS - net (Note B)	<u>51,712</u>	<u>81,907</u>
INCREASE IN UNRESTRICTED NET ASSETS		
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
CONTRIBUTIONS (TASF-4) (Notes B and D)	72	62
EXCHANGE GAINS - net (Note B)	16	28
	<u>88</u>	<u>90</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS		
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
CONTRIBUTIONS (TASF-4) (Notes B and D)	-	-
EXCHANGE GAINS - net (Note B)	188	235
	<u>188</u>	<u>235</u>
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS		
INCREASE IN NET ASSETS	51,988	82,232
NET ASSETS AT BEGINNING OF THE YEAR	128,139	45,907
NET ASSETS AT END OF THE YEAR	<u>\$180,127</u>	<u>\$128,139</u>

See notes to financial statements (TASF-6).

**ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND**  
**STATEMENT OF CASH FLOWS**

**For the Years Ended 31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

	<b>1995</b>	<b>1994</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 188,383	\$ 48,415
Interest on investments received	5,184	2,108
Cash received from other activities	245	721
Services to member countries paid	(41,344)	(39,598)
Administrative expenses paid	(2)	(2)
Net Cash Provided by Operating Activities	<u>152,466</u>	<u>11,644</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash invested in time deposits and other obligations of banks	(131,129)	(19,636)
Sales of investment securities	22,703	34,506
Maturities of investment securities	39,152	184,152
Purchases of investment securities	(85,575)	(209,036)
Net Cash Used for Investing Activities	<u>(154,849)</u>	<u>(10,014)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from (paid to) Ordinary Capital Resources and others – net	(1,161)	544
Effect of Exchange Rate Changes on Due from Banks	143	(176)
Net Increase (Decrease) in Due from Banks	(3,401)	1,998
Due from Banks at Beginning of the Year	4,896	2,898
Due from Banks at End of the Year	<u>\$ 1,495</u>	<u>\$ 4,896</u>
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 51,988	\$ 82,232
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions receivable	107,311	(45,868)
Undisbursed commitments	8,043	(10,773)
Translation adjustments	(10,644)	(14,756)
Unrealized investment holding gains	(694)	—
Advances for services to member countries	(1,483)	861
Other – net	(2,055)	(52)
Net Cash Provided by Operating Activities	<u>\$ 152,466</u>	<u>\$ 11,644</u>

See notes to financial statements (TASF-6).



## ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

## STATEMENT OF RESOURCES

31 December 1995

Expressed in Thousands of United States Dollars (Note B)

	Contributions Received During 1995	Cumulative Contributions Received	Contributions Utilized During 1995	Cumulative Contributions Utilized	Contributions Unutilized
<b>DIRECT VOLUNTARY CONTRIBUTIONS</b>					
Australia	\$ -	\$ 2,484	\$ -	\$ 2,484	\$ -
Austria	-	161	-	150	11
Bangladesh	-	47	-	47	-
Belgium	-	1,404	-	1,326	78
Canada	-	3,346	-	3,346	-
China, People's Rep. of	-	600	-	600	-
Denmark	-	1,963	-	1,963	-
Finland	-	237	-	237	-
France	-	1,697	-	1,697	-
Germany	-	3,315	-	3,315	-
Hong Kong	-	100	-	100	-
India	-	2,403	-	2,292	111
Indonesia	-	250	-	250	-
Italy	-	774	-	774	-
Japan	-	47,710	-	47,710	-
Korea, Rep. of	-	1,900	-	1,900	-
Malaysia	-	909	-	909	-
Netherlands	-	1,337	-	1,337	-
New Zealand	-	1,096	-	1,096	-
Norway	72	3,279	-	3,279	-
Pakistan	-	1,125	-	990	135
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	-
<b>Totals</b>	<b>72</b>	<b>85,646</b>	<b>-</b>	<b>85,311</b>	<b>335</b>
<b>REGULARIZED TASF REPLENISHMENTS AND ALLOCATION FROM ORDINARY CAPITAL RESOURCES NET INCOME (Note D)</b>					
	81,000	498,083	38,878	341,883	156,200
<b>TRANSFERS TO ASIAN DEVELOPMENT FUND</b>					
	-	(1,256)	-	(1,256)	-
<b>OTHER RESOURCES<sup>1</sup></b>					
	-	39,900	2	17,002	22,898
<b>UNREALIZED INVESTMENT HOLDING GAINS</b>					
	-	694	-	-	694
<b>TOTALS</b>	<b>\$81,072</b>	<b>\$623,067</b>	<b>\$38,880<sup>2</sup></b>	<b>\$442,940</b>	<b>\$180,127</b>

<sup>1</sup> Other resources represent income and reimbursements accruing to the TASF since 1 April 1980.<sup>2</sup> Includes exchange gain amounting to \$9,026.

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 1995

Expressed in Thousands of United States Dollars (Note B)

Recipients	Project Preparation	Project Implementation/ Advisory	Totals
Bangladesh	\$ -	\$ 1,103	\$ 1,103
Bhutan	(41)	941	900
Cambodia	(18)	4,785	4,767
China, People's Rep. of	(112)	4,003	3,891
Cook Islands	-	550	550
Fiji	-	1,030	1,030
India	(27)	692	665
Indonesia	49	2,580	2,629
Kazakhstan	-	3,268	3,268
Kiribati	-	320	320
Kyrgyz Republic	-	600	600
Lao PDR	(30)	2,077	2,047
Malaysia	74	828	902
Maldives	-	300	300
Marshall Islands	(35)	1,298	1,263
Micronesia, Fed. States of	13	478	491
Mongolia	100	1,310	1,410
Nepal	119	53	172
Pakistan	190	1,369	1,559
Papua New Guinea	-	370	370
Philippines	97	2,255	2,352
Solomon Islands	-	430	430
Sri Lanka	-	152	152
Thailand	182	840	1,022
Tonga	-	(87)	(87)
Tuvalu	-	64	64
Vanuatu	-	(22)	(22)
Viet Nam	-	1,890	1,890
Western Samoa	100	(24)	76
<b>Totals</b>	<b>\$ 661</b>	<b>\$33,453</b>	<b>34,114</b>
<b>Regional Activities</b>			<b>13,790</b>
<b>TOTAL</b>			<b>\$47,904</b>

See notes to financial statements (TASF-6).

## **ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**31 December 1995 and 31 December 1994**

#### **NOTE A - NATURE OF OPERATIONS**

The Technical Assistance Special Fund (TASF) was established to provide technical assistance on a grant basis to the Bank's developing member countries and for regional technical assistance. TASF resources consist of direct voluntary contributions by members, allocations from the net income of Ordinary Capital Resources (OCR) and Asian Development Fund (ADF) contributions, and revenue from investments and other sources.

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### *Presentation of the Financial Statements and Reclassification of Certain Information*

During 1995, the Bank adopted new accounting standards relating to accounting by not-for-profit organizations and contributions received and made. The presentation of the financial statements of the TASF has been revised to classify net assets and the related changes in net assets as temporarily restricted, permanently restricted and unrestricted. To conform with the new presentation, certain reclassifications of the prior year's information have also been made.

##### *Investments*

The Bank retroactively adopted a new accounting standard for its investments in debt and equity securities held by TASF. All investment securities held by TASF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). The effect of the change on prior year net assets is not material.

##### *Contributions*

Contributions from member countries are included in the financial statements from the date contribution agreements become effective. Contributions from donors which are restricted by them to technical assistance projects/programs with specified procurement sources are classi-

fied as temporarily restricted contributions. Contributions from donors with stipulations that they be utilized only on a reimbursable basis are classified as permanently restricted assets. Those without any stipulations as to specific use are accounted for as unrestricted contributions.

##### *Services to Member Countries*

Prior to 1995, services to member countries, which represent technical assistance expenses, were accrued as the services were provided. With the introduction of a new accounting standard which the Bank adopted retroactively, services to member countries are now recognised in the financial statements of TASF when the technical assistance projects/programs are approved and effective. Upon completion of the technical assistance projects/programs, any undisbursed amounts are written back as a reduction in the services to member countries for the year and the corresponding undisbursed commitments are reduced. As a result of the change, the increase in net assets for the year ended 31 December 1995 decreased by \$6,055,000 (\$13,384,000 increase - 1994).

##### *Reporting Currency*

The financial statements of TASF are expressed in thousands of current United States dollars. As a matter of convenience, the United States dollar, the reporting currency, is used to measure exchange gains and losses.

##### *Translation of Currencies*

Assets, liabilities, and uncommitted balances in currencies other than United States dollars are translated at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated initially at applicable exchange rates as of the respective dates when the contributions become effective. As to cumulative contributions received, the utilized portions are translated at the applicable exchange rates as of the respective dates of use whereas the unutilized portions are translated at the applicable exchange rates as of the end of a reporting period. Revenue and expense amounts in currencies other than United States dollars are translated for each semi-monthly period generally at the applicable rates of exchange at the beginning of each period; such practice approximates the appli-

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cation 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.

#### *Accounting Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

#### *Statement of Cash Flows*

For the purposes of the statement of cash flows, the TASF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

### **NOTE C - INVESTMENTS**

The currency compositions of the investment portfolio as of 31 December 1995 and 31 December 1994 were as follows:

Currency	1995	1994
Australian dollar	\$ 5,423,000	\$ 1,385,000
Canadian dollar	83,519,000	-
Deutsche mark	7,626,000	4,554,000
French franc	4,495,000	2,319,000
Japanese yen	65,118,000	78,689,000
Netherlands guilder	3,605,000	2,644,000
Pound sterling	43,000	1,070,000
Swedish krona	1,828,000	1,094,000
Swiss franc	81,695,000	933,000
United States dollar	5,578,000	1,983,000
Others	5,432,000	3,402,000
Totals	<u>\$264,362,000</u>	<u>\$98,073,000</u>

At 31 December 1995 and 31 December 1994, the estimated fair value of investments approximates the amortized cost. All such investments are due in one year or less.

Proceeds from sales of investments in government and government-guaranteed obligations during the year ended 31 December 1995 were \$22,703,000 (\$34,506,000 - 1994). Gross gains and gross losses of \$6,000 and \$10,000 (\$2,000 and \$4,000 - 1994), respectively, were realized on such sales.

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 3.70% (2.60% - 1994). If unrealized gains and losses were included, the annualized rate of return would have been 4.05% (2.68% - 1994).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

### **NOTE D - FUNDING**

Since 1967, voluntary direct contributions have been made by 31 member countries. In February 1992, the Board of Governors, in authorizing a \$4,200,000,000 replenishment of the ADF, provided for an allocation to the TASF in an aggregate amount equivalent to \$140,000,000 to be used for technical assistance to poorer developing members and for regional technical assistance. This replenishment became effective in August 1992.

The Board of Governors allocated \$81,000,000 and \$70,000,000 to TASF from the 1994 and 1993 net income of the OCR in 1995 and 1994, respectively.

Some of the contributions received were conditional upon procurement sources, while some were given on condition that the technical assistance be made on reimbursable basis.

## ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 1995 and 31 December 1994**

The total contributions received for the years ended 31 December 1995 and 31 December 1994 were as follows:

	<b>1995</b>	<b>1994</b>
Unrestricted contributions	\$81,000,000	\$94,221,000
Temporarily restricted contributions	72,000	62,000
Total contributions	<u>\$81,072,000</u>	<u>\$94,283,000</u>

### NOTE E - UNDISBURSED COMMITMENTS

Undisbursed commitments represent effective ongoing grant-financed technical assistance projects and programs which are not yet disbursed as of the end of the year. The fair value of such commitments approximates the amounts undisbursed because the Bank expects that grants will be made for all projects and programs covered by the commitments. When technical assistance provided as a project preparatory grant leads to a Bank loan, the amount of the grant exceeding \$250,000 will be refinanced under the loan. Refinanced amounts of \$87,000 (\$425,000 - 1994) were charged to loans and credited to revenue from other sources of the TASF during the year ended 31 December 1995.

### NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's balance sheet carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments and undisbursed commitments, respectively.



# Deloitte & Touche LLP



San Francisco, California

## 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 1995 and 31 December 1994

JSF-2 Statement of Operations and Changes in Net Assets for the Years Ended  
31 December 1995 and 31 December 1994

JSF-3 Statement of Cash Flows for the Years Ended  
31 December 1995 and 31 December 1994

JSF-4 Notes to Financial Statements, 31 December 1995 and  
31 December 1994

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Asian Development Bank - Japan Special Fund at 31 December 1995 and 31 December 1994 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note B to the financial statements, in 1995, JSF changed its method of accounting and reporting for certain investments in securities and for contributions made, and, retroactively, restated the 1994 financial statements for the changes.

21 February 1996

*Deloitte + Touche LLP*

## ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

## BALANCE SHEET

31 December 1995 and 31 December 1994

Expressed in Thousands of United States Dollars (Note B)

ASSETS	1995		1994	
DUE FROM BANKS (Note B)	\$	180	\$	182
INVESTMENTS (Notes B and C)				
Government and government-guaranteed obligations	\$	97	\$	20,477
Time deposits		449,961		383,776
EQUITY INVESTMENTS (Notes B and D)		1,117		1,252
Less - allowance for possible losses		391		1,252
ACCRUED REVENUE		263		443
OTHER ASSETS		3,693		9,832
<b>TOTALS</b>		<b>\$454,920</b>		<b>\$414,710</b>
<b>LIABILITIES AND UNCOMMITTED BALANCES</b>				
PAYABLE TO ORDINARY CAPITAL RESOURCES	\$	218	\$	312
ACCOUNTS PAYABLE AND OTHER LIABILITIES		42		543
UNDISBURSED COMMITMENTS (Notes B and E)		95,416		81,621
UNCOMMITTED BALANCES (JSF-2), represented by:				
Unrestricted net assets	\$	286,899	\$	274,815
Temporarily restricted net assets		72,345		57,419
<b>TOTALS</b>		<b>\$454,920</b>		<b>\$414,710</b>

See notes to financial statements (JSF-4).



**ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**For the Years Ended 31 December 1995 and 31 December 1994**

Expressed in Thousands of United States Dollars (Note B)

	<b>1995</b>	<b>1994</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (Notes B and F)	\$ 79,646	\$ 77,079
REVENUE		
From investments (Notes B and C)		
Interest	\$ 6,357	\$ 7,255
Unrealized investment holding gains (losses)	(4)	16
Net gain on sales	-	19
	<u>6,353</u>	<u>7,290</u>
From other sources – net	1	2
	<u>6,354</u>	<u>7,292</u>
NET ASSETS RELEASED FROM RESTRICTIONS	8,946	16,796
Totals	<u>94,946</u>	<u>101,167</u>
EXPENSES		
Services to member countries (Note B)	74,925	54,700
Administrative expenses	1,076	969
Provision for losses charged (written back) (Notes B and D)	(767)	1,202
	<u>75,234</u>	<u>56,871</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	19,712	44,296
EXCHANGE GAINS (LOSSES) (Note B)	<u>(138)</u>	<u>209</u>
INCREASE IN UNRESTRICTED NET ASSETS		
BEFORE TRANSLATION ADJUSTMENTS	19,574	44,505
TRANSLATION ADJUSTMENTS	<u>(7,490)</u>	<u>30,208</u>
INCREASE IN UNRESTRICTED NET ASSETS		
AFTER TRANSLATION ADJUSTMENTS	<u>12,084</u>	<u>74,713</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (Notes B and F)	25,322	23,001
NET ASSETS RELEASED FROM RESTRICTIONS	<u>(8,946)</u>	<u>(16,796)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS		
BEFORE TRANSLATION ADJUSTMENTS	16,376	6,205
TRANSLATION ADJUSTMENTS	<u>(1,450)</u>	<u>5,499</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS		
AFTER TRANSLATION ADJUSTMENTS	<u>14,926</u>	<u>11,704</u>
INCREASE IN NET ASSETS	27,010	86,417
NET ASSETS AT BEGINNING OF THE YEAR	332,234	245,817
<b>NET ASSETS AT END OF THE YEAR</b>	<b>\$359,244</b>	<b>\$332,234</b>

See notes to financial statements (JSF-4).

## ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

## STATEMENT OF CASH FLOWS

For the Years Ended 31 December 1995 and 31 December 1994

Expressed in Thousands of United States Dollars (Note B)

	1995	1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 104,968	\$ 99,777
Interest on investments received	6,690	6,847
Services to member countries paid	(55,596)	(42,803)
Administrative expenses paid	(1,072)	(1,083)
Net Cash Provided by Operating Activities	<u>54,990</u>	<u>62,738</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash invested in time deposits	(21,243)	(340,675)
Sales of investment securities	105,892	206,253
Maturities of investment securities	526,220	1,014,361
Purchases of investment securities	(665,771)	(942,698)
Net Cash Used for Investing Activities	<u>(54,902)</u>	<u>(62,759)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid to Ordinary Capital	(103)	(223)
Resources and others - net		
Effect of Exchange Rate Changes on Due from Banks	13	32
Net Decrease in Due From Banks	(2)	(212)
Due from Banks at Beginning of the Year	182	394
Due from Banks at End of the Year	<u>\$ 180</u>	<u>\$ 182</u>
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 27,010	\$ 86,417
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized investment holding (gains) losses	4	(16)
Translation adjustments	8,940	(35,707)
Provision for losses charged (written back)	(767)	1,202
Undisbursed commitments	16,366	13,448
Contribution receivable	-	(303)
Other assets - advances	6,131	(2,268)
Accounts payable and other liabilities	(3,164)	603
Other - net	470	(638)
Net Cash Provided by Operating Activities	<u>\$ 54,990</u>	<u>\$ 62,738</u>

See notes to financial statements (JSF-4).

## ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

31 December 1995 and 31 December 1994

CONTINUED

#### NOTE A - NATURE OF OPERATIONS

The Japan Special Fund (JSF) was established in March 1988 when Japan and the Bank entered into a financial arrangement whereby Japan agreed to make an initial contribution and the Bank became the administrator. The purpose of JSF is to help developing member countries of the Bank restructure their economies and broaden the scope of opportunities for new investments, thereby assisting the recycling of funds to developing member countries of the Bank. While the JSF resources are used mainly to finance technical assistance operations, these resources may also be used for equity investment operations in the Bank's developing member countries. The Bank may invest the proceeds of JSF pending disbursement and use the revenue from such investments to pay for direct and identifiable costs incurred in the administration of JSF.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Presentation of the Financial Statements and Reclassification of Certain Information*

During 1995, the Bank adopted new accounting standards relating to accounting by not-for-profit organizations and contributions received and made. The presentation of the financial statements of the JSF has been revised to classify net assets and the related changes in net assets as temporarily restricted and unrestricted. To conform with the new presentation, certain reclassifications of the prior year's information have been made.

##### *Investments*

The Bank retroactively adopted a new accounting standard for its investments in debt and equity securities held by JSF. All investment securities held by JSF are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Cost or amortized cost is used to approximate fair value for certain short-term investments not traded in the market (time deposits, etc.). The effect of the change on prior year net assets is not material.

##### *Contributions*

Contributions by Japan are included in the financial statements from the date indicated by the government of Japan that funds are expected to be made available. Contributions which are restricted by the donor for specific technical assistance projects/programs are classified as temporarily restricted contributions. Those without any stipulation as to specific use are accounted for as unrestricted contributions and reported as such.

##### *Services to Member Countries*

Prior to 1995, services to member countries, which represent technical assistance expenses, were accrued as the services were provided. With the introduction of a new accounting standard which the Bank adopted retroactively, services to member countries are now recognised in the financial statements of JSF when the technical assistance projects/programs are approved and effective. Upon completion of the technical assistance projects/programs, any undisbursed amounts are written back as a reduction in the services to member countries for the year and the corresponding undisbursed commitments are reduced accordingly. As a result of the change, the increase in net assets for the year ended 31 December 1995 decreased by \$16,365,000 (\$13,448,000 decrease - 1994).

##### *Functional Currency and Reporting Currency*

The functional currency of JSF is the Japanese yen while the reporting currency is the United States dollar. The financial statements are expressed in thousands of current United States dollars.

##### *Translation of Currencies*

Assets, liabilities and uncommitted balances are translated from the functional currency to the reporting currency at the applicable rates of exchange at the end of a reporting period. Contributions included in the financial statements during the year are translated at the applicable exchange rates as of the dates the contributions are received. Revenue and expense amounts in Japanese yen are translated

## ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

31 December 1995 and 31 December 1994

for each semi-monthly period at the applicable rates of exchange at the beginning of each period; such practice approximates the application of average rates in effect during the period. Exchange gains or losses on currency transactions between the Japanese yen and other currencies are charged or credited to operations.

#### *Equity Investments*

Equity investments are reported at cost. The Bank makes provisions for possible loss of value quarterly based on management's evaluation of potential losses in the equity investments portfolio.

#### *Accounting Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the end of the year and the reported amounts of income and expenses during the year. The actual results could differ from those estimates.

#### *Statement of Cash Flows*

For the purposes of the statement of cash flows, the JSF considers that its cash and cash equivalents are limited to "DUE FROM BANKS".

### NOTE C - INVESTMENTS

The investment portfolio was composed wholly of investments denominated in Japanese yen. As of 31 December 1995, the amortized cost and estimated fair value of the investments were equal which was \$450,058,000 (\$404,249,000 and \$404,253,000, respectively - 1994), and were due in one year or less.

Additional information relating to investments in government and government-guaranteed obligations, is as follows:

	<b>1995</b>	<b>1994</b>
<b>As of 31 December:</b>		
Amortized cost	\$ 97,000	\$20,473,000
Estimated fair value	97,000	20,477,000
Gross unrealized gains	-	4,000
Gross unrealized losses	-	-
<b>For the years ended</b>		
<b>31 December:</b>		
Change in net unrealized holding gains (losses)	(4,000)	16,000
Proceeds from sales	105,892,000	206,253,000
Gross gains	-	20,000
Gross losses	-	1,000

The annualized rate of return on the average investments held during the year, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses, was 1.49% (2.17% - 1994). If unrealized gains and losses were included, the annualized rate of return would have been 1.50% (2.16% - 1994).

Investments are governed by the Investment Authority approved by the Board of Directors. The main investment management objective is to maintain security and liquidity. Subject to these parameters, the Bank seeks the highest possible return on its investments.

### NOTE D - EQUITY INVESTMENTS

The Bank has used JSF resources to make equity investments in India in 1990 totalling \$1,117,000 (\$1,252,000 - 1994). There was no acquisition during the year (nil - 1994) and the change in amount was attributable to translation adjustments. Equity investments were not considered material and were not fair valued.

**NOTE E - UNDISBURSED COMMITMENTS**

Undisbursed commitments represent effective technical assistance for projects and programs which have not been disbursed. The fair value of such commitments approximates the amounts outstanding because JSF expects that disbursements will substantially be made for all the projects and programs covered by the commitments.

**NOTE F - CONTRIBUTIONS**

All contributions for the years ended 31 December 1995 and 31 December 1994 were received during the respective years. Some of the contributions received were with the condition that they were to be utilized for specific technical assistance projects/programs. Such contributions were classified as temporarily restricted support. The total contributions received for the years ended 31 December 1995 and 31 December 1994 were as follows:

	<b>1995</b>	<b>1994</b>
Unrestricted contributions	\$ 79,646	\$ 77,079
Temporarily restricted contributions	<u>25,322</u>	<u>23,001</u>
Total contributions	<u><u>\$104,968</u></u>	<u><u>\$100,080</u></u>

**NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are short-term approximates their carrying amounts.

If available, quoted market values are used to determine fair values. Financial instruments for which market quotations are not readily available are valued using methodologies and assumptions which necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

The Fund's balance sheet carrying amounts are considered to approximate fair values for all significant financial instruments. See Notes B and E for discussions with respect to investments, equity investments and undisbursed commitments, respectively.



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## ECONOMIC DATA OF DMCs

**Table 1**  
**ESTIMATES OF REAL GDP GROWTH RATE, 1985-1995**  
**AND PER CAPITA GNP, 1994**

Country	Annual Average (1985-1992)	GDP Growth Rate (%)			Per Capita GNP <sup>a</sup> (US\$) 1994
		1993	1994	1995 <sup>b</sup>	
NIEs	8.0	6.4	7.5	7.6	
Hong Kong	6.2	6.4	5.4	4.6	21,650
Korea, Rep. of	8.9	5.8	8.4	9.2	8,220
Singapore	6.5	10.1	10.1	8.9	23,360
Taipei, China	8.1	6.3	6.5	6.3	11,930
PRC and MONGOLIA	9.6	13.5	11.8	10.2	
China, People's Rep. of	9.6	13.5	11.8	10.2	530
Mongolia <sup>c</sup>	0.8	-3.0	2.3	6.3	340
SOUTHEAST ASIA	6.5	7.1	7.8	7.9	
Cambodia <sup>c</sup>	5.8 <sup>d</sup>	4.1	4.0	7.5	240
Indonesia	6.2	7.3	7.5	7.6	880
Lao PDR	4.7 <sup>d</sup>	5.9	8.1	7.1	320
Malaysia	6.2	8.3	9.2	9.3	3,520
Myanmar <sup>e,f</sup>	0.2	5.9	6.8	7.7	...
Philippines	2.0	2.1	4.4	4.8	960
Thailand	9.2	8.3	8.7	8.6	2,210
Viet Nam	4.9 <sup>d</sup>	8.1	8.8	9.5	190
SOUTH ASIA	5.3	4.6	5.8	5.8	
Afghanistan <sup>c</sup>	-3.5 <sup>d</sup>	...	...	...	...
Bangladesh <sup>f</sup>	3.9	4.5	4.2	4.1	230
Bhutan	6.2	6.3	6.5	5.5	400
India <sup>f</sup>	5.3	5.0	6.3	6.2	310
Maldives	9.4 <sup>d</sup>	6.2	6.6	5.8	900
Nepal <sup>f</sup>	5.2	3.3	7.3	2.3	200
Pakistan <sup>f</sup>	6.2	2.3	3.8	4.7	440
Sri Lanka	3.9	6.9	5.6	5.6	640
CENTRAL ASIAN REPUBLICS <sup>c</sup>					
Kazakhstan	-14.9 <sup>d</sup>	12.9	-25.4	-8.9	1,110
Kyrgyz Republic	-15.9 <sup>d</sup>	-15.6	-26.5	-6.2	610
Uzbekistan	-6.1 <sup>d</sup>	-2.3	-3.4	-2.7	950
PACIFIC DMCs	3.4	14.8	2.8	-4.3	
Cook Islands	4.4	1.5	1.5	-3.7	4,150
Fiji	2.4	1.8	4.5	2.2	2,320
Kiribati	-1.5	1.9	1.7	2.6	730
Marshall Islands <sup>f</sup>	0.3 <sup>d</sup>	0.5	1.0	1.4	1,680
Micronesia, Fed. States of	2.8 <sup>d</sup>	5.7	1.3	1.0	1,890
Papua New Guinea	4.0	16.6	3.1	-4.8	1,160
Solomon Islands	3.1 <sup>d</sup>	7.8	1.1	4.0	800
Tonga <sup>f</sup>	1.8	2.8	5.7	1.8	1,640
Tuvalu	14.0	8.7	2.6	2.0	...
Vanuatu	1.7	4.0	2.0	2.0	1,150
Western Samoa	0.2 <sup>d</sup>	6.0	7.8	6.7	970
WEIGHTED AVERAGE <sup>g</sup>	7.6	8.3	8.3	7.9	

... Data not available.

a. World Bank Atlas methodology, 1991-93 base period; figure for Hong Kong refers to GDP.

b. Preliminary estimates.

c. Country figure is excluded from respective group and total weighted average.

d. Refers to 1985-89 for Afghanistan, 1986-92 for Lao PDR, Maldives, Federated States of Micronesia and Viet Nam, 1988-92 for Cambodia, 1992 for Kazakhstan, Kyrgyz Republic and Uzbekistan, 1991-92 for Marshall Islands, 1985-91 for Solomon Islands and 1985-90 for Western Samoa.

e. Estimated to be low-income (\$725 or less).

f. Refers to fiscal year.

g. Respective year GDP (in US dollars) is used as weights for 1993 and 1994. However, GDP in 1994 is used as weights to derive the averages for the other years.

Sources: Country sources.

World Bank, *The World Bank Atlas 1996*.

