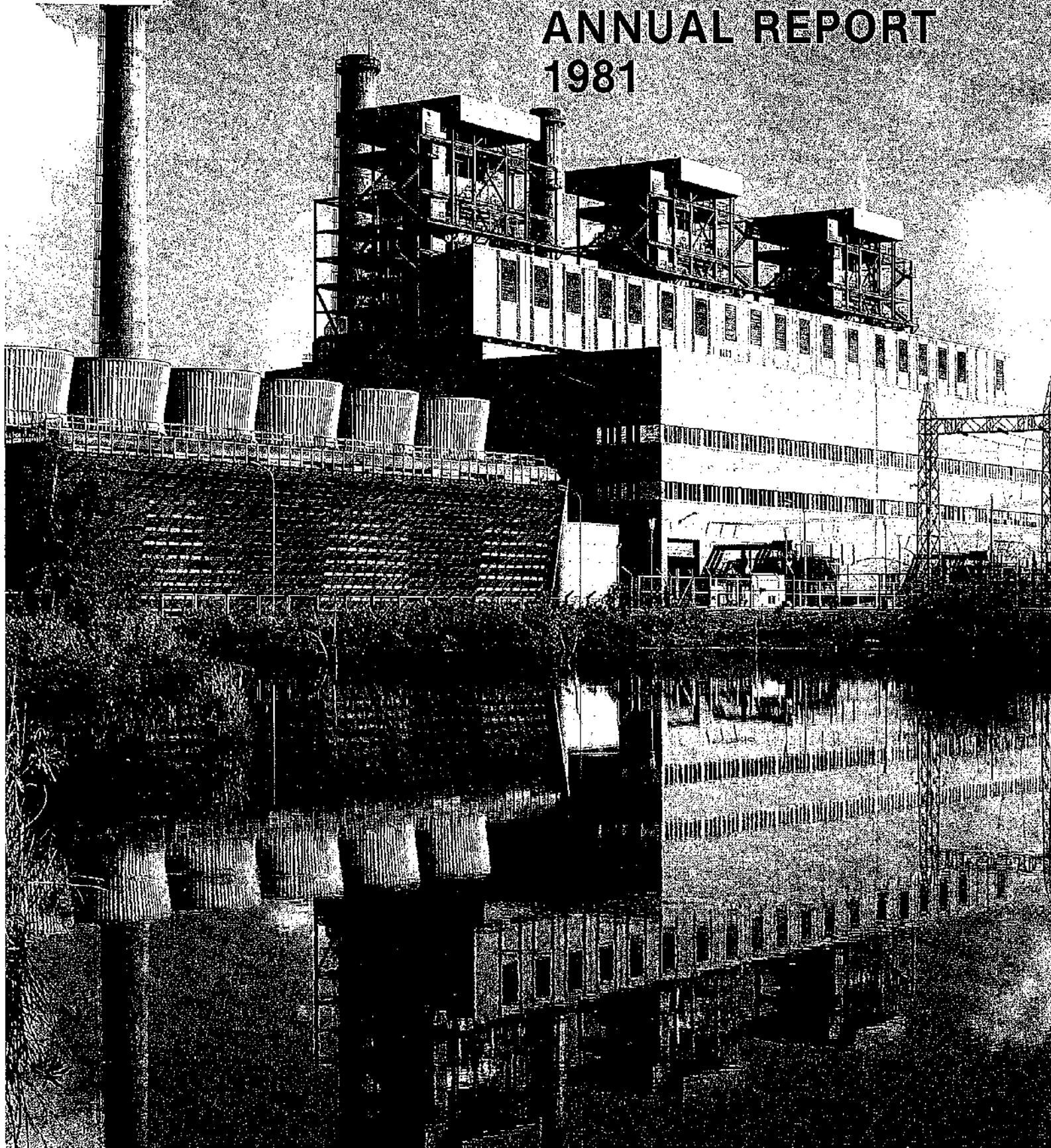


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**ASIAN  
DEVELOPMENT  
BANK  
ANNUAL REPORT  
1981**



**COVER:** A lignite-fired electricity generating Project in Mae Moh, northern Thailand, for which the Bank has approved loans totalling \$187.8 million. Utilizing Indigenous lignite deposits from the Mae Moh Valley, the Project will help meet the country's growing power requirements and provide the assured supply needed for higher agricultural and industrial production. In addition, Thailand's foreign exchange costs for power generation will be substantially reduced by the use of an indigenous energy source as an alternative to imported oil.

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# **ASIAN DEVELOPMENT BANK ANNUAL REPORT 1981**

# **Board of Directors**

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

Masao Fujioka

### **Directors**

A. J. Barry

John A. Bohn, Jr.

Hoon-Mok Chung

N.W. Davey

U Hla Maung

Genji Nozaki

N.M. Qureshi

G. Ramachandran

Thierry Rosset

Soesilo Sardadi

David L. Stanton

F.M. Tarin

### **Alternate Directors**

Jorma Paukku

Jon M. Gaaserud

John Natera

Kai Detto

Khalil Hassan

Takashi Taniguchi

Alejandro Melchor, Jr.

K. Mahmood

Max Gertsch

R.C.W. Hamilton

Paul Koehling

(Vacant)

ASIAN DEVELOPMENT BANK  
Manila

Office of the President

16 March 1982

Dear Mr. Chairman:

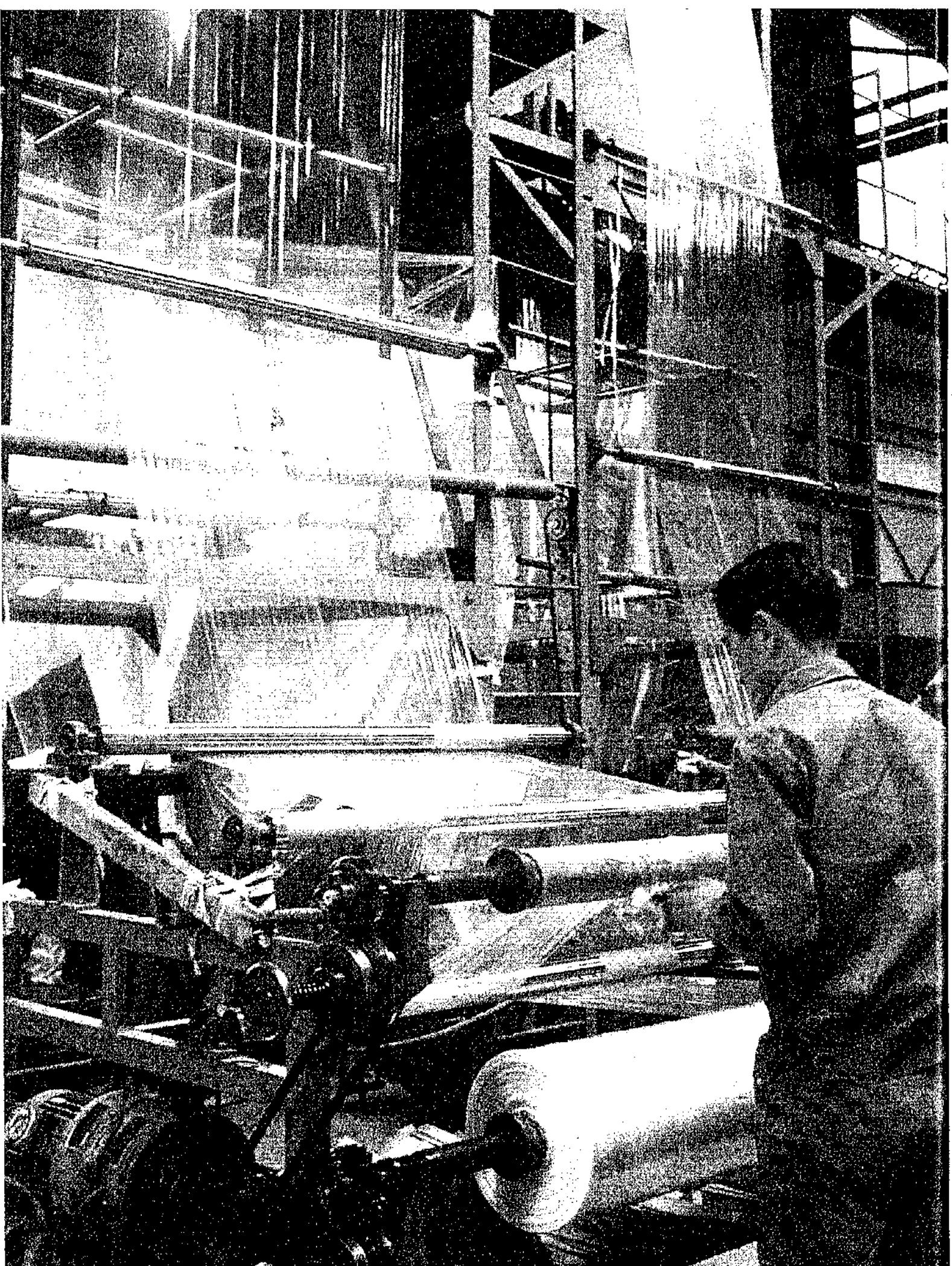
In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the enclosed Annual Report of the Bank for 1981, including a separate report on the activities of the Special Funds of the Bank, which has been prepared under the direction of the Board of Directors. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



MASAO FUJIOKA  
President and  
Chairman of the Board  
of Directors

Chairman of the  
Board of Governors  
Asian Development Bank



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#### NOTE ON DOLLAR AMOUNTS

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

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

# THE RECORD

(i)

(amounts in \$ million)

	1967-1971	1972-1976	1977	1978	1979	1980	1981	1967-1981 <sup>a</sup>
<b>OPERATIONAL ACTIVITIES</b>								
Loan Approvals								
Number of Projects <sup>b</sup>	83	168	41	51	54	58	54	509
Amount of Loans <sup>c</sup>	639.4	2,721.5	886.4	1,158.7	1,251.6	1,435.7	1,677.6	9,770.9
Ordinary Loans								
Number of Loans	59	115	24	31	29	29	30	317
Amount of Loans <sup>d</sup>	532.2	1,934.0	614.6	778.2	835.2	958.5	1,146.7	6,799.4
Disbursements	68	879	273	295	361	429	518.0	2,822.6
Special Funds Loans								
Number of Loans	28	89	21	22	29	30	27	246
Amount of Loans	107.2	787.5	271.8	380.5	416.3	477.2	530.9	2,971.5
Disbursements	7	204	84	167	125	150	149.2	886.9
Technical Assistance (Grants) <sup>e</sup>								
Number of Projects	55	119	42	47	57 <sup>f</sup>	56	49	424 <sup>g</sup>
Amount of Grants	8.0	20.3	7.2	11.1	13.9 <sup>e</sup>	14.2	14.8	90.2 <sup>h</sup>
Regional Activities (Grants) <sup>i</sup>								
Number of Projects	11	25	7	11	6	15	13	86 <sup>h</sup>
Amount of Grants	4.1	2.4	0.9	0.9	1.0	1.6	1.8	12.6
<b>RESOURCES AND FINANCES</b>								
Authorized Capital (at end of period)								
In terms of current US dollar	1,327	3,707	8,711	9,407	9,512	9,209	8,404	—
(In terms of 1966 US dollar)	(1,100)	(3,073)	(7,221)	(7,221)	(7,221)	(7,221)	(7,221)	—
Subscribed Capital (at end of period)								
In terms of current US dollar	1,213	3,688	6,981	8,741	8,861	8,828	8,297	—
(In terms of 1966 US dollar)	(1,005)	(3,057)	(5,770)	(6,709)	(6,727)	(6,922)	(7,128)	—
Borrowings (gross) <sup>j</sup>								
	160	983	117	390	348	458	668	3,123
Outstanding Debt (at end of period)								
	159	1,084	1,205	1,610	1,777	1,872	2,274	—
Ordinary Reserve (at end of period) <sup>k</sup>								
	22.4	111.9	146.1	181.1	250.4	360.8	512.0	—
Special Reserve (at end of period)								
	1.0	18.7	28.8	42.5	59.3	78.6	99.9	—
Gross Income <sup>l</sup>								
	71.2	347.2	168.9	214.6	260.3	309.0	347.1	—
Net Income after Appropriation of Commissions to Special Reserve <sup>l</sup>								
	36.9	122.4	52.7	73.6	101.1	126.5	139.7	—
Special Funds Resources (at end of period) <sup>k</sup>								
	192.5	931.9	1,285.2	1,846.7	2,065.4	2,916.1	3,184.7 <sup>l</sup>	—
Member Countries (at end of period)								
	36	42	42	43	43	43	44	—
Professional Staff (at end of period)								
	191	288	304	334	360	416	468	—

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

b Projects financed from both Ordinary Capital Resources and Special Funds are counted only once; excludes on-going projects for which supplementary loans to meet cost overruns were approved during the year.

c Includes refinanced amounts of technical assistance loans.

d Includes projects financed from sources outside the Bank, mainly UNDP, EEC and Switzerland; Technical Assistance financed on loan basis are included under loans.

e Original total approvals was \$14.1 million for 58 projects; figures are adjusted to exclude two projects, namely, Smallholders Dairy Development, Malaysia (\$150,000) and Forestry Development, Fiji (\$99,000) which were withdrawn in 1980.

f Supplementary T/A grants which are not counted as separate projects are excluded in the cumulative number of projects; however, for record purposes these are included in the number of projects in the year it was approved i.e., one each in 1969, 1970, 1971, 1972 and 1981.

g Cumulative total adjusted to include subsequent additional financing of six projects amounting to \$879,564, of which \$876,940 is financed by UNDP.

h As explained in footnote f total excludes two supplementary grants approved in 1981.

i Gross contracted borrowings from 1967 to 1980 are converted in US dollars at exchange rates prevailing at the end of the year of each borrowing, whereas gross contracted borrowings in 1981 are converted at exchange rates adopted by the Bank at the end of the quarter preceding the date of Board approval.

j Restated retroactively in 1981 consequent to the accounting change discussed in Note I of Appendix 1-VIII, Notes to Financial Statements of Ordinary Capital Resources.

k Comprises contributions available for loan commitments, resources set aside from capital, net income (expense) and other credit of the Agricultural Special Fund (prior to 1973), the Multi-Purpose Special Fund (prior to 1980) and the Asian Development Fund (after 1973), but excludes resources of the Technical Assistance Special Fund.

l Commitments from these resources, after allowing for exchange rate adjustments, cancellations and repayments, totalled \$2,927.8 million as of 31 December 1981.

# THE BANK IN 1981

DURING 1981, the year which marked its 15th anniversary, the Bank provided record lending support for its developing member countries (DMCs) and expanded substantially its co-financing arrangements and borrowings in international capital markets.

Pursuing its goal of fostering economic and social development in the Asian and Pacific region, the Bank continued to give special attention to three priority sectors: agriculture and agro-industry (particularly food production), energy (especially the increased use of indigenous energy resources) and social infrastructure such as water supply, education, housing, urban development, health care and population planning.

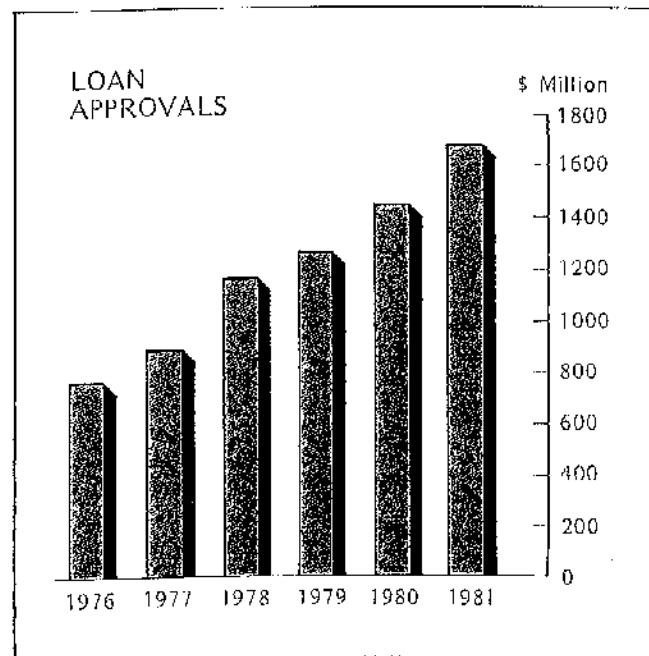
Bank lending during the year amounted to \$1,678 million compared with \$1,436 million in 1980 and \$776 million in 1976. Total disbursements amounted to \$667 million against \$579 million in 1980 and \$326 million in 1976. The average size of loans rose from \$24.3 million in 1980 to \$29.4 million in 1981.

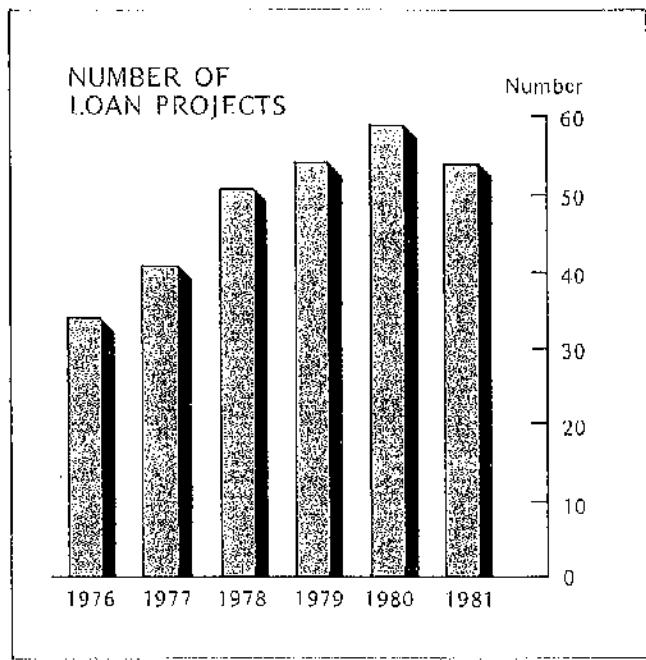
## Other highlights:

- Review of the Bank's ordinary capital resources continued to determine the appropriate size of a Third General Capital Increase.
- Discussions commenced with donor countries for a third replenishment of the Asian Development Fund (ADF) to finance the Bank's concessional lending program over the four-year period 1983-86.
- Co-financing of Bank-assisted projects provided by external sources rose to a new record of \$627 million compared with \$391 million in 1980.
- Bank borrowings reached a new high mark of \$668 million compared with \$458 million in 1980.
- The Bank completed its Regional Energy Survey and set new policy directions for its operations in the Energy sector.
- A Study of the Bank's Operational Priorities and Plans for the 1980s, which aims at evolving medium-term operational strategies for Bank lending up to the end of 1987, was launched.
- The establishment in Dacca, Bangladesh, of the Bank's first resident office was approved.

**LENDING ACTIVITIES:** During the year, the Bank approved 57 loans for 54 projects in 15 DMCs, compared with 59 loans for 58 projects in 17 DMCs in 1980. Despite the decline in the number of loans the amount of lending was higher, reflecting mainly the programming of certain large projects and the inclusion of five large sector loans during the year, and partly inflation in project costs. Loans from ordinary capital resources (OCR) amounted to \$1,147 million, an increase of 19.6 per cent over the corresponding figure of \$968.5 million in 1980, while loans from Special Funds (SF), amounting to \$531 million, showed an increase of 11.2 per cent over the 1980 concessional lending figure of \$477 million. In 1981, almost 92 per cent of SF loans went to DMCs which had a per capita GNP of less than \$300 in 1980.

The total cost of projects approved — excluding six development finance institution (DFI) loans, five sector





loans and three program loans — is estimated at \$3,212 million. Direct Bank financing accounted for about 37.2 per cent of the total project costs. On the basis of the Bank's past experience, it is estimated that the total cost of the subloan projects to be financed by the six DFI loans will be about \$851 million. The projects and programs to be financed by the sector and program loans will involve an estimated total investment cost of \$698 million.

During the year, 23 projects involved co-financing, with \$627 million contributed by co-financiers and \$827 million by the Bank. As in the past, the bulk of the Bank's co-financing was with bilateral and multilateral official sources which together contributed \$481 million or 77 per cent of total co-financing during the year. Co-financing pro-

vided by commercial sources amounted to \$87 million or 14 per cent of the total, and that by export credit sources to \$59 million or 9 per cent of the total.

**LENDING BY SECTOR:** Agriculture and Agro-Industry continued to account for the largest share of Bank lending — 32.3 per cent, compared with 32.6 per cent in 1980. Bank loans supported improvements to irrigation, drainage and flood control facilities, agricultural support services and feeder road networks; construction of a multipurpose dam; integrated agricultural and rural development; coconut and cotton production; foodgrain storage; crop intensification programs; and forestry, fisheries and livestock development.

The share of the Energy sector in total lending rose from 26.6 per cent in 1980 to 28.6 per cent in 1981 — an increase for the third year in succession. Lending for energy-related projects included development of indigenous energy resources such as hydropower and natural gas, rehabilitation and expansion of power generation, distribution and transmission systems and extension of rural electrification.

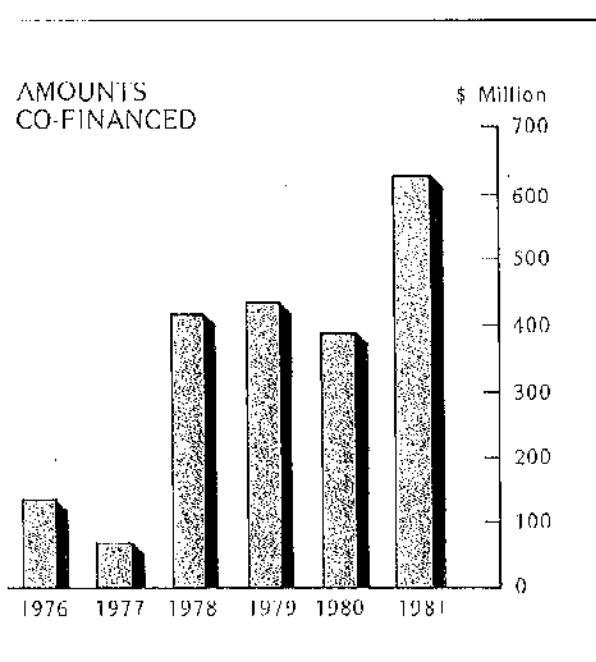
Social infrastructure projects accounted for 21.7 per cent of Bank lending compared with about 16 per cent in 1980. This was the largest sectoral increase, both in absolute terms and as a proportion of total Bank lending. Loans for the social sector were for projects designed to improve water supply and sewerage systems, provide low-income housing and develop urban infrastructure, and upgrade educational and health and population programs in DMCs.

To meet the medium and long-term credit requirements of small and medium-scale industries, largely in the private sector, Bank lending to development finance institutions in 1981 was increased by more than 60 per cent in nominal terms over 1980 and accounted for 12.2 per cent of total Bank lending. Conversely, there was a sharp decline in Bank lending for Transport and Communications — 4.3 per cent of total lending compared with 15.6 per cent in 1980, reflecting primarily changes in sectoral priorities in DMCs.

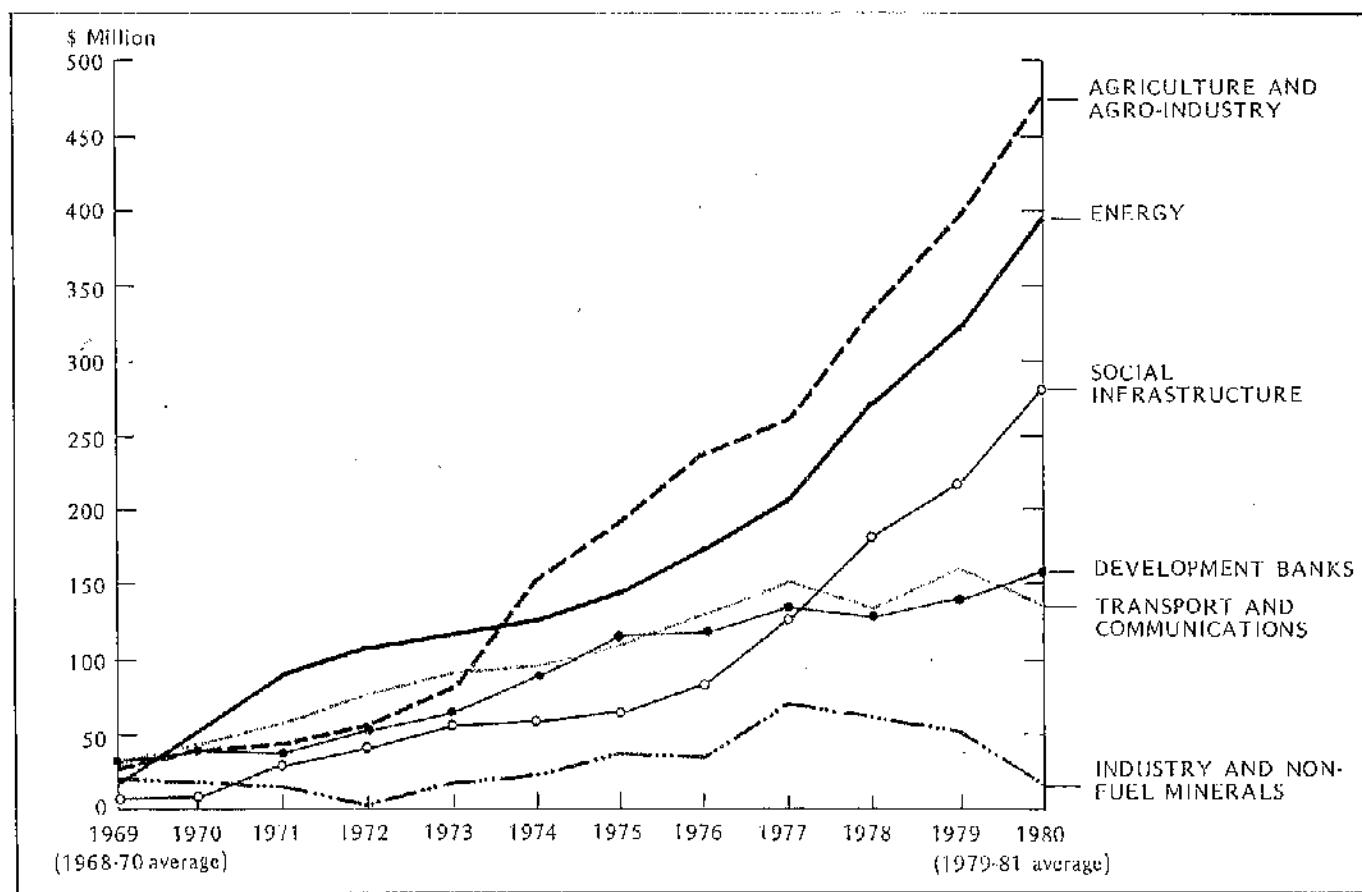
**Agriculture and Agro-Industry:** Agriculture remains the most important economic sector in most of the DMCs and the Bank continued to increase the range and volume of its lending and technical assistance for agriculture and rural development in 1981. In addition to 17 project loans, the Bank extended three program loans to enhance utilization of production potential through crop intensification programs. Similarly, it approved two sector loans to accelerate and improve implementation of irrigation development and rehabilitation.

Bank lending to this sector in 1981 amounted to \$542 million in 22 loans, compared with \$468 million in the same number of loans in 1980.

**Energy:** The sharp increases in the price of energy in recent years have severely affected the economies of most DMCs, the majority of which are highly dependent on imported oil. In an effort to provide a comprehensive assessment of Energy sector needs and prospects, the Bank in 1981 completed and published its Regional Energy Survey which highlighted three principal dimensions of the energy problem: (i) the heavy and increasing foreign exchange burden imposed on DMCs by rising oil prices; (ii) the high capital costs associated with developing indigenous energy resources as alternatives to imported oil; and



**LOAN APPROVALS BY SECTOR:  
THREE-YEAR MOVING AVERAGES, 1968-1970—1979-1981**



(iii) the greater demands being placed on the already diminished non-commercial energy resources of rural areas due to higher costs of alternative commercial fuels.

Based on these findings, the Bank will seek to increase its energy assistance, diversify such support to include a wider range of Energy sector needs of DMCs, and to make special efforts through co-financing to mobilize additional external resources for this sector. Plans were also made for a meeting of major donor agencies in Manila in early 1982 to review the scope and coverage of ongoing and planned energy development planning activities in DMCs and to promote greater coordination of such efforts in the future.

Bank lending to the Energy sector in 1981 amounted to \$480 million in 11 loans, 25.5 per cent more than the \$382 million in nine loans approved in 1980.

**Social Infrastructure:** Most DMCs have assigned high priority to the provision of adequate social infrastructure — water supply, sewerage, housing, education and health facilities — especially to the poorer sections of their populations. In response, Bank assistance to these sectors has risen sharply from less than 10 per cent of total lending in 1976 to nearly 22 per cent in 1981.

In its project lending activities in the Water Supply and Sewerage sector, the Bank has been endeavoring in recent years to achieve a balanced spread between major urban water and sewerage systems and relatively simple water and sanitation systems in provincial and rural areas. In

1981, the Bank approved four loans for this sector — two in the Republic of Korea and one each in Indonesia and Philippines — to improve the supply of potable water in several primary and secondary urban centers, reduce the problems caused by overloaded and obsolete sewerage systems, as well as to make extensive environmental studies of the Han River Basin.

Rapid population and urban growth constitutes an urgent and complex social problem for many DMCs. Two loans for Urban Development approved by the Bank in 1981 will help improve the living conditions of the poor in Medan, Indonesia's fourth largest city, and in six major urban centers, including Seoul, in the Republic of Korea.

While continuing to emphasize technical and vocational education, the Bank has also supported other areas of education. Loans approved in 1981 for three projects in the Education sector will help Indonesia, Papua New Guinea and Philippines to improve the quality of selected educational programs and thereby augment their manpower resources and upgrade occupational skills. A fourth project — the Community Schools Project in Bangladesh — marked the Bank's first involvement in non-formal education.

In addition, the Bank approved three loans for the Health and Population sector during the year — one each in Burma, Malaysia and Pakistan. This is in line with the Bank's strategy of supporting primary health care services, including population planning, and improving health delivery systems.

During 1981, Bank lending for social infrastructure projects amounted to \$364.8 million, compared with \$227.8 million in 1980. Of the 1981 total, loans for Water Supply and Sewerage projects amounted to \$123.7 million (\$107.2 million in 1980), Urban Development to \$99.3 million (\$40 million in 1980), Education to \$82.5 million (\$65 million in 1980) and Health and Population to \$59.3 million (\$15.6 million in 1980).

**Industry and Non-Fuel Minerals:** Most DMCs accord high priority to industrialization for achieving balanced economic growth. In recognition of the role of small and medium-scale industries in generating employment opportunities and achieving a wider ownership of the means of industrial production, the Bank attaches importance to the development of institutional infrastructure necessary to promote and support such industries. In 1981, the Bank approved a \$13 million loan to the Republic of Korea for the Small and Medium Industry Management and Technology Institute Project.

During the year, Bank activities in this sector also focused on the follow-up of earlier technical assistance for the development and upgrading of national capabilities to conduct surveys and exploration programs for the promotion of mineral resources development.

**Development Banks:** The Bank continued to assist the growth of small and medium-scale industries, mostly in the private sector, through credit lines to DFIs which are able to channel and disperse medium and long-term funds to a large number of industrial development projects too small for direct Bank financing.

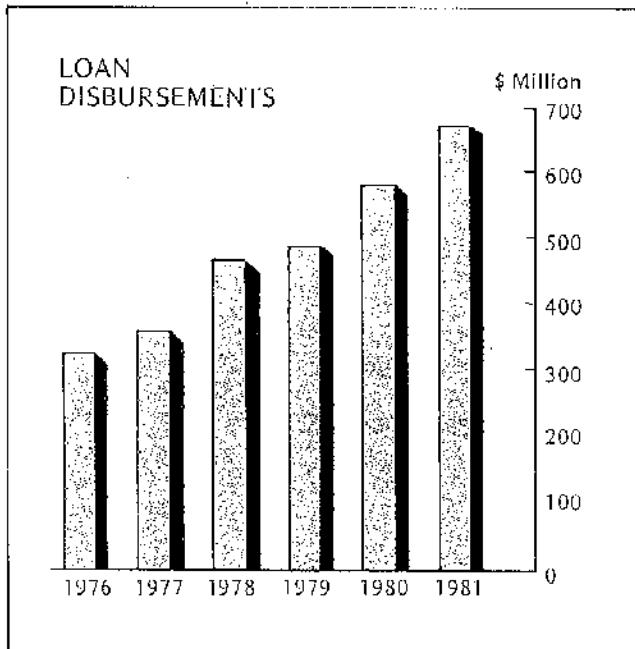
During the year, the Bank made six loans to DFIs amounting to \$204 million compared with six loans amounting to \$127 million in 1980. These ranged in size from \$4 million to the Development Bank of Western Samoa to \$60 million to the Korea Long Term Credit Bank.

**Transport and Communications:** Recent sharp increases in fuel prices have obliged many DMCs to review their investment priorities, and although adequate transportation infrastructure remains important in overall economic growth, the share of Bank lending to this sector has declined in recent years.

Development priorities within the sector have also changed, from major road networks, large ports and airports to secondary and feeder roads, rural roads and secondary and minor ports. Transportation is also often included as a component of integrated agricultural development projects.

In 1981, the Bank made two loans to this sector amounting to \$72.4 million compared with nine loans for \$223 million in 1980. The Bank's first loan to the Republic of Maldives, \$1 million for an Interisland Transport Project, will provide regular shipping services between widely scattered atolls. A \$71.4 million loan to Thailand will help facilitate the future economic and social development of the southern region of the country through improvements at Songkhla and Phuket Ports. These new facilities will encourage imports and exports of the southern region to be handled direct at these ports rather than through Bangkok and Penang and thus promote substantial savings in transhipment and inland transportation costs.

**DISBURSEMENTS AND LOAN ADMINISTRATION:** Loan disbursements from OCR and SF totalled \$667 million during 1981, compared with \$579 million in the preceding year. Disbursements under OCR loans improved from \$429 million to \$518 million. There was, however, a marginal reduction in disbursements under SF loans from \$150 million to \$149 million. This fall was mainly attributable to the relatively long implementation periods of most loans under disbursement, shortage of local funds which hampered the progress of certain projects and implementation problems in some major borrowing countries. As at the end of 1981, cumulative disbursements were \$2,823 million from OCR and \$887 million from SF.

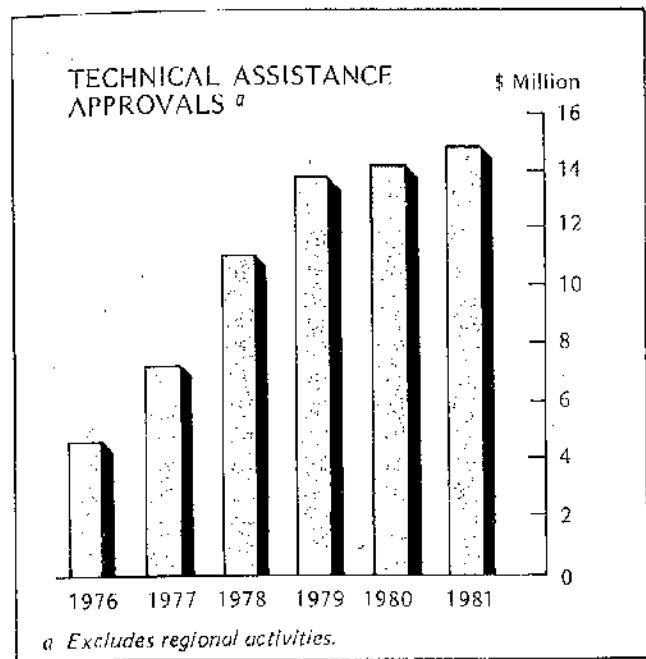


A total of 357 loans was under administration in 1981. Nineteen projects were completed.

During the year, there were significant developments in project monitoring and supervision. In the course of the year 345 full project reviews were carried out. Country profiles of implementation performance in four DMCs were completed. In addition, project reviews were intensified and studies carried out on how to improve existing administrative and reporting arrangements concerning the implementation of co-financed projects with a view to providing more up-to-date information to co-financiers.

During 1981, the Bank's *Guidelines for Procurement under Asian Development Bank Loans* was revised and a Procurement Handbook prepared. The Bank also carried out studies on consultant services in some DMCs. Three seminars — two on procurement and one on project implementation management — were held in Manila.

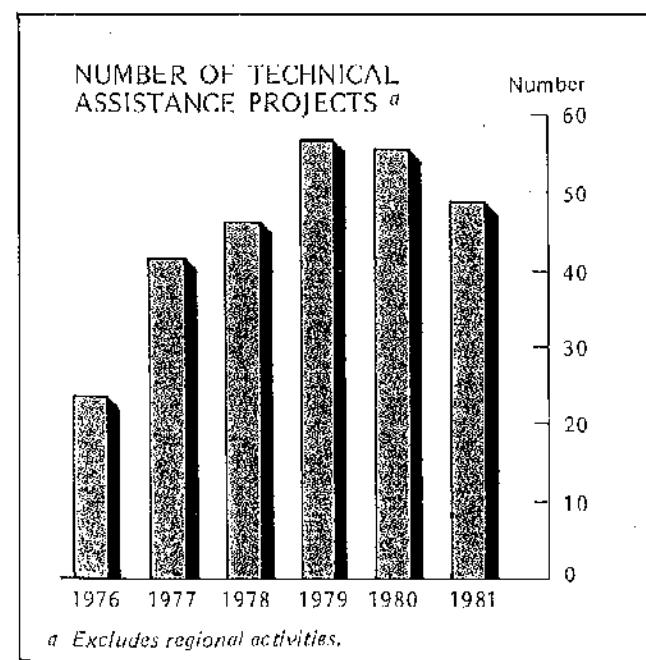
**TECHNICAL ASSISTANCE:** The Bank provided technical assistance (other than regional technical assistance) for 49 projects, compared with 58 projects in 1980, while the total amount increased from \$14.2 million in 1980 to \$14.8 million in 1981. Of this, project preparatory technical assistance amounted to \$6.8 million for 32 projects, and ad-



*a* Excludes regional activities.

visory and operational technical assistance amounted to nearly \$8 million for 17 projects. The lower number of technical assistance projects approved in 1981 was due mainly to the longer lead time required to process some large technical assistance projects and the consequent deferment of Bank consideration of these projects from 1981 to the early part of 1982.

On a sectoral basis, 55.2 per cent of the total amount of technical assistance approved in 1981 was for Agriculture and Agro-Industry, compared with 69.2 per cent in 1980. About 18.6 per cent was provided for the Energy sector, covering mainly rural electrification and mini-hydropower development; and the rest for the Transport and Communications sector; Social Infrastructure; and the Industry and Non-Fuel Minerals sector.



*a* Excludes regional activities.

**REGIONAL ACTIVITIES:** During the year, the Bank initiated a Study of the Bank's Operational Priorities and Plans for the 1980s and completed and published the Regional Energy Survey. Other regional activities included a Second Fish Market Study, a Study of Agricultural Research Facilities and Requirements in the South Pacific, an Industrial Survey of the South Pacific, the Establishment of a Genetic Resources Laboratory at the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) and several training programs and seminars.

**POST-EVALUATION:** Post-evaluation is emerging as an important management tool and as a key input for policy making. During 1981, the Post-Evaluation Office (PEO) post-evaluated 35 projects which were reviewed in 30 separate reports. These projects were undertaken in 13 countries and covered ten sectors of Bank operations. Since its establishment in 1978, PEO has evaluated a total of 78 projects or nearly half of the Bank projects completed as of the beginning of 1981. During 1981, as in the preceding two years, PEO focused on the preparation of Project Performance Audit Reports which evaluate, verify and audit the findings of Project Completion Reports prepared by the respective project departments for completed projects. During the year, PEO also issued its Third Annual Review of Post-Evaluation Reports which summarized the findings and recommendations of the post-evaluation reports circulated in the previous year. It highlighted the substantial achievements of Bank-assisted projects and drew attention to some of the major difficulties experienced during implementation.

**POLICY REVIEWS:** In an effort to respond more effectively to the changing needs of the region, the Bank in 1981 carried out several major policy reviews and studies, the principal among which were those relating to proposals for a Third General Capital Increase of the Bank and a Third Replenishment of the Asian Development Fund (ADF). The Board also considered and took decisions on Arrangements for Resource Mobilization of the Technical Assistance Special Fund (TASF) and new TASF Regulations.

The Board approved a Technical assistance grant for a Study of the Bank's Operational Priorities and Plans for the 1980s. Other policy papers considered by the Board included: Role of the Bank in the Energy Sector, Annual Review of Financial Policies, Methodology for Determining the Lending Rate of the Bank, Exchange Risk Pooling System, Review of the Use of the Two-Envelope System for engagement of consultants, Establishment of a Bank Resident Office and Co-Financing.

**LENDING RATE:** The Bank's lending rate on ordinary loans was set at 9.25 per cent per annum effective 31 March 1981. The rate was revised to 10.10 per cent in July and remained unchanged for the rest of the year.<sup>1</sup>

**ORDINARY CAPITAL RESOURCES:** The authorized capital stock of the Bank as of 31 December 1981 stood at \$8,404.5 million (SDR 7,220.6 million), of which the subscribed portion amounted to \$8,296.8 million (SDR 7,128.1 million).

<sup>1</sup> The lending rate was raised to 11 per cent per annum on ordinary loans approved after 1 January 1982.

As of 31 December 1981, total subscriptions under the Second General Capital Increase amounted to \$4,723.9 million (SDR 4,058.5 million). The amount of \$80.6 million (SDR 69.2 million), representing the full entitlement of two members and a partial entitlement of one member, remained unsubscribed.<sup>1</sup>

During 1981, the Bank undertook 11 borrowings amounting to the equivalent of \$668.5 million, compared with \$457.8 million in 1980. Because of the relatively favorable terms in the Japanese market, about half of the total amount borrowed was denominated in Japanese yen. For the second year in succession, the Bank made two public bond issues in the Swiss capital market where interest rates were again relatively low. The Bank made two public bond issues in the Federal Republic of Germany. Two-Year US Dollar Bonds totalling \$70 million were placed with central banks and monetary authorities in 29 member countries. The Bank also undertook two private placements in the Middle East. The average maturity of the year's borrowings, weighted by amount, was 9.16 years, which had the effect of increasing the average life of outstanding borrowings from 5.78 years at the end of 1980 to 7.09 years at the end of 1981.

**ASIAN DEVELOPMENT FUND:** As the period covered by the second replenishment of the Asian Development Fund (ADF III) is to end in 1982, the Bank commenced discussions with ADF donor countries on the third ADF replenishment (ADF IV) to finance its concessional lending program over the four-year period 1983-86. During 1981, there were two meetings of ADF donor countries held in July and November. The replenishment negotiations were expected to be concluded in early 1982. During the year, some of the developing member countries indicated their intention to make modest contributions to ADF.

As to the implementation of ADF III, the Bank received during 1981 instruments of contribution from Italy, Netherlands and New Zealand. With the receipt of these, all the 17 developed member countries of the Bank had become contributors to the replenishment. The payment of the second instalment of the United States contribution to ADF III made in December 1980 and the consequent release in January 1981 of the third instalments of the other contributions to ADF III made available the resources needed by the Bank to finance its concessional lending program for 1981.

During the year, the Bank received another \$3.5 million from the United States as partial payment towards the last \$60 million of its contribution to the first Asian Development Fund replenishment (ADF II). The Board of Governors authorized a further extension of the deadline for payment by the United States of the remaining \$56.5 million of its ADF II contribution.

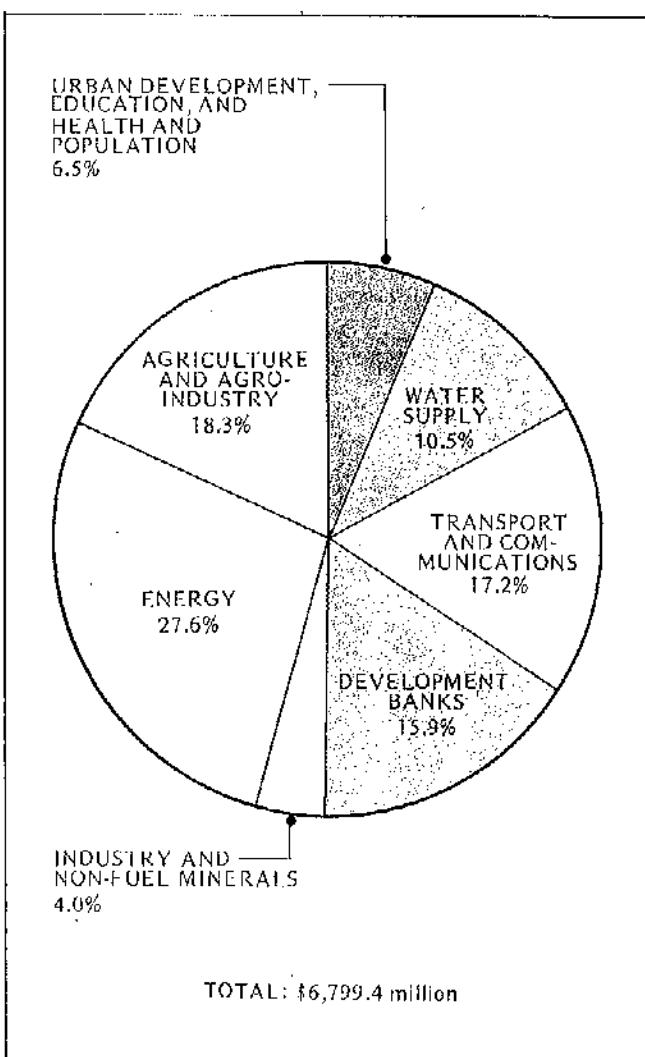
Total ADF resources at the end of 1981, including contributed resources, set-aside resources and net income stood at \$3,185 million. Loan commitments from these resources amounted to \$2,928 million, leaving a balance of \$257 million, of which about \$90 million remained available for loan commitments after allowance for exchange rate fluctuations.

**FIFTEEN YEARS OF ACTIVITIES:** The Bank completed 15 years of activities in 1981. A review of its operations since it opened its doors for business on 19 December 1966 underlines the increasingly important catalytic role that it has played in promoting economic and social development in the region.

At the end of 1981, cumulative Bank lending had reached nearly \$10 billion, of which nearly \$2.6 billion was lent to the poorest DMCs from the Asian Development Fund. Every dollar lent by the Bank is matched with an average additional investment of about \$1.5 by the borrowing countries and, in certain cases, by outside co-financiers. The Bank's total lending of about \$10 billion is thus expected to lead to additional investments of about \$15 billion, of which approximately 84 per cent would be provided by the borrowing DMCs and about 16 per cent by co-financiers.

Though much smaller amounts are involved in the Bank's technical assistance activities, their impact on DMCs — especially the smaller and less developed — has been significant. The bulk of the Bank's technical assistance has been directed towards designing development projects for

#### ORDINARY LOAN APPROVALS BY SECTOR, 1967-1981



<sup>1</sup> The United States has since additionally subscribed to \$45.7 million (SDR 39.3 million).

which the Bank itself or other institutions subsequently provide financing. The Bank has been involved in technical assistance totalling \$103 million for 510 projects, both of a country-specific and regional nature. The catalytic role of these activities is reflected in the fact that an outlay of \$48.6 million in technical assistance resulted in Bank loans totalling \$3.6 billion.

Co-financing has become an important element in Bank operations. At the end of 1981, 112 loan projects involved co-financing of over \$2.5 billion, comprising over \$1.2 billion from bilateral sources, \$1 billion from multilateral sources and \$293 million from export credit and commercial sources. Apart from the additional resources it brings to meet the development needs of the Bank's DMCs, co-financing enhances the impact of Bank assistance and enables the financing of large projects, the financing requirements of which could not otherwise be met by the Bank itself.

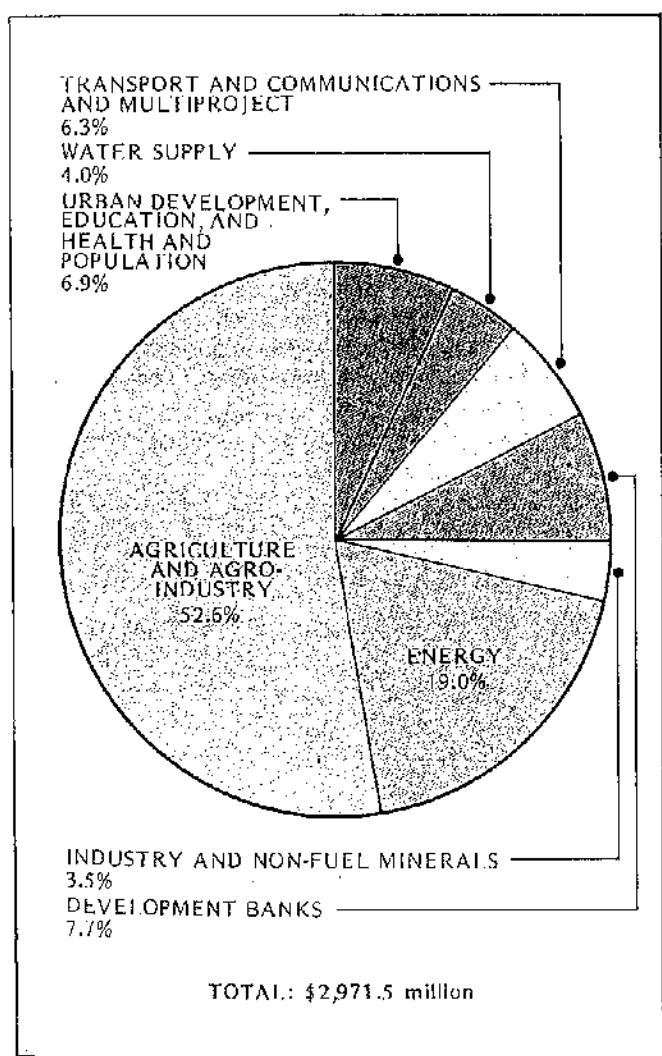
Over the past 15 years, in its lending and technical assistance activities, the Bank has endeavored to respond to the specific economic requirements of its DMCs and the

changes in the international economy. Agriculture, the economic mainstay of the Asian and Pacific region, has received the largest share of Bank loans and technical assistance. In recent years, energy has also emerged as a priority sector in the wake of successive oil price increases. Social infrastructure projects — such as water supply, education, urban development, health and population control — have recorded an even more spectacular increase. Physical infrastructure such as roads, railways, ports and telecommunications, as also industry and non-fuel minerals, have declined relatively as a percentage of total Bank lending but continue to receive substantial Bank support in absolute terms.

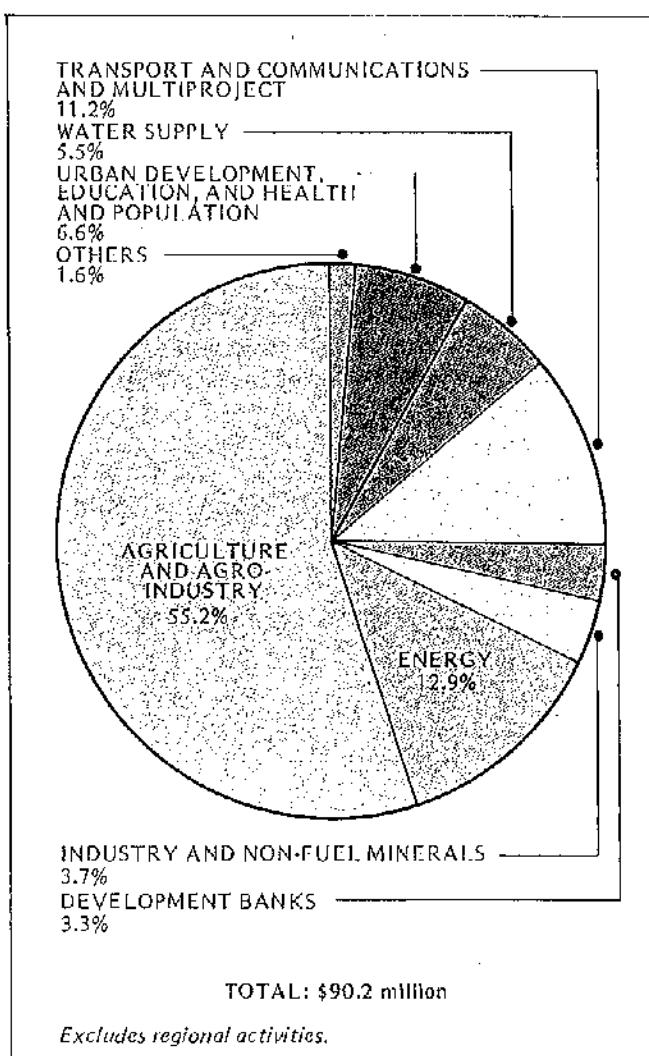
Since the inception of the Bank, there has been a growing awareness in DMCs of the basic human needs of the poorest segments of their populations. In response, the Bank has formulated strategies to insure a wider distribution of benefits from the projects it supports.

In addition to financing the foreign exchange costs of individual projects, the Bank, since 1974, has also been financing in suitable cases a proportion of local currency

#### SPECIAL FUNDS LOAN APPROVALS BY SECTOR, 1967-1981



#### TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1967-1981



costs. More recently, it added two new categories — sector and program lending — to its array of tools for transferring resources to DMCs. The Bank has also emphasized the application of appropriate technology in the development projects it supports, particularly in DMCs with serious unemployment problems.

It has also encouraged the growth of small and medium-scale industries, which have high employment potential, through loans to development finance institutions which, in turn, are relent to a large number of enterprises, mostly in the private sector.

On the resources side, the Bank's subscribed capital resources have grown from about \$970 million at the end of 1967 to \$8.3 billion at the end of 1981. The capital paid-in has grown from about \$485 million to about \$1.6 billion over the same period, although as a share of subscribed capital it has fallen from about 50 per cent to 19 per cent. The callable capital, which serves as a backing for the Bank's bond issues in the world's capital markets, has grown during the same period from about \$485 million (50 per cent of subscribed capital) to about \$6.7 billion (81 per cent of subscribed capital).

With the rapid growth in ordinary lending activities, the Bank is increasingly relying on funds borrowed from the international capital markets. At the end of 1981, the Bank had raised nearly \$3.1 billion from the international capital markets of which \$2.3 billion was outstanding. It had also mobilized from its developed member countries Special Funds resources of over \$3 billion for concessional lending to its poorer DMCs.

The first 15 years of the Bank have witnessed significant improvements in other areas of its operational activities and in its administrative structure: It has explored ways to promote regional and sub-regional cooperation through a series of regional surveys; it has strengthened its links with other institutions seeking to promote socio-economic growth in the region; it has improved its loan and technical assistance processing arrangements; it has stepped up its economic research activities in line with immediate and long-term operational needs; and it has strengthened its post-evaluation activities.

The Bank's staff strength has also grown in line with its expanding activities and the need to respond more effectively to the changing needs of its DMCs. The number of Bank staff, professional and supporting, increased from 187 in 1967 to over 1,200, drawn from 33 member countries, in 1981.

**OUTLOOK:** Based on its experience over the first 15 years, the Bank in 1981 started a comprehensive review and assessment of its operational plans and priorities in the 1980s. During the year, many DMCs were adversely affected by general economic recession, sluggish demand for their exports and very high interest rates in the international capital markets which increased the burden of financing balance of payments deficits. Although the economic performance of DMCs was generally satisfactory during the year, there can be little doubt that their external resource requirements will grow steadily throughout the 1980s, especially if they are to maintain the momentum of their development efforts.

As the Bank moves into the 1980s, therefore, it must gear itself towards helping its DMCs meet three main challenges: (i) raising food production; (ii) carrying out the necessary structural adjustments to cope with higher oil prices; and (iii) providing adequate social infrastructure to meet the basic human needs of their growing populations.

The Bank will endeavor to increase substantially its co-financing, particularly with commercial and export credit sources. It will also look at ways in which it can assist further in the development of the region's private sector. In order to promote private investment and revitalize private industries, it will examine other techniques such as equity financing.

To help DMCs meet these goals, the Bank must seek an increase in its resources sufficient to support lending levels during the period 1983-87 commensurate with the projected requirements of its DMCs. Proposals for a third increase in the Bank's capital stock and a further replenishment of ADF resources have been presented to member countries and it is expected that decisions regarding these proposals will be made in 1982.

## HIGHLIGHTS OF THE BANK'S OPERATIONS, 1967-1981

### **Developmental Role**

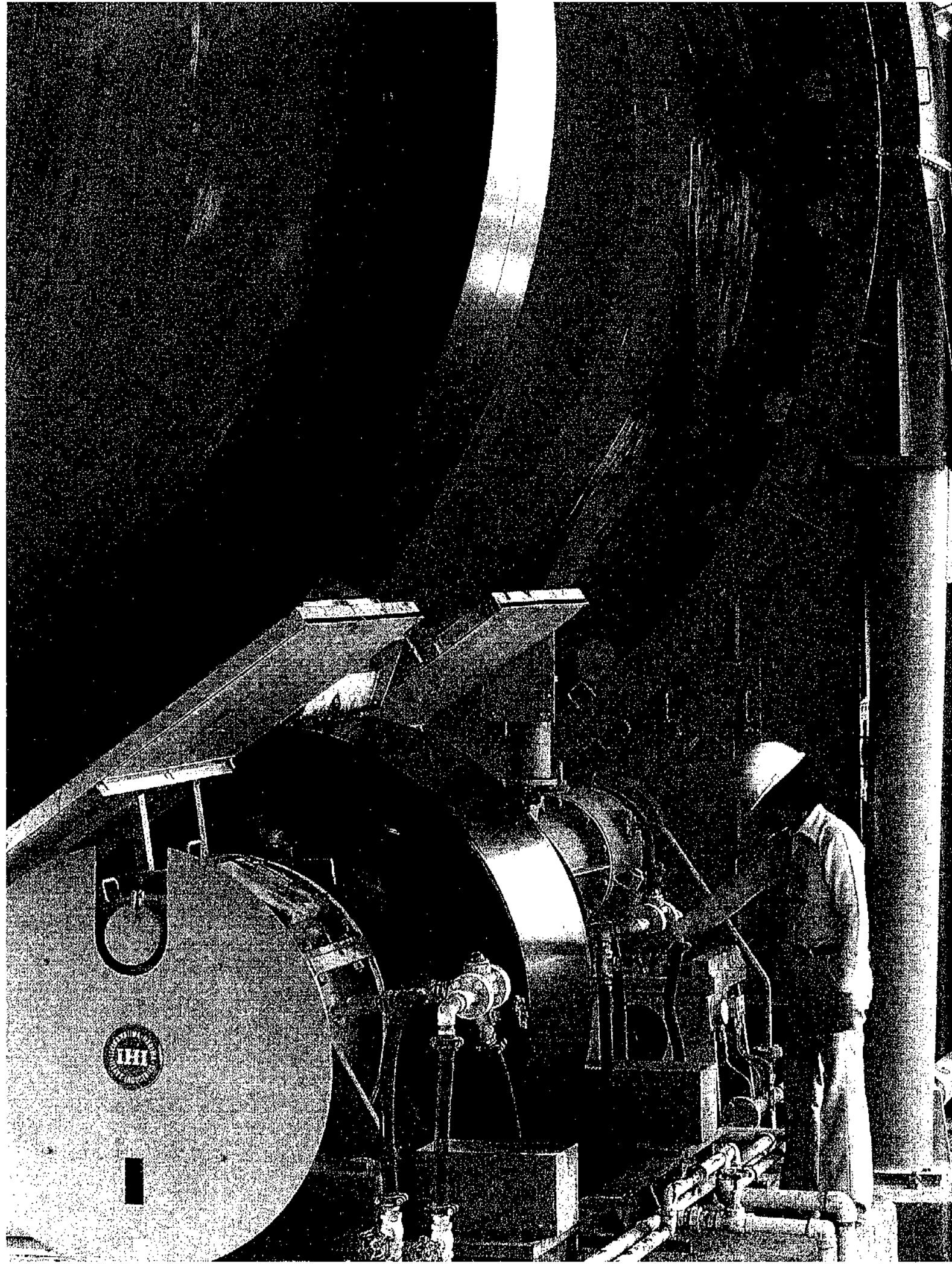
- \* 172 loan projects and 294 technical assistance projects completed.
- \* Every dollar lent by the Bank is matched with an average additional investment of about \$1.5 by the borrowing countries and, in certain cases, by outside co-financiers. Total Bank lending of about \$10 billion is expected to lead to additional investments of about \$15 billion, of which approximately 84 per cent would be provided by the borrowing DMCs and about 16 per cent by co-financiers.
- \* 112 loan projects involved co-financing of \$2,542 million, comprising \$1,232 million from bilateral sources, \$1,017 million from multilateral sources and \$293 million from export credit and commercial sources.
- \* 196 out of 509 loan projects resulted from Bank technical assistance to DMCs. An outlay of \$48.6 million in technical assistance led to Bank lending of \$3.6 billion for these projects.
- \* In an effort to promote regional economic growth and development, the Bank conducted six major regional surveys — Asian Agricultural Survey, Southeast Asian Regional Transport Survey, Study of Southeast Asia's Economy in the 1970s, Second Asian Agricultural Survey, South Pacific Agricultural Survey and Regional Energy Survey.