World Bank, 02 February 1996.

ADB data file.

**Table 2**  
**DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCE GAP**  
**AS PERCENTAGE OF GDP, 1993-1995**

Country	Gross Domestic Savings as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resource Gap as Percentage of GDP		
	1993	1994	1995 <sup>a</sup>	1993	1994	1995 <sup>a</sup>	1993	1994	1995 <sup>a</sup>
<b>NIEs</b>									
Hong Kong	34.6	33.9	34.5	27.7	31.8	33.1	-6.9	-2.2	-1.4
Korea, Rep. of	35.4	35.5	37.0	35.1	35.9	36.6	-0.4	0.4	-0.4
Singapore	48.5	51.3	55.6	38.4	32.2	33.9	-10.1	-19.1	-21.7
Taipei, China	27.0	25.8	26.3	25.2	23.9	24.5	-1.9	-1.9	-1.9
<b>PRC and MONGOLIA</b>									
China, People's Rep. of	41.5	41.4	42.2	43.5	40.0	39.5	2.0	1.4	-2.7
Mongolia	12.2	12.8	17.0	18.8	20.9	23.7	6.6	8.1	6.7
<b>SOUTHEAST ASIA</b>									
Cambodia	5.7	7.9	8.3	14.3	19.5	21.5	8.6	11.6	13.2
Indonesia	35.3	35.3	36.0	33.2	34.0	38.3	-2.1	-1.3	2.3
Lao PDR	...	...	...	...	...	...	8.7	...	...
Malaysia	35.4	37.6	37.2	35.1	38.7	40.6	-0.3	1.1	3.4
Myanmar	11.0	11.1	12.2	12.1	12.1	13.0	1.1	1.0	0.8
Philippines	13.8	14.9	14.7	24.0	24.0	22.3	10.2	9.1	7.6
Thailand	35.0	35.2	34.2	40.4	41.0	40.0	5.4	5.7	5.8
Viet Nam	14.8	17.6	19.1	20.5	24.1	27.6	5.7	6.5	8.5
<b>SOUTH ASIA</b>									
Afghanistan	...	...	...	...	...	...	...	...	...
Bangladesh	6.4	8.4	6.8	13.2	14.3	14.8	6.8	5.9	8.0
Bhutan	31.2	36.7	36.0	43.8	51.8	54.5	12.6	15.2	18.5
India	21.4	24.4	22.5	21.3	25.2	24.0	0.1	0.8	1.5
Maldives	...	...	...	...	...	...	...	...	...
Nepal	11.6	12.4	10.3	21.2	20.5	20.2	9.6	8.1	9.9
Pakistan	14.6	16.8	15.8	20.7	19.5	19.1	6.1	2.7	3.3
Sri Lanka	14.1	14.4	15.9	23.6	26.3	25.7	9.5	11.9	9.8
<b>CENTRAL ASIAN REPUBLICS</b>									
Kazakhstan	...	...	...	...	...	...	...	...	...
Kyrgyz Republic	21.9	...	...	29.8	...	...	7.9	...	...
Uzbekistan	...	...	...	...	...	...	...	...	...
<b>PACIFIC DMCs</b>									
Cook Islands	...	...	...	...	...	...	...	...	...
Fiji	13.3	18.1	...	15.1	12.2	...	1.8	-5.9	...
Kiribati	...	...	...	...	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...	...	...	...
Papua New Guinea	...	...	...	...	...	...	...	...	...
Solomon Islands	...	...	...	...	...	...	...	...	...
Tonga	...	...	...	...	...	...	...	...	...
Tuvalu	...	...	...	...	...	...	...	...	...
Vanuatu	9.5	...	...	34.2	...	...	24.7	...	...
Western Samoa	...	...	...	...	...	...	...	...	...

Data not available.

<sup>a</sup> Preliminary estimates.

Source: ADB data file.

**Table 3**  
**CHANGES IN CONSUMER PRICES, 1993-1995<sup>a</sup>**  
 (%)

Country	1993	1994	1995 <sup>b</sup>
NIEs	4.6	5.7	4.8
Hong Kong	8.5	8.1	8.7
Korea, Rep. of	4.8	6.2	4.5
Singapore	2.4	3.8	3.2
Taipei, China	2.9	4.1	3.7
PRC and MONGOLIA	13.0	21.7	14.8
China, People's Rep. of	13.0	21.7	14.8
Mongolia <sup>c</sup>	268.4	87.6	56.8
SOUTHEAST ASIA	6.4	7.0	7.4
Cambodia <sup>c</sup>	31.0	26.1	3.5
Indonesia	9.6	8.5	9.4
Lao PDR	6.3	6.7	19.4
Malaysia	3.6	3.7	3.4
Myanmar <sup>c,d</sup>	31.8	24.1	24.7
Philippines	7.6	9.1	8.1
Thailand	3.4	5.1	5.8
Viet Nam	5.3	14.4	12.7
SOUTH ASIA	7.6	9.9	9.8
Afghanistan <sup>c</sup>	...	...	...
Bangladesh <sup>d</sup>	2.7	3.3	8.9
Bhutan	8.9	8.2	8.6
India	7.5	10.1	9.5
Maldives	20.2	16.5	7.7
Nepal	8.9	8.9	7.6
Pakistan	9.4	12.5	12.9
Sri Lanka	11.7	8.4	7.7
CENTRAL ASIAN REPUBLICS <sup>c</sup>	1,658.7	1,889.2	175.9
Kazakhstan	1,208.7	278.1	41.7
Kyrgyz Republic	482.3	1,522.7	516.0
PACIFIC DMCS	4.8	3.1	14.4
Cook Islands <sup>d</sup>	7.3	2.6	...
Fiji	5.2	0.6	2.0
Kiribati <sup>d</sup>	6.1	5.1	6.5
Marshall Islands <sup>d</sup>	5.0	5.3	4.0
Micronesia, Fed. States of <sup>c</sup>	6.0	4.0	4.0
Papua New Guinea <sup>d</sup>	4.9	2.9	15.0
Solomon Islands <sup>d</sup>	9.2	12.8	9.0
Tonga	3.1	2.4	0.3
Tuvalu	1.5	1.5	1.5
Vanuatu <sup>d</sup>	3.6	2.5	2.3
Western Samoa	1.4	18.4	4.5
WEIGHTED AVERAGE	7.9	10.5	8.6

<sup>a</sup> Data not available.

<sup>b</sup> Unless otherwise indicated, data refer to changes in average consumer prices of all cities.

<sup>c</sup> Preliminary estimates.

<sup>d</sup> Country figure is excluded from respective group and total weighted average.

<sup>e</sup> Data refer to capital city.

<sup>f</sup> Respective year GDP (in US dollars) is used as weights for 1993 and 1994. However, GDP in 1994 is used as weights to derive the averages for 1995.

Sources: Country sources.  
 ADB data file.

**Table 4**  
**PER CAPITA COMMERCIAL ENERGY CONSUMPTION, 1991-1993**  
(Standard kilogram of oil equivalent)

Country	1991	1992	1993
NIEs	2,450	2,633	2,802
Hong Kong	1,862	1,960	2,187
Korea, Rep. of	2,318	2,552	2,689
Singapore	4,803	5,169	5,963
Taipei, China	2,578	2,647	2,780
PRC and MONGOLIA	652	663	686
China, People's Rep. of	651	662	685
Mongolia	1,444	1,176	1,084
SOUTHEAST ASIA	301	322	357
Cambodia	18	17	17
Indonesia	302	321	338
Lao PDR	24	26	25
Malaysia	1,274	1,388	1,692
Myanmar	46	47	48
Philippines	235	259	286
Thailand	574	610	675
Viet Nam	81	84	106
SOUTH ASIA	233	251	264
Afghanistan	57	33	30
Bangladesh	58	58	63
Bhutan	35	35	36
India	264	286	302
Maldives	161	126	151
Nepal	27	31	32
Pakistan	247	256	261
Sri Lanka	131	137	140
CENTRAL ASIAN REPUBLICS			
Kazakhstan		5,338	4,763
Kyrgyz Republic		4,524	3,590
Uzbekistan		2,029	2,079
PACIFIC DMCs	230	232	229
Cook Islands	368	368	368
Fiji	419	466	480
Kiribati	95	93	92
Marshall Islands			...
Micronesia, Fed. States of			...
Papua New Guinea	200	195	190
Solomon Islands	163	155	147
Tonga	320	309	306
Tuvalu		...	...
Vanuatu	144	127	124
Western Samoa	268	273	269
AVERAGE FOR DMCs <sup>a</sup>	473	491	515

<sup>a</sup> Data not available.

a. By comparison, the average per capita commercial energy consumption in the countries under the Organisation for Economic Co-operation and Development (OECD) is about 10 times that of the DMC average. The OECD average in 1992 was 4,759 kgoe.

Sources: ADB, Energy Division, 16 February 1996.  
United Nations, 7 February 1996.

**Table 5**  
**FOREIGN TRADE, 1993-1995**  
(\$ million)

Country	Exports (fob)			Imports (cif)			Balance of Trade		
	1993	1994	1995 <sup>a</sup>	1993	1994	1995 <sup>a</sup>	1993	1994	1995 <sup>a</sup>
NIEs	376,512	436,917	531,074	384,672	451,932	575,898	-8,160	-15,015	-44,824
Hong Kong	135,244	151,399	176,711	138,650	161,841	210,367	-3,406	-10,442	-33,656
Korea, Rep. of	82,236	96,013	124,029	83,800	102,348	136,241	-1,564	-6,335	-12,212
Singapore	73,940	96,456	118,186	85,161	102,394	124,395	-11,220	-5,938	-6,209
Taipei, China	85,091	93,049	112,148	77,061	85,349	104,895	8,030	7,700	7,253
PRC and MONGOLIA	92,121	121,382	149,221	104,321	115,913	132,551	-12,201	5,470	16,670
China, People's Rep. of	91,740	121,040	148,770	103,960	115,690	132,078	-12,220	5,350	16,692
Mongolia	381	342	451	361	223	473	19	120	-22
SOUTHEAST ASIA	136,320	162,449	196,745	144,523	175,955	231,865	-8,203	-13,505	-35,120
Cambodia	284	490	702	512	789	1,062	-228	-299	-360
Indonesia	36,823	40,053	44,700	28,328	31,983	44,576	8,495	8,070	124
Lao PDR	240	300	348	432	564	587	-192	-264	-239
Malaysia	47,099	58,652	72,067	45,610	59,414	79,853	1,489	-762	-7,786
Myanmar	687	810	1,017	1,287	1,702	1,916	-600	-892	-899
Philippines	11,375	13,483	17,316	18,773	22,638	28,192	-7,398	-9,155	-10,876
Thailand	36,963	45,061	55,375	46,076	54,365	68,554	-9,113	-9,304	-13,179
Viet Nam <sup>b</sup>	2,850	3,600	5,220	3,505	4,500	7,125	-655	-900	-1,905
SOUTH ASIA	34,673	39,524	47,950	41,940	49,826	63,980	-7,268	-10,303	-16,030
Afghanistan	...	...	...	...	...	...	...	...	...
Bangladesh	2,230	2,335	3,473	3,995	4,049	6,633	-1,766	-1,714	-3,160
Bhutan <sup>b</sup>	60	...	...	114	...	...	-54	...	...
India	22,808	26,763	32,397	23,876	31,269	39,618	-1,069	-4,506	-7,221
Maldives <sup>b</sup>	35	75	...	191	215	...	-157	-140	...
Nepal	355	393	345	807	1,061	1,263	-451	-668	-918
Pakistan	6,330	6,749	7,884	9,204	8,452	11,100	-2,874	-1,703	-3,216
Sri Lanka	2,856	3,209	3,851	3,754	4,780	5,366	-898	-1,571	-1,515
CENTRAL ASIAN REPUBLICS	6,666	6,511	7,554	7,865	6,619	8,492	-1,199	-108	-938
Kazakhstan	3,449	3,231	3,417	4,107	3,494	4,371	-658	-263	-954
Kyrgyz Republic	340	340	366	503	398	502	-163	-58	-136
Uzbekistan <sup>b</sup>	2,877	2,940	3,771	3,255	2,727	3,619	-378	213	152
PACIFIC DMCs	3,196	3,393	3,201	2,704	3,049	2,914	492	344	287
Cook Islands	4	4	...	67	85	...	-63	.81	...
Fiji	449	485	495	720	824	827	-271	-340	-332
Kiribati <sup>b</sup>	3	5	6	29	30	37	-26	-25	-31
Marshall Islands	9	23	...	61	71	...	-52	-48	...
Micronesia, Fed. States of <sup>b</sup>	28	29	31	137	141	141	-110	-112	-110
Papua New Guinea	2,533	2,651	2,627	1,805	1,524	1,741	1,228	1,127	886
Solomon Islands	129	149	...	139	133	...	-10	17	...
Tonga	13	17	17	61	65	74	-48	-48	-57
Tuvalu <sup>b</sup>	0	0	...	7	7	...	-7	7	...
Vanuatu	23	25	26	75	89	95	-53	-64	-69
Western Samoa	6	3	...	103	80	...	96	-77	...
<b>TOTAL</b>	<b>649,488</b>	<b>770,176</b>	<b>935,744</b>	<b>686,025</b>	<b>803,293</b>	<b>1,015,701</b>	<b>-36,537</b>	<b>-33,117</b>	<b>-79,957</b>

<sup>a</sup> Magnitude is less than half of the unit employed.

<sup>b</sup> Data not available.

<sup>c</sup> Preliminary estimates.

<sup>d</sup> Import figures are based on fob.

Sources: Country sources.

IMF, International Financial Statistics, February 1996.

ADB data file.

**Table 6**  
**INTERNATIONAL RESERVES AND RATIO OF RESERVES  
 TO IMPORTS, 1993-1995**

Country	International Reserves <sup>a</sup> (\$ million)			Ratio to Imports <sup>b</sup> (Months)		
	1993	1994	1995 <sup>c</sup>	1993	1994	1995 <sup>c</sup>
NIEs	157,920	182,123	196,715	7.7	7.5	6.5
Hong Kong	...	...	...	...	...	...
Korea, Rep. of	20,262	25,673	32,712	2.9	3.0	2.9
Singapore	48,361	58,177	67,756	6.8	6.8	6.5
Taipei, China	89,298	98,273	96,247	13.9	13.8	11.0
PRC and MONGOLIA	23,064	53,652	76,913	2.7	5.6	7.0
China, People's Rep. of	22,999	53,560	76,816	2.7	5.6	7.0
Mongolia	65	92	97	2.2	5.0	2.4
SOUTHEAST ASIA	71,546	76,738	84,471	6.1	5.4	4.5
Cambodia	...	...	...	...	...	...
Indonesia	12,355	13,200	14,787	5.2	5.0	4.0
Lao PDR	151	158	213	4.2	3.4	4.3
Malaysia	27,364	25,545	24,441	7.2	5.2	3.7
Myanmar	315	435	573	2.9	3.1	3.6
Philippines	5,921	7,121	7,512	3.8	3.8	3.2
Thailand	25,440	30,279	36,945	6.6	6.7	6.5
Viet Nam	...	...	...	...	...	...
SOUTH ASIA	20,161	32,841	29,603	5.8	7.9	5.5
Afghanistan <sup>d</sup>	10	9	7	...	...	...
Bangladesh	2,437	3,166	2,641	7.3	9.4	4.8
Bhutan <sup>e</sup>	...	115	122	...	...	...
India	13,524	23,053	21,724	6.8	8.8	6.6
Maldives	26	31	42	1.6	1.7	...
Nepal	647	700	672	9.6	7.9	6.4
Pakistan	1,889	3,721	2,307	2.5	5.3	2.5
Sri Lanka <sup>e</sup>	1,629	2,046	2,088	5.2	5.1	4.7
CENTRAL ASIAN REPUBLICS	...	...	...	...	...	...
Kazakhstan	...	...	...	...	...	...
Kyrgyz Republic <sup>f</sup>	63	98	...	1.5	3.0	...
Uzbekistan <sup>f</sup>	1,021	1,330	1,802	3.8	5.9	6.0
PACIFIC DMCs	576	524	721	2.9	2.3	2.9
Cook Islands	...	...	...	...	...	...
Fiji	270	273	332	4.5	4.0	4.8
Kiribati	...	...	...	...	...	...
Marshall Islands	...	...	...	...	...	...
Micronesia, Fed. States of	...	...	...	...	...	...
Papua New Guinea	153	107	244	1.4	0.8	1.7
Solomon Islands <sup>e</sup>	20	14	15	1.7	1.2	...
Tonga <sup>e</sup>	37	36	28	7.3	6.6	4.5
Tuvalu	...	...	...	...	...	...
Vanuatu <sup>e</sup>	46	44	50	7.3	5.9	6.3
Western Samoa <sup>e</sup>	51	51	52	5.9	7.6	...
<b>TOTAL</b>	<b>273,267</b>	<b>345,879</b>	<b>388,423</b>	<b>6.1</b>	<b>6.6</b>	<b>5.9</b>

... Data not available.

a Consisting of gold, SDRs, reserve position with IMF and foreign exchange holdings; year-end figures unless otherwise specified.

b Imports, cif from trade statistics were used for computing the ratio.

c Preliminary estimates.

d Refers to reserve position in the Fund and SDRs only.

e Refers to total reserves minus gold.

f Refers to gross official reserves of the country.

Sources: IMF, International Financial Statistics, February 1996.  
 Country sources.

**Table 7**  
**TOTAL NET FLOWS OF FINANCIAL RESOURCES TO DMCs<sup>a</sup>, 1992-1994**  
(\$ million)

Country	Concessional Flows (ODA)			Nonconcessional Flows <sup>b</sup>			Total Flows		
	1992	1993	1994	1992	1993	1994	1992	1993	1994
NIEs	-10	27	-58	6,031	8,199	16,750	6,021	8,226	16,693
Hong Kong	-39	30	27	1,786	3,408	6,747	1,747	3,438	6,773
Korea, Rep. of	3	-35	-107	2,416	2,276	4,477	2,419	2,242	4,370
Singapore	20	24	17	3,244	3,671	4,763	3,264	3,695	4,780
Taipei, China	6	7	6	-1,414	-1,156	764	-1,409	-1,149	770
PRC and MONGOLIA	3,161	3,396	3,398	3,055	5,750	9,499	6,216	9,146	12,897
China, People's Rep. of	3,038	3,270	3,214	3,043	5,730	9,516	6,081	9,000	12,730
Mongolia	123	126	184	12	20	-17	135	146	168
SOUTHEAST ASIA	5,840	5,115	4,975	7,425	10,274	15,441	13,265	15,389	20,416
Cambodia	207	317	337	7	3	14	214	320	351
Indonesia	2,080	2,030	1,644	3,753	1,853	3,758	5,832	3,883	5,402
Lao PDR	166	208	219	0	0	1	167	208	220
Malaysia	210	100	75	1,000	4,684	3,224	1,210	4,784	3,299
Myanmar	115	97	160	13	10	9	128	107	169
Philippines	1,714	1,485	1,055	-275	1,808	1,778	1,439	3,294	2,833
Thailand	781	620	587	2,910	1,825	6,419	3,691	2,444	7,007
Viet Nam	568	259	899	16	91	237	584	349	1,136
SOUTH ASIA	6,728	5,273	7,103	1,626	1,698	2,446	8,353	6,971	9,551
Afghanistan	201	219	223	0	-4	-58	201	215	165
Bangladesh	1,825	1,379	1,750	133	107	-141	1,958	1,486	1,609
Bhutan	58	66	77	-13	8	-2	45	74	74
India	2,454	1,492	2,363	685	638	1,433	3,139	2,129	3,797
Maldives	35	31	32	3	8	11	38	39	44
Nepal	437	369	452	64	-14	2	500	355	454
Pakistan	1,072	1,053	1,613	726	798	1,126	1,798	1,850	2,739
Sri Lanka	646	666	593	28	157	75	675	823	668
CENTRAL ASIAN REPUBLICS	14	115	248	101	399	674	115	514	922
Kazakhstan	10	14	48	101	374	596	110	388	645
Kyrgyz Republic	4	93	172	-	25	2	4	118	174
Uzbekistan	1	7	28	0	0	76	1	8	103
PACIFIC DMCs	743	670	733	244	-42	-397	987	628	336
Cook Islands	17	13	14	56	-130	-255	73	-117	-240
Fiji	63	62	40	64	-28	-18	128	33	23
Kiribati	27	16	15	1	0	-27	28	15	-12
Marshall Islands	8	32	49	-	2	4	8	34	53
Micronesia, Fed. States of	14	64	104	-	0	1	14	65	105
Papua New Guinea	443	303	326	190	58	-84	632	361	243
Solomon Islands	45	56	48	2	3	-1	47	60	46
Tonga	24	31	35	0	0	0	24	31	35
Tuvalu	8	4	7	5	-	0	13	4	8
Vanuatu	41	85	42	-31	34	-29	10	69	13
Western Samoa	54	52	48	0	0	0	53	52	48
<b>TOTAL</b>	<b>16,476</b>	<b>14,596</b>	<b>16,397</b>	<b>18,525</b>	<b>26,259</b>	<b>44,402</b>	<b>35,000</b>	<b>40,855</b>	<b>60,801</b>

= Magnitude equals zero.

0 Magnitude is less than half of the unit employed.

a Net flows imply total flows minus repayments of principal for the year.

b Including bilateral and multilateral nonconcessional flows and private flows.

Source: OECD, 07 February 1996

**Table 8**  
**TOTAL EXTERNAL DEBT AND DEBT-SERVICE RATIO, 1992-1994**  
(\$ million)

Country	Debt Outstanding <sup>a</sup>			Service Payments <sup>b</sup>			Debt-service Ratio <sup>b</sup> (%)		
	1992	1993	1994	1992	1993	1994	1992	1993	1994
NIEs	44,157	47,203	54,542	6,973	9,173	7,923	7.6	9.2	6.8
Hong Kong	-	-	-	-	-	-	-	-	-
Korea, Rep. of	44,157	47,203	54,542	6,973	9,173	7,923	7.6	9.2	6.8
Singapore	-	-	-	-	-	-	-	-	-
Taipei, China	-	-	-	-	-	-	-	-	-
PRC and MONGOLIA	69,859	84,553	100,979	8,686	10,188	11,175	10.2	11.1	8.9
China, People's Rep. of	69,509	84,178	100,536	8,618	10,168	11,135	10.2	11.2	8.9
Mongolia	350	375	443	68	20	40	17.3	51	9.5
SOUTHEAST ASIA	213,821	228,478	257,200	26,461	33,166	34,100	17.4	19.6	16.6
Cambodia	1,873	1,862	1,943	13	34	2	4.1	11.9	0.4
Indonesia	88,296	89,477	96,500	12,578	14,267	14,792	31.6	33.8	30.0
Lao PDR	1,917	1,985	2,080	10	29	20	4.8	8.8	7.7
Malaysia	19,959	23,301	24,767	3,099	4,205	5,042	6.6	7.8	7.7
Myanmar <sup>c</sup>	5,327	5,730	6,502	54	105	173	6.2	11.1	15.4
Philippines	32,997	35,927	39,302	4,302	4,908	4,534	24.4	25.5	18.5
Thailand	39,612	45,836	60,991	5,907	9,121	9,237	13.7	18.5	15.6
Viet Nam	23,840	24,360	25,115	498	497	300	15.4	13.6	6.1
SOUTH ASIA	136,586	142,213	155,483	10,844	12,046	15,095	24.4	23.6	25.6
Afghanistan	-	-	-	-	-	-	-	-	-
Bangladesh	14,167	14,939	16,569	583	576	653	17.1	14.6	15.1
Bhutan	84	85	87	6	7	7	6.9	...	...
India <sup>c</sup>	89,822	92,104	98,990	7,323	8,453	10,516	27.3	26.1	26.3
Maldives	97	115	127	7	8	10	3.2	3.8	3.4
Nepal	1,802	2,004	2,320	68	71	82	11.9	...	...
Pakistan	24,194	26,173	29,579	2,371	2,513	3,423	24.2	25.2	34.8
Sri Lanka	6,420	6,793	7,811	486	418	405	13.7	10.1	9.9
CENTRAL ASIAN REPUBLICS	44	2,945	4,301	...	39	188	0.6	2.7	...
Kazakhstan	35	1,655	2,704	...	10	60	0.3	1.9	...
Kyrgyz Republic	1	309	441	...	1	16	0.4	4.8	...
Uzbekistan	8	981	1,156	...	28	112	1.0	3.1	...
PACIFIC DMCs	4,376	3,986	3,608	760	944	978	21.4	22.8	22.8
Cook Islands	-	-	-	-	-	-	-	-	-
Fiji	339	330	299	84	78	81	9.3	8.2	7.1
Kiribati	-	-	-	-	-	-	-	-	-
Marshall Islands	-	-	-	-	-	-	-	-	-
Micronesia, Fed. States of	-	-	-	-	-	-	-	-	-
Papua New Guinea	3,740	3,224	2,878	660	847	870	29.3	29.0	29.0
Solomon Islands	95	151	165	8	10	17	5.5	...	...
Tonga	44	44	64	2	2	3	3.0	3.3	...
Tuvalu	-	-	-	-	-	-	-	-	-
Vanuatu	-40	42	47	2	2	2	1.4	1.5	...
Western Samoa	118	194	155	5	5	5	5.5	6.9	10.5
<b>TOTAL</b>	<b>468,842</b>	<b>509,378</b>	<b>576,113</b>	<b>53,723</b>	<b>65,556</b>	<b>69,459</b>	<b>14.1</b>	<b>15.5</b>	<b>13.4</b>

- Not reporting.

... Data not available.

a Debt outstanding is as of end of year which covers long and short-term debt of public and private entities in the country as well as the use of IMF credit.

b Service payments include yearly payments on principal and interest on long-term debt, IMF repurchases and charges, and interest payments on short-term debt.

c Debt-service ratio is the percentage of service payments to exports of goods and services (including workers' remittances).

c The long-term debt data are on fiscal year basis.

Source: World Bank, 13 February 1996.

World Bank, *World Debt Tables*, 1996.

## BANK OPERATIONAL DATA

Table 9  
1995 LOAN APPROVALS AND TOTAL PROJECT COSTS, BY COUNTRY

Country/Project	Amounts in \$ Million				Date of Approval
	OCR	ADF	Total	Total Project Cost <sup>a</sup>	
<b>BANGLADESH</b>					
Coastal Greenbelt	-	23.40	23.40	29.30	2 Mar 95
Rural Electrification	-	50.00	50.00	92.90	30 May 95
Secondary Towns Infrastructure Development II	-	65.00	65.00	82.87	19 Sep 95
Small-Scale Water Resources Development Sector	-	32.00	32.00	66.00	26 Sep 95
Nonformal Education	-	26.70	26.70	51.00	29 Sep 95
Command Area Development	-	30.00	30.00	50.10	7 Nov 95
Islam Cement Ltd. <sup>b</sup>	18.50	-	18.50	90.00	19 Dec 95
Subtotal	18.50	227.10	245.60	462.17	
<b>BHUTAN</b>					
Rural Electrification	-	7.50	7.50	9.50	19 Sep 95
Subtotal	-	7.50	7.50	9.50	
<b>CAMBODIA</b>					
Basic Skills	-	20.00	20.00	25.00	30 Aug 95
Rural Infrastructure Improvement	-	25.10	25.10	31.40	28 Sep 95
Subtotal <sup>c</sup>	-	45.10	45.10	56.40	
<b>CHINA, PEOPLE'S REPUBLIC OF</b>					
Second Agricultural Bank of China	100.00	-	100.00	250.00 <sup>c</sup>	12 Jan 95
Hainan Agriculture and Natural Resources Development	53.00	-	53.00	107.51	7 Sep 95
Second Telecommunications	100.00	-	100.00	324.00	26 Sep 95
Hebei Expressway	220.00	-	220.00	734.00	28 Sep 95
Liaoning Expressway	100.00	-	100.00	292.00	28 Sep 95
Fujian Soil Conservation and Rural Development	65.00	-	65.00	163.00	28 Sep 95
Henan Power	200.00	-	200.00	936.00	7 Nov 95
Fujian Mianhuatan Hydropower	170.00	-	170.00	721.00	14 Dec 95
Second Yantai Port	63.00	-	63.00	160.00	12 Dec 95
Ping Hu Oil and Gas Development	130.00	-	130.00	866.10	21 Dec 95
Subtotal	1,201.00	-	1,201.00	4,553.61	
<b>COOK ISLANDS</b>					
Third Cook Islands Development Bank	-	3.00	3.00	7.50 <sup>c</sup>	26 Sep 95
Subtotal	-	3.00	3.00	7.50	
<b>INDIA</b>					
Power Transmission (Sector)	275.00	-	275.00	527.40	16 Nov 95
Capital Market Development Program	250.00	-	250.00	625.00 <sup>c</sup>	28 Nov 95
Karnataka Urban Infrastructure Development	-			132.00	14 Dec 95
— Republic of India	85.00	-	85.00		
— Housing Development Finance Corporation	20.00	-	20.00		
Subtotal	630.00	-	630.00	1,284.40	
<b>INDONESIA</b>					
Sulawesi Rainfed Agriculture Development	-	80.36	80.36	52.59	31 Jan 95
Rural Water Supply and Sanitation Sector	85.00	-	85.00	142.00	2 Feb 95
Gas Transmission and Distribution	218.00	-	218.00	590.00	8 Jun 95

a Total project cost includes Bank, government and cofinanciers' contributions.

b Private sector loan without government guarantee.

c Project cost not known at approval stage. This is an estimate.