### **Resources**

- \* Raised resources totalling \$3.1 billion from international capital markets for ordinary lending. Of these borrowings, \$2.3 billion was outstanding at the end of 1981.
- \* Mobilized over \$3 billion in contributions from developed member countries for concessional lending to the Bank's poorer and less developed member countries; and about \$52 million from both developed and developing member countries for financing the Bank's technical assistance activities.

### **Economic and Social Impact**

- \* 71 irrigation and area development projects covering about 2.3 million ha., which support about 1.7 million farm families. Total population expected to benefit — about 10.3 million.
- \* 28 fisheries projects which will create additional employment opportunities for about 115,000 fishermen, raise fish catches by about 876,000 mt. per year and benefit about 44 million consumers.
- \* 94 projects for creation of 5.17 million kW. of generation capacity, of which over three-quarters will be based on indigenous resources such as water, natural gas and lignite, and for about 53,000 km. of transmission-distribution circuits.
- \* 40 water supply and sewerage projects which will help increase water supply and sewerage capacity by 9.9 million cubic meters per day to 17.5 million cubic meters per day, benefitting over 46.8 million people.
- \* Upgrading and expansion of vocational, technical and professional education in 329 institutes which have an annual output of about 48,700 skilled workers, 8,800 technicians, 7,200 engineers and 530 other professionals.
- \* Housing schemes and other social infrastructure facilities which will provide about 14,200 low-cost houses and 30,000 low-cost apartments, and will help improve living conditions for about one million people.
- \* Five new hospitals/polyclinics and 45 health centers providing a total of 2,750 beds to serve about 2.5 million people. Upgrading of an additional 344 hospitals, including family planning services. Supply of essential drugs and improvement of drug distribution systems. Provision of better malaria protection for about 20 million people.
- \* 6,802 subloans to small and medium-scale enterprises through credit lines to DFIs.
- \* Seven fertilizer projects which will help increase the region's fertilizer supplies by 1.6 million tons of nitrogen nutrients and 76,000 tons of phosphate nutrients per annum.
- \* Construction or upgrading and improvement of 7,279 km. of roads, serving an estimated population of 66 million; and of 830 km. of railways, serving an estimated population of 35 million.
- \* Construction, rehabilitation, modernization and expansion of ports in 16 countries to increase cargo-handling capacity to about 38 million tons per year.



# ECONOMIC DEVELOPMENTS

DURING 1981, the Bank's developing member countries (DMCs), as a group, continued to have an overall economic growth rate higher than the average for other groups of developing countries. Many DMCs had rates of growth of over 5 per cent in 1981. Some DMCs in East and Southeast Asia continued to be among the fastest growing economies in the world. The rate of increase in output in most of the South Asian DMCs was above the average for all developing countries. Many DMCs were also able to reduce inflation. However, the rates of economic growth in a majority of DMCs were lower than those achieved by them in 1980. The trade deficits of most DMCs widened, causing them to have larger recourse to high-cost external finance.

## The International Setting

The economic performance of DMCs in 1981 was to a large extent affected by world economic conditions, characterized by sluggish economic growth, rising unemployment and high interest rates in the capital markets of most industrialized economies. According to estimates of the General Agreement on Tariffs and Trade (GATT), for the first time in many years the volume of world trade declined in 1981 due to unfavorable developments in the international economy.

The aggregate Gross National Product (GNP) of the industrialized countries grew at about the same low rate in 1981 as in 1980 (1.2 per cent). Production, income and employment continued to be depressed although the average increase in consumer prices declined from 11.9 per cent in 1980 to 10 per cent in 1981, and the aggregate current account deficit fell sharply from \$44 billion in 1980 to \$15 billion in 1981.

The combined Gross Domestic Product (GDP) of the oil-exporting countries<sup>1</sup> as a group decreased by 3 per cent in 1981. Since the oil sector plays a major role in these economies, the increase in output from other sectors was more than offset by the decline in oil production. The average rate of inflation in these countries increased from

12.4 per cent in 1980 to 14 per cent in 1981. The reduced world demand for oil, stemming from the general economic recession and greater energy conservation, and a continued high level of imports of goods and services led to a decline in the combined current account surplus of these countries by \$32 billion to \$80 billion in 1981.

As a group, the non-oil developing countries had the highest rate of growth (4 per cent) in 1981, though it was lower than in 1980 (4.8 per cent). Inflation continued to be a major problem, particularly in some of the larger non-regional, non-oil developing countries. The increase in consumer prices in non-oil developing countries in 1981 averaged 34 per cent, higher than the 32 per cent increase in 1980.

The low demand for exports and generally falling terms of trade led to a further increase in the overall current account deficit of these countries by \$15 billion to \$97 billion in 1981. Therefore, their requirements for external financing increased significantly and, in the absence of adequate official long-term loans, they had to make greater use of medium and short-term credits from commercial sources and from the IMF.

## Economic Developments in DMCs

The DMCs demonstrated considerable resilience in dealing with the difficult external conditions that prevailed during 1981. Aggregate output of 16 DMCs<sup>2</sup> grew by 6.4 per cent in 1981, somewhat higher than the rate of growth in 1980. However, the economic performance of DMCs varied considerably.

### Growth In GDP

Of the 16 DMCs listed in Table 1,<sup>2</sup> seven had a higher rate of growth in 1981, and in some of the other DMCs, the decline in the rate of growth was marginal. Except for five countries, growth rates in all DMCs were above 5 per cent and, consequently, they registered significant increases in real per capita incomes.

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

2 At the time of writing, GDP estimates for 1981 were available for only 16 DMCs.

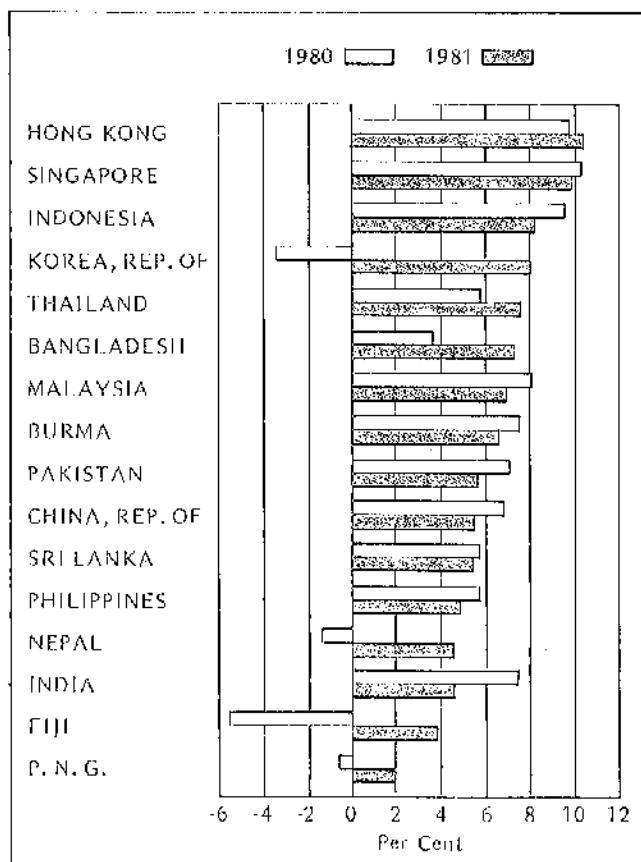
2 The tables referred to in this chapter appear on pages 91-101.

The newly industrialized DMCs (NICs)<sup>1</sup> achieved relatively high rates of economic growth in 1981. Hong Kong and Singapore maintained the highest increases in output among the DMCs with growth rates of 10.4 per cent and 9.9 per cent, respectively. In the Republic of China, the rate of increase in GDP declined from 6.8 per cent in 1980 to 5.5 per cent in 1981. The Republic of Korea, which had a 3.5 per cent decline in GDP in 1980, showed a marked recovery registering an increase in GDP of 8 per cent in 1981. However, this growth rate was still below the average of 10 per cent achieved in the 1970s.

The reduced growth in output in the Republic of China was due to lower domestic demand and a slower growth in exports. Hong Kong had a higher GDP growth rate compared to that achieved in 1980, because of high domestic demand and entrepot services provided mainly for the external trade activities of the People's Republic of China. In the Republic of Korea, the economic recovery was aided by a bumper agricultural harvest and increase in manufacturing exports. The GDP growth rate in Singapore during 1981 was below that achieved in 1980. The higher growth in the manufacturing sector was more than offset by a lower increase in output of the construction and trade sectors.

<sup>1</sup> Four DMCs (Republic of China, Hong Kong, Republic of Korea and Singapore) are included in this group on the basis of high shares of manufacturing output in their GDP and exports.

#### ESTIMATED RATE OF REAL GROWTH OF SELECTED DMCs, 1980-1981



In Indonesia, Malaysia and Philippines, the increase in GDP in 1981 was lower than in 1980. Depressed demand and decline in prices of export commodities reduced Indonesia's rate of growth from 9.6 per cent in 1980 to 8.2 per cent in 1981, and Malaysia's from 8.1 per cent to 6.8 per cent. In the Philippines, lower growth rates of agriculture, manufacturing and construction sectors resulted in a lower increase of 4.8 per cent in GDP in 1981, compared with 5.8 per cent in 1980. In Thailand, GDP increased by 7.6 per cent compared with 5.8 per cent in 1980. This strong performance was due to a high rate of agricultural growth with associated growth in the output of agro-based industries and continued high levels of foreign and public sector investments.

Most of the DMCs in South Asia<sup>1</sup> recorded GDP growth rates in 1981 which were above the average growth rates achieved during the 1970s. In varying degrees, good performance of the agricultural and industrial sectors contributed to the satisfactory growth rates. In Bangladesh, GDP increased by 7.3 per cent in 1981, almost double the growth rate in 1980, mainly because of the excellent food-crop production in fiscal year (FY) 1980-81. In Nepal, an impressive recovery in agricultural output during 1981 from the below normal level of 1980 contributed to an increase of 4.6 per cent in GDP compared with a decline of 1.4 per cent in the previous year. In Burma, Pakistan and Sri Lanka, sustained high rates of growth in both agricultural and industrial production contributed to rates of increase in GDP of between 5 per cent and 7 per cent in 1981. However, in all the three countries their growth rates were below those of the previous year. In India, the growth rate of GDP was about 4.5 per cent in 1981, compared with 7.5 per cent achieved in the previous year. Although industrial production showed a marked improvement, the agriculture sector, which contributes nearly half of GDP, did not register a significant improvement over 1980 when India had a bumper crop.

Among the South Pacific countries, both Fiji and Papua New Guinea whose GDP had declined in 1980 by 5.5 per cent and 0.6 per cent, respectively, achieved modest increases in 1981 of 3.9 per cent and 2 per cent. The recovery in Fiji was due to the higher production of sugar cane, fish and timber. In Papua New Guinea, increased production and investments in the mining sector contributed to improved growth.

Estimates of the GDP growth rates are not available for the remaining DMCs. However, reported higher agricultural production suggests that there may have been a modest increase in GDP in the Lao People's Democratic Republic and the Socialist Republic of Viet Nam. In the South Pacific DMCs, which are heavily dependent on the production and export of primary export commodities, the decline in world demand and lower prices would suggest that their export earnings and consequently their GDP growth rates were adversely affected during 1981.

#### Sectoral Performance

The overall index of agricultural production in most DMCs, for which data are available, showed an increase. Agricultural production was particularly satisfactory in some large DMCs (India, Indonesia, Republic of Korea,

<sup>1</sup> DMCs in this group include Afghanistan, Bangladesh, Burma, India, Maldives, Nepal, Pakistan and Sri Lanka.

Pakistan, Philippines and Thailand) which account for most of the agricultural output in the region. However, the situation varied from country to country as well as from commodity to commodity. Foodgrain production was generally higher and found ready markets within the countries as well as abroad. Other agricultural crops such as rubber, sugar cane, coconut, jute and tea, did not fare so well because of generally lower output growth and/or reduced prices in the international market.

Output of foodgrains—rice, wheat and maize—increased by 4.9 per cent to a record level of 278 million tons in 1981 (See Tables 2 and 3).<sup>1</sup> The rate of increase was significantly lower than 9 per cent recorded in 1980. However, 1980 was an exceptional year in that rice output in many DMCs had recovered markedly from the unusually low level in the previous year.

Rice production in 1981 generally increased in the DMCs and their total output rose by 2.8 per cent to a record 203.7 million tons. A bumper harvest was registered in the Republic of Korea. Bangladesh, Burma, Republic of China, Indonesia, Malaysia, Sri Lanka and Thailand had increases of between 3.8 per cent and 7.2 per cent. Production de-

clined in India, Pakistan and Philippines due to unfavorable weather and natural calamities.

The production of wheat, the second major foodgrain in DMCs, increased by 14.4 per cent to 53.5 million tons in 1981, mainly as a result of increased production in Afghanistan, India and Pakistan. The production of maize increased by 3.3 per cent to 20.9 million tons.

Because of higher foodgrain production, the net import of foodgrains in the region declined during 1981. Burma, India, Pakistan and Thailand substantially increased their rice exports, while the Philippines maintained rice exports at the 1980 level. Imports of foodgrains decreased despite increased imports of wheat by the Republic of Korea and by India which entered the import market for the first time after three years. The decrease was mainly attributable to reduced import of rice by Bangladesh and Indonesia, and lower imports of wheat by Bangladesh and Pakistan. India's wheat imports and Indonesia's rice imports were mainly to build up grain stocks to stabilize domestic food prices. Bangladesh, which had a high rice output and some reduction in the price of rice during FY 1980-81, faced food shortages and rising prices towards the end of 1981 as the main rice crop of the year was below normal.

Among the major commercial crops, output of rubber declined in Malaysia and Thailand but increased in Sri Lanka. The output of jute, kenaf and related fibers registered an overall decline of 10 per cent; Bangladesh, Burma, Nepal and Thailand had lower production, but India's production was higher. Sugar production was higher in India but lower in the Philippines. World prices of coconut oil, copra, jute, rubber, tea and sugar were much lower in 1981 than in the previous year. The decline in price was sharpest in the case of rubber (22.5 per cent). Coconut oil prices declined by 12 per cent, copra prices by 16 per cent, jute prices by 12 per cent, tea prices by 10 per cent and sugar prices by 9 per cent. As a result, producers of these crops experienced income losses during the year. In general, the export volume of primary commodities did not increase enough to compensate for the decline in prices, while in some cases both prices and volume declined. This meant lower export earnings and worsening of the balance of payments situation for countries which depend heavily on such primary commodities for their exports.

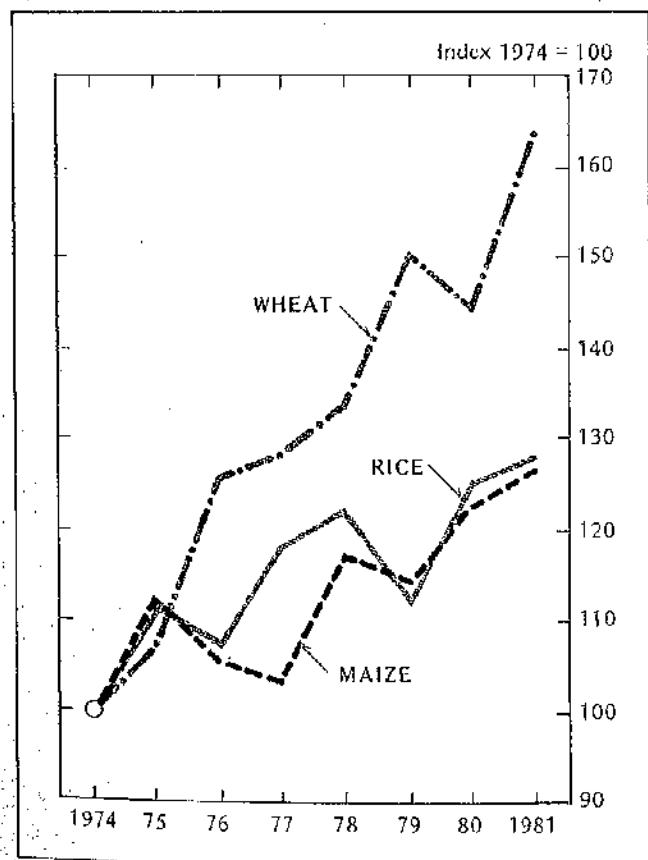
The growth in industrial production was adversely affected in many DMCs due to several factors. These included foreign exchange constraints, rising labor costs, high interest rates, increases in domestic fuel prices and public utility tariffs and recession and protectionism in several of the major markets for manufactured exports from DMCs. In some DMCs, sluggish domestic demand was also a constraint. The impact of these factors varied considerably among DMCs and, in some, measures adopted to stimulate industrial activities led to a higher growth in industrial production than in 1980.

In the Republic of Korea, manufacturing production increased by about 10.6 per cent, recovering from the 1.9 per cent decline in 1980. This recovery was achieved by a better utilization of available capacity and was helped by a diversification of export markets. In the Republic of China, however, manufacturing production grew at a much lower rate than in 1980 because of sluggish domestic demand and recession in its major export markets.

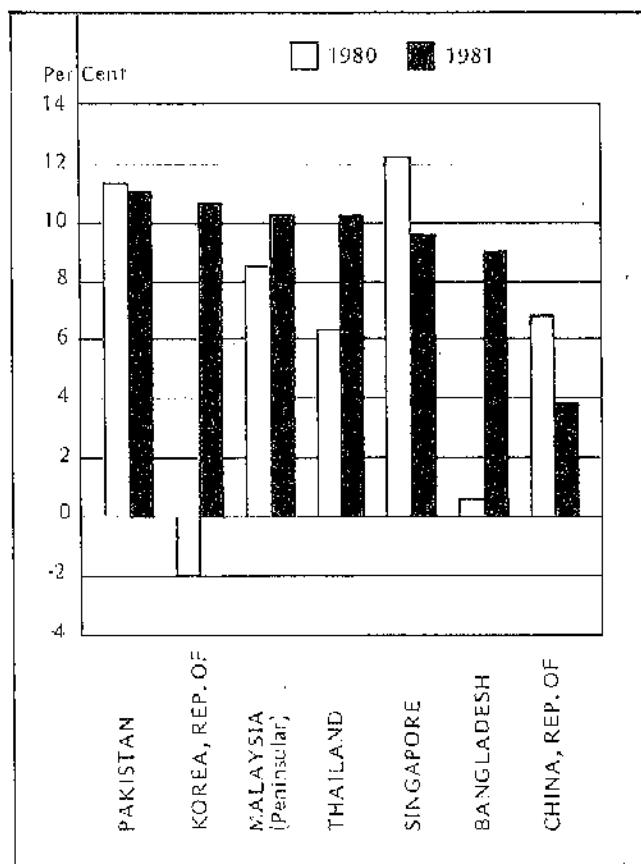
In Indonesia, manufacturing and construction activities remained buoyant as a result of high levels of investment

<sup>1</sup> It should be noted that the estimates of output of foodgrains in this chapter are for the calendar year, while GDP estimates are for the fiscal year. This accounts for discrepancies in the case of a DMC whose fiscal year is different from the calendar year (see footnotes to Table 1).

### GRAINS OUTPUT OF DMCs, 1974-1981



## CHANGES IN MANUFACTURING PRODUCTION OF SELECTED DMCs, 1980-1981



and increased imports of capital goods and industrial inputs. In Malaysia, a 10.2 per cent increase in the output of the manufacturing sector was spurred by strong domestic demand for consumer durables, continued expansion in private residential and commercial construction and the government's low-cost housing program. In the Philippines, financial and management difficulties posed problems for industrial growth, although the timely intervention by the government in some major industrial enterprises helped to avert a further decline in industrial production.

In Bangladesh, manufacturing output grew by 9 per cent in FY 1981 from the depressed level of the previous year, mainly on account of improved supplies of raw materials in the major agro-processing industries. In India, manufacturing output increased due to improvements in the availability of power, transport and raw materials, and a decline in the incidence of labor unrest. Pakistan recorded 11.1 per cent growth in manufacturing output as a result of better performance of both private and public sector enterprises.

Electricity generation in DMCs<sup>1</sup> increased by about 5.5 per cent, from 275.6 billion kWh in 1980 to 290.9 billion kWh in 1981, to meet the growing power requirements of agricultural and industrial production and increased household demand generated by rising per capita incomes

and continuing urbanization. However, the growth rate was slightly below the 6.6 per cent increase recorded in 1980. Maldives, Philippines, Sri Lanka and Tonga had high production gains ranging from 20 to 25 per cent. The Republic of China, Cook Islands and Vanuatu registered declines during the year. The production gains were fairly evenly distributed among the other DMCs.

Total output of crude oil in DMCs<sup>1</sup> increased from 104.6 million tons in 1980 to 112.1 million tons in 1981 (see Table 4). Production increased in Burma, India, Indonesia and Philippines but decreased in Malaysia. Malaysia's policy of conserving oil reserves by restricting output, pursued during the greater part of the year, affected production.

The output of natural gas also showed significant increase in the DMCs during 1981. Of the nine natural gas producing DMCs,<sup>2</sup> production gains ranged from 10 to 12 per cent in Bangladesh, India, Indonesia and Pakistan while Burma recorded a very high increase of 66 per cent. On the other hand, production in the Republic of China and Malaysia declined. In Thailand, a large off-shore natural gas field came on stream during the year.

Preliminary data suggest that there was an increase in the value of oil imports by most DMCs during 1981. Imports of oil (crude oil and petroleum products) by DMCs increased by 30 per cent in 1981 to \$46.9 billion, compared with an increase of 81.2 per cent in 1980. Apart from Indonesia and Malaysia which are large net exporters of oil, oil imports were between \$1.5 billion to \$9.4 billion in Republic of China, Hong Kong, India, Republic of Korea, Pakistan, Philippines, Singapore and Thailand. In Singapore, a major part of oil imports was for re-exports.

The rising value of oil imports and a lower growth in overall exports led to an increase in the ratio of oil imports to total exports from 25 per cent in 1980 to about 30 per cent in 1981. The burden of oil imports was particularly heavy in those DMCs whose export base is relatively narrow while dependence on energy imports is high. Among the countries for which data are available, petroleum imports as a percentage of total exports exceeded 40 per cent in Fiji, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Tonga and Western Samoa, and ranged from 30 to 40 per cent in Republic of Korea, Malaysia, Nepal and Vanuatu. Although some DMCs' imports of coal increased, the share of coal in total use of commercial energy remained small in most DMCs.

Intra-regional trade in energy products was promoted during 1981 by agreements between Malaysia and Sri Lanka to trade crude petroleum for refined fuel oil, for the supply of liquefied petroleum gas (LPG) from Indonesia to the Philippines, and for the supply of Australian coal to the Republic of China for electricity generation. Under a previous agreement between Indonesia and Japan, shipment of Indonesian LPG to Japan started during the year.

### Price Trends

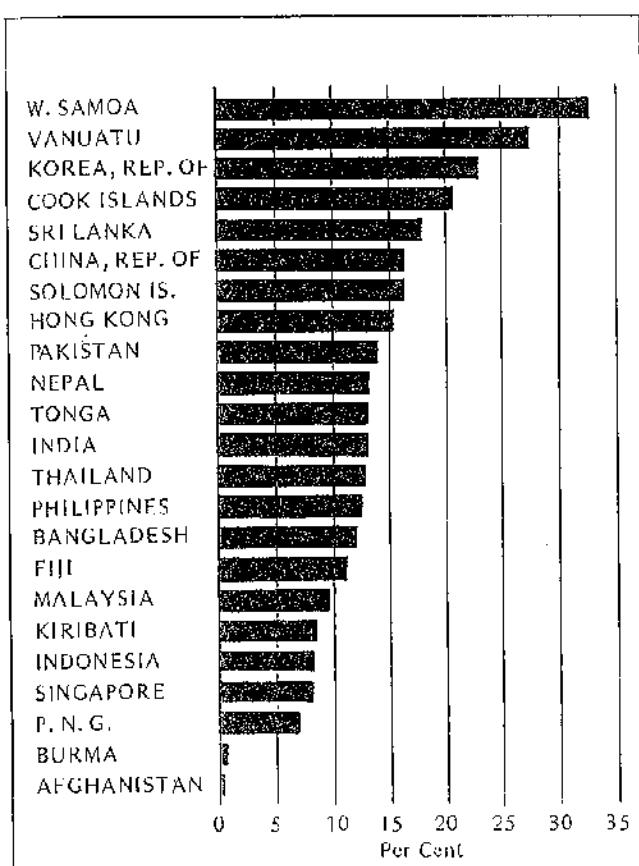
The average rate of inflation in DMCs decreased from 15.5 per cent in 1980 to 13.6 per cent in 1981 (see Table 5). The decline was due to various factors, such as depressed

<sup>1</sup> Data relate to 23 of the 27 DMCs (excluding Cambodia, Kiribati, Lao PDR and Viet Nam for which data are not available).

<sup>2</sup> Significant producers of crude oil are Burma, India, Indonesia and Malaysia. Other DMCs which produce small quantities of crude oil are Republic of China, Pakistan and Philippines.

<sup>2</sup> Significant producers of natural gas are Afghanistan, Bangladesh, Burma, Republic of China, India, Indonesia, Malaysia, Pakistan and Thailand.

## CHANGES IN CONSUMER PRICES OF SELECTED DMCs, 1981



commodity export prices, absence of further increase in the price of imported oil, adequate supply of foodgrains, and stabilization measures adopted by many DMCs. Nevertheless, most DMCs continued to experience double digit rates of inflation, ranging from 11 per cent in Fiji to 33 per cent in Western Samoa. Afghanistan, Burma, India, Indonesia, Kiribati, Malaysia, Papua New Guinea and Singapore had inflation rates of less than 10 per cent.

While the rate of inflation generally fell in many DMCs in 1981, it increased in Burma, India, Malaysia, Nepal, Pakistan, and in some South Pacific DMCs — Cook Islands, Solomon Islands and Vanuatu. The factors that tended to push up inflation rates included higher taxes and public utility tariffs, reduced subsidies for commercial energy, expansionary monetary policies pursued by some countries and the impact of continued high rates of world inflation.

### The External Sector

The aggregate trade deficit of DMCs increased by 30.4 per cent to \$21.4 billion in 1981 (see Table 6). The trade deficit of Singapore increased substantially, while those of Hong Kong and the Republic of Korea were only marginally higher. The trade surplus of the Republic of China increased while that of Indonesia and Malaysia declined. The Philippines and Thailand also had slightly larger trade deficits. In South Asia, Afghanistan's trade surplus improved while the trade deficits of Bangladesh, Burma,

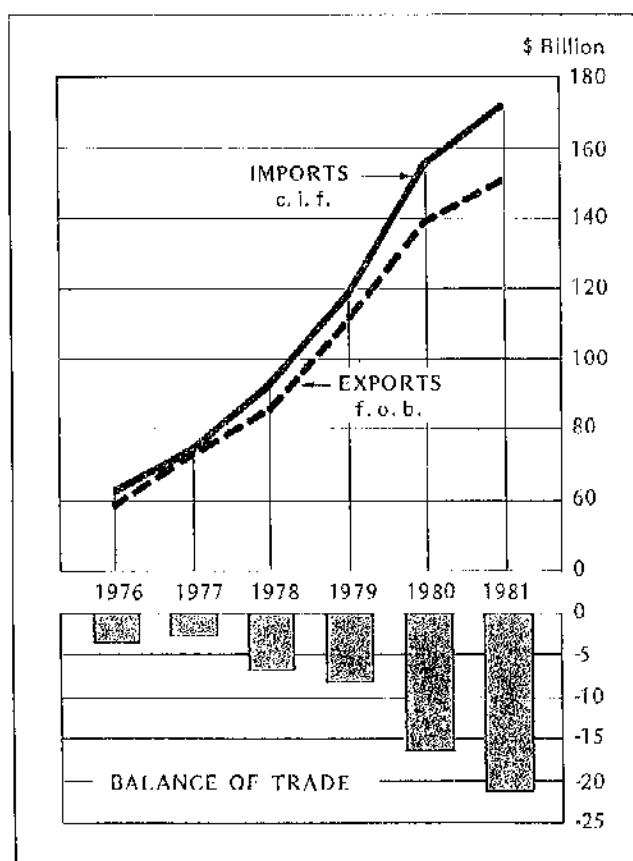
Maldives, Nepal and Pakistan increased during 1981. India and Sri Lanka continued to have large trade deficits, although they were lower than in 1980.

The aggregate value of DMCs' exports increased to \$151 billion in 1981. The sharp deceleration in the rate of growth from 25.4 per cent in 1980 to 8.2 per cent in 1981 resulted from both a decline in the rate of growth of the volume of exports and a fall in the prices of major export commodities such as palm oil, copra, rubber, sugar and copper. Manufactured exports also registered slow growth in a number of DMCs. This was principally due to the sluggish economic situation in the industrialized countries which account for more than two-thirds of the exports from the region.

Reduction in the rates of growth in exports was widespread among DMCs. The DMCs which experienced the sharpest declines in export growth to very low rates were Fiji (from 46 per cent to -27 per cent), Indonesia (from 41 per cent to -1.3 per cent), Malaysia (from 17 per cent to -3.8 per cent), Philippines (from 26 per cent to 1 per cent), and Singapore (from 36 per cent to 8.3 per cent). Only nine DMCs increased their exports by 10 per cent or more, two increased exports by less than 5 per cent and in ten DMCs exports either remained unchanged or declined.

The aggregate imports of the DMCs increased by 10.5 per cent to \$172 billion in 1981, compared with a growth of 30.1 per cent in 1980. Imports increased at a slower rate in 1981

## FOREIGN TRADE OF DMCs, 1976-1981

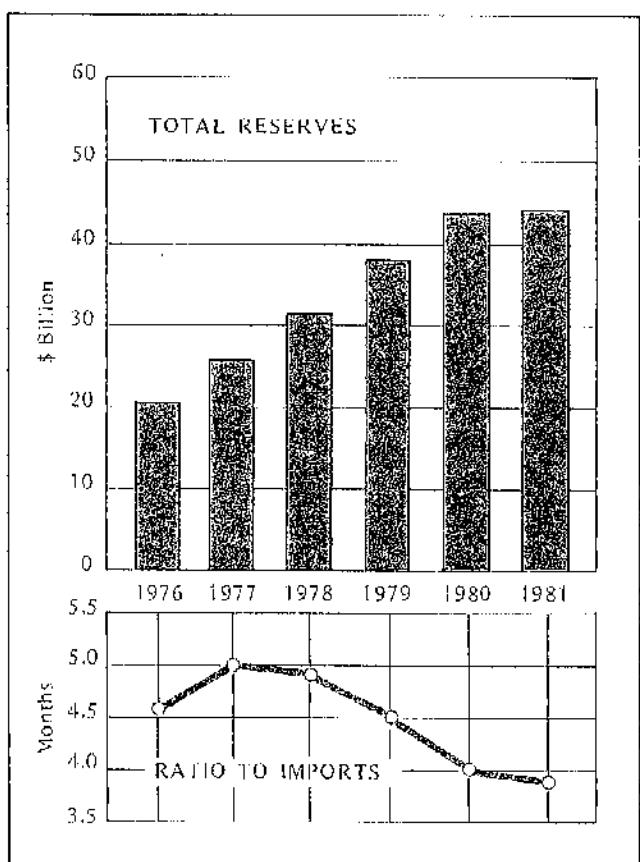


than in 1980 in most DMCs except in Burma, Republic of Korea, Papua New Guinea and Tonga. Imports declined in absolute terms in Cook Islands, Fiji, Sri Lanka and Vanuatu.

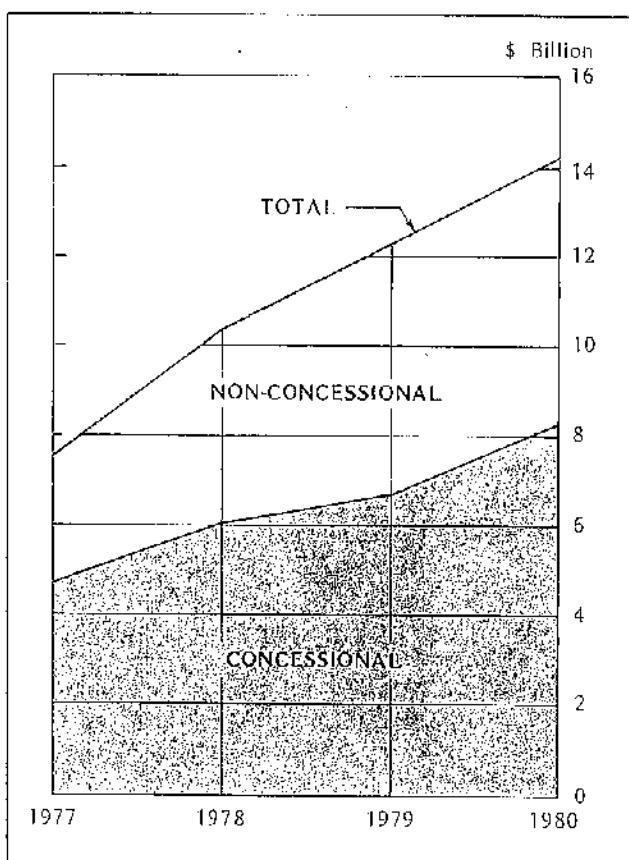
A wide range of factors affected the external trade of DMCs. The Republic of China's trade surplus grew as imports went up at a much slower pace than exports. The trade deficits of Hong Kong and Singapore increased mainly because of a slow growth in their exports. As a result of devaluation and greater utilization of productive capacity, the Republic of Korea's export earnings grew at a much faster pace than imports, and its trade deficit remained at almost the same level as in 1980.

The trade surplus of Indonesia fell substantially because its non-oil exports declined, while imports, especially of capital goods, chemicals, fertilizers and pharmaceuticals, rose steeply. The trade surplus of Malaysia, which was relatively large over several years, was almost wiped out as the demand for its major export commodities — tin, rubber, palm oil and cocoa — weakened. The trade deficits of the Philippines and Thailand remained at almost the same level as in 1980. In the Philippines, both exports and imports registered a modest increase of one per cent. In Thailand, the cost of oil imports continued to rise, and offset the increased export receipts from its primary commodity exports.

#### INTERNATIONAL RESERVES OF DMCs, 1976-1981



#### TOTAL FLOWS OF RESOURCES TO DMCs, 1977-1980



Bangladesh had a slightly higher trade deficit, despite a lower import growth, because of an absolute decline in exports. In Burma, a faster increase in imports and a decline in export growth led to further deterioration of the trade balance. India's trade gap remained large because export growth was depressed. In Nepal, the heavy burden of oil imports and a low export base resulted in a larger trade deficit, despite a substantial growth in exports. In Pakistan, higher oil imports and import liberalization considerably offset the large increase in export earnings. Sri Lanka's trade deficit was slightly lower in 1981 due to lower imports and increased exports.

In 1981, a major factor which contributed to the generally increased trade deficits or reduced trade surpluses of DMCs was the deterioration in the terms of trade. The export unit value indices of DMCs either fell (Malaysia and Philippines) or increased marginally (Hong Kong, Republic of Korea and Thailand), but the import unit value indices significantly increased in most DMCs. The terms of trade indices in 1981 were therefore below those in 1980 in all nine DMCs for which data are available. The declines were substantial in Bangladesh, Malaysia and Solomon Islands which are exporters of primary commodities.

The total international reserves of DMCs were \$44.4 billion at the end of 1981, or marginally above the level as at the end of 1980 (see Table 7). For the first time in several years, the total international reserves of DMCs failed to

register a significant increase. The level of reserves at the end of 1981 was equivalent to 3.9 months of imports compared with 4 months of imports in 1980. A number of countries experienced a decline in reserves. Only four countries, namely, the Republic of China, Papua New Guinea, Singapore and Sri Lanka, made significant addition to their reserves.

The net flow of external resources to DMCs rose from \$12.2 billion in 1979 to \$14.1 billion in 1980, the latest year for which data are available (see Table 8). Concessional flows contributed most of the increase, rising from \$6.7 billion in 1979 to \$8.2 billion in 1980 while non-concessional flows rose from \$5.6 billion to \$5.9 billion. Gross public borrowings by DMCs in the international capital markets in the form of syndicated bank credits and bond issues amounted to \$7.7 billion in 1980 which was slightly lower than the level in 1979.<sup>1</sup>

The external public debt of DMCs<sup>2</sup> increased from \$72.7 billion in 1979 to \$84.4 billion in 1980 (see Table 9), or by 16.1 per cent, compared with an increase of 11.4 per cent in the previous year. The largest increases in external debt outstanding were recorded by India, Indonesia, Republic of Korea, Philippines and Thailand, together accounting for more than 70 per cent of the aggregate debt increase during the year.

The debt-service payments of DMCs rose from \$8.1 billion in 1978 to \$9 billion in 1979 and to \$9.2 billion in 1980, but the overall debt-service ratio declined from 7.6 per cent in 1978 to 6.6 per cent in 1979 and 5.4 per cent in 1980. The debt-service ratios of individual DMCs varied widely, ranging from 0.1 per cent to 27.1 per cent. However, since these ratios relate only to official external debt, they underestimate the debt-service burden of DMCs, such as Republic of Korea and Philippines, which have raised substantial external loans without government guarantee.

## Domestic Policies and Efforts

During 1981, the DMCs implemented a wide range of policies in their attempts to mitigate the effects of difficult external conditions, ensure stability, enhance resource mobilization and promote economic and social development. The policies adopted helped to ease the problems and the constraints that the DMCs had to face, and enabled them to continue their socio-economic development without undue disruption. Some of the actions taken during the year are mentioned below.

### Fiscal and Monetary Policies

Because of rising investment costs, mobilization of domestic savings has been a major concern of most DMCs. However, available data for 14 DMCs for 1978-80 show that, with the exception of Burma, Nepal and the Philippines, the gap between savings and investment widened in all DMCs during that period (see Table 10). Except for India and the Republic of Korea, the higher resource gap was associated with an increase in investment-GDP ratio. This was reinforced by a decline in domestic savings-GDP ratios in several DMCs (Bangladesh, Republic of China, Pakistan, Papua New Guinea and Sri Lanka). In the Philippines, the

ratios of both savings and investment to GDP increased more or less equally during 1978-80. As a result, the resource gap in 1980 was at the same level as in 1978. In Burma, a significant improvement in the domestic savings ratio and a modest increase in investments led to a decline in the resource gap. In Nepal, the decline in the domestic savings was more than offset by the significant decrease in investments, resulting in a lower resource gap. In 1980, the resource gap exceeded 10 per cent of GDP in Bangladesh, Republic of Korea, Pakistan, Papua New Guinea, Singapore and Sri Lanka. It was 2 per cent or lower in Burma, Republic of China, India and Malaysia.

During 1981, DMCs took a variety of measures to increase domestic savings. Some DMC governments increased public savings by trimming current expenditures while others made additional efforts to increase tax revenues. Certain DMCs introduced fiscal measures to encourage domestic saving and to direct investment into priority industries.

The importance of utilizing the financial sector to mobilize more resources for development received increased recognition by several DMCs which took significant measures for this purpose during the year. Some countries took measures to monitor more closely the operations of the financial institutions. Republic of China, India, Malaysia, Papua New Guinea, Philippines, Singapore and Thailand increased interest rates during the year and considerably improved incentives for financial savings. Hong Kong redefined the areas of operations of banks and deposit-taking companies in an effort to improve the quality of supervision. The Philippines strengthened its supervision of financial institutions by the Central Bank. Singapore initiated the reorganization of its Monetary Authority and a review of regulations of financial operations in an effort to develop insurance, banking and fund management services in the region. Thailand opened a rediscount window for agricultural loans to help the agricultural sector overcome the prevailing tight monetary situation.

Several DMCs took steps to regulate monetary expansion and reduce inflationary pressures. The Republic of China imposed ceilings on pre-export financing by foreign banks, and Indonesia and Sri Lanka imposed credit ceilings on commercial banks. Afghanistan, Burma, Republic of China, Hong Kong, Indonesia, Malaysia, Pakistan, Philippines and Thailand reduced the growth rate of money supply below that in 1980.

### Trade Policies

Faced with large and growing current account deficits, several DMCs took steps to alleviate the foreign exchange constraints on development. In order to improve its competitiveness in exports and curtailing demand for its imports, Thailand devalued its currency by about 10 per cent. The Republic of Korea devalued its currency by 5 per cent over and above the 36 per cent devaluation of 1980.

Moreover, a number of DMCs experienced substantial depreciation of their currencies which had an impact on their external trade. The rates of depreciation in relation to the US dollar were in the range of 18-19 per cent for Bangladesh and Vanuatu, 10-15 per cent for Cook Islands, Hong Kong, India, Sri Lanka and Western Samoa and 5-10 per cent for Afghanistan, Burma, Fiji, Nepal, Papua New Guinea and Philippines.

1 Preliminary data on public borrowings in the Euro-currency credit market suggest that borrowings increased in 1981.

2 Data on total external debt in the DMCs are unavailable.



A WORKER at a small brick factory in Sri Lanka, one of several small scale enterprises which have benefited from Bank credits on-lent by the National Development Bank of Sri Lanka.

DMCs also adopted several measures to augment exports. Bangladesh, India and Pakistan introduced fiscal incentives for promoting exports. Hong Kong increased its efforts to revive exports to Japan by sending trade missions, participating in trade fairs and encouraging Japanese investment in Hong Kong. Indonesia announced a policy under which foreign firms winning certain categories of large contracts for projects would be required to help promote exports from the country.

Several countries took steps to diversify both their exports and export markets. The Republic of Korea launched a vigorous program to develop new products to overcome the effects of low demand and various barriers in major export markets. India and the Republic of Korea sought cooperation in engineering and contracting ventures in developing countries. The Philippines initiated a modernization program and restructuring of the textile industry to further promote its non-traditional exports. The measures taken by DMCs to diversify export markets varied considerably. For instance, Singapore emphasized the expansion of trade with Asian countries and Pakistan entered into new trade agreements with countries in Eastern Europe and Latin America.

Some DMCs took steps to increase the supply and reduce the costs of imported inputs and essential consumer goods. For instance, Pakistan abolished the customs duty on a number of items, including industrial and agricultural machinery and tools, cement, some mine-

rals, and chemicals; Bangladesh relaxed limits on imports of essential consumer goods, industrial raw materials and spare parts to ensure their greater availability; the Republic of Korea began to reduce its heavy dependence on the United States for agricultural commodities by diversifying the sources of such imports; Nepal reduced customs duties on some essential goods such as coarse cotton cloth, kerosene oil and medicines, and increased duties on luxury items; and the Philippines began to implement a comprehensive rationalization of its tariff structure by reducing import tariffs on a large number of industrial inputs.

#### Energy Program and Policy

With the increasing burden of energy imports on the balance of payments, and with the prospect that dependence on fossil fuels will continue to remain high in the foreseeable future, 1981 witnessed a significant increase in the exploration for deposits of oil, gas and coal in DMCs. Further reserves of commercially exploitable oil and gas deposits were reported from Indonesia and Malaysia — the net oil exporting DMCs. Moreover, a number of new commercially exploitable deposits were found in Burma, Republic of China, India, Pakistan, Philippines and Thailand.

International oil companies continued to provide capital and expertise for exploration and development of hydrocarbon resources. The role of national companies increased significantly in this sector, particularly in India, Indonesia

and Malaysia. The Korea Development Corporation and Pertamina (of Indonesia) concluded an agreement for joint exploration in Indonesia. With a view to developing its coal deposits, the Republic of China entered into a joint venture with a Canadian coal company.

During the year, vigorous efforts were continued in the identification and development of alternative sources of energy. Mini-hydro power development was stressed by some DMCs, particularly Burma, Nepal and Philippines. Bangladesh and Pakistan took steps to expand the output of natural gas and to extend their transmission systems. In Thailand, natural gas began to be used instead of fuel oil in a number of large electricity generating units, and the country also took steps to further exploit indigenous deposits of lignite to reduce its dependence on imported furnace oil.

Indonesia accelerated its program for the exploitation of its considerable coal reserves with a view to using coal as the primary energy source for a large power-generating plant, and it also commissioned its first geothermal power plant. In the Philippines, various measures were initiated to bring about greater use of coal as an energy source, particularly in the cement industry and for electricity generation.

There was a growing concern in most DMCs about the adverse effects of higher energy prices on the welfare of low-income groups. In this context, several countries paid special attention to the development of fuelwood supplies which remains a major source of energy in rural areas.

In many DMCs, retail prices of petroleum products were generally increased and several DMCs increased their electricity tariffs. Burma and Indonesia continued to sell petroleum below international prices, and several DMCs subsidized specific petroleum products (such as kerosene or LPG) and provided concessional rates for small consumers of electricity.

During 1981, the flow of external resources into the region increased for energy development. The Republic of China, India, Republic of Korea, Philippines and Thailand increased investment in domestic energy development through greater external assistance and commercial borrowings, and Sri Lanka established a joint venture with an American company to manufacture charcoal from wood wastes for the domestic market. Also, in many DMCs, energy conservation measures continued to be implemented more widely.

#### Human Resource Policies

In 1981, the promotion of social development received considerable attention in DMCs in recognition of its important role in the development process. The Republic of Korea is undertaking an Urban Rearrangement Plan to decongest urban areas, particularly the capital city of Seoul, while the Saemaul Undong program was continued to improve living standards in the rural areas to curb the drift to the urban areas. In the Philippines, the human settlement scheme continued to provide improved housing for the poor.

Measures to improve health and nutrition were intensified in many DMCs. A health center scheme was introduced in Indonesia to rapidly extend better health facilities to the bulk of the population. Hong Kong undertook an extensive program of social services and community projects to cope with its urban problems. Pakistan initiated a proj-

ect to improve health standards by extending essential primary health care services and basic hospital facilities to benefit poor rural households.

In many DMCs, considerable attention was paid to the improvement of technical skills and to increase employment opportunities. Some examples of such policies are the training, job creation and resettlement schemes in Indonesia, the training programs adopted by Malaysia and Pakistan, the "livelihood" program in the Philippines and a program to upgrade the skills of industrial workers in Singapore.

#### Regional Cooperation

During 1981, efforts were continued among DMCs to promote regional cooperation both by expanding and improv-

*STOCKPILING coal at Malangas, Philippines. In line with the Government's goal of developing indigenous energy resources and reducing dependence on imported oil, this Bank-assisted Project will help double the Philippines' production of coal.*



ing the operation of existing organizations and by actively exploring the possibilities for increased cooperation.

The Association of Southeast Asian Nations (ASEAN) increased the number of items covered by its Preferential Trading Arrangements (PTA), introduced measures to speed up negotiations to bring more items under PTA, and expanded the coverage for items imported from ASEAN countries eligible for an automatic 20-25 per cent trade preference. The Basic Agreement on ASEAN Industrial Complementation, the major instrument for private sector cooperation, was signed during the year and new arrangements to expedite the consideration and approval of large-scale industrial projects were approved. The substitution of a copper fabrication plant for a pulp and paper plant as the Philippines' project was approved by the ASEAN economic ministers and Thailand finalized the site for the ASEAN Rock Salt-Soda Ash Project. Also, an ASEAN Finance Corporation was established to finance ASEAN projects.

In April 1981, the foreign secretaries of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka met to explore ways of promoting cooperation in South Asia. They agreed to undertake studies of possible areas of cooperation, including agriculture and rural development, telecommunications, meteorology, and health and population activities.

The South Pacific DMCs continued to seek ways of improving and extending regional cooperation. A major regional project being undertaken by the South Pacific

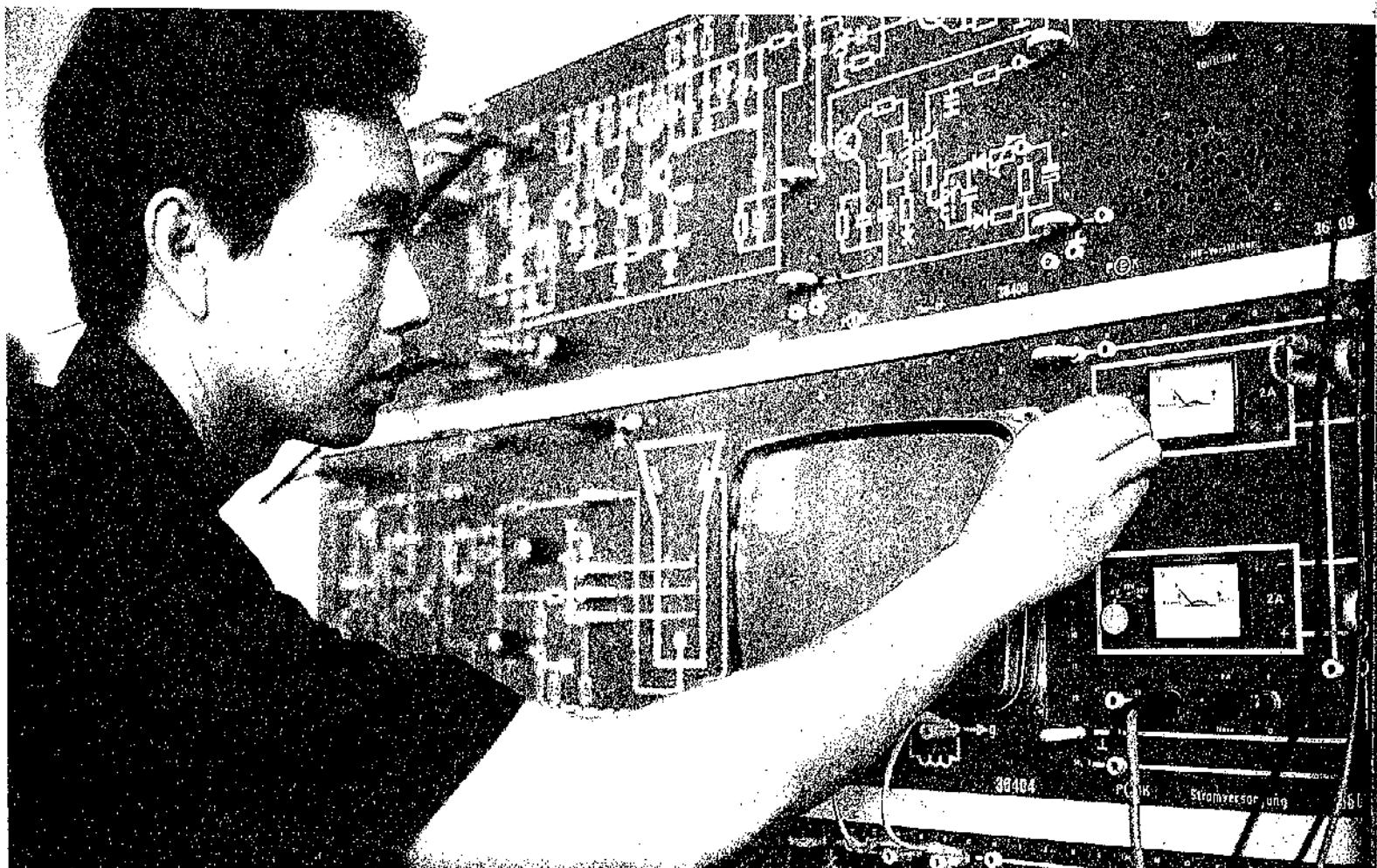
Commission (SPC) is a Skipjack Tuna Survey and Assessment Program. A South Pacific Industrial Survey jointly sponsored by the Economic and Social Commission for Asia and the Pacific (ESCAP), the South Pacific Bureau of Economic Cooperation (SPEC) and the Bank was launched during the year. In the meetings organized by SPC and SPEC, proposals were discussed to establish a Pacific Islands Fund which is expected to support programs/projects aimed at improving collective self-reliance of South Pacific countries and reducing the vulnerability of their economies to adverse international developments.

Bilateral accords between DMCs entered into during 1981 included an agreement between Indonesia and Malaysia concerning the sharing of common waters for fishing and navigational purposes, and an agreement between India and Sri Lanka under which India will provide Sri Lanka credit for the purchase of machinery and equipment, and assist in the formulation of medium and long-term credit programs for the latter's agricultural enterprises.

### International Cooperation

There were a number of developments in the areas of international finance and trade in 1981 which were of significance to developing member countries of the Asian Development Bank (the region). World Bank loan commitments made to the region increased from about \$2.3 billion in FY 1980 (ended 30 June) to about \$2.5 billion in FY 1981. However, new credit commitments to the region from the

A TECHNICIAN examining electrical circuits at the Vocational Education Project in Thailand. Bank loans have helped re-equip four technical institutes and provide training equipment for three new regional multi-purpose skills training centers to help overcome Thailand's shortage of trained technicians.



International Development Association (IDA), the soft loan window of the World Bank, fell from about \$2.5 billion in FY 1980 to about \$2.1 billion in FY 1981. As a result, the overall loan commitments made by the World Bank Group to the region declined in FY 1981 to about \$4.7 billion.

The IMF made changes in its credit facilities and policies to enable it to provide increased assistance to member countries. New rules liberalizing a member's access to IMF financial facilities were adopted. A new Subsidy Account was also introduced to reduce the relatively high interest cost of using the Supplementary Financing Facility. Credit commitments to the region under standby and extended arrangements amounted to SDR 8,138 million at the end of 1981, compared with outstanding commitments of SDR 3,392 million at the end of 1980. Net drawings from IMF facilities by the countries in the region increased sharply from SDR 958 million in 1980 to SDR 2,290 million in 1981. Several developing countries of the region benefitted from low interest Trust Fund loans before its resources were exhausted in early 1981 and from the distributions out of two IMF administered subsidy accounts.

After intensive negotiations, agreement was reached in December 1981 on a new Multi-Fibre Arrangement (MFA) which will govern world textile trade until 31 July 1986. The European Economic Community (EEC) extended its Generalized System of Preferences (GSP) scheme in 1981 for 10 years and Japan also expressed its willingness to do so.

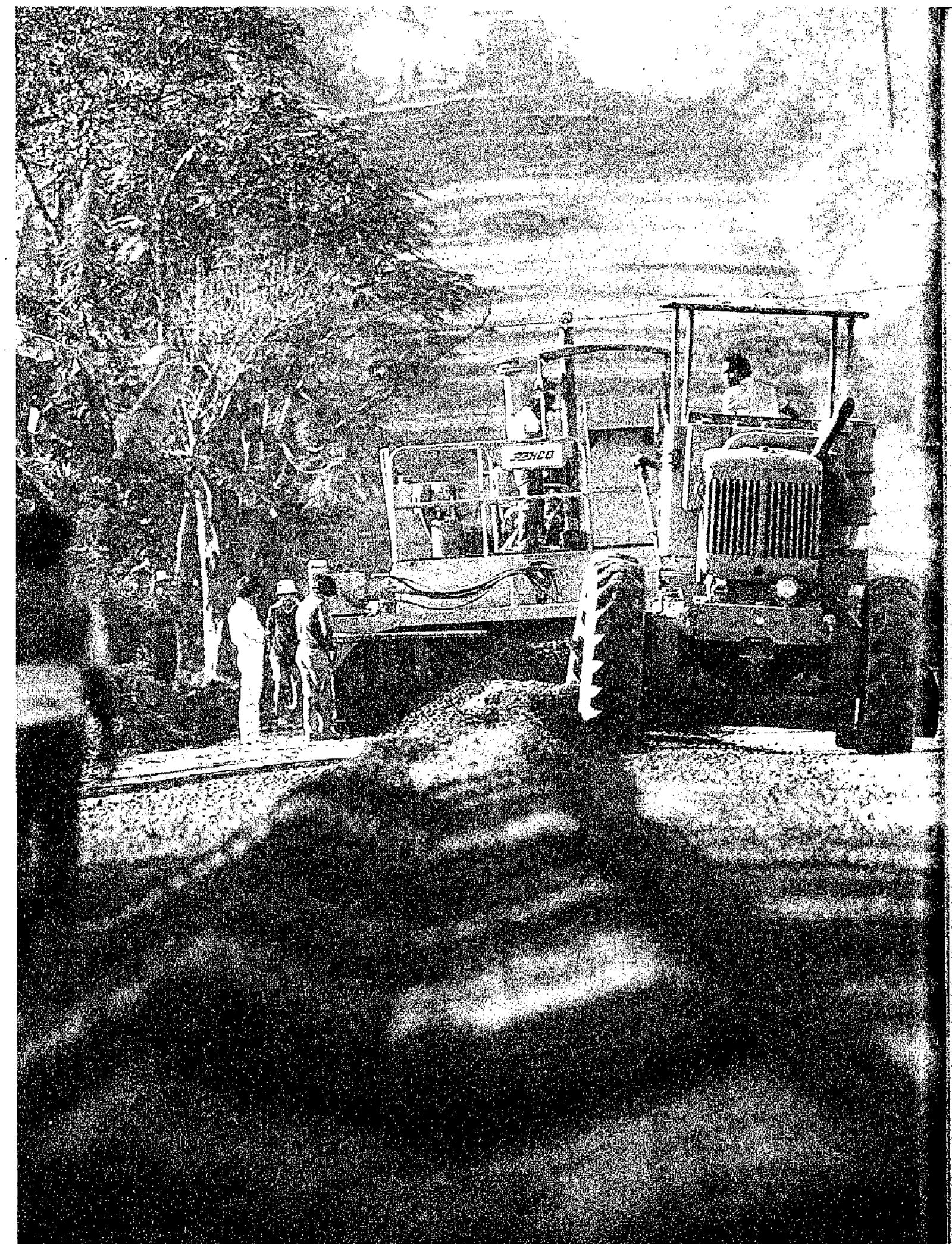
UNCTAD's Integrated Programme of Commodities, a major international cooperation effort concerning trade in several important primary commodity exports of developing countries, resulted in international commodity agreements (ICAs) for a few commodities by the end of 1981. The International Natural Rubber Agreement, which became provisionally effective in 1980, commenced buffer stocking operations. The Sixth International Tin Agreement, succeeding the Fifth Agreement which expires in June 1982, was ratified. The International Cocoa Agreement became provisionally effective in 1981, while awaiting ratification by major producing countries. The International Sugar Agreement has had limited effect because a major exporting country has yet to sign the Agreement. Negotiations

on other commodities, including edible oil, tropical woods, tea and jute, are still at a preliminary stage.

At the Annual Summit of seven major industrial countries (Canada, France, Federal Republic of Germany, Italy, Japan, United Kingdom and United States) held in Ottawa in July, the heads of governments agreed that priority should be given to reducing inflation and unemployment, and affirmed their commitment to a liberal trading system and to continue energy conservation efforts. Similar concerns were expressed during the Commonwealth Heads of Governments Meeting held in Melbourne from 30 September to 7 October. Leaders of 22 developed and developing countries met at Cancun in October and discussed food, energy, trade and monetary problems. Though they were unable to reach significant agreement on a global strategy for international cooperation, they agreed to resume negotiations on the transfer of resources from rich to poor countries in 1982.

At the United Nations Conference on the Least Developed Countries held in Paris in September 1981, pledges were made by several donors to improve their aid to the 31 least developed countries which include Afghanistan, Bangladesh, Lao PDR, Maldives, Nepal and Western Samoa. At the regional level, greater assistance to the least developed countries was stressed in a closing resolution at the Annual Session of ESCAP held in Bangkok in March 1981.

Despite several adverse developments during the year, the economic performance of the DMCs was generally satisfactory. Their aggregate GDP growth of 6.4 per cent was higher than that of the previous year, inflation rates were lower and per capita availability of food improved. However, because of sluggish demand for raw materials and manufactures in major external markets, their exports increased at a slow rate. The prices of primary exports, the principal source of foreign exchange earnings for many DMCs, declined considerably. As a result, the overall trade and current account deficits of DMCs widened during 1981, which in turn increased their external resource requirements. In its effort to help the DMCs, the Bank substantially expanded its assistance during 1981, details of which are provided in the following chapters.



# OPERATIONS AND POLICIES

## Lending Operations

OVERALL BANK lending increased by 17 per cent in nominal terms in 1981, compared with a rise of 15 per cent in 1980. Total loan approvals during the year amounted to \$1,678 million, compared with \$1,436 million in the previous year.

Loans from ordinary capital resources (OCR) in 1981 amounted to \$1,146.7 million, an increase of 19.6 per cent over the corresponding figure of \$958.5 million in 1980, while concessional loans from Special Funds (SF), amounting to \$530.9 million, showed an increase of 11.2 per cent over the 1980 figure of \$477.2 million.

The share of concessional loans to the poorer and less developed member countries was about 32 per cent of total lending during the year, slightly lower than in 1980 but still higher than the average of 30 per cent over the period 1968-81. In 1981, almost 92 per cent of SF loans went to developing member countries (DMCs) which had a per capita GNP of less than \$300 in 1980.

Funds contributed by co-financiers in 1981 amounted to \$627 million compared with \$391 million in 1980 and substantially added to the Bank's own assistance to its DMCs.

During 1981, a total of 57 loans — including three program loans, five sector loans and one multiproject loan — for 54 projects in 15 DMCs was approved, compared with 59 loans for 58 projects in 17 DMCs in 1980. Of these, three projects — one each in Papua New Guinea, Philippines and Thailand — received blended loans, or, in other words, financing from both OCR and SF.

The average size of loans showed a marked increase from \$24.3 million in 1980 to \$29.4 million in 1981. The average size of OCR loans increased from \$33 million in 1980 to \$38.2 million in 1981, while the average size of SF loans increased from \$15.9 million to \$19.7 million over the same period. While this increase is partly attributable to inflation, it is primarily due to the programming of certain large projects and the inclusion of five sector loans in 1981.

During the year, four DMCs received loans exclusively from OCR: Fiji (\$16 million), Indonesia (\$337.8 million),

Republic of Korea (\$205.2 million) and Malaysia (\$116.8 million).

Four DMCs received loans from both OCR and SF: Pakistan, \$210 million (\$55 million from OCR and \$155 million from SF); Papua New Guinea, \$16 million (\$8 million from OCR and \$8 million from SF); Philippines, \$215.5 million (\$200.5 million from OCR and \$15 million from SF); and Thailand, \$222.4 million (\$207.4 million from OCR and \$15 million from SF).

Seven DMCs received loans exclusively from SF: Bangladesh (\$191 million), Burma (\$59.5 million), Maldives (\$1 million), Nepal (\$45.2 million), Sri Lanka (\$35.5 million), Tonga (\$1.68 million) and Western Samoa (\$4 million).

The formulation of a broad sectoral strategy in the Bank's lending operations is an evolutionary process and is based upon the recognition of important country-specific considerations. These include structural adjustments in national economics, the capacities of local institutions to absorb Bank assistance and implement Bank-financed projects, relative sectoral priorities in DMCs' development plans, relative levels of economic development, and availability of other sources of financing. However, despite variations in economic prospects and development constraints among DMCs, a consensus has emerged on the high priority of three major sectors: agriculture and agro-industry (particularly food production), energy (particularly the increased utilization of indigenous energy resources) and social infrastructure such as water supply, housing, urban development, education, health care and population control.

In 1981, Bank lending to the Agriculture and Agro-Industry sector accounted for 32.3 per cent of total Bank lending, about the same as in 1979 and 1980. In nominal terms, however, lending to this sector in 1981 increased by about 16 per cent. Bank loans supported, among other things, improvements to irrigation, drainage and flood control facilities, related agricultural support services, and feeder road networks; the construction of a multipurpose dam; integrated agricultural and rural development; coconut and cotton production; foodgrain storage; crop intensification programs; and forestry, fisheries and livestock development. One large loan in the agro-industry

*ROAD IMPROVEMENT Project in the Philippines. A \$45 million Bank loan is helping to give farmers better access to agricultural markets and services and to improve the links between Manila and the outlying regions, thereby stimulating economic growth in rural areas.*

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1980, 1981, 1967-1981

(amounts in \$ million)

Country	1980			1981			1967-1981			
	OCR	SF	Total	OCR	SF	Total	OCR	SF	Total	%
Afghanistan	—	—	—	—	—	—	—	95.10	95.10	0.97
Bangladesh	—	150.90	150.90	—	191.00	191.00	—	810.93	822.33	8.42
Burma	—	50.50	50.50	—	59.50	59.50	—	343.46	350.06	3.58
Cambodia	—	—	—	—	—	—	—	—	—	—
China, Rep. of	—	—	—	—	—	—	—	—	—	0.02
Cook Islands	—	1.00	1.00	—	—	—	—	100.39	100.39	1.03
Fiji	—	—	—	16.00	—	16.00	—	45.90	45.90	0.47
Hong Kong	20.00	—	20.00	—	—	—	—	—	45.90	0.47
Indonesia	284.60	—	284.60	337.80	—	337.80	—	1,406.78	1,569.06	16.06
Kiribati	—	—	—	—	—	—	—	—	—	—
Korea, Rep. of	174.53	—	174.53	205.20	—	205.20	—	1,373.53	1,377.23	0.02
Lao People's Dem. Rep.	—	10.15	10.15	—	—	—	—	36.84	36.84	0.38
Malaysia	83.75	—	83.75	116.80	—	116.80	—	706.75	710.05	7.27
Maldives	—	—	—	—	1.00	1.00	—	—	1.00	0.01
Nepal	—	38.50	38.50	—	45.20	45.20	—	2.00	262.92	2.71
Pakistan	56.30	122.00	178.30	55.00	155.00	210.00	534.37	680.95	1,215.32	12.44
Papua New Guinea	12.00	8.00	20.00	8.00	8.00	16.00	43.95	69.94	113.89	1.16
Philippines	158.30	20.00	178.30	200.50	15.00	215.50	1,267.55	79.30	1,346.85	13.78
Singapore	19.00	—	19.00	—	—	—	178.08	3.00	181.08	1.85
Solomon Islands	—	3.65	3.65	—	—	—	—	14.85	14.85	0.15
Sri Lanka	—	47.80	47.80	—	35.50	35.50	14.13	245.61	259.74	2.66
Thailand	150.00	20.00	170.00	207.40	15.00	222.40	1,002.58	72.10	1,074.68	11.00
Tonga	—	—	—	—	1.68	1.68	—	6.05	6.05	0.06
Viet Nam, Soc. Rep. of	—	—	—	—	—	—	3.93	40.67	44.60	0.46
Western Samoa	—	4.74	4.74	—	4.00	4.00	—	35.03	35.03	0.36
<b>TOTAL</b>	<b>958.48</b>	<b>477.24</b>	<b>1,435.72</b>	<b>1,146.70</b>	<b>530.88</b>	<b>1,677.58</b>	<b>6,799.44</b>	<b>2,971.45</b>	<b>9,770.89</b>	<b>100.00</b>

subsector was approved for the establishment of an integrated ammonia/urea fertilizer plant.

The share of the Energy sector in total lending rose from 26.6 per cent in 1980 to 28.6 per cent in 1981, which marked an increase for the third year in succession. Lending for energy-related projects during the year covered, among other things, development of indigenous energy resources such as hydropower and natural gas, rehabilitation and expansion of power distribution and transmission systems and extension of rural electrification.

However, during the year, the largest increase, both in absolute terms and as a proportion of total Bank lending, was for social infrastructure projects which accounted for 21.7 per cent of total lending, compared with just under 16 per cent in 1980. These loans were for the rehabilitation and expansion of water supply systems in a number of provin-

cial cities and municipalities, low-income urban housing and development, the upgrading of facilities and resources of a university and vocational and technical schools, and for support of primary health care and population planning services including the upgrading of hospitals and training of paramedical technicians.

Lending to development finance institutions (DFIs) in 1981, to meet the medium and long-term credit requirements of small and medium-scale industries in DMCs, increased by more than 60 per cent in nominal terms over 1980 and accounted for 12.2 per cent of total Bank lending in 1981. On the other hand, there was a significant decline in Bank lending to the Transport and Communications sector in 1981 — 4.3 per cent of total lending compared with 15.6 per cent in 1980. This was due primarily to changes in sectoral priorities in DMCs.

The total cost of projects approved in 1981, excluding six DFI loans, five sector loans and three program loans, is estimated at \$3,212 million. Direct Bank financing of the total project costs amounted to about 37.2 per cent. On the basis of the Bank's past experience, it is estimated that the total cost of the subloan projects to be financed by the six DFI loans will be about \$851 million. The projects and programs to be financed by the sector and program loans will involve an estimated total investment cost of \$698 million.

At the end of 1981, the Bank's cumulative lending had reached \$9,771 million for 509 projects in 24 DMCs. Of this total, loans amounting to \$6,799 million were from OCR and \$2,971 million were from SF.

Bank lending may be classified into three main categories: project lending, program lending and sector lending. Although project lending remains the principal vehicle by which the Bank transfers resources to its DMCs, sector lending in particular and program lending have assumed greater importance in making the Bank's developmental role more flexible, effective and broader based.

Program lending, introduced by the Bank in 1978, is designed to help DMCs increase production where there is under-utilization of existing capacity and to provide a relatively flexible means by which DMCs can achieve optimum capacity utilization in a short time (about two years) and maintain it thereafter with their own resources. In 1981, the Bank approved three crop intensification program loans amounting to \$27 million: \$18 million for Bangladesh, \$5 million for Burma,<sup>1</sup> and \$4 million for Nepal. As of the end of 1981, nine program loans had been approved by the Bank, amounting to \$87.5 million.

<sup>1</sup> This program loan was co-financed by the OPEC Fund in the amount of \$15 million.

*ADB President Masao Fujio (seated right) and Philippine Prime Minister Cesar Virata sign documents in December for Bank loans to the Philippines totalling \$141.5 million for Rural Electrification, Water Supply and Livestock Development projects.*

Sector lending, introduced by the Bank in 1980, has several potential advantages, both from the Bank's point of view as well as that of the DMCs themselves. Apart from the fact that they are generally for larger amounts, sector loans have the advantage of faster disbursement because the loans for smaller projects embodied in the sector loan are likely to be disbursed more quickly. Sector lending can be useful over a wide area, covering such sectors and subsectors as agriculture and rural development, energy, water supply and sanitation, feeder road networks, railways, education, health and small-scale industries, where a number of individual small investment activities can be combined under the structure of a sector loan. This form of lending is also important in building up and strengthening local institutions. In 1981, the Bank approved five sector loans, amounting to \$252.1 million. Three of these — Bali Irrigation (\$33.6 million) in Indonesia,<sup>1</sup> Water Supply (\$46 million) and Rural Electrification (\$87.5 million) in the Philippines — were from OCR and amounted to \$167.1 million, and two — Small-Scale Irrigation (\$50 million) in Bangladesh and Rural Electrification (\$35 million) in Pakistan — were from SF and amounted to \$85 million. To date, seven sector loans have been approved by the Bank, amounting to \$349.1 million — \$264.1 million from OCR and \$85 million from SF resources.

Local cost financing (LCF) involves lending foreign exchange to meet the local costs of a project on the basis of such factors as a borrower's overall balance of payments position and ability to mobilize domestic resources, as well as specific project requirements in such sectors as agriculture and social infrastructure where the local cost component of the project is high. Such financing increased

<sup>1</sup> This sector loan was co-financed by EEC in the amount of \$12.5 million.



from \$5.8 million in 1974, the first year in which LCF was introduced by the Bank, to \$105 million in 1980. In 1981, the Bank provided \$123.9 million in LCF for 18 projects in seven DMCs. Of this, \$49.5 million was from OCR and \$74.4 million from SF, representing 4.3 per cent and 14 per cent, respectively, of OCR and SF loans approved during the year. At the end of 1981, the Bank had provided a total of \$461 million in LCF.

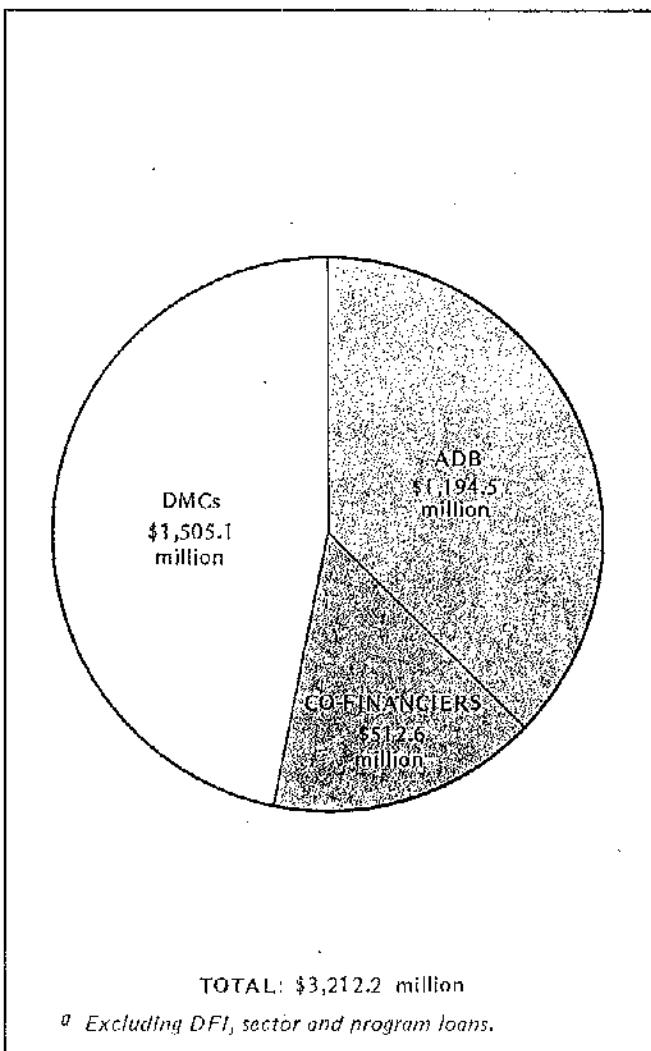
The Bank has also financed interest and other charges under special circumstances such as the need to relieve the financial strain on executing agencies during the construction period of projects, and also to ease the debt service burden on DMCs before projects start yielding benefits. In 1981, the Bank financed interest and other charges during construction amounting to \$14.5 million from OCR for three projects.

The relatively small size of individual projects has posed some problems for the Bank in its lending activities to its small island DMCs, mainly in the South Pacific. Consequently, the Bank introduced a new category of multiproj-

ect loans for these countries and approved the first such loan, \$1.2 million to Tonga, in 1979. A multiproject loan for \$1 million was made to Cook Islands in 1980 and in 1981 Tonga received a second multiproject loan for \$1.68 million to cover the financing of five subprojects.

In view of the range and diversity of economic development and performance of its DMCs, the Bank has recognized three broad country categories — Group A, Group B and Group C — based on an assessment of each country's per capita GNP level, balance of payments and debt repayment capacity. These categories are used as a broad guide to determine access to concessional assistance and broadly reflect the relative levels of economic development among the Bank's low-income (Group A), middle-income (Group B), and high-income (Group C) DMCs. At present, the Bank's lending policy gives Group A countries full access to SF; Group B countries borrow mainly from OCR, but may have access to SF for modest amounts subject to the economic circumstances of each country and the availability of resources (Papua New Guinea, which figures in this group, has received a softer blend); while Group C countries have access only to OCR. Due mainly to limited SF resources, one Group A country (Pakistan) is also provided with modest amounts of funds from OCR. Although Indonesia is a Group B country, it is considered appropriate for it to forego access to SF resources during the period 1980-82 on account of its better resource position and overall development prospects. As DMCs develop and their levels of per capita GNP and debt repayment capacity rise, countries may shift from full access to modest access and to "non-access" to SF loans. The Bank also conducts periodic reviews of each DMC's economic situation, focusing on overall and sectoral performance as well as assessing what impact current developments may have on future growth prospects. These reviews, together with regular ongoing dialogues with DMCs, allow the Bank to formulate on a country-by-country basis a program of assistance designed to help DMCs overcome their specific development constraints.

#### PROJECTS APPROVED IN 1981:<sup>a</sup> TOTAL COSTS AND SOURCES OF FINANCE



#### Co-Financing

In 1981, the Bank continued to emphasize co-financing of development projects with other external sources. The main objective of co-financing is to help mobilize a larger inflow of foreign resources to meet the development needs of DMCs. Co-financing also enhances the impact of Bank assistance and enables the Bank to finance larger projects whose financing requirements may not be fully met by itself.

During 1981, a total of 23 projects involved co-financing, with co-financiers contributing \$627 million and the Bank contributing \$827 million. This compared with 22 projects co-financed in 1980 for which co-financiers provided \$391 million and the Bank \$600 million. The relatively high amount of co-financing in 1981 is mainly attributable to the inclusion of a few large projects in the Bank's lending operations, including the Chittagong Urea Fertilizer Project in Bangladesh, which alone involved co-financing of \$221 million. This represents the largest single co-financing ever coordinated by the Bank, involving six other donors. The Bank played a leading role in appraising the project and mobilizing support from co-financiers and will continue to play a leading role in supervising its implementation. As of

**CO-FINANCING ARRANGEMENTS, 1981**

(amounts in \$ million)

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	SF		
Chittagong Urea Fertilizer	Bangladesh	—	72.00	85.00	Saudi Arabia
				60.00	Japan
				16.00	IsDB
				25.00	Abu Dhabi
				20.00	Canada
				15.00	IDA
Power System Rehabilitation and Expansion	Bangladesh	—	26.50	1.26	Canada
Community Forestry	Bangladesh	—	11.00	1.84	UNDP
Small-Scale Irrigation Sector	Bangladesh	—	50.00	12.00	EEC
Pump Irrigation and Area Development	Burma	—	20.00	6.00	EEC
Crop Intensification Program	Burma	—	5.00	15.00	OPEC Fund
Third Power	Fiji	16.00	—	13.30	EIB
				12.11	United Kingdom
Bali Irrigation Sector	Indonesia	33.60	—	12.50	EEC
Surabaya Distribution and Sulawesi Power	Indonesia	76.00	—	27.50	Export Credit
Wadaslintang Multipurpose	Indonesia	87.70	—	13.10	Export Credit
Fourth Korea Long Term Credit Bank	Korea	60.00	—	50.00	Commercial Banks <sup>a</sup>
Batang Ai Hydropower	Malaysia	40.40	—	65.80	Japan
				36.70	Commercial Banks <sup>b</sup>
Interisland Transport	Maldives	—	1.00	0.88	OPEC Fund
Mini-Hydropower	Nepal	—	8.30	4.00	OPEC Fund
				0.75	UNDP
Command Area Development	Nepal	—	13.50	11.10	IFAD
				1.20	UNDP
Fourth Power	Nepal	—	19.40	3.50	France
				1.00	UNDP
Piopi II Thermal Generation	Pakistan	—	55.00	46.00	Saudi Arabia
Technical Education	Papua New Guinea	8.00	8.00	4.00	OPEC Fund
Smallholder Livestock Development	Philippines	8.00	—	8.00	IFAD
Palawan Integrated Area Development	Philippines	32.00	15.00	7.00	EEC
Rural Electrification Sector	Philippines	87.50	—	5.03	Norway
				20.00	OPEC Fund
Coconut Development	Sri Lanka	—	12.00	8.00	IFAD
Fifth Power Distribution	Thailand	61.00	—	18.59	Export Credit
<b>TOTAL</b>		<b>510.20</b>	<b>316.70</b>	<b>627.16</b>	

<sup>a</sup> The commercial co-financing will be provided by a number of Japanese banks and life insurance companies with The Bank of Tokyo, The Industrial Bank of Japan, and The Sumitomo Trust and Banking Company as lead managers.

<sup>b</sup> The commercial co-financing will be provided by a number of Japanese banks and life insurance companies, with the Mitsui Trust and Banking Company as the lead manager.

**LOAN APPROVALS IN 1981 AND TOTAL PROJECT COSTS<sup>a</sup>**  
 (amounts in \$ million)

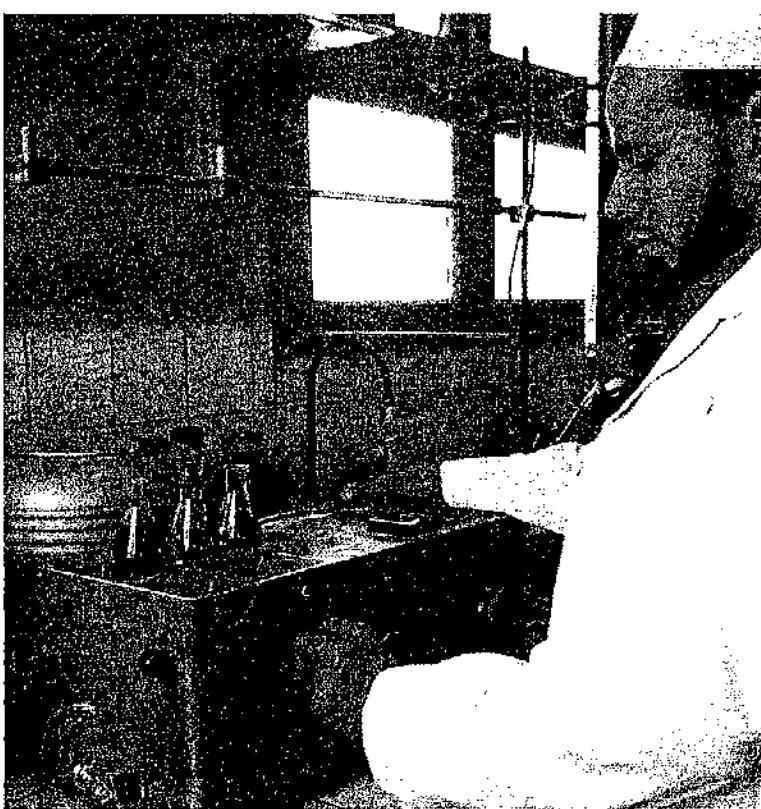
Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs
<b>BANGLADESH</b>			
Community Schools	—	13.50	17.00
Power System Rehabilitation and Expansion	—	26.50	42.17
Second Crop Intensification Program	—	18.00	—
Chittagong Urea Fertilizer	—	72.00	467.54
Community Forestry	—	11.00	16.80
Small-Scale Irrigation Sector	—	50.00	—
<b>BURMA</b>			
Paddy and Rice Storage	—	16.00	41.36
Pump Irrigation and Area Development	—	20.00	33.00
Crop Intensification Program	—	5.00	—
Upgrading of Hospitals	—	18.50	26.90
<b>FIJI</b>			
Third Power	16.00	—	58.93
<b>INDONESIA</b>			
Nucleus Estate and Smallholder Colonization	23.00	—	—
Wadaslintang Multipurpose	87.70 <sup>b</sup>	—	37.80
Bali Irrigation Sector	33.60	—	192.83
University of North Sumatra	26.00	—	—
Sumatra Livestock Development	16.70	—	50.00
Surabaya Distribution and Sulawesi Power	76.00	—	28.00
Semarang Water Supply	35.50	—	143.70
Medan Urban Development	39.30	—	65.50
			77.30
<b>KOREA, REPUBLIC OF</b>			
Small and Medium Industry Management and Technology Institute	13.00	—	28.20
Fourth Korea Long Term Credit Bank <sup>c</sup>	60.00	—	—
Second Citizens National Bank	30.00	—	—
Han River Basin Environmental Master Plan	4.10	—	6.80
Second Low Income Urban Housing	60.00	—	168.90
Provincial Cities Water Supply	38.10	—	114.70
<b>MALAYSIA</b>			
Health and Population	25.80	—	62.60
Batang Ai Hydropower	40.40	—	253.80
Farmers' Organization Support Services	30.00	—	56.00
Sabah/Sarawak Fisheries Infrastructure	20.60	—	41.00
<b>MALDIVES</b>			
Interisland Transport	—	1.00	2.00

<b>Country/Project</b>	<b>Ordinary Capital Resources</b>	<b>Special Funds</b>	<b>Total Project Costs</b>
<b>NEPAL</b>			
Mini-Hydropower	—	8.30	15.15
Fourth Power	—	19.40	27.90
Crop Intensification Program	—	4.00	—
Command Area Development	—	13.50	31.00
<b>PAKISTAN</b>			
Pipri II Thermal Generation	—	55.00	289.00
Rural Electrification Sector	—	35.00	—
Health and Population	—	15.00	22.80
Second National Development	—	50.00	—
Finance Corporation	55.00	—	126.41
Plirkoh Gas Development	—	—	—
<b>PAPUA NEW GUINEA</b>			
Technical Education	8.00	8.00	33.0
<b>PHILIPPINES</b>			
Palawan Integrated Area Development	32.00	15.00	85.00
Technical and Vocational Education	27.00	—	38.50
Rural Electrification Sector	87.50	—	—
Water Supply Sector	46.00	—	—
Smallholder Livestock Development	8.00	—	22.20
<b>SRI LANKA</b>			
National Development Bank of Sri Lanka	—	10.00	—
Second Fisheries Development	—	13.50	16.80
Coconut Development	—	12.00	30.40
<b>THAILAND</b>			
Fifth Power Distribution	61.00	—	239.75
Fifth Industrial Finance Corporation of Thailand	50.00	—	—
Songkhla and Phuket Ports	71.40	—	119.90
Medium Scale Irrigation Package	25.00	15.00	79.00
<b>TONGA</b>			
Second Multiproject Loan	—	1.68	2.53
<b>WESTERN SAMOA</b>			
Fourth Development Bank of Western Samoa	—	4.00	—
<b>GRAND TOTAL</b>	<b>1,146.70</b>	<b>530.88</b>	<b>3,212.17</b>

b. Total project costs exclude those of program, sector and DFI loans.

c. Includes refinancing of previous technical assistance loan of \$1.7 million.

c. The corporate name of Korea Development Finance Corporation (KDFC) was changed to Korea Long Term Credit Bank (KLCB), effective 28 May 1980.



A TECHNICIAN (left) and storage tanks (right) at the Multan Fertilizer Project in Pakistan, where Bank loans have provided for the construction of nitric acid and nitrophosphate plants and parallel financing from the World Bank has financed construction of an ammonia plant.

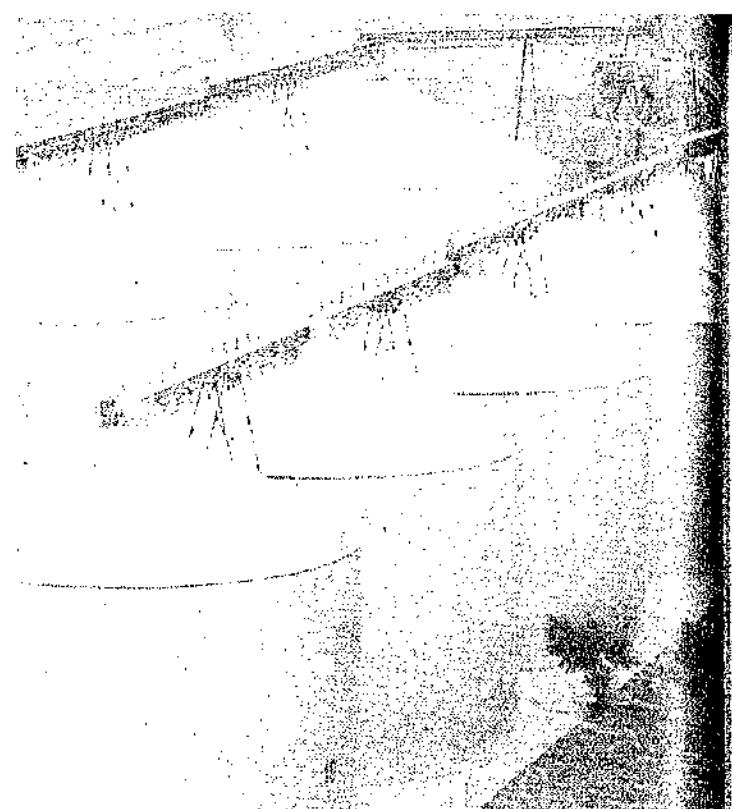
the end of 1981, co-financing had been arranged for 112 projects, with funds contributed by co-financiers amounting to \$2,542 million and Bank financing for these projects amounting to \$2,977 million.

As in the past, the bulk of the Bank's co-financing in 1981 was with bilateral and multilateral official sources which together contributed \$481 million or 77 per cent of total co-financing during the year. Five traditional donor countries

— Canada, France, Japan, Norway and United Kingdom — contributed \$168 million in co-financing with the Bank, and two OPEC sources — Abu Dhabi and Saudi Arabia — provided a further \$156 million. Multilateral sources, comprising the European Economic Community (EEC), European Investment Bank (EIB), International Fund for Agricultural Development (IFAD), Islamic Development Bank (IsDB), OPEC Fund for International Development, United Nations Development Programme (UNDP) and the World Bank, contributed \$157 million.

In 1981, the Bank's co-financing with export credit sources amounted to \$59 million or 9 per cent of total co-financing during the year. Co-financing with commercial sources totalled \$87 million in 1981, compared with cumulative commercial co-financing of \$38 million up to the end of 1980. The amount of commercial co-financing in 1981 accounted for 14 per cent of total co-financing during the year. In regard to co-financing with commercial sources, the Bank usually incorporates a "cross-default" clause in its loan agreements with the borrowers, under which the Bank has the option to declare its own loans in default should the borrowers be in default under the commercial loans.

In addition to co-financing, the Bank appraised two projects leading to exclusive financing of \$35.6 million by IFAD during the year. Total external resources mobilized by the Bank through co-financing and exclusive financing in 1981, therefore, amounted in the aggregate to \$663 million.



During the year the Bank reviewed its co-financing policies and practices. It was recognized that while the Bank's performance in co-financing with official sources had been generally satisfactory, co-financing with commercial and export credit sources had been limited and should be expanded. Given the large resource requirements of the DMCs — particularly the middle-income countries — and the limited availability of official assistance, it was felt that the Bank should play a more active role in promoting co-financing with commercial and export credit sources. Aside from the "cross-default" approach currently adopted by the Bank, it was considered necessary to evolve other ways and means of promoting commercial/export credit co-financing, such as a complementary financing scheme, assignment of early maturities to commercial lenders, and even loosely connected parallel co-financing arrangements. Furthermore, the Bank should also consider a more active marketing strategy to attract co-financing from these sources.

Plans were drawn up to establish a co-financing unit in the Bank to stimulate the interest and enlist the cooperation of commercial banks. The Bank is also organizing a Workshop on Co-Financing with Commercial and Export Credit Sources, to be held immediately before the Bank's Fifteenth Annual Meeting in April 1982, with a view to exchanging views on the role of such co-financing and measures to promote it.

The Board is expected in 1982 to consider further measures which might be adopted by the Bank on co-financing, particularly with commercial and export credit sources.

## Environmental Activities

The Bank has taken steps to systematize consideration of the environmental impact of its development projects. In

1981, environmental problems were reviewed and analyzed in regard to some 75 projects covering 17 developing countries. These encompassed all development sectors and, on occasion, called for cross-sectoral studies. With the expected expansion and diversification of Bank operations, there is need to integrate further the Bank's approach to environmental planning and management in all phases of the project cycle. Where possible, the opportunity is taken to spell out the wider implications of the project, such as natural resource development and resettlement of affected communities, and to insure that appropriate safeguards are instituted.

The Han River Basin Environmental Master Plan in the Republic of Korea marked the Bank's first financing of an environmental project per se. Other projects with significant environmental components include the Palawan Integrated Area Development Project and the Agricultural Waste Recycling Project, both in the Philippines.

The Bank has also commenced assisting environmental institution building in its DMCs and strengthened the education and training of Bank staff in aspects of environmental planning and management.

## Support for Private Sector Activities

The private sector plays a very important role in the economic development of most DMCs. Recognizing this, the Bank assists private enterprises — especially small and medium-scale industries — through its lending and technical assistance activities.

Development finance institutions are the most effective conduit for Bank loans to the private sector. The Bank's very first loan in 1968 was to the Industrial Finance Corporation of Thailand for onlending to smaller enterprises. Through credit lines to DFIs, the Bank is able to channel and disperse medium and long-term development funds to a large number of small and medium-sized projects, the individual financing requirements of which are not large enough to warrant direct Bank supervision.

As of the end of 1981, the Bank had extended over \$1.3 billion in 64 credit lines to 26 DFIs in 17 DMCs. These credit lines accounted for about four-fifths of the Bank's assistance to the industrial sector and about 13 per cent of total Bank lending. Bank loans to DFIs were, in turn, farmed out to over 6,800 subprojects, 95 per cent of which were in the private sector, covering a wide range of manufacturing industries such as textiles, chemicals, paper, building materials, transport equipment, iron and steel, metal and wire products, wood, cork and food-processing.

A significant aspect of Bank loans to DFIs is that they have proved to be perhaps the fastest vehicle of Bank assistance, leading to a quick transfer of resources to the borrowing countries as well as to quick realization of economic benefits with minimal gestation periods. Bank loans to DFIs also help promote private initiative and strengthen national standards of loan appraisal and monitoring. This type of support is expected to continue in the future. The Bank is also exploring the possibility of undertaking equity financing on a modest scale as an additional tool to promote private investment. A Regional Seminar on Equity Financing was proposed to be held in February 1982 to discuss the subject.

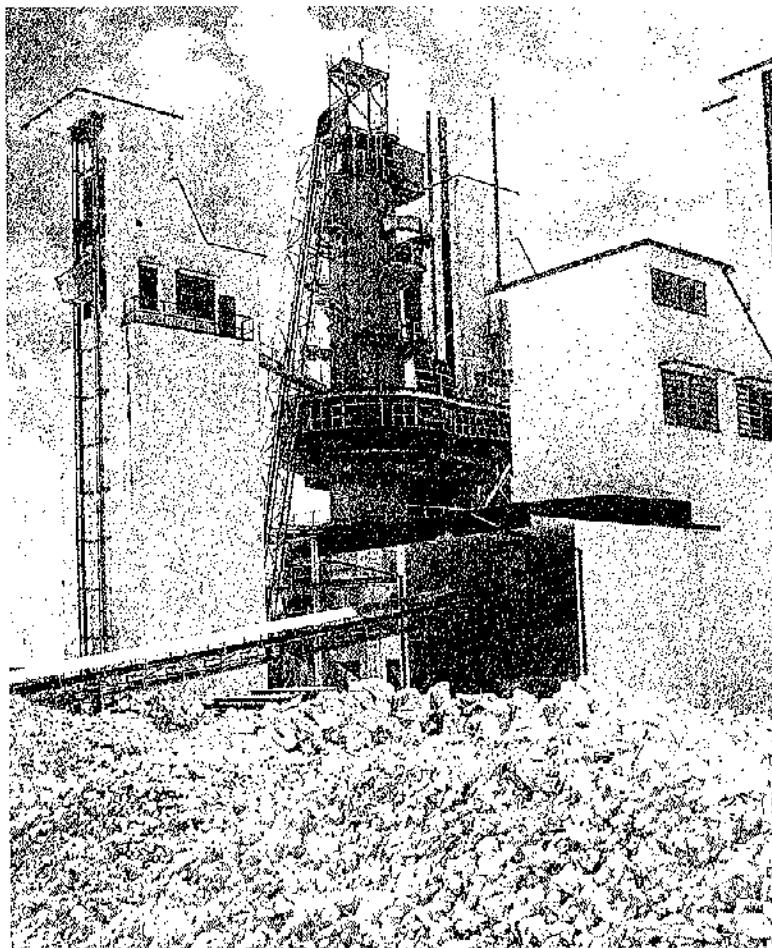
Bank loans and technical assistance to the Agriculture and Agro-Industry sector benefit millions of small farmers

who constitute — although they are not always recognized as such — the region's largest bloc of private entrepreneurs. Bank-financed irrigation, rural development, livestock and agricultural credit projects have helped millions of small-scale agricultural entrepreneurs to raise their output and thereby improve their standards of living. For example, nearly 100,000 farmers have gained access to previously unobtainable modern agricultural technology — fertilizer and other inputs, and up-to-date crop processing and marketing techniques — through ongoing Bank agricultural credit projects. Such assistance was significantly augmented in 1981.

Private entrepreneurs in the fishing industry in the Asian and Pacific region also have profited from the Bank's activities. A major vehicle for this assistance is credit provided to fishermen, fish farmers, and other private individuals and companies. Twenty-three Bank-financed projects have helped underwrite, with funds channelled through DFIs or other financial intermediaries, the cost of boats, engines, fishing gear, aquaculture facilities and shore installations such as ice plants.

Apart from Bank lending to DFIs and Agriculture and Agro-Industry, private enterprises also benefit substantially from Bank support for infrastructure projects — power, roads, ports, shipping, railways and telecommunications — upon which they so heavily depend for their efficient operation. Moreover, in many instances, Bank-financed infrastructure projects have triggered industrial expansion or the establishment of new businesses — many of which are in the private sector.

*A LIME factory in Singapore, one of several private sector enterprises which have been helped by Bank loans on-lent by the Development Bank of Singapore.*



## Benefits to the Poor

As a financial institution, the Bank pays very close attention to ensuring that its lending program meets the highest and most vigorous tests of financial management and sound banking practices. It is, however, equally meticulous about the social impact of the projects it supports. In this respect, it seeks to focus the benefits of its assistance predominantly on the poorest and most economically depressed areas and population groups of its borrowing DMCs.

Nearly three-quarters of all the world's poor are found in the Asian and Pacific region and, although some DMCs have done much to improve the living conditions of their populations, the majority of people continue to lack the most basic human needs. Most of the extremely poor live in the countryside but there are also large pockets of poverty, even in the relatively better-off DMCs, in the cities, many of which are straining from overpopulation as a result of the irrepressible drift of rural people to the urban centers.

The Bank's priority efforts in helping the poor are manifested in a three-pronged lending strategy aimed at (i) improving productivity and social infrastructure in rural areas; (ii) providing better educational, health and housing facilities for the poor; and (iii) moderating population



growth. In operational terms, the Bank has sought to implement this strategy by concentrating its available concessional lending from ADF in the poor countries, by focusing allocations of resources on sectors which benefit primarily the poor, and by judicious project selection and choice of project design and implementation techniques.

In 1981, the Bank continued to restrict its ADF resources almost solely to the poorer DMCs, and during the year 93 per cent of concessional loans were allocated to these countries, compared with 90 per cent in 1980. Bangladesh received the largest amount of ADF loans (\$191 million), followed by Pakistan (\$155 million), Burma (\$59.5 million), Nepal (\$45.2 million), and Sri Lanka (\$36.5 million). In the three instances in which ADF resources were provided to middle-income countries — the Technical Education Project in Papua New Guinea, the Palawan Integrated Area Development Project in the Philippines and the Medium-Scale Irrigation Project in Thailand — care has been taken to target these schemes at poor people.

Most of the poor in the Bank's region live in rural areas, and Bank-assisted projects in the Agriculture and Agro-Industry sector directly help alleviate rural poverty and unemployment. During the year, the Bank approved 17 project loans, three program loans and two sector loans for agriculture (see page 34) which will boost the output of major staple crops and generate millions of new jobs for the rural poor.

Bank-assisted integrated development projects, however, confer the most widespread benefits on the region's poor. Such projects cover a wide variety of activities, including intersectoral linkages, within a depressed



area of a country. The Palawan Integrated Area Development Project in the Philippines, for which the Bank approved a \$47 million blended loan in 1981, is one example of such an approach in which both economic growth and more direct social improvement objectives are pursued in a comprehensive and integrated manner.

A large proportion of Asia's poor live on islands or in coastal areas and rely heavily upon fish for protein. Fishing technology, however, remains rudimentary in many countries. During 1981, the Bank approved two loans for fisheries projects — the Second Fisheries Development Project in Sri Lanka and the Sabah/Sarawak Fisheries Infrastructure Project in Malaysia — which together will provide additional employment opportunities for over 16,000 people and are expected to increase fish catches by 62,000 mt. annually. Over four million people are expected to benefit from these developments.

There is also a shortage of high quality animal protein in the Bank's region. Two livestock projects approved in 1981 — the Sumatra Livestock Development Project in Indonesia and the Smallholder Livestock Development Project in the Philippines — will create over 8,000 new jobs and are expected to benefit about 250,000 farmers.

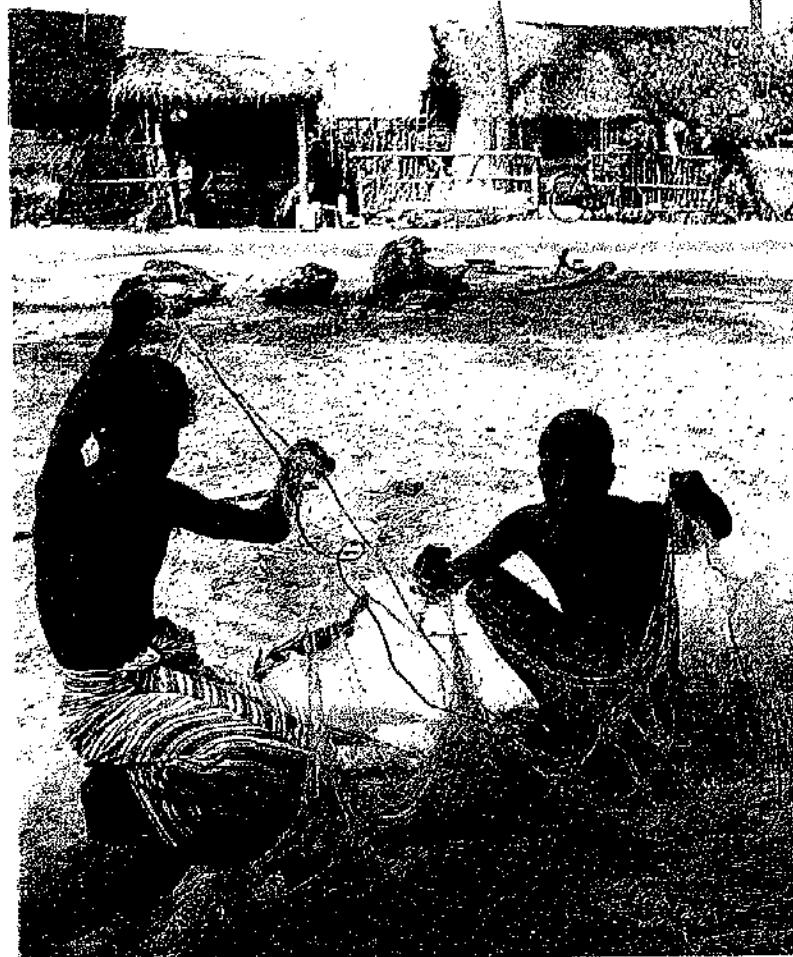
Many timber-producing DMCs are now implementing logging control and conservation policies. The Bank recognizes that forestry can be important in improving the lives of the rural poor through raising incomes and protecting the environment and as a fuel source. During the year, the Bank approved a concessional loan of \$11 million for the Community Forestry Project in Bangladesh.

In the agro-industry subsector, the Bank in 1981 approved a \$72 million concessional loan for the Chittagong Urea Fertilizer Project in Bangladesh, which will help augment food supplies and benefit millions of rural poor.

Bank-assisted integrated rural development projects have often included health clinic components, but in 1981 the Bank decided to expand the scope of its assistance for health services. The Bank's strategy now concentrates on environmental health; preventive and curative health services; drug production and distribution; and family planning services and transmigration schemes.

Many parts of tropical Asia are chronically affected by waterborne diseases. Water supply, sewerage and drainage projects therefore constitute a key part of the Bank's efforts to alleviate poverty. Three water supply projects approved in 1981 — one each in Indonesia, Republic of Korea and Philippines — are expected to increase water production by 145,000 cubic meters per day and bring improved water supplies to over 2.75 million people, of whom 440,000 live in conditions of acute poverty. During the year, the Bank also approved two Health and Population projects — one each in Malaysia and Pakistan — which combine the twin objectives of better health care and controlled population growth. The Upgrading of Hospitals Project in Burma aims at improving essential medical and referral services to about 60 per cent of the population.

Among the Bank's DMCs, about 290 million people, or 22 per cent of the total, now live in urban areas. If the current urban population growth rate of 4 per cent per annum is maintained, this number will rise to 430 million people by 1990. The implications of this growth rate are enormous, both in social and environmental terms. Recognizing the importance of providing adequate housing for the growing number of urban poor, the Bank approved \$60 million for



the Second Low Income Housing Project in the Republic of Korea in 1981. The Bank also extended \$39.3 million to Indonesia for the Medan Urban Development Project during the year.

Bank operations in other sectors can also bring significant benefits to the poor. For example, two Energy sector loans approved in 1981 amounting to \$122.5 million — a \$35 million Rural Electrification Sector loan to Pakistan and a very large \$87.5 million loan for a Rural Electrification scheme in the Philippines — will help improve opportunities for small businesses and raise living standards in rural areas. Similarly, the Bank recognizes that good feeder roads to neglected and economically depressed areas can greatly improve the productive potential of the rural poor by improving their access to markets, services and supplies.

The Bank also recognizes that project design and implementation techniques are as important as project selection if the poor are really to benefit from Bank assistance. In this regard, the application of appropriate technology — one which matches the human and natural resources of the community, reduces dependence on imports, minimizes adverse environmental effects, creates more jobs, permits balanced growth and improves income sharing — is crucial. Whenever possible, the Bank tries to take these factors into account in project planning. Local materials and local skills are used whenever possible. Projects are appraised not only on financial grounds but also on the basis of economic costs and benefits. The Bank also frequently includes a benefit monitoring and evaluation system in projects in order to measure the flow of actual benefits to the poor and to judge whether the objectives originally set are fully realized.

## Sectoral Review

### Agriculture and Agro-Industry

Despite considerable advances in industrialization, agriculture remains the principal means of livelihood and the main determinant of overall economic growth in the majority of the Bank's DMCs. With few exceptions, agriculture contributes between 50 and 70 per cent of Gross National Product, provides employment for between 50 and 90 per cent of the labor force and accounts for a major part of export earnings, ranging from about one-third up to 90 per cent of the total value of merchandise exports if processed products are included.

Because of its overriding importance, the Bank has consistently accorded high priority in its lending and technical assistance activities to the agriculture sector — covering irrigation and rural development, industrial crops and agro-industry (including fertilizer production), fisheries, livestock and forestry, and agricultural support services (including credit). In the selection and formulation of projects for financing, the Bank has taken into account the development priorities and objectives of its DMCs including the increase of food production, employment creation, earning and saving of foreign exchange and, particularly, the eradication of poverty.

During 1981, the Bank continued to increase the range and volume of its lending and technical assistance for agriculture and rural development. In pursuit of development objectives and in order to enhance operational efficiency, the Bank made increased use of new methods of lending and strengthening implementation and institutional capacity through training and consultant services. In addition to 17 project loans, the Bank extended three program loans to enhance utilization of production potential and past investment through crop intensification programs. Two sector loans were also approved to accelerate and improve implementation of irrigation development and rehabilitation. Technical assistance grants in excess of \$5 million were provided for consultant services and training in the context of project implementation and institution building in addition to loans approved for these purposes.

During the year, Bank lending to this sector amounted to \$541.6 million in 22 loans, compared with \$467.9 million in 22 loans in 1980. Technical assistance amounted to \$8.2 million for 24 projects, compared with \$9.8 million for 30 projects in 1980.

In terms of overall Bank lending, the Agriculture and Agro-Industry sector received approximately one-third (32.3 per cent) of total loans during 1981, compared with 32.6 per cent in 1980. This sector also received 55.2 per cent of the Bank's technical assistance, compared with 69.2 per cent in 1980.

In addition, the Bank processed two loans for exclusive financing by the International Fund for Agricultural Development (IFAD) in the amount of \$36.6 million.

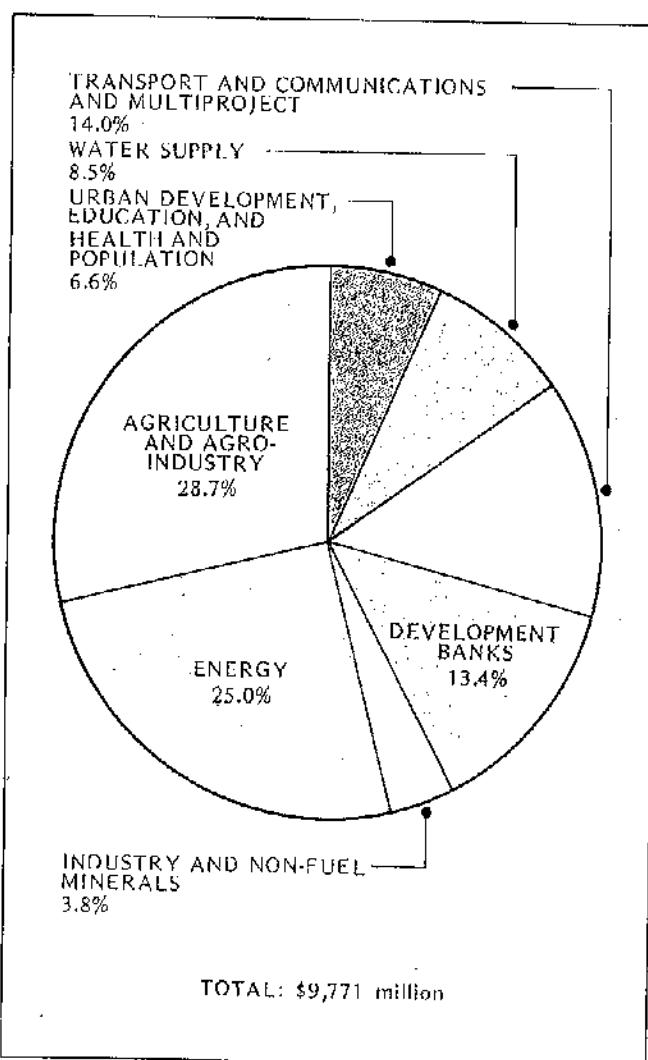
Total Bank lending to this sector as of the end of 1981 amounted to \$2,806 million for 172 projects, while technical assistance amounted to \$49.8 million for 212 projects.

**Irrigation and Rural Development:** Raising food production and diversifying agricultural output and the rural economy remain the primary objectives of Bank-assisted agriculture projects. Irrigation, combined with flood control

and drainage measures, is the central factor in crop intensification strategies. The Bank pays close attention to increasing employment opportunities and raising rural incomes and emphasizes an integrated approach to rural development projects. Special emphasis is put on strengthening rural institutions and ensuring the increased participation of smallholders and landless workers in Bank-assisted projects.

The Bank is concerned about delays in the implementation of projects and the long gestation periods before anticipated project benefits are fully realized. Greater emphasis has, therefore, been placed on smaller-scale schemes that employ simpler technology which can be more readily implemented and from which benefits can be generated more rapidly. Similarly, increased emphasis has been placed on projects designed to rehabilitate and expand existing irrigation facilities and to improve water management in order to generate benefits more rapidly and to utilize existing resources and Bank funds more effectively. During 1981, the Bank approved its first two water resources sector loans (\$50 million for the Small-Scale Ir-

LOAN APPROVALS  
BY SECTOR, 1967-1981



igation Sector Project in Bangladesh and \$33.6 million for the Bali Irrigation Sector Project in Indonesia), thereby focusing more sharply on the policies and plans for the development of small-scale water resource schemes.

Furthermore, the Bank approved a \$30 million loan from OCCR for the Farmers' Organization Support Services Project in Malaysia which aims at assisting an estimated 100,000 smallholders through establishment of farmers' development centers, provision of farm mechanization ser-

vices, and improving socio-economic conditions in the depressed traditional crop farming sector which suffers from a labor shortage and low labor productivity.

Three other loans — all concessional — were to finance Crop Intensification Programs in Bangladesh (\$18 million), Burma (\$5 million with co-financing of \$15 million from the OPEC Fund for International Development) and Nepal (\$4 million). The major part of these loans will be used for importing chemical fertilizer to raise crop yields through im-

#### LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 — 1979-1981

	Total Lending	Agriculture and Agro-Industry	Energy	Industry and Non-Fuel Minerals	Development Banks	Transport and Communications <sup>a</sup>	Water Supply	Social Infrastructure Urban Development, Education, Health and Population
<b>Average during (US \$ million)</b>								
1968-1970	128.4	25.0	15.4	19.3	30.0	30.9	6.8	1.0
1969-1971	199.3	40.8	50.6	17.3	39.0	43.2	7.4	1.0
1970-1972	271.9	42.7	89.9	13.7	38.0	58.4	27.0	2.2
1971-1973	330.5	52.1	106.4	1.4	51.2	78.9	37.1	3.4
1972-1974	428.4	80.4	114.4	17.2	64.5	91.4	57.1	3.4
1973-1975	543.2	151.3	125.1	23.1	90.9	96.0	49.8	7.0
1974-1976	661.3	193.6	141.2	36.2	115.3	109.9	59.9	5.2
1975-1977	774.2	236.2	170.5	32.4	119.7	131.4	65.2	18.8
1976-1978	940.4	257.9	202.5	68.2	135.2	150.2	84.3	42.1
1977-1979	1,098.9	328.1	264.0	61.7	129.8	133.4	95.7	86.2
1978-1980	1,282.0	396.7	319.0	50.3	140.5	159.5	103.2	112.8
1979-1981	1,454.9	473.7	395.9	13.1	156.0	138.2	113.0	165.0
Cumulative (1968-1981)	9,770.9	2,806.0	2,443.5	375.2	1,310.1	1,357.6	829.5	649.0
<b>Percentage Distribution</b>								
1968-1970	100.0	19.5	12.0	15.0	23.4	24.1	5.3	0.7
1969-1971	100.0	20.5	25.4	8.7	19.5	21.7	3.7	0.5
1970-1972	100.0	15.7	33.1	5.0	14.0	21.5	9.9	0.8
1971-1973	100.0	15.8	32.2	0.4	15.5	23.9	11.2	1.0
1972-1974	100.0	18.8	26.7	4.0	15.1	21.3	13.3	0.8
1973-1975	100.0	27.9	23.0	4.2	16.7	17.7	8.2	1.3
1974-1976	100.0	29.3	21.3	5.5	17.4	16.6	9.1	0.8
1975-1977	100.0	30.5	22.0	4.2	15.5	17.0	8.4	2.4
1976-1978	100.0	27.4	21.5	7.2	14.4	16.0	9.0	4.5
1977-1979	100.0	30.0	24.0	5.6	11.8	12.1	8.7	7.8
1978-1980	100.0	30.9	24.9	4.0	11.0	12.4	8.0	8.8
1979-1981	100.0	32.6	27.2	0.9	10.7	9.5	7.8	11.3
Cumulative (1968-1981)	100.0	28.7	26.0	3.8	13.4	14.0	8.5	6.6

<sup>a</sup> Includes Multiproject loans.

creased and more balanced use of fertilizer. This is complemented by facilities and services for extension, storage, transportation, distribution and credit provision to remove constraints on increased fertilizer use.

A large majority of projects approved in 1981 include a built-in Project Benefits Monitoring and Evaluation element. This is particularly important in the two sector loans where subprojects have not yet been finally determined and where the results of the monitoring of the subprojects first selected will help in the selection and design of subsequent schemes.

The sector loan for Bangladesh also includes a revolving fund to finance local expenditures. Both the Bank and the Government of Bangladesh will contribute to this fund which will help remove bottlenecks in the provision of funds, and thereby improve the pace of implementation of the project. This is a new approach, both for Bangladesh and for the Bank, and will be carefully monitored.

In 1981, the Bank approved 13 loans<sup>1</sup> amounting to \$348.8 million in the Irrigation and Rural Development subsector. This accounted for 64 per cent of the Bank's total lending for Agriculture and Agro-Industry during the year and raised the cumulative lending for the subsector to \$1,610.2 million.

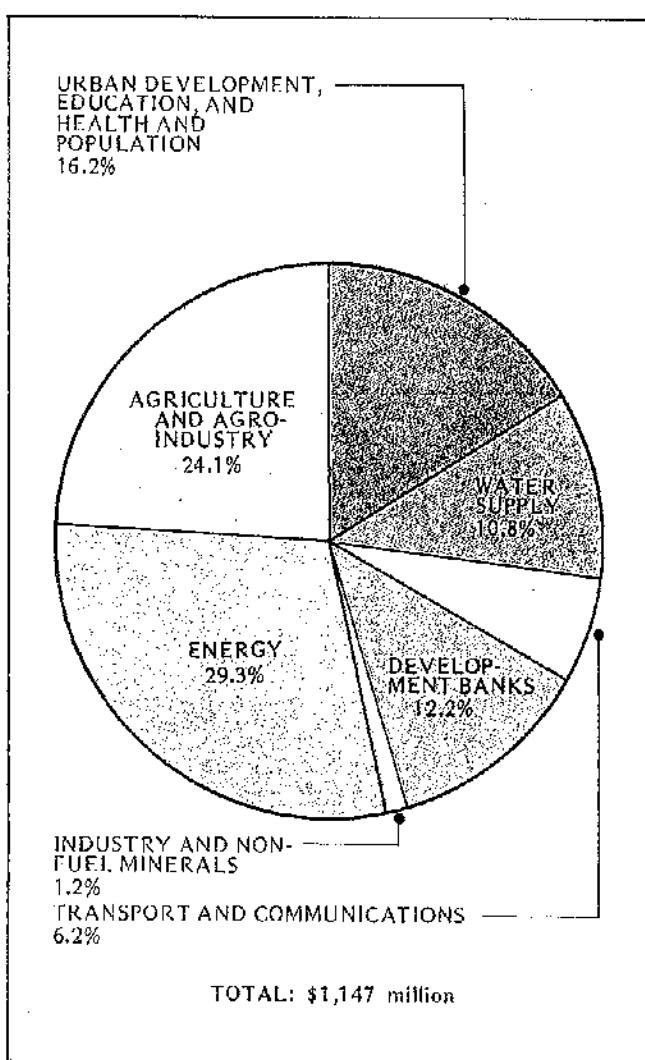
**Industrial Crops and Agro-Industry:** The Bank's approach to this subsector covers not only investment in processing facilities but also emphasizes the provision of raw materials for processing.

During the year, the Bank extended four loans to this subsector amounting to \$123 million. The first (\$12 million for the Coconut Development Project in Sri Lanka) is being co-financed by IFAD and aims to revitalize this important export sector through provision of inputs and extension to about 75,000 smallholders and modernization of processing facilities. The second (\$23 million for the Nucleus Estate and Smallholder Cotton Project in South Sulawesi) aims to reduce Indonesia's dependence on cotton imports and will benefit about 25,000 farm families. The Bank also approved a \$16 million loan to Burma in 1981 for the Paddy and Rice Storage Project, involving, among others, the provision of modern paddy storage facilities in the Irrawaddy Division and at Rangoon Port.

Increased and reliable supply of chemical fertilizer is essential for raising agricultural production in general and that of foodgrains in particular. Helping DMCs achieve these objectives provides the rationale of Bank support for fertilizer projects in Bangladesh, Indonesia, Pakistan, and Sri Lanka.

During 1981, the Bank extended a concessional loan of \$72 million — the largest ever from ADF — for the Chittagong Urea Fertilizer Project in Bangladesh. The loan will cover part of the foreign exchange requirements of the Project. The balance of \$221 million is being met by six other co-financiers. After completion, the Project is expected to produce about 560,000 tons of urea annually using indigenous natural gas as feedstock and fuel, enabling Bangladesh to achieve self-sufficiency in urea fertilizer and to export the remaining surplus. Net foreign exchange savings and earnings are estimated at \$114 million a year.

## ORDINARY LOAN APPROVALS BY SECTOR, 1981



At the end of 1981, the Bank had provided a total of \$604 million in loans for 35 projects in this subsector, and \$3.7 million in technical assistance for 25 projects.