## CONTINUED

Country/Project	Amounts in \$ Million				Date of Approval
	OCR	ADF	Total	Total Project Cost <sup>a</sup>	
INDONESIA					
Private Junior Secondary Education	49.00	-	49.00	83.10	18 Jul 95
Senior Secondary Education	110.00	-	110.00	198.60	18 Jul 95
Farmer Managed Irrigation Systems	-	26.30	26.30	44.00	21 Sep 95
Sumatra Urban Development (Sector)	130.00	-	130.00	217.00	26 Sep 95
West Java Urban Development (Sector)	70.00	-	70.00	117.00	26 Sep 95
Power Development and Efficiency Enhancement	337.00	-	337.00	734.00	24 Oct 95
Subtotal	999.00	56.66	1,055.66	2,178.29	
KAZAKHSTAN					
Agriculture Sector Program	100.00	-	100.00	250.00 <sup>b</sup>	23 Nov 95
Subtotal	100.00	-	100.00	250.00	
KYRGYZ REPUBLIC					
Agriculture Sector Program	-	40.00	40.00	100.00 <sup>c</sup>	23 Nov 95
Subtotal	-	40.00	40.00	100.00	
LAO PDR					
Primary Health Care	-	5.00	5.00	6.25	19 Jan 95
Vientiane Integrated Urban Development	-	20.00	20.00	27.70	17 Aug 95
Champassak Road Improvement	-	48.00	48.00	60.10	31 Aug 95
Postsecondary Education Rationalization	-	20.00	20.00	25.00	19 Sep 95
Subtotal	-	93.00	93.00	119.05	
MALAYSIA					
Technical and Vocational Education	72.00	-	72.00	238.40	30 May 95
Subtotal	72.00	-	72.00	238.40	
MARSHALL ISLANDS					
Majuro Water Supply and Sanitation	-	9.20	9.20	11.57	29 Sep 95
Subtotal	-	9.20	9.20	11.57	
MONGOLIA					
Roads Development	-	25.00	25.00	31.50	22 Aug 95
National Air Navigation Development	-	24.00	24.00	32.50	5 Sep 95
Agriculture Sector Program	-	35.00	35.00	87.50 <sup>b</sup>	5 Dec 95
Subtotal	-	84.00	84.00	151.50	
NEPAL					
Third Road Improvement	-	40.00	40.00	50.00	21 Sep 95
Taragaon Regency Hotels Ltd. <sup>c</sup>	8.00	-	8.00	38.71	12 Jan 95
Subtotal	8.00	40.00	48.00	88.71	

<sup>a</sup> Total project cost includes Bank, government and cofinanciers' contributions.<sup>b</sup> Project cost not known at approval stage. This is an estimate.<sup>c</sup> Private sector loan without government guarantee.

## CONTINUED

Country/Project	Amounts in \$ Million				Date of Approval
	OCR	ADF	Total	Total Project Cost <sup>a</sup>	
<b>PAKISTAN</b>					
Punjab Rural Water Supply and Sanitation (Sector)	-	46.00	46.00	60.00	31 Jan 95
Marala-Ravi Link Canal System Technical Assistance	-	3.20	3.20	4.00	31 Jan 95
Financial Sector Intermediation Loan	100.00	-	100.00	250.00 <sup>b</sup>	7 Sep 95
Technical Education	-	60.00	60.00	78.00	19 Sep 95
Atlas Lease Co. Ltd. II <sup>c</sup>	10.00	-	10.00	25.00 <sup>b</sup>	10 Oct 95
National Development Leasing Corp. Ltd. IV <sup>c</sup>	15.00	-	15.00	37.50 <sup>b</sup>	10 Oct 95
Orix Leasing Pakistan Ltd. III <sup>c</sup>	20.00	-	20.00	50.00 <sup>b</sup>	10 Oct 95
Pakistan Industrial Leasing Corp. Ltd. III <sup>c</sup>	15.00	-	15.00	37.50 <sup>b</sup>	10 Oct 95
Rural Access Roads	-	140.00	140.00	178.00	9 Nov 95
Forestry Sector	-	42.60	42.60	56.00	9 Nov 95
National Drainage (Sector)	-	140.00	140.00	185.00	12 Dec 95
<b>Subtotal</b>	<b>160.00</b>	<b>431.80</b>	<b>591.80</b>	<b>961.00</b>	
<b>PHILIPPINES</b>					
Capital Market Development Program	150.00	-	150.00	375.00 <sup>b</sup>	22 Aug 95
Second Irrigation Systems Improvement	15.00	15.00	30.00	46.88	30 Aug 95
Regional Municipal Development	30.00	-	30.00	64.20	30 Aug 95
Umitay-Anat Transbasin	92.00	-	92.00	140.00	21 Sep 95
Integrated Community Health	-	25.91	25.91	51.10	17 Oct 95
Northern Luzon Transmission and Generation	244.00	-	244.00	896.30	2 Nov 95
<b>Subtotal</b>	<b>531.00</b>	<b>40.91</b>	<b>571.91</b>	<b>1,573.48</b>	
<b>SRI LANKA</b>					
Plantation Reform	-	60.00	60.00	80.00	9 Nov 95
Second Power System Expansion (Sector)	-	80.00	80.00	154.10	14 Dec 95
<b>Subtotal</b>		<b>140.00</b>	<b>140.00</b>	<b>234.10</b>	
<b>THAILAND</b>					
Second Regional Roads (Sector)	180.00	-	180.00	371.40	29 Sep 95
Samut Prakarn Wastewater Management	150.00	-	150.00	507.00	7 Dec 95
<b>Subtotal</b>	<b>330.00</b>		<b>330.00</b>	<b>878.40</b>	
<b>TONGA</b>					
Outer Islands Agriculture Development	-	3.64	3.64	5.70	12 Dec 95
<b>Subtotal</b>		<b>3.64</b>	<b>3.64</b>	<b>5.70</b>	
<b>VIET NAM</b>					
Saigon Port	-	30.00	30.00	40.00	2 Mar 95
Power Distribution Rehabilitation	-	79.98	79.98	114.80	8 Jun 95
Provincial Towns Water Supply and Sanitation	-	66.00	66.00	82.50	17 Aug 95
Fisheries Infrastructure Improvement	-	57.00	57.00	71.40	16 Nov 95
<b>Subtotal</b>		<b>232.98</b>	<b>232.98</b>	<b>308.70</b>	
<b>TOTAL</b>	<b>4,049.50</b>	<b>1,454.89</b>	<b>5,504.39</b>	<b>13,472.48</b>	

<sup>a</sup> Total project cost includes Bank, government and cofinanciers' contributions.<sup>b</sup> Project cost not known at approved stage. This is an estimate.<sup>c</sup> Private sector loan without government guarantee.

**Table 10**  
**LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 – 1993-1995**

	Total Lending <sup>a</sup> (\$ million)	Agriculture and Agro-industry	Energy	Finance	Industry & Nonfuel Minerals	Transport & Communications	Social Infrastructure	Multi-sector & Others
( % of Total Lending )								
Average during								
1968-1970	128.44	19.48	11.98	23.36	15.06	24.03	6.10	—
1969-1971	199.25	20.48	25.38	19.57	8.69	21.68	4.20	—
1970-1972	271.92	15.69	33.06	13.97	5.04	21.48	10.75	—
1971-1973	330.53	15.78	32.18	15.49	0.42	23.88	12.25	—
1972-1974	428.42	18.76	26.71	15.06	4.02	21.32	14.12	—
1973-1975	543.16	27.87	23.03	16.73	4.25	17.68	10.44	—
1974-1976	661.30	29.27	21.35	17.44	5.48	16.61	9.85	—
1975-1977	774.22	30.51	22.02	15.46	4.19	16.97	10.85	—
1976-1978	940.36	27.42	21.53	14.37	7.25	15.98	13.45	—
1977-1979	1,098.92	29.86	24.03	11.81	5.62	12.10	16.55	0.04
1978-1980	1,282.01	30.95	24.88	10.96	3.93	12.39	16.84	0.06
1979-1981	1,454.96	32.56	27.21	10.72	0.90	9.41	19.11	0.09
1980-1982	1,598.97	34.00	27.71	10.00	0.74	11.53	15.97	0.06
1981-1983	1,751.46	33.68	26.60	10.61	2.36	7.52	18.27	0.96
1982-1984	1,937.03	34.18	28.98	7.01	1.91	12.12	14.36	1.43
1983-1985	1,978.52	32.42	24.63	6.50	1.87	12.75	20.30	1.53
1984-1986	2,013.77	35.46	25.26	4.65	0.34	14.40	17.48	2.40
1985-1987	2,081.84	30.63	17.47	11.24	3.06	20.54	15.24	1.81
1986-1988	2,512.17	26.90	18.76	12.84	7.46	21.27	11.32	1.45
1987-1989	3,053.71	22.37	16.41	17.16	6.69	21.94	14.60	0.82
1988-1990	3,564.93	25.83	20.78	12.67	4.50	19.37	15.15	1.71
1989-1991	4,115.48	25.30	26.04	10.83	3.58	17.93	14.86	1.45
1990-1992	4,574.49	21.57	28.35	9.50	3.78	20.76	12.91	3.12
1991-1993	4,991.22	18.83	30.49	9.06	5.44	23.70	14.26	3.24
1992-1994	4,636.49	10.94	27.97	7.60	4.48	29.45	14.10	5.47
1993-1995	4,804.41	12.04	30.54	6.58	3.53	26.68	17.51	3.13
Cumulative (1968-1995)	56,686.86	22.79	25.90	10.18	3.79	19.85	15.46	2.03

a. Total column may not tally due to rounding.

**Table 11**  
**SECTORAL DISTRIBUTION OF LOANS, 1995<sup>a</sup>**  
(Amounts in \$ million)

Sector	OCR		ADF		TOTAL		%
	No.	Amount	No.	Amount	No. <sup>b</sup>	Amount	
Agriculture and Agro-industry	5	333.00	15	563.60	19	896.60	16.29
Energy	7	1,574.00	4	217.48	11	1,791.48	32.55
Industry and Nonfuel Minerals	1	18.50	-	-	1	18.50	0.34
Finance	7	560.00	1	3.00	8	563.00	10.23
Transport and Communications	5	663.00	6	307.00	11	970.00	17.62
Social Infrastructure	11	893.00	11	363.81	21	1,256.81	22.83
Multisector	-	-	-	-	-	-	-
Others	1	8.00	-	-	1	8.00	0.14
<b>TOTAL</b>	<b>37</b>	<b>4,049.50</b>	<b>37</b>	<b>1,454.89</b>	<b>72</b>	<b>5,504.39</b>	<b>100.00</b>

a. Includes private sector loans.

b. A project which is financed from both sources is counted as one project.

**Table 12**  
**1995 LOAN APPROVALS, BY SECTOR**

Country	Project Name	Amounts in \$ million		
		OCR	ADF	Total
<b>AGRICULTURE AND AGRO-INDUSTRY</b>				
BAN	Coastal Greenbelt	-	23.40	23.40
BAN	Command Area Development	-	30.00	30.00
BAN	Small-Scale Water Resources Development Sector	-	32.00	32.00
CAM	Rural Infrastructure Improvement	-	25.10	25.10
INO	Farmer Managed Irrigation Systems	-	26.30	26.30
INO	Suiawesi Rainfed Agriculture Development	-	30.36	30.36
KAZ	Agriculture Sector Program	100.00	-	100.00
KGZ	Agriculture Sector Program	-	40.00	40.00
MON	Agriculture Sector Program	-	35.00	35.00
PAK	Marala-Ravi Link Canal System Technical Assistance	-	3.20	3.20
PAK	Forestry Sector	-	42.60	42.60
PAK	National Drainage (Sector)	-	140.00	140.00
PHL	Second Irrigation Systems Improvement	15.00	15.00	30.00
PRC	Second Agricultural Bank of China	100.00	-	100.00
PRC	Hainan Agriculture and Natural Resources Development	53.00	-	53.00
PRC	Fujian Soil Conservation and Rural Development	65.00	-	65.00
SRI	Plantation Reform	-	60.00	60.00
TON	Outer Islands Agriculture Development	-	3.64	3.64
VIE	Fisheries Infrastructure Improvement	-	57.00	57.00
	Subtotal	333.00	563.60	896.60
<b>ENERGY</b>				
BAN	Rural Electrification	-	50.00	50.00
BHU	Rural Electrification	-	7.50	7.50
IND	Power Transmission (Sector)	275.00	-	275.00
INO	Power Development and Efficiency Enhancement	337.00	-	337.00
INO	Gas Transmission and Distribution	218.00	-	218.00
PHL	Northern Luzon Transmission and Generation	244.00	-	244.00
PRC	Henan Power	200.00	-	200.00
PRC	Fujian Mianhuatan Hydropower	170.00	-	170.00
PRC	Ping Hu Oil and Gas Development	130.00	-	130.00
SRI	Second Power System Expansion (Sector)	-	80.00	80.00
VIE	Power Distribution Rehabilitation	-	79.98	79.98
	Subtotal	1,574.00	217.48	1,791.48
<b>FINANCE</b>				
COO	Third Cook Islands Development Bank	-	3.00	3.00
IND	Capital Market Development Program	250.00	-	250.00
PAK	Financial Sector Intermediation Loan	100.00	-	100.00
PAK	Atlas Lease Co. Ltd. II <sup>a</sup>	10.00	-	10.00
PAK	National Development Leasing Corp. Ltd. IV <sup>a</sup>	15.00	-	15.00
PAK	Orix Leasing Pakistan Ltd. III <sup>a</sup>	20.00	-	20.00
PAK	Pakistan Industrial Leasing Corp. Ltd. III <sup>a</sup>	15.00	-	15.00
PHL	Capital Market Development Program	150.00	-	150.00
	Subtotal	560.00	3.00	563.00

<sup>a</sup> Private sector loan without government guarantee.

Key: BAN (Bangladesh), CAM (Cambodia), PRC (People's Republic of China), BHU (Bhutan), COO (Cook Islands), IND (India), INO (Indonesia), KAZ (Kazakhstan), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MAL (Malaysia), RMI (Marshall Islands), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PHI (Philippines), SRI (Sri Lanka), THA (Thailand), TON (Tonga) and VIE (Viet Nam).

CONTINUED

Country	Project Name	Amounts in \$ million		
		OCR	ADF	Total
<b>INDUSTRY AND NONFUEL MINERALS</b>				
BAN	Islam Cement Ltd. <sup>a</sup>	18.50	-	18.50
	Subtotal	18.50	-	18.50
<b>SOCIAL INFRASTRUCTURE</b>				
BAN	Nonformal Education	-	26.70	26.70
BAN	Secondary Towns Infrastructure Development II	-	65.00	65.00
CAM	Basic Skills	-	20.00	20.00
IND	Karnataka Urban Infrastructure Development			
	- Republic of India	85.00	-	85.00
	- Housing Development Finance Corporation	20.00	-	20.00
INO	Private Junior Secondary Education	49.00	-	49.00
INO	Senior Secondary Education	110.00	-	110.00
INO	Sumatra Urban Development (Sector)	130.00	-	130.00
INO	West Java Urban Development (Sector)	70.00	-	70.00
INO	Rural Water Supply and Sanitation Sector	85.00	-	85.00
LAO	Postsecondary Education Rationalization	-	20.00	20.00
LAO	Primary Health Care	-	5.00	5.00
LAO	Vientiane Integrated Urban Development	-	20.00	20.00
MAL	Technical and Vocational Education	72.00	-	72.00
PAK	Technical Education	-	60.00	60.00
PAK	Punjab Rural Water Supply and Sanitation (Sector)	-	46.00	46.00
PHL	Integrated Community Health	-	25.91	25.91
PHL	Regional Municipal Development	30.00	-	30.00
PHL	Umiray-Angat Transbasin	92.00	-	92.00
RMI	Majuro Water Supply and Sanitation	-	9.20	9.20
THA	Samut Prakarn Wastewater Management	150.00	-	150.00
VIE	Provincial Towns Water Supply and Sanitation	-	66.00	66.00
	Subtotal	898.00	363.81	1,256.81
<b>TRANSPORT AND COMMUNICATIONS</b>				
LAO	Champassak Road Improvement	-	48.00	48.00
MON	National Air Navigation Development	-	24.00	24.00
MON	Roads Development	-	25.00	25.00
NEP	Third Road Improvement	-	40.00	40.00
PAK	Rural Access Roads	-	140.00	140.00
PRC	Second Yantai Port	63.00	-	63.00
PRC	Hebei Expressway	220.00	-	220.00
PRC	Liaoning Expressway	100.00	-	100.00
PRC	Second Telecommunications	100.00	-	100.00
THA	Second Regional Roads (Sector)	180.00	-	180.00
VIE	Saigon Port	-	30.00	30.00
	Subtotal	668.00	307.00	970.00
<b>OTHERS</b>				
NEP	Taragaon Regency Hotels Ltd. <sup>a</sup>	8.00	-	8.00
	Subtotal	8.00	-	8.00
	<b>TOTAL</b>	<b>4,049.50</b>	<b>1,454.89</b>	<b>5,504.39</b>

<sup>a</sup> Private sector loan without government guarantee.

Key: BAN (Bangladesh), CAM (Cambodia), PRC (People's Republic of China), BHU (Bhutan), COO (Cook Islands), IND (India), INO (Indonesia), KAZ (Kazakhstan), KGZ (Kyrgyz Republic), LAO (Lao People's Democratic Republic), MAL (Malaysia), RMI (Marshall Islands), MON (Mongolia), NEP (Nepal), PAK (Pakistan), PHL (Philippines), SRI (Sri Lanka), THA (Thailand), TON (Tonga) and VIE (Viet Nam).

**Table 13**  
**LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS<sup>a</sup>, 1995**  
(Amounts in \$ million)

Country	O C R	A D F	TOTAL	%
Afghanistan	-	-	-	-
Bangladesh	18.50	227.10	245.60	4.46
Bhutani	-	7.50	7.50	0.14
Cambodia	-	45.10	45.10	0.82
China, People's Rep. of	1,201.00	-	1,201.00	21.82
Cook Islands	-	3.00	3.00	0.05
Fiji	-	-	-	-
India	630.00	-	630.00	11.45
Indonesia	999.00	56.66	1,055.66	19.18
Kazakhstan	100.00	-	100.00	1.82
Kiribati	-	-	-	-
Kyrgyz Republic	-	40.00	40.00	0.73
Lao PDR	-	93.00	93.00	1.69
Malaysia	72.00	-	72.00	1.31
Maldives	-	-	-	-
Marshall Islands	-	9.20	9.20	0.17
Micronesia, Fed. States of	-	-	-	-
Mongolia	-	84.00	84.00	1.53
Myanmar	-	-	-	-
Nepal	8.00	40.00	48.00	0.87
Pakistan	160.00	431.80	591.80	10.75
Papua New Guinea	-	-	-	-
Philippines	531.00	40.91	571.91	10.39
Solomon Islands	-	-	-	-
Sri Lanka	-	140.00	140.00	2.54
Thailand	330.00	-	330.00	5.99
Tonga	-	3.64	3.64	0.07
Vanuatu	-	-	-	-
Viet Nam	-	232.98	232.98	4.23
Western Samoa	-	-	-	-
<b>TOTAL</b>	<b>4,049.50</b>	<b>1,454.89</b>	<b>5,504.39</b>	<b>100.00</b>

a. Includes loans to private sector without government guarantee.

**Table 14**  
**DISTRIBUTION OF LENDING AMONG DEVELOPING MEMBER COUNTRIES, 1968-1995**  
 Percentage of Value of Loans Approved in Period

Country	1968-1972		1973-1977		1978-1982	
	OCR	ADF	OCR	ADF	OCR	ADF
Afghanistan	-	2.6	-	7.1	-	0.9
Bangladesh	-	-	0.5	27.3	-	32.8
Bhutan	-	-	-	-	-	-
Cambodia	-	0.8	-	-	-	-
China, People's Rep. of	-	-	-	-	-	0.1
Cook Islands	-	-	-	-	-	-
Fiji	0.6	-	0.1	-	0.8	-
Hong Kong	2.9	-	1.7	-	0.8	-
India	-	-	-	-	-	-
Indonesia	-	34.6	17.2	4.5	28.4	2.1
Kazakhstan	-	-	-	-	-	-
Kiribati	-	-	-	0.2	-	-
Korea, Rep. of	26.2	1.8	20.9	-	18.4	-
Kyrgyz Republic	-	-	-	-	-	-
Lao PDR	-	2.2	-	0.8	-	1.1
Malaysia	10.6	1.6	10.9	-	9.6	-
Maldives	-	-	-	-	-	-
Marshall Islands	-	-	-	-	-	-
Micronesia, Fed. States of	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-
Myanmar	-	-	0.3	13.6	-	11.4
Nepal	0.3	17.7	-	9.1	-	7.3
Pakistan	8.9	9.0	12.8	19.2	5.1	27.1
Papua New Guinea	-	7.1	0.8	2.2	0.8	1.9
Philippines	13.5	1.7	21.2	1.2	19.1	2.7
Singapore	12.1	1.5	1.4	-	1.1	-
Solomon Islands	-	-	-	1.0	-	0.2
Sri Lanka	1.7	11.1	-	8.4	-	8.6
Taipei, China	13.3	-	-	-	-	-
Thailand	9.9	-	11.9	0.8	16.0	2.7
Tonga	-	-	-	0.2	-	0.2
Vanuatu	-	-	-	-	-	-
Viet Nam	-	5.6	0.2	3.0	-	-
Western Samoa	-	2.6	-	1.4	-	0.7
Regional	-	-	-	-	-	-
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Loan Approvals (\$ million)</b>	<b>753.9</b>	<b>201.5</b>	<b>2,326.9</b>	<b>964.9</b>	<b>4,856.2</b>	<b>2,351.1</b>

1983-1987		1988-1992		1993-1995		Country
OCR	ADF	OCR	ADF	OCR	ADF	
-	-	-	-	-	-	Afghanistan
-	31.7	-	25.5	0.2	21.3	Bangladesh
-	0.8	-	0.2	-	0.3	Bhutan
-	-	-	1.1	-	-	Cambodia
2.0	-	12.3	-	32.6	1.9	China, People's Rep. of
-	0.1	-	0.1	-	0.2	Cook Islands
0.2	-	0.4	-	-	-	Fiji
9.5	-	25.1	-	15.8	-	Hong Kong
33.7	3.7	30.9	5.7	27.9	4.1	India
-	-	-	-	1.3	0.5	Indonesia
-	-	-	-	-	-	Kazakhstan
-	-	-	-	-	-	Kiribati
9.2	-	0.9	-	-	-	Korea, Rep. of
-	-	-	-	-	2.0	Kyrgyz Republic
-	1.9	-	3.5	-	5.7	Lao PDR
8.3	-	3.1	-	1.2	-	Malaysia
-	0.2	-	0.2	-	0.2	Maldives
-	-	-	0.1	-	0.6	Marshall Islands
-	-	-	-	-	0.2	Micronesia, Fed. States of
-	-	-	0.5	-	5.5	Mongolia
-	3.4	-	-	-	-	Myanmar
-	-	-	-	-	-	Nepal
15.9	34.3	10.0	29.0	0.1	2.3	Pakistan
1.3	1.6	0.6	24	3.1	25.4	Papua New Guinea
12.1	1.4	10.9	11.7	8.5	3.5	Philippines
-	-	-	-	-	-	Singapore
-	0.6	-	0.1	-	-	Solomon Islands
-	9.8	-	11.7	-	9.0	Sri Lanka
-	-	-	-	-	-	Taipei, China
7.8	-	5.5	-	9.3	-	Thailand
-	0.1	-	0.3	-	0.4	Tonga
-	0.3	-	0.1	-	-	Vanuatu
-	-	-	-	-	16.1	Viet Nam
-	0.4	-	0.6	-	0.1	Western Samoa
-	-	0.2	-	-	-	Regional
100.0	100.0	100.0	100.0	100.0	100.0	TOTAL
6,755.7	3,617.3	14,017.8	6,428.1	10,484.1	3,929.1	Loan Approvals (\$ million)

**Table 15**  
**PROJECTS INVOLVING COFINANCING IN 1995**  
(Amounts in \$ million)

Project	Country	Bank Loan		Amount of Cofinancing	Sources of Cofinancing
		OCR	ADF		
Road Improvement <sup>a</sup>	Bangladesh	-	137.50	82.00	JICA
Rural Electrification	Bangladesh	-	50.00	15.00	OECF
Small-Scale Water Resources Development Sector	Bangladesh	-	32.00	10.40 6.80	IFAD Netherlands
Nonformal Education	Bangladesh	-	26.70	3.80 10.50	SDC World Bank (IDA)
Islam Cement Ltd.	Bangladesh	18.50	-	8.70 4.00	DEG AFIC
Qitaihe Thermal Energy and Environmental Improvement <sup>b</sup>	PRC	165.00	-	55.00	Market institutions <sup>c</sup>
Ping Hu Oil and Gas Development	PRC	130.00	-	120.00 72.00 60.00	EXIM EIB France
Gas Transmission and Distribution	Indonesia	218.00	-	58.00 195.00	EIB EXIM
Power Development and Efficiency Enhancement	Indonesia	337.00	-	127.00	OECF
Vientiane Integrated Urban Development	Lao PDR	-	20.00	2.71	JICA
Champassak Road Improvement	Lao PDR	-	48.00	70.00	JICA
Taragon Regency Hotels Limited <sup>d</sup>	Nepal	8.00	-	2.83 3.00	AFIC <sup>e</sup> Market institutions <sup>f</sup>
National Air Navigation Development	Mongolia	-	24.00	5.00	JICA
Pat Feeder Canal Rehabilitation and Improvement <sup>f</sup>	Pakistan	-	117.00	28.55	IFAD
WAPDA Twelfth Power (Sector) <sup>g</sup>	Pakistan	125.00	-	2.00 2.00	NIB NDF
Financial Sector Intermediation Loan	Pakistan	100.00	-	216.00	World Bank
Forestry Sector	Pakistan	-	42.60	15.56	Netherlands
National Drainage (Sector)	Pakistan	-	140.00	285.00 100.00	World Bank (IDA) OECF
Airport Development <sup>b</sup>	Philippines	41.00	-	1.20	OECF
Regional Municipal Development	Philippines	30.00	-	11.50	AusAID
Integrated Community Health	Philippines	-	25.91	15.20	AusAID
Northern Luzon Transmission and Generation	Philippines	244.00	-	244.00 27.80 109.50 142.00	EXIM KfW World Bank Market institutions
Second Regional Roads (Sector)	Thailand	180.00	-	150.00 150.00	OECF World Bank
Samut Prakarn Wastewater Management	Thailand	150.00	-	70.00	OECF
<b>TOTAL</b>		<b>1,746.50</b>	<b>663.71</b>	<b>2,482.05</b>	

a. Bank loan approved in 1987.

b. Bank loan approved in 1994.

c. Parallel Commercial Cofinancing.

d. Private Sector.

e. Complementary Financing Scheme.

f. Bank loan approved in 1985.

g. Bank loan approved in 1991.