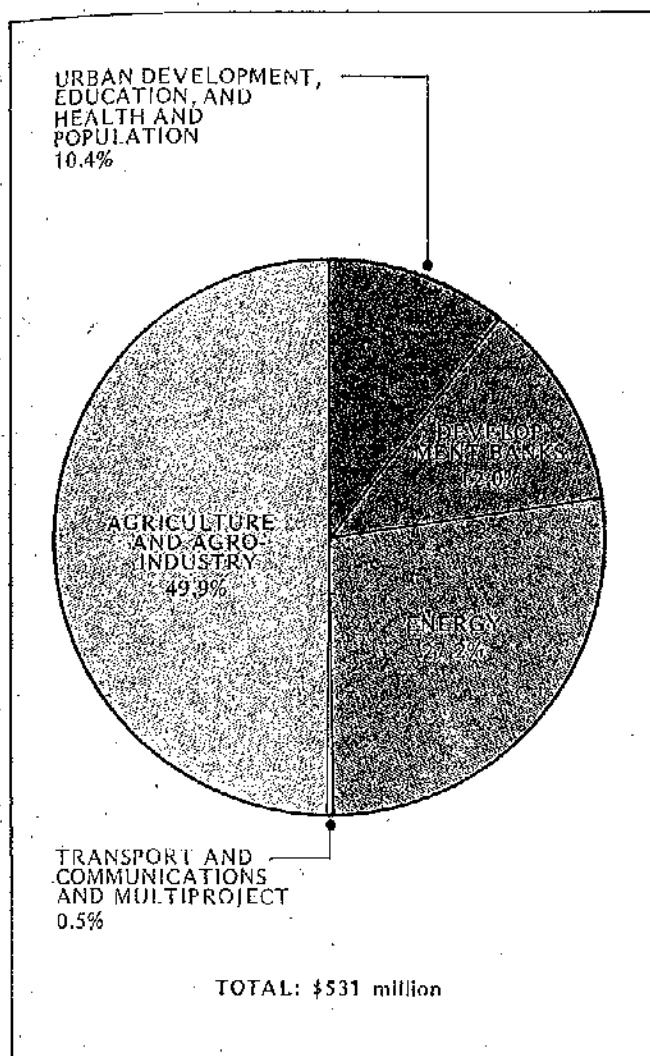
**Fisheries:** Fisheries are important in developing regional food resources and the Bank continues to provide financial and technical assistance to this subsector directed primarily to artisanal fishermen and fish farmers. The Bank aims to increase the availability of fish and fish products for domestic consumption, to increase exports and to generate more gainful employment, thereby raising the incomes of fishermen and fish farmers.

The Bank envisages further development of fisheries in line with its policy of assisting low-income artisanal fishermen and fish farmers. The potential for increased Bank assistance to this subsector has been enhanced by declarations of 200-mile exclusive economic zones by many countries which have considerably expanded marine resources within national jurisdictions and the expansion and intensification of aquaculture in DMCs.

During 1981, the Bank made two loans amounting to \$34.1 million for the fisheries subsector: the Second

<sup>1</sup> The Palawan Integrated Area Development Project in the Philippines and the Medium Scale Irrigation Package in Thailand were both financed by blended loans from OCF and SF resources.

SPECIAL FUNDS LOAN APPROVALS  
BY SECTOR, 1981



Fisheries Development Project in Sri Lanka and the Sabah/Sarawak Fisheries Infrastructure Project in Malaysia. Each of these included technical assistance to assist in project implementation and a similar grant was approved for the ongoing Java Fisheries Development Project in Indonesia. Technical assistance for project preparation was extended to the Second Irian Jaya Fisheries Development Project and the Brackishwater Project in Indonesia, the Aquaculture Project in Sri Lanka and the Baluchistan Fisheries Project in Pakistan. A regional technical assistance grant was also approved to update a Fish Market Study.

At the end of 1981, the Bank had made 29 loans amounting to \$367.6 million for fisheries and aquaculture development and provided an additional \$742,000 for fisheries components in three rural development projects. It had also extended 26 technical assistance grants amounting to \$5.6 million to this subsector.

**Livestock:** Livestock is an integral part of the economic structure of subsistence agriculture and of village life throughout the region as the rearing of livestock consti-

tutes a profitable family activity. In line with the Bank's policy of assisting the rural poor, livestock producers are now receiving more attention. Many DMCs have been successful in increasing basic grain production in recent years, and attention is now being paid to a greater extent to livestock to utilize feed resources not in a form for human consumption. New livestock projects emphasize increasing the number of animals owned by smallholders and providing support services for required inputs and technology.

The Bank recognizes that the genetic potential of the region's animals could be improved substantially. Combined with better feeding, this would enhance the availability of animal protein and improved diets for the rural population and increase the income-generating capacity of rural areas.

During the year, two livestock loans were approved: the Sumatra Livestock Project in Indonesia and the Smallholder Livestock Project in the Philippines. Both are designed to increase mainly smallholder livestock output and the supply of animal products to meet domestic demand.

At the end of 1981, the Bank had provided \$81.3 million in loans for eight livestock projects in eight DMCs, in addition to almost \$14 million in loans for livestock components in seven area development projects and three agricultural credit projects. To date, the Bank has provided 19 technical assistance grants in this subsector, amounting to about \$4 million.

**Forestry:** Traditionally, Bank support for forestry has concentrated on log extraction, processing and afforestation for industrial use, fuelwood production and environmental protection. Afforestation has become very urgent in many of the Bank's DMCs due to diminishing wood supplies and sharply increased costs of alternative sources of fuel.

During 1981, the Bank approved a concessional loan of \$11 million for the Community Forestry Project in Bangladesh. This is the first forestry project involving active participation of rural communities and aims at reducing a widening fuelwood gap which cannot be effected through public sector involvement alone. The loan was accompanied by technical assistance grants totalling \$2.09 million (of which \$1.84 million is to be financed by UNDP) for project implementation and development of institutional capability to undertake large-scale community forestry activities. Technical assistance of \$116,000 was also approved for the preparation of a Forest Development Project in Pakistan.

At the end of 1981, the Bank had provided five loans amounting to \$50.7 million to the forestry subsector, and 18 technical assistance grants amounting to \$3.9 million.

### Energy

During the year, the Regional Energy Survey, commissioned by the Bank in 1980, was completed and published. The Survey provided a comprehensive assessment of the energy sector situation, needs and prospects of the DMCs.<sup>1</sup> It highlighted the three principal dimensions of the energy problem: (i) the heavy and increasing foreign exchange burden imposed on DMCs by rising oil prices; (ii) the high capital costs associated with developing in-

<sup>1</sup> Excluding India.

LOAN APPROVALS BY SECTOR, 1980, 1981, 1967-1981  
(amounts in \$ million)

Sector	1980						
	OCR		SF		TOTAL		
	No.	Amount	No.	Amount	No. <sup>a</sup>	Amount	%
Agriculture and Agro-Industry	7	197.90	15	269.99	22	467.89	32.59
Agriculture	6	169.90	13	237.19	19	407.09	28.35
Agro-Industry	1	28.00	2	32.80	3	60.80	4.24
Energy	5	275.13	4	107.30	9	382.43	26.64
Industry and Non-Fuel Minerals	—	—	1	6.20	1	6.20	0.43
Development Banks	3	105.00	3	22.00	6	127.00	8.84
Transport and Communications	6	189.94	3	33.50	8	223.44	15.56
Water Supply	4	105.51	1	1.65	5	107.16	7.46
Urban Development	1	20.00	1	20.00	2	40.00	2.79
Education	3	65.00	—	—	3	65.00	4.53
Health and Population	—	—	1	15.60	1	15.60	1.09
Multiproject	—	—	1	1.00	1	1.00	0.07
<b>TOTAL</b>	<b>29</b>	<b>958.48</b>	<b>30</b>	<b>477.24</b>	<b>58</b>	<b>1,435.72</b>	<b>100.00</b>

<sup>a</sup> A project which is financed from both OCR and SF is counted only once.

digenous energy resources as alternatives to imported oil; and (iii) the greater demands being placed on the already diminished non-commercial energy resources of rural areas due to higher costs of alternative commercial fuels. Emphasizing the fact that domestic savings and export earnings of most of the DMCs will be inadequate in the decade ahead to meet energy sector investment and import requirements, the Survey enjoined international finance agencies (IFAs) to assume the task of mobilizing the necessary external financial resources and channeling them toward well-formulated national energy development plans.

The Survey recommended that IFAs broaden their portfolios by increasing support for projects involved in indigenous energy resource development, improving the efficiency of energy use in energy-intensive sectors of the economy, promoting the conservation of energy, and enhancing the capability of national institutions to formulate and implement effectively comprehensive energy development plans and policies.

In the context of the Regional Energy Survey findings, the Bank considers it appropriate to (i) increase its overall financial assistance for the Energy sector; (ii) assist in the mobilization of additional external resources for Energy sector development through co-financing with official and commercial sources; (iii) widen the range of assistance to include such activities as energy master planning, prepara-

tion of energy conservation programs, and development of renewable and rural energy resources; and (iv) provide increased support to the development of technical and managerial manpower resources in the DMCs required for the effective implementation of energy programs and projects. The Bank proposes to implement this policy in closer coordination with other IFAs and bilateral aid agencies.

In line with this approach, Bank lending and technical assistance during the year underwent significant changes both in quantitative and qualitative terms. The number of loan projects in the Energy sector increased from nine in 1980 to 11 in 1981 with the total amount rising from \$382.4 million to \$480.1 million.

In addition to such significant quantitative increases, there were also major qualitative changes. Under the Power System Rehabilitation and Expansion Project in Bangladesh, for which the Bank provided \$26.5 million from ADF, rehabilitation and improvement of existing power system facilities will be taken up in an accelerated manner, contributing to improved operational efficiency. Likewise, a \$8.3 million concessional loan to Nepal will assist in electrifying a number of outlying rural demand centers through the development of a renewable energy resource, namely, mini-hydropower. Development of a new, renewable energy source is also envisaged under a \$87.5 million OCR loan to the Philippines for Rural Electrification which will help set up three mini-hydro plants to meet requirements of in-

1981

1967-1981

OCR			SF		TOTAL			OCR			SF		TOTAL		
No.	Amount	No.	No.	Amount	No. <sup>a</sup>	Amount	%	No.	Amount	No.	No.	Amount	No. <sup>a</sup>	Amount	%
9	276.60	13	265.00	20	541.60	32.28	68	1,244.13	120	1,561.88	172	2,806.01	28.72		
8	253.60	10	165.00	16	418.60	24.95	55	1,078.73	91	1,123.15	137	2,201.88	22.54		
1	23.00	3	100.00	4	123.00	7.33	13	165.40	29	438.73	35	604.13	6.18		
6	335.90	5	144.20	11	480.10	28.62	69	1,877.65	44	565.79	94	2,443.44	25.01		
1	13.00	—	—	1	13.00	0.77	18	272.47	5	102.77	21	375.24	3.84		
3	140.00	3	64.00	6	204.00	12.16	45	1,082.10	21	228.00	64	1,310.10	13.41		
1	71.40	1	1.00	2	72.40	4.32	63	1,169.38	27	184.37	81	1,353.75	13.85		
4	123.70	—	—	4	123.70	7.37	34	710.36	10	119.16	40	829.52	8.49		
2	99.30	—	—	2	99.30	5.92	8	219.25	1	20.00	9	239.25	2.45		
3	61.00	2	21.50	4	82.50	4.92	9	159.80	12	136.50	19	296.30	3.03		
1	25.80	2	33.50	3	59.30	3.53	13	64.30	3	49.10	6	113.40	1.16		
—	—	1	1.68	1	1.68	0.10	—	—	3	3.88	3	3.88	0.04		
30	1,146.70	27	530.88	54	1,677.58	100.00	317	6,799.44	246	2,971.45	509	9,770.89	100.00		

dividual demand centers in the rural areas. Assistance in the field of rural energy development also included a \$35 million concessional sector loan for Rural Electrification in Pakistan which will provide electricity to about 900 villages nationwide over the period 1982-84.

In addition to Bank loans in the areas of rural and renewable energy and improving the efficiency of energy systems, Bank assistance during 1981 also emphasized the development and utilization of indigenous energy resources — mainly hydropower and natural gas. During the year, Bank assistance was also aimed at rationalizing the transmission and distribution systems of its DMCs, through rehabilitation, interconnection and extension so that power could be brought to more people with greater efficiency and reliability. Bank-assisted rural electrification projects will also provide increased economic opportunities and improve the quality of life of the rural poor.

Diversification of Bank assistance and increased emphasis on improving institutional capabilities are also reflected in the technical assistance provided to the Energy sector during the year. Under technical assistance projects to Indonesia and Nepal, major institution-building and manpower-training efforts will be undertaken. Assistance was also provided during the year to bring out collaboration between the power utilities of two DMCs (Bangladesh and Thailand) for the purpose of training and information exchange. Under technical assistance grants to the Philip-

pines and Pakistan, training and studies for improving financial management of their respective power agencies will be assisted. Technical assistance was also provided during the year to evaluate some of the issues concerning new and renewable energy options, such as dendro-thermal development. Findings of this technical assistance may have wider applications to other DMCs, thereby accelerating the pace of adoption of such new options.

Two significant new projects, expected to be implemented in 1982, were prepared during the year: a study of industrial energy utilization in the Philippines and technical assistance for the development of an industrial energy conservation program; and a major reassessment of the energy supply/demand situation in Bangladesh and formulation of approximate and feasible national energy development plans.

The Bank continued its policy of strengthening borrowing institutions through technical and other assistance in such areas as the design of tariffs, systems planning, financial management and evaluation of new energy sources. Plans were also made for a meeting of major donor agencies in Manila in early 1982 to review the scope and coverage of ongoing and planned energy development planning activities in DMCs and to promote greater coordination of such efforts in the future.

During 1981 Bank technical assistance for the Energy sector amounted to \$2.8 million for nine projects compared

with just over \$1 million for four projects in 1980. At the end of the year, total Energy sector lending amounted to \$2,443.4 million for 94 projects. Total technical assistance amounted to \$11.7 million for 47 projects.

### Industry and Non-Fuel Minerals

The majority of the Bank's DMCs have assigned high priority to industrialization as a strategy for achieving balanced and accelerated socio-economic development. Due to their diverse economic conditions and cultural backgrounds, the potential for industrial development in individual DMCs varies greatly. The Bank's fundamental strategy is to help DMCs develop their basic industries and industrial infrastructures, taking into account their levels of economic development, resource endowments (particularly energy), size of domestic markets and international trade relations. It does this in two ways: by direct lending for large-scale projects and by indirect lending through development finance institutions (DFIs) which are involved in the promotion of small and medium-scale industries.

Recognizing the importance of small and medium-scale industries as a means to generate employment for the growing labor force in DMCs and to achieve a more equitable income distribution and a wider ownership of the means of industrial production, the Bank has increasingly placed emphasis on developing institutional infrastructures necessary to promote and support such industries. A major constraint on the development of the small and medium industry (SMI) sector in the majority of DMCs is the lack of suitable institutions to provide practical training in modern industrial business management and modern manufacturing and production techniques for SMI entrepreneurs, managers and operators.

Reflecting its policy of emphasizing the development of SMIs, the Bank in 1981 extended a \$13 million OCR loan to the Republic of Korea for the Small and Medium Industry Management and Technology Institute Project. This Project will provide the country's SMI sector with better training for managerial and technical staff, and initial refresher training for industrial extension service officers who are needed to help SMIs achieve greater operational efficiency, higher productivity and better standards.

Development of non-fuel mineral resources for export and domestic consumption can play an important role in improving the balance of payments position of some DMCs. A major constraint in the development of mineral resources is the lack of basic information and data for assessing and evaluating mineral deposits. In 1981, Bank activities in the Non-Fuel Mineral sector focused on follow-up of earlier technical assistance for the development and upgrading of national institutional capabilities and facilities for conducting geological, geophysical and geochemical surveys, as well as mineral exploration programs to generate the information and data needed for the promotion of mineral resources development.

During the year, the Bank extended a technical assistance grant of \$190,000 to Pakistan to carry out a feasibility study for a Gypsum Mining Project in Punjab Province. The Project aims at increasing the production of gypsum for use in reconditioning agricultural soils which have been affected by salinity, as well as for use in cement production.

### Development Banks

In 1981, the Bank continued to assist the growth of small and medium-scale industries through DFIs. The Bank's assistance to DFIs complements its direct financing of large-scale industrial projects which, through sectoral linkages to small and medium-scale industries, strengthens and diversifies the manufacturing sector and facilitates a more effective utilization of existing capacity and wider possibilities for industrial growth. The size and operational scope of DFIs in the Bank's region varies greatly, reflecting the differing needs of governments and economies for industrial financing. In general, DFIs are able to channel and disperse medium and long-term funds to a large number of industrial development projects which are too small for direct Bank financing. Bank assistance to DFIs tends to promote strong and effective domestic investment institutions which play an important role in mobilizing domestic and foreign resources.

DFIs also undertake promotional activities that contribute to the development of the private industrial sector through the identification of investment opportunities and the fostering of entrepreneurship. In many cases, they take the lead in mobilizing and coordinating efforts to overcome obstacles to industrialization. They have also contributed to increases in incomes and savings mobilization through the expansion of the financial infrastructure of the economy and the creation of skilled and unskilled employment opportunities. These Institutions also function as major centers for the dissemination of modern management techniques, thus helping to raise the level of industrial efficiency and productivity.

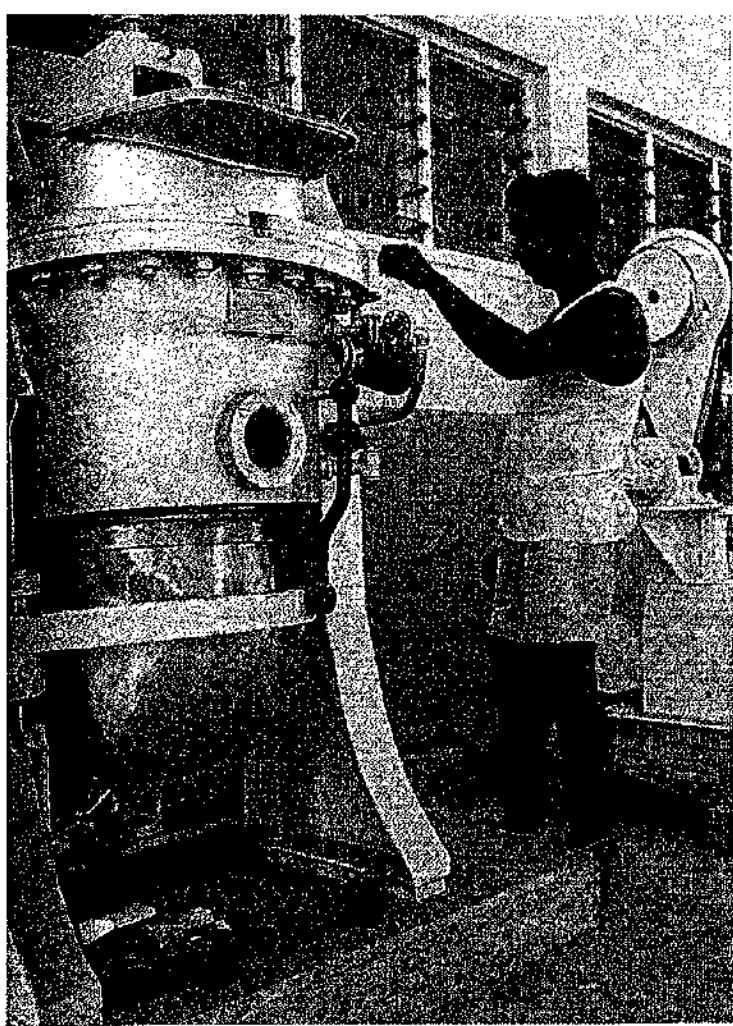
During the year, the Bank made six loans to DFIs amounting to \$204 million. The loans, in the form of foreign currency credit lines, will be re-lent by the recipient DFIs mainly to small and medium-scale industrial enterprises. The loans will also serve to strengthen the institutional and management capabilities of the DFIs themselves and encourage them further in their promotional activities.

These loans ranged from a \$4 million loan to the Development Bank of Western Samoa (DBWS) to four relatively large-sized credit lines — \$30 million to the Citizens National Bank of Korea (CNB), \$50 million each to the Industrial Finance Corporation of Thailand (IFCT) and the National Development Finance Corporation of Pakistan (NDFC) and \$60 million to the Korea Long Term Credit Bank (KLB). The loan to KLB has attracted co-financing of \$50 million from commercial sources; the first time co-financing from commercial sources has been blended with a Bank loan to a DFI. The Bank also extended \$10 million during the year as its first loan to the National Development Bank of Sri Lanka (NDBSL), which was established in 1979, to promote industrial and agricultural development in both the public and private sectors of the country.

At the end of 1981, the Bank had approved 64 credit lines amounting to \$1,310 million to 26 DFIs in 17 DMCs. This represented 13.4 per cent of total Bank lending.

### Transport and Communications

Development of an adequate and effective transportation infrastructure has long been recognized as an important groundwork for economic growth. The recent rapid increases in fuel prices and the resultant strain on the finan-



A CONFECTIONERY plant in Fiji (left) and a joinery in Papua New Guinea (right), two small-scale enterprises in the South Pacific helped by Bank credits on-lent by the Fiji Development Bank and the Papua New Guinea Development Bank, respectively.

cial resources of most DMCs have obliged many of them, however, to review their priorities of investment. This, in turn, has also had an impact on the Bank's level and pattern of lending in the Transport and Communications sector.

Consequently, the share of transportation in the total lending of the Bank registered a significant decline — from an average of 21.3 per cent in the period 1972-74 to 9.5 per cent in the period 1979-81. The sharp decline in the share of lending for the sector in 1981 to an all-time low of 4.3 per cent is partly a reflection of this trend and partly attributable to special circumstances leading to cancellation of certain projects after they had reached an advanced stage.

Investment priorities within the transportation sector have also undergone substantial changes. Whereas in the past development of national and arterial road networks and large ports and airports accounted for a major part of the investment in this sector, the focus in recent years has shifted to secondary and feeder roads for opening up new areas and rural roads and the development of secondary and minor ports. Transportation is also often included as a component in integrated agricultural development projects. During 1982, the Bank plans to undertake a study of the impact of higher energy costs on priorities of investment in the transportation sector with a view to assessing the future priorities of DMCs and to developing an appropriate strategy for Bank assistance in this sector.



During 1981, the Bank's first loan to the Republic of Maldives was approved, \$1 million for an Interisland Transport Project. This Project, which follows technical assistance extended earlier by the Bank, is being co-financed by the OPEC Fund for International Development. The loan will help provide the country's first reliable, scheduled shipping services between the capital island of Male and the widely scattered atolls. It is expected to benefit the country's agriculture sector which is heavily dependent on regular transport services for the marketing of perishable products, stimulate intra-atoll trade and promote social and administrative integration.

During the year, the Bank also approved a \$71.4 million loan — the single largest loan so far in this sector — for the Songkhla and Phuket Ports Project in Thailand. This loan will enable deepwater berthing facilities to be constructed at two important ports in south Thailand — Songkhla on the east coast and Phuket on the west — to allow for direct loading and discharging of cargo, thereby eliminating current lighterage operations and transhipment of cargo through other international ports. Under the Project, two interconnected bridges having a total length of 2.8 km. across Songkhla Lake will also be constructed.

Seven technical assistance projects were approved by the Bank for this sector in 1981. A technical assistance grant of \$100,000 was extended for the preparation of a feasibility report to improve and expand Lautoka Port, the second largest port in Fiji. The Bank also approved two

technical assistance grants for feasibility studies and preparation of rural roads projects in Papua New Guinea and Indonesia and a supplementary technical assistance to Kiribati for the completion of geotechnical investigations in connection with a causeway project financed by the Bank. In addition, the Bank, acting as Executing Agency, approved three other technical assistance grants for road projects in Bangladesh, Nepal (both with financing from the Government of Switzerland) and Philippines (with financing from UNDP).

At the end of 1981, the Bank had approved 90 loans amounting to \$1,354 million for 81 projects in the Transport and Communications sector. Within the sector, roads and ports projects received the major share of funding with 53 per cent and 35 per cent, respectively, followed by airports (7 per cent), railways (4 per cent) and telecommunications (1 per cent).

### Water Supply and Sewerage

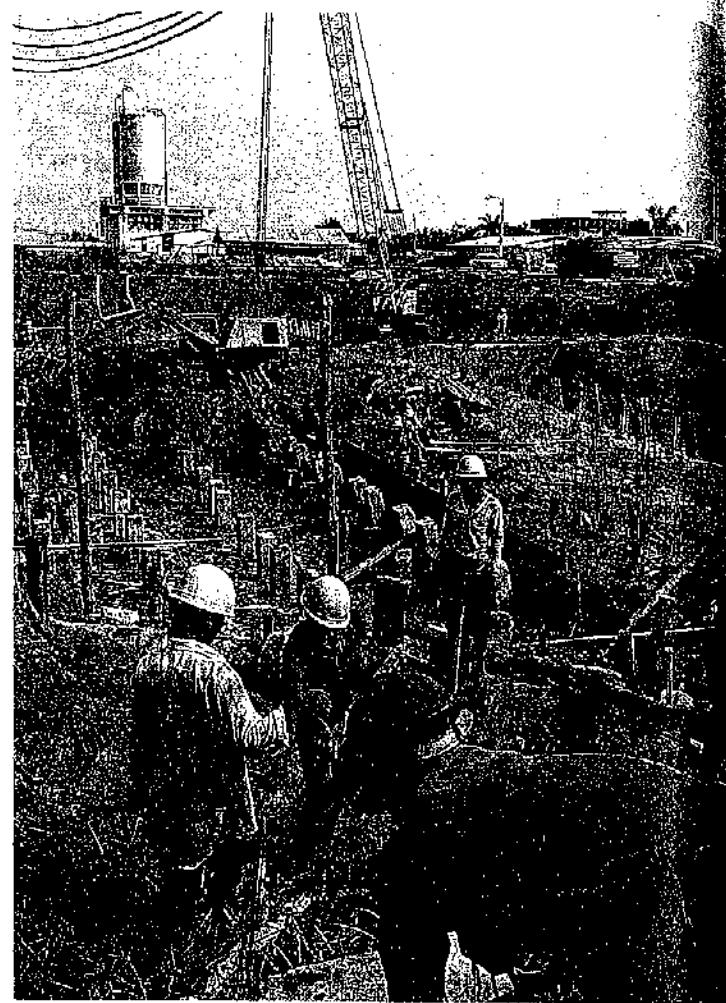
The improvement of Water Supply and Sewerage facilities is of critical importance to the health and socio-economic progress of Asia. It has been estimated that at any given time there are about 150 million Asians suffering from gastro-enteritis and that if everyone had access to safe drinking water and sanitation, infant mortality would be reduced by 50 per cent.

The objective of the United Nations' International Drinking Water and Sanitation Decade, which started in November 1980, is to provide safe drinking water and adequate sanitation to everyone in the developing world by the year 1990. In the past, the Bank had made a significant contribution to the improvement and expansion of water supplies in major urban centers and reducing the problems caused by inadequate and overloaded sewerage systems which particularly affect the urban poor. This role has been enlarged in recent years with Bank financing being directed increasingly to projects in provincial and rural areas. This trend will continue and future Bank activities will show a balanced spread between major urban water and sewerage systems and relatively simple village water and sanitation systems. With its considerable experience in several major sewerage projects in large urban areas, the Bank has recently become involved in comprehensive studies of air, water and solid waste pollution in order to determine the most cost-effective approach to environmental protection.

In 1981, a \$46 million sector loan was approved for a project in the Philippines which will expand the water supply systems in three major urban centers and also provide a reliable water supply service in 44 small urban areas which at present have intermittent, unsafe water supplies.

A \$35.5 million loan was also provided in 1981 to Indonesia to provide an additional groundwater supply source and to rehabilitate the distribution system in Semarang, the country's fifth largest city. Under the Project, an adequate and reliable water supply will be provided to densely populated areas.

Three provincial cities in the Republic of Korea will also benefit from a \$38.1 million loan which will help finance the expansion of their water supply systems. Another loan to that country, for \$4.1 million, will finance the foreign exchange cost of consultant services to carry out studies on the protection of the environment of the Han River Basin. About 12 million people reside in the river basin area, which



*CONSTRUCTION work at the Bangkok Water Supply Project in Thailand, where Bank loans are providing for the expansion and improvement of the city's water supply system to meet water demand up to the mid-1980s.*

includes the city of Seoul. Under the Bank loan a long-term master plan covering the control of air, water and solid waste pollution will be formulated and high priority first stage projects identified and prepared.

Three project preparatory technical assistance grants were provided in 1981. In the Republic of Korea, \$150,000 was provided to assist in the preparation of a project for the expansion of water supply systems in 21 municipalities and another \$50,000 was provided for the preparation of long-term master plans and first stage projects in 15 cities throughout the country. In the Philippines, the feasibility of a bulk water supply scheme for 24 municipalities in Bulacan province will be determined with \$150,000 in technical assistance.

The Bank approved four loans amounting to \$123.7 million for this sector in 1981. Total Bank lending for water supply and sewerage projects at the end of 1981 amounted to \$829.5 million, covering 40 projects in 13 countries.

### Urban Development

The Bank's focus in the Urban Development sector has been mainly on programs which will help stem the

deterioration of living conditions in cities by developing urban infrastructure, including sites and services and public facilities such as water supply, sanitation and sewerage and also, where necessary, housing for low-income groups, and by improving the capabilities of the institutions responsible for urban development. The Bank also seeks to reduce pressures on primary cities by checking the influx of people through the development of rural areas and secondary urban centers. Water Supply and Sewerage sector loans also contribute directly to the Bank's urban development programs.

During 1981, the Bank approved \$99.3 million for two urban development projects. It also approved \$680,000 for two technical assistance projects which will receive financing of \$530,000 from UNDP.

The Second Low Income Urban Housing Project in the Republic of Korea (the first was approved in 1979) is designed to ease the acute shortage of urban housing among low-income groups in some of the country's primary and secondary cities. The Project will provide about 9,600 housing units and benefit about 43,000 persons in 1983. In Indonesia, the Medan Urban Development Project is designed to meet the priority needs of the city in water supply, sanitation and housing. The Project involves components in water supply, sewerage, drainage, solid waste management, upgrading of low-income residential area, sites and services with core housing, institutional development and an urban land management study. The improvement/extension of urban services under the Project will, on completion in 1986, benefit over one million people. Also in Indonesia, a technical assistance grant for the Small Towns Kampung Improvement Project will prepare a sector loan for the improvement of kampungs in about 35 small and medium-sized towns in Central Java. The Low Cost Housing technical assistance in Malaysia, partially funded by UNDP, will prepare a project designed to meet the housing needs of low-income groups in selected urban areas in Peninsular Malaysia.

At the end of 1981, total lending for the sector amounted to \$239.3 million for nine loans and \$724,500 for five technical assistance projects, excluding contributions amounting to \$854,500 from UNDP for three technical assistance grants.

## Education

The Bank recognizes the crucial role of education in economic and social development. While continuing to emphasize technical and vocational education the Bank has also been extending its support for other areas of education. Bank projects generally support educational development consistent with overall development needs. Projects for technical and vocational education aim mainly at upgrading the quality of training and occupational skills. In project formulation and appraisal, attention is given to a wide range of assistance covering such aspects as upgrading of educational and support facilities; provision of equipment; revision of curricula; provision of academic and technical consultants; fellowships for staff development; and management and institutional improvement, all in the context of supporting a country's manpower and development needs.

Four projects amounting to \$82.5 million were approved in the Education sector during the year, including the Com-

munity Schools Project in Bangladesh which marked the Bank's first involvement in non-formal education. This Project aims to improve the skills and productivity of the rural population by establishing and equipping workshop facilities in about 200 secondary schools. These schools will offer non-formal training programs as well as civic education programs in nutrition, health and family health care and will become the focal centers for community education. The Technical Education Project in Papua New Guinea will improve and expand technical education and apprentice training through the provision of better facilities and equipment and the establishment of a Technical Teachers' Training Center and an Apprentice Training Center.

The Technical and Vocational Education Project in the Philippines will help produce better trained middle-level technical manpower resources in the context of accelerated industrialization. The Project will upgrade 23 technical education institutes throughout the country from which about 20 per cent of the country's annual incremental needs for technicians are expected to be drawn. The fourth project aims at upgrading the University of North Sumatra to improve the output of high-level manpower needed mainly for the development of the western region, a relatively backward area of Indonesia. Six faculties in the fields of agriculture, engineering, science, medicine, dentistry and economics will benefit from a comprehensive program, covering construction and refurbishing of facilities, development of a demonstration farm, equipping of laboratories and workshops, strengthening of support facilities, supply of books and periodicals, fellowships and consultant services.

During the year, the Bank also approved project preparatory technical assistance to Nepal to improve science education and to Thailand for agricultural education. In Nepal, a team of consultants will explore the feasibility of setting up centers for upgraded training of science teachers, selecting secondary schools for improved science instruction, enriching science curricula and providing facilities and equipment. In Thailand, consultants will study the feasibility of upgrading facilities at a number of existing agricultural training institutions according to agricultural manpower requirements, regional needs, and areas of specialized demand. The Bank will also act as Executing Agency for the Vocational and Industrial Training Project in Singapore, for which UNDP is providing \$542,720 in technical assistance.

At the end of 1981, Bank assistance for education amounted to \$296.3 million for 21 loans and \$3.3 million for 18 technical assistance projects.

## Health and Population

Bank assistance for health and population projects increased sharply in 1981. The Bank adopts a comprehensive approach to health improvement and population programs in its DMCs. Its main support is for primary health care services, including family planning, and for improvements to health delivery systems in support of primary health care services through the upgrading of health and support facilities, provision of equipment, medical supplies, development of manpower and the provision of consultant services and fellowships.

During 1981, three projects amounting to \$59.3 million

were approved for the Health and Population sector, two of which resulted from previous Bank technical assistance. The Health and Population Project in Malaysia, which the Bank is supporting with \$25.8 million from OCR, provides for the expansion of primary health care and family planning services, and basic hospital facilities through the construction and equipping of health centers and district hospitals and provision of consultant services and on-the-job training for health staff. The Upgrading of Hospitals Project in Burma, for which the Bank provided \$18.5 million from ADP, is designed to support several components of the health services delivery system including upgrading of rural hospital facilities, establishment of facilities for the repair and maintenance of medical equipment, strengthening of the drug distribution network (including supply of essential drugs), and improvements to paramedical training facilities.

The Health and Population Project in Pakistan, which the Bank is financing with a \$15 million concessional loan, aims to improve the functioning of District and Tehsil (a smaller administrative unit) hospitals in Punjab Province through the establishment of paramedical technician training schools, supply of medical equipment including related maintenance and repair workshops, and provision of consultant services and fellowships. The Project also provides direct assistance for population services at selected hospitals in Punjab Province.

In other sectors, apart from Water Supply and Sewerage projects, where health is inherently an important consideration, specific health components have been included in the Second Multiproject Loan in Tonga, which provides new health centers, and the Palawan Integrated Area Development Project in the Philippines, which includes a malaria control component.

At the end of 1981, the Bank had approved six loans in the Health and Population sector amounting to \$113.4 million and \$1.1 million for six technical assistance projects.

### Multiproject Loans

Multiproject loans are considered as a separate category because they combine components relating to several sectors in one package. With a growing number of such loans, the approach has proved to be highly successful in meeting a variety of needs of the smaller South Pacific DMCs in a special framework — flexible, practical and economical from the viewpoint of the recipient DMCs as well as of the Bank. In 1981, the Bank made its third multiproject loan — to Tonga — amounting to \$1.68 million. The loan covered five subprojects related to agriculture, fisheries, health, roads and tourism.

Despite the relatively small amount involved, the three loans have covered as many as 21 widely dispersed subprojects in several sectors and ranging in individual estimated total costs from \$45,000 to \$299,000, with the single exception of the Vanua Levu Development subproject in Tonga which has an estimated total cost of about \$1.6 million. The loans have proved to be probably the fastest disbursing Bank loans, and in view of the special needs and features of the smaller South Pacific DMCs, they have afforded maximum flexibility in the preparation, approval, supervision and administration of the subprojects.

The three multiproject loans to date amount to \$3.88 million.

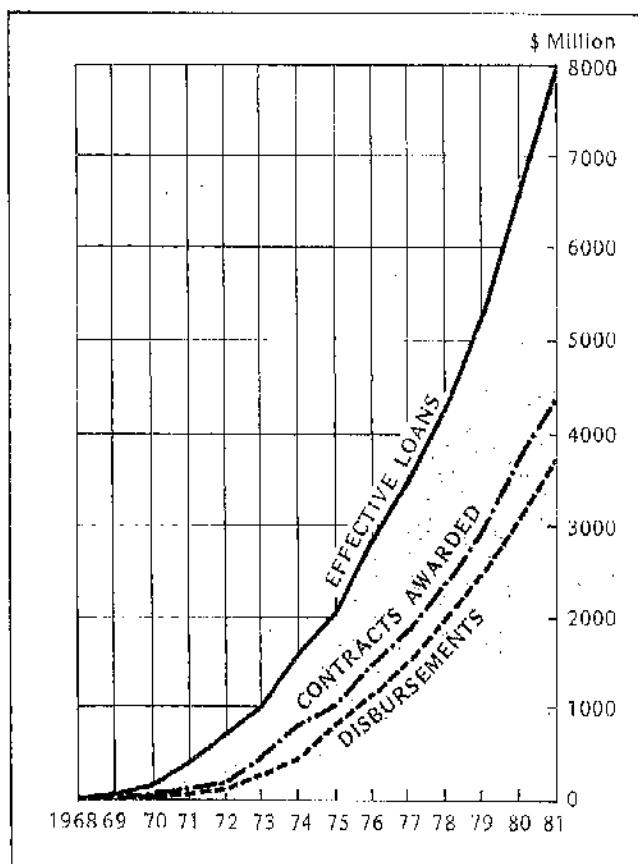
### Loan Administration

During the year, 357 loans were under administration, compared with 325 in 1980. The increase, together with the implementation of more complex and socially oriented projects, prompted the Bank to initiate measures to cope with the expanding volume of loan administration activities and to strengthen its capability to supervise the projects it finances.

The Bank's *Guidelines for Procurement under Asian Development Bank Loans* was revised during 1981. The revised guidelines, which are more comprehensive and detailed, aim to provide better guidance to borrowers as well as to suppliers and contractors, thereby facilitating the procurement of goods and services. In addition, a *Procurement Handbook* has been prepared and is being distributed to the executing agencies. The preparation of sample standard tender documents and sample conditions of contract in collaboration with other international lending institutions is underway and will be completed in early 1982.

In order to facilitate the identification of prospective candidates for consultancy assignments and to better assess their qualifications, the use of the Data on Consultants (Dacon) form for registration of consultants was expanded and computerized. The Bank also carried out studies on the local consulting industry in some DMCs and ascer-

### CONTRACTS AWARDED AND DISBURSEMENTS TO END OF 1981



### CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS, 1968-1981<sup>a</sup>

(amounts in \$ million)

Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No. <sup>b</sup>	Amount <sup>c</sup>	Amount <sup>c</sup>	Percentage of Cumulative Effective Loans	Amount <sup>d</sup>	Percentage of Cumulative Effective Loans
1968	4	20	4.5	22	1.8	9
1969	13	67	13.5	20	9.3	14
1970	28	137	58.7	43	26.4	19
1971	67	404	115.5	29	75.1	19
1972	93	696	270.8	39	136.2	20
1973	130	998	446.9	45	282.7	28
1974	187	1,612	803.1	50	470.2	29
1975	221	2,052	1,118.7	54	832.1	40
1976	264	2,846	1,483.9	52	1,158.7	41
1977	294	3,461	1,832.9	53	1,514.9	44
1978	340	4,289	2,381.3	56	1,977.1	46
1979	391	5,274	2,886.4	55	2,463.4	47
1980	451	6,592	3,727.3	57	3,042.4	46
1981	510	7,953	4,373.5	55	3,709.5	47

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

b. For years 1980 and 1981, includes nine fully cancelled and seven refinanced loans.

c. Net of cancellations and amount transferred to subsequent loans.

d. Includes interest and other charges financed during construction.

tained the existing capabilities of domestic consultants with a view to promoting their engagement for Bank-assisted projects. The studies will also be used as the basis for discussions between the consulting profession and governments regarding the development of the local consulting industry.

There were significant developments in project monitoring and supervision — a key loan administration activity — in 1981. In the course of the year 345 full project reviews (including those done by fact-finding and appraisal missions) were carried out. Supplementing these loan administration missions for individual projects, six country disbursement missions and two country review missions were also undertaken to help expedite disbursements and to better familiarize project agencies with the Bank's loan administration procedures. On a much wider basis, country profiles of implementation performance, providing an in-depth assessment of an individual country's experience, have been completed for four selected DMCs. Other important steps taken toward project monitoring were the intensified project reviews — especially with respect to projects beset with start-up problems — and the distribution of Critical Path Method (CPM) networks, which indicate the various tasks to be done and identify for executing agencies the critical activities to be performed within a definite time frame. Studies were also carried out on how to improve the existing administrative and reporting ar-

rangements governing the implementation of co-financed projects with a view to providing more up-to-date information to co-financiers. A new reporting system will be implemented in 1982.

Recognizing the importance of providing borrowers with suitable training opportunities in order to improve their implementation capabilities, the Bank conducted three seminars in 1981 at its Headquarters: two on procurement and one on project implementation management. A total of 63 participants from 15 DMCs attended these seminars. Furthermore, four country seminars on procurement were held in Indonesia, Nepal, Pakistan and Philippines, with the participation of 134 senior and middle-level officials involved in procurement.

The total value of contracts awarded during the year was \$646 million, against \$841 million in the previous year, while total disbursements amounted to \$667 million against \$579 million in the previous year.

Disbursements under ordinary loans improved from \$429 million to \$518 million. There was, however, a marginal reduction in disbursements under Special Funds loans from \$150.3 million in 1980 to \$149.2 million in 1981 for the following reasons: (i) most of the loans which were being disbursed related to projects in sectors where the period of implementation is relatively long and, consequently, disbursement is spread out over a wider period; (ii) shortage of local funds slowed down progress of certain projects;

and (iii) implementation problems in some major borrowing countries had a significant effect on the overall disbursement performance.

The ratios of cumulative amounts of contracts awarded and disbursed relative to the total amount of effective loans as of the end of 1981 were 55 per cent and 47 per cent, respectively, compared with 57 per cent and 46 per cent, respectively, in 1980.

## Projects Completed

A total of 19 projects were completed in 1981, bringing the total number of projects completed to 172 out of 509 projects approved to the end of the year. Five of the 19 projects were in the Agriculture and Agro-Industry sector, and the remainder were distributed in Transport and Communications (four), Energy, Development Banks, and Water Supply and Sewerage (three each), and Industry and Non-Fuel Minerals (one).

During 1981, 20 Project Completion Reports (PCRs) were completed, compared with 25 in 1980. In addition, 11 PCRs have been substantially completed and will be circulated in early 1982. A total of 68 PCRs have been prepared out of 168 projects which have been completed up to 31 December 1981.

## Post-Evaluation

Post-Evaluation is viewed in the Bank as an important management tool and as a key input for policy making. In order to ensure that evaluation staff can make independent judgments, the Post-Evaluation Office (PEO) is organized as a separate unit reporting directly to the President.

Because of the importance attached to post-evaluation activities by the Board of Directors, its Audit Committee is required to satisfy itself that the Bank's post-evaluation activities are adequate and efficient. The Audit Committee meets periodically with the Chief, PEO to review progress. Individual post-evaluation reports are discussed on a selective basis as are PEO's activities, procedures and annual work program.

During the past year as in the two preceding years, PEO focused on the preparation of Project Performance Audit Reports (PPARs) which evaluate, verify and audit the findings of Project Completion Reports (PCRs) prepared by the respective project departments for completed projects. Aspects of the project reviewed during this independent assessment include project preparation and appraisal, loan documentation, project implementation, operating performance, economic evaluation and assessment of the Bank's performance.

The Bank, in its post-evaluation reports, uses, as appropriate, a variety of tests in assessing the performance of completed projects. These tests, which are by no means mutually exclusive, approach the project from different perspectives. Thus the achievement test judges success using objectives adopted at appraisal as the standards of comparison. The effectiveness test determines whether the project components provided were sufficient to attain, or contributed to the attainment of, the stated objectives. The efficiency test determines whether the selected project was completed in the minimum possible time and constituted the least cost alternative, or whether avoidable delays occurred, and if the costs of attaining the objectives

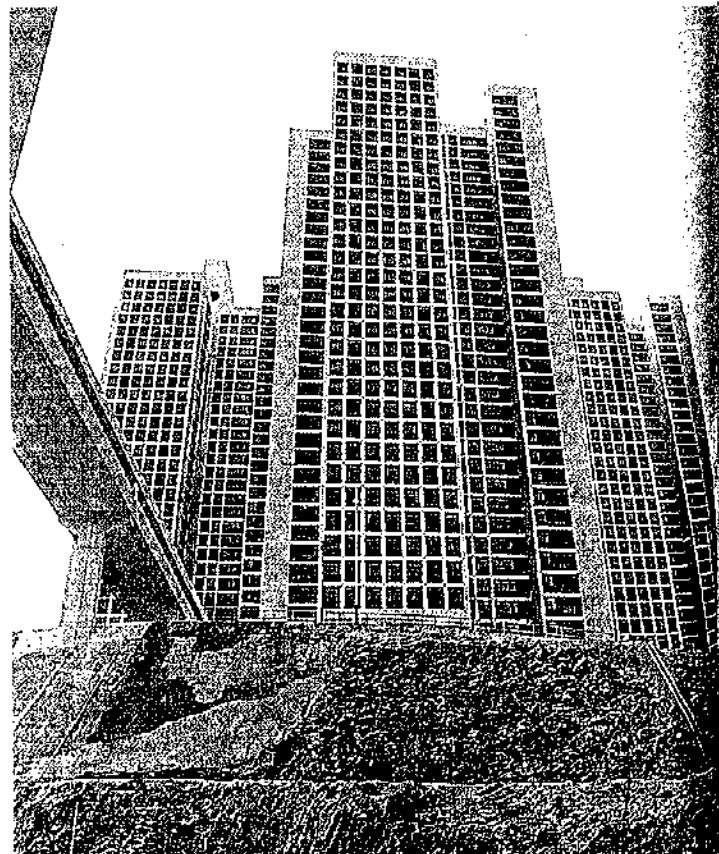
were reasonable compared to alternative methods of achieving the same objectives. The adequacy test determines whether the measures used by the Bank during project appraisal and implementation proved adequate to ensure attainment of a project's objectives within the framework of the borrower's capabilities and the Bank's guidelines and procedures. Finally, the significance test determines whether the project made a significant contribution to economic and social development of the country concerned.

PEO staff discuss drafts of each post-evaluation report with concerned officers of other Departments and Offices of the Bank as well as providing drafts to executing agencies for comment. Their attention is specifically drawn to the findings and conclusions submitted by PEO. Bank staff at the operational level thus become aware of PEO's findings and lessons learned can be suitably noted when preparing future projects. The appraisal reports for some projects have contained specific references to post-evaluations which had previously been undertaken on similar projects.

PEO follows up with concerned Bank staff and executing agencies to determine what action has been taken on the suggestions included in its post-evaluation reports. A summary report on the Implementation Status of Findings and Conclusions found in post-evaluation reports is prepared. Also, each year PEO staff review the major results of individual PPARs in order to derive broader conclusions which are reported to the Board in an Annual Review of Post-Evaluation Reports.

During 1981, PEO post-evaluated 35 projects which were reviewed in 30 separate reports. These projects were under-

*A NEW housing block in Sha Tin, in Hong Kong's New Territories, where Bank loans have provided a hospital-polyclinic and a sewage treatment plant as well as housing estates.*



taken in 13 countries and covered ten sectors of Bank operations. Since its establishment in 1978, PEO has evaluated a total of 78 projects or nearly half of the Bank projects completed as of the beginning of 1981.

A new feature of PEO's 1981 operations was the preparation of abbreviated PPARs. Such reports were prepared mainly for projects where earlier evaluations of projects undertaken by the same executing agency had not revealed substantial problems and where the PCR for the new project indicated that no major difficulties were encountered in implementation of the project.

During 1981, PEO issued its Third Annual Review of Post-Evaluation Reports. It summarized the findings and recommendations of the post-evaluation reports circulated in the previous year. A separate chapter addressed the general topic of steps proposed to improve project preparation.

The 15 projects covered in the Third Review resulted in a total investment of \$366.7 million of which Bank loans contributed \$106.03 million or nearly 30 per cent. Eleven of the 15 projects post-evaluated in 1980 seem to have largely achieved their major objectives. Three of the projects did not fully achieve some important objectives although progress was made in some areas. For one project the project facilities are no longer being utilized as expected because of changes in external factors which could not have been anticipated at the time of appraisal.

While the Third Annual Review highlighted the substantial achievements of Bank-assisted projects, attention was also drawn to some of the difficulties experienced during implementation. The major findings showed that for some projects time delays and cost overruns continued to pose significant problems. In most cases overruns did not, however, have too adverse an impact on project viability as they were largely offset by higher benefits than were anticipated at the time of appraisal.

Since the establishment of PEO, the Bank has gained considerable experience in post-evaluation activities. Late in 1981, a paper on PEO's activities and procedures was presented to the Board for discussion early in 1982.

Work continued on a Concordance of Post-Evaluation Reports. This cross-indexed reference document will facilitate ready access to the findings of all reports prepared by PEO over the years thus strengthening the feedback of PEO findings into Bank operations.

The activities of PEO are expected to be further expanded in 1982. In addition to preparing PPARs for all projects for which PCRs were issued in the previous year, as well as the Annual Review and Report on Implementation Status, work will also begin on three special studies which will focus on issues of general relevance to the Bank. Likely topics include an evaluation of the impact of Bank lending in the fisheries sector, an evaluation of the effectiveness of executing agency arrangements and evaluation of the effectiveness of Bank-financed technical assistance.

## Technical Assistance and Regional Activities

### Technical Assistance for DMCs

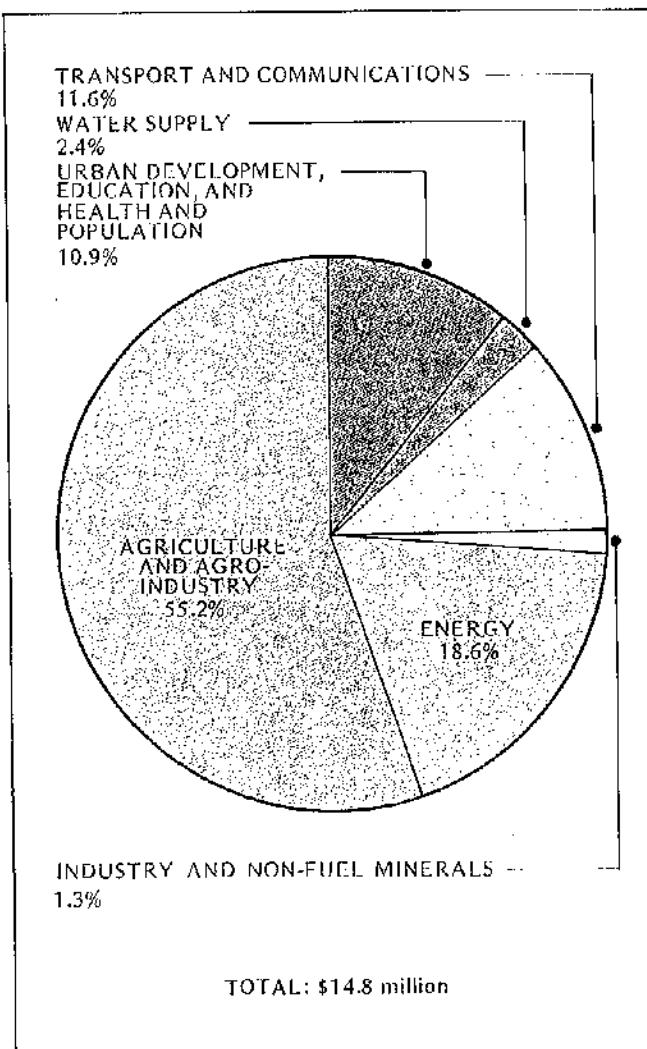
Technical assistance constitutes another very important area of Bank activity. Technical assistance operations facilitate the transfer of resources to DMCs by enabling

them to improve their capabilities to formulate, design, implement and operate development projects as well as to make effective use of available external project financing, either from the Bank or from other sources.

In broad terms, the Bank provides three types of technical assistance: project preparatory; advisory and operational (including project implementation/supervision); and regional. Project preparatory technical assistance is aimed at helping a borrower to formulate viable investment projects for subsequent financing by the Bank or other sources. Advisory and operational technical assistance is directed towards assisting executing agencies in institution building, and in the supervision, implementation and operation of Bank-financed projects. This includes the training of local personnel and improvements to technical, financial and administrative management. It is also provided for studies on sectoral policies or for formulating national development plans.

Regional technical assistance, on the other hand, is addressed to needs that are common to more than one DMC. In contrast to project preparatory and advisory and opera-

### TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1981



**TECHNICAL ASSISTANCE APPROVALS, 1981**  
(amounts in \$ thousand)

<b>Country/Project</b>	<b>Project Preparatory</b>	<b>Advisory and Operational</b>
<b>BANGLADESH</b>		
Community Forestry (Institution Building)	—	250.0
Community Forestry	—	1,840.0 <sup>b</sup>
Bhola Irrigation	219.3 <sup>b</sup>	—
Second Tubewell	400.0 <sup>a</sup>	—
Feeder Roads Improvement	310.0 <sup>c</sup>	—
<b>BURMA</b>		
Pump Irrigation and Area Development II	350.0 <sup>a</sup>	—
<b>FIJI</b>		
Lautoka Port Development	100.0	—
<b>INDONESIA</b>		
Second Irian Jaya Fisheries Development	150.0	—
Small Towns Kampung Improvement	180.0 <sup>a</sup>	—
Brackishwater Aquaculture Development	100.0 <sup>d</sup>	—
PLN Design Unit	—	149.0
Java Fisheries Development	—	180.0
Sumatra Livestock Development	—	240.0 <sup>c</sup>
Sixth Roads Sector	50.0	—
<b>KIRIBATI</b>		
Geotechnical Investigations (Supplementary)	—	27.0
<b>KOREA, REPUBLIC OF</b>		
Small Towns Water Supply Sector	150.0	—
Second Provincial Cities Water Supply	60.0	—
<b>MALAYSIA</b>		
Public Low Cost Housing	500.0 <sup>e</sup>	—
Sabah/Sarawak Fisheries Infrastructure	—	250.0
<b>NEPAL</b>		
Mini-Hydropower	—	750.0 <sup>a</sup>
Science Education	155.0 <sup>b</sup>	—
Pulp and Paper	200.0	—
Fourth Power-Part B (Rural Electrification Study)	150.0	—
Fourth Power	—	1,000.0 <sup>a</sup>
Command Area Development	—	1,200.0 <sup>b</sup>
Second Command Area Development	445.0 <sup>c</sup>	—
Feeder Roads Improvement	260.0 <sup>c</sup>	—
Power Development Study	45.0	—

tional technical assistance, regional technical assistance has been provided more frequently and specifically for such activities as training courses, seminars and workshops, sectoral and other studies, as well as in support of international research institutions located in the Bank's region.

In recent years, roughly 60 per cent of the Bank's total technical assistance has been for project preparation, 30

per cent for advisory and operational, and the remaining 10 per cent for regional activities.

During 1981, the Bank provided technical assistance (other than regional technical assistance) for 49 projects, compared with 56 projects in 1980, while the total amount increased from \$14.2 million in the previous year to \$14.8 million. Project preparatory technical assistance amounted to \$6.8 million for 32 projects, while advisory and opera-

Country/Project	Project Preparatory	Advisory and Operational
PAKISTAN		
Baluchistan Fisheries Development	350.0 <sup>c</sup>	—
Gypsum Mining	190.0	—
Forest Development	116.0 <sup>f</sup>	—
Power Development and Tariff Study	—	350.0
Agro-Industries Credit	150.0	—
PAPUA NEW GUINEA		
Rural Roads Improvement	179.0	—
PHILIPPINES		
Agricultural Waste Recycling	350.0	—
Palawan Integrated Area Development	—	350.0
Road Improvement	810.0 <sup>a</sup>	—
Rural Electrification (Financial Study)	—	120.0
Rural Electrification (Dendro Thermal Study)	150.0	—
Bulacan Bulk Water Supply Scheme	150.0	—
Smallholder Livestock Development	—	250.0
SINGAPORE		
Vocational and Industrial Training	—	542.72 <sup>e</sup>
SOLOMON ISLANDS		
Agricultural Research, Extension and Support Facilities	150.0	—
SRI LANKA		
Kirindi Oya Irrigation and Settlement	50.0	—
Second Fisheries Development	—	360.0 <sup>d</sup>
Aquaculture Development	105.0 <sup>b</sup>	—
THAILAND		
Natural Gas Transmission and Distribution	40.0	—
Agricultural Education	230.0	—
TONGA		
Vanilla Curing Improvement	—	120.0
<b>TOTAL</b>	<b>6,824.3</b>	<b>7,978.72</b>

To be financed by UNDP.

<sup>a</sup>In addition, FAO will provide \$120,000 under a cost-sharing arrangement.

<sup>b</sup>To be financed by Switzerland.

<sup>c</sup>In addition, FAO will provide \$88,000 under a cost-sharing arrangement.

<sup>d</sup>Of this, \$350,000 is to be financed by UNDP.

<sup>e</sup>In addition, FAO will provide \$79,000 under a cost-sharing arrangement.

<sup>f</sup>In addition, FAO will provide \$92,000 under a cost-sharing arrangement.

tional technical assistance amounted to nearly \$8 million for 17 projects. These amounts included technical assistance grant components incorporated in 15 Bank loans, amounting to \$8.2 million, of which \$1.4 million was for project preparation and \$6.8 million for advisory and operational (including implementation).

The lower number of technical assistance projects approved in 1981 was due mainly to the longer lead time re-

quired to process some large technical assistance projects and the consequent deferment of Bank consideration of these projects from 1981 to the early part of 1982.

Technical assistance grants are financed mainly from the Bank's Technical Assistance Special Fund (see page 80). In addition, the Bank acts as Executing Agency for technical assistance projects financed from other multilateral and bilateral sources such as UNDP and the

**1981 LOANS THAT RESULTED FROM EARLIER BANK TECHNICAL ASSISTANCE**  
 (amounts in \$ million)

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Costs <sup>a</sup>	Amount of Bank Financing			Amount of Co-Financing	Local Co to be Financed by Government
				OCR	SF	Total		
<b>BANGLADESH</b>								
Small-Scale Irrigation Sector	1980	0.450	—	—	50.00	50.00	12.00	20.00
Community Forestry	1980	0.125	16.80	—	11.00	11.00	1.84	3.96
Community Schools	1977	0.147	17.00	—	13.50	13.50	—	3.50
Chittagong Urea Fertilizer	1976	2.500	467.54	—	72.00	72.00	221.00	177.56
Power System Rehabilitation and Expansion	1977	0.150	42.17	—	26.50	26.50	1.26	14.41
Second Crop Intensification Program	1980	0.050	—	—	18.00	18.00	—	4.30
<b>BURMA</b>								
Paddy and Rice Storage Pump Irrigation and Area Development	1980	0.080	41.36	—	16.00	16.00	—	25.33
Upgrading of Hospitals	1979	0.285 <sup>b</sup>	33.00	—	20.00	20.00	6.00	7.00
	1980	0.350	26.90	—	18.50	18.50	—	8.40
<b>INDONESIA</b>								
Nucleus Estate and Small-holder Cotton Development	1979	0.098	37.80	23.00	—	23.00	—	14.80
Wadaslintang Multipurpose	1975	3.000 <sup>c</sup>	192.83	87.70	—	87.70	13.10	91.00
Bali Irrigation Sector	1978	0.150	—	33.60	—	33.60	12.50	62.80
University of North Sumatra	1978	0.246	50.00	26.00	—	26.00	—	24.00
Sumatra Livestock Development	1980	0.170 <sup>e</sup>	28.00	16.70	—	16.70	—	11.30
Semarang Water Supply	1978	0.210	65.50	35.50	—	35.50	—	30.00
<b>KOREA, REPUBLIC OF</b>								
Small and Medium Industry Management and Technology Institute	1978	0.097	28.20	13.00	—	13.00	—	15.20
Han River Basin Environmental Master Plan	1980	0.125	6.80	4.10	—	4.10	—	2.70
<b>MALAYSIA</b>								
Sabah/Sarawak Fisheries Infrastructure	1976	0.100	41.00	20.60	—	20.60	—	20.40
<b>MALDIVES</b>								
Interisland Transport	1979	0.098	2.00	—	1.00	1.00	0.88	0.12

Government of Switzerland. The Bank also cooperates with the Food and Agriculture Organization (FAO) on a cost-sharing basis in providing technical assistance for the preparation of projects in the agriculture sector.

In 1981, 18 technical assistance projects including one regional project amounting to \$9.6 million were wholly or partly financed from other sources, with the Bank acting as Executing Agency, comprising ten projects for \$7.4 million from UNDP and eight projects for \$2.2 million from the Swiss Government. In addition, five projects received assistance from FAO on a cost-sharing basis.

Sixteen DMCs received technical assistance from the Bank amounting to \$14.8 million for 49 projects in 1981. The fully eligible SF countries received \$9.5 million for 26 proj-

ects, compared with \$10.9 million for 37 projects in 1980. Technical assistance grants provided to South Pacific DMCs in 1981 amounted to \$576,000 for five projects compared with \$726,000 for five projects in the previous year.

On a sectoral basis, 55.2 per cent of the total amount of technical assistance approved in 1981 was for Agriculture and Agro-Industry, compared with 69.2 per cent in 1980. Technical assistance in this sector involved, among other things, pump irrigation, agricultural and agro-industrial credit, pulp and paper, integrated area development, agricultural waste recycling, agricultural research, extension and support facilities, community forestry, livestock and fisheries development and brackish water aquaculture development. About 18.6 per cent was provided to the

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Costs <sup>a</sup>	Amount of Bank Financing		Amount of Co-Financing	Local Cost to be Financed by Government
				OCR	SF		
<b>NEPAL</b>							
Crop Intensification Program	1980	0.090	—	—	4.00	4.00	0.30
Command Area Development	1980	0.350	31.00	—	13.50	13.50	5.20
<b>PAKISTAN</b>							
Pipri II Thermal Generation	1974	0.200	289.00	—	55.00	55.00	46.00 <sup>f</sup>
Health and Population	1979	0.170	22.80	—	15.00	15.00	7.80
<b>PHILIPPINES</b>							
Smallholder Livestock Development	1979	0.341 <sup>g</sup>	22.20	8.00	—	8.00	6.20
Technical and Vocational Education	1979	0.190	38.50	27.00	—	27.00	11.50
Palawan Integrated Area Development	1979	0.650 <sup>h</sup>	85.00	32.00	15.00	47.00 <sup>i</sup>	30.65
<b>SRI LANKA</b>							
Second Fisheries Development	1979	0.090	16.80	—	13.50	13.50	3.30
Coconut Development	1979	0.099	30.40	—	12.00	12.00	10.40
<b>THAILAND</b>							
Medium Scale Irrigation Package	1980	0.350 <sup>e</sup>	79.00	25.00	15.00	40.00	—
Songkhla and Phuket Ports	(1976 (1978)	0.050 0.355 <sup>j</sup>	119.90	71.40	—	71.40	—
<b>TOTAL</b>		<b>11.366</b>	<b>1,831.50</b>	<b>423.60</b>	<b>389.50</b>	<b>813.10</b>	<b>349.88</b>
							<b>850.63</b>

a. Excluding total costs of program and sector loans.

b. Financed by UNDP.

c. Technical Assistance loan and grant.

d. In addition, the Government of Indonesia will finance foreign exchange costs amounting to \$1.0 million.

e. Financed by EEC.

f. Financing for a remaining \$37.0 million from an external source has still to be explored.

g. \$90,000 was financed by IFAD.

h. UNDP provided funds amounting to \$300,000 and EEC provided funds up to \$350,000.

i. In addition, the Bank provided \$350,000 on a grant basis as technical assistance for institution building.

j. Technical Assistance loan.

Energy sector to cover mainly rural electrification and mini-hydropower development, 1.3 per cent to the Industry and Non-Fuel Minerals sector, 11.6 per cent to the Transport and Communications sector and the rest to Water Supply, Urban Development and Education.

The importance of technical assistance to the Bank's lending program is underscored by the fact that by the end of 1981, 196 Bank loans amounting to \$3,582 million had resulted from earlier technical assistance provided by the Bank, amounting to \$48.6 million. In 1981, 32 loans amounting to \$813 million resulted from earlier technical assistance; of this, \$423.6 million was from OCR and \$389.5 million from SF, representing 37 per cent and 73 per cent, respectively, of the total loan approvals from each of these

sources in 1981. This also emphasizes the importance of technical assistance in the Bank's concessional lending operations to the low-income DMCs.

A total of 43 technical assistance projects was completed in 1981, 36 projects for project preparation and seven projects for advisory and operational purposes, bringing the total number of technical assistance projects completed to 294 projects. The total amount of technical assistance grants provided to DMCs as of the end of 1981 stood at \$90 million.<sup>1</sup>

<sup>1</sup> Including technical assistance grants financed from sources other than the Bank. Regional technical assistance projects and technical assistance loans are not included.

## Regional Activities

**Study of the Bank's Operational Priorities and Plans for the 1980s:** The main purpose of this Study, for which the Bank approved a technical assistance grant of \$400,000, is to evolve medium-term operational strategies for Bank lending up to the end of 1987 in the context of the development problems that have emerged in the DMCs and their own priorities for the 1980s. Accordingly, the Study will examine the need for policy changes in Bank operations and

suggest the nature and extent of the changes required to make the most effective use of resources available to the Bank for its future operations.

The Study will review the major development goals of DMCs and the areas in which the Bank could assist in their achievement: sectoral priorities; country programming; the appropriateness of adopting country-specific lending strategies; transfer mechanisms currently used by the Bank; the response of the Bank to a tightening resource situation; and the enhancement of the Bank's role as a

**TECHNICAL ASSISTANCE BY COUNTRY AND REGIONAL ACTIVITIES, 1980, 1981, 1967-1981**  
(amounts in \$ thousand)

Country	No.	1980			%
		Bank Financing	Other Sources <sup>a</sup>	Total	
Afghanistan	—	—	—	—	—
Bangladesh	6	808.50	710.00	1,518.50	9.65
Burma	8	1,035.00	465.00	1,500.00	9.53
Cambodia	—	—	—	—	—
China, Republic of	—	—	—	—	—
Cook Islands	1	70.00	—	70.00	0.44
Fiji	—	—	—	—	—
Indonesia	—	—	—	—	—
Kiribati	8	984.00	468.00 <sup>b</sup>	1,452.00	9.23
	1	98.00	—	98.00	0.62
Korea, Republic of	—	—	—	—	—
Lao People's Democratic Republic	1	125.00	—	125.00	0.79
Malaysia	3	341.00	631.58	972.58	6.18
	2	250.00	—	250.00	1.59
Maldives	—	—	—	—	—
Nepal	—	—	—	—	—
Pakistan	8	635.00	4,348.00	4,983.00	31.66
	3	342.00	147.00 <sup>c</sup>	489.00	3.11
Papua New Guinea	—	—	—	—	—
Philippines	2	40.00	170.00	210.00	1.34
Singapore	3	335.00	—	335.00	2.13
Solomon Islands	—	—	—	—	—
Sri Lanka	—	—	—	—	—
Thailand	6	560.00	400.00	960.00	6.10
	3	525.00	350.00	875.00	5.56
Tonga	—	—	—	—	—
Viet Nam, Socialist Republic of	—	—	—	—	—
Western Samoa	1	348.00	—	348.00	2.21
<b>Sub-Total</b>		<b>56</b>	<b>6,496.50</b>	<b>7,689.58</b>	
<b>Regional</b>		<b>15</b>	<b>1,552.16</b>	<b>—</b>	<b>90.14</b>
<b>TOTAL</b>		<b>71</b>	<b>8,048.66</b>	<b>7,689.58</b>	<b>9.86</b>
				<b>15,738.24</b>	<b>100.00</b>

<sup>a</sup> Excluding FAO cost-sharing arrangements.

<sup>b</sup> Adjusted to reflect EEC financing of the Aceh and North Sumatra Livestock Development Project, Indonesia.

<sup>c</sup> Adjusted to reflect EEC financing of the Agro-Technical Education, Pakistan.

<sup>d</sup> Supplementary technical assistance grants are not counted as separate projects.

<sup>e</sup> Adjusted to include additional \$200,000 UNDP financing in 1980 of the Energy Master Plan, Thailand.

financial intermediary. Within these broad areas, specific issues will be examined, such as the current procedures for country programming, the role the DMCs and the Bank could play in improving coordination among donors, the appropriate policy dialogue that should take place between the Bank and the DMCs, steps to be taken to improve absorptive capacity of DMCs and the possibilities of specialization in certain sectors or geographical regions in each DMC.

An Advisory Group consisting of five outside experts with wide experience in development planning and

assistance was constituted to provide overall direction and guidance to the Study. It held its first meeting in October. The issues to be reviewed during the Study will be examined in country-specific situations by teams of Bank staff led by an economist with expertise in macro-economic analysis and experience in development planning. These studies will be conducted in Bangladesh, Republic of Korea, Malaysia, Nepal and Thailand. Thereafter, the overall Study report will be reviewed by the Advisory Group and the Bank. It is expected that the Study will be completed in late 1982.

1981				1967-1981			
No.	Bank Financing	Other Sources <sup>a</sup>	Total	%	No. <sup>d</sup>	Total Amount	%
—	—	—	—	—	15	2,465.70	2.40
5	469.30	2,550.00	3,019.30	18.17	49	15,879.24	15.24
1	—	350.00	350.00	2.11	23	4,291.00	4.17
—	—	—	—	—	2	111.00	0.11
—	—	—	—	—	1	100.00	0.10
—	—	—	—	—	2	161.00	0.16
1	100.00	—	100.00	0.60	5	489.00	0.47
7	629.00	420.00	1,049.00	6.31	65	12,369.52	12.02
1	27.00	—	27.00	0.16	2	175.00	0.17
2	200.00	—	200.00	1.20	18	3,027.30	2.94
—	—	—	—	—	17	4,334.08	4.21
2	400.00	350.00	750.00	4.51	11	2,237.00	2.17
—	—	—	—	—	2	268.00	0.26
9	395.00	3,800.00	4,195.00	25.24	47	16,680.70	16.21
5	806.00	350.00	1,156.00	6.96	21	4,060.00	3.95
1	179.00	—	179.00	1.08	12	1,514.80	1.47
7	1,370.00	810.00	2,180.00	13.12	40	8,092.00	7.87
1	—	542.72	542.72	3.27	2	577.42	0.56
1	150.00	—	150.00	0.90	11	1,396.34	1.36
3	155.00	360.00	515.00	3.10	29	4,287.50	4.17
2	270.00	—	270.00	1.62	17	4,233.10 <sup>e</sup>	4.11
1	120.00	—	120.00	0.72	7	950.00	0.92
—	—	—	—	—	11	1,110.60	1.08
—	—	—	—	—	15	1,632.50	1.59
49	5,270.30	9,532.72	14,803.02	89.07	424	90,242.60	87.71
13	1,715.80	100.00	1,815.80	10.93	86	12,641.03	12.29
62	6,986.10	9,632.72	16,618.82	100.00	510	102,883.63	100.00

**TECHNICAL ASSISTANCE APPROVALS, 1981  
FUNDED FROM OTHER SOURCES**  
(amounts in \$ thousand)

Agency	No. of Projects	Amount
Food and Agriculture Organization (FAO)	5	589
Switzerland	8	2,210
United Nations Development Programme (UNDP)	10	7,423 <sup>a</sup>
<b>TOTAL</b>	<b>23</b>	<b>10,222</b>

<sup>a</sup> In addition, UNDP provided additional \$200,000 for the Energy Master Plan Project (Thailand) which was approved in 1979.

**Regional Energy Survey:** During the year, the Regional Energy Survey was completed. It provided the assessment of energy requirements and prospects in the Bank's DMCs<sup>1</sup> which is required by the Bank for the formulation of its future program of assistance to this sector. Moreover, it was considered that such information would be of use to energy planners in individual DMCs as it would acquaint them with the experiences and plans of other DMCs. The Survey has, therefore, been published and made available on a wider scale.

As part of a program to contribute to a better understanding of regional energy problems, the Bank participated in several seminars held under the auspices of different organizations in Sydney, Manila and Osaka in 1981. The Bank also made arrangements for a meeting of major donor agencies to be held at the Bank's Headquarters early in 1982 (see page 39). During 1981, the Bank also approved several other regional activities, including studies, training courses and seminars (see pages 68 and 69).

<sup>1</sup> Excluding India.

**TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1980, 1981, 1967-1981**  
(amounts in \$ thousand)

Sector	1980			1981			1967-1981		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	30	9,810.08	69.2	24	8,175.30	55.2	212	49,785.84	55.2
Agriculture	28	9,632.08	67.9	22	7,855.30	53.1	187	46,099.14	51.1
Agro-Industry	2	178.00	1.3	2	320.00	2.1	25	3,686.70	4.1
Energy	4	1,024.00	7.2	9	2,754.00	18.6	47	11,663.84 <sup>a</sup>	12.9
Industry and Non-Fuel Minerals	6	939.00	6.6	1	190.00	1.3	19	3,297.90	3.7
Development Banks	1	75.00	0.5	—	—	—	23	3,017.60	3.3
Transport and Communications	4	443.00	3.1	7	1,726.00	11.6	56	9,954.30	11.0
Water Supply	3	375.00	2.7	3	350.00	2.4	26	4,999.50	5.5
Urban Development	—	—	—	2	680.00	4.6	5	1,579.00	1.8
Education	3	626.00	4.4	3	927.72	6.3	18	3,278.92	3.6
Health and Population	4	824.00	5.8	—	—	—	6	1,074.00	1.2
Multiproject	1	70.00	0.5	—	—	—	2	140.00	0.2
Others	—	—	—	—	—	—	10	1,451.70	1.6
<b>TOTAL</b>	<b>56</b>	<b>14,186.08</b>	<b>100.0</b>	<b>49</b>	<b>14,803.02</b>	<b>100.0</b>	<b>424</b>	<b>90,242.60</b>	<b>100.0</b>

<sup>a</sup> Adjusted to include additional UNDP financing of \$200,000 for Energy Master Plan (Thailand) which was approved in 1979.

## Operational and Financial Policies

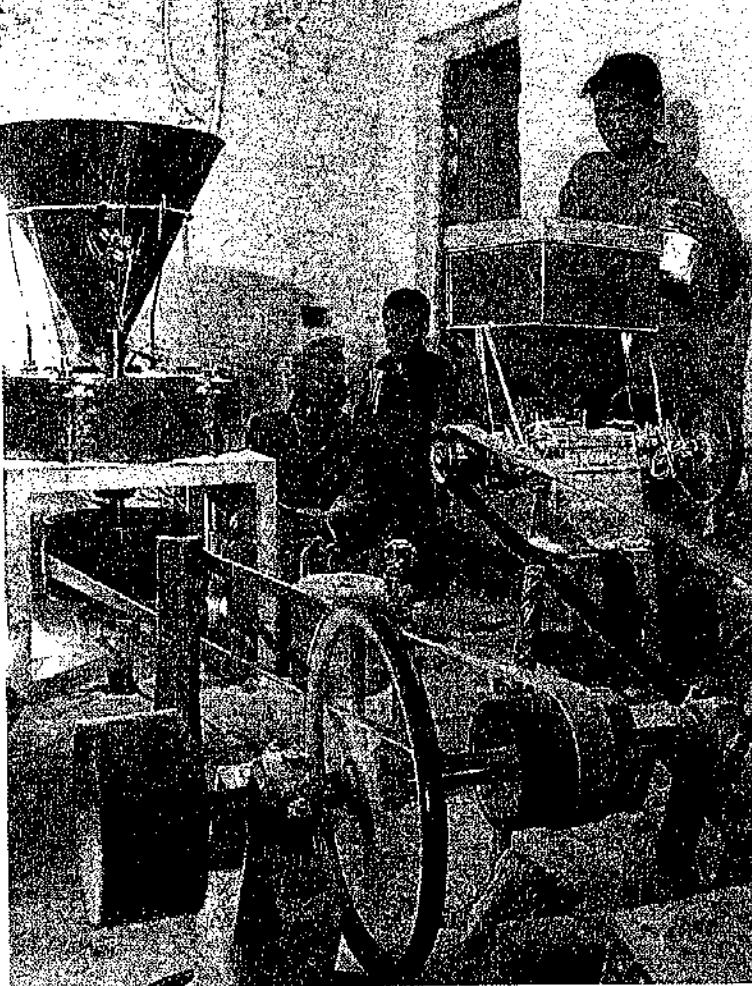
During 1981, the Board of Directors considered a number of operational and financial policy issues, principal among which were those relating to the Third General Capital Increase of the Bank and the Third Replenishment of the Asian Development Fund (ADF). Papers relating to the General Capital Increase further refined those considered in 1980 and dealt with, among other things, the staffing implications of the future operational program and the need for an increase in the Bank's capital stock. A paper on the ADF replenishment reviewed the resource requirements of low-income DMCs and, in that light, recommended an ADF lending program for 1983-86. The Board also considered and took decisions on Arrangements for Resource Mobilization of the Technical Assistance Special Fund.

In addition, several other operational and financial policy issues were considered by the Board during 1981, including new Regulations of the Technical Assistance Special Fund, Role of the Bank in the Energy Sector, Co-Financing, Establishment of a Bank Resident Office, Annual Review of Financial Policies, Methodology for Determining the Lending Rate of the Bank, Lending Rate Review, Exchange Risk Pooling System and Review of the Use of the Two-Envelope System for engagement of consultants.<sup>1</sup>

**Policies Under Consideration:** At the end of 1981, two papers — one on Special Increases in Capital Subscriptions; Formulation of Guidelines; and the other on Post-Evaluation Office: Activities and Procedures — had been circulated for consideration by the Board early in 1982. Also at the end of the year, several major policy papers were in preparation for early consideration by the Board in connection with proposals for the replenishment of the Bank's resources, namely, Transfers to Special Reserve, Allocation of Administrative Expenses between Ordinary Capital Resources and Special Funds, Gearing Ratio and Use of Article 6.2 (b) Resources<sup>2</sup> and Annual Review of Financial Policies.

## Establishment of a Bank Resident Office

In October, the Board approved a proposal to establish a Bank resident office, on an experimental basis, in Dacca, Bangladesh. The office will be headed by a Resident Representative supported by two professional staff, and will help strengthen the working relationship between Bank personnel and Bangladesh authorities involved in key aspects of the Bank's operations. Specifically, the office will focus attention on activities directly related to the implementation of Bank-assisted projects. It will also complement the Bank's aid coordination efforts and should be of direct benefit to the Bank's programming activities and economic work in Bangladesh. A comprehensive review of the office, which is expected to begin operations in mid-1982, will be undertaken before the end of the fifth year.



*THIS SMALL household water turbine, powered by a hill stream, was provided under a Bank-assisted agricultural credit project in Nepal. The Project is expected to increase annual foodgrain production and raise the living standards of the rural poor.*

## Review of the Use of the Two-Envelope System

The Bank's *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* was reviewed in 1978 and revised guidelines were finally approved by the Board in April 1979. These guidelines included a provision allowing a borrower to use, if it so preferred, a "two-envelope" system in inviting consultants' proposals whereby a technical proposal and a financial proposal are obtained simultaneously but in two separate envelopes from each of the shortlisted firms. In approving the adoption of the system, the Board of Directors had decided that a review of the use of the system should be conducted after 18 months.

Accordingly, a review was undertaken by the Bank during the year. The findings indicate that no major difficulties have so far been encountered in the use of the two-envelope system. Savings in time was considered the strongest argument in favor of the system. It was also felt that the financial proposals submitted reflected the most economical costs because of an expected element of competition in the submission of proposals. However, because of the limited number of cases included in the review, it was decided that another review be undertaken covering the period to the end of 1982 to enable a more meaningful evaluation.

1 For additional details see: Regulations of the Technical Assistance Special Fund (page 80); Role of the Bank in the Energy Sector (pages 37 and 38); Co-Financing (page 30); Establishment of Bank Resident Office (see above); Annual Review of Financial Policies, Methodology for Determining the Lending Rate of the Bank, Lending Rate Review and Exchange Risk Pooling System (pages 73 and 74); and Review of the Use of the Two-Envelope System for engagement of consultants (see right column).

2 Paid-in capital subscriptions of DMCs in the form of local currencies.

## **Inter-Agency Cooperation**

During 1981 the Bank continued to strengthen its close contacts with other international institutions concerned with the promotion of economic and social development in the Asian and Pacific region. In particular, links with the World Bank group, the International Fund for Agricultural Development, the OPEC Fund for International Development, the United Nations Development Programme and the European Economic Community were strengthened, and revised working arrangements were approved between the Bank and the Food and Agriculture Organization.

## **Meeting of International Financial Institutions**

The President of the Bank attended a meeting of International Financial Institutions (IFIs) in Washington, D.C., in September, at which views on a wide range of issues and problems currently confronting the IFIs were exchanged. The meeting was attended by the Presidents of the three regional development banks, the Senior Vice President (Operations) of the World Bank and the representatives of the Islamic Development Bank, the OPEC Fund for International Development, the International Fund for Agricultural Development, the Commission of the European Community and the European Investment Bank.

The Presidents of the three regional development banks and the Senior Vice President (Operations) of the World Bank met informally in September. The President of the Bank also hosted a meeting in September which was attended by the Director-General of the OPEC Fund for International Development, the Deputy Managing Director of the Saudi Fund for Development, and the Director-General of the Kuwait Fund for Arab Economic Development. Both the Saudi Fund and the Kuwait Fund have offered to hold regular annual program discussions with the Bank.

## **World Bank Group**

During the year, the Bank maintained close contact with the World Bank. The third annual ADB-World Bank high-level coordination meeting was held in Manila in January 1981 at the Bank's Headquarters. At the meeting, overall policy matters of interest to both institutions were discussed, covering (i) development challenges of the 1980s (such as increased oil prices and global negotiations); (ii) responses of international and regional development banks (such as co-financing and the Study of the Bank's Operational Priorities and Plans in the 1980s); other organizational or policy changes (such as the establishment of a resident office); and cooperation between the two institutions (such as joint operations in the South Pacific).

During the year, the Bank and the World Bank, together with other sources, co-financed the Chittagong Urea Fertilizer Project in Bangladesh, involving an International Development Association (IDA) credit of \$15 million.

## **Development Committee Meetings**

The Bank was represented at the Sixteenth Meeting of the Development Committee, held in Libreville, Gabon, in May 1981, where the Committee focused its attention on the current account deficits of developing countries.

The President of the Bank attended the Seventeenth Development Committee Meeting in Washington, D.C., in September 1981. The meeting reviewed the current world development situation and its prospects on the basis of the "World Development Report, 1981," as well as a number of specific development issues.

## **International Fund for Agricultural Development**

Under the aegis of the Cooperation Agreement between the International Fund for Agricultural Development (IFAD) and the Bank, concluded in 1978, close cooperation and consultation between the two bodies was maintained in 1981. The Bank appraised two projects for exclusive financing by IFAD during the year. In addition, three Bank-financed projects were co-financed by IFAD in an amount of \$27.1 million.

## **OPEC Fund for International Development**

Cooperation between the Bank and the OPEC Fund for International Development continued to expand during 1981. As in the past, the Director-General of the OPEC Fund met with delegations from several DMCs and Bank staff during the Bank's Fourteenth Annual Meeting and discussed development assistance from the OPEC Fund. Largely as a result of these discussions, the OPEC Fund agreed to allocate \$43.9 million for co-financing five projects with the Bank.

## **United Nations Development Programme**

The close cooperation between the Bank and the United Nations Development Programme (UNDP) under the provisional interest arrangement concluded in the previous year continued to provide DMCs with needed technical assistance for project preparation and advisory services. During the year, the Bank agreed to act as Executing Agency for ten projects wholly or partly financed by UNDP, amounting to \$7.4 million, compared with ten projects for \$5.7 million in 1980.

UNDP assistance channelled through the Bank during the period 1977-81 was primarily for the least developed countries in the Bank's region. Bangladesh received \$4.2 million or 21 per cent of such assistance, while Nepal received \$10.5 million or 49 per cent. Other beneficiaries were Burma, Indonesia, Lao PDR, Philippines and Thailand. Apart from frequent contacts between the Bank and UNDP Headquarters and field offices, senior staff of the Bank and UNDP continued to visit each other's Headquarters during the year for consultations and exchanges of information. The Bank was also represented at major UNDP meetings such as the Twenty-Eighth Session of the UNDP Governing Council in New York and the UNDP-sponsored Inter-Governmental Meeting of Development Assistance Coordinators in Asia and the Pacific in New Delhi.

## **Food and Agriculture Organization**

In view of the growing cooperation between the Bank and Food and Agriculture Organization (FAO) and the changing international economic situation over the past 13 years, the Interim Arrangements for Cooperative Action between the

Bank and the FAO signed in 1968 were carefully reviewed by both parties during 1980 and 1981. As a result, the Board of Directors approved revised working arrangements in September, which became effective 1 January 1982. The major revisions include several new areas for cooperation, and ways to streamline and improve the cooperative procedures and modify the cost-sharing arrangements. In addition, the Bank approved five technical assistance projects involving cost-sharing by the two organizations during the year.

### European Economic Community

The European Economic Community (EEC) has co-financed development projects with the Bank under grant funds allocated from EEC annual aid budgets for non-associated countries. During 1981, the EEC agreed to provide \$37.5 million equivalent in grants for co-financing four projects with the Bank for agriculture and rural development. In addition, the European Investment Bank agreed to provide \$13.3 million in co-financing for a Bank-assisted project in Fiji.

### Economic and Social Commission for Asia and the Pacific

The Bank maintained close liaison with the Economic and Social Commission for Asia and the Pacific (ESCAP) during 1981 through exchange visits to coordinate and collaborate on the research and policy work being done by the two organizations. Bank staff attended several important ESCAP meetings held in Bangkok during the year, including the Fourth Session of the ESCAP Committee on Shipping and Transportation and Communications, the ESCAP Intergovernmental Meeting of Highway Experts, the Thirty-Seventh Session of ESCAP and the Fourth Session of the Committee on Statistics.

### Other International Organizations

The Bank continued to maintain close ties with other multilateral and bilateral lending agencies in 1981. In the processing of social infrastructure projects, these included United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Children's Fund (UNICEF) and United Nations Fund for Population Activities (UNFPA), as well as bilateral agencies involved in assisting social infrastructure projects.

The Bank has continued to work closely with the World Health Organization (WHO) within the framework of the cooperative arrangements reached in 1980. Assistance for Project appraisal was provided by WHO staff for the Health and Population Project in Malaysia and WHO undertook, on behalf of the Bank, the feasibility study for the Rural Health Services Project in Papua New Guinea for which technical assistance had been approved by the Bank in 1980. In addition, in-the-field cooperation was provided by WHO country representatives to Bank staff processing projects in Bangladesh, Burma and Pakistan. UNFPA provided technical assistance for the preparation of the population component of the Health and Population Project in Pakistan.

### Switzerland

Under the cooperation arrangement entered into in 1980 between the Bank and Switzerland relating to Swiss financing of technical assistance, the Swiss Government allocated a grant of SwFr14 million to be committed initially over a period of 24 months for financing technical assistance. Subsequently, the commitment period was extended by one year, in consultation with the Bank. Out of this grant, the Swiss Government has agreed to finance eight technical assistance projects approved by the Bank in 1981 amounting to \$2.2 million. In addition to one regional activity, three technical assistance projects were in Nepal, and one each in Bangladesh, Indonesia, Pakistan and Sri Lanka.

*RICE planting in northern Sri Lanka, where the Bank-financed Anuradhapura Dry Zone Agriculture Project is helping about 23,000 local farm families raise agricultural production, thereby increasing their incomes by about \$300 a year.*



## **Loan and Technical Assistance Approvals in 1981<sup>1</sup>**

### **Bangladesh**

#### **LOANS**

**Community Schools:** \$13.5 million from ADF to provide skills training for the rural population through the establishment of small workshop facilities in about 200 secondary schools in selected Thanas (precincts) throughout the country. The workshops will be equipped with hand tools and simple machines. Non-formal training programs will be financed under the Project.

**Power System Rehabilitation and Expansion:** \$26.5 million from ADF for a Project aimed at (i) reducing the gap between installed and available capacities through the rehabilitation of certain power facilities; (ii) catering to anticipated demand in the Rajshahi and Pabna areas through the construction of two new 132 KV transmission lines; and (iii) upgrading the quality of power system operations. The Project also includes training arrangements in cooperation with the power utilities of Thailand and consultant services for Project implementation. The Canadian International Development Agency (CIDA) is co-financing the Project with \$1.26 million.

**Second Crop Intensification Program:** \$18 million from ADF for a Program designed to alleviate critical constraints on agricultural production in Tangail, Mymensingh and Jamalpur districts in northern Bangladesh through increased and more balanced fertilizer application, provision of improved seeds, construction of fertilizer storage facilities and improvements to fertilizer marketing and training activities. The Program, which is expected to benefit about 1.3 million farm families, also provides consultant services.

**Chittagong Urea Fertilizer:** \$72 million from ADF for a Project designed to provide an increased and more stable supply of fertilizer, a critical factor in Bangladesh's efforts to achieve self-sufficiency in foodgrain production. The Project is expected to produce about 560,000 mt. of urea annually on the basis of 330 on-stream days per year using indigenous natural gas as feedstock and fuel, enabling the country to become self-sufficient in urea fertilizer and to export the surplus. Net foreign exchange savings and earnings are estimated at \$114 million a year. The Project is being co-financed by Abu Dhabi Fund for Arab Economic Development (with \$25 million), Canadian International Development Agency (\$20 million), International Development Association (\$15 million), Islamic Development Bank (\$16 million), Overseas Economic Cooperation Fund of Japan (\$60 million) and Saudi Fund for Development (\$85 million).

**Community Forestry:** \$11 million from ADF for the Bank's first project designed to increase fuelwood supplies through plantation activities involving community par-

ticipation. Under the Project, available land such as village homesteads and strip land along roads, railway lines and canals which has not hitherto been systematically used for fuelwood production, as well as depleted Government forest lands, will be planted to fast-growing species. After completion, the Project will produce 178,000 cubic meters of fuelwood annually, equivalent to 2.8 million gallons of kerosene valued at \$3.4 million, as well as edible fruits, fodder and timber. UNDP is co-financing the Project with \$1.84 million (see technical assistance which follows).

**Small-Scale Irrigation Sector:** \$50 million from ADF for a Project designed to increase foodgrain production, raise farm incomes, create additional employment opportunities and generate foreign exchange savings. The Project will provide construction and/or rehabilitation of irrigation, drainage and flood protection facilities and the installation of irrigation equipment in about 30 subprojects nationwide. It will also provide survey, laboratory and office equipment, vehicles, facilities for Project monitoring, overseas training for staff and consultant services. EEC is co-financing the Project with \$12 million.

#### **TECHNICAL ASSISTANCE**

**Bhola Irrigation:** \$219,300 to help the Government formulate an irrigation and area development project and prepare a comprehensive project feasibility study in an area which offers considerable potential for irrigation development. The investigations will cover, among others, hydrographic and agroeconomic surveys, potential environmental and climatic risks and existing drainage and flood control facilities and support services. FAO is co-financing the technical assistance with \$130,000.

**Second Tubewell:** \$400,000 (to be financed by UNDP with the Bank acting as Executing Agency) to help the Government formulate a tubewell project in the Districts of Tangail and Jamalpur and the northern part of Mymensingh District.

**Community Forestry:** \$1.84 million (to be financed by UNDP with the Bank acting as Executing Agency) for the provision of consultant services and fellowships for the implementation of the Bank-assisted Project.

**Community Forestry (Institution Building):** \$250,000 to finance the cost of fielding a specialist in community forestry institutions who will assist in institution building.

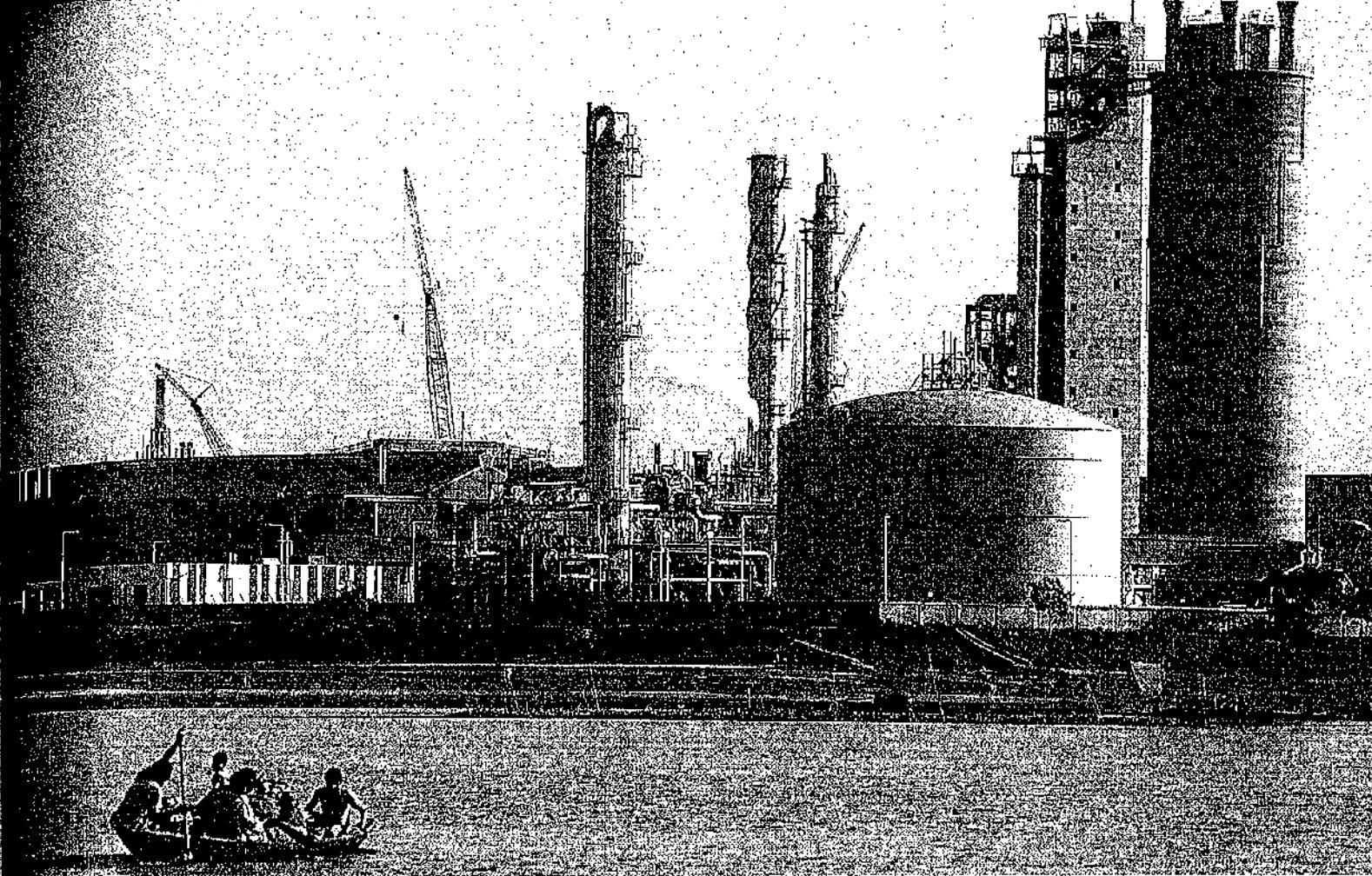
**Feeder Roads Improvement:** \$310,000 (to be financed by the Government of Switzerland and administered by the Bank) for consultant services to assist the Government in preparing a suitable rural roads improvement project in the three northern districts of Mymensingh, Jamalpur and Tangail.

### **Burma**

#### **LOANS**

**Paddy and Rice Storage:** \$16 million from ADF to provide modern paddy storage facilities in the Irrawaddy Division and modern rice storage facilities and rehabilitation of

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



*THE ASHUGANJ fertilizer plant in Bangladesh, viewed from the western bank of the Meghna River. This Bank-assisted Project, based on natural gas feedstock, has a daily production capacity of 925 tons of ammonia intermediate and 1,600 tons of urea fertilizer, and will support the national effort to reach self-sufficiency in food production.*

rice godowns at Rangoon Port. The Project also includes construction of jetties at Rangoon Port and installation of a radio communication network as well as provision of consultant services, local and overseas training and workshop equipment.

**Pump Irrigation and Area Development:** \$20 million from ADF to increase crop production in the dry zone of Central Burma by providing pump irrigation facilities, supporting infrastructure and agricultural services. About 32,000 people will directly benefit from the Project through incremental production of paddy, cotton, groundnuts and sesame. EEC is co-financing part of the Project with \$6 million (see technical assistance which follows).

**Crop Intensification Program:** \$5 million from ADF for a Program to help farmers in 12 selected townships in the Irrawaddy, Pegu and Rangoon Divisions of Lower Burma to reach and maintain the full productive potential of their paddy-growing lands by providing fertilizer products, storage facilities and institutional support. The two-year program is expected to raise paddy production by over 765,000 mt. and boost foreign exchange earnings by about \$100 million. It will also increase the employment opportunities and annual incomes of over 200,000 local farm families. The OPEC Fund for International Development is co-financing the Project with \$15 million.

**Upgrading of Hospitals:** \$18.5 million from ADF to help upgrade about half the country's hospitals, thereby improving essential medical and referral services to about 60 per cent of the population. The Project is designed to improve facilities and services at 197 selected station and small township hospitals, 61 large township and 14 divisional hospitals.

#### TECHNICAL ASSISTANCE

**Pump Irrigation and Area Development II:** \$350,000 (to be financed by UNDP with the Bank acting as Executing Agency) for the preparation of a project to raise farm incomes, increase employment and improve the quality of life of a large number of farm families in one of the least developed parts of the country.

#### Fiji

##### LOAN

**Third Power:** \$16 million for a Project designed to provide a reliable electricity supply in Viti Levu, the country's largest and most populous island. The Project will increase the power generation potential of the Monasavu hydropower project, already under construction with World Bank financing, by 150 GWh annually. It comprises construction of tunnels, vertical shafts, concrete weirs and ac-

cess roads as well as consultant services. After completion, the Project will provide electricity to about 5,000 new consumers in urban and rural areas and help provide a reliable hydropower supply to 35,000 existing consumers, as well as reduce dependency on costly diesel oil imports. The European Investment Bank (EIB) and the United Kingdom are co-financing the Project with \$13.3 million and \$12.1 million, respectively.

#### TECHNICAL ASSISTANCE

**Lautoka Port Development:** \$100,000 to help the Government plan the orderly modernization and expansion of Lautoka Port on the west coast of Viti Levu to meet increased traffic demand and changes in shipping requirements and cargo-handling methods. A long-term master plan will be prepared to guide the port's development until the year 2000, as well as the outline of a first stage program for the remainder of the 1980s.

#### Indonesia

##### LOANS

**Nucleus Estate and Smallholder Cotton:** \$23 million to provide the physical infrastructure for cotton growing in South Sulawesi, with inputs of agro-chemicals, fertilizers, seeds and necessary extension services. The project also includes the establishment of four cotton estates to serve as demonstration areas for improved agricultural practices;

construction of cotton-processing facilities; establishment of a cotton research center; consultant services; and overseas training for local staff. About 150,000 people in 70 villages are expected to benefit from this Project.

**Wadaslintang Multipurpose:** \$87.7 million to provide assured year-round irrigation, drainage and flood control in an area in southern Central Java with rich potential for increased rice production. Major components of the Project, which is expected to benefit, directly or indirectly, about 150,000 farm families, include a large multipurpose rock-filled dam for irrigation, hydropower, flood control and for domestic, municipal and industrial water; a diversion weir; two main canals; rehabilitation and extension of irrigation and drainage works for a 30,000 ha. service area; and construction and installation of hydropower facilities for a 16 MW generating plant with a transmission line and switch-yard facilities. The Project will be co-financed by export credit sources in the amount of \$13.1 million.

**Bali Irrigation Sector:** \$33.6 million for the rehabilitation and expansion of 51 small irrigation facilities covering about 24,000 ha.; the establishment of a water management training center and improvements to hydro-meteorological stations; groundwater studies; and provision of consultant services. Under the Project, which will benefit about 47,000 Indonesian farm families in Bali Province, about 103 km. of gravel roads will also be constructed to facilitate the operation, maintenance and transportation

A SMALL hand-operated irrigation diversion gate (left) and an irrigation canal (right) form part of the Bank-financed Lodoyo Irrigation Project in East Java, Indonesia. This Project will help raise agricultural production, create new employment opportunities and improve the living conditions of about 57,000 farm families.



of agricultural inputs and produce. The Project will generate over 37,000 man-years of employment during construction and about 9,700 new farming jobs on a continuing basis thereafter. EEC is co-financing the Project with \$12.5 million.

**University of North Sumatra:** \$26 million for a Project designed to help provide more of the high-level manpower needed for the socio-economic development of western Indonesia. It includes the construction of new buildings and alteration and renovation of existing ones; the development of an experimental and demonstration farm; the outfitting of laboratories, workshops, lecture halls, classrooms, staff and student housing and other facilities; supplying library books and periodicals; sponsoring fellowships; and consultant services.

**Sumatra Livestock Development:** \$16.7 million for a Project designed to increase the quantity, productivity and quality of cattle, buffaloes, goats and pigs in selected districts of Aceh and North Sumatra. Over 200,000 farm families, mostly smallholders and transmigrants, will benefit from improved livestock raising, higher incomes, new employment, increased meat production and improved nutritional standards. The Project will also benefit the local environment and the area's energy situation (see technical assistance which follows).

**Surabaya Distribution and Sulawesi Power:** \$76 million for a Project which aims to help meet growing power demand, reverse the trend of installing costly generating plants, minimize the power system's large energy losses, and help the country use non-oil resources for power generation. It will provide electricity to about 160,000 new consumers in East Java and North Sulawesi, increase industrial production and employment opportunities, and improve the living standards of low-income groups in Surabaya and Minahasa. It will also help the Perusahaan Umum Listrik Negara (PLN) — the state-owned electricity agency — provide adequate and reliable power supply in major load centers (see technical assistance which follows). The Project will be co-financed by export credit sources in the amount of \$27.5 million.

**Semarang Water Supply:** \$35.5 million to improve and expand the water supply system in Semarang, the provincial capital of Central Java and Indonesia's fifth largest city. The Project will increase the flow and distribution of piped water, and provide a significant portion of the new supply to industrial and commercial users in the city. Lower income groups will benefit from the installation of 750 additional public standpipes and the number of people to be served with a potable water supply is expected to rise from around 300,000 at present to nearly 500,000 — including 110,000 low-income earners — by 1987.

**Medan Urban Development:** \$39.3 million for a Project designed to improve the living conditions of over a million people, especially those in low-income groups and living in poor environmental conditions, in Medan, the capital of North Sumatra Province and the fourth largest city in the country. The Project includes water supply, sewerage, drainage, solid waste management, kampung improvement

program, and sites and services including core housing components, as well as the provision of consultant services.

#### TECHNICAL ASSISTANCE

**Second Irian Jaya Fisheries Development:** \$150,000 for consultant services to formulate a project to develop resources in offshore and expanded coastal waters and to establish advanced fishing bases and/or onshore facilities for fishing, collecting, processing, storing and marketing catches.

**Small Towns Kampung Improvement:** \$180,000 (to be financed by UNDP with the Bank acting as Executing Agency) to prepare a suitable project for the improvement of kampungs in about 35 small and medium-sized towns in Central Java.

**Brackishwater Aquaculture Development:** \$100,000 for a feasibility study of a project designed to increase shrimp production from brackishwater ponds in Java, South Sulawesi and Sumatra for export and to make up for the loss of shrimp production resulting from the phasing out of trawling. FAO is co-financing the technical assistance with \$88,000.

**Java Fisheries Development:** \$180,000 as advisory technical assistance for the implementation of the Bank-financed Java Fisheries Development Project, following a modification to the fishing vessel component of the Project and a change of management in the Executing Agency.

**Sixth Roads Sector:** \$60,000 for a study of the capital expenditure programs for the improvement of rural roads in the provinces of Central and East Java, and the national and provincial roads in the provinces of Central and East Java, Yogyakarta and Central, South and East Kalimantan. The Study will also cover the local agencies responsible for road construction and maintenance, domestic contracting and consulting industries, project implementation and funding procedures and other policy issues.

**Sumatra Livestock Development:** \$240,000 (to be financed by the Government of Switzerland and administered by the Bank) to cover the services of a technical advisor who will provide management advice, training to Project staff and farmers, and help coordinate the implementation of the Project.

**PLN Design Unit:** \$149,000 for the services of an expert who will strengthen a design unit to be set up within PLN to carry out work relating to transmission and distribution projects (see Surabaya Distribution and Sulawesi Power loan preceding).

#### Kiribati

#### TECHNICAL ASSISTANCE

**Geotechnical Investigations for Causeway:** \$27,000 as supplementary technical assistance to finance additional costs arising from delays in completing the geotechnical investigations to determine the suitability of embankment

material for design and construction of the Bank-financed Bettal-Bairiki Causeway Project.

## Korea, Republic of

### LOANS

**Small and Medium Industry Management and Technology Institute:** \$13 million for a Project designed to contribute to the small and medium-scale industries sector by upgrading management and technical staff, improving production techniques and keeping pace with technological advances. The Project involves, among others, purchase of nearly 170,000 square meters of land, design and construction of buildings; procurement of sundry equipment and training materials; recruitment of foreign and local consultants; and overseas training of teaching staff. The Institute, when completed in 1983, will have annual training capacity for over 4,000 management and technical staff and 960 extension service officers.

**Fourth Korea Long Term Credit Bank (KLB):** \$60 million for relending by KLB for specific development projects, mainly in the manufacturing sector but especially in the heavy, chemical and merchant marine industries. About 20 per cent of the credit — the Bank's fourth to this institution, the former Korea Development Finance Corporation (KDFC) which was reorganized and renamed in 1980 — will be used to finance small and medium-scale enterprises. A major part of it will finance businesses located outside metropolitan Seoul and Kyunggi Province. Co-financing with commercial banks has been arranged in the amount of \$50 million.

**Second Citizens National Bank (CNB):** \$30 million as a second credit line to CNB to meet part of the medium and long-term financing requirements of about 165 small-scale enterprises in the private sector.

**Han River Basin Environmental Master Plan:** \$4.1 million as a technical assistance loan for the formulation of a Master Plan which will aim to protect and improve the environmental quality of the Han River Basin, the main water supply source for Seoul and several other cities. The Plan will set out long-range strategies for pollution control up to the year 2000. The Project area, which has a population of over 12 million, comprises 27,000 km. and contains over 8,000 industries located in 16 industrial complexes.

**Second Low Income Urban Housing:** \$60 million for a Project aimed at reducing the severe lack of housing among low-income groups in six major urban centers — Seoul, Suwon, Anyang, Incheon, Gwangju and Gumi. The Project includes land acquisition; civil works for land development; construction of roads, footpaths and drains; water, electrical and sewerage services; community facilities such as parks and playgrounds; and construction of housing units.

**Provincial Cities Water Supply:** \$38.1 million to improve the water supply system in the three provincial cities of Ulsan, Sungnam and Gangneung. The Project includes construction of additional water supply source works, treatment and distribution facilities to meet demand up to 1989;

progressive reduction of water losses from the present level of about one-third of the water produced in each city to about one-fifth by 1987; and improvement of the operations and maintenance of the waterworks systems. The Project is expected to benefit about 1.26 million people (see technical assistance which follows).

### TECHNICAL ASSISTANCE

**Small Towns Water Supply Sector:** \$150,000 for sector feasibility studies for a project covering 21 selected small-sized municipalities in different parts of the country, the total population of which is projected to reach about 1.1 million by 1986. The Bank is providing a further \$100,000 towards this technical assistance from its \$38.1 million loan to this Project (see loan preceding).

**Second Provincial Cities Water Supply:** \$50,000 to review existing water supply systems in 15 larger municipalities, including feasibility studies and master plans; and prepare detailed terms of reference for consultants to (i) prepare master plans and feasibility studies for those municipalities which do not have studies already completed; and (ii) to revise, as necessary, those studies already completed.

## Malaysia

### LOANS

**Health and Population:** \$25.8 million to provide essential primary health care, including family planning services and basic hospital facilities, in areas of the country which are not adequately served at present. The Project will also provide medical equipment, vehicles and sundry equipment for health centers and district hospitals, benefitting about one million people, mostly from the poorest rural communities.

**Batang Ai Hydropower:** \$40.4 million for a project designed to generate and transmit 92 MW of hydroelectric power through the construction of four rockfill dams, a power station and a 275 KV transmission line to Kuching, the state capital of Sarawak, about 215 km. from the Project area. Consultant services will also be provided during construction. The Project is being co-financed by the Overseas Economic Cooperation Fund of Japan with \$65.8 million and commercial banking sources with \$36.7 million.

**Farmers' Organization Support Services:** \$30 million to assist the country's efforts to intensify nationwide support services to farmers engaged in the cultivation of rice and other food crops. Specifically, the Project will assist the Government to complete the Kopicks Geraktani (KGT) Program — the farmers' development center program — and to implement a farm mechanization program. It will involve the construction and equipping of 43 KGTs and 30 sub-centers; construction of 32 farm mechanization centers (FMCs); and provision of machinery, transportation facilities, equipment, materials, consultant services and training. The KGT program will benefit about 100,000 smallholder farmers and the FMCs will contribute to the modernization of Malaysia's agricultural sector.

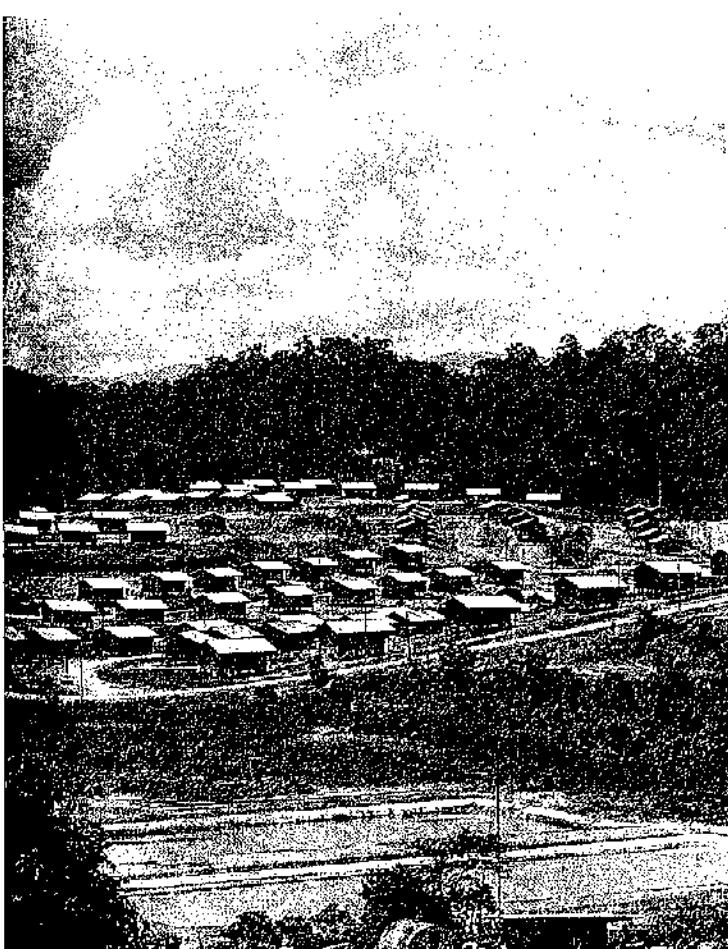
**Sabah/Sarawak Fisheries Infrastructure:** \$20.6 million for a Project designed to improve the economic conditions of fisheries communities and to assist in the balanced development of the fisheries sector in the two East Malaysian states of Sabah and Sarawak. The Project, which is divided into two subprojects, includes construction of fisheries and the provision of marketing and transportation facilities, and consultant services. After completion, the subprojects are expected to handle the collection and distribution of about 15,000 mt. of fish annually. Other small-scale fishermen will also benefit from the new facilities, and, as a result of the Project, the average per capita income of local fishermen is expected to rise by some 60 per cent (see technical assistance which follows).

#### TECHNICAL ASSISTANCE

**Sabah/Sarawak Fisheries Infrastructure:** \$250,000 to cover the services of a Project Advisor to help strengthen the institutional capabilities of the Executing Agencies — Sabah Fish Marketing Sdn., Bhd. in Sabah, and the Fisheries Department, Ministry of Agriculture, in Sarawak — and the operating agency for the Project facilities in the Sarawak subproject.

**Public Low Cost Housing:** \$500,000 (of which \$350,000 will be financed by UNDP and administered by the Bank) for preparation of a suitable low-cost housing project in selected urban areas of Peninsular Malaysia.

*NEW HOUSING estate at Trengganu Tengah, Malaysia. This Bank-assisted Project will provide about 30,000 agricultural households with low-cost housing and other facilities in a regional development scheme on Peninsular Malaysia's east coast.*



#### Maldives

##### LOAN

**Interisland Transport:** \$1 million from ADF — the Bank's first loan to Maldives — to help provide the first reliable and scheduled shipping services between the capital island of Male and widely scattered atolls. The Project will provide two passenger/cargo steel-hulled motorized vessels with a capacity of 75 tons of cargo and 40 deck passengers, as well as navigational aids, basic meteorological instruments, cargo weighing scales and office equipment. The OPEC Fund for International Development is financing part of the Project with \$0.88 million.

#### Nepal

##### LOANS

**Mini-Hydropower:** \$8.3 million from ADF for a Project designed to increase commercial energy resources needed for electrification of the eight hill areas. The main components include (i) construction of eight mini-hydropower plants in hill districts ranging in installed capacity from 200 kW to 1,000 kW, of which one is a multi-purpose scheme for power generation and irrigation; (ii) establishment of a central maintenance workshop; and (iii) training of plant operators and linemen. Over 7,000 households and 1,200 commercial, agro-industrial and agricultural consumers are expected to benefit from this Project which is being co-financed by the OPEC Fund for International Development and UNDP (see technical assistance which follows) in the amounts of \$4 million and \$0.75 million, respectively.

**Fourth Power:** \$19.4 million from ADF to provide a secure low-cost electricity supply to the Western and Far Western regions. This is expected to contribute to increased agricultural production, particularly through pump irrigation, higher agro-industrial production, a reduction in diesel fuel imports and to help raise the standard of living of people in the Project area. It is also expected to help offset current heavy demand on the country's forest resources. This Project is being co-financed by the Government of France with \$3.5 million and UNDP with \$1 million (see technical assistance which follows).

**Crop Intensification Program:** \$4 million from ADF for a Program to boost agricultural production and farm incomes in three districts of Southern Nepal. Its main components include importation of about 8,600 mt. of urea fertilizer, construction of a 2,000 mt. capacity fertilizer store and provision of transport facilities for staff of the Agricultural Inputs Corporation, the Executing Agency. The Program is expected to benefit about 132,000 farm households and increase the area's output of wheat, paddy, maize and sugarcane.

**Command Area Development:** \$13.5 million from ADF for a Project designed to rehabilitate and improve three irrigation facilities in the Terai region through the construction of tertiary canals and farm ditches together with flood control and drainage works, strengthening of agricultural support services, and improvements to water management. The Project is expected to benefit about 14,500 farm households whose holdings average 1.5 ha. and to double

their annual incomes from about \$485 to \$940. IFAD is co-financing the Project with \$11.1 million, and UNDP is providing \$1.2 million (see technical assistance which follows).

#### TECHNICAL ASSISTANCE

**Mini-Hydropower:** \$750,000 (to be financed by UNDP with the Bank acting as Executing Agency) for consultant services to upgrade the capability of the Small Hydel Development Board in selecting, constructing and operating isolated mini-hydropower systems.

**Science Education:** \$155,000 (to be financed by the Government of Switzerland and administered by the Bank) to prepare a project aimed at upgrading science teaching skills and improving science education in selected secondary schools.

**Feeder Roads Improvement:** \$250,000 (to be financed by the Government of Switzerland and administered by the Bank) for a study of about 370 km. of rural feeder roads in disadvantaged areas, of which about 200 km. will be selected for possible upgrading. The roads lie in the hills of the eastern and far western regions and in the Terai plain.

**Fourth Power:** \$1 million (to be financed by UNDP with the Bank acting as Executing Agency) for consultant services for project implementation and training of local staff; and \$150,000 to be financed by the Bank to cover part of the cost of consultant services to prepare a Rural Electrification Study.

**Pulp and Paper:** \$200,000 to prepare a project to establish a 20-30 tons per day pulp and paper mill, based on agricultural residues such as rice and wheat straw as well as "sabai" grass which grows profusely in the southern region. The technical assistance is also aimed at improving the production and quality of local hand-made paper.

**Power Development Study:** \$45,000 for a study of the Bank's lending strategy for Nepal's power sector over the next ten years. It will specifically examine whether the Nepal Power System (mainly run-of-the-river hydro plants) could be expanded based on power exchange with the North Indian Power System (based mainly on coal-fired thermal plants), and whether it is feasible to install coal/oil-fired thermal stations in Nepal to firm up the run-of-the-river hydro plants.

**Command Area Development:** \$1.2 million (to be financed by UNDP and administered by the Bank) for consultant services and training.

**Second Command Area Development:** \$445,000 (to be financed by the Government of Switzerland and administered by the Bank) for a feasibility study of a possible second project.

#### Pakistan

##### LOANS

**Pipri II Thermal Generation:** \$55 million from ADF for a Project which, together with the Bank-assisted Pipri I Project, will help meet power shortages in the Karachi area and enable the Karachi Electric Supply Corporation (KESC) to

provide adequate power to meet increasing demand. The major components include the turbine plant of the second MW gas/oil-fired generation unit for the thermal generating station; construction of about 26 km. of 220 kV and 32 km. of 132 kV transmission line to interconnect the Karachi grid with the "KDA 33," Baldia and Pipri West substations; and consultant services for project implementation. The Saudi Fund for Development is co-financing the Project with \$46 million.

**Rural Electrification Sector:** \$35 million from ADF for a program designed to improve the socio-economic condition of local people, raise agricultural production and promote agro-based and other rural industries through the electrification of 900 villages throughout the country over the period 1982-84. About 2.9 million people are expected to benefit from this Project which will provide electricity to 62,000 households, 1,850 commercial consumers and about 2,000 small industries. In addition, farmers using irrigation pumps will benefit from the electrification of tubewells. The Program will also lead to substantial foreign exchange savings by reducing kerosene and diesel oil imports.

**Second National Development Finance Corporation (NDFC):** \$50 million from ADF as a second credit line to NDFC for relending to enterprises in the public and private sectors. NDFC will channel the funds into public sector enterprises to balance, modernize or complete industrial projects; joint public and private sector projects under private management; and eligible private sector projects. The credit is expected to result in some \$500 million in added investment capital, \$400 million a year in gross foreign exchange earnings or savings and about 9,000 jobs.

**Pirkoh Gas Development:** \$55 million for a Project designed to increase and stabilize gas supply in the Sui-Karachi region. It will cover the drilling of three gas wells including associated gas processing facilities, the installation of a 74-km. 18-inch diameter gas transmission pipeline with compression facilities, consultant services and training.

**Health and Population:** \$15 million from ADF for a Project designed to raise health standards in the Punjab through assistance to hospitals at District and Tehsil (a smaller administrative unit) Headquarter levels. It will also help curb population growth by improving obstetrical-gynecological services at selected hospitals in the province, as well as provide training and essential medical equipment. The Project will also provide supplementary equipment and consultant services to the National Health Institute in Islamabad, where a two-year course will be established to train medical laboratory technologists who will teach at new and existing paramedical training schools.

#### TECHNICAL ASSISTANCE

**Baluchistan Fisheries Development:** \$360,000 (to be financed by the Government of Switzerland and administered by the Bank) for a feasibility study for a project aimed at increasing fish production, meeting national protein needs and improving the socio-economic conditions of small-scale fishermen in Baluchistan Province.

**Forest Development:** \$116,000 to help finance a feasibility study of a Project in Punjab Province and Northwest Frontier Province (NWFP). The study will assess the potential for substantially increasing timber yields in selected tree plantations of Punjab and conifer areas of NWFP. It will also cover current constraints on overall forest productivity in these two principal timber-producing provinces. FAO is co-financing the technical assistance with \$79,000.