**Table 16**  
**PRIVATE SECTOR INVESTMENTS APPROVED IN 1995**  
(Amounts in \$ million)

Country	Equity Investment	Underwriting	Loan	Total Bank Funds	Complementary Loan	Total
BANGLADESH						
Islam Cement Ltd.	4.000		18.500	22.500	-	22.500
INDIA						
AIG Indian Sectoral Equity Fund and AIG Indian Equity Management Co.	15.000	-	-	15.000	-	15.000
Debt Market Institutions:						
SBI Capital Markets Ltd.	0.100	-	-	0.100	-	0.100
SBICAP Securities Ltd.	21.200	-	-	21.200	-	21.200
SBI Gilts Ltd.	4.300	-	-	4.300	-	4.300
SBI	4.500	-	-	4.500	-	4.500
NEPAL						
Taragaon Regency Hotels Ltd.	1.250		8.000	9.250	5.830	15.080
PAKISTAN						
Second Private Sector Facility:						
Atlas BOT Lease Co. Ltd. II	-	-	10.000	10.000	-	10.000
National Development Leasing Corp. Ltd. IV	-	-	15.000	15.000	-	15.000
Orix Leasing Pakistan Ltd. III	-	-	20.000	20.000	-	20.000
Pakistan Industrial Leasing Corp. Ltd. III	-	-	15.000	15.000	-	15.000
PHILIPPINES						
Walden AB Ayala Management Co., Inc. (Supplementary)	0.031 <sup>a</sup>	-	-	0.031	-	0.031
REGIONAL						
Asian Securitization and Infrastructure Assurance Ltd.	20.000	-	-	20.000	-	20.000
Asian Infrastructure Development Co., Inc.	30.000	-	-	30.000	-	30.000
Greater Mekong Capital Fund	10.000	-	-	10.000	-	10.000
<b>TOTAL</b>	<b>110.381</b>	<b>0.000</b>	<b>86.500</b>	<b>196.881</b>	<b>5.830</b>	<b>202.711</b>

a. Refers to the difference between Peso 500,000 (equivalent to \$19,000), originally approved by the Board on 27 October 1994, and the adjusted amount, in US dollars, of \$50,000 approved by the Board on 26 July 1995, superseding the originally approved amount.

**Table 17**  
**ANNUAL PRIVATE SECTOR OPERATIONS, 1986-1995**  
(Amounts in \$ million)

Year	Private Sector Loans and Investments			
	Equity Amount	Loan Amount	No.	Total Amount
1986	6.0	6.5	4	12.5
1987	27.6	20.5	7	48.1
1988	35.7	58.0	12	93.7
1989	67.6	95.7	19	163.3
1990	35.9	78.9	18	114.8
1991	20.5	156.8	16	177.3
1992	5.4	50.0	4	55.4
1993	20.7	182.1	12	202.8
1994	50.9	7.5	14	58.4
1995	110.4	86.5	15	196.9

**Table 18**  
**PRIVATE SECTOR INVESTMENTS BY COUNTRY<sup>a</sup>, 1983-1995**  
(Amounts in \$ million)

Country	Number of Operations	Loans	Equity Investments and Lines of Equity	Equity Underwriting	Total Bank Funds	Complementary Loans	Total
Bangladesh	5	36.50	9.11	-	45.61	7.00	52.61
China, People's Rep. of	4	50.00	17.30	-	67.30	-	67.30
Fiji	1	-	0.25	-	0.25	-	0.25
India	20	135.70	79.54	-	215.24	5.00	220.24
Indonesia	12	82.00	17.65	6.00	105.65	63.50	169.15
Korea, Rep. of	3	-	8.96	-	8.96	-	8.96
Malaysia	1	-	2.00	-	2.00	-	2.00
Nepal	3	13.05	3.26	-	16.31	5.83	22.14
Pakistan	28	209.80	19.01	4.32	233.13	64.90	298.03
Philippines	16	147.90	30.15	-	178.05	47.50	225.55
Sri Lanka	5	1.00	5.82	-	6.82	-	6.82
Thailand	6	31.46	21.82	5.00	58.28	-	58.28
Regional	12	35.00	132.34	25.20	192.54	-	192.54
<b>TOTAL<sup>b</sup></b>	<b>116</b>	<b>742.41</b>	<b>347.20</b>	<b>40.52</b>	<b>1,130.13</b>	<b>193.73</b>	<b>1,323.86</b>

a. Excluding facilities cancelled and withdrawn.

b. Amounts may not total due to rounding.

**Table 19**  
**PRIVATE SECTOR INVESTMENTS BY SECTOR<sup>a</sup>**  
(Amounts in \$ million)

	1995 Approvals				Investments Held (as of 31 Dec. 1995)			
	Bank Investments		Private Banks/ Investors	Institutional Investors	Bank Investments		Loans under Complementary Financing Scheme	
	No.	Amount			No.	Amount		
<b>Financing, Insurance, Leasing and Business Services</b>								
Financial Institutions <sup>b</sup>	8	85.13	1,262.77	-	1,347.90 <sup>c</sup>	35	138.70	-
Insurance	1	20.00	130.00	-	150.00 <sup>c</sup>	2	12.57	-
Leasing	4	60.00	-	-	60.00	18	108.92	5 8.93 117.85
<b>Manufacturing Sector</b>								
Textile, wearing apparel and leather	-	-	-	-	-	9	25.97	2 5.23 31.20
Chemicals, petroleum, coal, rubber and plastic products	-	-	-	-	-	10	77.23	2 21.95 99.17
Cement and ceramics	1	22.50	67.50	-	90.00	2	14.16	2 16.22 30.38
Fabricated metal products, electrical machinery and apparatus	-	-	-	-	-	4	21.00	1 39.12 60.12
Radio, television and communication equipment and apparatus	-	-	-	-	-	1	0.41	- 0.41
<b>Infrastructure</b>								
Electricity, Gas and Steam	-	-	-	-	-	6	146.31	-
Transport and Storage	-	-	-	-	-	1	19.85	1 11.80 31.65
Telecommunications	-	-	-	-	-	1	11.87	- 11.87
<b>Others:</b>								
Agribusiness	-	-	-	-	-	2	6.78	-
Mining	-	-	-	-	-	1	8.25	1 13.75 22.00
Hotels	1	9.25	29.46	-	38.71	-	-	-
<b>TOTAL<sup>b</sup></b>	<b>15</b>	<b>196.88</b>	<b>1,489.73</b>	<b>0.00</b>	<b>1,686.61</b>	<b>92</b>	<b>592.02</b>	<b>14 116.99 709.01</b>

a. For purposes of private sector activities, the term "Investment" comprises loans, equity investments (direct and under lines of equity) and equity underwritings.

b. Including banks, venture capital companies, investment management and securities companies, etc.

c. Total amount of equity capital to be raised.

d. Amounts may not total due to rounding.

Table 20

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS<sup>a</sup>, 1968-1995

(As of 31 December 1995)

(Amounts in \$ million)

Year	No.	Amount <sup>d</sup>	Cumulative Contracts Awarded <sup>c</sup>		Cumulative Disbursements <sup>b</sup>	
			Amount	Percentage of Cumulative Effective Loans	Amount <sup>e</sup>	Percentage of Cumulative Effective Loans
1968	4	20	4.5	23	1.8	9
1969	13	67	13.5	20	9.3	14
1970	28	137	54.4	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	14,793	8,279.0	56	7,452.1	50
1986	771	16,135	9,443.1	59	8,476.4	53
1987	815	17,807	10,883.2	61	9,707.8	55
1988	887	20,589	12,812.4	62	11,356.9	55
1989	958	23,727	14,858.5	63	13,591.8	57
1990	1,016	27,630	17,666.9	64	16,343.5	59
1991	1,078	31,360	20,507.2	65	19,447.2	62
1992	1,149	35,909	23,175.5	65	22,214.3	62
1993	1,221	40,099	26,755.8	67	25,155.7	63
1994	1,282	44,030	30,569.4	69	28,843.6	66
1995	1,345	47,901	34,057.5	71	32,430.6	68

<sup>a</sup> After the signing of the loan agreement, certain requirements must be complied with for the loan to become effective.<sup>b</sup> Includes private sector loans without government guarantee.<sup>c</sup> Excludes private sector loans without government guarantee.<sup>d</sup> Net of cancellations and amount transferred to subsequent loans.<sup>e</sup> Includes interest and other charges financed during construction.

**Table 21**  
**NUMBER OF LOANS AND PROJECTS APPROVED AND UNDER ADMINISTRATION,**  
**PCRs CIRCULATED, PROJECTS COMPLETED, LOANS CLOSED AND PPARs CIRCULATED IN 1995**  
(As of 31 December 1995)

Country	Cumulative No. of Loans Approved <sup>a</sup>	Cumulative No. of Effective Loans	Cumulative No. of Projects Approved <sup>b</sup>	Cumulative No. of Blended Loans	Cumulative No. of Supplementary Loans	Cumulative No. of Cofinanced Projects	No. of Projects Under Administration <sup>b,c</sup> As of 31/12/95
Afghanistan	9	8	8	-	1	2	-
Bangladesh	121	114	113	3	5	49	42
Bhutan	11	10	11	-	-	5	4
Cambodia	5	3	5	-	-	1	4
China, People's Rep. of	48	38	48	-	-	10	39
Cook Islands	9	8	9	-	-	1	4
Fiji	12	12	12	-	-	5	2
Hong Kong	5	5	5	-	-	-	-
India	41	36	40	1	-	13	33
Indonesia	206	201	191	12	2	47	66
Kazakhstan	3	3	2	-	2	-	2
Kiribati	5	5	5	-	-	1	1
Korea, Rep. of	79	79	79	-	-	-	2
Kyrgyz Republic	2	1	2	-	-	-	-
Lao PDR	36	34	33	-	3	18	17
Malaysia	74	72	72	1	1	9	11
Maldives	6	6	6	-	-	2	2
Marshall Islands	6	5	6	-	-	-	5
Micronésia, Fed. States of	1	1	1	-	-	-	1
Mongolia	10	10	10	-	-	4	9
Myanmar	32	32	28	2	2	12	11
Nepal	81	80	71	1	9	33	31
Pakistan	168	162	142	21	5	63	70
Papua New Guinea	42	42	33	9	-	6	10
Philippines	146	139	128	13	4	44	46
Singapore	14	14	14	-	-	2	-
Solomon Islands	13	13	13	-	-	5	-
Sri Lanka	76	74	70	1	5	19	25
Taipei, China	12	12	12	-	-	-	-
Thailand	70	68	67	2	1	34	15
Tonga	13	12	13	-	-	3	6
Vanuatu	6	6	5	-	1	2	2
Viet Nam	20	15	18	2	-	1	9
Western Samoa	25	24	21	-	4	8	1
Regional	1	1	1	-	-	-	-
<b>TOTAL</b>	<b>1,408</b>	<b>1,345</b>	<b>1,294</b>	<b>68</b>	<b>43</b>	<b>407</b>	<b>461</b>

a Includes Special Implementation Assistance Loans, Special Assistance, private sector loans, but excludes the loans withdrawn by borrowers before loan signing.

b Blended loans are counted as one project, supplementary loans and Special Implementation Assistance Loans are not counted as separate projects.

c Includes projects/loans which have been approved but still awaiting effectiveness, inactive loans, fully disbursed private sector loans without government guarantee but still under administration, and excludes projects/loans exclusively financed from other sources.

d Projects which were physically completed in 1995.

No. of Loans Under Administration As of 31/12/95	Cumulative No. of PCRs Circulated/ Prepared	No. of Projects Completed in 1995 <sup>d</sup>	No. of Loans Closed in 1995	No. of PCRs Circulated in 1995	No. of PPARs Circulated in 1995	Country
42	66	4	5	7	3	Afghanistan
4	3	—	1	—	—	Bangladesh
4	—	—	—	—	—	Bhutan
4	—	—	—	—	—	Cambodia
39	8	2	1	3	1	China, People's Rep. of
4	4	1	1	1	—	Cock Islands
2	8	—	—	—	1	Fiji
—	5	—	—	—	—	Hong Kong
34	5	5	2	1	4	India
71	104	11	6	8	2	Indonesia
3	—	—	—	—	—	Kazakhstan
1	3	1	—	—	—	Kiribati
1	56	2	2	1	—	Korea, Rep. of
2	—	—	—	—	—	Kyrgyz Republic
17	11	2	3	1	—	Lao PDR
11	43	2	—	3	—	Malaysia
2	4	—	1	—	—	Maldives
5	1	1	—	—	—	Marshall Islands
1	—	—	—	—	—	Micronesia, Fed. States of
9	1	—	—	—	—	Mongolia
1	26	—	—	—	1	Myanmar
31	38	12	1	4	—	Nepal
74	66	7	10	5	4	Pakistan
12	19	5	1	2	—	Papua New Guinea
52	72	5	1	2	2	Philippines
—	7	—	—	—	—	Singapore
—	13	—	2	2	—	Solomon Islands
25	38	6	4	4	4	Sri Lanka
—	1	—	—	—	—	Taipei, China
15	40	1	1	2	1	Thailand
6	9	2	—	—	—	Tonga
2	3	1	—	—	—	Vanuatu
9	5	—	—	—	—	Viet Nam
1	18	—	2	3	1	Western Samoa
—	—	—	1	—	—	Regional
480	677	70	45	49	20	TOTAL

**Table 22**  
**AMOUNTS OF LOANS APPROVED, CONTRACTS AWARDED AND DISBURSEMENTS**  
(As of 31 December 1995)  
(Amounts in \$ million)

Country	Cumulative Loan Amounts Approved <sup>a</sup>	Cumulative Net Effective Loans <sup>b, c</sup>	Contracts Awarded in 1995 <sup>c, d</sup>	Cumulative Contracts Awarded <sup>c, d</sup> As of 31/12/95
Afghanistan	95.10	27.90	0.00	34.21
Bangladesh	4,693.21	4,281.62	307.69	3,810.03
Bhutan	51.46	41.54	4.70	33.17
Cambodia	142.67	98.25	28.12	71.78
China, People's Rep. of	5,276.70	3,971.78	748.64	2,394.42
Cook Islands	18.67	15.87	0.26	11.29
Fiji	121.10	113.47	1.48	113.45
Hong Kong	101.50	94.50	0.00	94.50
India	5,817.30	4,973.51	658.77	3,008.41
Indonesia	12,144.59	10,487.59	416.35	6,823.60
Kazakhstan	160.00	160.03	82.31	82.31
Kiribati	4.90	3.83	0.25	3.80
Korea, Rep. of	2,323.33	1,853.57	0.01	1,865.65
Kyrgyz Republic	80.00	40.25	28.23	28.23
Lao PDR	554.74	480.78	57.24	339.28
Malaysia	1,921.24	1,367.84	67.31	1,131.07
Maldives	33.88	36.39	5.22	32.00
Marshall Islands	31.05	23.29	0.75	5.77
Micronesia, Fed. States of	6.50	6.88	0.00	0.00
Mongolia	251.30	256.16	74.51	162.69
Myanmar	530.86	460.37	0.00	418.42
Nepal	1,211.18	1,035.49	37.87	806.49
Pakistan	8,355.44	7,663.74	404.97	5,513.89
Papua New Guinea	545.72	526.19	9.64	430.57
Philippines	5,770.90	4,684.61	156.06	3,508.88
Singapore	181.08	144.44	0.00	130.22
Solomon Islands	43.31	37.61	0.00	37.10
Sri Lanka	1,778.33	1,620.58	118.44	1,207.94
Taipei, China	100.39	91.14	0.00	90.28
Thailand	3,474.25	2,646.94	85.53	2,073.42
Tonga	42.89	40.81	6.51	29.60
Vanuatu	19.25	20.37	1.02	16.43
Viet Nam	679.08	472.07	136.00	163.96
Western Samoa	89.92	86.94	0.51	84.65
Réunion	35.00	35.00	0.00	0.00
<b>TOTAL</b>	<b>56,686.86</b>	<b>47,901.35</b>	<b>3,438.38</b>	<b>34,057.48</b>

a Includes special assistance loans and private sector loans but excludes loans withdrawn before loan signing. The US dollar equivalent in accordance with the exchange rate prevailing within the Bank at the time of loan signing.

b Net refers to cancellation and refund of unused loan amounts.

c The US dollar equivalent is in accordance with the exchange rate prevailing within the Bank on 31 December 1995. The cumulative contracts awarded exceed the net effective loan amounts due to the following reasons:

- (i) for countries without active loans, the base contract amount of loans that closed prior to computerization does not reflect the adjustment with regard to procurement data, i.e. Afghanistan; and
- (ii) for countries with active loans, the contract amount inputted is basically the percentage of Bank-financed portion and each contract amount was adjusted upon completion of disbursement.

d Excluding private sector loans without government guarantee.



% of Cumulative Contracts Awarded to Cumulative Net Effective Loans	Disbursements in 1995	Cumulative Disbursements As of 31/12/95	% of Cumulative Disbursements to Cumulative Net Effective Loans	Country
122.6 c (i)	0.00	27.90	100.0	Afghanistan
77.3	279.17	3,189.49	74.5	Bangladesh
79.8	3.49	30.89	74.4	Brunei
73.1	35.93	53.96	54.9	Cambodia
60.3	558.27	1,933.10	48.7	China, People's Rep. of
71.1	0.42	12.54	79.0	Cook Islands
100.0	9.60	108.07	95.2	Fiji
100.0	0.00	94.50	100.0	Hong Kong
60.5	600.49	2,577.12	51.8	India
65.1	710.03	6,819.35	65.0	Indonesia
51.4	63.67	63.67	39.8	Kazakhstan
99.4	0.25	3.83	100.0	Kiribati
100.7	6.58	1,851.80	99.9	Korea, Rep. of
70.2 c (ii)	34.00	34.00	84.5	Kyrgyz Republic
70.6	58.10	279.55	58.1	Lao PDR
82.7	47.40	1,082.49	79.1	Malaysia
87.9	4.61	24.87	68.3	Maldives
24.8	2.79	5.16	22.1	Marshall Islands
0.0	0.34	0.34	4.9	Micronesia, Fed. States of
63.5	49.86	108.65	42.4	Mongolia
90.9	0.00	411.83	89.5	Myanmar
77.9	58.76	769.30	74.3	Nepal
71.9	490.09	5,349.97	69.8	Pakistan
81.8	17.61	412.51	78.4	Papua New Guinea
74.9	237.43	3,536.95	75.5	Philippines
90.2	0.00	144.44	100.0	Singapore
98.6	0.11	37.62	100.0	Solomon Islands
74.5	87.35	1,128.22	69.6	Sri Lanka
99.1	0.00	91.14	100.0	Taipei, China
78.3	162.44	2,009.06	75.9	Thailand
72.5	5.49	25.92	63.5	Tonga
80.7	1.02	16.59	81.4	Vanuatu
34.7	48.25	76.67	16.2	Viet Nam
97.4	5.11	83.90	96.5	Western Samoa
0.0	8.35	35.00	100.0	Regional
71.1	3,587.01	32,430.60	67.7	<b>TOTAL</b>

**Table 23**  
**DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN<sup>a</sup>**  
**ORDINARY CAPITAL RESOURCES**

Country	1967 - 1976		1977 - 1986		1987 - 1995	
	Goods, Related Services & Civil Works %	Consulting Services %	Goods, Related Services & Civil Works %	Consulting Services %	Goods, Related Services & Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00
Australia	1.15	3.91	1.43	2.46	2.15	3.83
Austria	2.38	0.84	0.57	0.30	0.27	0.35
Bangladesh	0.00	0.00	0.00	0.03	0.00	0.00
Belgium	0.22	0.53	0.49	0.04	0.52	0.00
Bhutan	0.00	0.00	0.00	0.00	0.00	0.00
Canada	2.19	2.29	0.91	6.79	0.92	4.35
China, People's Rep. of	0.00	0.00	0.00	0.00	8.21	0.00
Cook Islands	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.13	1.94	0.29	2.91	0.16	1.43
Fiji	0.09	0.00	0.24	0.00	0.19	0.03
Finland	0.05	0.00	0.04	0.81	0.50	0.14
France	3.78	6.05	2.02	2.98	1.96	4.93
Germany	7.57	10.36	4.79	4.84	5.74	6.75
Hong Kong	0.60	0.00	1.65	0.47	1.29	0.10
India	1.45	3.35	0.67	0.84	9.00	1.17
Indonesia	0.00	0.00	8.54	9.58	17.68	27.38
Italy	3.36	11.06	1.35	4.08	3.49	2.52
Japan	42.33	7.33	22.82	12.58	12.09	7.86
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	9.67	1.31	16.74	4.06	7.09	0.89
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.00	0.00
Lao PDR	0.00	0.00	0.00	0.00	0.00	0.00
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	3.32	0.17	4.86	0.88	3.32	1.36
Maldives	0.00	0.00	0.00	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00
Mongolia	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
Nepal	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	2.17	2.20	0.90	2.60	0.59	6.16
New Zealand	0.17	1.42	0.42	1.46	0.10	0.19
Norway	0.15	0.00	0.03	0.25	0.03	0.00
Pakistan	0.01	0.00	0.57	0.04	3.07	0.42
Papua New Guinea	0.00	0.00	0.25	0.07	0.32	0.21
Philippines	1.14	0.94	8.43	1.59	3.77	4.60
Singapore	0.56	0.00	1.53	0.32	1.70	0.07
Solomon Islands	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.20	0.00
Sri Lanka	0.00	0.00	0.00	0.03	0.00	0.02
Sweden	0.57	0.13	0.54	0.04	0.88	0.17
Switzerland	1.91	1.07	1.51	5.86	1.97	6.99
Taipei, China	1.77	0.09	1.70	3.20	0.85	1.15
Thailand	2.28	0.00	6.94	0.09	3.00	1.50
Tonga	0.00	0.00	0.00	0.00	0.00	0.00
Turkey	0.00	0.00	0.00	0.00	0.19	0.00
United Kingdom	4.03	3.61	2.76	11.08	1.54	6.02
United States	6.94	41.40	7.01	21.26	6.67	9.47
Uzbekistan	0.00	0.00	0.00	0.00	0.02	0.00
Vanuatu	0.00	0.00	0.00	0.00	0.47	0.00
Viet Nam	0.00	0.00	0.00	0.00	0.02	0.00
Western Samoa	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>TOTAL VALUE (\$ million)</b>	<b>1,151.814</b>	<b>65.585</b>	<b>5,006.384</b>	<b>327.457</b>	<b>15,055.146</b>	<b>731.448</b>

a Based on US\$ value equivalent of contract.

**Table 24**  
**DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN<sup>a</sup>**  
**ASIAN DEVELOPMENT FUND**

Country	1967 - 1976		1977 - 1986		1987 - 1995	
	Goods, Related Services & Civil Works %	Consulting Services %	Goods, Related Services & Civil Works %	Consulting Services %	Goods, Related Services & Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.37	0.00	0.00	0.00
Australia	4.89	6.10	0.83	3.75	1.28	4.15
Austria	0.12	0.00	0.34	0.00	0.13	0.00
Bangladesh	0.20	0.00	5.80	0.94	14.20	3.91
Belgium	0.18	0.00	0.58	0.05	0.39	0.00
Bhutan	0.00	0.00	0.00	0.00	0.18	0.01
Cambodia	0.00	0.00	0.00	0.00	0.32	0.00
Canada	0.61	18.30	0.51	7.39	0.43	2.30
China, People's Rep. of	0.00	0.00	0.00	0.00	5.74	0.00
Cook Islands	0.00	0.00	0.04	0.00	0.03	0.00
Denmark	0.02	0.93	0.79	0.00	0.35	1.20
Fiji	0.12	0.00	0.05	0.00	0.00	0.02
Finland	0.01	0.00	0.07	1.34	0.19	0.23
France	0.13	0.00	1.37	2.57	1.30	3.05
Germany	14.61	22.63	5.08	1.68	4.02	6.18
Hong Kong	0.27	0.00	0.74	0.00	0.78	0.00
India	4.42	1.63	6.30	9.30	2.43	1.81
Indonesia	0.00	0.00	1.14	1.85	3.60	4.98
Italy	5.68	5.49	2.75	0.82	1.11	3.47
Japan	38.73	21.17	25.35	15.18	5.89	3.67
Kazakhstan	0.00	0.00	0.00	0.00	0.25	0.00
Kiribati	0.00	0.00	0.00	0.00	0.01	0.00
Korea, Rep. of	5.66	1.84	5.31	2.01	7.17	2.02
Lao PDR	0.00	0.00	0.05	0.00	0.73	0.07
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	0.57	2.56	0.36	0.54	1.15	0.00
Maldives	0.00	0.00	0.02	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.01	0.00
Mongolia	0.00	0.00	0.00	0.00	0.15	0.00
Myanmar	0.00	0.00	0.78	0.00	0.15	0.00
Nepal	0.82	0.00	2.28	0.50	3.04	1.26
Netherlands	1.68	5.57	1.22	2.22	1.73	4.46
New Zealand	0.56	2.45	0.81	2.00	0.17	4.00
Norway	0.05	0.00	0.02	0.57	0.41	0.33
Pakistan	0.00	0.00	4.76	0.47	14.43	9.53
Papua New Guinea	2.60	0.00	1.52	0.19	1.26	0.43
Philippines	0.14	1.10	2.74	2.83	4.72	4.56
Singapore	4.83	0.00	1.85	0.11	4.29	0.15
Solomon Islands	0.00	0.00	0.28	0.09	0.12	0.00
Spain	0.00	0.00	0.00	0.00	0.07	0.00
Sri Lanka	0.00	0.12	3.11	0.26	4.10	1.50
Sweden	0.01	0.14	1.64	0.04	0.65	2.23
Switzerland	0.33	0.00	2.64	6.18	1.02	2.99
Taipei, China	0.74	0.11	0.20	0.04	0.84	0.00
Thailand	1.66	0.20	2.35	0.05	1.03	0.01
Tonga	0.00	0.00	0.15	0.00	0.08	0.07
Turkey	0.00	0.00	0.00	0.00	0.27	0.00
United Kingdom	6.96	2.83	6.44	21.11	2.21	18.47
United States	3.30	6.82	8.98	15.96	6.67	12.87
Vanuatu	0.00	0.00	0.01	0.00	0.04	0.00
Viet Nam	0.00	0.00	0.08	0.00	0.34	0.00
Western Samoa	0.09	0.00	0.28	0.07	0.06	0.08
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>TOTAL VALUE (\$ million)</b>	<b>260.832</b>	<b>27.689</b>	<b>2,447.946</b>	<b>155.369</b>	<b>8,215.528</b>	<b>479.917</b>

<sup>a</sup> Based on US\$ value equivalent of contracts.