**Gypsum Mining:** \$180,000 for a feasibility study for a Project designed to help treble annual gypsum production over a five-year period. The study will cover the geological, technical, financial, economic, marketing, environmental, organizational and institutional aspects of the Project which would establish additional facilities for mining gypsum deposits near Daud Khol in Punjab Province.

**Power Development and Tariff Study:** \$350,000 to formulate (i) an economically, technically and financially sound development program for coping with anticipated load growth over the next 10 years; (ii) an adequate tariff structure; and (iii) a workable financing plan for ongoing and future operations for the Karachi Electric Supply Corporation (KESC).

**Agro-Industries Credit:** \$150,000 to assist the Agricultural Development Bank of Pakistan (ADB) undertake a study for the formulation of a suitable strategy and program for the promotion of agro-industrial enterprises in the country.

## Papua New Guinea

### LOAN

**Technical Education:** \$8 million from OCR and \$8 million from ADF to help meet the anticipated demand for skilled manpower by improving and expanding technical education and apprentice training. The main components of the Project include upgrading and expanding facilities and equipment of seven technical colleges and two secretarial colleges; establishing a Technical Teachers' Training Center; and establishing an integrated Apprentice Training Center. The OPEC Fund for International Development is co-financing the Project with \$4 million.

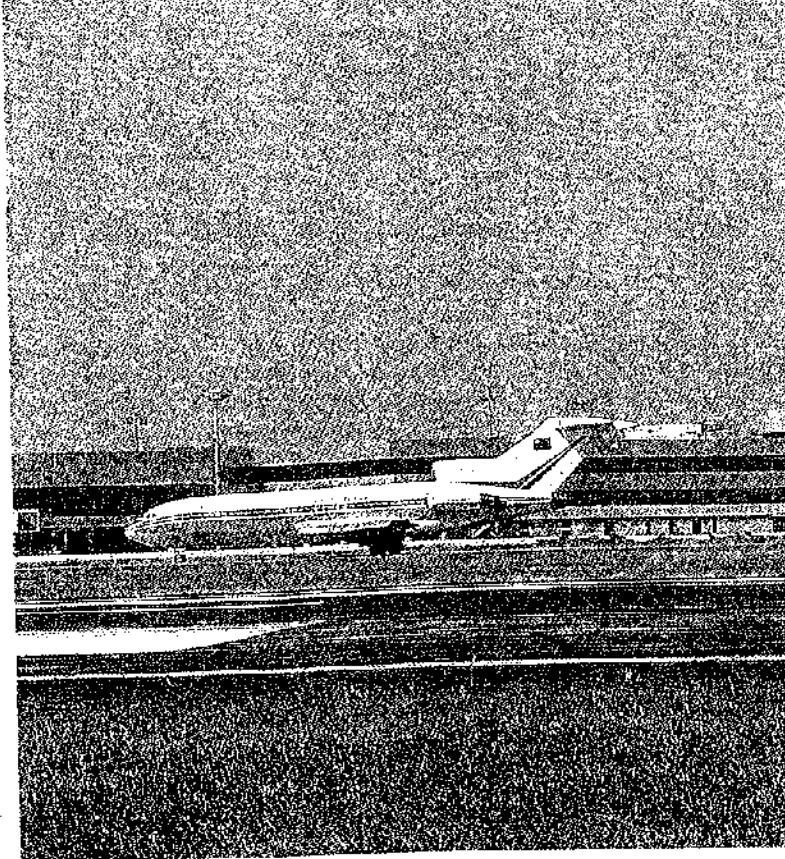
### TECHNICAL ASSISTANCE

**Rural Roads Improvement:** \$179,000 for a detailed feasibility study to help provide reliable all-weather transport on three important road sections which are expected to contribute to overall economic progress in the areas served by them.

## Philippines

### LOANS

**Palawan Integrated Area Development:** \$32 million from OCR and \$15 million from ADF for a Project designed to improve agricultural production and productivity, raise family incomes and generally improve the socio-economic conditions of the rural population in central and southern



THE NEW terminal building of Manila International Airport, Philippines. This Bank-financed airport will help meet growing traffic needs, improve safety of aircraft operations and help increase trade and tourism earnings.

Palawan Island, one of the least developed areas of the southwestern Philippines. The Project also aims to achieve effective use and management of the island's national resources for the benefit of the region and the country. EEC is co-financing the Project with \$7 million (see technical assistance which follows).

**Technical and Vocational Education:** \$27 million to help develop better-trained middle-level technicians needed to accelerate industrialization. Under the Project, 23 technical education institutes comprising 21 public and two private institutes selected on a regional basis will be upgraded; 22 of them will offer new two-year post-secondary industrial technician programs in the electrical, electronics, refrigeration, airconditioning, automotive mechanics, welding and fabrication, mechanical, wood-working and building trades.

**Rural Electrification Sector:** \$87.5 million for a Project designed to supply electricity through a network of rural electric power cooperatives to about 440,000 new consumers nationwide. The Project includes construction of three mini-hydropower schemes; subtransmission lines, primary and secondary distribution line extensions; 22 substations and related facilities; and provision of support equipment and vehicles. Rehabilitation of 29 distribution systems will also be undertaken in order to reduce system losses. The OPEC Fund for International Development and the Norwegian Government are co-financing the Project with \$20 million and \$5 million, respectively (see technical assistance which follows).

**Water Supply Sector:** \$46 million for a Project aimed at helping the Government to expand and improve water supply facilities in three relatively large water districts — Metropolitan Cebu, Cagayan de Oro City and San Pablo City — and in about 44 smaller towns ranging in population from 2,000 to 20,000 throughout the country. The Project includes development and rehabilitation of wells and springs, building of pumping stations, addition of chlorination equipment, construction of reservoirs and storage tanks, laying of transmission and distribution mains and installation of service connections. An estimated one million people will be provided safe, accessible water by this Project (see technical assistance which follows).

**Smallholder Livestock Development:** \$8 million for a Project designed to increase the number, productivity and quality of cattle, buffaloes and goats, thereby raising the incomes of about 40,000 farm families, increasing milk and meat production and improving nutrition. The Project, which will be located in six provinces in Southern Luzon and Northern Mindanao, consists of a pilot scheme for milk production; livestock improvement; smallholder cattle fattening and marketing; livestock credit; project management and consultant services. IFAD is co-financing the Project with \$8 million.

#### TECHNICAL ASSISTANCE

**Road Improvement:** \$810,000 (to be financed by UNDP with the Bank acting as Executing Agency) for a feasibility study of about 720 km. of roads and for updating a road feasibility study completed in 1978. The roads to be covered in the Study are in western and northwestern Mindanao and on the islands of Cebu and Negros; their improvement would help bring about more reliable and less costly movements of goods and people between growth centers and between markets and farming areas.

**Palawan Integrated Area Development:** \$350,000 for consultant services to help establish an appropriate management and information system and strengthen the institutional capability of the Project office for effective coordination and monitoring.

**Agricultural Waste Recycling:** \$350,000 to formulate a project to recycle agricultural waste — particularly animal manures and crop residues — for the production of organic fertilizer and to provide an alternative energy supply for the rural sector. This would help reduce imports of expensive inorganic fertilizer and oil-based fuels as well as alleviate pollution caused by animal waste.

**Rural Electrification:** \$150,000 for an evaluation of the National Electrification Administration's dendro thermal generation program, which envisages development of fuelwood for steam power generating stations to be built at suitable locations throughout the country. A further \$120,000 is also being provided for a financial study of cooperatives to identify specific problems and recommend ways of improving their financial status.

**Bulacan Bulk Water Supply Scheme:** \$150,000 for a feasibility study of a bulk water supply scheme for up to 24 municipalities in Bulacan Province north of Manila.

**Smallholder Livestock Development:** \$250,000 to finance consultant services to help the Philippine Dairy Corporation (PDC) to develop its institutional capacity with regard to project planning, development and implementation.

#### Singapore

##### TECHNICAL ASSISTANCE

**Vocational and Industrial Training:** \$542,720 (to be financed by UNDP with the Bank acting as Executing Agency) for the Vocational and Industrial Training Project. The grant will provide academic consultants for 60 man-months and finance part of the cost of the Fellowship Training Program for 82 man-months.

#### Solomon Islands

##### TECHNICAL ASSISTANCE

**Agricultural Research, Extension and Support Facilities:** \$150,000 for a feasibility study of a project aimed at improving productivity in the food crops and plantation crops subsectors through the cultivation of improved varieties, use of fertilizers and adoption of better management practices.

#### Sri Lanka

##### LOANS

**National Development Bank (NDB) of Sri Lanka:** \$10 million from ADF to meet part of NDB's overall foreign exchange requirements for industrial financing for the period 1982-83 and also to finance the foreign exchange cost of consultant services for NDB's promotional activities. Relending of the Bank credit is expected to lead to increased industrial development and the creation of additional employment opportunities in both the public and private sectors.

**Second Fisheries Development:** \$13.5 million from ADF to boost marine fish production and generate new employment opportunities for fishermen and for workers involved in marketing and onshore facilities. The Project will also raise the nutritional levels of people in the Project area, help save foreign exchange through import substitution and improve the socio-economic well-being of the local population (see technical assistance which follows).

**Coconut Development:** \$12 million from ADF to help small-scale coconut farmers increase production and to modernize and improve the performance of the coconut processing industry. The Project, which is expected to benefit about 75,000 farm families, will introduce better agronomic practices, augment the supply of vital inputs and extension services, provide credit to modernize coconut oil milling and dessicated coconut manufacture, and help streamline the marketing of coconut products. IFAD is co-financing the Project with \$8 million.

##### TECHNICAL ASSISTANCE

**Kirindi Oya Irrigation and Settlement:** \$50,000 for consultant services to review the cropping pattern as well as

the design, layout and costs of the irrigation system of the Bank-assisted Kirindi Oya Irrigation and Settlement Project which is now under implementation.

**Second Fisheries Development:** \$360,000 (to be financed by the Government of Switzerland and administered by the Bank) to improve the institutional capabilities of executing agencies for effective implementation of the Project and to carry out project benefit monitoring and evaluation.

**Aquaculture Development:** \$105,000 for a feasibility study of a project to boost fish production, improve nutritional standards of low-income groups, generate employment opportunities and help reduce fish imports. FAO is co-financing the technical assistance with \$92,000.

## Thailand

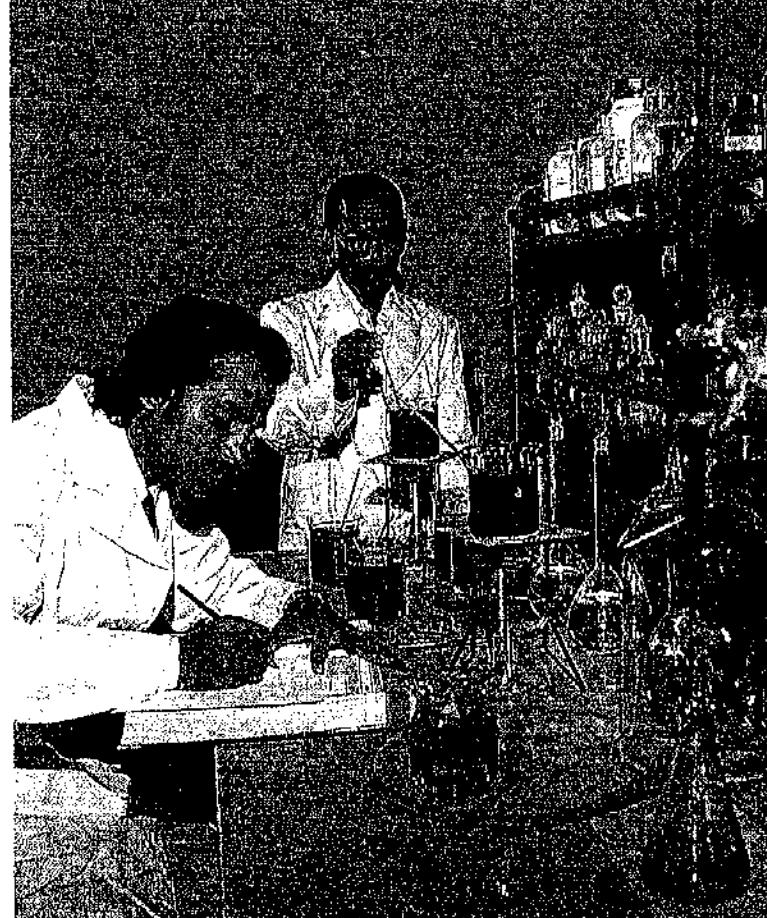
### LOANS

**Fifth Power Distribution:** \$61 million for a Project to expand and reinforce the capacity of the existing distribution system and increase its reliability, and to extend the service area to populated areas outside Metropolitan Bangkok. The new and expanded substansmission and distribution substansations will reinforce the supply facilities in the existing service area and, together with the distribution lines, provide for extension to areas which are not at present supplied. The Project is expected to provide electricity to about 250,000 new consumers. The Project will be co-financed by export credit sources in the amount of \$18.6 million.

**Fifth Industrial Finance Corporation of Thailand (IFCT):** \$50 million as a fifth credit line to IFCT, the only development finance institution in Thailand providing medium and long-term funds to private industrial enterprises, with the overall objective of promoting growth in the country's industrial sector. This loan will help IFCT to meet part of the foreign currency requirements of private enterprises in the period 1982-83 and will contribute to improvements in IFCT's operations.

**Songkhla and Phuket Ports:** \$71.4 million to develop deepwater berthing facilities at Songkhla and Phuket Ports — ports which are critical to the future economic and social development of the southern region of the country — to enable them to handle a growing volume of traffic. New facilities will enable direct loading and discharging of cargo, thereby eliminating lighterage operations and encouraging trade through these ports rather than through Bangkok or Penang. This will lead to a substantial reduction in transhipment and inland transportation costs. The Project, which comprises the first phase of development of a long-term master plan for both ports, also includes construction of two interconnected bridges across Songkhla Lake.

**Medium Scale Irrigation Package:** \$25 million from OCR and \$15 million from ADF for a package of irrigation and drainage and flood protection facilities to be distributed in five subproject areas in the northern, central and eastern regions of the country. The Project is expected



LABORATORY technicians in Bangladesh, where the Bank is assisting in the modernization and expansion of the Geological Survey of Bangladesh, which is responsible for the collection and dissemination of geological data relating to the country and its associated continental shelf.

to raise paddy, tobacco and groundnut production, generate about 14,200 man-years of employment during construction and 3,650 man-years of farm labor on a continuing basis, and directly benefit about 17,600 people. It includes demonstration farms for each subproject as well as consultant services and training programs.

### TECHNICAL ASSISTANCE

**Natural Gas Transmission and Distribution:** \$40,000 to formulate a project comprising a 43-km. pipeline with on-shore compression units and a distribution system.

**Agricultural Education:** \$230,000 to prepare a project for upgrading agricultural education at the technician level. The technical assistance will finance a study of the country's development plans for the agricultural sector in relation to the need to produce trained manpower. It will identify the educational and physical resources required to meet training needs and strengthen existing training institutions.

## Tonga

### LOAN

**Second Multiproject:** \$1.68 million from ADF for five subprojects which will help increase export revenues from

vanilla development, raise earnings from tourism and handicraft sales, improve health and transportation facilities and increase incomes for fishermen.

#### TECHNICAL ASSISTANCE

**Vanilla Curing Improvement:** \$120,000 to finance the services of a vanilla curing specialist to advise the Government on improving curing methods.

#### Western Samoa

##### LOAN

**Fourth Development Bank of Western Samoa (DBWS):** \$4 million from ADF, the Bank's fourth credit line to DBWS, for relending for specific development projects in agriculture (40 per cent), industry (40 per cent), group/village projects (10 per cent) and services (10 per cent). The Bank credit will cover part of the projected foreign exchange requirements of DBWS for the fiscal years 1982-84.

#### REGIONAL ACTIVITIES<sup>1</sup>

**Second Fish Market Study:** \$220,000 for a Study (to be undertaken by FAO which provided \$200,000 under a cost-sharing arrangement) of the current market situation and

projected future absorptive capacity for selected fisheries commodities which are of special interest to DMCs. The Study will also include country profiles on the fisheries sectors of selected DMCs, emphasizing development opportunities for domestic fish marketing.

**Study of Agricultural Research Facilities and Requirements in the South Pacific:** \$23,500 as a supplementary grant to review existing agricultural research facilities and requirements in the South Pacific and to determine whether the establishment of an agricultural research center should be studied further. A consultants' report was received in August and was despatched to the South Pacific DMCs and other concerned agencies for review and comment.

**ESCAP-ADB-SPEC Industrial Survey of the South Pacific:** \$45,000 as a supplementary contribution for a Survey, to be carried out by the Economic and Social Commission for Asia and the Pacific (ESCAP) in cooperation with the Bank and the South Pacific Bureau for Economic Cooperation (SPEC), to assess the human and natural resources of the area, to study its potential for industrialization and investment, and to identify opportunities to develop and apply appropriate technologies.

**South Asia and South East Asia and Pacific Regional Power Projects Course:** \$55,000 for a Course, held in Kyongju, Republic of Korea, from 7 September to 30 October, to enhance participants' understanding of available

<sup>1</sup> Includes regional activities approved in 1981 except Study of the Bank's Operational Priorities and Plans for the 1980s which appears on pages 52 and 53.

*PRIVATE sector enterprises in Thailand such as this glass factory (left) and rubber belt plant (right) have received assistance from the Bank through credits on-lent by the Industrial Finance Corporation of Thailand. About 95 per cent of all Bank credits to development financing institutions have gone to private sector enterprises.*



analytical techniques in power project analysis. This will enable them to formulate, evaluate and implement short and long-term power development programs efficiently and economically. The Course was co-sponsored by the Bank, the Economic Development Institute of the World Bank and the Korea International Economic Institute.

**Second Regional Program on Industrial Project Appraisal — Marketing and Economic Aspects:** \$97,000 for a Program, held in Manila from 27 July to 14 August, designed to benefit industrial DFIs in DMCs by strengthening and upgrading the skills of their professional staff engaged in assessing the marketing and economic elements of projects.

**ADB-DBWS-DSE Program on Development Banking for the South Pacific Region:** \$120,000 for a Program, held in Apia, Western Samoa from 21 September to 30 October, in collaboration with the Development Bank of Western Samoa (DBWS) and the German Foundation for International Development (DSE). The Program was geared to an analysis of small agricultural and industrial projects in the South Pacific. Particular attention was given to financial and technical aspects of appraisal as well as follow-up and supervision.

**Fourth Regional Program on Project Implementation and Supervision:** \$100,000 (financed by the Government of Switzerland and administered by the Bank) for a Program conducted in collaboration with Malaysian Industrial Development Finance Bhd. and the German Foundation for International Development. Held in Kuala Lumpur from 23 November to 18 December, the Program aimed at strengthening and upgrading the skills of senior DFI staff with a view to ensuring that the objectives of DFI-approved projects are met and the functioning of the institutions made more effective and efficient.

**Second Regional Seminar on Technical Education:** \$75,000 to the Colombo Plan Staff College for a Seminar to be held in Singapore in early 1982. It will provide management and administration personnel in government units responsible for project implementation with knowledge of the key concepts, techniques and methods relevant to detailed planning, resource utilization, and the management and implementation and evaluation of education projects as well as procurement.

**APO Twelfth Project Feasibility Study Training Course:** \$49,800 for a Course, which will be sponsored by the Asian Productivity Organization (APO) and held early in 1982, the purpose of which is to enhance the capabilities of personnel from government agencies, development banks and financing institutions in the preparation and/or assessment of feasibility studies for development projects.

**Seminars on Procurement and Project Implementation Management:** \$175,000 for six seminars to be held in 1982, two on procurement, one on project implementation management and three country seminars on procurement.

**Establishment of a Genetic Resources Laboratory at ICRISAT:** \$450,000 for the procurement of cooling and humidity control systems and other equipment needed by

#### REGIONAL ACTIVITIES, 1981

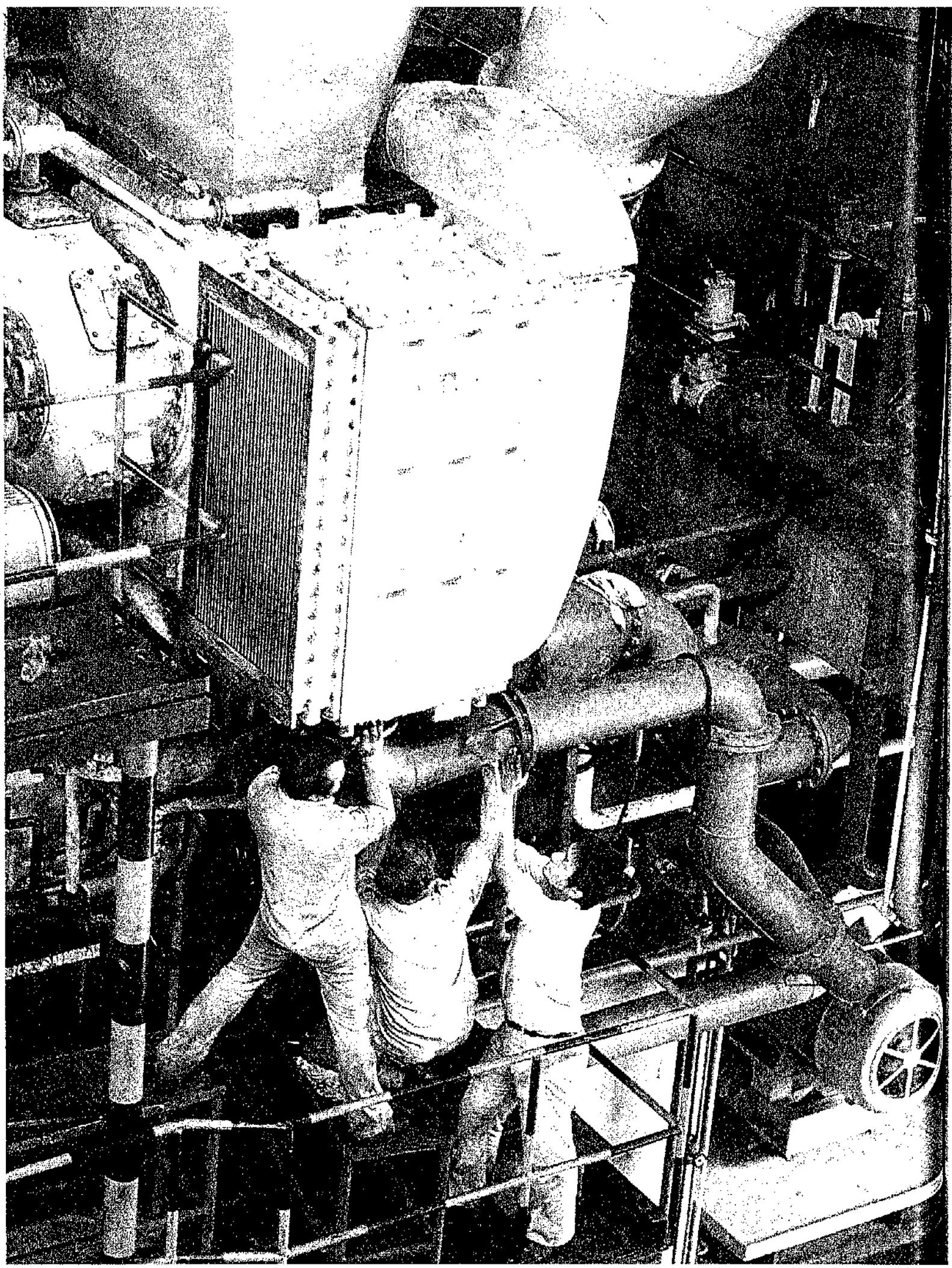
	Amount (\$ thousand)
Study of Agricultural Research Facilities and Requirements in the South Pacific (Supplementary)	23.5
Tripartite Meeting: the Bank, the Bangladesh Power Development Board and the Electricity Generating Authority of Thailand	5.5
Study of the Bank's Operational Priorities and Plans for the 1980s	400.0
South Asia and Southeast Asia and Pacific Regional Power Projects Course	55.0
ESCAP-ADB-SPEC Industrial Survey of the South Pacific (Supplementary)	45.0
Second Regional Program on Industrial Project Appraisal — Marketing & Economic Aspects	97.0
ADB-DBWS-DSE Program on Development Banking for the South Pacific Region	120.0
Fourth Regional Program on Project Implementation and Supervision	100.0 <sup>a</sup>
Establishment of a Genetic Resources Laboratory at ICRISAT	450.0
Second Regional Seminar on Technical Education	75.0
Asian Productivity Organization's Twelfth Project Feasibility Study Training Course	49.8
Seminars on Procurement and Project Implementation Management	175.0
Second Fish Market Study	220.0 <sup>b</sup>
<b>TOTAL</b>	<b>1,815.8</b>

<sup>a</sup> To be financed by Switzerland.

<sup>b</sup> In addition, FAO provided \$200,000 under a cost-sharing arrangement.

the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) for its Genetic Resources Unit (GRU). The GRU is being set up following a request by the International Board for Plant Genetic Resources (IBPGR) to ICRISAT to assume the responsibility of serving as a major worldwide repository for the germplasm of five major crops: sorghum, pearl millet, chick-pea, pigeon pea and groundnuts.

**Tripartite Meeting: The Bank, the Bangladesh Power Development Board and the Electricity Generating Authority of Thailand:** \$5,500 for a five-day Tripartite Meeting in Bangkok from 23 to 27 April between Bangladesh Power Development Board (BPDB), the Electricity Generating Authority of Thailand (EGAT) and the Metropolitan Electricity Authority (MEA), to draw up a plan of collaboration between these public utilities.



# ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

## Review of the Bank's Resource Requirements

IN RESPONSE to a resolution at the Thirteenth Annual Meeting, a report on the Resources of the Bank was submitted by the Board of Directors to the Board of Governors at the Fourteenth Annual Meeting. It stated that the Bank had on the basis of staff studies undertaken a general review of its future operational program with reference to the resource requirements of its developing member countries (DMCs). This review included a consideration of staffing implications of the future operational program as well as policy issues relating to Bank operations in the 1980s. The review confirmed the need for a general increase in the Bank's capital stock to enable the Bank to continue its operations beyond 1982. Accordingly, in December 1980, the President submitted to the Board of Directors a Working Paper outlining certain basic considerations relevant to a determination of the size and composition of a general capital increase. This paper was discussed by the Board of Directors in February 1981 and it was concluded that in this regard various possibilities should be further examined. Accordingly, additional material was submitted to the Board of Directors during the year. This will be considered by the Board of Directors early in 1982. After a final conclusion has been reached, the Board of Directors will submit to the Governors for consideration and approval a report containing its findings and recommendations.

## Capital

During the year, the Bank's subscribed capital increased by \$240.2 million (SDR 206.4 million) on account of (i) another partial subscription of \$239.5 million (SDR 205.8 million) by the United States under the Second General Capital Increase, and (ii) a subscription of \$0.7 million (SDR 0.6 million) by the Republic of Vanuatu, a new member. As of 31 December 1981, subscribed capital amounted to \$8,296.8 million (SDR 7,128.1 million) while authorized capital stock stood at \$8,404.5 million (SDR 7,220.6 million).

*TECHNICIANS checking equipment at the Sarawak Power Project. Bank loans have helped more than double the installed power capacity of the Sarawak Electricity Supply Corporation to 83 MW, an important contribution to the overall economic development of this Malaysian state.*

## Progress of Second General Capital Increase

As of 31 December 1981, total subscriptions under the Second General Capital Increase amounted to \$4,723.9 million (SDR 4,058.5 million). The amount of \$80.6 million (SDR 69.2 million), representing the full entitlement of two members and a partial entitlement of one member, remained unsubscribed.<sup>1</sup>

## Valuation of Capital

The capital stock of the Bank is defined in its Articles of Agreement in terms of United States dollars of the weight and fineness in effect on 31 January 1966. Since the coming into effect of the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) on 1 April 1978, currencies no longer have par values in terms of gold. The implications of this change on the basis of valuation of the Bank's capital stock are under consideration by the Bank. In the meantime, for purposes of the Bank's financial statements, the Bank's capital stock has been valued on the basis of SDR 10,000 per share. The SDR is expressed in the financial statements in current United States dollars as computed by the IMF. As of 31 December 1981, the rate was \$1.16396 per SDR. Further information on this subject is given in Notes A and C of the Notes to Financial Statements of Ordinary Capital Resources, Appendix I-VIII.

## Borrowings

During 1981 the Bank made 11 borrowings, as summarized in the Table on page 72, amounting to the equivalent of \$668.5 million.<sup>2</sup> This compares with a total equivalent to \$457.8 million borrowed in 1980. These borrowings were

1 The United States has since additionally subscribed to \$45.7 million (SDR 39.3 million).

2 Excludes private placement for SwF100 million arranged with the Saudi Arabian Monetary Agency towards the end of 1980 and signed in February 1981. This was included in the borrowing program for 1980.

BORROWINGS, 1981

Country	Issue	Amount in Currency of Borrowing (million)	US\$ Equivalent <sup>a</sup> (million)
Germany, Federal Republic of	10.00% 10-Year Bonds due 1991	DM 100	51.0
	10.75% 8-Year Bonds due 1989	DM 100	43.1
Japan	8.30% 15-Year Bonds due 1996	¥15,000	73.9
	8.50% 15-Year Bonds due 1996	¥20,000	88.6
	9.00% 15-Year Loan due 1996	¥20,000 <sup>b</sup>	85.9
	10.00% 10-Year Bonds due 1991	KD 15	53.3
Saudi Arabia	Private Placement	SwF 100	49.2
Switzerland	7.75% 10-Year Bonds due 1991	SwF 80	41.8
	8.00% 9-Year Bonds due 1990	SwF 80	40.6
Central Banks/ Monetary Authorities	14.10% 2-Year Bonds due 1983	US\$ 70	70.0
International <sup>c</sup>	8.25% 10-Year Bonds due 1991	¥15,000	71.1
<b>TOTAL</b>			<b>668.5</b>

a US dollar equivalents are based on the exchange rates adopted by the Bank at the end of the quarter preceding the date of Board approval.

b Of this amount, 15 billion was drawn on 13 January 1982.

c International capital markets outside Japan and the United States.

made during a period of rather volatile conditions in international capital markets, in which interest rates were at high levels.

Because of the relatively favorable terms prevailing in the Japanese market, about half of the total amount borrowed was denominated in Japanese yen. The yen borrowings consisted of two public bond issues in Japan for ¥15 billion and ¥20 billion in March and July, respectively; a public bond issue in the international capital markets outside Japan in April for ¥15 billion; and, a direct borrowing of ¥20 billion provided in October by a syndicate of Japanese trust banks and life insurance companies. Both the direct borrowing and the public offerings in Japan had maturities of 15 years which assisted the Bank in its continuing efforts to lengthen the maturity structure of its outstanding debt.

For the second year in succession the Bank made two public bond issues in the Swiss capital market where interest rates were again comparatively low. These issues, floated in May and October, were each for SwF80 million.

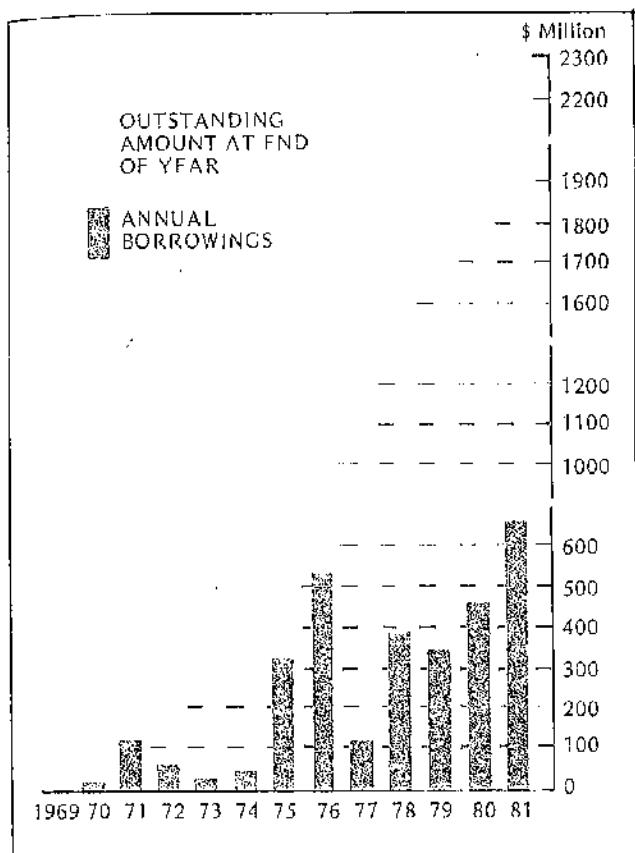
The Bank also made two public bond issues in the Federal Republic of Germany. These issues, in March and October, were each for an amount of DM100 million.

In April, Two-Year US Dollar Bonds totalling \$70 million were placed with central banks and monetary authorities in 29 member countries to replace the maturing Two-Year US Dollar Bonds of 1979. In line with interest rates prevailing at the time of issue, the bonds carried an interest rate of 14.10 per cent per annum.

The Bank was also able to diversify its sources of funds, while at the same time channelling funds from oil exporting countries to DMCs in the region, by undertaking two private placements in the Middle East. The first, in September for SwF100 million, was placed directly with the Saudi Arabian Monetary Agency, and the second, in December for KD15 million, was placed with investors in Kuwait.

The average maturity of the year's borrowings, weighted by amount, was 9.16 years, which had the effect of increasing the average life of outstanding borrowings from 5.78 years at the end of 1980 to 7.09 years at the end of 1981.

## BORROWINGS: 1969-1981



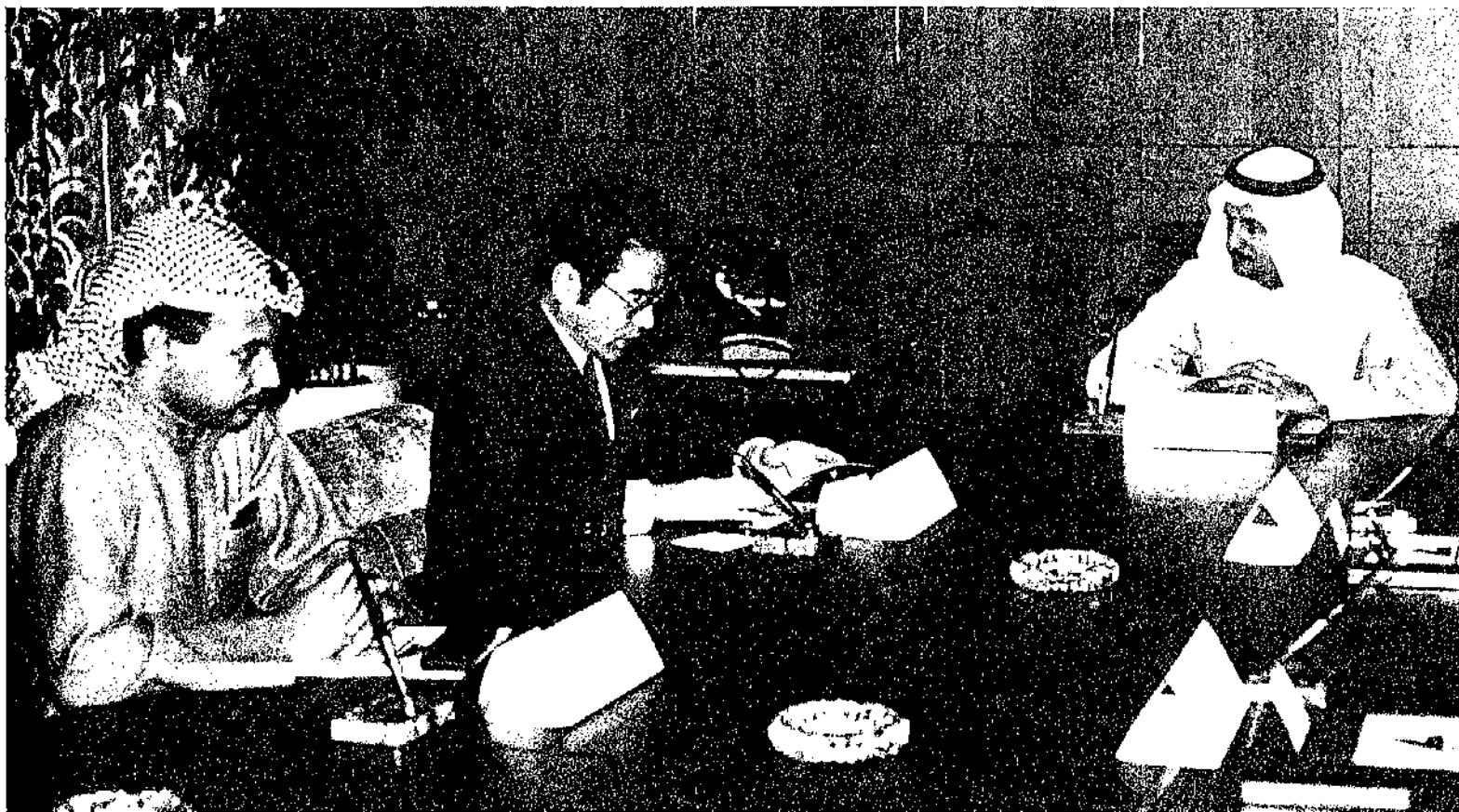
## Review of Financial Policies

The Annual Review of the Financial Policies of the Bank was conducted early in the year and covered, in a relatively broad context, the Bank's lending and borrowing programs for 1981 as well as its financial objectives, policies and indicators. The review concluded that the basic financial objectives of the Bank, which are designed to result in a steadily rising trend in net income leading to a strong reserves position, were sound and should continue. The borrowing program for the year 1981 was set at \$650 million. In respect of liquidity, special reserve, commitment charge and allocation of administrative charge between ordinary and special operations, the Board approved continuation of the Bank's existing policies.

## Methodology for Determining the Lending Rate of the Bank

The methodology was reviewed during the year, and a number of options were examined in detail. The Board approved a further refinement of the "cost-plus" formula comprising cost of borrowing and carrying liquidity and of administrative expenses. Under this formulation, the borrowing costs continue to be determined as the average of a 24-month period centered on the date of lending rate determination. To this cost a spread is added to cover administrative expenses, and the cost to the Bank of carrying liquidity. As a result of the review, the spread was increased from 30 basis points (0.30 per cent) to 40 basis points (0.40 per cent). The rate thus determined by this formula is to be considered as an indicative lending rate which is tested in the Bank's long-term financial projections.

*SIGNING of documents in December for a KD15 million bond issue. (From left to right): Mr. Hamad M. Al-Bahar, Chairman of the Kuwait Investment Company; Mr. Yukiji Miyazaki, Deputy Treasurer of the ADB; and Mr. Yousef Al-Hassani, Manager of the Kuwait Foreign Trading Contracting and Investment Company.*



against the need to meet the Bank's income and reserves objectives, and the need to maintain its decisive financial indicators at the desired levels as well as to keep a reasonable relationship over time with the lending rate of the World Bank.

### Lending Rate

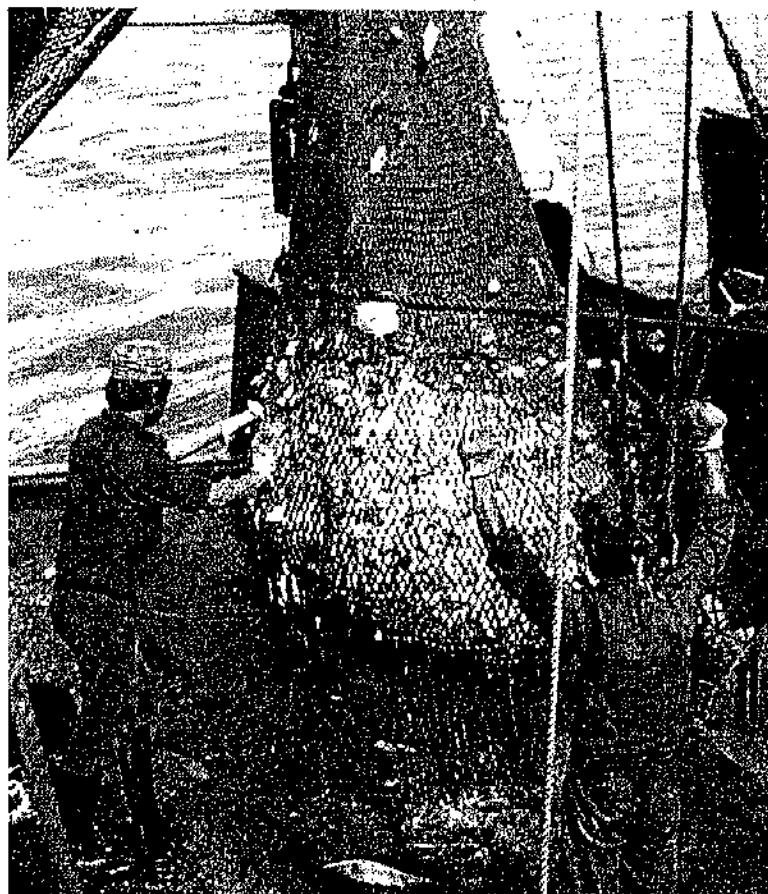
Prior to approval of the new methodology for determining the Bank's lending rate, an interim rate reflecting an increase in the Bank's average borrowing costs was considered and fixed at 9.25 per cent per annum effective 31 March 1981. Subsequently, taking into account a further increase in the Bank's average borrowing costs, a new lending rate of 10.10 per cent per annum was approved, effective 1 July 1981.<sup>1</sup>

### Exchange Risk Pooling System

In order to distribute equitably the exchange risks on currencies disbursed and repayable under loans financed from the Bank's ordinary capital resources, the Board of Directors approved in August 1981 the adoption of an Exchange Risk Pooling System. This system is being included in the Bank's on-going computerization. To allow sufficient time to institute accounting, legal and administrative arrangements and to brief borrowers as well as guarantors on the system, the possible commencement of the system is

<sup>1</sup> The lending rate was raised to 11 per cent per annum on ordinary loans approved after 1 January 1982.

*LANDING the catch on a Burmese trawler: The country's fishing industry has been assisted by a Bank-financed Fisheries Development Project which provides for the rehabilitation and expansion of the fishing fleet and improvements to fishing gear and infrastructure facilities.*



expected to be in the latter part of 1982. It is anticipated that all loans approved from the commencement date to be financed out of ordinary capital resources will come under the system. The interim DFI disbursement scheme, in which disbursements under loans to development finance institutions and other intermediaries are made 50 per cent in United States dollars and 50 per cent in any other convertible currency, will be terminated and will be subsumed under the Exchange Risk Pooling System. The borrowers of the existing loans including DFI loans will be given the option to join the pooling system in respect of the undisbursed portions of the loans.

### Maintenance of Value

Exchange rates adopted by the Bank during the year continued to be used for purposes of translation in the Bank's books of accounts and for computing the "notional amounts required to maintain the value of currency holdings." Settlement of maintenance of value has been held in abeyance pending a decision on the valuation of the Bank's capital stock.

### Loan Disbursements and Repayments

Disbursements from ordinary capital resources during 1981 amounted to \$518 million, representing an increase of \$89.3 million or 20.8 per cent over the 1980 figure and bringing cumulative disbursements as of the end of the year to \$2,822.6 million. Repayments in 1981 amounted to \$127.6 million consisting of \$126.0 million on loans held by the Bank and \$1.6 million on loans sold to participants. As at 31 December 1981, cumulative repayments on loans held by these sources were \$491.5 million and \$15.6 million, respectively, making a total of \$507.1 million.

### Investments

At the end of 1981, the Bank's investments of OCR funds were denominated in 23 currencies and amounted to the equivalent of \$1,670.1 million (\$1,393.1 million at the end of 1980), including investments of Special Reserve Fund Assets. Of the total investments, 28.4 per cent (24.4 per cent at the end of 1980) was held in securities issued or guaranteed by member governments and obligations of approved government agencies of member countries. The remainder was invested in time deposits and certificates of deposit of banks in member countries and the Bank for International Settlements. The average yield on the Bank's OCR investments over the year was 10.56 per cent compared with 9.81 per cent in 1980.

### Accounting Change

In consultation with the Bank's External Auditors, the Bank has made a change retroactively in 1981 in the method of accounting for translation of currencies in line with a new accounting principle adopted in December 1981. This accounting change has been reflected in the Financial Statements (Appendix 1) and in the text of this Annual Report.

The new accounting principle is to treat unrealized gains or losses arising from translation of functional currencies into the reporting currency as translation adjustments to

**INCOME AND EXPENSES — ORDINARY CAPITAL RESOURCES**  
(amounts in \$ million)

	1980 Actual	1981 Budget	1981 Actual	1982 Budget
1. Gross Income	309.0 <sup>a</sup>	351.0	347.1	401.9
2. Less Expenses Charged to Ordinary Capital Resources:				
a. Interest and Other Financial Expenses	142.4	171.2	157.7	202.4
b. Administrative Expenses <sup>b</sup>	19.6	26.1	27.9	31.8
c. Services to Member Countries	1.2	2.4	0.5	3.1
<b>TOTAL</b>	<b>163.2</b>	<b>199.7</b>	<b>186.1</b>	<b>237.3</b>
3. Net Income	145.8 <sup>a</sup>	151.3	161.0	184.6
4. Appropriation of Commissions to Special Reserve	(19.3)	(23.5)	(21.3)	(24.7)
5. Net Income After Appropriation of Commissions to Special Reserve	<b>126.5<sup>a</sup></b>	<b>127.8</b>	<b>139.7</b>	<b>138.9</b>

a Restated retroactively in 1981 consequent to the accounting change discussed in Note L of Appendix I-VIII, Notes to Financial Statements of Ordinary Capital Resources.

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

be shown in the balance sheet as a separate component of equity. Previously, in line with a generally accepted accounting principle adopted in 1975, all changes in the value of currencies including translation adjustments were taken into account in determining net income in the statement of income and expenses. Realized transaction gains or losses, however, will continue to be taken into account for the determination of net income.

As a result of this accounting change, net income of Ordinary Capital Resources and the Asian Development Fund for 1981 increased by \$40.54 million and \$9.42 million, respectively; however, net equity shown in the respective Balance Sheets remains unchanged. Restatements of relevant amounts in respect of prior years have also been made. Further details are shown in the Financial Statements and in the Notes to Financial Statements.

### Income and Expenses

The Bank's gross income in 1981 amounted to \$347.1 million, an increase of \$38.1 million or 12.3 per cent over the 1980 gross income figure of \$309.0 million.<sup>1</sup> This increase was due to the rise in income from loans and investments by 11.8 per cent and 14.0 per cent, respectively.

Gross expenses amounted to \$186.1 million for the year, registering an increase of \$22.9 million or 14.0 per cent over total gross expenses of \$163.2 million in 1980. Administrative and financial expenses increased by 42.5 per cent and 10.7 per cent, respectively.

After appropriation of commissions to the Special Reserve amounting to \$21.3 million, net income for 1981 amounted to \$139.7 million, compared with \$126.5 million<sup>1</sup> in 1980.

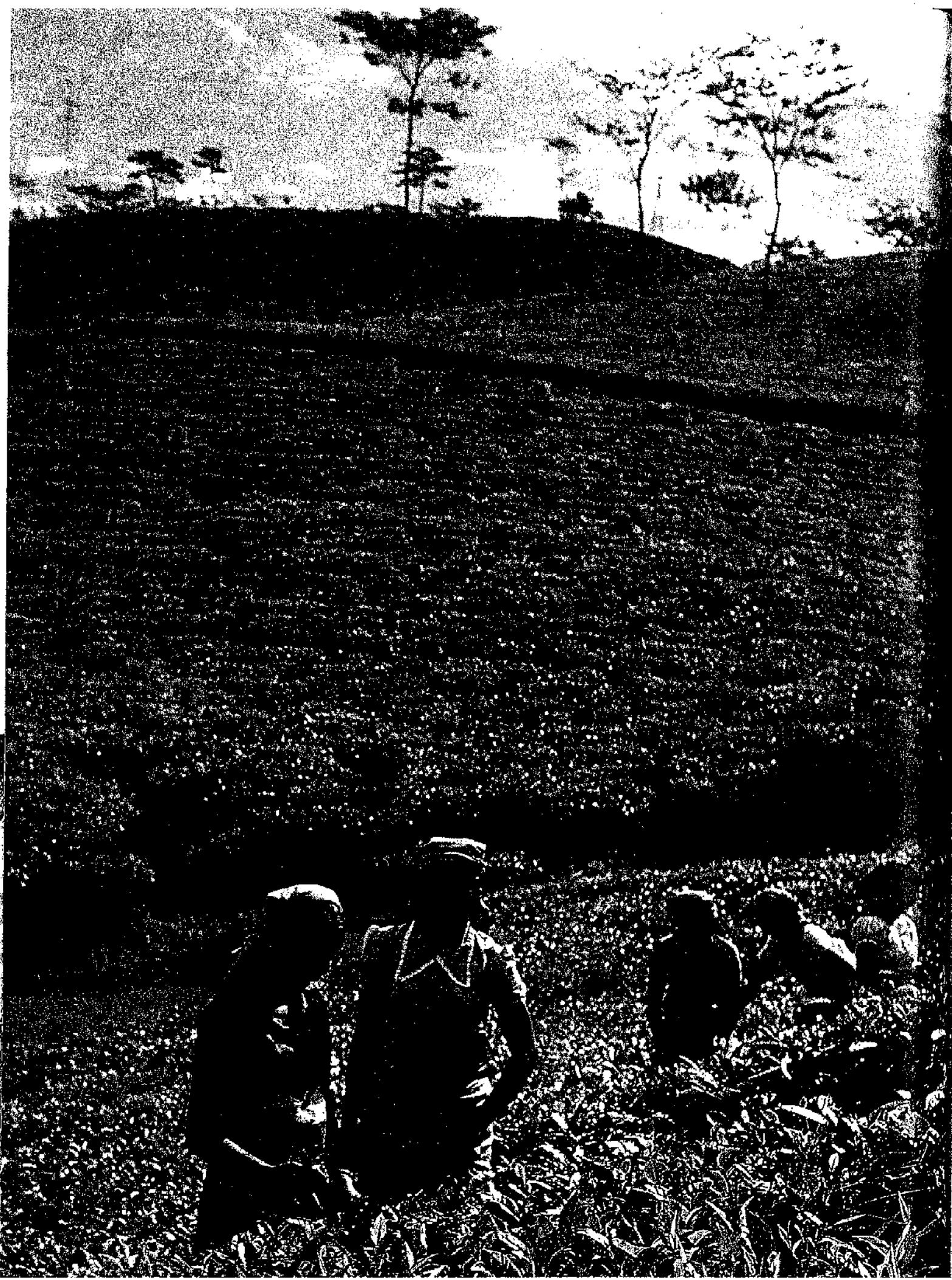
### Reserves

The Bank's Ordinary Reserve rose from \$360.8 million<sup>1</sup> as of 31 December 1980 to \$512.0 million as of 31 December 1981. The increase was due to (i) the transfer of \$126.5 million,<sup>1</sup> accumulated net income as of 31 December 1980, to the Ordinary Reserve and (ii) the net credit of \$24.7 million, consequent to the restatement of the Bank's capital stock for purposes of the Bank's financial statements in terms of the SDR.

The Special Reserve increased from \$78.6 million as of 31 December 1980 to \$99.9 million as of 31 December 1981 as a result of appropriations of commissions earned on loans during the year.

<sup>1</sup> Restated retroactively in 1981 consequent to the accounting change discussed in Note L of Appendix I-VIII, Notes to Financial Statements of Ordinary Capital Resources.

<sup>1</sup> Restated retroactively in 1981 consequent to the accounting change discussed in Note L of Appendix I-VIII, Notes to Financial Statements of Ordinary Capital Resources.



# SPECIAL FUNDS

AS THE period covered by the second replenishment of the Asian Development Fund (ADF III) is to end in 1982, the Bank commenced discussions with ADF donor countries on the third ADF replenishment (ADF IV) to finance its concessional lending program over the four-year period 1983-86. During 1981, there were two meetings of ADF donor countries held in July and November. The replenishment negotiations were expected to be concluded in early 1982.

As to the implementation of ADF III, the Bank received during 1981 instruments of contribution from Italy, Netherlands and New Zealand. The payment of the second instalment of the United States contribution to ADF III made in December 1980 and the consequent release in January 1981 of the third instalments of the other contributions to ADF III made available the resources needed by the Bank to finance its concessional lending program for 1981.

During the year the Bank received another \$3.5 million from the United States as partial payment towards the last \$60 million of its contribution to the first Asian Development Fund replenishment (ADF II). The Board of Governors authorized a further extension of the deadline for payment by the United States of the remaining \$56.5 million of its ADF II contribution.

During the year the Board of Directors approved proposals for the improvement of arrangements for the mobilization and replenishment of resources of the Technical Assistance Special Fund (TASF). The Board also adopted new TASF Regulations. Additional contributions to TASF were received during the year from eight member countries.

## Asian Development Fund

### Second Replenishment (ADF III)

The second ADF replenishment (ADF III), authorized in July 1978 by Governors' Resolution No. 121, was to finance the Bank's concessional lending program over the four-year period 1979-82. The amount authorized was \$2,150 million (at 1 April 1978 exchange rates), consisting of a basic replenishment of \$2,000 million plus a further \$150 million in supplementary contributions. The replenishment came

into effect in March 1979 when the Bank received instruments of contribution for a total amount in excess of the trigger figure of \$1,000 million provided for in the Resolution.

During 1981 the Bank received instruments of contribution from Italy, Netherlands and New Zealand. With the receipt of these, all the 17 developed member countries of the Bank had become contributors to the replenishment. Sixteen of these countries deposited unqualified instruments of contribution, while one country, the United States, deposited a qualified instrument of contribution in accordance with the provisions of Resolution No. 121.

Resolution No. 121 envisages that unqualified contributions would be made available to the Bank for loan commitment over the replenishment period in four equal annual instalments, depending on the progressive payment of the qualified contribution made by the United States. Pursuant to the Resolution, the first and second instalments of unqualified contributions became available in 1979 and 1980, respectively. The third instalment of unqualified contributions was released on 1 January 1981 as a result of the payment by the United States of the second full instalment of its ADF III contribution in December 1980. All these instalments, together with the additional payments made by the three donor countries which deposited instruments of contribution in 1981, enabled the Bank to finance its concessional lending program for 1981 as planned.

At year end, the procedures for payment of the third full instalment of the U.S. contribution to ADF III had not been completed. The release of the fourth instalments of the other contributions was therefore expected to be delayed beyond 1 January 1982.<sup>1</sup>

### First Replenishment (ADF II)

Resolution No. 92, adopted by the Board of Governors in December 1975, authorized the Bank to receive contributions to ADF II to finance the concessional lending program over the three-year period 1976-78. The total amount authorized was \$830 million, later revised to \$809 million to be provided by 17 donor countries. However, two of the

<sup>1</sup> This matter was substantially resolved subsequently in February 1982.

**STATUS OF ASIAN DEVELOPMENT FUND RESOURCES**  
 (US dollars million equivalent)

	As of 31/12/80 valued as of 31/12/80	Change in 1981		As of 31/12/81 valued as of 31/12/81
		Addition	Exchange Rate Adjustment <sup>a</sup>	Net Change
<b>CONTRIBUTED RESOURCES</b>				
Australia	122.70	28.02	(3.87)	24.15
Austria	17.95	4.85	(2.93)	1.92
Belgium	25.72	4.49	(5.11)	(0.62)
Canada	177.80	40.48	—	40.48
Denmark	19.99	3.79	(4.19)	(0.40)
Finland	11.42	3.91	(2.09)	1.82
France	53.84	26.92	(17.15)	9.77
Germany, Federal Republic of	212.76	36.61	(32.72)	3.89
Italy	34.11	40.98	(7.47)	33.51
Japan	1,298.61	221.14	(116.79)	104.35
Netherlands	36.55	38.10	(10.26)	27.84
New Zealand	8.79	2.62	(1.54)	1.08
Norway	17.74	3.84	(2.33)	1.51
Sweden	23.52	6.99	(6.66)	0.33
Switzerland	36.89	6.80	(0.86)	5.94
United Kingdom	155.76	35.04	(36.68)	(1.64)
United States	492.50	3.54	—	3.54
<b>Total Contributed Resources</b>	<b>2,746.64</b>	<b>508.11</b>	<b>(250.62)</b>	<b>257.49</b>
Set-Aside Resources	60.72 <sup>d</sup>	—	(5.30)	(5.30)
Other Resources <sup>e</sup>	4.68	—	—	4.68
Accumulated Translation Adjustments <sup>f</sup>	5.53	(9.42)	—	(9.42)
Accumulated Net Income <sup>g</sup>	98.53	25.87	—	25.87
<b>Total Additional Resources</b>	<b>169.46</b>	<b>16.45</b>	<b>(5.30)</b>	<b>11.15</b>
Total Resources	2,916.10	524.56	(256.92)	268.64
Less: Amounts Disbursed and Outstanding	798.82	138.63	(65.21)	73.42
Less: Amounts Committed but Undisbursed	1,677.65	377.72	—	377.72
<b>Total Uncommitted Resources</b>	<b>439.63</b>	<b>8.21</b>	<b>(190.71)</b>	<b>(182.50)</b>
Less: Provision for Exchange Rate Fluctuations <sup>h</sup>	142.93	23.77	—	23.77
<b>Net Amount Available for Loan Commitments</b>	<b>296.70</b>	<b>(15.56)</b>	<b>(190.71)</b>	<b>(206.27)</b>
				<b>90.43<sup>i</sup></b>

Notes: Figures may not add due to rounding.

a. Relating to balances as of 31 December 1980 and additions during 1981.

b. Excluding advance payments by the Federal Republic of Germany (\$31.81 million), Japan (\$30.66 million), Norway (\$0.05 million) and Switzerland (\$0.23 million) on account of their contributions to ADF III, since these were not available for loan commitment purposes as of 31 December 1981.

c. Excluding the balance (\$56.46 million) of the United States' contribution to ADF II and the third instalment (\$111.26 million) of its contribution to ADF III for which the necessary procedures for payment had not been completed as of 31 December 1981. In January 1982, the United States made available \$7.86 million towards the balance of its ADF II contribution and \$108.25 million towards the third instalment of its ADF III contribution.

d. Valued in terms of SDR at the rate of \$1.27541 per SDR as of 31 December 1980.

e. Valued in terms of SDR at the rate of \$1.10396 per SDR as of 31 December 1981.

f. Net Income of Multi-Purpose Special Fund of prior years transferred to ADF.

g. Restated due to change in the method of accounting for translation of currencies, as discussed in the Notes to Financial Statements.

h. Equivalent to the sum of Other Resources, Accumulated Translation Adjustments, Accumulated Net Income and Loan Principal Repayments.

i. In February 1982, by virtue of a resolution of the Board of Directors and subject to the provisions of Paragraph B(c) of the Board of Governors' Resolution No. 121, the fourth tranche (equivalent to \$408.71 million) of the unqualified contributions to ADF III also became available to the Bank for loan commitment purposes.

donor countries were unable to participate, and by the end of 1978 the total of unqualified contribution commitments under ADF II had reached \$701 million, with the last \$60 million of the United States contribution still to come. This position remained unchanged until January 1981 when the United States made a payment of \$3.5 million towards the outstanding balance. The United States indicated, however, that it would not be in a position to pay the balance of \$56.5 million before the deadline of 30 September 1981 provided for in Resolution No. 92 as amended. Accordingly, in October 1981, the Board of Governors adopted Resolution No. 145 to extend this deadline. The final date will be fixed by the Governors when the United States Government informs the Bank of a new payment schedule.

#### Third Replenishment (ADF IV)

With the ADF III replenishment period scheduled to end in 1982, the Bank commenced discussions with ADF donor countries on the third ADF replenishment (ADF IV) to finance its concessional lending program over the four-year period 1983-86. Two formal meetings, attended by representatives of all 17 developed member countries, were held during 1981, the first in Geneva in July and the second in Canberra in November. At these meetings, the Bank proposal for a replenishment of \$4.1 billion, and the procedural arrangements for the replenishment, were discussed at length. Since one major donor country, the United States, was not able to state its position on the Bank's proposal, it was decided that a further meeting of the donor countries would be held in February 1982.

During the year some of the developing member countries indicated an intention to make modest contributions to ADF. When the ADF IV replenishment negotiations among the traditional donor countries are completed, the offers of contributions by such developing member countries, together with the contributions pledged by the traditional donor countries, will be submitted to the Board of Governors as a total replenishment for ADF IV.

#### Resources and Utilization

At the beginning of 1981, the net resources available for concessional loan commitments, after allowing a provision for exchange rate fluctuations, was about \$297 million. Dur-

ing the year additional ADF resources totalling \$508 million were made available under ADF II and ADF III. Individual contributions to ADF have been made in the national currencies of the respective contributors. Changes during the year in the values of some of the major contributors' national currencies against the United States dollar resulted in a net decrease of \$251 million in the total value of contributed resources expressed in terms of US dollars. In addition, an amount of \$16 million accrued to ADF by way of net income.

Total ADF resources at the end of 1981, including contributed resources, set-aside resources and net income stood at \$3,185 million, a net increase of \$269 million during the year.

New concessional loans approved during the year totalled \$531 million, or \$54 million more than in the previous year. As of 31 December 1981, the cumulative amount of concessional loans (after allowing for exchange rate adjustments, cancellations and repayments) was \$2,928 million, leaving a balance of uncommitted resources at that date of \$257 million. After allowing for a provision against exchange rate fluctuations, the net amount available for further loan commitments stood at about \$90 million. In 1981, disbursements from ADF resources amounted to \$149.2 million and repayments to \$10.6 million. As of the end of the year, cumulative figures for disbursements and repayments were \$886.9 million and \$40.5 million, respectively.

#### Income and Expenses

Net income for 1981 amounted to \$25.9 million, \$3.8 million less than the 1980 figure of \$29.7 million.<sup>1</sup> The decrease was due mainly to an increase of \$4.8 million in Administration Charge to ADF.

At the end of 1981, the Bank's investments of ADF resources were denominated in 17 currencies and amounted to the equivalent of \$396.6 million (\$384.0 million at the end of 1980). Of the total investments, 37.7 per cent (37.3 per cent at the end of 1980) was held in securities issued or guaranteed by member governments and obligations of approved government agencies of member coun-

<sup>1</sup> Restated retroactively in 1981 consequent to the accounting change discussed in Note 6 of Appendix 1-6, Notes to Financial Statements of Asian Development Fund.

#### INCOME AND EXPENSES AND ACCUMULATED NET INCOME — ASIAN DEVELOPMENT FUND (amounts in \$ million)

	1980	1981
1. Gross Income	49.94	51.01
2. Administrative Expenses	20.28	25.14
3. Net Income for the Year	<u>29.66<sup>a</sup></u>	<u>25.87</u>
4. Balance of Accumulated Net Income at Beginning of the Year	<u>68.87<sup>a</sup></u>	<u>98.53</u>
5. Balance of Accumulated Net Income at End of the Year	<u>98.53<sup>a</sup></u>	<u>124.40</u>

<sup>a</sup> Restated retroactively in 1981 consequent to the accounting change discussed in Note 6 of Appendix 1-6, Notes to Financial Statements of Asian Development Fund.

tries. The balance was invested in time deposits and certificates of deposit of banks in member countries. The average yield on ADF investments over the year was 10.62 per cent compared to 10.49 per cent in 1980.

### Technical Assistance Special Fund

In May 1981, the Board of Directors approved proposals for the improvement of arrangements for the mobilization and replenishment of resources of the Technical Assistance Special Fund (TASF). These arrangements call for an annual review by the Board of the status and utilization of TASF contributions and of the future resource requirements of TASF. Contributors are also invited to accept the goal of making TASF contributions on an untied basis

and to move towards the attainment of this goal as soon as possible.

To this end, all contributions to TASF made from 1983 onward are to be available for procurement at least from all DMCs as well as from the contributor country. The Bank is to keep this aspect under review and, as soon as feasible, request contributors to make only such contributions as are available for procurement at least from all DMCs and all contributor countries. Moreover, no tied contributions to TASF are to be accepted by the Bank if in its judgment, and taking into account relevant factors, it is unlikely to be able to utilize them in a reasonable way.

Following approval of these arrangements, the Board of Directors, in September 1981, approved new Regulations of the Technical Assistance Special Fund. The new Regula-

#### TECHNICAL ASSISTANCE SPECIAL FUND (US Dollar Equivalent)<sup>a</sup>

Contributor	Total Contributions	Amount Utilized
Australia	2,060,169	1,656,317
Austria	128,703	47,194
Bangladesh	23,258	19,752
Belgium	692,869	623,371
Canada <sup>b</sup>	1,540,667	1,540,667
China, Republic of	200,000	200,000
Denmark	1,831,710	1,377,871
Finland	246,369	99,918
France	471,175	325,638
Germany, Federal Republic of	1,389,579	939,363
Hong Kong	100,000	100,000
India	1,090,842	799,509
Italy	129,614	129,614
Japan	32,351,418	22,233,546
Korea, Republic of	780,000	617,155
Netherlands	927,295	923,720
New Zealand	896,050	808,591
Norway	836,468	466,699
Pakistan	319,301	215,502
Sri Lanka	6,309	6,309
Sweden	393,151	301,521
Switzerland	603,060	587,958
United Kingdom	3,745,345	3,745,345
United States	1,250,000	1,250,000
Sub-Total Other Resources <sup>c</sup>	52,013,352 2,678,533	39,015,560 12
<b>TOTAL</b>	<b>54,691,885</b>	<b>39,015,572</b>

<sup>a</sup> 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 1981.

<sup>b</sup> Canada has since made a further contribution equivalent to \$1,883,318.

<sup>c</sup> Represents income, repayments and reimbursements accruing to the TASF since 1 April 1980.



*UTILIZING biogas from a simple backyard generator, residents in Nepalese villages have a new power source for reading (left) and cooking (right). Bank technical assistance to the Fourth Agricultural Credit Project included a component for the development of biogas — a potentially important alternative energy source in many DMCs.*

tions take account of these arrangements and provide a legal framework especially designed for TASF and for the administration and use of its resources. The adoption of the new Regulations will, among other things, considerably simplify agreements between contributors and the Bank for future contributions to TASF.

During 1981, eight member countries of the Bank made further contributions to TASF:

Country		Amount	US\$ Equivalent <sup>1</sup>
Australia	A\$	500,000	563,950
Germany, Fed. Rep. of	DM	2,050,000	909,172
India	Rs	2,400,000	366,337
Japan	Y	651,000,000	2,960,437
Korea, Rep. of	US\$	150,000	150,000
New Zealand	NZ\$	150,000	122,790
Norway	NKr	1,000,000	172,191
United Kingdom	£	210,000	400,680

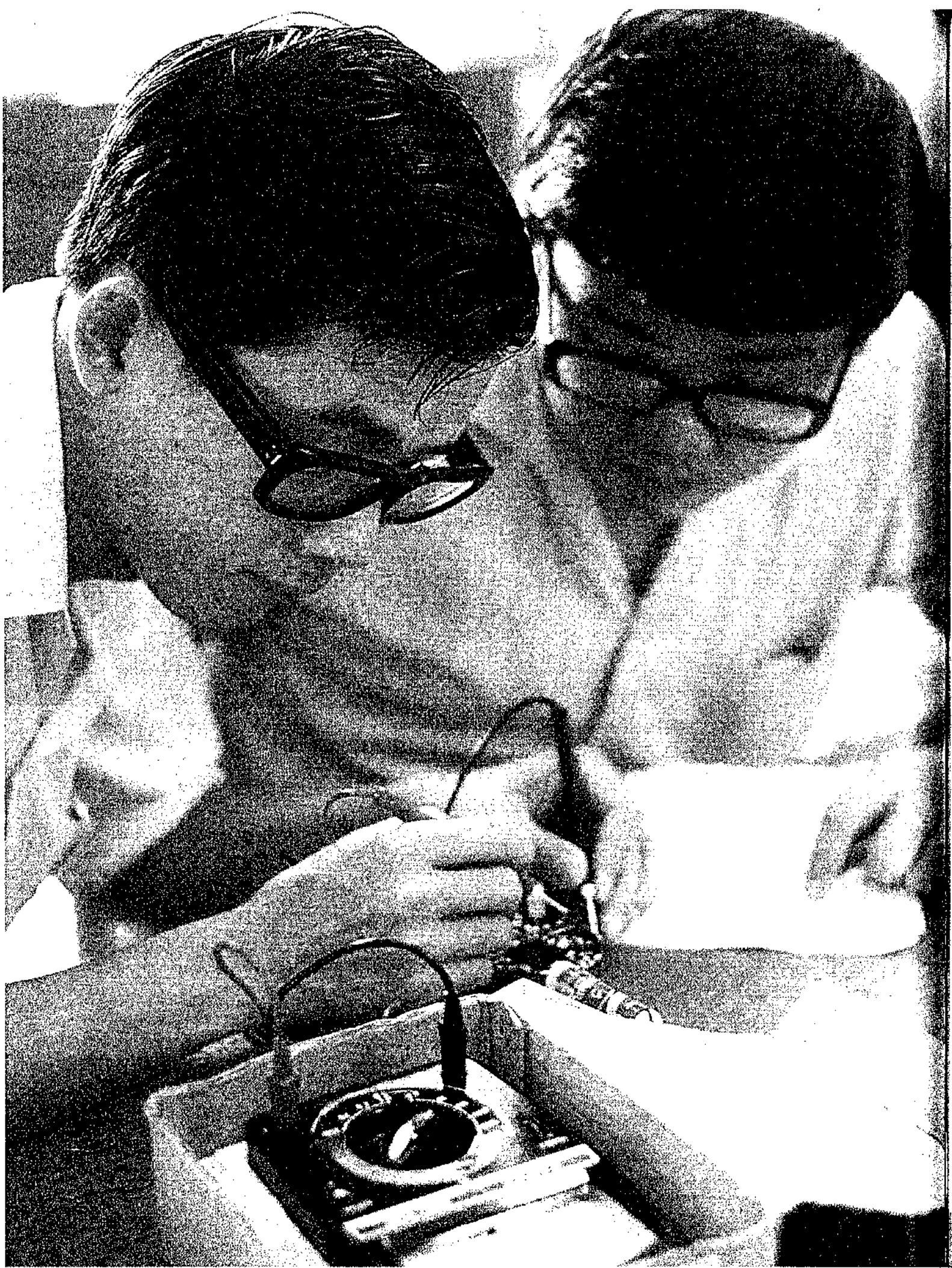
<sup>1</sup> As of 31 December 1981.

The contributions from Australia, Japan and Republic of Korea are available for procurement from all member countries. The contribution from the Federal Republic of Germany is available for procurement from the donor country, other developed member countries which are current contributors to the Fund and from all developing member countries. The contributions from Norway<sup>1</sup> and India are conditionally untied for procurement from the respective donor countries and from all developing member countries. The contributions from New Zealand and the United Kingdom are, however, tied to procurement from the contributor country concerned.

The total of all contributions made in 1981 amounted to the equivalent of \$5.6 million, of which wholly or partially untied contributions accounted for 90.7 per cent, compared with 78.8 per cent in 1980.

At the end of 1981, total contributions to TASF amounted to the equivalent of \$52 million, of which \$39 million had been utilized by the Bank.

<sup>1</sup> Norway has pledged to contribute a similar amount of Nkr1,000,000 in each of the years 1982 and 1983 subject to parliamentary appropriations.



# MEMBERSHIP AND ADMINISTRATION

## Members

THE APPLICATION for membership by Vanuatu was approved by the Board of Governors on 26 March 1981. The membership of Vanuatu became effective on 15 April 1981, bringing the total membership of the Bank to 44 countries.

## Board of Governors

The Fourteenth Annual Meeting of the Board of Governors was held in Honolulu from 30 April to 2 May. At the meeting, the Governor for Burma was elected Chairman of the Board of Governors, and the Governors for Finland and Solomon Islands were elected Vice-Chairmen, to hold office until the close of the Fifteenth Annual Meeting. A list of Governors and Alternate Governors as of 31 December 1981, with notations of changes during the year, appears in Appendix 4.

The resolutions adopted by the Board of Governors in 1981, including those adopted at the Fourteenth Annual Meeting, are listed in Appendix 3.

## President

On 24 November 1981, Mr. Masao Fujioka assumed office as President of the Bank for a term of five years, succeeding Mr. Taroichi Yoshida, whose term ended on 23 November.

Mr. Fujioka, who was formerly Adviser to the Minister of Finance of Japan and concurrently Special Adviser to the Export-Import Bank of Japan, was unanimously elected by the Board of Governors.

On 19 November, the Board of Directors expressed its appreciation of the services of Mr. Yoshida, and adopted the following resolution:

*"The Board of Directors*

### RESOLVES

*To express to Mr. Taroichi Yoshida, at the conclusion of his term as President and Chairman of the*

*Board of Directors, its warm and sincere appreciation of his selfless devotion to the Interests of the Bank, of his wise and perceptive leadership, under which the Bank has made impressive advances especially in the level and quality of its assistance to developing member countries, and of his impartial and sympathetic conduct of the proceedings of the Board of Directors over the period November 1976 to November 1981; and*

*To wish him and Mrs. Yoshida every happiness in the future."*

## Board of Directors

The Board of Directors held 53 formal meetings in 1981 as well as several informal meetings to discuss policy and other matters. In pursuance of its responsibility for the general direction of the Bank's activities, the Board, inter alia:

- Approved 76 proposals for loans and technical assistance grants, including a Study of the Bank's Operational Priorities and Plans for the 1980s.
- Approved a program for Bank activities in the Energy sector.
- Reviewed the general financial policies of the Bank and set new lending rates from 31 March and 1 July.
- Approved the methodology for determining the lending rate of the Bank.
- Approved 11 borrowings totalling the equivalent of \$668.5 million, comprising borrowings in Deutsche Marks, Swiss Francs, Japanese Yen and Kuwaiti Dinars, and the roll-over of \$70 million in Two-Year Bonds.
- Approved an Exchange Risk Pooling System.
- Completed a review of the *Guidelines for Procurement under Asian Development Bank Loans* and approved the revised Guidelines.
- Reviewed the use of the two-envelope system for engagement of consultants.
- Approved proposals for the improvement of arrangements for the mobilization and replenishment of resources of the Technical Assistance Special Fund (TASF) and adopted new TASF regulations.
- Approved the establishment of a Resident Office in Bangladesh.

*STUDENTS at Ngee Ann Technical College in Singapore, where a Bank loan has provided new equipment, buildings and expert services and fellowships to help meet a growing demand for trained manpower.*

- Approved the Administrative Budgets for 1981 and 1982.
- Approved a Memorandum of Understanding on Working Arrangements with the Food and Agriculture Organization.

The Board also continued its review of the Resource Requirements of DMCs and the Bank's lending program for 1983-1987 and the operational policy issues relevant thereto; and commenced a review of co-financing activities.

### Election of Directors

The biennial election of Directors for a new term commencing 1 June 1981 was held during the Fourteenth Annual Meeting of the Board of Governors on 1 May 1981, in accordance with Resolution No. 143. The results of the election, together with the subsequent appointments of Alternate Directors, are set out in the following table:

Directors	Alternate Directors
Mr. A. J. Barry <sup>1</sup> (Canada)	Mr. Dag Larsson <sup>1</sup> (Norway)
Mr. Hoon-Mok Chung (Republic of Korea)	Mr. John Natale <sup>1</sup> (Papua New Guinea)
Mr. N. W. Davy <sup>1</sup> (Australia)	Mr. Peter H. Hodge <sup>1</sup> (Australia)
Mr. Thomas C. Dawson (United States)	Mr. Jon M. Gaaserud <sup>1</sup> (United States)
Mr. Hla Maung (Burma)	Mr. Khalil Hassan <sup>1</sup> (Malaysia)
Mr. Genji Nozaki <sup>1</sup> (Japan)	Mr. Takashi Taniguchi <sup>1</sup> (Japan)
Mr. N. M. Qureshi (Pakistan)	Mr. A. Melchor, Jr. (Philippines)
Mr. G. Ramachandran (India)	Mr. K. Mahmood <sup>1</sup> (Bangladesh)
Mr. Thierry Rosset (France)	Mr. Max Gerlsch <sup>1</sup> (Switzerland)
Mr. Soesilo Sardadi <sup>1</sup> (Indonesia)	Mr. Cliff F. Sproule <sup>1</sup> (New Zealand)
Mr. David L. Stanton (United Kingdom)	Mr. Paul Koehling (Federal Republic of Germany)
Mr. F. M. Tarin (Democratic Republic of Afghanistan)	(Vacant)

<sup>1</sup> Elected (Directors) or reappointed (Alternate Directors).



LABORATORY assistants at work in Dacca, Bangladesh, where a Bank-assisted \$15.6 million Public Health Program provides for improvements to primary health care facilities as well as malaria control.

A list of Directors and Alternate Directors and their voting groups as of the end of 1981, with notations of changes since the election, appears in Appendix 5.

### Audit Committee of the Board

The Audit Committee of the Board was established in June 1977 by decision of the Board of Directors. After the expiry of the term of the Second Committee in May 1981, the Board decided to enlarge the membership from three to five, and Mr. N. W. Davy (Chairman), Mr. N. M. Qureshi, Mr. David L. Stanton, Mr. Jon M. Gaaserud and Mr. Khalil Hassan were appointed with effect from 1 June 1981. Consequent on the resignation of Mr. Jon M. Gaaserud, Mr. John A. Bohn, Jr. was appointed to the Committee with effect from 28 October 1981.

Under its terms of reference, the Committee reviews and, as appropriate, reports to the Board of Directors on the following matters: (i) selection of outside auditors; (ii) scope of the outside auditors' work and reports; (iii) audited financial statements and the outside auditors' opinions thereon; (iv) the outside auditors' recommendations/evaluation of internal controls in the Bank; and (v) the adequacy and efficiency of internal audit and post-evaluation activities.

The Second and Third Committees held 14 formal meetings in 1981 and submitted an annual report and a special report to the Board. The special report recommended the appointment of outside auditors for 1982.

## **Committee on Administrative Matters Relating to Members of the Board**

The Committee on Admininistrative Matters Relating to Members of the Board was established in September 1979. The present Committee, comprising Mr. Hla Maung (Chairman), Mr. Thierry Rosset, Mr. Soesilo Sardadi, Mr. Jon M. Gaaserud and Mr. K. Mahmood, was appointed with effect from 1 June. The Committee held five formal meetings in 1981 and submitted two reports to the Board.

## **Organization**

During the year, the Power Division, Industry and Development Banks Department, was divided into Power Division East and Power Division West. In addition, a new position of Energy Advisor was created in response to needs highlighted in this area by the Bank-sponsored Regional Energy Survey.

Development Bank Divisions I and II, also in the Industry and Development Banks Department, were amalgamated during the year and redesignated as Development Finance Division. Also during 1981, the Internal Auditor was redesignated as Chief, Internal Audit Office together with the redesignation of the Office, and the Chief of the Development Policy Office was redesignated Director of that Office. Both positions were upgraded.

**Research Activities:** During 1981, the Bank strengthened its internal research capability with efforts directed toward an analysis of the major economic issues confronting the Bank's DMCs. A summary paper highlighting these issues titled "Development Issues and Strategies In the Eighties" was prepared for the Bank's on-going Study of its Operational Priorities and Plans for the 1980s.

An Asian Development Bank Economic Staff Paper series was initiated during the year. Papers published during 1981 were on the following topics: the need for and adequacy of DMCs' international reserves; domestic savings in selected DMCs; changes in the consumption, imports and exports of oil in DMCs in the period 1973-79; and by-passed areas, regional inequalities and development policies in selected DMCs.

**Internal Audit:** Internal auditing provides Management with periodic, independent and objective evaluation of the adequacy and effectiveness of managerial controls and related systems and procedures in the financial, administrative and operational functions of the Bank. The Internal Audit Office (IAO) reports to the President.

The results of audits, comprising findings, analyses, conclusions and recommendations, are conveyed to Management and departments or offices concerned by separate report, for information and action as appropriate. Copies of such audit reports are also conveyed to the Audit Committee of the Board of Directors, which may review such reports with the representative of the Internal Audit Office and/or departments or offices concerned.

Audits are done through the three sections of the Internal Audit Office. The Regular Audits Section is financially oriented and emphasizes financial and accounting systems and procedures. This section evaluates the effectiveness of internal controls and also assists the External Auditors in their examination of the Bank's accounts and financial



*NURSERY staff tending tree seedlings at the Bank-financed Sagarnath Forestry Development Project in Nepal, where about 10,000 ha. of the Terai region will be reforested.*

statements. The Special Audits Section conducts in-depth examination of specific Bank activities to evaluate management controls and to determine, where applicable, whether the Bank's resources — funds, property and personnel — are adequately controlled, safeguarded, properly accounted for and used in an efficient, economical and effective manner. Coinciding with the installation of the in-house computer, the Computer Audits and Audit Research Section was established in 1981 to examine the adequacy and effectiveness of management controls inherent in the computer environment.

**Computer and Office Automation Programs:** During the year, substantial progress was made in implementing the Bank's computer program. The computer system was installed and became operational in June 1981. Database design, program development and database loadings were completed for various applications such as project processing, consultants' data, loan financial systems, loan disbursement and financial projections, bank account ledgers, investments and general ledger accounting, travel expense commitments, personnel records and reports and salary analyses. Arrangements were finalized for the installation of a currency and securities market information system for the Treasurer's Department and for communication facilities to link computer terminals for three of the Bank's locations outside the Headquarters building in Manila. Training sessions were organized for Bank staff in data processing and database concepts, word-processing

orientation, data entry, data access and data control processes.

Systems analysis, database upgrading and program implementation tasks will continue during 1982 for other applications such as administrative expense commitments and budget control; technical assistance information; project monitoring; investments and borrowing portfolio analysis; staff payroll, benefits, recruitment, manpower planning and time recording; socio-economic data bank; and retrieval systems related to mailing lists and index of Board proceedings. A major initiative will relate to the phased implementation of a word-processing program linked to the computer system, telex and phototypesetting facilities for text preparation, revision, storage and documents recording and distribution. While the efficient and effective operations of the computer facilities will receive particular attention during 1982, a plan for the development of information systems, including word processing, has been developed, providing for facilities needed to cope with the increasing volume of Bank activities in the next three to five years. Attention will also be focused on the provision of effective overseas and local data communication facilities.

### Office Accommodation

The Controller's Department, part of the Treasurer's Department, and the Internal Audit Office were moved to

the Marbella II building in September, thereby easing congestion in the Headquarters building. An additional 1,400 square meters of office space was leased in Mondragon House, Makati, and the Economic Office and Post-Evaluation Office were moved there during the last quarter of the year.

Attention is now being directed towards improving the office accommodation layouts in the Headquarters building and to eliminate, as far as possible, fragmentation of departments and offices.

The Philippine Government has proceeded with a modified program of safety improvements to the present Headquarters building and it is expected that this work will continue in 1982. In addition, certain safety improvements were effected in the Headquarters building during the year by the Building Services Division.

### New Headquarters Building

A design brief, prepared in 1980 by a Bank Consultant, formed the basis for discussions with the Philippine Government on alternative schematic designs. A preliminary design proposed by the Philippine Government was eventually adopted for preparing a cost estimate for the Project. A Bank appraisal mission carried out detailed discussions with Government authorities to evaluate design, financing, cost-sharing and implementation arrangements, and a project proposal is being finalized for consideration by the Board of Directors.

*CANAL fishermen at Nong Wal, in northeast Thailand, where the Bank-assisted Pioneer Agriculture Project has helped transform traditional wet season single rice cropping into intensive year-round cultivation.*



## **Staff**

On 31 December 1981, the Bank's staff had reached a total of 1,257 from 33 member countries. Of these, 468 belonged to the professional staff category and 789 to the supporting staff category. There were 76 professional staff appointments during the year, while 23 staff terminated their appointments with the Bank. In the supporting staff category, 96 appointments were made and 36 staff resigned.<sup>1</sup>

The annual review of staff salaries and benefits was conducted in the second half of the year. In order to keep staff salaries in line with the rising cost of living and to maintain the competitiveness of Bank compensation vis-a-vis comparable organizations, the Board of Directors approved general salary increases for professional and supporting staff, effective 1 August.

During 1981, substantial progress was made in many of the activities initiated in 1980 to strengthen and improve the Bank's personnel management programs. A computerized personnel management information system was developed and became partly operational in the year. Work on the design of a manpower planning system was advanced, as were further refinements to the staff performance evaluation and appraisal program which will facilitate the preparation of career development plans. Expanded training activities, focusing on technical and managerial concerns of professional staff, were initiated.

A new classification and salary program for supporting staff, approved by the Board in 1980, was fully implemented in 1981. A comprehensive review of the Bank's professional staff compensation system, which was started in 1980, continued in 1981 with the assistance of an international firm of management consultants. This project is broadly intended to meet the Bank's long-term requirements for a Bank-wide system of commensurate compensation in comparable jobs. It also includes the development of proposals for measuring and maintaining the international competitiveness of the Bank's professional compensation, for offsetting tangible and intangible costs of living outside one's home country, and for modifying as necessary the Bank's current structure of allowances and benefits. Concurrently, work also progressed on the general review of the Bank's retirement policies and programs, including the Staff Retirement Plan. This general review is expected to be completed in the early part of 1982.

1. An additional two professional and one supporting staff were engaged under capital budgets during the year.

**Staff Housing Scheme:** The Bank's rental assistance program continued in force during the year. As part of a long-term solution to the housing problems of the Bank's professional staff, the basic features and specifications of the first phase of a staff housing scheme were drawn up and proposals invited and received from local land developers and construction firms. These proposals have been evaluated and short-listed, and a project proposal is under preparation for consideration by the Board of Directors. An Internal Advisory Committee, including representatives from the Board of Directors, has given preliminary consideration to the proposed scheme.

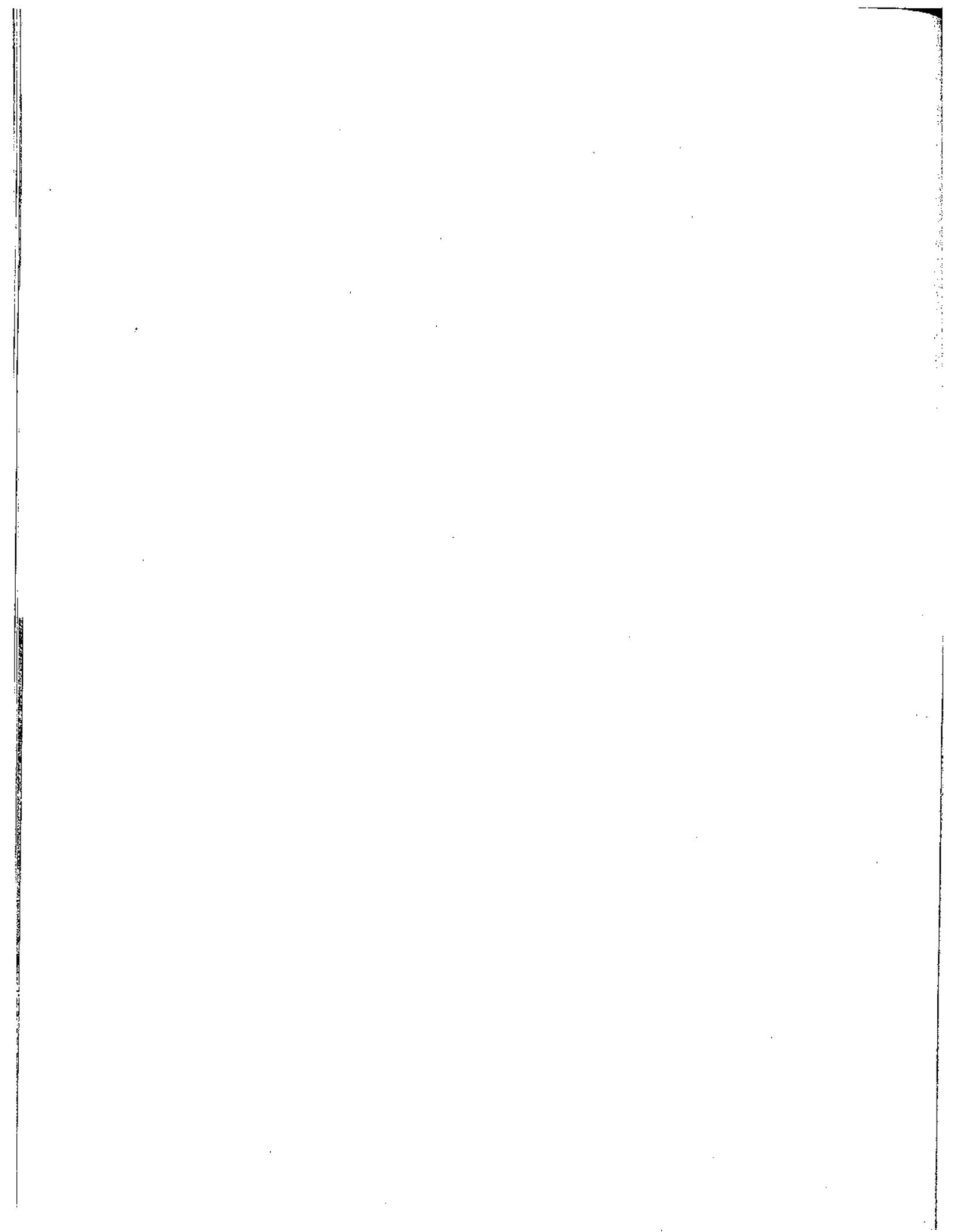
## **Budget**

Internal Administrative Expenses for 1981 amounted to \$51,857,649 against the original Budget of \$58,746,000, representing 88.3 per cent utilization of the latter. Concern by the Board over the high rate of budget increase led to economy measures and improved monitoring and control of expenses, resulting in substantial savings of budgeted expenses in 1981.

The approved Budget for 1982 is summarized in Appendix 2. It provides for Internal Administrative Expenses in 1982 amounting to \$68,586,000, an increase of \$16.7 million over actual expenses in 1981. This increase is attributable largely to: (i) additional staff required for activities programmed in 1982 and arising from positions which could not be filled in 1981; (ii) salary and benefit improvements approved in 1981 and further improvements subject to consideration in 1982; (iii) increased business travel and consultants' services required for the Bank's work in 1982; (iv) additional overhead required to support the Bank's functions including office occupancy, contractual services, office equipment and supplies, communications, etc.; and (v) past and prospective price escalation.

In implementing the 1982 Budget, economies will be effected wherever possible. In this connection, improvements in budgetary processes and controls, which have been under study are expected to be implemented during 1982.

In addition, provision is made under Services to Member Countries for new Commitments and Disbursements in 1982 amounting to \$13,000,000 and \$10,500,000 representing increases of 86 per cent and 74 per cent over actual commitments and disbursements in 1981, respectively. The increases in both commitments and disbursements in 1982 are due to the higher volume of technical assistance to be processed for approval and to those under implementation.



# **STATISTICAL ANNEX**

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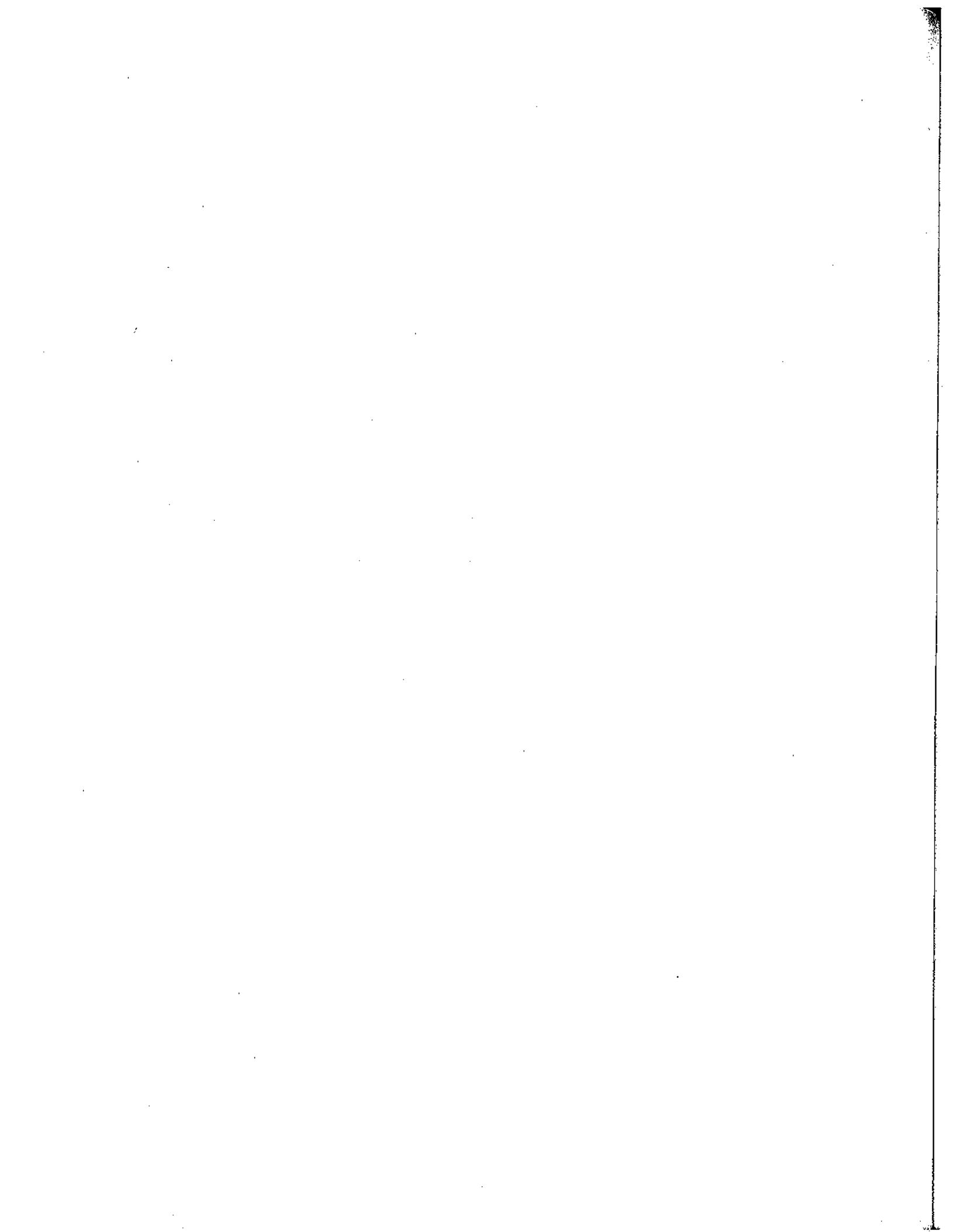


TABLE I  
ESTIMATED RATE OF REAL GROWTH, 1970-1981 AND PER CAPITA GNP OF SELECTED DMCs, 1980

Country	Compound Growth Rate (1)	Rate of Real Growth (%)			Per Capita GNP <sup>a</sup> In Current \$ (5)
		1979 (2)	1980 (3)	1981 <sup>b</sup> (4)	
Bangladesh <sup>c</sup>	6.8 (1973-79)	4.4	3.7	7.3	120
Burma <sup>d</sup>	3.7 (1970-79)	5.3	7.5	6.5	180
China, Rep. of	9.8 (1970-79)	7.8	6.8	5.5	2,150
Fiji	6.5 (1977-79)	11.7	5.5	3.9	1,850
Hong Kong	9.9 (1974-79)	8.6	9.8	10.4	4,190
India <sup>d</sup>	4.1 (1970-79)	-5.0	7.5	4.5	240
Indonesia	7.6 (1971-79)	5.4	9.6	8.2	420
Korea, Rep. of	10.0 (1970-79)	7.1	3.5	8.0	1,520
Malaysia	8.1 (1971-79)	8.5	8.1	6.8	1,660
Nepal <sup>e</sup>	3.1 (1975-79)	3.1	-1.4	4.6	140
Pakistan <sup>c</sup>	4.2 (1970-79)	4.7	7.0	5.7	300
Papua New Guinea	5.3 (1977-79)	3.0	-0.6	2.0	780
Philippines	6.2 (1970-79)	6.0	5.8	4.8	710
Singapore	9.0 (1970-79)	9.4	10.2	9.9	4,460
Sri Lanka	6.9 (1970-79)	6.3	5.8	5.5	270
Thailand	7.0 (1970-79)	6.1	5.8	7.6	670
Average <sup>e</sup>		3.2	6.1	6.4	400

a World Bank Atlas Methodology, 1978-80 base period, rounded to the nearest ten.

b Preliminary estimates.

c Refers to fiscal years 1 July to 30 June for Bangladesh and Pakistan; 16 July to 15 July for Nepal. The year captions correspond to the last year mentioned in the fiscal year.

d For Burma and India whose fiscal years end on 31 March, the year captions correspond to the first year mentioned in the fiscal year.

e Weights are proportional to GDP in US dollars in 1980.

Sources: IBRD for column (5) and country sources for columns (1), (2), (3) and (4).

**TABLE 2**  
**RICE (PADDY) PRODUCTION IN SELECTED DMCs, 1978-1981<sup>a</sup>**  
(Million metric tons)

Country	1978	1979	1980	1981 <sup>b</sup>	Annual Growth Rate (%)		
					1979	1980	1981 <sup>b</sup>
Bangladesh	19.451	18.800	19.109	20.493	-3.3	1.6	7.2
Burma	10.500	10.200	13.100	13.900	-2.9	28.4	6.1
China, Rep. of	3.202	3.209	3.083	3.229	0.2	-3.9	4.7
India	80.700	63.600	79.800	79.000	-21.2	25.5	-1.0
Indonesia	25.781	25.900	29.774	30.900	0.5	15.0	3.8
Korea, Rep. of	8.352	7.881	5.500	7.600	-5.6	-30.2	38.2
Malaysia	1.498	2.098	2.129	2.233	40.1	1.5	4.9
Nepal	2.339	2.060	2.464	2.490	-11.9	19.6	1.1
Pakistan	2.950	3.272	3.216	3.120	10.9	-1.7	-3.0
Philippines	7.198	7.600	7.836	7.723	4.2	4.5	+1.4
Sri Lanka	1.890	1.917	2.128	2.211	1.4	11.0	3.9
Thailand	17.470	15.946	17.500	18.290	-8.7	9.7	4.5
Viet Nam, Soc. Rep. of	10.040	10.742	10.000	10.000	7.0	-6.9	—
Other DMCs	2.749	2.243	2.452	2.530	-18.4	9.3	3.2
<b>TOTAL</b>	<b>194.120</b>	<b>175.368</b>	<b>198.091</b>	<b>203.719</b>	<b>-9.7</b>	<b>13.0</b>	<b>2.8</b>

— denotes magnitude zero.

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

b Preliminary estimates.

Sources: Food and Agriculture Organization, January 1982 and country sources.

**TABLE 3**  
**WHEAT AND MAIZE PRODUCTION IN SELECTED DMCs, 1978-1981<sup>a</sup>**  
(Million metric tons)

Country	1978	1979	1980	1981 <sup>b</sup>	Annual Growth Rate (%)		
					1979	1980	1981 <sup>b</sup>
<b>WHEAT</b>							
Afghanistan	2.813	2.663	2.700	3.830	-5.3	1.4	41.9
Bangladesh	0.348	0.494	0.823	1.092	42.0	66.6	32.7
Burma	0.042	0.085	0.110	0.115	102.4	29.4	4.5
India	31.700	35.500	31.800	36.500	12.0	-10.4	14.8
Korea, Rep. of	0.036	0.042	0.092	0.100	16.7	118.0	8.7
Nepal	0.411	0.454	0.440	0.482	10.5	-3.1	9.5
Pakistan	8.367	9.950	10.805	11.375	18.9	8.6	5.3
<b>TOTAL</b>	<b>43.717</b>	<b>49.188</b>	<b>46.770</b>	<b>53.494</b>	<b>12.5</b>	<b>-4.9</b>	<b>14.4</b>
<b>MAIZE</b>							
Afghanistan	0.780	0.760	0.787	0.800	-2.6	4.9	0.4
India	6.199	5.578	6.400	6.400	-10.0	14.7	—
Indonesia	4.029	3.606	4.012	4.000	-10.5	11.3	-0.3
Nepal	0.743	0.554	0.743	0.720	-25.4	34.1	-3.1
Pakistan	0.821	0.799	0.875	0.946	-2.7	9.5	8.1
Philippines	2.855	3.167	3.249	3.247	10.9	2.6	-0.1
Thailand	3.030	3.300	3.150	3.700	8.9	-4.5	17.5
Other DMCs	0.936	0.987	1.030	1.106	5.4	4.4	7.4
<b>TOTAL</b>	<b>19.393</b>	<b>18.751</b>	<b>20.256</b>	<b>20.819</b>	<b>-3.3</b>	<b>8.0</b>	<b>3.3</b>

— denotes magnitude zero.

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

b Preliminary estimates.

Sources: Food and Agriculture Organization, January 1982 and country sources.

TABLE 4  
OIL PRODUCTION AND IMPORTS OF SELECTED DMCs, 1979-1981

Country	Crude Petroleum Production ('000 mt)				Petroleum & Petroleum Products Imports (\$ million)			
	1979	1980	1981 <sup>a</sup>	% Increase 1981/80	1979	1980	1981 <sup>a</sup>	% Increase 1981/80
Afghanistan	16	11	...	...	65	124	...	...
Bangladesh	—	—	—	—	140	162	185	14.2
Burma	1,499	1,521	1,905	25.2	...	8	22	175.0
China, Rep. of	198	181	160	-11.6	2,176	4,741	4,428	-6.6
Fiji	—	—	—	—	87	127	158	24.4
Hong Kong	—	—	—	—	951	1,536	2,988	94.5
India	12,839	9,397	15,229	62.1	3,095	6,127	...	...
Indonesia	78,132	77,784	79,790	2.6	793	1,774	1,648	-7.1
Korea, Rep. of	—	—	—	—	3,416	6,164	7,210	17.0
Malaysia	13,754	13,365	12,150	-9.1	943	1,626	4,600	182.9
Nepal	—	—	—	—	19	42	45	7.1
Pakistan	471	491	484	-1.4	530	1,079	1,535	42.3
Philippines	1,048	517	993	92.1	1,371	2,226	2,700	21.3
Singapore	—	—	—	—	4,446	6,949	9,381	35.0
Solomon Islands	—	—	—	—	7	11	16	45.5
Sri Lanka	1,311	1,303	...	...	251	487	506	3.9
Thailand	11	14	15	7.1	1,599	2,867	3,330	16.1
Tonga	—	—	—	—	3	4	4	—
Vanuatu	—	—	—	—	4	12	10	-16.7
Western Samoa	—	—	—	—	7	10	12	20.0
<b>TOTAL (Reporting)</b>	<b>109,279</b>	<b>104,584</b>	<b>112,135<sup>b</sup></b>	<b>7.2</b>	<b>19,903</b>	<b>36,076</b>	<b>46,905<sup>b</sup></b>	<b>30.0</b>

... denotes data not available.

— denotes magnitude zero.

a Preliminary estimates.

b Estimates based on all countries.

Sources: UN, *Monthly Bulletin of Statistics*, December 1981 and country sources.

TABLE 5  
CHANGES IN CONSUMER PRICES IN SELECTED DMCs, 1979-1981<sup>a</sup>  
(Per cent)

Country	1979	1980	1981 <sup>b</sup>
Afghanistan	4.9	0.4	0.4
Bangladesh	10.3	15.5	12.0
Burma	5.6	-0.1	0.9
China, Rep. of <sup>c</sup>	9.8	19.0	16.3
Cook Islands	11.2	13.7	20.8
Fiji <sup>c</sup>	7.2	14.5	11.2
Hong Kong	11.8	15.5	15.4
India <sup>c</sup>	6.4	11.4	13.1
Indonesia	21.9	15.4	8.4
Kiribati	8.3	15.0	8.5
Korea, Rep. of	18.3	28.7	23.3
Malaysia	3.6	6.7	9.6
Nepal	3.5	9.8	13.4
Pakistan <sup>c</sup>	8.3	10.4	13.9
Papua New Guinea	3.8	12.1	8.7
Philippines	18.8	17.6	12.4
Singapore	4.1	8.5	8.2
Solomon Islands	7.9	13.2	16.3
Sri Lanka	10.7	26.1	18.0
Thailand	9.9	19.9	12.7
Tonga	5.5	22.4	13.3
Vanuatu	4.2	11.0	27.6
Western Samoa	11.2	33.0	32.8
<b>Weighted Average<sup>d</sup></b>	<b>11.4</b>	<b>15.5</b>	<b>13.6</b>

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

b. Preliminary estimates.

c. Data refer to average of all cities.

d. Weights are proportional to GNP in US dollars in 1980.

Sources: IMF, *International Financial Statistics*, February 1982 and country sources.

TABLE 6  
BALANCE OF TRADE OF SELECTED DMCs, 1978-1981  
(\$ million)

Country	Exports (fob)			
	1978	1979	1980	1981 <sup>a</sup>
Afghanistan	321	474	670	770
Bangladesh	549	667	733	701
Burma	235	403	481	515
China, Republic of	12,687	16,103	19,811	22,607
Cook Islands	3	4	4	4
Fiji	198	257	374	274
Hong Kong	11,507	15,178	19,743	21,842
India	6,660	7,808	8,246	8,460 <sup>b</sup>
Indonesia	11,643	15,590	21,909	21,626
Kiribati	24	24	3	3
Korea, Republic of	12,711	15,056	17,505	21,254
Lao PDR	12	35	31	...
Malaysia	7,381	11,067	12,955	12,465
Maldives	4	5	10	13
Nepal	100	89	113	135
Pakistan	1,311	1,710	2,365	2,968
Papua New Guinea	781	964	1,049	1,143
Philippines	3,425	4,601	5,788	5,847
Singapore	10,108	14,228	19,359	20,964
Solomon Islands	35	67	69	60
Sri Lanka	845	981	1,045	1,171
Thailand	4,085	5,235	6,505	7,278
Tonga	6	8	8	8
Vanuatu	41	47	38	33
Viet Nam, Socialist Republic of	482	535	606	...
Western Samoa	11	18	17	17
<b>TOTAL</b>	<b>85,165</b>	<b>111,154</b>	<b>139,437</b>	<b>150,837<sup>c</sup></b>

... denotes data not available.

— denotes magnitude zero.

a Preliminary estimates.

b Provisional estimate based on data from IMF and country sources.

c Estimates based on all countries.

Sources: IMF, *International Financial Statistics*, February 1982 and country sources.

Imports (clif)				Balance of Trade			
1978	1979	1980	1981 <sup>a</sup>	1978	1979	1980	1981 <sup>a</sup>
395 1,195	425 1,390	552 2,372	569 2,524	-74 -646	49 -723	118 -1,639	201 -1,823
327 11,027	632 14,774	675 19,733	869 21,194	-92 1,660	-229 1,329	-194 78	-354 1,413
19 355	20 470	23 561	20 539	-16 -157	-16 -213	-19 -187	-16 -265
13,459 7,859	17,157 9,823	22,438 14,334	24,741 14,500 <sup>b</sup>	-1,952 -1,199	-1,979 -2,015	-2,695 -6,088	-2,899 -6,040 <sup>b</sup>
6,690 18	7,202 17	10,834 19	12,191 21	4,953 8	8,388 7	11,075 -16	9,435 -18
14,972 76	20,339 94	22,292 131	26,131 ...	-2,261 -64	-5,283 -59	-4,787 -100	-4,877 ...
5,911 12	7,842 20	10,813 26	12,370 31	1,470 -8	3,225 -15	2,142 -16	95 -18
224 2,810	275 3,676	344 4,740	374 5,408	-124 -1,499	-186 -1,966	-231 -2,375	-239 -2,450
770 5,143	903 6,613	956 8,295	1,099 8,385	11 -1,718	61 -2,012	93 -2,507	44 -2,538
13,017 35	17,628 56	23,979 70	27,570 75	-2,909 —	-3,400 11	-4,620 -1	-6,606 -15
966 5,356	1,451 7,539	2,035 9,215	1,889 10,049	-121 -1,271	-470 -2,304	-990 -2,710	-718 -2,771
25 63	29 72	33 69	39 59	-19 -22	-21 -25	-25 -31	-31 -26
1,159 52	1,225 74	1,212 62	...	-677 -41	-690 -56	-606 -45	...
91,933	119,746	155,813	172,196 <sup>c</sup>	-6,768	-8,592	-16,376	-21,359 <sup>c</sup>

TABLE 7  
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs, 1978-1981

Country	International Reserves <sup>a</sup> (\$ million)				Ratio to Imports <sup>b</sup> (Months)			
	1978	1979	1980	1981 <sup>c</sup>	1978	1979	1980	1981 <sup>d</sup>
Afghanistan	430.6	484.2	641.5	521.8	13.1	13.7	13.9	11.0
Bangladesh	316.4	402.0	321.1	156.6	3.2	3.5	1.6	0.7
Burma	107.3	214.9	271.8	222.2	3.9	4.1	4.8	3.1
China, Rep. of	1,513.0	1,576.0	2,345.0	7,368.0	1.6	1.3	1.4	4.2
Fiji	135.1	137.0	168.0	135.5	4.6	3.5	3.6	3.0
India	6,688.0	7,716.0	7,228.0	5,257.0	10.2	9.4	6.1	4.4
Indonesia	2,663.0	4,167.0	6,500.0	6,059.0	4.8	6.9	7.2	6.0
Kiribati <sup>e</sup>	72.5	73.8	79.8	74.9	54.4	52.1	50.4	42.8
Korea, Rep. of <sup>f</sup>	4,920.2	5,691.4	6,554.0	5,931.1	3.9	3.4	3.5	2.7
Lao PDR	21.5	26.1	14.0	18.1	3.4	3.3	1.3	...
Malaysia	3,329.0	4,013.0	4,491.0	3,799.0	6.7	6.1	5.0	3.7
Nepal	153.6	170.3	195.5	194.3	8.2	7.4	6.8	6.2
Pakistan	740.0	941.0	1,684.0	1,507.0	3.2	3.1	4.3	3.3
Papua New Guinea	412.6	514.6	438.2	469.5	6.4	6.8	5.5	5.1
Philippines	1,881.0	2,416.0	3,140.0	2,742.0	4.4	4.4	4.5	3.9
Singapore	5,302.7	5,818.5	6,566.8	6,828.0	4.9	4.0	3.3	3.0
Solomon Islands	28.1	34.1	24.1	...	9.6	7.3	4.1	...
Sri Lanka	399.0	520.0	249.0	330.0	5.0	4.3	1.5	2.1
Thailand	2,557.0	3,129.0	3,026.0	2,727.0	5.7	5.0	3.9	3.3
Tonga <sup>d</sup>	7.1	7.7	11.0	...	3.4	3.2	4.0	...
Western Samoa	4.8	4.8	1.6	...	1.1	0.8	0.3	...
<b>TOTAL</b>	<b>31,682.5</b>	<b>38,057.4</b>	<b>43,950.4</b>	<b>44,378.1<sup>f</sup></b>	<b>4.9</b>	<b>4.5</b>	<b>4.0</b>	<b>3.9<sup>f</sup></b>

... denotes data not available.

a Gold + SDRs + Reserves position in IMF + Foreign exchange holdings; year-end figures unless otherwise specified.

b Imports c.i.f. from trade statistics were used for computing the ratio.

c As of the latest month.

d Includes commercial bank's foreign assets, which constitute 44%, 48%, 55%, and 54% of total international reserves for 1978 to 1981, respectively.

e Foreign exchange holdings only.

f Estimates based on all countries.

Sources: IMF, *International Financial Statistics*, February 1982 and country sources.

**TABLE 8**  
**TOTAL FLOWS OF RESOURCES TO DMCs, 1978-1980**  
(\$ Million)

Country	Concessional Flows (ODA)			Non-Concessional Flows <sup>a</sup>			Total Flows		
	1978	1979	1980	1978	1979	1980	1978	1979	1980
Afghanistan	94.9	107.9	32.3	0.6	21.2	2.0	95.5	129.1	34.3
Bangladesh	989.5	1,155.9	1,220.3	8.9	34.4	6.0	998.4	1,190.3	1,214.3
Burma	273.7	363.6	308.7	84.3	154.4	94.0	358.0	518.0	402.7
Cambodia	0.2	108.2	188.3	0.2	-0.1	—	0.4	108.1	188.3
China, Rep. of	6.3	7.1	-3.5	13.2	412.3	442.4	19.5	419.4	438.9
Cook Islands	6.9	7.7	10.6	-0.3	—	0.8	6.6	7.7	11.4
Fiji	26.5	30.9	33.8	17.1	29.7	34.6	43.6	60.6	68.4
Hong Kong	2.3	11.9	3.6	99.7	1,041.5	888.4	102.0	1,053.4	892.0
India	1,338.6	1,370.1	2,161.4	-46.0	82.0	237.1	1,292.6	1,288.1	2,398.5
Indonesia	635.3	720.8	938.5	811.2	290.8	810.4	1,446.5	430.0	1,748.9
Kiribati	10.7	9.1	19.1	-0.1	—	—	10.6	9.1	19.1
Korea, Rep. of	164.2	133.7	138.8	1,375.3	1,437.0	684.1	1,539.5	1,570.7	822.9
Lao PDR	71.7	59.0	35.9	0.4	0.4	-0.9	72.1	59.4	35.0
Malaysia	80.2	125.1	122.3	212.1	592.9	488.4	292.3	718.0	610.7
Maldives	8.2	6.4	21.4	1.5	0.4	-0.2	9.7	6.8	21.2
Nepal	76.8	136.8	163.0	1.0	3.5	-1.6	77.8	140.3	161.4
Pakistan	669.4	604.8	1,037.2	75.6	87.6	164.4	745.0	692.4	1,201.6
Papua New Guinea	296.2	284.3	325.3	39.7	43.1	64.8	335.9	327.4	390.1
Philippines	249.3	267.3	294.2	812.0	885.7	668.8	1,061.3	1,153.0	962.8
Singapore	6.6	5.5	11.9	350.1	521.5	658.5	356.7	527.0	670.4
Solomon Islands	26.5	26.5	35.2	1.5	-0.2	0.1	28.0	26.3	35.3
Sri Lanka	323.8	321.4	431.2	-8.4	-0.2	36.3	315.4	321.2	467.5
Thailand	260.1	392.3	384.8	375.4	553.7	694.1	635.5	946.0	1,078.9
Tonga	9.5	23.9	14.9	0.4	0.3	-0.3	9.9	24.2	14.6
Vanuatu	18.8	38.3	43.9	4.8	4.8	-1.6	23.6	43.1	42.3
Viet Nam, Soc. Rep. of	369.5	336.4	220.8	88.9	108.8	-26.8	458.4	446.2	194.0
Western Samoa	20.2	29.6	23.9	3.1	3.7	-0.6	23.3	33.5	23.3
<b>TOTAL</b>	<b>6,035.9</b>	<b>6,684.7</b>	<b>8,217.8</b>	<b>4,322.2</b>	<b>5,564.6</b>	<b>5,931.0</b>	<b>10,358.1</b>	<b>12,249.3</b>	<b>14,148.8</b>

— denotes magnitude zero.

<sup>a</sup> Including bilateral and multilateral non-concessional flows and private flows.

Source: OECD, Development Cooperation, 1981 Review.

TABLE 9  
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO OF SELECTED DMCs, 1978-1980  
(\$ million)

Country	Debt Outstanding <sup>a</sup>			Service Payments			Debt Service Ratio (%)		
	1978	1979	1980	1978	1979	1980	1978	1979	1980
Afghanistan	1,071.4	1,215.9	1,205.1 <sup>b</sup>	38.3	51.9	143.8 <sup>b</sup>	11.9	10.9	21.5
Bangladesh	2,765.0	2,842.7	3,495.3	94.3	84.0	77.1	13.8	9.9	7.1
Burma	505.2	860.2	1,516.7	33.3	47.2	109.6	10.9	11.4	19.4
China, Rep. of	2,905.2	3,082.4	3,528.8 <sup>b</sup>	631.2	731.0	929.7 <sup>b</sup>	4.4	4.0	4.1
Fiji	80.3	104.5	174.3	16.4	12.2	18.9	4.4	2.6	3.2
Hong Kong	214.9	329.9	436.0	94.2	29.3	64.9	0.6	0.1	0.2
India	14,538.6	15,351.4	17,041.4	818.7	936.8	994.9	8.3	9.3	9.2
Indonesia	13,107.3	13,234.4	14,960.2	2,062.1	2,099.6	1,776.4	18.2	13.5	8.0
Korea, Rep. of	11,360.7	13,930.8	16,274.3	1,824.5	2,577.6	2,761.9	10.6	13.2	12.3
Malaysia	2,488.5	2,846.8	3,103.4	842.3	548.8	325.8	10.1	4.5	2.3
Maldives	3.9	6.2	23.8	0.0	0.1	0.3	0.3	0.6	1.4
Nepal	87.0	123.1	176.7	2.7	3.3	4.0	1.4	1.4	1.5
Pakistan	7,584.5	8,022.8	8,775.3	383.7	484.4	604.5	12.2	12.0	10.9
Papua New Guinea	378.8	404.2	510.3	30.6	49.1	61.3	3.7	4.5	5.6
Philippines	4,167.0	5,143.2	6,402.2	644.3	814.0	589.0	13.3	13.2	7.5
Singapore	1,133.5	1,323.0	1,320.0	303.8	219.4	262.6	2.2	1.2	1.1
Solomon Islands	1.1	3.6	7.6	0.0	0.0	0.1	0.1	0.0	0.1
Sri Lanka	1,017.4	1,091.1	1,327.6	89.0	76.3	81.0	9.2	6.5	6.0
Thailand	1,790.5	2,699.3	4,063.4	195.0	278.0	435.6	3.8	4.2	5.2
Western Samoa	37.7	48.1	55.0	2.9	3.7	4.6	26.4 <sup>c</sup>	20.6 <sup>c</sup>	27.1 <sup>c</sup>
<b>TOTAL</b>	<b>65,238.5</b>	<b>72,663.6</b>	<b>84,397.4</b>	<b>8,107.3</b>	<b>9,046.7</b>	<b>9,246.0</b>	<b>7.6</b>	<b>6.6</b>	<b>5.4</b>

0.0 denotes magnitude less than half of the unit employed.

a Disbursed only.

b IBRD projections.

c Merchandise exports were used in computing the ratio.

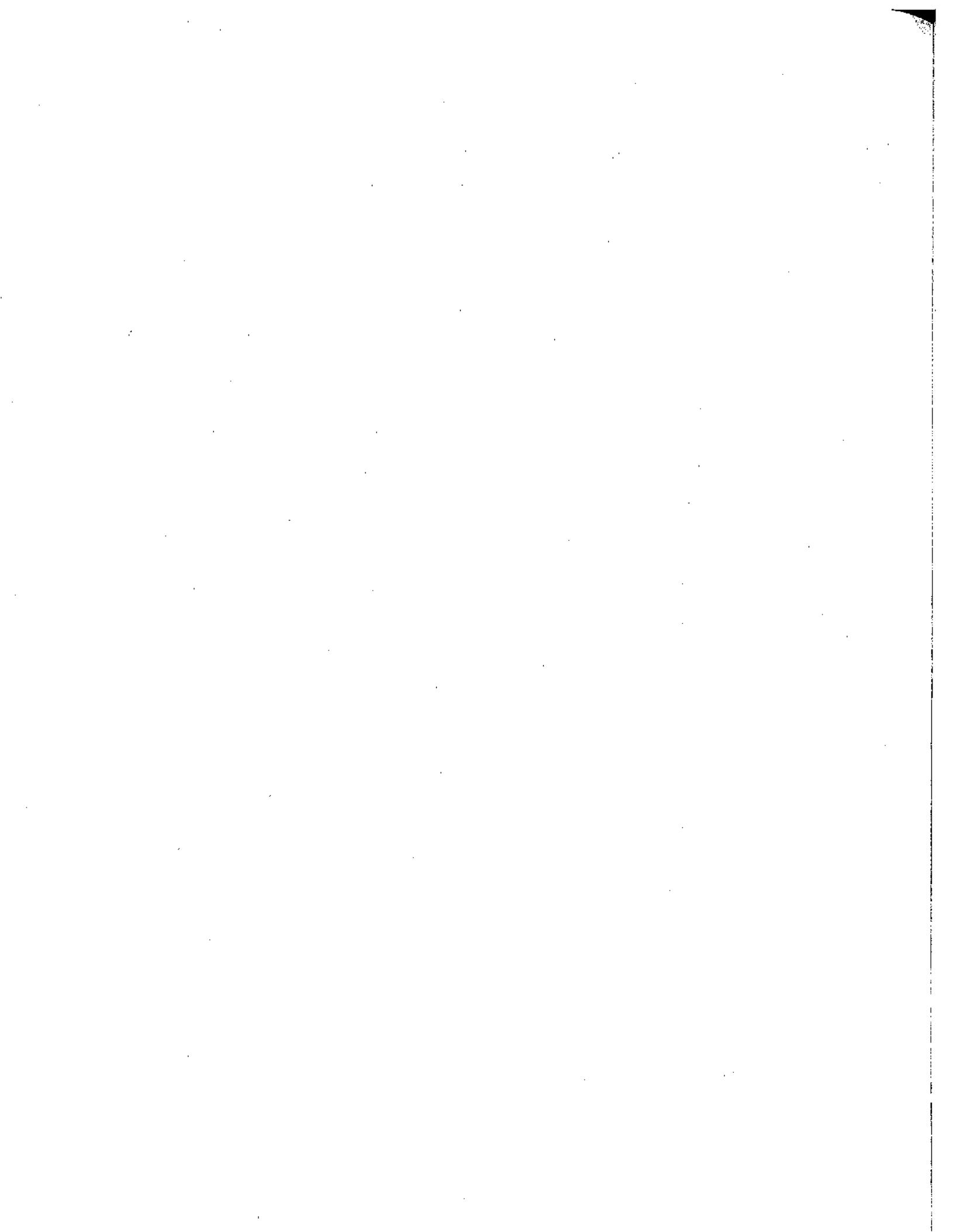
Sources: IBRD August 1981 and February 1982.