**Table 25**  
**DISTRIBUTION OF CONTRACTS AWARDED BY COUNTRY OF ORIGIN<sup>a</sup>**  
**ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED**

Country	1967 - 1976		1977 - 1986		1987 - 1995	
	Goods, Related Services & Civil Works %	Consulting Services %	Goods, Related Services & Civil Works %	Consulting Services %	Goods, Related Services & Civil Works %	Consulting Services %
Afghanistan	0.00	0.00	0.12	0.00	0.00	0.00
Australia	1.84	4.56	1.23	2.87	1.85	3.95
Austria	1.96	0.59	0.49	0.21	0.24	0.21
Bangladesh	0.40	0.00	1.91	0.32	5.02	1.55
Belgium	0.21	0.38	0.52	0.04	0.48	0.00
Bhutan	0.00	0.00	0.00	0.00	0.06	0.00
Cambodia	0.00	0.00	0.00	0.00	0.11	0.00
Canada	1.90	7.04	0.78	6.98	0.75	3.54
China, People's Rep. of	0.00	0.00	0.00	0.00	7.84	0.00
Cook Islands	0.00	0.00	0.01	0.00	0.01	0.00
Denmark	0.11	1.64	0.45	1.97	0.23	1.34
Fiji	0.10	0.00	0.18	0.00	0.12	0.03
Finland	0.40	0.00	0.05	0.64	0.39	0.18
France	3.11	4.25	1.80	2.85	1.73	4.18
Germany	8.87	14.00	4.89	3.49	5.14	6.52
Hong Kong	0.54	0.00	1.31	0.32	1.11	0.06
India	2.00	2.84	2.52	3.22	6.68	1.42
Indonesia	0.00	0.00	5.93	7.09	12.71	18.50
Italy	3.79	9.41	1.81	3.03	2.65	2.90
Japan	41.67	11.44	23.65	13.41	9.90	6.20
Kazakhstan	0.00	0.00	0.00	0.00	0.00	0.00
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Rep. of	8.93	1.46	13.32	3.40	7.12	1.33
Kyrgyz Republic	0.00	0.00	0.00	0.00	0.00	0.00
Lao PDR	0.00	0.00	0.02	0.00	0.26	0.03
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	2.81	0.88	3.29	0.77	2.55	0.81
Maldives	0.00	0.00	0.01	0.00	0.00	0.00
Marshall Islands	0.00	0.00	0.00	0.00	0.05	0.00
Mongolia	0.00	0.00	0.00	0.00	0.05	0.00
Myanmar	0.00	0.00	0.26	0.00	0.05	0.00
Nepal	0.15	0.00	0.75	0.16	1.07	0.50
Netherlands	2.08	3.20	1.01	2.48	1.01	5.49
New Zealand	0.24	1.73	0.55	1.63	0.23	1.70
Norway	0.13	0.00	0.03	0.35	0.17	0.11
Pakistan	0.01	0.00	1.95	0.18	7.10	4.03
Papua New Guinea	0.48	0.00	0.66	0.11	0.65	0.30
Philippines	0.95	0.99	6.54	1.99	4.10	4.58
Singapore	1.34	0.00	1.65	0.25	2.61	0.10
Solomon Islands	0.00	0.00	0.09	0.03	0.04	0.00
Spain	0.00	0.00	0.00	0.00	0.15	0.00
Sri Lanka	0.00	0.04	1.02	0.11	1.45	0.61
Sweden	0.46	0.13	0.90	0.04	0.80	0.99
Switzerland	1.62	0.75	1.88	5.96	1.63	5.40
Taipei, China	1.58	0.10	1.21	2.18	0.84	0.69
Thailand	2.17	0.06	5.41	0.08	2.31	0.91
Tonga	0.00	0.00	0.05	0.00	0.03	0.03
Turkey	0.00	0.00	0.00	0.00	0.22	0.00
United Kingdom	4.57	3.38	3.97	14.31	1.78	10.95
United States	6.27	31.13	7.66	19.55	6.67	10.82
Uzbekistan	0.00	0.00	0.00	0.00	0.01	0.00
Vanuatu	0.00	0.00	0.00	0.00	0.32	0.00
Viet Nam	0.00	0.00	0.03	0.00	0.13	0.00
Western Samoa	0.02	0.00	0.09	0.02	0.02	0.03
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>TOTAL VALUE (\$ million)</b>	<b>1,412.646</b>	<b>93.274</b>	<b>7,454.330</b>	<b>482.826</b>	<b>23,270.777</b>	<b>1,211.395</b>

<sup>a</sup> Based on US\$ value equivalent of contract.

**Table 26**  
**CONTRACTS AWARDED BY COUNTRY OF ORIGIN IN 1995**  
**ORDINARY CAPITAL RESOURCES**

(Amounts in \$ million)

Country	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	115.913	5.53	1.379	1.37	117.292	5.34
Austria	10.037	0.48	0.000	0.00	10.037	0.46
Belgium	3.456	0.16	0.014	0.01	3.470	0.16
Canada	14.620	0.70	4.599	4.57	19.219	0.87
China, People's Rep. of	389.114	18.55	0.000	0.00	389.114	17.70
Denmark	3.315	0.16	2.488	2.47	5.803	0.26
Fiji	1.482	0.07	0.000	0.00	1.482	0.07
Finland	37.241	1.78	0.000	0.00	37.241	1.69
France	48.471	2.31	1.299	1.29	49.770	2.26
Germany	83.868	4.00	8.298	8.24	92.166	4.19
Hong Kong	25.328	1.21	0.249	0.25	25.577	1.16
India	292.359	13.94	0.000	0.00	292.359	13.30
Indonesia	223.239	10.64	30.737	30.52	253.976	11.55
Italy	70.028	3.34	3.847	3.82	73.875	3.36
Japan	181.440	8.65	3.682	3.66	185.122	8.42
Kazakhstan	0.197	0.01	0.000	0.00	0.197	0.01
Korea, Rep. of	79.389	3.78	0.000	0.00	79.389	3.61
Kirgzy Republic	0.691	0.03	0.000	0.00	0.691	0.03
Malaysia	62.287	2.97	0.000	0.00	62.287	2.83
Netherlands	21.184	1.01	1.075	1.07	22.259	1.01
New Zealand	2.070	0.10	0.000	0.00	2.070	0.09
Norway	0.000	0.00	0.000	0.00	0.000	0.00
Pakistan	15.768	0.75	0.011	0.01	15.779	0.72
Papua New Guinea	0.069	0.00	0.000	0.00	0.069	0.00
Philippines	61.733	2.94	10.469	10.39	72.202	3.28
Singapore	11.313	0.54	0.000	0.00	11.313	0.51
Spain	7.223	0.34	0.000	0.00	7.223	0.33
Sri Lanka	0.087	0.00	0.000	0.00	0.087	0.00
Sweden	7.287	0.35	0.000	0.00	7.287	0.33
Switzerland	16.903	0.81	0.183	0.18	17.086	0.78
Taipei, China	4.189	0.20	1.452	1.44	5.641	0.26
Thailand	29.595	1.41	7.835	7.78	37.430	1.70
Turkey	11.702	0.56	0.000	0.00	11.702	0.53
United Kingdom	40.592	1.94	8.633	8.57	49.225	2.24
United States	222.528	0.61	14.474	14.37	237.002	10.78
Uzbekistan	3.017	0.14	0.000	0.00	3.017	0.14
<b>TOTAL</b>	<b>2,097.735</b>	<b>100.00</b>	<b>100.724</b>	<b>100.00</b>	<b>2,198.459</b>	<b>100.00</b>

**Table 27**  
**CONTRACTS AWARDED BY COUNTRY OF ORIGIN IN 1995**  
**ASIAN DEVELOPMENT FUND**

(Amounts in \$ million)

Country	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	6,032	0.52	3,578	4.75	9,610	0.78
Austria	1,206	0.10	0,000	0.00	1,206	0.10
Bangladesh	193,676	16.63	1,706	2.26	195,382	15.76
Belgium	2,825	0.24	0,000	0.00	2,825	0.23
Bhutan	4,576	0.39	0.013	0.02	4,589	0.37
Cambodia	15,573	1.34	0,000	0.00	15,573	1.26
Canada	5,912	0.51	3,072	4.07	8,984	0.72
China, People's Rep. of	130,251	11.18	0,000	0.00	130,251	10.50
Cook Islands	0.072	0.01	0.012	0.02	0.084	0.01
Denmark	0.582	0.05	0,000	0.00	0.582	0.05
Fiji	0.117	0.01	0.094	0.12	0.211	0.02
Finland	0.277	0.02	0,000	0.00	0.277	0.02
France	8,883	0.76	2,042	2.71	10,925	0.88
Germany	48,521	4.17	7,128	9.45	55,649	4.49
Hong Kong	6,355	0.55	0,000	0.00	6,355	0.51
India	21,245	1.82	2,763	3.66	24,008	1.94
Indonesia	42,072	3.61	3,772	5.00	45,844	3.70
Italy	22,621	1.94	0.857	1.14	23,478	1.89
Japan	19,041	1.64	0.902	1.20	19,943	1.61
Kazakhstan	20,475	1.76	0,000	0.00	20,475	1.65
Kiribati	0.018	0.00	0,000	0.00	0.018	0.00
Korea, Rep. of	100,237	8.61	1,940	2.57	102,177	8.24
Lao PDR	22,958	1.97	0.275	0.36	23,233	1.87
Malaysia	3,032	0.26	0,000	0.00	3,032	0.24
Maldives	0.031	0.00	0,000	0.00	0.031	0.00
Marshall Islands	0.177	0.02	0.010	0.01	0.187	0.02
Mongolia	11,451	0.98	0,000	0.00	11,451	0.92
Nepal	31,781	2.73	1,439	1.91	33,220	2.68
Netherlands	0.180	0.02	6,183	8.20	6,363	0.51
New Zealand	5,130	0.44	2,869	3.80	7,999	0.65
Norway	0.035	0.00	0,000	0.00	0.035	0.00
Pakistan	208,774	17.93	8,058	10.69	216,832	17.49
Papua New Guinea	8,118	0.70	0.212	0.28	8,330	0.67
Philippines	51,051	4.38	1,814	2.41	52,865	4.26
Singapore	22,335	1.92	0.343	0.45	22,678	1.83
Solomon Islands	0.000	0.00	0,000	0.00	0.000	0.00
Spain	0.256	0.02	0,000	0.00	0.256	0.02
Sri Lanka	50,042	4.30	2,169	2.88	52,211	4.21
Sweden	5,807	0.50	0,000	0.00	5,807	0.47
Switzerland	1,970	0.17	0.687	0.91	2,657	0.21
Taipei, China	4,638	0.40	0,000	0.00	4,638	0.37
Thailand	21,109	1.81	0.007	0.01	21,116	1.70
Tonga	2,605	0.22	0,000	0.00	2,605	0.21
Turkey	3,510	0.30	0,000	0.00	3,510	0.28
United Kingdom	16,620	1.43	9,896	13.12	26,516	2.14
United States	38,893	3.34	13,422	17.80	52,315	4.22
Vanuatu	0.203	0.02	0,000	0.00	0.203	0.02
Viet Nam	3,089	0.27	0,000	0.00	3,089	0.25
Western Samoa	0.156	0.01	0.142	0.19	0.298	0.02
<b>TOTAL</b>	<b>1,164,518</b>	<b>100.00</b>	<b>75,405</b>	<b>100.00</b>	<b>1,239,923</b>	<b>100.00</b>

Table 28

**CONTRACTS AWARDED BY COUNTRY OF ORIGIN IN 1995  
ORDINARY CAPITAL RESOURCES AND ASIAN DEVELOPMENT FUND COMBINED**

(Amounts in \$ million)

Country	Goods, Related Services & Civil Works	% Distribution	Consulting Services	% Distribution	Total Contracts Awarded	% Distribution
Australia	121.945	3.74	4.957	2.81	126.902	3.69
Austria	11.243	0.34	0.000	0.00	11.243	0.33
Bangladesh	193.676	5.94	1.706	0.97	195.382	5.68
Belgium	6.281	0.19	0.014	0.01	6.295	0.18
Bhutan	4.576	0.14	0.013	0.01	4.589	0.13
Cambodia	15.573	0.48	0.000	0.00	15.573	0.45
Canada	20.532	0.63	7.671	4.36	28.203	0.82
China, People's Rep. of	519.365	15.92	0.000	0.00	519.365	15.10
Cook Islands	0.072	0.00	0.012	0.01	0.084	0.00
Denmark	3.897	0.12	2.488	1.41	6.385	0.19
Fiji	1.599	0.05	0.094	0.05	1.693	0.05
Finland	37.518	1.15	0.000	0.00	37.518	1.09
France	57.354	1.76	3.341	1.90	60.695	1.77
Germany	132.389	4.06	15.426	8.76	147.815	4.30
Hong Kong	31.683	0.97	0.249	0.14	31.932	0.93
India	313.604	9.61	2.763	1.57	316.367	9.20
Indonesia	265.311	8.13	34.509	19.59	299.820	8.72
Italy	92.649	2.84	4.704	2.67	97.353	2.83
Japan	200.481	6.15	4.584	2.60	205.065	5.96
Kazakhstan	20.672	0.63	0.000	0.00	20.672	0.60
Kiribati	0.018	0.00	0.000	0.00	0.018	0.00
Korea, Rep. of	179.626	5.51	1.940	1.10	181.566	5.28
Kyrgyz Republic	0.691	0.02	0.000	0.00	0.691	0.02
Lao PDR	22.958	0.70	0.275	0.16	23.233	0.68
Malaysia	65.319	2.00	0.000	0.00	65.319	1.90
Maldives	0.031	0.00	0.000	0.00	0.031	0.00
Marshall Islands	0.177	0.01	0.010	0.01	0.187	0.01
Mongolia	11.451	0.35	0.000	0.00	11.451	0.33
Nepal	31.781	0.97	1.139	0.82	33.220	0.97
Netherlands	21.364	0.65	7.253	4.12	28.622	0.83
New Zealand	7.200	0.22	2.869	1.63	10.069	0.29
Norway	0.035	0.00	0.000	0.00	0.035	0.00
Pakistan	224.542	6.88	8.069	4.58	232.611	6.77
Papua New Guinea	8.187	0.25	0.212	0.12	8.399	0.24
Philippines	112.784	3.46	12.283	6.97	125.067	3.64
Singapore	33.648	1.03	0.343	0.19	33.991	0.99
Solomon Islands	0.000	0.00	0.000	0.00	0.000	0.00
Spain	7.479	0.23	0.000	0.00	7.479	0.22
Sri Lanka	50.129	1.54	2.169	1.23	52.298	1.52
Sweden	13.094	0.40	0.000	0.00	13.094	0.38
Switzerland	18.873	0.58	0.870	0.49	19.743	0.57
Taipei, China	8.827	0.27	1.452	0.82	10.279	0.30
Thailand	50.704	1.55	7.842	4.45	58.546	1.70
Tonga	2.605	0.08	0.000	0.00	2.605	0.08
Turkey	15.212	0.47	0.000	0.00	15.212	0.44
United Kingdom	57.212	1.75	18.529	10.52	75.741	2.20
United States	261.421	8.01	27.896	15.84	289.317	8.41
Uzbekistan	3.017	0.09	0.000	0.00	3.017	0.09
Vanuatu	0.203	0.01	0.000	0.00	0.203	0.01
Viet Nam	3.089	0.09	0.000	0.00	3.089	0.09
Western Samoa	0.156	0.00	0.142	0.08	0.298	0.01
<b>TOTAL</b>	<b>3,262.253</b>	<b>100.00</b>	<b>176.129</b>	<b>100.00</b>	<b>3,438.382</b>	<b>100.00</b>

**Table 29**  
**CUMULATIVE CONTRACTS AWARDED BY COUNTRY OF ORIGIN**  
**TECHNICAL ASSISTANCE OPERATIONS**  
(As of 31 December 1995)

(Amounts in \$ million)

Country	Bank's Own Resources	% Distribution	Administered Trust Funds	% Distribution	Japan Special Fund	% Distribution	Total Contracts Awarded	% Distribution
Afghanistan	0.000	0.00	0.000	0.00	0.023	0.01	0.023	0.00
Australia	45.324	10.28	15.449	10.14	27.169	11.11	87.942	10.50
Austria	0.120	0.03	0.000	0.00	0.000	0.00	0.120	0.01
Bangladesh	3.224	0.73	0.775	0.51	1.732	0.71	5.731	0.68
Belgium	1.598	0.36	0.310	0.20	0.392	0.16	2.300	0.27
Bhutan	0.001	0.00	0.017	0.01	0.000	0.00	0.018	0.00
Cambodia	0.015	0.00	0.000	0.00	0.000	0.00	0.015	0.00
Canada	30.397	6.89	9.877	6.48	20.755	8.49	61.029	7.28
China, People's Rep. of	1.167	0.26	0.021	0.01	0.426	0.17	1.614	0.19
Cook Islands	0.002	0.00	0.000	0.00	0.000	0.00	0.002	0.00
Denmark	7.454	1.69	1.810	1.19	6.285	2.57	15.549	1.86
Fiji	0.265	0.06	0.000	0.00	0.000	0.00	0.265	0.03
Finland	2.813	0.64	4.588	3.01	2.196	0.90	9.597	1.15
France	9.277	2.10	9.577	6.29	9.507	3.89	28.361	3.39
Germany	8.142	1.85	3.246	2.13	9.038	3.70	20.426	2.44
Hongkong	5.922	1.34	0.758	0.50	6.503	2.66	13.183	1.57
India	15.427	3.50	4.066	2.67	5.450	2.23	24.943	2.98
Indonesia	7.150	1.62	1.268	0.83	3.645	1.49	12.063	1.44
Italy	2.975	0.67	0.644	0.42	0.606	0.25	4.225	0.50
Japan	14.444	3.28	5.654	3.71	6.455	2.64	26.553	3.17
Kazakhstan	0.072	0.02	0.000	0.00	0.000	0.00	0.072	0.01
Korea, Rep. of	3.698	0.84	0.985	0.65	2.621	1.07	7.304	0.87
Kyrgyz Republic	0.019	0.00	0.000	0.00	0.000	0.00	0.019	0.00
Lao PDR	0.094	0.02	0.000	0.00	0.330	0.13	0.424	0.05
Malaysia	4.388	0.99	0.097	0.06	2.180	0.89	6.665	0.80
Maldives	0.004	0.00	0.000	0.00	0.000	0.00	0.004	0.00
Mongolia	0.009	0.00	0.000	0.00	0.000	0.00	0.697	0.08
Myanmar	0.258	0.06	0.439	0.29	0.000	0.00	4.681	0.56
Nepal	2.980	0.68	0.848	0.56	0.853	0.35		
Netherlands	11.704	2.65	4.349	2.86	9.759	3.99	25.812	3.08
New Zealand	23.848	5.41	2.298	1.51	16.958	6.94	43.104	5.14
Norway	1.370	0.31	2.429	1.59	0.972	0.40	4.771	0.57
Pakistan	3.965	0.90	0.107	0.07	0.594	0.24	4.666	0.56
Papua New Guinea	0.353	0.08	0.000	0.00	0.000	0.00	0.353	0.04
Philippines	22.671	5.14	7.133	4.68	5.094	2.08	34.898	4.17
Singapore	6.316	1.43	0.000	0.00	1.506	0.62	7.822	0.93
Solomon Islands	0.012	0.00	0.000	0.00	0.000	0.00	0.012	0.00
Spain	0.410	0.09	1.289	0.85	0.000	0.00	1.699	0.20
Sri Lanka	3.975	0.90	1.064	0.70	0.820	0.34	5.859	0.70
Sweden	2.607	0.59	1.853	1.22	3.441	1.41	7.901	0.94
Switzerland	4.808	1.09	4.650	3.05	3.703	1.51	13.161	1.57
Taipei, China	1.000	0.23	0.068	0.04	1.993	0.82	3.061	0.37
Thailand	3.806	0.86	1.452	0.95	3.301	1.35	8.559	1.02
Tonga	0.180	0.04	0.000	0.00	0.000	0.00	0.180	0.02
Turkey	0.103	0.02	0.082	0.05	0.000	0.00	0.185	0.02
United Kingdom	76.379	17.32	26.544	17.43	37.709	15.43	140.632	16.79
United States	86.616	19.64	34.499	22.65	49.719	20.34	170.834	20.39
Uzbekistan	0.000	0.00	0.000	0.00	0.000	0.00	0.171	0.02
Vanuatu	0.171	0.04	0.000	0.00	0.107	0.04	0.266	0.03
Viet Nam	0.159	0.04	0.000	0.00	0.310	0.13	0.757	0.09
Western Samoa	0.447	0.10	0.000	0.00				
International Organizations	22.896	5.19	4.067	2.67	2.281	0.93	29.244	3.49
<b>TOTAL</b>	<b>441.035</b>	<b>100.00</b>	<b>152.313</b>	<b>100.00</b>	<b>244.446</b>	<b>100.00</b>	<b>837.794</b>	<b>100.00</b>

**Table 30**  
**CONTRACTS AWARDED BY COUNTRY OF ORIGIN, 1993-1995**  
**TECHNICAL ASSISTANCE OPERATIONS**

(Amounts in \$ million)

Country	1993		1994		1995	
	Value	%	Value	%	Value	%
Afghanistan	0.000	0.00	0.000	0.00	0.000	0.00
Australia	11.413	12.90	9.933	10.00	15.609	12.91
Austria	0.011	0.01	0.000	0.00	0.000	0.00
Bangladesh	0.585	0.66	0.802	0.81	1.616	1.34
Belgium	0.443	0.50	0.047	0.05	0.000	0.00
Bhutan	0.000	0.00	0.000	0.00	0.000	0.00
Cambodia	0.000	0.00	0.005	0.01	0.010	0.01
Canada	6.895	7.80	14.688	14.79	9.003	7.44
China, People's Rep. of	0.126	0.14	0.343	0.35	0.736	0.61
Cook Islands	0.000	0.00	0.000	0.00	0.000	0.00
Denmark	0.608	0.69	0.846	0.85	3.201	2.65
Fiji	0.000	0.00	0.000	0.00	0.068	0.06
Finland	0.924	1.04	1.896	1.91	0.429	0.35
France	0.149	0.17	3.697	3.72	3.862	3.19
Germany	1.390	1.57	1.872	1.88	2.523	2.09
Hong Kong	2.212	2.50	1.829	1.84	5.263	4.35
India	2.673	3.02	1.120	1.13	2.340	1.94
Indonesia	0.938	1.06	2.010	2.02	2.407	1.99
Italy	0.216	0.24	0.640	0.64	0.111	0.09
Japan	2.882	3.26	0.329	0.33	2.422	2.00
Kazakhstan	0.000	0.00	0.000	0.00	0.072	0.06
Korea, Rep. of	0.045	0.05	0.629	0.63	0.091	0.08
Kyrgyz Republic	0.000	0.00	0.000	0.00	0.019	0.02
Lao PDR	0.303	0.34	0.017	0.02	0.062	0.05
Malaysia	0.542	0.61	1.437	1.45	0.390	0.32
Maldives	0.000	0.00	0.000	0.00	0.004	0.00
Mongolia	0.000	0.00	0.000	0.00	0.013	0.01
Myanmar	0.439	0.50	0.087	0.09	0.122	0.10
Nepal	1.029	1.16	0.657	0.66	0.360	0.30
Netherlands	5.790	6.55	4.069	4.10	2.724	2.25
New Zealand	4.526	5.12	8.572	8.63	3.495	2.89
Norway	0.916	1.04	0.000	0.00	0.094	0.08
Pakistan	0.189	0.21	0.633	0.64	0.843	0.70
Papua New Guinea	0.012	0.01	0.000	0.00	0.000	0.00
Philippines	4.075	4.61	2.529	2.55	2.149	1.78
Singapore	1.584	1.79	0.008	0.01	1.582	1.31
Solomon Islands	0.000	0.00	0.000	0.00	0.000	0.00
Spain	0.048	0.05	0.345	0.35	0.065	0.05
Sri Lanka	0.508	0.57	0.388	0.39	1.526	1.26
Sweden	1.702	1.92	1.167	1.17	1.247	1.03
Switzerland	1.761	1.99	0.981	0.99	0.000	0.00
Taipei, China	0.599	0.68	0.000	0.00	0.021	0.02
Thailand	1.728	1.95	1.101	1.11	1.121	0.93
Tonga	0.000	0.00	0.000	0.00	0.000	0.00
Turkey	0.090	0.10	0.080	0.08	0.000	0.00
United Kingdom	17.071	19.30	11.270	11.35	22.339	18.48
United States	13.963	15.79	25.048	25.21	31.116	25.74
Uzbekistan	0.000	0.00	0.000	0.00	0.000	0.00
Vanuatu	0.000	0.00	0.000	0.00	0.008	0.01
Viet Nam	0.005	0.01	0.030	0.03	0.182	0.15
Western Samoa	0.050	0.06	0.233	0.23	0.090	0.07
International Organizations	0.000	0.00	0.000	0.00	1.613	1.33
<b>TOTAL</b>	<b>88.440</b>	<b>100.00</b>	<b>99.338</b>	<b>100.00</b>	<b>120.948</b>	<b>100.00</b>

**Table 31**  
**GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS, 1995**  
(Amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory & Operational
<b>BANGLADESH</b>		
Rural Livelihood	287.00 <sup>a</sup>	-
Forestry Sector	450.00 <sup>b</sup>	-
Urban Poverty Alleviation	600.00 <sup>b</sup>	-
Urban Primary Health Care	450.00 <sup>a</sup>	-
Third Livestock Development	598.00 <sup>a</sup>	-
Second Primary Education Sector	170.00	-
Strengthening Social Forestry in the Coastal Region	-	1,300.00 <sup>b</sup>
Modernization of Land Administration	-	600.00 <sup>a</sup>
Upazila Afforestation and Nursery Development (Supplementary)	-	628.86 <sup>c</sup>
Solicitation for Private Sector Implementation of the Meghnaghat Power	-	211.00
Capacity Building of the Economic Relations Division	-	220.00
<b>BHUTAN</b>		
Conversion of the Unit Trust of Bhutan to a Commercial Bank	-	146.50
Institutional and Financial Development of Department of Power	-	400.00
<b>CAMBODIA</b>		
Urban Water Supply and Sanitation	600.00 <sup>a</sup>	-
Employment Promotion for Women	600.00 <sup>d</sup>	-
Urban Development Strategy Study	-	500.00 <sup>a</sup>
Basic Education Management and Coordination	-	500.00
Institutional Strengthening of the Centre for Banking Studies and State-Owned Bank's Staff Training	-	340.00
Extension of Project Implementation Assistance under the Special Rehabilitation Assistance Loan	-	2,600.00
Strengthening of the Ministry of Rural Development	-	1,500.00
Developing Planning Capability in the Ministry of Public Works and Transport	-	800.00 <sup>a</sup>
Institutional Strengthening of the Department of Public Procurement	-	520.00
Strengthening Capacity in Development Planning	-	850.00 <sup>a</sup>
Capacity Building for Technical and Vocational Education and Training	-	980.00 <sup>a</sup>
<b>CHINA, PEOPLE'S REPUBLIC OF</b>		
Shenmu-Yanan Railway	250.00 <sup>a</sup>	-
Anhui Fuyang Thermal Power	500.00 <sup>a</sup>	-
Guizhou Hongjiadu Hydropower	599.00 <sup>a</sup>	-
Hebei Zhanghewan Pumped Storage	512.00 <sup>a</sup>	-
Liaoning and Jilin Expressways	400.00 <sup>a</sup>	-
Jiangxi Highway	250.00	-
Zhejiang-Shanxi Water Conservancy	1,000.00 <sup>a</sup>	-
Xian-Xianyang-Tongchuan Environment Improvement	500.00 <sup>a</sup>	-
Institutional Strengthening of the National Academy for Educational Administration	-	500.00
Institutional Strengthening of Commercial Finance, Management and Accounting	-	830.00 <sup>a</sup>
Improving Coal Efficiency and Reducing Environmental Pollution	-	570.00 <sup>a</sup>
Symposium on Urban Transport	-	100.00
Preliminary Analysis of Guizhou Hongjiadu Hydropower and Hebei Zhanghewan Pumped Storage	-	100.00
Preliminary Analysis of Gansu Xiaoxia and Jiangxi Taihe Hydropower	-	100.00
International Conference on Financial Sector Development in Southwest PRC	-	100.00
Income Distribution Study	-	100.00
Inland Waterways Transport Development Seminar	-	100.00
Coastal Environmental Protection and Institutional Assessment	-	98.50
Support of Corporatization Plan Preparation for Fujian Province Electric Power Bureau	-	70.00
Preliminary Analysis of Water Resources Projects	-	99.00
Fiscal Policy and Regulatory Framework for Social Security System Reform	-	540.00
Jianfengling Park Management and Biodiversity Conservation	-	600.00 <sup>a</sup>
Strengthening of Corporate Management and Marketing and Trading Practices	-	455.40 <sup>a</sup>

a To be financed from Japan Special Fund (JSF).

b To be financed by the Government of Norway with the Bank acting as Executing Agency.

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

d Of this amount, \$300,000 is to be financed from JSF and \$300,000 by the Government of Netherlands with the Bank acting as Executing Agency.

## CONTINUED

Country/Project	Project Preparatory	Advisory & Operational
<b>CHINA, PEOPLE'S REPUBLIC OF</b>		
Improving Environmental Monitoring and Enforcement in Henan Province	-	90.00
Institutional Strengthening of Provincial Telecommunications Administrations	-	600.00 <sup>a</sup>
Capacity Building for Soil and Water Conservation	-	590.00 <sup>a</sup>
Land Use and Land Tenure Policy in Fujian Province	-	600.00
Appraisal Methodologies and Restructuring Highway Financing in Hebei Province	-	740.00
Establishing a Center for the Transfer of Environmentally Sound Technology	-	530.00 <sup>a</sup>
Strengthening EPB Power System Planning Capability Incorporating Integrated Resource Planning	-	422.00 <sup>a</sup>
Strengthening the Regulatory Framework for the Trust and Investment Industry	-	90.00
Strengthening the Department of Ethnic Minority Education	-	500.00 <sup>b</sup>
Pilot Environmental Plans for Selected Medium Size Cities	-	537.00 <sup>c</sup>
Study of Project Planning and Management	-	225.00 <sup>d</sup>
Management and Operational Strategies for Port Authorities	-	490.00 <sup>e</sup>
Implementation of the Fujian Province Electric Power Bureau Corporatization and Restructuring Program	-	300.00
Institutional Strengthening of China Investment Bank	-	500.00
Strengthening the Accounting and Financial Management Systems in SHPC	-	330.00 <sup>a</sup>
Sound Safety and Environmental Practices for Offshore Oil and Gas Production	-	600.00 <sup>a</sup>
Seminar on BOT in the Water Supply Sector	-	100.00
Strengthening the Environmental Standards and Enforcement Policies	-	600.00 <sup>a</sup>
Payments System	-	100.00
Strengthening Financial Management in Provincial Power Utilities	-	720.00 <sup>a</sup>
Policy, Regulatory and Institutional Framework for Foreign Direct Investment in the PRC Power Sector	-	751.00 <sup>a</sup>
Integration of Securities Markets	-	600.00 <sup>a</sup>
<b>COOK ISLANDS</b>		
Outer Islands Marine Resource Management Training	-	300.00
Strengthening of Business Development Services	-	250.00
Strengthening Institutional Capacity for Financial and Economic Management	-	892.00
<b>Fiji</b>		
Transport Sector Institutional Strengthening	-	600.00
Agriculture Sector Study	-	100.00 <sup>a</sup>
Institutional Strengthening of Fiji Electricity Authority	-	450.00 <sup>a</sup>
Institutional Strengthening of the Office of the Auditor General	-	550.00
<b>INDIA</b>		
Rajasthan Urban Infrastructure Development	-	600.00 <sup>a</sup>
Environmental Improvement and Sustainable Development of the Agra-Mathura-Ferozabad Trapezium in Uttar Pradesh	-	600.00 <sup>a</sup>
Study of Development Strategies for Madras and Ennore Ports	-	50.00 <sup>a</sup>
Strengthening Environmental Impact Assessment Capacity and Environmental Legislation	-	500.00 <sup>a</sup>
Institutional Strengthening of the National Stock Exchange (NSE)	-	99.86
Improvement of State Sales Tax Structure and Administration	-	99.50
Program of Studies on Economic and Policy Reforms	-	476.00
Institutional Strengthening of Karnataka Urban Infrastructure Finance Corporation	-	100.00
Energy and Environmental Management of the Industrial Development Bank of India	-	585.00 <sup>a</sup>
Capacity Building of Income Tax Administration	-	550.00 <sup>a</sup>
Resource Mobilization Study for Local Governments in Karnataka	-	300.00
Development of a Framework for Electricity Tariffs in Andhra Pradesh	-	300.00
Human Development Study	-	400.00 <sup>a</sup>
Training in Alternate Dispute Resolution	-	100.00

<sup>a</sup> To be financed from JSP<sup>b</sup> To be financed by the Government of Norway with the Bank acting as Executing Agency<sup>c</sup> To be financed by the Government of Denmark with the Bank acting as Executing Agency<sup>d</sup> To be financed by the Government of Australia with the Bank acting as Executing Agency<sup>e</sup> To be financed by the Government of France with the Bank acting as Executing Agency

CONTINUED

Country/Project	Project Preparatory	Advisory & Operational
<b>INDONESIA</b>		
Family Health and Nutrition	600.00 <sup>a</sup>	—
Communicable Diseases Control	800.00 <sup>a</sup>	—
Second Airports Development	600.00 <sup>a</sup>	—
Belawan Port	595.00 <sup>a</sup>	—
Balikpapan, Banjarmasin and Gresik Ports Development	900.00 <sup>a</sup>	—
Development of Madrasah Aliyahs	600.00	—
Participatory Assessment of Agricultural Technology	535.00 <sup>a</sup>	—
Regional Development Account	100.00	—
Water Loss Reduction (Sector)	100.00	—
Preparation of Metropolitan Medan Urban Development	100.00	—
Capacity Building in Human Settlements Infrastructure Management	1,100.00 <sup>b</sup>	—
Central Sulawesi Integrated Area Development and Conservation	850.00 <sup>a</sup>	—
Enhancing the Quality of Reproductive Health Care	—	840.00 <sup>a</sup>
A Study to Establish Gas Regulatory Framework	—	450.00
Strategic Planning for Power Sector Study	—	590.00
Geothermal Power Development Study	—	310.00
Institutional Strengthening to Monitor Poverty Reduction	—	600.00 <sup>a</sup>
Supporting Indonesia's Participation in Regional Cooperation in Development Planning	—	185.00
Water Tariff Structure and Financial Policies of Water Enterprises	—	600.00 <sup>a</sup>
Macroeconomic Planning and Management	—	600.00
<b>KAZAKHSTAN</b>		
Preparation of a Road Rehabilitation Program	600.00 <sup>a</sup>	—
Industry and Enterprise Sector Reform	600.00 <sup>a</sup>	—
Rehabilitation and Environmental Improvement of the Almaty No. 1 Heat and Power Station	556.00 <sup>a</sup>	—
Education and Training Sector Study	—	895.00 <sup>a</sup>
Strengthening the Implementation of Agriculture Sector Reforms	—	600.00 <sup>a</sup>
Aid Coordination and Management	—	600.00
Financial Sector Advisory	—	600.00
Study on Market Reform in the Agriculture Sector	—	1,044.00
Study on Rural Credit and Savings	—	470.00
<b>KIRIBATI</b>		
Sanitation and Public Health	577.00 <sup>a</sup>	—
Marine Export Development	—	100.00 <sup>c</sup>
<b>KYRGYZ REPUBLIC</b>		
Agricultural Credit Pilot	910.00 <sup>a</sup>	—
Education and Training Master Plan	—	900.00 <sup>a</sup>
Industry and Trade Sector Study	—	600.00 <sup>a</sup>
Strengthening Environmental Institutions and Improving Procedures for Environmental Impact Assessment	—	556.00 <sup>a</sup>
Reorganization and Strengthening of the Ministry of Agriculture and Food	—	1,324.00
Building Capacity for the Formation and Management of Water Users Associations	—	861.00
Strengthening the Ministry of Economy	—	850.00 <sup>a</sup>
<b>LAO PDR</b>		
Employment Promotion and Training	469.00 <sup>a</sup>	—
Secondary Towns Integrated Urban Development	600.00 <sup>d</sup>	—
Small-Scale Community-Managed Irrigation Sector	530.00 <sup>a</sup>	—
Power Transmission and Distribution	250.00 <sup>a</sup>	—
Strengthening the Ministry of Public Health	—	800.00 <sup>a</sup>
Review of Banking Sector Policies and Portfolios	—	74.00
Strengthening Environmental Planning and EIA Capacity	—	599.00 <sup>a</sup>
Preparation of National Procurement Regulations for the Public Sector	—	410.00

a To be financed from JSF.

b Of this amount, \$650,000 is to be financed from JSF and \$450,000 by the Government of Denmark with the Bank acting as Executing Agency.

c To be financed by the Government of Australia with the Bank acting as Executing Agency.

d To be financed by the Government of Denmark with the Bank acting as Executing Agency.

## CONTINUED

Country/Project	Project Preparatory	Advisory & Operational
LAO PDR		
Postsecondary Education Management Development	—	250.00
Establishing Municipal Administration Systems	—	700.00 <sup>a</sup>
Feeder Roads Maintenance Training	—	350.00 <sup>a</sup>
Management Information System in MCTPC	—	350.00 <sup>a</sup>
Institutional Development and Strengthening of the Ministry of Agriculture and Forestry (Phase II)	—	597.00
MALAYSIA		
Environmental Impact Assessment of the Kalaka-Saribas Integrated Agricultural Development—Phase II	87.00	—
Daroh-Mukah Coastal Zone Development	600.00 <sup>b</sup>	—
Strengthening the Institutional Framework for Sustainable Development	—	142.00
Management Improvement of State Economic Development Corporations	—	400.00
Institutional Strengthening of Women's Affairs Division (HAWA)	—	100.00
Strengthening the Regulatory System for Private Sector Infrastructure	—	567.00
MALDIVES		
Maldives Monetary Authority	—	385.00 <sup>a</sup>
Education Master Plan	—	300.00 <sup>a</sup>
Development of a System of National Accounts	—	400.00
MARSHALL ISLANDS		
Ebeye Power Expansion Study	200.00	—
Tourism Development	—	405.00 <sup>a</sup>
National Fisheries Development Plan	—	600.00
Policy Advisory Team for Economic Management	—	2,500.00 <sup>b</sup>
MICRONESIA, FEDERATED STATES OF		
Power System Improvement and Institutional Strengthening Study	315.00	—
Education and Skills Development	400.00	—
Transport Infrastructure Development	490.00	—
Policy Advisory Team for Economic Management	—	2,500.00 <sup>b</sup>
Strengthening of Agricultural Support Services	—	560.00
MONGOLIA		
Agriculture Sector Program (Supplementary)	175.00	—
Energy Conservation	100.00	—
Health Sector Development	600.00	—
Strengthening of Financial Intermediaries	—	600.00
Administrative Reform of Social Insurance	—	900.00 <sup>a</sup>
State Privatization Commission (Supplementary)	—	110.00
Institutional Strengthening of the Road Sector	—	920.00 <sup>a</sup>
Improving Accounting and Auditing Systems	—	600.00 <sup>a</sup>
Phase II Institutional Strengthening of the Civil Aviation Sector	—	592.00 <sup>a</sup>
Institutional Strengthening of the Agriculture Sector	—	800.00
Strengthening Land Use Policies	—	580.00
NEPAL		
Tribhuvan International Airport Improvement (Supplementary)	135.00	—
Fourth Rural Water Supply and Sanitation Sector	171.00 <sup>a</sup>	—
Employment Promotion and Training	550.00 <sup>a</sup>	—
Institutional Strengthening in Rural Energy Planning and Implementation	—	400.00 <sup>a</sup>
Education and Health Sectors Assistance Strategy Study	—	345.00 <sup>c</sup>
Efficiency Enhancement of Customs Operations	—	1,168.00 <sup>c</sup>

<sup>a</sup> To be financed from JSP.<sup>b</sup> Of this amount, \$1,000,000 is to be financed from JSP and \$999,000 by the Government of the United States with the Bank acting as Executing Agency.<sup>c</sup> Of this amount, \$883,000 is to be financed from JSP.

CONTINUED

Country/Project	Project Preparatory	Advisory & Operational
<b>PAKISTAN</b>		
Bahawalpur Division Area Development	600.00 <sup>a</sup>	-
Secondary Science Education	450.00 <sup>a</sup>	-
Forestry Development in the Northern Areas	90.00	-
Second Rural Access Roads	250.00	-
Irrigation Management	300.00	-
Second Social Action Program	100.00	-
Development of a Gender Data Base	-	200.00
Capital Market Development	-	865.00 <sup>a</sup>
<b>PAPUA NEW GUINEA</b>		525.00
Hydrocarbon Sector Policy and Strategy Study	-	
Small Business Development Corporation Accounting and Management Information Systems	-	255.00
<b>PHILIPPINES</b>		
Sixth Road	100.00	-
Early Childhood Development	600.00 <sup>a</sup>	-
Preparation of a Second Secondary Education Development (Supplementary)	200.00 <sup>a</sup>	-
Impact Evaluation Study of Bank Assistance in the Roads Sector	-	100.00
Socioeconomic Survey for the Infrastructure Restoration Project	-	50.00
Institutional Strengthening of the Commission on Higher Education	-	400.00
Sustaining Health of the Working Age Population	-	575.00 <sup>a</sup>
Natural Gas Sales Negotiations	-	100.00
Capital Market Development	-	600.00
Environmental Evaluation of Swamps and Marshlands	-	100.00
MWSS Privatization Support	-	582.00
Water Resources Management (Angat Reservoir)	-	100.00
Strengthening Hospital Standards, Licensing and Regulation	-	450.00 <sup>a</sup>
Formation of Power Transmission Subsidiary	-	500.00
Capacity Building for Resettlement Management in Development Projects	-	100.00
Preparation of a National Transport Strategy	-	1,000.00 <sup>b</sup>
Private Sector Participation in Urban Development	-	500.00 <sup>a</sup>
<b>SRI LANKA</b>		
Scientific and Technical Personnel Development	400.00 <sup>a</sup>	-
Southern Provincial Roads Improvement	600.00 <sup>a</sup>	-
Establishment of a Credit Rating Agency	261.00 <sup>a</sup>	-
Support to Public Enterprises Reform in the Agriculture Sector	-	100.00
Impact Evaluation Study of Bank Assistance to the Industrial Crops and Agro-Industry Sector	-	100.00
Institutional Strengthening for Comprehensive Water Resources Management	-	1,570.00 <sup>a</sup>
Improvement of Contract Approval and Implementation Procedures	-	100.00
Tree Crop Plantation and Monitoring	-	400.00 <sup>a</sup>
Study on Financing of Social Services	-	350.00 <sup>a</sup>
<b>THAILAND</b>		
Nongkai-Udonthani Water Supply and Sanitation	600.00 <sup>b</sup>	-
Bangkok Metropolitan Region Wastewater Management Action Plan and Feasibility Study	600.00 <sup>a</sup>	-
Small Farmer Credit	100.00	-
Private Sector Participation in Infrastructure Projects	100.00	-
Solid Waste Management Sector Plan	400.00 <sup>a</sup>	-
Strengthening the EIA Review Process	-	600.00 <sup>a</sup>

a To be financed from JSF.

b To be financed by the Government of France with the Bank acting as Executing Agency.

CONTINUED

Country/Project	Project Preparatory	Advisory & Operational
<b>THAILAND</b>		
Strengthening Policy, Planning and Programming for Decentralization and Regional Development	—	400.00
Strengthening the Environmental Unit of the Department of Highways	—	200.00
Socioeconomic Impact Study of Rural Telecommunications	—	200.00
Strengthening Postevaluation Capability	—	413.00
Targeted Investment Promotion Strategy for the Eastern Seaboard	—	500.00
Strengthening National Financing and Cost Recovery Policies for the Wastewater Management Sector	—	600.00 <sup>a</sup>
<b>TONGA</b>		
Capacity Strengthening of Ministry of Agriculture and Forestry	—	600.00 <sup>a</sup>
Institutional Strengthening of Tonga Trade	—	350.00
<b>TUVALU</b>		
Urban Planning and Environment Management	—	310.00 <sup>a</sup>
Foreign Investment Framework	—	100.00
<b>VIET NAM</b>		
Rural Finance	586.00 <sup>a</sup>	—
Second Road Improvement (Supplementary)	850.00 <sup>a</sup>	—
Population and Family Health	415.00 <sup>a</sup>	—
Forestry Sector and Watershed Management	598.00 <sup>a</sup>	—
Central and Southern Viet Nam Power Distribution	508.00 <sup>a</sup>	—
Computerized Management Information System for Saigon Port	—	500.00 <sup>a</sup>
Improvement of Financial and Accounting Systems of the Power Companies	—	1,200.00 <sup>a</sup>
Training in Distribution Planning	—	247.00 <sup>a</sup>
Capacity Building for Provincial Water Supply and Sanitation Planning and Management	—	700.00 <sup>a</sup>
Community Environmental Health Improvements for the Provincial Towns	—	500.00 <sup>b</sup>
Coastal Aquaculture Development Study	—	600.00 <sup>a</sup>
Review of Hydrocarbon Sector Policy	—	290.00
Capacity Building of Ministry of Fisheries	—	1,000.00 <sup>a</sup>
Capacity Building at the State Auditor-General's Office	—	600.00
Capacity Building at the Ministry of Planning and Investment	—	3,000.00
<b>WESTERN SAMOA</b>		
Microcredit for Women's Enterprises	100.00	—
Integrated Urban Development	552.00 <sup>a</sup>	—
Assessment of the Effectiveness of Bank Assistance in Capacity Building	—	50.00
Strengthening Capacity for Macroeconomic Analysis, Planning, and Policy Formulation in the Treasury Department	—	600.00
<b>TOTAL</b>	<b>34,871.00</b>	<b>90,407.62</b>

a. To be financed from JSF.

b. To be financed by the Government of Denmark with the Bank acting as Executing Agency.

**Table 32**  
**1995 LOANS THAT RESULTED FROM EARLIER BANK TECHNICAL ASSISTANCE**  
(Amounts in \$ million)

Country/Project	Year of TA Approval	Amount of TA	Total Project Cost	Amount of Bank Financing		Amount of Cofinancing	Amount of Financing by Borrower
				OCR	ADF		
<b>BANGLADESH</b>							
Coastal Greenbelt	1992	0.340 <sup>a</sup>	29.30	-	23.40	23.40	- 5.90
Secondary Towns Infrastructure Development Project II	1991	0.600 <sup>b</sup>	82.87	-	65.00	65.00	- 17.87
Small-Scale Water Resources Development Sector	1992	0.500 <sup>b</sup>	66.00	-	32.00	32.00	17.20 16.80
Nonformal Education	1993	0.250 <sup>b</sup>	51.00	-	26.70	26.70	14.30 10.00
Command Area Development	1992	0.441 <sup>b</sup>	50.10	-	30.00	30.00	- 20.10
<b>BHUTAN</b>							
Rural Electrification	1993	0.245 <sup>b</sup>	9.50	-	7.50	7.50	- 2.00
<b>CAMBODIA</b>							
Basic Skills	1994	0.100	25.00	-	20.00	20.00	- 5.00
Rural Infrastructure Improvement	1994	0.099	31.40	-	25.10	25.10	- 6.30
<b>CHINA, PEOPLE'S REPUBLIC OF</b>							
Second Agricultural Bank of China	1993	0.491 <sup>b</sup>	-	100.00	-	100.00	- 132.60
Hainan Agriculture and Natural Resources Development	1993	0.593 <sup>b</sup>	107.51	53.00	-	53.00	- 54.51
Second Telecommunications	1994	0.282 <sup>b</sup>	324.00	100.00	-	100.00	- 224.00
Hebei Expressway	1994	0.560 <sup>b</sup>	734.00	220.00	-	220.00	- 514.00
Liaoning Expressway			292.20	100.00	-	100.00	- 192.20
Fujian Soil Conservation and Rural Development	1993	0.406 <sup>b</sup>	163.00	65.00	-	65.00	- 98.00
Henan Power	1994	0.100	936.00	200.00	-	200.00	- 636.00
Fujian Mianhuatan Hydropower	1994	0.100 <sup>b</sup>	721.00	170.00	-	170.00	- 551.00
Second Yantai Port	1993	0.400 <sup>b</sup>	160.00	63.00	-	63.00	- 86.00
Ping Hu Oil and Gas Development	1992	0.600	866.10	130.00	-	130.00	252.00 484.10
<b>INDIA</b>							
Karnataka Urban Infrastructure Development	1993	0.600	132.00	-	85.00	85.00	- 27.00
- Republic of India					20.00	-	20.00
- Housing Development Finance Corporation Ltd.						-	-
<b>INDONESIA</b>							
Sulawesi Rainfed Agriculture Development	1991	0.600 <sup>b</sup>	52.59	-	30.36	30.36	- 22.23
Rural Water Supply and Sanitation Sector	1992	0.600 <sup>b</sup>	142.00	85.00	-	85.00	- 57.00
Gas Transmission and Distribution	1993	0.400	590.00	218.00	-	218.00	253.00 119.00
Private Junior Secondary Education	1993	0.520	83.10	49.00	-	49.00	- 34.10
Farmer Managed Irrigation Systems	1992	0.950 <sup>b</sup>	44.00	-	26.30	26.30	- 17.70
Sumatra Urban Development (Sector)	1994	0.100	217.00	130.00	-	130.00	- 87.00
West Java Urban Development (Sector)			117.00	70.00	-	70.00	- 47.00

a Financed by the Government of Norway.

b Financed from Japan Special Fund (JSF).

## CONTINUED

Country/Project	Year of TA Approval	Amount of TA	Total Project Cost	Amount of Bank Financing			Amount of Cofinancing	Amount of Financing by Borrower
				OCR	ADF	Total		
<b>KYRGYZ REPUBLIC</b>								
Agriculture Sector Program	1994	0.600	-	-	40.00	40.00	-	-
<b>LAO PDR</b>								
Primary Health Care	1993	0.250 <sup>b</sup>	6.25	-	5.00	5.00	-	1.25
Vientiane Integrated Urban Development	1993	0.600 <sup>b</sup>	27.70	-	20.00	20.00	2.71	5.00
Champassak Road Improvement	1993	0.500 <sup>b</sup>	60.10	-	48.00	48.00	70.00	12.10
Postsecondary Education Rationalization	1993	0.250	25.00	-	20.00	20.00	-	5.00
<b>MALAYSIA</b>								
Technical and Vocational Education	1990	0.468 <sup>b</sup>	238.40	72.00	-	72.00	-	166.40
<b>MARSHALL ISLANDS</b>								
Maiuro Water Supply and Sanitation	1992	0.100	11.57	-	9.20	9.20	-	2.37
<b>MONGOLIA</b>								
Roads Development	1992	0.600 <sup>b</sup>	31.50	-	25.00	25.00	-	6.50
Agriculture Sector Program	1994	0.300 <sup>b</sup>	-	-	35.00	35.00	-	-
	1995	0.175 <sup>b</sup>	-	-	-	-	-	-
<b>NEPAL</b>								
Third Road Improvement	1992	0.118	50.00	-	40.00	40.00	-	10.00
<b>PAKISTAN</b>								
Punjab Rural Water Supply and Sanitation (Sector)	1992	0.490 <sup>b</sup>	60.00	-	46.00	46.00	-	14.00
Marala-Ravi Link Canal System	1991	1.150 <sup>b</sup>	4.00	-	3.20	3.20	-	0.80
Technical Assistance	1994	0.100	78.00	-	60.00	60.00	-	18.00
Rural Access Roads	1992	0.250 <sup>b</sup>	178.00	-	140.00	140.00	-	38.00
Forestry Sector	1993	0.560	56.00	-	42.60	42.60	15.56	13.40
<b>PHILIPPINES</b>								
Second Irrigation Systems Improvement	1993	0.600 <sup>b</sup>	46.88	15.00	15.00	30.00	-	16.88
Umrav-Angat Transbasin	1990	1.267 <sup>b</sup>	140.00	92.00	-	92.00	-	48.00
Integrated Community Health	1993	0.541 <sup>b</sup>	51.10	-	25.91	25.91	15.20	10.00
<b>SRI LANKA</b>								
Plantation Reform	1993	0.350	80.00	-	60.00	60.00	-	20.00
<b>THAILAND</b>								
Samut Prakan Wastewater Management	1992	0.350 <sup>b</sup>	-	-	-	-	-	-
	1993	0.600 <sup>b</sup>	507.00	150.00	-	150.00	70.00	287.00
<b>TOTAL</b>		<b>20.58</b>	<b>7,678.17</b>	<b>2,187.00</b>	<b>921.27</b>	<b>3,108.27</b>	<b>709.97</b>	<b>4,142.11</b>

a. Financed by the Government of Norway.

b. Financed from JST.

**Table 33**  
**REGIONAL TECHNICAL ASSISTANCE ACTIVITIES, 1995**

Project	Amount (\$ thousand)
Strengthening of Women's NGOs	580.0
Regional Initiatives in Road Safety	600.0 <sup>a</sup>
1995 ADB/APO Joint Program	143.3
Subregional Environmental Monitoring and Information System	1,000.0 <sup>a</sup>
Training-cum-Workshop on Statistical Integration	55.0
1995 Seminars on Project Implementation and Administration, and Training of Trainers Program	600.0
Study of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area	1,800.0 <sup>a</sup>
Development Policy Issues in Asia	85.0
Regional Workshop on Solar Power Generation Using Photovoltaic Technology	175.0 <sup>a</sup>
Emerging Trading Environment: Economic Implications for DMCs (Supplementary)	250.0
Study of the Impact of Bank Assistance in the Health and Population Sector	300.0
Fifth Seminar on International Finance	107.0 <sup>a</sup>
International Conference on Information Systems for Transition Economies	95.0
1995 Audit Training Program for Institutional Strengthening of Supreme Audit Institutions in the Asian Region	130.0
1995 Special Secondment Scheme	220.0
Review of Microenterprise Development in Selected DMCs	300.0 <sup>a</sup>
Workshop on Demand Side Management in the Power Subsector	220.0 <sup>a</sup>
Evaluation of Bank Assistance to DMCs for Benefit Monitoring Evaluation	450.0
Asian Development Bank/OECD Development Centre Forum on Asian Perspectives: Regional Cooperation and Integration in Asia	90.0
Regional Forum on Indigenous Peoples Policies for Development Assistance in Asia	100.0 <sup>b</sup>
11th Biennial General Meeting of the Association of Development Research and Training Institutes of Asia and the Pacific (ADIPA)	20.0
Improving the South Pacific Economic and Social Database (SPESD)	50.0
Institutionalizing Legal Training in Cambodia, the People's Republic of China, Mongolia and Viet Nam	450.0
Study on Social Sector Issues in Asian Transition Economies	600.0
Eighth Workshop on Asian Economic Outlook	160.0
Subregional Electric Power Forum - Greater Mekong Subregion	78.0 <sup>c</sup>
International Conference on Coalbed Methane Development and Utilization	103.6
Meeting of Telecommunications Officials - Greater Mekong Subregion	30.0 <sup>d</sup>
Regional Study on Urban Infrastructure Finance	480.0
Regional Program to Train Trainers in Tourism in the Greater Mekong Subregion	130.0
Cofinancing of the Third Meeting of the Expert Group on Financial Issues of Agenda 21	100.0
Greater Mekong Subregion-Infrastructure Improvement: Ho Chi Minh to Phnom Penh Highway	3,000.0 <sup>a</sup>
1996 Regional Seminars on the Use of Consulting Services	250.0
Review of Sustainable Exploitation of Coastal Fish Stocks in Asia	100.0
Task Force on the Role of Multilateral Development Banks	125.0
Upgrading of Accounting and Financial Reporting Practices of Pacific Power Utility Entities	350.0
Study of Emerging Asia	1,500.0
Capacity Building of DMCs in the Economic Analysis of Build-Own-Operate-Transfer Projects	525.0
Water Resources Development and Management	600.0
Economic and Policy Analyses in Pacific DMCs	600.0

a. To be financed from Japan Special Fund.

b. Of this amount, \$25,000 is to be financed by the World Bank and \$25,000 by the Government of Netherlands with the Bank acting as Executing Agency.

c. To be financed by the Government of Norway with the Bank acting as Executing Agency.

d. To be financed by the Government of Australia with the Bank acting as Executing Agency.

CONTINUED

Project	Amount (\$ thousand)
Capacity Building for Environmental Law Training in the Asian and Pacific Region	600.0 <sup>a</sup>
Electronic Compendium for Crop Protection	300.0
Micronesia Regional Cooperation	100.0
World Commission on Forests and Sustainable Development in Asia	180.0
Impact Evaluation Study of Bank Assistance in the Urban Development and Housing Sector	400.0
Kyrgyz Republic and Xinjiang Uygur Autonomous Region Power Development Study	360.0 <sup>a</sup>
Governance and Development in South Asian and Other DMCs	350.0
The Role of Law and Legal Institutions in Asian Economic Development	600.0
Capacity Building in Distance-Education for Primary Teacher Training	500.0
Economic Assessment of Environmental Impacts (Supplementary)	55.0 <sup>a</sup>
<b>TOTAL</b>	<b>19,996.9</b>

a. To be financed from JSF

**Table 34**  
**GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY COUNTRY AND REGIONAL ACTIVITIES<sup>a</sup>,**  
**1994, 1995, 1967-1995**  
(Amounts in \$ thousand)

Country	No.	1994			1995			
		Bank Financing	JSF Financing	Other Sources	Total	%	No.	Bank Financing
Afghanistan	-	-	-	-	-	-	-	-
Bangladesh	18	1,395.00	2,954.00	3,292.40	7,641.40	5.94	11	601.00
Bhutan	1	400.00	-	-	400.00	0.31	2	546.50
Cambodia	11	2,243.00	2,096.00	750.00	5,089.00	3.95	11	5,460.00
China, People's Rep. of	41	3,646.00	13,076.00	715.00	17,437.00	13.55	45	4,902.50
Cook Islands	4	-	1,612.00	-	1,612.00	1.25	3	1,442.00
Fiji	3	450.00	1,050.00	-	1,500.00	1.17	4	1,150.00
India	.8	2,461.00	900.00	3,000.00	6,361.00	4.94	14	1,475.36
Indonesia	19	3,335.00	5,934.00	1,000.00	10,269.00	7.98	20	3,035.00
Kazakhstan	4	839.00	-	-	839.00	0.65	9	2,714.00
Kiribati	2	440.00	385.00	-	825.00	0.64	2	-
Korea, Rep. of	-	-	-	-	-	-	-	-
Kyrgyz Republic	5	1,156.00	1,200.00	-	2,356.00	1.88	7	2,185.00
Lao PDR	7	1,000.00	1,200.00	-	2,200.00	1.71	13	1,331.00
Malaysia	4	386.00	700.00	-	1,086.00	0.84	6	1,296.00
Maldives	2	300.00	600.00	-	900.00	0.70	3	400.00
Marshall Islands	4	297.00	1,202.00	-	1,499.00	1.16	4	1,301.00
Micronesia, Fed. States of	4	646.00	635.00	-	1,281.00	1.00	5	1,551.00
Mongolia	13	184.00	5,018.00	2,000.00	7,202.00	5.60	11	2,790.00
Myanmar	-	-	-	-	-	-	-	-
Nepal	9	848.00	2,022.00	-	2,870.00	2.23	6	765.00
Pakistan	13	3,405.00	1,400.00	80.00	4,885.00	3.80	8	940.00
Papua New Guinea	6	1,146.00	1,170.00	-	2,316.00	1.80	2	780.00
Philippines	10	800.00	4,146.25	-	4,946.25	3.84	17	2,732.00
Singapore	-	-	-	-	-	-	-	-
Solomon Islands	2	430.00	350.00	-	780.00	0.61	-	-
Sri Lanka	9	499.60	3,786.00	-	4,285.60	3.33	9	300.00
Taipei, China	-	-	-	-	-	-	-	-
Thailand	5	690.00	1,484.00	-	2,174.00	1.69	12	1,913.00
Tonga	6	100.00	769.00	74.00	943.00	0.73	2	850.00
Tuvalu	2	-	626.00	-	626.00	0.49	2	100.00
Vanuatu	2	100.00	50.00	-	150.00	0.12	-	-
Viet Nam	17	2,289.20	6,178.00	-	8,467.20	6.58	15	3,890.00
Western Samoa	4	-	700.00	75.00	775.00	0.60	4	750.00
<b>Subtotal</b>	235	29,485.80	61,243.25	10,986.40	101,715.45	79.04	247	45,200.36
<b>Regional</b>	55	13,265.90	2,757.00	10,952.00	26,974.90	20.96	50	11,621.88
<b>TOTAL</b>	290	42,751.70	64,000.25	21,938.40	128,690.35	100.00	297	56,822.23

a Excluding technical assistance financed under loans, which are included in the Bank's loan data.

b Cumulative data are adjusted to exclude technical assistance projects withdrawn by governments.

## 1995

1967-1995<sup>b</sup>

JSF Financing	Other Sources	Total	%	No.	Amount	%	Country
2,985.00	1,928.86	5,514.86	3.80	16	2,565.70	0.23	Afghanistan
-	-	546.50	0.38	204	106,468.83	9.51	Bangladesh
4,030.00	300.00	9,790.00	6.74	48	16,381.15	1.46	Bhutan
12,469.40	1,037.00	18,408.90	12.67	32	29,505.60	2.64	Cambodia
-	-	1,442.00	0.99	212	90,534.95	8.09	China, Peoples Rep. of
3,400.00	585.00	5,460.36	3.76	73	31,703.86	2.83	Cook Islands
7,570.00	450.00	11,055.00	7.61	300	106,852.77	9.55	Egypt
3,251.00	-	5,965.00	4.11	13	6,804.00	0.61	Kazakhstan
577.00	100.00	677.00	0.47	20	4,851.50	0.43	Kiribati
-	-	-	-	33	5,010.15	0.45	Korea, Rep. of
3,816.00	-	6,001.00	4.13	12	8,357.00	0.75	Kyrgyz Republic
4,048.00	600.00	5,979.00	4.12	124	55,305.78	4.94	Lao PDR
600.00	-	1,896.00	1.31	87	23,344.30	2.09	Malaysia
685.00	-	1,085.00	0.75	25	7,198.00	0.64	Maldives
1,405.00	999.00	3,705.00	2.55	22	9,456.00	0.84	Marshall Islands
1,715.00	999.00	4,265.00	2.94	16	8,707.00	0.78	Micronesia, Fed. States of
3,187.00	-	5,977.00	4.11	47	24,957.35	2.23	Mongolia
-	-	-	-	38	10,716.00	0.96	Myanmar
2,004.00	-	2,769.00	1.91	171	70,494.70	6.30	Nepal
1,915.00	-	2,855.00	1.97	167	59,604.85	5.33	Pakistan
-	-	780.00	0.54	82	22,822.10	2.04	Papua New Guinea
2,325.00	1,000.00	6,057.00	4.17	216	82,802.05	7.40	Philippines
-	-	-	-	2	577.42	0.05	Singapore
3,581.00	-	3,881.00	2.67	39	8,060.24	0.72	Solomon Islands
-	-	-	-	135	39,851.00	3.56	Sri Lanka
-	-	-	-	1	100.00	0.01	Taipei, China
2,200.00	600.00	4,713.00	3.24	100	29,736.60	2.66	Thailand
600.00	-	1,450.00	1.00	39	9,625.50	0.86	Tonga
310.00	-	410.00	0.28	6	1,236.00	0.11	Tuvalu
7,204.00	500.00	11,594.00	7.98	26	5,539.76	0.49	Vanuatu
552.00	-	1,302.00	0.90	53	31,119.80	2.78	Viet Nam
-	-	-	-	52	11,366.60	1.02	Western Samoa
70,879.40	9,198.86	125,278.62	86.24	2,474	938,221.35	83.82	Subtotal
8,217.00	158.00	19,996.88	13.76	659	181,416.81	16.18	Regional
<b>79,096.40</b>	<b>9,356.86</b>	<b>145,275.50</b>	<b>100.00</b>	<b>3,133</b>	<b>1,119,338.16</b>	<b>100.00</b>	<b>TOTAL</b>

**Table 35**  
**GRANT-FINANCED TECHNICAL ASSISTANCE APPROVALS BY SECTOR<sup>a</sup>, 1994, 1995, 1967-1995**  
 (Amounts in \$ thousand)

Sector	1994			1995			1967-1995 <sup>b</sup>		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-industry	45	22,978.45	22.59	48	25,533.76	20.38	825	335,837.48	35.80
Energy	25	11,411.00	11.22	34	13,566.00	10.83	286	106,809.35	11.38
Industry and Nonfuel Minerals	9	3,863.00	3.80	5	3,135.00	2.50	107	31,286.70	3.33
Finance	15	5,640.00	5.55	16	5,631.36	4.50	188	49,987.80	5.32
Transport and Communications	37	18,501.00	18.19	31	14,512.00	11.58	332	128,645.95	13.71
Social Infrastructure	47	16,981.00	16.69	61	30,281.00	24.17	446	162,077.97	17.28
Multisector	—	—	—	3	4,220.00	3.37	21	14,644.00	1.56
Others	57	22,341.00	21.96	49	28,399.50	22.67	269	109,032.10	11.62
<b>TOTAL</b>	<b>235</b>	<b>101,715.45</b>	<b>100.00</b>	<b>247</b>	<b>125,278.62</b>	<b>100.00</b>	<b>2,474</b>	<b>938,221.35</b>	<b>100.00</b>

a Excludes technical assistance loans (which are included in loan data) and regional activities.

b Cumulative data adjusted to exclude technical assistance grants withdrawn by governments.

**Table 36**  
**NET TRANSFER OF RESOURCES TO DMCs (OCR), 1983-1995**  
(Amounts in \$ million)

Country	1983-1987 Average	1988	1989	1990	1991	1992	1993	1994	1995
Afghanistan	-	-	-	-	-	-	-	-	-
Bangladesh	-0.92	0.01	0.44	-0.33	-0.32	1.05	-0.32	-0.36	-0.30
Bhutan	-	-	-	-	-	-	-	-	-
Cambodia	-	-	-	-	-	-	-	-	-
China, People's Rep. of	-	2.57	50.38	47.98	171.99	142.41	363.37	390.38	399.69
Cook Islands	-	-	-	-	-	-	-	-	-
Fiji	-0.04	13.71	-7.23	-12.28	-0.24	-3.99	7.99	-9.49	-3.71
Hong Kong	-14.48	-	-	-	-	-	-	-	-
India	2.15	52.74	72.49	182.82	445.89	293.16	84.53	339.05	207.02
Indonesia	99.23	241.36	391.56	348.73	176.17	113.21	58.09	-442.00	-97.68
Kazakhstan	-	-	-	-	-	-	-	-	62.58
Kiribati	-	-	-	-	-	-	-	-	-
Korea, Rep. of	-63.88	-169.33	-438.81	-17.87	22.07	22.63	62.49	-73.54	-83.67
Kyrgyz Republic	-	-	-	-	-	-	-	-	-
Lao PDR	-	-	-	-	-	-	-	-	-
Malaysia	-10.99	-47.34	-50.79	-26.09	3.82	-35.18	-247.93	-40.06	-59.08
Maldives	-	-	-	-	-	-	-	-	-
Marshall Islands	-	-	-	-	-	-	-	-	-
Micronesia, Fed. States of	-	-	-	-	-	-	-	-	-
Mongolia	-	-	-	-	-	-	-	-	-
Myanmar	0.64	0.73	-0.76	-0.79	0.77	-0.77	-0.78	-1.04	-1.18
Nepal	-	-	-	0.56	0.71	2.34	-0.01	-0.04	-0.07
Pakistan	0.13	20.75	139.82	109.15	136.53	63.60	76.35	2.88	-187.85
Papua New Guinea	1.70	7.74	6.90	14.48	13.76	-7.59	-13.69	-15.79	-23.63
Philippines	19.56	76.71	-41.00	46.43	-47.84	-56.65	-86.44	60.35	-280.48
Singapore	-9.59	-15.35	-13.29	-16.76	9.84	-14.89	2.85	-	-
Solomon Islands	-	-	-	-	-	-	-	-	-
Sri Lanka	0.97	0.30	-	-	0.19	0.97	1.25	-0.71	-
Taipei, China	-7.30	-7.65	-7.19	-4.06	1.43	-	-	-	-
Thailand	9.49	80.43	-61.86	174.98	186.77	-89.43	9.54	18.44	-60.02
Tonga	-	-	-	-	-	-	-	-	-
Vanuatu	-	-	-	-	-	-	-	-	-
Viet Nam	0.17	-0.11	-0.22	-0.22	0.44	-	-0.43	-	-
Western Samoa	-	-	-	-	-	-	-	-	-
Regional	-	5.00	34.98	11.66	0.75	-	5.79	15.24	21.63
<b>TOTAL</b>	<b>23.30</b>	<b>-53.46</b>	<b>75.43</b>	<b>508.44</b>	<b>716.60</b>	<b>430.87</b>	<b>175.99</b>	<b>124.03</b>	<b>-106.75</b>

Note: Net Transfer of Resources defined as disbursements less repayments and interest/charges received. Includes private sector loans and net equity investments.

**Table 37**  
**NET TRANSFER OF RESOURCES TO DMCs (ADF), 1983-1995**  
(Amounts in \$ million)

Country	1983-1987 Average	1988	1989	1990	1991	1992	1993	1994	1995
Afghanistan	-0.78	-1.50	-1.34	-1.32	-1.32	-	-	-	-
Bangladesh	111.64	208.52	300.13	279.80	243.84	287.56	183.27	322.42	208.30
Bhutan	1.25	3.38	2.97	3.66	4.21	2.14	1.33	2.01	2.90
Cambodia	-	-	-	-	-	-	-1.38	5.35	11.86
China, People's Rep. of	-	-	-	-	-	-	-	-	-
Cook Islands	0.31	-	0.29	0.74	1.14	4.63	1.28	0.98	0.23
Fiji	-	-	-	-	-	-	-	-	-
Hong Kong	-	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-	-
Indonesia	5.08	54.92	53.59	106.98	13.48	35.61	45.03	28.59	32.59
Kazakhstan	-	-	-	-	-	-	-	-	-
Kiribati	0.21	0.26	0.02	0.67	0.37	0.33	-0.05	0.15	0.19
Korea, Rep. of	-0.32	-0.34	-0.32	-0.32	-0.31	-	-	-	-
Kyrgyz Republic	-	-	-	-	-	-	-	-	33.94
Lao PDR	3.20	4.77	30.22	39.32	25.42	13.43	36.03	19.61	53.33
Malaysia	-0.26	-0.28	-0.27	-0.27	-0.27	-0.27	-0.26	-0.66	-0.39
Maldives	0.47	0.86	0.61	4.06	4.15	3.96	2.25	1.12	4.28
Marshall Islands	-	-	-	-	-	0.25	0.89	1.22	2.76
Micronesia, Fed. States of	-	-	-	-	-	-	-	-	0.34
Mongolia	-	-	-	-	10.00	15.90	10.95	20.99	49.11
Myanmar	24.84	31.46	20.90	1.74	-2.32	-5.32	-8.67	-15.58	-16.07
Nepal	29.73	35.52	73.20	57.04	66.66	34.16	54.25	51.75	37.75
Pakistan	97.94	174.05	199.28	201.01	256.00	152.61	210.94	389.37	287.44
Papua New Guinea	3.43	8.31	6.79	38.20	50.43	8.33	19.74	20.31	8.96
Philippines	13.84	31.51	41.09	116.76	91.51	74.66	89.53	43.12	41.70
Singapore	-0.27	-0.30	-0.29	-1.40	-	-	-	-	-
Solomon Islands	1.59	5.39	3.46	1.98	-0.81	0.68	2.36	-0.17	-0.38
Sri Lanka	31.15	57.09	68.70	101.82	139.45	118.35	109.90	73.86	66.52
Taipei, China	-	-	-	-	-	-	-	-	-
Thailand	8.64	1.99	0.09	-1.28	-1.78	-2.00	-1.97	-2.23	-2.37
Tonga	0.62	1.32	0.48	0.80	0.64	1.22	1.50	4.79	5.12
Vanuatu	0.37	0.74	3.02	2.54	4.83	0.37	0.62	0.86	0.80
Viet Nam	0.44	-0.23	-	-	-	-	-	-0.11	45.30
Western Samoa	1.42	1.04	1.25	9.85	13.00	2.41	2.87	2.58	2.60
Regional	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>334.55</b>	<b>618.48</b>	<b>803.87</b>	<b>962.41</b>	<b>918.33</b>	<b>747.64</b>	<b>755.06</b>	<b>976.80</b>	<b>900.56</b>

Note: Net Transfer of Resources defined as disbursements less repayments and interests/charges received. Includes private sector loans and net equity investments.

**Table 38**  
**NET TRANSFER OF RESOURCES TO DMCs (OCR and ADF), 1983-1995**  
(Amounts in \$ million)

Country	1983-1987 Average	1988	1989	1990	1991	1992	1993	1994	1995
Afghanistan	-0.78	-1.50	-1.34	-1.32	1.32	-	-	-	-
Bangladesh	110.72	208.53	300.58	279.47	243.52	288.60	182.95	322.06	208.00
Bhutan	1.25	3.38	2.97	3.66	4.21	2.14	1.33	2.01	2.90
Cambodia	-	-	-	-	-	-1.38	5.35	11.86	35.61
China, People's Rep. of	-	2.57	50.38	47.98	171.99	142.41	363.37	390.38	399.69
Cook Islands	0.31	-	0.29	0.74	1.14	4.63	1.28	0.98	0.23
Fiji	-0.04	13.71	-7.23	12.28	0.24	-3.99	7.99	9.49	-3.71
Hong Kong	14.48	-	-	-	-	-	-	-	-
India	2.15	52.74	72.49	182.82	445.89	293.16	84.53	339.05	207.02
Indonesia	104.32	296.28	445.15	455.71	189.65	148.82	103.12	413.41	-65.08
Kazakhstan	-	-	-	-	-	-	-	-	62.58
Kiribati	0.21	0.26	0.02	0.67	0.37	0.33	0.05	0.15	0.19
Korea, Rep. of	64.20	169.67	439.13	-18.19	21.76	22.63	-62.49	73.54	-83.67
Kyrgyz Republic	-	-	-	-	-	-	-	-	33.94
Lao PDR	3.20	4.77	30.22	39.32	25.42	18.43	36.03	19.61	53.33
Malaysia	-11.25	-47.63	-51.07	-26.36	-4.09	-35.44	-248.19	-40.72	-59.48
Maldives	0.47	0.86	0.61	4.06	4.15	3.96	2.25	1.12	4.28
Marshall Islands	-	-	-	-	-	0.25	0.89	1.22	2.76
Micronesia, Fed. States of	-	-	-	-	-	-	-	-	0.34
Mongolia	-	-	-	-	-	-	-	-	49.11
Myanmar	24.19	30.74	20.15	0.95	-3.09	-6.09	9.44	16.62	-17.25
Nepal	29.73	35.52	73.20	57.61	67.57	36.50	54.23	51.71	37.68
Pakistan	98.07	194.81	339.10	310.17	392.52	216.22	237.29	392.25	99.59
Papua New Guinea	5.13	16.05	13.69	52.68	64.19	0.74	6.05	4.51	-14.67
Philippines	33.40	-45.20	0.09	163.19	43.67	18.01	3.08	17.23	-238.79
Singapore	-9.86	-15.65	13.58	-18.16	9.84	14.89	2.85	-	-
Solomon Islands	1.59	5.39	3.46	1.98	0.81	0.68	2.36	0.17	-0.38
Sri Lanka	30.19	57.39	68.70	101.82	139.64	119.32	111.15	74.57	66.52
Taipei, China	-7.30	-7.65	7.19	4.06	1.43	-	-	-	-
Thailand	18.13	-78.44	61.78	-176.26	-188.53	-91.42	7.56	16.21	-62.39
Tonga	0.62	1.32	0.48	0.80	0.64	1.22	1.50	4.79	5.12
Vanuatu	0.37	0.74	3.02	2.54	4.83	0.37	0.62	0.86	0.80
Viet Nam	0.27	-0.33	-0.22	-0.22	-0.44	-	-0.43	0.11	45.30
Western Samoa	1.42	1.04	1.25	9.85	13.00	2.41	2.87	2.53	2.60
Regional	-	5.00	34.98	11.66	0.75	-	5.79	15.24	21.63
<b>TOTAL</b>	<b>357.01</b>	<b>565.01</b>	<b>879.30</b>	<b>1,470.85</b>	<b>1,634.93</b>	<b>1,178.51</b>	<b>931.04</b>	<b>1,100.83</b>	<b>793.81</b>

Note: Net Transfer of Resources defined as disbursements less repayments and interests/charges received. Includes private sector loans and net equity investments.

## FINANCIAL RESOURCES

**Table 39  
STATUS OF ASIAN DEVELOPMENT FUND RESOURCES<sup>a</sup>**  
(Amounts in \$ million; as of 31 December 1995)

	Valued as of 31/12/94 US\$Equiv.	Addition US\$Equiv.	Change in 1995			Valued as of 31/12/95	
			Exchange Rate Adjustments <sup>b</sup> US\$Equiv.	Net Change US\$Equiv.	US\$Equiv.	SDR Equiv. <sup>c</sup>	
<b>Contributed Resources<sup>d</sup></b>							
Australia	791.85	67.97	-35.20	32.77	824.62	554.74	
Austria	146.69	-	12.81	12.81	159.50	107.30	
Belgium	132.02	-	10.87	10.87	142.89	96.13	
Canada	902.56	-	24.85	24.85	927.41	623.89	
Denmark	138.14	10.14	14.36	24.50	162.64	109.41	
Finland	77.45	2.11	7.02	9.13	85.58	58.24	
France	679.61	-	61.86	61.86	741.47	498.81	
Germany	1,160.98	-	93.39	93.39	1,254.37	843.85	
Hong Kong	4.13	0.75	-	0.75	4.88	3.28	
Indonesia	4.96	-	-	-	4.96	3.34	
Italy	317.28	-	9.01	9.01	326.29	219.50	
Japan	10,345.05	531.24	-326.86	204.38	10,549.43	7,096.87	
Korea, Rep. of	19.15	3.75	-	3.75	22.90	15.41	
Nauru	1.15	-	-	-	1.15	0.77	
Netherlands	433.94	26.25	37.49	63.74	497.68	334.80	
New Zealand	39.49	3.05	0.76	3.81	43.30	29.13	
Norway	95.26	8.35	7.26	15.61	110.87	74.59	
Spain	78.10	-	6.66	6.66	84.76	57.02	
Sweden	149.63	15.98	19.98	35.96	185.59	124.85	
Switzerland	225.35	-	31.54	31.54	256.89	172.82	
Taipei, China	12.75	3.75	-	3.75	16.50	11.10	
Turkey	65.96	-	-	-	65.96	44.37	
United Kingdom	484.79	-	-3.88	-3.88	480.91	323.52	
United States	2,087.91	-	-	-	2,087.91	1,404.59	
<b>Total Contributed Resources</b>	<b>18,394.19</b>	<b>673.34<sup>e</sup></b>	<b>-28.07</b>	<b>645.27</b>	<b>19,039.46</b>	<b>12,808.33</b>	
<b>Additional Resources</b>							
Set-Aside Resources	69.50	-	1.27	1.27	70.77	47.61	
Transfers from TASF	1.27	-	0.07	0.07	1.34	0.90	
Unrealized Investment Holding Gains (Losses)	-2.87	3.75	-	3.75	0.88	0.59	
Accumulated Translation Adjustments	113.22	-6.86	-	-6.86	106.36	71.55	
Accumulated Surplus	869.51	78.26	-	78.26	947.77	637.59	
<b>Total Additional Resources</b>	<b>1,050.63</b>	<b>75.15</b>	<b>1.34</b>	<b>76.49</b>	<b>1,127.12</b>	<b>758.24</b>	
<b>Total Resources</b>	<b>19,444.82</b>	<b>748.49</b>	<b>-26.73</b>	<b>721.76</b>	<b>20,166.58</b>	<b>13,566.57</b>	
Less: Amounts Disbursed and Outstanding	11,355.32 <sup>f</sup>	1,021.92	-69.41	952.51	12,307.83 <sup>g</sup>	8,279.79	
<b>Total Undisbursed Resources</b>	<b>8,089.50</b>	<b>-273.43</b>	<b>42.68</b>	<b>-230.75</b>	<b>7,858.75</b>	<b>5,286.78</b>	
<b>ADF Lending Limitation<sup>h</sup></b>	<b>7,877.42</b>				<b>7,655.16</b>	<b>5,149.82</b>	
Less: Amounts Committed but Undisbursed: Denominated in SDRs	5,990.44	139.18	126.03	265.21	6,255.65	4,208.34	
<b>ADF Lending Headroom<sup>i</sup></b>	<b>1,886.98</b>				<b>1,399.51</b>	<b>941.48</b>	
<b>Advance Commitment Authority<sup>j</sup></b>	<b>212.42<sup>k</sup></b>						
<b>Total Commitment Authority</b>	<b>2,099.40</b>				<b>1,399.51</b>	<b>941.48</b>	

Note: Figures may not add due to rounding.

a Excludes \$213.17 million representing amounts of ADF contributions paid but not yet available for loan commitments as of 31 December 1995.

b Relates to balances as of 31 December 1994 and additions during 1995.

c Valued at the rate of \$1.48649 per SDR as of 31 December 1995.

d Amounts are adjusted for exchange rate changes and do not necessarily correspond to the initial ADF contributions of individual countries.

e Represents amounts made available for loan commitments toward the fourth tranche of other contributions to the Fifth ADF Replenishment (ADF V).

f Accumulated Translation Adjustments are the cumulative changes, up to the end of the reporting period, in the US dollar value of net assets created by accumulated surplus.

g Net of \$1.47 million allowance for possible losses as of 31 December 1994.

h Net of \$1.94 million allowance for possible losses as of 31 December 1995.

i Equal to a proportion, referred to as the gearing ratio, of total undisbursed resources. The gearing ratio is the ratio, determined on the basis of a US dollar appreciation of 10% of the total value of the basket of contributed resources to the total value of the basket of committed but undisbursed loans.

j Equal to the difference between the lending limitation and the amount of committed but undisbursed loans.

k Equal to 85% of projected ADF investment income and loan repayments during the period 1 January 1995 to 31 December 1995.

**Table 40**  
**TECHNICAL ASSISTANCE SPECIAL FUND**  
(US Dollar Equivalent; as of 31 December 1995)<sup>a</sup>

Contributor	Total Contributions	Amount Utilized
<b>Direct Voluntary Contributions</b>		
Australia	2,484,371	2,484,371
Austria	161,147	149,704
Bangladesh	47,352	47,352
Belgium	1,403,409	1,325,523
Canada	3,345,751	3,345,751
China, People's Rep. of	600,000	600,000
Denmark	1,962,529	1,962,529
Finland	237,201	237,201
France	1,697,451	1,697,451
Germany	3,314,813	3,314,813
Hong Kong	100,000	100,000
India	2,402,998	2,291,549
Indonesia	250,000	250,000
Italy	774,147	774,147
Japan	47,710,427	47,710,427
Korea, Rep. of	1,900,000	1,900,000
Malaysia	909,129	909,129
Netherlands	1,337,478	1,337,478
New Zealand	1,095,632	1,095,632
Norway	3,278,953	3,278,953
Pakistan	1,124,793	1,124,793
Singapore	100,000	100,000
Spain	189,580	189,580
Sri Lanka	6,309	6,309
Sweden	861,358	861,358
Switzerland	1,035,043	1,035,043
Taipei, China	200,000	200,000
United Kingdom	5,616,741	5,616,741
United States	1,500,000	1,500,000
Subtotal	85,646,612	85,311,371
<b>Regularized Replenishment Contributions</b>		
Transfers to Asian Development Fund	237,082,611	234,691,974
Allocation from OCR Net Income	261,000,000	107,191,366
Other Resources <sup>c</sup>	40,594,542	17,001,932
<b>TOTAL</b>	<b>623,068,248</b>	<b>442,941,126</b>

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 1995.

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 Nos. 182 and 214.

c. Represents income (including unrealized investment holding gains), repayments and reimbursements accruing to TASF since April 1980.

**Table 41**  
**JAPAN SPECIAL FUND**  
**Statement of Operations and Changes in Net Assets**  
(Amounts in \$ million)

	1988-1989	1990	1991	1992	1993 <sup>a</sup>	1994 <sup>a</sup>	1995	Total
Contributions committed	94.7	63.4	32.9	69.4	88.6	100.1	104.9	554.0
Translation adjustments	-8.0	5.8	11.1	1.2	17.7	35.7	-8.9	54.6
	86.7	69.2	44.0	70.6	106.3	135.8	96.0	608.6
Revenue	4.4	7.0	9.9	7.9	7.8	7.3	6.4	50.7
Total	91.1	76.2	53.9	78.5	114.1	143.0	102.4	659.3
Expenses	11.2	16.0	22.8	27.5	89.8	56.9	75.3	299.5
Exchange gain (loss)	-	-	-0.5	-0.1	-0.1	0.2	-0.1	-0.6
Increase in Net Assets	79.9	60.2	30.6	50.9	24.2	86.4	27.0	359.2

a Prior years' amounts have been restated to conform to the 1995 presentation.

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**APPENDIX 1**

**SUMMARY OF BUDGET FOR 1996**

**Internal Administrative Expenses**

(Amounts in \$ thousand)

	<b>1995</b>			
	<b>Budget</b>	<b>After Transfers<sup>a</sup></b>	<b>Actual<sup>b</sup></b>	<b>1996 Budget</b>
I. BOARD OF GOVERNORS	709	709	633	468
II. BOARD OF DIRECTORS	<u>7,953</u>	<u>7,953</u>	<u>7,590</u>	<u>8,138</u>
Salaries	3,849	3,868	3,868	3,997
Benefits	2,137	2,137	1,996	2,085
Relocation	324	583	583	396
Business Travel	485	485	462	450
Staff Services	658	681	681	710
Inspection Panel	500	199	-	500
III. OPERATIONAL EXPENSES	<u>139,722</u>	<u>140,135</u>	<u>140,135</u>	<u>149,814</u>
Salaries	68,642	69,981	69,981	72,843
Benefits	47,044	48,728	48,728	50,021
Staff Development	1,575	1,131	1,131	1,967
Relocation	2,765	2,914	2,914	2,905
Consultants	7,500	6,950	6,950	8,993
Business Travel	11,970	10,214	10,214	12,835
Representation	226	217	217	250
IV. ADMINISTRATIVE EXPENSES	<u>26,830</u>	<u>26,830</u>	<u>26,391</u>	<u>29,581</u>
Communications	2,985	3,096	3,096	3,093
Office Occupancy	6,019	5,587	5,456	6,727
Library	621	643	643	641
Office Supplies	1,559	1,699	1,699	1,998
Office Equipment	2,695	3,061	3,061	2,920
Contractual Services	3,913	3,675	3,424	4,356
Insurance	580	611	611	675
Depreciation	8,329	8,329	8,273	9,028
Miscellaneous	129	129	128	143
V. GENERAL CONTINGENCY	<u>1,752</u>	<u>1,339</u>	<u>-</u>	<u>1,880</u>
SUBTOTAL	176,966	176,966	174,749	189,881
Special Separation Program	<u>11,300</u>	<u>11,300</u>	<u>8,980<sup>c</sup></u>	
<b>TOTAL</b>	<b>188,266</b>	<b>188,266</b>	<b>183,729</b>	

a An amount of \$413,000 was allocated out of the General Contingency to the Budget Category "Operational Expenses". Transfers were made between Budget Items within the other Budget Categories without exceeding the amount of each Category.

b Excludes: (1) \$401,000 as provision for severance pay; (2)-\$147,000 as provision for accumulated compensated absences; (3) \$9,000 as bank charges pertaining directly to ADF and JSF; (4) an adjustment of \$4,436,000 on account of pension costs computed in compliance with U.S. Financial Accounting Standards (FAS) 87; and (5) an adjustment of \$6,876,000 as provision for post-retirement benefit in compliance with FAS 106; (6) an adjustment of -\$500,000 as provision for accrued resettlement/repatriation allowances in compliance with FAS 112 which are included in the total internal administrative expenses of \$192,251,000 as shown in the financial statements. After deducting \$7,000 directly charged to the Scholarship Program, the total internal administrative expenses have been distributed as follows: OCR - \$108,303,000 (Ref. OCR-2); ADF - \$82,863,000 (Ref. ADF-2); TASF - \$2,000 (Ref. TASF-2), and JSF - \$1,076,000 (Ref. JSF-2).

c Of the total program cost of \$8,980,000, an amount of \$2,550,000 was charged to 1994.

## **APPENDIX 2**

### **RESOLUTIONS OF THE BOARD OF GOVERNORS ADOPTED IN 1995**

<b>Resolution No.</b>	<b>Subject</b>	<b>Date Adopted</b>
235	Procedures for the Election of Directors at the Twenty-Eighth Annual Meeting	4 May 1995
236	Place and Date of Forthcoming Annual Meetings	4 May 1995
237	Financial Statements and Independent Auditors' Reports	5 May 1995
238	Allocation of Net Income	5 May 1995
239	Development Status of the Republic of Nauru	16 Aug 1995
240	Amendment of Section 7(B)(a) of the By-Laws	14 Dec 1995

## APPENDIX 3

### BOARD OF GOVERNORS (As of 31 December 1995)

**KLAUS-JÜRGEN HEDRICH** (Germany) (Chairman)  
**V. A. JAFAREY** (Pakistan) (Vice-Chairman)  
**CAO SY KIEM** (Viet Nam) (Vice-Chairman)

<b>MEMBER</b>	<b>GOVERNOR</b>	<b>ALTERNATE GOVERNOR</b>
AFGHANISTAN	Ahmed Rashid <sup>1</sup>	Abdul Qadeer Fitrat <sup>2</sup>
AUSTRALIA	Ralph Willis	Gordon Bilney
AUSTRIA	Andreas Staribacher <sup>3</sup>	Hans Dietmar Schweisgut
BANGLADESH	Mohammad Saifur Rahman	M. L. Majid
BELGIUM	Ph. Maystadt	J. P. Arnoldi
BHUTAN	Yeshey Zimba	Sonam Wangchuk
CAMBODIA	Keat Chhon	Chanthol Sun
CANADA	André Ouellet	Thomas Bernes <sup>4</sup>
CHINA, PEOPLE'S REPUBLIC OF	Dai Xianglong <sup>5</sup>	Chen Yuan
COOK ISLANDS	G. A. Henry	Alistair Rutherford
DENMARK	Ole Loensmann Poulsen	Peter Bruckner
Fiji	Berenado Vunibobo	Jone Y. Kubuabola
FINLAND	Mauri Eggert	Kirsti Eskelinen
FRANCE	Jean Arthuis <sup>6</sup>	Jean Lemierre <sup>7</sup>
GERMANY	Klaus-Jürgen Hedrich <sup>8</sup>	Klaus Regling
HONG KONG	Donald Tsang <sup>9</sup>	Joseph Yam
INDIA	Manmohan Singh	M. S. Ahluwalia
INDONESIA	Mar'ie Muhammad	J. Soedradjad Djiwandono
ITALY	Antonio Fazio	Mario Draghi
JAPAN	Masayoshi Takemura	Yasuo Matsushita
KAZAKHSTAN	Alexander S. Pavlov <sup>10</sup>	Kairat M. Smagulov <sup>11</sup>
KIRIBATI	Beniamina Tinga	Bureti Williams
KOREA, REPUBLIC OF	Woong Bae Rha <sup>12</sup>	Lee Kyung Shik <sup>13</sup>
KYRGYZ REPUBLIC	Kemelbek Nanaev	Askar Sarygulov
LAO PEOPLE'S DEMOCRATIC REPUBLIC	Xaysomphone Phomvihane <sup>14</sup>	Pany Yathotou
MALAYSIA	Anwar Ibrahim	Clifford F. Herbert

1 Appointed in April.

2 Appointed in April.

3 Succeeded Ferdinand Lacina in May.

4 Appointed in October. Louise Frechette resigned in June.

5 Succeeded Zhu Rongji in August.

6 Succeeded Alain Madelin on 26 August. Alain Madelin succeeded Edmond Alphandery on 2 August.

7 Succeeded Christian Noyer in November.

8 Succeeded Hans-Peter Repnik in January.

9 Succeeded N.W.H. Macleod in September.

10 Succeeded Akezhan Kazhegeldin in March.

11 Succeeded Serik Akhanov in March.

12 Succeeded Jae-Hyong Hong in December.

13 Succeeded Myung-Ho Kim in August.

14 Succeeded Khamxay Souphanouvong in August.

## CONTINUED

MEMBER	GOVERNOR	ALTERNATE GOVERNOR
MALDIVES	Ismail Shafeeu	Adam Maniku <sup>15</sup>
MARSHALL ISLANDS	Ruben R. Zackhras	Amon Tibon
MICRONESIA, FEDERATED STATES OF	Aloysius J. Tuuth	Lorin Robert
MONGOLIA	Demchigjavyn Molomzhams	S. Ochirpurey
MYANMAR	Win Tin	Antt Kyaw <sup>16</sup>
NAURU	Vinson Detenamo	Kinza Clodumar
NEPAL	Ram Sharan Mahat <sup>17</sup>	R. B. Bhattacharai
NETHERLANDS	Gerrit Zalm	J. P. Pronk
NEW ZEALAND	William F. Birch	Murray Horn
NORWAY	Asbjørn Mathisen	Knut Vollebaek
PAKISTAN	V. A. Jafarey	Aftab Ahmad Khan
PAPUA NEW GUINEA	Chris Haiveta	Gereia Aopi
PHILIPPINES	Roberto F. de Ocampo	Gabriel Singson
SINGAPORE	Richard Hu Tsu Tau	Ngiam Tong Dow
SOLOMON ISLANDS	Christopher C. Abe	Manasseh Sogavare
SPAIN	Javier Gomez-Navarro	Apolonio Ruiz Ligerio
SRI LANKA	Chandrika Bandaranaike Kumaratunga	D. Y. Liyanage <sup>18</sup>
SWEDEN	Mats Karlsson	Malin Karre
SWITZERLAND	Nicolas Imboden	Rudolph Dannecker
TAIPEI, CHINA	Yuan-Dong Sheu <sup>19</sup>	Mu-tsai Chen <sup>20</sup>
THAILAND	Surakiart Sathirathai <sup>21</sup>	Chatu Mongol Sonaku <sup>22</sup>
TONGA	Kinikinilau Tutoatasifakafanua <sup>23</sup>	(to be advised) <sup>24</sup>
TURKEY	Ayfer Yilmaz <sup>25</sup>	M. Bülent Özgün
TUVALU	Koloa Talake	Tine Leuelu <sup>26</sup>
UNITED KINGDOM	Lynda Chalker	N. B. Hudson
UNITED STATES	Robert Rubin <sup>27</sup>	Joan E. Spero
UZBEKISTAN	Bakhtier Sultanovich Khamidov <sup>28</sup>	Rustam Sadikovich Azimov <sup>29</sup>
VANUATU	Willie Jimmy	Antoine Pikioune
VIET NAM	Cao Sy Kiem	Le Van Chau
WESTERN SAMOA	Tuilaepa S. Malielegaoi	Epa Tuioti

<sup>15</sup> Succeeded Khadeejah Hassan in February.<sup>16</sup> Appointed in November. Thein Aung Luu resigned in October.<sup>17</sup> Succeeded Bherat Mohan Adhikary in December.<sup>18</sup> Succeeded A. S. Jayawardena in November.<sup>19</sup> Succeeded Kuo-shu Liang in April.<sup>20</sup> Succeeded Chung-Ying Lee in October.<sup>21</sup> Succeeded Tarin Nimmanahaeminda in July.<sup>22</sup> Succeeded Aran Thammamo in October.<sup>23</sup> Succeeded J. C. Cocker in May.<sup>24</sup> Kinikinilau Tutoatasifakafanua resigned in May.<sup>25</sup> Succeeded Osman Birsen in January.<sup>26</sup> Succeeded Mose Saitala in April.<sup>27</sup> Succeeded Lloyd Beritzen in January.<sup>28</sup> Appointed in August.<sup>29</sup> Appointed in August.

## APPENDIX 4

**BOARD OF DIRECTORS AND VOTING GROUPS**  
 (As of 31 December 1995)

DIRECTOR	ALTERNATE DIRECTOR	MEMBERS REPRESENTED <sup>1</sup>
Daniel Besson	Hermann Escher	Belgium; France; Italy; Spain; Switzerland
Vicente R. Jayme	A. B. Soomro	Kazakhstan; Maldives; Marshall Islands; Mongolia; Pakistan; Philippines
Shigeo Kashiwagi	Soichi Yoshimura	Japan
Yong-Keun Lee <sup>2</sup>	Lloyd Fernando	Republic of Korea; Papua New Guinea; Sri Lanka; Taipei, China; Vanuatu; Viet Nam
Li Ruogu <sup>3</sup>	Zhou Yuequn	People's Republic of China
Peter McCawley	John Russell <sup>4</sup>	Australia; Cambodia; Hong Kong; Kiribati; Federated States of Micronesia; Nauru; Solomon Islands; Tuvalu
Syed Muhamad Abdul Kadir <sup>5</sup>	Thein Aung Lwin <sup>6</sup>	Malaysia; Myanmar; Nepal; Singapore; Thailand
Julian H. Payne	Pieter C. Verheugd <sup>7</sup>	Canada; Denmark; Finland; Netherlands; Norway; Sweden
Soegito Sastromidjojo	Colin Pratt	Cook Islands; Fiji; Indonesia; Kyrgyz Republic; New Zealand; Tonga; Western Samoa
Hans-Jürgen Stryk	John Millett <sup>8</sup>	Austria; Germany; Turkey; United Kingdom
K. Venkatesan <sup>9</sup>	Kamaluddin Siddiqui	Afghanistan; Bangladesh; Bhutan; India; Lao People's Democratic Republic
Linda Tsao Yang	N. Cinnamon Dornsife	United States

1 In alphabetical order within each group.

2 Succeeded Kyung-Woo Kim on 30 October.

3 Succeeded Che Peiqin on 16 March.

4 Succeeded John S. Evers on 6 February.

5 Succeeded Soe Thwin on 1 July.

6 Succeeded Syed Muhamad Abdul Kadir on 18 October.

7 Succeeded Raimo Anttila on 1 September.

8 Succeeded Teoman Kerman on 1 July.

9 Succeeded P. K. Lahiri on 1 July.

## **APPENDIX 5**

### **COMMITTEES OF THE BOARD OF DIRECTORS** (As of 31 December 1995)

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#### AUDIT COMMITTEE

Peter McCawley (Chairman)  
Vicente R. Jayme  
Syed Muhamad Abdul Kadir  
Julian H. Payne  
Soegito Sastromidjojo  
Hans-Jürgen Stryk

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#### BUDGET REVIEW COMMITTEE

Daniel Besson (Chairman)  
Shigeo Kashiwagi  
Yong-Keun Lee  
Li Ruogu  
K. Venkatesan  
Linda Tsao Yang

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**APPENDIX 6****MANAGEMENT, PRINCIPAL OFFICERS AND SENIOR STAFF**  
(As of 31 December 1995)**OFFICE OF THE PRESIDENT**

President ..... Mitsuo Sato  
Special Advisor to the President (Administrative Affairs) ..... Tony Wan

**OFFICES OF THE VICE-PRESIDENTS**

Vice-President (Region West) ..... Bong-Suh Lee  
Vice-President (Region East) ..... Peter H. Sullivan  
Vice-President (Finance and Administration) ..... Pierre Uhel

**OFFICE OF THE SECRETARY**

Secretary ..... D.C. Amerasinghe  
Assistant Secretary ..... Ian M. Hay

**OFFICE OF THE GENERAL COUNSEL**

General Counsel ..... Barry Metzger  
Senior Assistant General Counsel ..... Eisuke Suzuki  
Assistant General Counsel ..... Richard Eyre  
Assistant General Counsel ..... Bruce A. Purdue  
Assistant General Counsel ..... Jeremy H. Hovland<sup>1</sup>

**OFFICE OF THE GENERAL AUDITOR**

General Auditor ..... Louis Wong  
Assistant General Auditor ..... M. Kaleemuddin Haquani

**POSTEVALUATION OFFICE**

Chief ..... A.I. Aminul Islam  
Manager (Evaluation Division West) ..... M.F.W. Zijsselt  
Manager (Evaluation Division East) ..... Phiphit Suphaphiphat

**STRATEGY AND POLICY OFFICE**

Chief ..... Shoji Nishimoto  
Assistant Chief ..... Jan P.M. van Heeswijk

**OFFICE OF ENVIRONMENT AND SOCIAL DEVELOPMENT**

Chief ..... Kazi F. Jalal  
Manager (Environment Division) ..... B. N. Lohani  
Manager (Social Development Division) ..... Anita Kelles-Viitanen

**PROGRAMS DEPARTMENT (WEST)**

Director ..... Noritada Morita  
Deputy Director ..... Ricardo M. Tan  
Manager (Programs Division West 1 - Afghanistan; Maldives; Pakistan; Sri Lanka) ..... Frank J. Polman  
Manager (Programs Division West 2 - Bangladesh; Bhutan; India; Nepal) ..... Yoshihiro Iwasaki<sup>1</sup>  
Manager (Programs Division West 3 - Cambodia; Lao PDR; Myanmar; Thailand; Viet Nam) ..... Nihal Amerasinghe  
Resident Representative, Bangladesh Resident Mission ..... Bhanuphol Horayangura  
Resident Representative, India Resident Mission ..... Richard O. Wada  
Resident Representative, Nepal Resident Mission ..... Abdul Gaffar Nasution  
Resident Representative, Pakistan Resident Mission ..... Chua Suay Bah

**AGRICULTURE AND SOCIAL SECTORS DEPARTMENT (WEST)**

Director ..... Eustace A. Nonis  
Deputy Director ..... Yang Weimin  
Manager (Agriculture and Rural Development Division) ..... Tsuneaki Yoshida  
Manager (Education, Health and Population Division) ..... Shigeko M. Asher  
Manager (Forestry and Natural Resources Division) ..... Robert C. May  
Manager (Water Supply, Urban Development and Housing Division) ..... James E. Rockett

**INFRASTRUCTURE, ENERGY AND FINANCIAL SECTORS DEPARTMENT (WEST)**

Director ..... John D. Taylor<sup>2</sup>  
Deputy Director ..... Akira Seki

1 In acting capacity.

2 Concurrently Head, Private Sector Group.

CONTINUED

Manager (Office of the Director) .....	Mumtaz Iqbal
Manager (Energy Division) .....	Vladimir Bohun
Manager (Financial Sector and Industry Division) .....	J. Antonio M. Quila
Manager (Transport and Communications Division) .....	Günter Hecker

**PROGRAMS DEPARTMENT (EAST)**

Director .....	Eiichi Watanabe
Deputy Director .....	R. Swaminathan
Manager (Programs Division East 1 – China, People's Republic of; Mongolia; Taipei, China) .....	Bruce Murray
Manager (Programs Division East 2 – Hong Kong; Indonesia; Malaysia; Singapore) .....	K. H. Moinuddin
Manager (Programs Division East 3 – Central Asian Republics; Korea, Republic of; Philippines) .....	Werner M. Schelzig
Resident Representative, Indonesia Resident Mission .....	Theodore C. Patterson

**AGRICULTURE AND SOCIAL SECTORS DEPARTMENT (EAST)**

Director .....	Dinh Xuan Vinh
Deputy Director .....	Paul M. Dickie
Manager (Agriculture and Rural Development Division) .....	Robustiano L. Espiritu, Jr.
Manager (Education, Health and Population Division) .....	William M. Fraser
Manager (Forestry and Natural Resources Division) .....	Hans-Juergen Springer
Manager (Water Supply, Urban Development and Housing Division) .....	Asad Ali Shah

**INFRASTRUCTURE, ENERGY AND FINANCIAL SECTORS DEPARTMENT (EAST)**

Director .....	Vishvanath V. Desai <sup>3</sup>
Deputy Director .....	A. Timothy Peterson
Manager (Energy Division) .....	P. N. Fernando
Manager (Financial Sector and Industry Division) .....	Charles F. Coe
Manager (Transport and Communications Division) .....	Devinder Singh

**OFFICE OF PACIFIC OPERATIONS**

Chief .....	G.H.P.B. van der Linden
Manager (Pacific Operations Division) .....	Marshuk Ali Shah
Regional Representative (South Pacific Regional Mission) .....	M. E. Tusneem

**PRIVATE SECTOR GROUP**

Head .....	John D. Taylor <sup>4</sup>
Manager .....	Keon-Woo Lee

**ECONOMICS AND DEVELOPMENT RESOURCE CENTER**

Director and Chief Economist .....	Vishvanath V. Desai <sup>5</sup>
Resident Scholar .....	Christine P. W. Wong
Assistant Chief Economist (Economic Analysis and Research Division) .....	John Malcolm Dowling, Jr.
Assistant Chief Economist (Project Economic Evaluation Division) .....	Jungsoo Lee
Assistant Chief Economist (Statistics and Data Systems Division) .....	Isidoro P. David

**COFINANCING DIVISION**

Manager .....	Erkki K. Jappinen
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**CENTRAL OPERATIONS SERVICES OFFICE**

Chief .....	Nalin P. Samarasinghe
Manager (Consulting Services Division) .....	Jin Koo Lee <sup>6</sup>
Manager (Project Coordination and Procurement Division) .....	Willem B. Den Toom

**BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT**

Director .....	Tsuyoshi Takahashi
Deputy Director (Budget and Compensation) .....	Suresh A. Seshan
Deputy Director (Personnel) .....	Claude Bernier
Manager (Budget and Management Services Division) .....	A.A. Sidarto
Manager (Compensation and Benefits Division) .....	Sandra A. Lawrence
Manager (Human Resources Division) .....	Vacant
Manager (Training and Development Division) .....	Cedric D. Saldanha <sup>6</sup>

<sup>3</sup> Concurrently Director and Chief Economist.

<sup>4</sup> Concurrently Director, Infrastructure, Energy and Financial Sectors Department (West).

<sup>5</sup> Concurrently Director, Infrastructure, Energy and Financial Sectors Department (East).

<sup>6</sup> In acting capacity.

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OFFICE OF ADMINISTRATIVE SERVICES

Chief .....	Guo Xianzhi
Manager (Facilities Management Division) .....	K. S. Subramanian
Manager (General Services Division) .....	S. Zeyaul Hoda
Manager (Support Services Division) .....	Turhan K. Mangun

CONTROLLER'S DEPARTMENT

Controller .....	Magdi L. Morcos
Assistant Controller (Accounting Division) .....	Than Win
Assistant Controller (Disbursement Division West) .....	Ping-Yung Chiu
Assistant Controller (Disbursement Division East) .....	George C.J. Chou

TREASURER'S DEPARTMENT

Treasurer .....	Tadahiro Asami
Deputy Treasurer .....	Rip Min
Assistant Treasurer (Financial Policy Division) .....	Ifzal Ali
Assistant Treasurer (Funding Division) .....	Peter Balon
Assistant Treasurer (Investments Division) .....	Jelle C. Mann
Assistant Treasurer (Treasury Services Division) .....	David R. Parker

INFORMATION OFFICE

Chief Information Officer .....	Maurice D. Bauche
Assistant Chief Information Officer .....	Robert H. Salamon

OFFICE OF COMPUTER SERVICES

Chief .....	John W. Thorp
Assistant Chief .....	Vacant

NORTH AMERICAN REPRESENTATIVE OFFICE

Director .....	Arun B. Adarkar
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**FORMER ADB PRESIDENTS AND VICE-PRESIDENTS****PRESIDENTS**

Mr. Takeshi Watanabe	—	24 November 1966 - 24 November 1972
Mr. Shiro Inoue	—	25 November 1972 - 23 November 1976
Mr. Taroichi Yoshida	—	24 November 1976 - 23 November 1981
Mr. Masao Fujioka	—	24 November 1981 - 23 November 1989
Mr. Kimimasa Tarumizu	—	24 November 1989 - 24 November 1993

**VICE-PRESIDENTS**

Mr. C.S. Krishna Moorthi	—	19 December 1966 - 31 March 1978
Mr. A.T. Bambawale	—	1 April 1978 - 28 October 1985
Mr. M. Narasimham	—	1 November 1985 - 31 July 1988
Mr. S. Stanley Katz	—	1 April 1978 - 28 September 1990
Mr. In Yong Chung	—	1 August 1988 - 31 July 1993
Mr. William R. Thomson	—	17 September 1990 - 30 June 1994
Mr. Günther G. Schulz	—	1 April 1983 - 30 June 1995

# Major ADB Publications

## STUDIES AND REPORTS

### Agriculture and Agro-industry

- Agricultural Development in Papua New Guinea: Policies and Issues (1992)  
Biodiversity Conservation in the Asia and Pacific Region: Constraints and Opportunities (1994)  
Biotechnology: Opportunities for Enhancing Agricultural Production (Agriculture Staff Paper No. 8) (1995)  
Handbook for Incorporation of Integrated Pest Management in Agriculture Projects (1994)\*  
Industrial Crops in Asia (Agriculture Dept. Staff Paper No. 7) (1993)  
Mangrove Forests: A Valuable but Threatened Indo-Pacific Resource (Agriculture Dept. Staff Paper No. 5) (1992)  
Regional Seminar on Policies and Strategies for Livestock Development (1993)  
Regional Workshop on Sustainable Agricultural Development in Asia and the Pacific Region (1992)  
Sector Paper on Livestock (Agriculture Dept. Staff Paper No. 4) (1991)  
Sustainable Agricultural Development (Concepts, Issues and Strategies) (Agriculture Dept. Staff Paper No. 1) (1991)  
Tree Crop Sector Development in Indonesia (Agriculture Dept. Staff Paper No. 6) (1992)  
Tropical Tree Nuts Production in the South Pacific (Agriculture Dept. Staff Paper No. 3) (1991)

### Economy and Finance

- Asian Development Bank Economic Staff Paper Series  
Asian Development Bank Economics and Development Resource Center Report Series  
Asian Development Bank Occasional Paper Series  
Asian Development Bank Statistical Report Series  
Asian Development Outlook (annually)\*\*  
Economic Policies for Sustainable Development (1990)  
Economic Policies for Sustainable Development – Indonesia (1992)  
Economic Policies for Sustainable Development – Nepal (1992)  
Export Finance: Some Asian Examples (1990)  
Financial Sector Development in Asia (1995) \*\*  
Fiscal Management and Economic Reform in the People's Republic of China (1995) \*\*  
From Centrally Planned to Market Economies: The Asian Approach, Vol. I: An Overview (1995) \*\*  
Informal Finance: Some Findings from Asia (1992) \*\*  
Key Indicators of Developing Asian and Pacific Countries (annually) \*\*  
Mongolia: A Centrally Planned Economy in Transition (1992) \*\*

### Energy

- Electric Utilities Data Book for the Asian and Pacific Region, Fourth Edition (1993) – out of print; new edition under preparation\*  
Energy End Use: An Environmentally Sound Development Pathway (1993)\*  
Energy Indicators of Developing Member Countries of ADB \*

Copies of these publications may be obtained through the Publications Unit, Information Office, Asian Development Bank, P.O. Box 789, 0980 Manila, Philippines. Orders may also be sent by fax to (632) 636-2640 or (632) 636-2648 or E-mail at [adbpublish@mail.asiandevbank.org](mailto:adbpublish@mail.asiandevbank.org). All are free of charge (sent via surface mail), except those with asterisk (\*).

\* Priced publications.

\*\* Also available directly from Oxford University Press (OUP) offices, associated companies and agents worldwide.

### Environment

- Breakthroughs in Forestry Development: Experience of the Asian Development Bank (1995)\*  
Environmental Considerations in Program Lending (1995)  
Environment and Development: A Pacific Island Perspective (1992)\*  
Environment Legislation and Administration: Briefing Profiles of Selected Developing Member Countries of the Asian Development Bank (ADB Environment Paper No. 2) (1989)\*  
Environmental Evaluation of Coastal Zone Projects: Methods and Approaches (ADB Environment Paper No. 8) (1991)  
Environmental Loan Covenants: Helping Ensure the Environmental Soundness of Projects Supported by the Asian Development Bank (ADB Environment Paper No. 10) (1992)  
Environmental Loan Covenants: Principles, Checklists and Samples (ADB Environment Paper No. 12) (1993)  
Environmental Risk Assessment: Dealing with Uncertainty in Environmental Impact Assessment (ADB Environment Paper No. 7) (1991)  
Financing Environmentally Sound Development (1994)\*  
How to Assess Environmental Impacts on Tropical Islands and Coastal Areas – Training Manual (1990)  
Integration of Environmental Considerations in the Program Cycle (ADB Environment Paper No. 5) (1990)  
Minimum Quality Criteria for Ecologically Sensitive Areas (ADB Environment Paper No. 4) (1989)  
Remote Sensing and Geographic Information System for Natural Resource Management (ADB Environment Paper No. 9) (1991)\*

### Industry and Nonfuel Minerals

- Industrial Pollution Prevention (1994)\*  
Technology Transfer and Development: Implications for Developing Asia (1995)\*

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