TABLE 10  
DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCES GAP AS  
PERCENTAGE OF GDP OF SELECTED DMCs, 1978-1980  
(Per Cent)

Country	Gross Domestic Savings As Percentage of GDP			Gross Capital Formation As Percentage of GDP			Resources Gap As Percentage of GDP		
	1978	1979	1980	1978	1979	1980	1978	1979	1980
Bangladesh (FY)	3.5	5.3	2.4	12.2	15.2	16.2	8.7	9.9	13.8
Burma	8.9	11.2	15.4	16.0	16.0	17.0	7.1	4.8	1.6
China, Rep. of	35.1	34.6	33.2	28.6	33.7	34.7	-6.5	-0.9	1.5
Hong Kong	23.8	25.4	24.7	27.2	27.9	29.1	3.4	2.5	4.4
India (FY)	24.4	22.5	22.2	24.6	22.9	24.2	0.2	0.4	2.0
Korea, Rep. of	26.2	26.3	19.3	31.0	35.1	30.6	4.8	8.8	11.3
Malaysia	25.6	31.3	28.7	25.1	25.1	29.8	-0.5	-6.2	1.1
Nepal (FY)	10.9	12.0	6.8	19.8	18.3	13.8	8.9	6.3	7.0
Pakistan (FY)	6.9	5.2	5.3	17.3	17.5	17.5	10.4	12.3	12.2
Papua New Guinea	20.0	23.1	15.8	22.6	23.1	26.4	2.6	—	10.6
Philippines	23.5	24.5	24.7	29.0	29.8	30.2	5.5	5.3	5.5
Singapore	29.6	30.9	31.4	36.0	39.1	42.6	6.4	8.2	11.2
Sri Lanka	14.7	13.4	13.5	20.0	25.9	35.8	5.3	12.5	22.3
Thailand	22.1	21.3	22.2	27.0	28.8	27.2	4.9	7.5	5.0

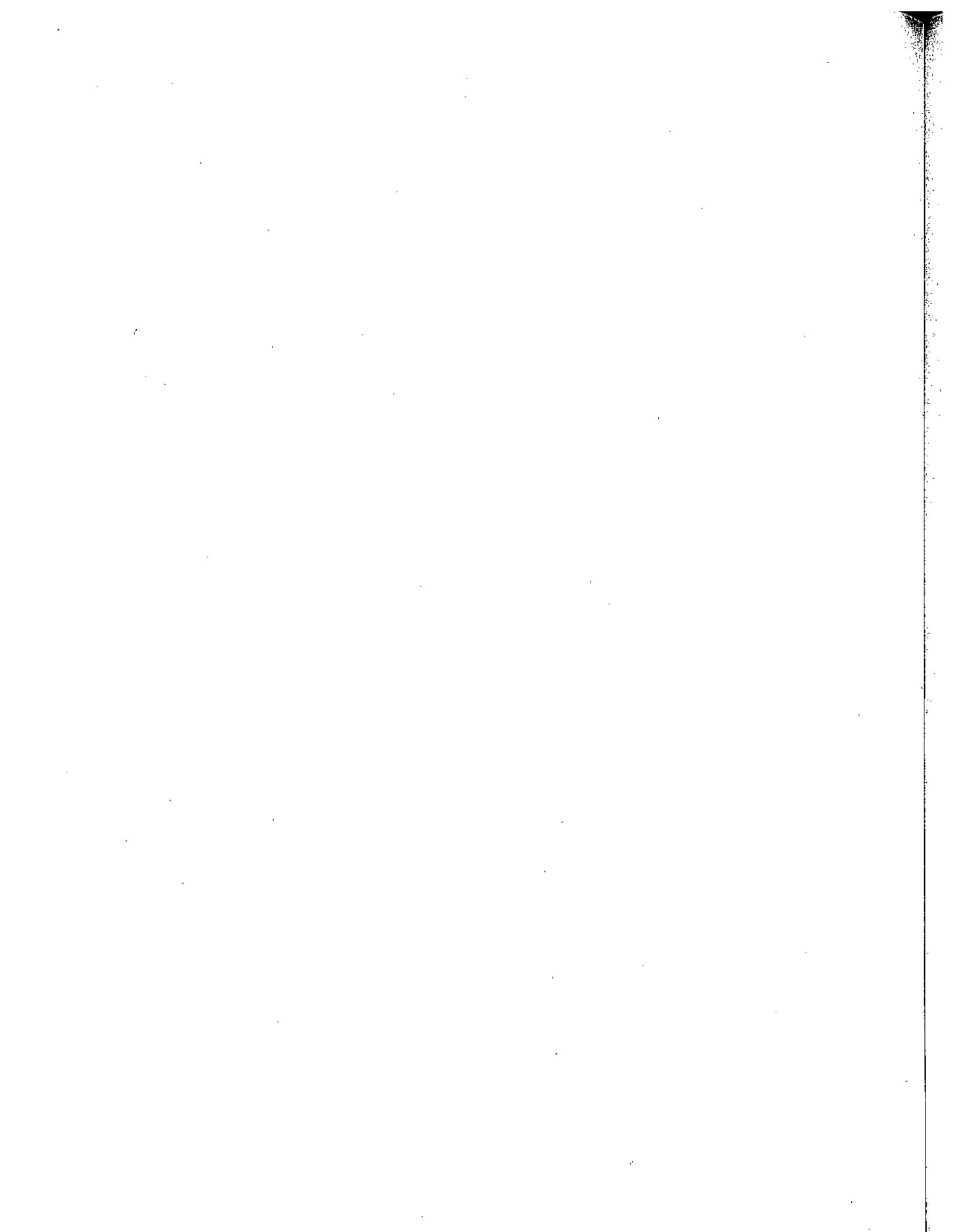
— denotes magnitude zero.

Sources: Country sources.



# **APPENDIXES**

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## **FINANCIAL STATEMENTS AND OPINIONS OF INDEPENDENT AUDITORS**

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- 1-II Statement of Income and Expenses for the Years Ended  
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- 1-III Statement of Changes in Financial Position for the Years Ended  
31 December 1981 and 31 December 1980
- 1-IV Statement of Cash in Banks and Demand Obligations of Members,  
31 December 1981
- 1-V Summary Statement of Loans, 31 December 1981
- 1-VI Summary Statement of Borrowings, 31 December 1981 and  
31 December 1980
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#### **Opinion of Independent Auditors**

### **ASIAN DEVELOPMENT FUND**

- 1-1 Balance Sheet, 31 December 1981 and 31 December 1980
- 1-2 Statement of Income and Expenses and Accumulated Net Income for the  
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- 1-5 Statement of Resources, 31 December 1981
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#### **Opinion of Independent Auditors**

### **TECHNICAL ASSISTANCE SPECIAL FUND**

- 1-A Balance Sheet, 31 December 1981 and 31 December 1980
- 1-B Statement of Operations and Unexpended Balances for the Years Ended  
31 December 1981 and 31 December 1980
- 1-C Statement of Changes in Financial Position for the Years Ended  
31 December 1981 and 31 December 1980
- 1-D Statement of Contributed Resources, 31 December 1981
- 1-E Summary Statement of Expenses for the Year Ended 31 December 1981
- 1-F Notes to Financial Statements, 31 December 1981 and 31 December 1980

#### **Opinion of Independent Auditors**

BALANCE

31 December 1981

Expressed in Thousands of US Dollars

## ASSETS

1981

1980

CASH IN BANKS (See Appendix 1-IV) (Note B)	\$ 58,776	\$ 64,422
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## INVESTMENTS.

Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$482,943—1981, \$337,542—1980)	\$ 475,056	\$ 332,957
Time deposits and other obligations of banks	<u>1,095,187</u>	<u>1,570,243</u>

## LOANS (See Appendix 1-V) (Note A)

Loans approved — <u>\$6,799,443</u> —1981, <u>\$5,652,743</u> —1980		
Effective loans held by Bank	5,076,617	4,457,057

## ACCRUED INCOME

On investments	52,701	48,641
On loans	<u>56,548</u>	<u>47,465</u>

## AMOUNTS RECEIVABLE FROM MEMBERS

Non-negotiable, non-interest-bearing demand obligations (See Appendix 1-IV) (Notes B and C)	402,057	355,683
Amounts required to maintain value of currency holdings (Note D)	1,559	1,586
Subscription instalments (Note C)	<u>1,527</u>	<u>374</u>

## OTHER ASSETS

Notional amounts required to maintain value of currency holdings (Note I)	65,253	85,482
Administration Charge receivable from Special Funds (Note J)	3,420	9,380
Unamortized issuance costs of borrowings (Note A)	26,190	18,429
Miscellaneous	<u>11,917</u>	<u>8,668</u>

SPECIAL RESERVE FUND ASSETS (Note E)	99,897	78,598
--------------------------------------	--------	--------

TOTAL

\$7,426,705

\$6,490,331

## ORDINARY CAPITAL RESOURCES

## APPENDIX 1-I

SHEET

and 31 December 1980

United States Dollars (Note A)

## LIABILITIES, CAPITAL AND RESERVES

1981

1980

## UNDISBURSED BALANCES OF EFFECTIVE LOANS

(See Appendix 1-V)

Held by Bank

\$2,744,280

\$2,361,716

## BORROWINGS

Principal amounts outstanding (See Appendix 1-VI)  
 Less — net unamortized discounts and premiums  
 (Note A)

\$2,273,551	\$1,871,820
<u>8,342</u>	<u>2,265,209</u>
<u>2,030</u>	<u>1,869,790</u>

## ACCRUED INTEREST ON BORROWINGS

69,084 56,307

## ACCOUNTS PAYABLE AND OTHER LIABILITIES

Notional amounts required to maintain value of  
 currency holdings (Note I)  
 Miscellaneous

38,924	22,571
<u>7,960</u>	<u>6,448</u>
	29,019

## CAPITAL AND RESERVES

Capital Stock (See Appendix 1-VII) (Note C)

Authorized (SDR 7,220,570)

Subscribed

(SDR 7,128,070 — 1981,  
 SDR 6,921,740 — 1980)

8,296,788 8,828,056

Loss — "callable" shares subscribed  
 (SDR 5,739,660 — 1981,  
 SDR 5,554,020 — 1980)

6,680,735 7,083,653

"Paid-in" shares subscribed  
 (SDR 1,388,410 — 1981,  
 SDR 1,367,720 — 1980)

1,616,053 1,744,403

Loss — subscription instalments not due  
 (SDR 6,010 — 1981,  
 SDR 92,092 — 1980)

6,995 117,455

Subscription instalments matured  
 (SDR 1,382,400 — 1981,  
 SDR 1,275,620 — 1980)

1,609,058 1,626,948

Loss — capital set aside and transferred to  
 Special Funds (Note F) (SDR 47,610)

55,416 60,722

1,553,642 1,566,226

Advance payments on subscriptions (Note C)

854 5,647

Accumulated translation adjustments (Note A)

(4,854) 35,685

Ordinary Reserve (Note G)

512,041 360,811

Special Reserve (Note E)

99,897 78,598

Net income after appropriation of commissions

to Special Reserve for the years ended 31 December  
 1981 and 31 December 1980 (See Appendix I-II)

(Note G) 139,668 2,301,248

126,632 2,173,499

TOTAL

\$7,426,705 \$6,490,331

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1981 and 31 December 1980

Expressed in Thousands of United States Dollars (Note A)

	1981	1980
<b>INCOME</b>		
From loans:		
Interest	\$150,223	\$135,850
Commissions	21,299	19,299
Commitment charge	19,404	15,655
From investments	155,489	136,440
From other sources-net (Note J)	<u>640</u>	<u>1,792</u>
<b>GROSS INCOME</b>	<b>\$347,055</b>	<b>\$309,036</b>
<b>EXPENSES</b>		
Interest and other financial expenses (Note A)	157,676	142,408
Administrative expenses (Note J)	27,910	19,592
Services to member countries (Note K)	502	<u>1,205</u>
<b>GROSS EXPENSES</b>	<b><u>186,088</u></b>	<b><u>163,205</u></b>
<b>NET INCOME</b>	<b>160,967</b>	<b>145,831</b>
<b>APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note E)</b>	<b>(21,299)</b>	<b>(19,299)</b>
<b>NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note G)</b>	<b>\$139,668</b>	<b>\$126,532</b>

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

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1981 and 31 December 1980

Expressed in Thousands of United States Dollars (Note A)

	1981	1980
<b>FUNDS WERE PROVIDED BY</b>		
Operations		
Net income	\$ 160,967	\$ 145,831
Items not requiring or providing funds:		
Accrued interest and other expenses	15,358	5,750
Accrued income including capitalized interest and commitment charges on loans	(29,447)	(19,465)
Administration Charge	(25,118)	(20,268)
Commissions (transferred to Special Reserve Fund assets)	(21,299)	(19,299)
Other — net	3,093	2,565
Funds provided by operations	103,554	95,114
Borrowings	795,924	325,398
Capital subscriptions	122,784	121,784
Demand obligations of members encashed	2,953	5,105
Loans collected	135,611	119,126
Administration Charge collected	31,078	19,493
Net maintenance of value adjustments	36,009	48,768
Decrease in loans disbursed and outstanding as a result of currency revaluations	145,354	9,966
Decrease in other assets as a result of currency revaluations	20,381	8,327
Decrease in capital set aside and transferred to Special Funds due to substitution of the SDR for the 1966 dollar as unit of value	5,306	1,996
Net credit to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as unit of value	24,698	9,345
Total	<u>1,424,252</u>	<u>764,422</u>
<b>FUNDS WERE UTILIZED FOR</b>		
Loans disbursed	501,657	415,856
Demand obligations of members received	69,405	65,284
Bonds purchased for redemption and borrowings redeemed	267,927	205,382
Change in accumulated translation adjustments	40,539	(5,301)
Decrease in borrowings as a result of currency valuations	126,266	25,347
Decrease in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as unit of value	146,620	43,165
Other — net	21,787	12,028
Total	1,174,201	761,761
<b>INCREASE IN CASH IN BANKS AND INVESTMENTS</b>		
	\$ 250,051	\$ 2,661

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

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

## STATEMENT OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

31 December 1981

Expressed in Thousands of United States Dollars (Note A)

Members	Currency	Cash in Banks	Non-Negotiable Non-Interest-Bearing Demand Obligations
Afghanistan	Afghani	\$ 9	\$ 1,964 <sup>1</sup>
Australia	Australian dollar	95	20,377
Austria	Austrian schilling	157	853
Bangladesh	Bangladesh taka	30	8,627 <sup>1</sup>
Belgium	Belgian franc	96	461
Burma	Kyat	13 <sup>1</sup>	5,770 <sup>1</sup>
Cambodia	Riel	47 <sup>1</sup>	172 <sup>1</sup>
Canada	Canadian dollar	526	18,318
China, Republic of	New Taiwan dollar	179	11,571 <sup>1</sup>
Cook Islands	New Zealand dollar	20 <sup>1</sup>	—
Denmark	Danish krone	19	731
Fiji	Fiji dollar	1 <sup>1</sup>	708 <sup>1</sup>
Finland	Finnish markka	21	437
France	French franc	46	4,892
Germany, Federal Republic of	Deutsche mark	443	13,820
Hong Kong	Hong Kong dollar	64 <sup>2</sup>	175 <sup>3</sup>
India	Indian rupee	8	70,729 <sup>1</sup>
Indonesia	Rupiah	41,587 <sup>1</sup>	2,189 <sup>1</sup>
Italy	Italian lira	42	—
Japan	Yen	2,029	49,774
Kiribati	Australian dollar	4	35 <sup>1</sup>
Korea, Republic of	Won	4,732 <sup>1</sup>	36,864 <sup>1</sup>
Laos	Kip	79 <sup>1</sup>	31 <sup>1</sup>
Malaysia	Malaysian ringgit	182	31,006 <sup>1</sup>
Maldives	Rufiyaa	24 <sup>1</sup>	—
Nepal	Nepalese rupee	28	1,274 <sup>1</sup>
Netherlands	Netherlands guilder	73	2,335
New Zealand	New Zealand dollar	95 <sup>2</sup>	10,094 <sup>3</sup>
Norway	Norwegian kroné	212	825
Pakistan	Pakistan rupee	4,339 <sup>1</sup>	19,751 <sup>1</sup>
Papua New Guinea	Kina	26	969 <sup>1</sup>
Philippines	Philippine peso	408	11,908 <sup>1</sup>
Singapore	Singapore dollar	57	3,563 <sup>1</sup>
Solomon Islands	Solomon Islands dollar	4	34 <sup>1</sup>
Sri Lanka	Sri Lanka rupee	30	6,246 <sup>1</sup>
Sweden	Swedish krona	50	—
Switzerland	Swiss franc	378	—
Thailand	Baht	3	12,952 <sup>1</sup>
Tonga	Tongan dollar	35 <sup>1</sup>	—
United Kingdom	Pound sterling	88	6,726
United States	United States dollar	—	45,875
Vanuatu	Vatu	16 <sup>1</sup>	—
Viet Nam	New Dong	2,024 <sup>1</sup>	—
Western Samoa	Western Samoan tala	7 <sup>1</sup>	1 <sup>1</sup>
Total Members (forward)		\$58,326	\$402,057

Members	Currency	Cash in Banks	Non-Negotiable Non-Interest-Bearing Demand Obligations
Total Members (forward)		\$58,326	\$402,057
<b>Non-Members</b>			
Kuwait	Kuwaiti dinar	347	—
Luxembourg	Luxembourg franc	50	—
Saudi Arabia	Saudi Arabian riyal	53	—
Total Non-Members		450	—
<b>TOTAL</b>		<b>\$58,776</b>	<b>\$402,057</b>

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

- 1 Restrictions on use may be imposed by members (Note B).
- 2 Restrictions on use have been imposed for \$60 of these amounts (Note B).
- 3 Restrictions on use have been imposed by members (Note B).

## ASIAN DEVELOPMENT BANK

## SUMMARY STATEMENT

31 December

Expressed in Thousands of

Borrowers/Guarantors <sup>1</sup>	Principal Amounts	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	
				On Loans Held by Bank <sup>2</sup>	For Loans Sold
Bangladesh	\$ 11,400	\$ —	\$ 1,932	\$ 3,484	\$ —
Burma	6,600	—	—	279	—
China, Republic of	100,390	—	9,252	44,109	2,800
Fiji	45,900	16,000	112	1,622	—
Hong Kong	101,500	—	4,500	22,785	3,859
Indonesia	1,406,780	167,500	34,507	12,103	—
Korea, Republic of	1,373,530	205,200	43,876	182,494	3,456
Malaysia	706,748	131,000	41,512	40,412	2,140
Nepal	2,000	—	—	1,707	—
Pakistan	534,370	55,000	31,708	42,921	—
Papua New Guinea	43,950	8,000	—	—	—
Philippines	1,267,550	200,500	5,541	54,421	423
Singapore	178,080	—	30,147	31,751	2,830
Sri Lanka	14,135	—	931	7,600	—
Thailand	1,002,580	207,400	35,537	45,712	1,711
Viet Nam	3,930	—	2,389	91	—
Adjustments in United States dollar equivalents of loans disbursed					
TOTAL.	<u>\$6,799,443</u>	<u>\$990,600</u>	<u>\$241,944</u>	<u>\$491,491</u>	<u>\$17,219</u>

## MATURITY STRUCTURE

Twelve Months Ending 31 December	Amounts
1982	\$131,648
1983	160,329
1984	187,648
1985	213,298
1986	232,039

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

- 1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member.
- 2 This amount represents adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.
- 3 Represents prepayments, cancellations and exchange adjustments which have not been allocated to specific maturities.

**ORDINARY CAPITAL RESOURCES  
OF LOANS  
1981  
United States Dollars (Note A)**

<b>Effective Loans</b>		<b>Undisbursed Balances of Effective Loans</b>		<b>Outstanding Balances</b>	
<b>Held by Bank</b>	<b>Agreed to be Sold</b>	<b>Held by Bank</b>	<b>Agreed to be Sold</b>	<b>On Loans Held by Bank</b>	<b>For Loans Sold</b>
\$ 5,984	\$ —	\$ 182	\$ —	\$ 5,802	\$ —
6,321	—	147	—	6,174	—
44,229	—	—	—	44,229	—
28,166	—	6,899	—	21,267	—
70,356	—	24,572	—	45,784	1,337
1,192,670	—	981,385	—	211,285	—
938,504	—	333,781	—	604,723	—
491,684	—	223,013	—	268,671	250
293	—	—	—	293	—
404,741	—	146,853	—	257,888	—
35,950	—	20,287	—	15,663	—
1,006,665	—	577,887	—	428,778	—
113,352	—	51,317	—	62,035	—
5,604	—	—	—	5,604	—
712,220	—	377,957	—	334,263	—
1,450	—	—	—	1,450	—
18,428 <sup>2</sup>				18,428 <sup>2</sup>	
<u>\$5,076,617</u>	<u>\$ —</u>	<u>\$2,744,280</u>	<u>\$ —</u>	<u>\$2,332,337</u>	<u>\$1,587</u>

**OF EFFECTIVE LOANS**

<b>Five Years Ending 31 December</b>	<b>Amounts</b>
1991	1,349,644
1996	1,356,672
2001	1,035,225
2006	374,547
2011	31,005
Undetermined <sup>3</sup>	4,562
Total	<u>\$5,076,617</u>

ASIAN DEVELOPMENT BANK

SUMMARY STATEMENT

31 December 1981 and

Expressed in Thousands of

Currency	Principal Outstanding at 31 December 1980	Changes During the Year Ended 31 December 1981		
		Borrowings	Repayments and Sinking Fund and Other Purchases	Translation Adjustments
Austrian schilling	\$ 4,993	\$ —	\$ 1,712	\$ (632)
Belgian franc	7,614	—	2,428	(1,167)
Deutsche mark	494,932	90,635	2,467	(66,800)
Italian lira	7,523	—	839	(1,648)
Japanese yen	468,966	393,737	30,055	(43,924)
Kuwaiti dinar	12,277	53,252	3,051	(315)
Luxembourg franc	7,772	—	919	(1,256)
Netherlands guilder	105,659	—	25,235	(14,594)
Saudi Arabian riyal	11,278	—	3,759	(177)
Swiss franc	391,888	188,300	16,409	4,247
United States dollar	358,918	70,000	181,063	—
 Principal outstanding at face value	 1,871,820	 795,924	 267,927	 (126,266)
Loss: net unamortized discounts and premiums	2,030	6,312	—	—
 <b>TOTAL</b>	 <b>\$1,869,790</b>	 <b>\$789,612</b>	 <b>\$267,927</b>	 <b>\$(126,266)</b>

MATURITY STRUCTURE

Twelve Months Ending 31 December	1981	1980
1981		\$273,413
1982	\$257,344	272,675
1983	221,614	161,187
1984	61,739	58,667
1985	76,815	74,233
1986	174,980	

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

- 1 The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.
- 2 Subsequent to 31 December 1981, the final drawdown of the 9% Japanese Yen Loan of 1981/1997 in the amount of ¥6 billion has been received. The Bank has also made the following additional borrowings:

Currency	Principal Amount	Coupon Rate	Due for Redemption
Japanese yen	¥20,000 million	8.2%	1988 — 1994
Netherlands guilder	ƒ 100 million	11.5%	1988 — 1992

## ORDINARY CAPITAL RESOURCES

## OF BORROWINGS

31 December 1980

United States Dollars (Note A)

Principal Outstanding at 31 December 1981	Weighted Average Effective Interest Rates <sup>1</sup>		Due for Redemption
	1981	1980	
\$ 2,649	7.28%	7.28%	1982-1983
4,019	7.36	7.36	1983
516,300	8.23	7.82	1982-1991
5,036	7.22	7.22	1982-1987
788,724 <sup>2</sup>	8.05	7.57	1982-2001
62,163	10.87	7.50	1982-1991
5,597	6.64	6.64	1982-1987
65,830 <sup>2</sup>	8.28	8.42	1982-1984
7,342	8.00	8.00	1982-1983
568,026	6.12	5.46	1982-1994
247,885	11.61	9.83	1982-1996
2,273,551	8.07	7.67	
<u>8,342</u>			
<u><u>\$2,265,209</u></u>			

OF BORROWINGS OUTSTANDING

Five Years Ending 31 December	1981	1980
1991/1990	1,025,521	753,866
1996/1995	336,620	211,338
2001/2000	118,918	66,441
Total	<u>\$2,273,551</u>	<u>\$1,871,820</u>

ASIAN DEVELOPMENT BANK  
STATEMENT OF SUBSCRIPTIONS TO  
31 December

Expressed in Thousands of United States Dollars (Note A)

MEMBERS <sup>1</sup>	SUBSCRIBED			PAR VALUE OF CALLABLE SHARES		
	Shares	Per Cent of Total	Par Value Expressed In SDR	Dollars	Subject to Call Expressed In SDR	Dollars
<b>REGIONAL</b>						
Afghanistan <sup>2</sup>	1,195	0.168	SDR 11,950	\$ 13,909	SDR 8,130	\$ 9,463
Australia	49,937	7.006	499,370	581,246	402,680	468,703
Bangladesh	8,812	1.236	88,120	102,568	71,060	82,711
Burma	4,700	0.659	47,000	54,706	37,900	44,114
Cambodia <sup>2</sup>	875	0.123	8,750	10,185	5,950	6,926
China, Republic of	9,400	1.319	94,000	109,412	75,800	88,228
Cook Islands	23	0.003	230	268	190	221
Fiji	587	0.082	5,870	6,833	4,730	5,508
Hong Kong	4,700	0.659	47,000	54,706	37,900	44,114
India	54,637	7.665	546,370	635,953	440,580	512,818
Indonesia	47,000	6.594	470,000	547,061	379,000	441,141
Japan	117,500	16.484	1,175,000	1,367,653	947,500	1,102,852
Kiribati	35	0.005	350	407	280	326
Korea, Republic of	43,475	6.099	434,750	506,032	350,580	408,061
Laos	246	0.035	2,460	2,863	1,980	2,304
Malaysia	23,500	3.297	235,000	273,531	189,500	220,571
Maldives	35	0.005	350	407	280	326
Nepal	1,269	0.178	12,690	14,771	10,230	11,907
New Zealand	13,254	1.859	132,540	154,271	106,880	124,404
Pakistan	18,800	2.638	188,000	218,825	151,600	176,457
Papua New Guinea	810	0.114	8,100	9,428	6,540	7,612
Philippines	20,562	2.885	205,620	239,334	165,810	192,996
Singapore	2,937	0.412	29,370	34,186	23,680	27,563
Solomon Islands	58	0.008	580	675	470	547
Sri Lanka	5,005	0.702	50,050	58,256	40,360	46,977
Thailand	11,750	1.648	117,500	136,765	94,750	110,285
Tonga	35	0.005	350	407	280	326
Vanuatu	58	0.008	580	675	470	547
Viet Nam	7,050	0.989	70,500	82,059	56,850	66,171
Western Samoa	58	0.008	580	675	470	547
Total Regional	448,303	62.893	4,483,030	5,218,067	3,612,430	4,204,724
<b>NON-REGIONAL</b>						
Austria	2,937	0.412	29,370	34,186	23,680	27,563
Belgium	2,937	0.412	29,370	34,186	23,680	27,563
Canada	45,143	6.333	451,430	525,446	364,030	423,716
Denmark	2,937	0.412	29,370	34,186	23,680	27,563
Finland	1,175	0.165	11,750	13,676	8,580	9,986
France	14,687	2.060	146,870	170,951	118,430	137,848
Germany, Fed. Rep. of	37,334	5.238	373,340	434,553	301,050	350,410
Italy	11,750	1.648	117,500	136,765	94,750	110,285
Netherlands	6,462	0.907	64,620	75,215	52,110	60,654
Norway	2,937	0.412	29,370	34,186	23,680	27,563
Sweden	1,175	0.165	11,750	13,676	8,580	9,986
Switzerland	4,037	0.566	40,370	46,989	32,550	37,887
United Kingdom	17,625	2.473	176,250	205,148	142,130	165,434
United States <sup>3</sup>	113,368	15.904	1,133,680	1,319,558	910,300	1,059,553
Total Non-Regional	264,504	37.107	2,645,040	3,078,721	2,127,230	2,476,011
<b>TOTAL</b>	<b>712,807</b>	<b>100.000</b>	<b>SDR 7,128,070</b>	<b>\$8,296,788</b>	<b>SDR 5,739,660</b>	<b>\$6,680,735</b>

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

1. Bhutan has applied for membership in the Bank. When admitted it will subscribe to 110 shares of capital stock.

2. As of 31 December 1981, these members have not yet subscribed to the additional shares under the second general increase in capital stock authorized by Resolution No. 104 of the Board of Governors.

3. As of 31 December 1981, the United States has subscribed to 63,368 shares out of the 87,500 shares which it is entitled to subscribe to under Resolution No. 104 of the Board of Governors. It has also since subscribed to 3,925 additional shares.

ORDINARY CAPITAL RESOURCES  
CAPITAL STOCK AND VOTING POWER  
1981

APPENDIX 1-VII

and in Thousands of Special Drawing Rights

PAR VALUE OF PAID-IN SHARES

VOTING POWER

Instalments Not Due Expressed in SDR		Instalments Matured Expressed in SDR		Number of Votes	Per Cent of Total	Per Cent of Regional/ Non-Regional
	\$		Dollars			
SDR	—	SDR	3,820	5,245	0.589	0.920
—	—	96,690	112,543	53,987	6.059	9.475
—	—	17,060	19,857	12,862	1.444	2.257
—	—	9,100	10,592	8,750	0.982	1.536
—	—	2,800	3,259	4,925	0.553	0.864
—	—	18,200	21,184	13,450	1.510	2.360
2	3	38	44	4,073	0.457	0.715
—	—	1,140	1,327	4,637	0.520	0.814
—	—	9,100	10,592	8,750	0.982	1.536
—	—	105,790	123,135	58,687	6.587	10.300
—	—	91,000	105,920	51,050	5.730	8.959
—	—	227,500	264,801	121,550	13.642	21.332
10	11	60	70	4,085	0.458	0.717
—	—	84,170	97,971	47,525	5.334	8.341
—	—	480	559	4,298	0.482	0.754
—	—	45,500	52,960	27,550	3.092	4.835
—	—	70	81	4,085	0.458	0.717
—	—	2,460	2,864	5,319	0.597	0.933
—	—	25,660	29,867	17,304	1.942	3.037
—	—	36,400	42,368	22,850	2.565	4.010
—	—	1,560	1,816	4,860	0.545	0.853
—	—	39,810	46,338	24,612	2.762	4.319
—	—	5,690	6,623	6,987	0.784	1.226
—	—	110	128	4,108	0.461	0.721
—	—	9,690	11,279	9,055	1.016	1.589
—	—	22,750	26,480	15,800	1.773	2.773
—	—	70	81	4,085	0.458	0.717
82	96	28	32	4,108	0.461	0.721
—	—	13,650	15,888	11,100	1.246	1.948
8	9	102	119	4,108	0.461	0.721
102	119	870,498	1,013,224	569,803	63.950	100.000
845	984	5,690	6,623	6,987	0.784	2.175
—	—	4,845	5,639	6,987	0.784	2.175
—	—	87,400	101,730	49,193	5.521	15.315
—	—	5,690	6,623	6,987	0.784	2.175
—	—	3,170	3,690	5,225	0.587	1.627
—	—	28,440	33,103	18,737	2.103	5.833
—	—	72,290	84,143	41,384	4.645	12.884
5,063	5,892	17,687	20,588	15,800	1.773	4.919
—	—	12,510	14,561	10,512	1.180	3.273
—	—	5,690	6,623	6,987	0.784	2.175
—	—	3,170	3,690	5,225	0.587	1.627
—	—	7,820	9,102	8,087	0.907	2.518
—	—	34,120	39,714	21,675	2.433	6.748
—	—	223,380	260,005	117,418	13.178	36.556
5,908	6,876	511,902	595,834	321,204	36.050	100.000
SDR	6,010	\$6,995	SDR 1,382,400	\$1,609,058	891,007	100.000

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

31 December 1981 and 31 December 1980

#### NOTE A —

##### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

###### (1) Functional Currencies and Reporting Currency

The currencies of members are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

###### (2) Capital Stock

The capital stock is defined in Article 4, paragraph 1 of the Articles of Agreement "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). The capital stock had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 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. The Bank is examining the implications of this change on the valuation of its capital stock but has not made a decision on the matter. Pending such a decision, the Bank's capital stock has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current United States dollars as computed by the IMF. As of 31 December 1981, the SDR was valued at \$1.16396. (See Note C. This note also shows what the value of the Bank's capital stock would be if expressed in terms of \$1.20635 per 1966 dollar.)

###### (3) Translation of Currencies

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each quarter generally at the rates of exchange at the beginning of the quarter; such prac-

tice approximates the application of average rates in effect during the quarter. Translation adjustments, other than those relating to maintenance of value of currency holdings under Article 25 (see Note D) and "Notional amounts required to maintain value of currency holdings" (see Note I), are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions among functional currencies are included in income.

###### (4) Loans

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

###### (5) Unamortized Discounts, Premiums and Issuance Costs of Borrowings

Unamortized discounts, premiums and issuance costs of borrowings are amortized over the life of each issue in proportion to each of the principal amounts outstanding.

###### (6) Property, Furniture and Equipment

The headquarters seat of the Bank, including land, building, facilities and fixtures and the initial cost of necessary staff amenities and of related furnishings are provided to the Bank by the Government of the Republic of the Philippines. Significant purchases of furniture and equipment by the Bank are capitalized and depreciated over estimated useful lives of related assets. Other purchases are charged to expense.

###### (7) Staff Retirement Costs

The Bank absorbs all expenses of administering the Staff Retirement Plan and charges all of its contributions thereto (see Note H) to administrative expenses currently.

CONTINUED

## NOTE B —

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

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

The use of cash in banks and demand obligations in the currencies of 28 (25—1980) members aggregating \$279,288,000 (\$270,892,000 — 1980).

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

The use of cash in banks and demand obligations in the currencies of two members aggregating \$10,337,000 (\$11,475,000 — 1980).

## NOTE C —

## CAPITAL STOCK

The authorized capital stock of the Bank consists of 722,057 shares, of which 712,807 shares have been subscribed by members. Of the subscribed shares, 573,966 are "callable" and 138,841 are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings or on guarantees. The "paid-in" share capital is payable or has been paid in instalments, partly in convertible currencies and partly in the currency of the subscribing member. In accordance with Article 6, paragraph 3 of the Articles, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, where such currency is not required by the Bank for the conduct of its operations.

In the Articles, the Bank's capital stock is defined "In terms of United States dollars of the weight and fineness in effect on 31 January 1966", and the value of each share of stock is defined as being 10,000 1966 dollars. On 1 April 1978, the Second Amendment to the IMF Articles entered into force, under which gold has been abolished as a common denominator of the international monetary system, currencies no longer have par values, and all calculations for the purposes of the IMF Articles are made on the basis of the SDR. Simultaneously, the provision of United States law defining the par value of the United States dollar in terms of gold was repealed. As a result of these changes, the pre-existing basis for translating the term "United States dollars of the weight and fineness in effect on 31 January 1966" into current United States dollars, or into any other currency, no longer exists.

The Bank is considering a proposal that its capital stock be redefined in terms of the SDR. A member government has raised the question whether the substitution of a new unit of value, insofar as it would give rise to any new obligations with respect to maintenance of value and capital stock subscription payments, should be made only by amendment of the Articles. This member has also raised questions as to the appropriateness of substituting a unit of value other than the SDR, the desirability of retaining the principle of maintenance of value, and the form in which maintenance of value should be applied.

The General Counsel of the Bank is of the opinion that the SDR is the successor in the international monetary system to the gold-based dollar, and that pending the exercise by the appropriate authorities of the Bank of their statutory powers under Chapter IX of the Articles, references in the Articles to the 1966 dollar should be read as referring to the SDR as defined from time to time by the IMF. In view of this, and pending consideration and action on the issues referred to in the preceding paragraph, the Bank has for purposes of these financial statements expressed the value of its capital stock in terms of the SDR, on the basis that each share has the value of SDR

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

31 December 1981 and 31 December 1980

10,000. For purposes of these financial statements, it has also measured the mutual obligations of each member and of the Bank with respect to maintenance of value of currency holdings by that standard. However, the appropriate authorities of the Bank could decide that the value of each share should be fixed at \$12,063.50, on the basis of a substitution of 1.20635 current United States dollars for each 1966 dollar.

When the SDR was introduced into the IMF Articles in 1969, it was expressed in terms of a specified weight of gold equal to the gold content of the 1966 dollar. Since 1 July 1974, its value has been based on the weighted relative values of a number of major currencies (a "currency basket"). On 1 July 1974, the value of the SDR, expressed in terms of United States dollars was \$1.20635, namely the same value as the 1966 dollar, but subsequently the value in current monetary terms has varied from day to day. Effective 1 July 1978, the IMF made certain adjustments in the SDR currency basket, and established a method for further adjustments at five-yearly intervals, to reflect changes in the relative importance of currencies over time, while ensuring continuity and reasonable predictability for the valuation of the SDR. The IMF further revised the currency basket effective 1 January 1981 by reducing the number of currencies from 16 to 5. The adjustments made at the time of the changes are such that the value of the revised baskets in terms of any currency was exactly the same under both the then existing and the revised valuations. As of 31 December 1981, the value of the SDR in terms of the United States dollar was \$1.16396, giving a value for each share of the Bank's capital equivalent to \$11,639.60.

The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Bank. If the capital stock as of 31 December 1981 had been valued in terms of \$12,063.50 per share, the "callable" capital subscribed would have been \$6,924,039,000 (\$6,700,092,000 — 1980) instead of \$8,680,735,000 (\$7,083,653,000 — 1980), the "paid-in" capital subscribed would have

been \$1,674,908,000 (\$1,649,949,000 — 1980) instead of \$1,616,053,000 (\$1,744,403,000 — 1980), the total subscribed capital would have been \$8,598,947,000 (\$8,350,041,000 — 1980) instead of \$8,296,788,000 (\$8,828,056,000 — 1980) and maintenance of value obligations would have been \$75,825,000 receivable from members instead of \$27,888,000 receivable from members (\$9,488,000 payable to members instead of \$64,497,000 receivable from members — 1980).

As of 31 December 1981, all matured instalments amounting to \$1,609,058,000 (\$1,626,948,000 — 1980) were received except \$1,527,000 (\$374,000 — 1980). Instalments not due aggregating \$6,895,000 (\$117,455,000 — 1980) are receivable as follows:

	1981	1980
1981		\$109,896,000
1982	\$2,505,000	2,710,000
1983	2,494,000	2,697,000
1984	1,996,000	2,152,000

Payments in respect of capital subscription instalments in advance of due dates are shown in the balance sheet (under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

#### NOTE D —

##### AMOUNTS RECEIVABLE TO MAINTAIN VALUE OF CURRENCY HOLDINGS

These represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purposes of maintenance of value, under Article 25 and relevant resolutions of the Board of Directors, of the Bank's holdings of certain member currencies (see Notes C and I).

## CONTINUED

## NOTE E —

## SPECIAL RESERVE

In accordance with Article 16, paragraph 1, the Bank charges a commission calculated at one per cent per annum on the outstanding amount of loans made by it from the ordinary capital resources. In accordance with Article 17, an amount equivalent to such commissions is appropriated to a Special Reserve. Special Reserve Fund assets consist principally of time deposits and certificates of deposit.

## NOTE F —

## CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaled "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973 to be used as part of the Special Funds of the Bank. The resources so set aside, amounting to \$55,416,000 as of 31 December 1981 expressed in terms of the SDR on the basis of \$1.16396 per SDR (\$57,434,000 in terms of \$1.20635 per 1966 dollar — see Notes A and C), were allocated and transferred to the Asian Development Fund.

## NOTE G —

## ORDINARY RESERVE AND NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE

Under the provisions of Article 40, the Board of Governors shall determine annually what part of the net income after appropriation of commissions to Special Reserve (see Note E) shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. Net income after appropriation of commissions to

Special Reserve for the year ended 31 December 1980 was allocated to the Ordinary Reserve. The amount allocated, and allocations previously made in respect of preceding years, are affected by the accounting change discussed in Note L.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Notes A and C) resulted in a net credit of \$24,698,000 to the Ordinary Reserve during the year (\$9,345,000 — 1980). This net credit represents the net amount of \$146,620,000 (\$43,165,000 — 1980) restatement of the matured and paid capital subscriptions offset by the net amount of \$121,922,000 (\$33,820,000 — 1980) notional maintenance of value adjustments attributable to the changes in the value of the SDR in relation to the United States dollar, the Bank's unit of account, during the year. (See Note I).

## NOTE H —

## STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of his service, provided that as of such a date, he shall not have reached his normal retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet.

From December 1974, each participant has contributed 9 1/3 per cent of his remuneration to the Plan, and the Bank has contributed 18 2/3 per cent of the participant's remuneration. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions. For the year ended 31 December 1981, the amount contributed by the Bank was \$4,388,000 (\$3,414,000 — 1980).

## ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

### NOTES TO FINANCIAL STATEMENTS

31 December 1981 and 31 December 1980

The actuarial present value of vested and non-vested accumulated plan benefits as of 1 January 1981 totalled \$18,179,000 and \$263,000, respectively. Net assets available for benefits totalled \$31,302,000 as of 1 January 1981. The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8 per cent.

#### NOTE I —

##### NOTIONAL AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS

Prior to 1 April 1978, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of its Articles and relevant resolutions of the Board of Directors. Inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations after the effective date of the Second Amendment to the IMF Articles are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain. The notional amounts as of 31 December 1981, consisting of receivables of \$65,253,000 (\$85,482,000 — 1980) and payables of \$38,924,000 (\$22,571,000 — 1980) represent (a) the net decrease of \$74,266,000 in the value of currency holdings in relation to the United States dollar, the Bank's unit of account, during the period 1 April 1978 to 31 December 1981, offset by (b) the decrease of \$47,937,000 in amounts required to maintain the value of such currency holdings to the extent of matured and paid capital subscriptions due to the decrease in the value of the SDR in relation to the United States dollar during the same period [(a) the increase of \$73,985,000 in amounts required to maintain the value of currency holdings to the extent of matured and paid capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar, the Bank's unit of account, during the period 1 April 1978 to 31 December 1980, offset by (b) the net increase of \$11,074,000 in the value of such currency holdings in relation to the United States dollar during the same period].

#### NOTE J —

##### INCOME AND EXPENSES

Income from other sources includes exchange loss of \$1,393,000 (\$544,000 — 1980).

Administrative expenses are net of Administration Charge to Special Operations amounting to \$25,118,000 (\$20,268,000 — 1980). The Administration Charge to Special Operations is presently based on a formula which takes into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved.

#### NOTE K —

##### SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for technical assistance projects and programs totalled approximately \$11,749,000 as of 31 December 1981 (\$12,670,000 — 1980); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over \$160,000 will be converted to the subsequent loan. Under such options, no technical assistance expenditure was charged to loans and credited to income of ordinary capital resources during the years ended 31 December 1981 and 31 December 1980.

#### NOTE L —

##### ACCOUNTING CHANGE

In 1981, the Bank adopted retroactive application of the principles described in Note A for translation of currencies. Previously, all changes in value of currencies, other than those to which the maintenance of value of currency holdings applies (see Notes D and I), were charged or credited to income. Had the aforementioned accounting change not been adopted, net income for 1981 would have decreased by \$40,539,000 (increased by \$5,301,000 — 1980).

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**OPINION OF INDEPENDENT AUDITORS**

Asian Development Bank:

We have examined the following financial statements of the Asian Development Bank — Ordinary Capital Resources:

	Appendix
Balance Sheet, 31 December 1981 and 31 December 1980	1-I
Statement of Income and Expenses for the Years Ended 31 December 1981 and 31 December 1980	1-II
Statement of Changes in Financial Position for the Years Ended 31 December 1981 and 31 December 1980	1-III
Statement of Cash in Banks and Demand Obligations of Members, 31 December 1981	1-IV
Summary Statement of Loans, 31 December 1981	1-V
Summary Statement of Borrowings, 31 December 1981 and 31 December 1980	1-VI
Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1981	1-VII
Notes to Financial Statements, 31 December 1981 and 31 December 1980	1-VIII

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Ordinary Capital Resources at 31 December 1981 and 31 December 1980 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, after restatement for the change, with which we concur, in the method of accounting for translation adjustments as described in Note L to the financial statements.

DELOITTE HASKINS & SELLS

26 February 1982

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

## BALANCE SHEET

31 December 1981 and 31 December 1980

Expressed in Thousands of United States Dollars (Note 2)

ASSETS	1981	1980
CASH IN BANKS	\$ 4,855	\$ 4,674
INVESTMENTS		
Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$151,728 — 1981, \$146,705 — 1980)	\$ 149,336	\$ 143,206
Time deposits and other obligations of banks	<u>247,226</u>	<u>396,562</u>
LOANS (See Appendix 1-4) (Note 4)		
Loans approved — <u>\$2,971,443</u> — 1981, <u>\$2,440,563</u> — 1980		
Effective loans held by Bank	2,371,628	1,986,638
ACCRUED INCOME		
On investments	9,464	9,981
On loans	<u>3,298</u>	<u>12,762</u>
NOTES OF CONTRIBUTORs		
Non-negotiable, non-interest-bearing notes	1,943,517	1,851,231
AMOUNTS RECEIVABLE FROM CONTRIBUTORs		
(See Appendix 1-5)	21,498	13,996
ACCOUNTS RECEIVABLE	1,533	2,189
<b>TOTAL</b>	<b>\$4,752,355</b>	<b>\$4,255,969</b>
<b>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</b>		
UNDISBURSED BALANCES OF EFFECTIVE LOANS		
(See Appendix 1-4)	\$1,499,393	\$1,187,820
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL		
RESOURCES (Note 5)	3,420	9,380
ACCOUNTS PAYABLE	2,061	1,867
UNEXPENDED BALANCES AND CAPITAL		
Amounts available for loan commitments (See Appendix 1-5)		
Contributed Resources	\$3,004,130	\$2,746,643
Set-Aside Resources (Note 3)	55,416	60,722
Other Resources	4,680	4,680
	<u>3,064,226</u>	<u>2,812,045</u>
Advance payments on contributions	62,746	140,800
Accumulated translation adjustments (Note 2)	<u>(3,890)</u>	<u>5,526</u>
Accumulated net income (See Appendix 1-2)	<u>124,399</u>	<u>3,247,481</u>
<b>TOTAL</b>	<b>\$4,752,355</b>	<b>\$4,255,969</b>

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

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

## STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME

For the Years Ended 31 December 1981 and 31 December 1980

Expressed in Thousands of United States Dollars (Note 2)

	1981	1980
<b>INCOME</b>		
From Investments	\$ 39,542	\$ 39,379
From loans	11,248	10,094
From other sources	<u>219</u>	<u>463</u>
<b>GROSS INCOME</b>	<b>51,009</b>	<b>49,936</b>
<b>EXPENSES</b>		
Administrative expenses (Note 5)	<u>25,141</u>	<u>20,277</u>
<b>NET INCOME FOR THE YEAR</b>	<b>25,868</b>	<b>29,659</b>
<b>BALANCE OF ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR</b>	<b>98,531</b>	<b>68,872</b>
<b>BALANCE OF ACCUMULATED NET INCOME AT END OF THE YEAR</b>	<b>\$124,399</b>	<b>\$98,531</b>

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

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1981 and 31 December 1980

Expressed in Thousands of United States Dollars (Note 2)

	1981	1980
<b>FUNDS WERE PROVIDED BY</b>		
Operations		
Net income	\$ 25,868	\$ 29,659
Items not requiring or providing funds:		
Accrued income	467	(2,549)
Administration Charge	<u>25,118</u>	<u>20,268</u>
Funds provided by operations	51,453	47,378
Contributions drawn	385,074	721,046
Notes of contributors encashed	122,120	138,356
Decrease (increase) in loans disbursed and outstanding as a result of currency revaluations	64,591	(52,719)
Decrease (increase) in notes of contributors as a result of currency revaluations	134,949	(73,350)
Loans collected	11,218	10,971
Resources transferred from the Multi-Purpose Special Fund	—	328
Other — net	850	4,175
Total	<u>770,255</u>	<u>796,185</u>
<b>FUNDS WERE UTILIZED FOR</b>		
Loans disbursed	149,226	150,288
Notes of contributors received	349,355	715,486
Change in accumulated translation adjustments	9,416	(1,711)
Decrease (increase) in contributions drawn as a result of currency valuations	213,143	(124,035)
Administration Charge paid	31,078	19,493
Loans and other assets transferred from the Multi-Purpose Special Fund	—	328
Decrease in Set-Aside Resources due to substitution of the SDR for the 1966 dollar as unit of value	5,306	1,996
Total	<u>757,524</u>	<u>761,845</u>
<b>INCREASE IN CASH IN BANKS AND INVESTMENTS</b>		
	<u>\$ 12,731</u>	<u>\$ 34,340</u>

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

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS<sup>a</sup>

31 December 1981

Expressed in Thousands of United States Dollars (Note 2)

Borrowers	Principal Amounts	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	Effective Loans Held by Bank	Undisbursed Balances of Effective Loans <sup>b</sup>	Outstanding Balances
Afghanistan	\$ 95,100	\$ 20,100	\$ 949	\$ 1,239	\$ 72,812	\$ 46,153	\$ 26,659
Bangladesh	810,930	177,500	5,241	1,623	626,566	416,946	209,620
Burma	343,460	59,500	1,193	—	282,767	153,542	129,225
Cambodia	1,670	—	—	—	1,670	1,027 <sup>c</sup>	643
Cook Islands	1,000	—	—	—	1,000	436	584
Indonesia	162,280	—	5,440	9,516	147,324	49,832	97,492
Kiribati	1,750	—	—	—	1,750	1,234	516
Korea, Republic of	3,700	—	102	1,033	2,565	—	2,565
Laos	36,843	—	6	1,225	35,612	24,244	11,368
Malaysia	3,300	—	—	667	2,633	—	2,633
Maldives	1,000	—	—	—	1,000	1,000	—
Nepal	262,920	45,200	5,006	7,352	205,362	146,525	58,837
Pakistan	680,950	185,000	95	4,395	491,460	382,519	108,941
Papua New Guinea	69,940	8,000	—	3,984	57,976	18,652	39,324
Philippines	79,300	15,000	373	1,471	62,456	42,730	19,726
Singapore	3,000	—	—	161	2,839	—	2,839
Solomon Islands	14,850	—	—	—	14,850	5,544	9,306
Sri Lanka	245,605	12,000	6,936	5,733	220,936	146,656	74,280
Thailand	72,100	15,000	—	—	57,100	49,079	8,021
Tonga	6,050	1,680	—	48	4,322	227	4,095
Viet Nam	40,670	13,000	3,745	999	22,926	5,479	17,447
Western Samoa	35,025	4,000	61	1,038	29,926	7,568	22,358
<b>Adjustments in United States dollar equivalents of loans disbursed</b>							
					25,776 <sup>d</sup>		25,776 <sup>d</sup>
<b>TOTAL</b>	<b>\$2,971,443</b>	<b>\$556,980</b>	<b>\$29,147</b>	<b>\$40,464</b>	<b>\$2,371,628</b>	<b>\$1,499,393</b>	<b>\$872,235</b>

## MATURITY STRUCTURE OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1982	\$13,663	1991	206,926
1983	11,979	1996	298,202
1984	14,366	2001	381,011
1985	18,038	2006	431,026
1986	20,977	2011	416,151
		2016	385,597
		2021	147,916
		<b>Undetermined<sup>e</sup></b>	<b>25,776</b>
		<b>Total</b>	<b>\$2,371,628</b>

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

- a The Bank makes a service charge on all Special Funds loans approved after 21 March 1974 at the rate of 1% per annum. On loans approved prior to 21 March 1974, the Bank charges interest (including a service fee of 3/4 of 1%) ranging from 1% per annum to 3% per annum.
- b Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse \$713.
- c Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursements of the loan.
- d This amount represents adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.
- e Represents exchange adjustments which have not been allocated to specific maturities.

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

## STATEMENT OF RESOURCES

31 December 1981

Expressed in Thousands of United States Dollars (Note 2)

	Amounts Committed During 1981	Cumulative Amounts Committed	Amounts Not Yet Available for Loan Com- mitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
<b>CONTRIBUTED RESOURCES</b>						
Australia	\$ —	\$ 174,156	\$ 27,301	\$ 146,855	\$ 146,855	\$ —
Austria	—	24,099	4,228	19,871	19,871	—
Belgium	—	28,830	3,733	25,097	25,097	—
Canada	—	258,756	40,479	218,277	211,279	6,998
Denmark	—	22,714	3,124	19,590	19,590	—
Finland	—	16,614	3,374	13,240	13,239	1
France	—	84,819	21,205	63,614	63,614	—
Germany, Federal Republic of	—	248,465	31,810	216,655 <sup>a</sup>	216,655	—
Italy	54,637	81,275	13,660	67,615	53,955	13,660
Japan	—	1,607,105	204,148	1,402,957 <sup>a</sup>	1,402,957	—
Netherlands	43,822	75,348	10,955	64,393	64,393	—
New Zealand	3,356	10,708	839	9,869	9,030	839
Norway	—	22,681	3,427	19,254 <sup>a</sup>	19,254	—
Sweden	—	29,315	5,463	23,852	23,852	—
Switzerland	—	49,496	6,664	42,832 <sup>a</sup>	42,832	—
United Kingdom	—	182,425	28,301	154,124	154,124	—
United States	—	775,000 <sup>b</sup>	278,965	496,035	496,035	—
Total	101,815	3,691,806	687,676	3,064,130	2,982,632	21,498
SET-ASIDE RESOURCES (Note 3)	—	55,416	—	55,416	55,416	—
OTHER RESOURCES	—	4,680	—	4,680	4,680	—
<b>TOTAL</b>	<b>\$101,815</b>	<b>\$3,751,902</b>	<b>\$687,676<sup>c</sup></b>	<b>\$3,064,226</b>	<b>\$3,042,728</b>	<b>\$21,498</b>

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

- a Excluding the equivalents of \$31,810, \$30,609, \$49 and \$228 received from the Federal Republic of Germany, Japan, Norway and Switzerland, respectively, representing advance payments of their contributions to the second ADF replenishment (ADF III) which amounts were not available for loan commitment purposes as of 31 December 1981.
- b Including \$56,403 and \$222,500 representing the balance of the United States' contribution to the first ADF replenishment (ADF II) and the last two installments of its ADF III contribution, respectively, for which amounts the necessary internal procedures had not been completed as of 31 December 1981. In January 1982, the United States made available \$7,848 towards the balance of its ADF II contribution and \$108,250 towards the third installment of its ADF III contribution.
- c In February 1982, by virtue of a resolution of the Board of Directors and subject to the provisions of paragraph 6(c) of the Board of Governors' Resolution No. 121, the fourth tranches (equivalent to \$408,711) of the unqualified contributions to ADF III also became available to the Bank for loan commitment purposes.

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

### NOTES TO FINANCIAL STATEMENTS

**31 December 1981 and 31 December 1980**

CONTINUED

#### **NOTE 1 —**

##### **GENERAL**

- (a) In 1973, the Board of Governors authorized the establishment of the Asian Development Fund (the Fund) with initial resource mobilization arrangements for the three years ending 31 December 1975 in a total amount equivalent to US\$525,000,000 to be provided in two stages. In April 1974, the Board of Directors adopted Regulations for the administration of the Fund. The Fund was established on 28 June 1974 when Instruments of Contribution for a total amount exceeding the minimum amount required to establish the Fund were deposited with the Bank.
- (b) Three contributors have requested and the Board of Directors has agreed that the initial use of their contributions under the first stage of the initial mobilization arrangements, aggregating the equivalent of US\$103,563,000 at 31 December 1981 (US\$104,209,000 — 1980) be restricted to procurement of goods and services from their respective countries. Of this amount, the equivalent of US\$56,370,000 as of 31 December 1981 (US\$48,390,000 — 1980) has been so used.
- (c) Subsequent to the initial resource mobilization arrangements, the Board of Governors has authorized the following:
  - (i) In December 1975, the first replenishment of the Fund in a total amount equivalent to US\$830,000,000 (subsequently revised to US\$809,000,000) for the three years ending 31 December 1978 under a three-instalment program; and
  - (ii) In July 1978, the second replenishment of the Fund in a total amount equivalent to US\$2,000,000,000 in basic contributions together with an amount equivalent to US\$150,000,000 in supplementary contributions to be provided dur-

ing the four years ending 31 December 1982 under a four-instalment program.

#### **NOTE 2 —**

##### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

###### **(a) 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.

###### **(b) Translation of Currencies**

Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each quarter generally at the rates of exchange at the beginning of the quarter; such practice approximates the application of average rates in effect during the quarter. Translation adjustments relating to contributions are offset by increases or decreases in the contribution accounts. Translation adjustments relating to capital set-aside are recorded as receivable from or payable to ordinary capital resources. Other translation adjustments are charged or credited to "Accumulated translation adjustments". Exchange gains or losses on currency transactions are included in income.

###### **(c) Contributions**

Contributions by member countries are included in the financial statements as amounts committed from the date Instruments of Contribution are deposited and related formalities are completed.

## ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

### NOTES TO FINANCIAL STATEMENTS

31 December 1981 and 31 December 1980

#### NOTE 3 —

##### SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(l), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973, to be used as part of the Special Funds of the Bank. The capital so set aside was allocated and transferred from the ordinary capital resources to the Fund as Set-Aside Resources.

The capital stock of the Bank is defined in Article 4, paragraph 1 of the Articles of Agreement "in terms of United States dollars of the weight and fineness in effect on 31 January 1966" (the 1966 dollar). Therefore, Set-Aside Resources had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31 March 1978, the rate arrived at on this basis was \$1.20635 per 1966 dollar. Since 1 April 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (IMF) came into effect, currencies no longer have par values in terms of gold. The Bank is examining the implications of this change on the valuation of its capital stock but has not made a decision on the matter. Pending such a decision, the 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 1981, the SDR was valued at \$1.16396. On this basis, Set-Aside Resources amounted to \$55,416,000. The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Fund. If the capital stock as of 31

December 1981 had been valued in terms of \$12,063.50 per share, Set-Aside Resources would have been \$57,434,000.

#### NOTE 4 —

##### LOANS

The Summary Statement of Loans (Appendix 1-4) presents, by country, total approved loans to be financed from the Fund. Adjustments for loans not yet effective, refundings and cancellations, payments received and exchange adjustments are made to arrive at effective loans held by the Bank.

#### NOTE 5 —

##### ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include Administration Charge to Special Operations amounting to \$25,118,000 (\$20,268,000 — 1980). The Administration Charge to Special Operations is presently based on a formula which takes into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved.

#### NOTE 6 —

##### ACCOUNTING CHANGE

In 1981, the Bank adopted retroactive application of the principles described in Note 2 for translation of currencies. Previously, all changes in value of currencies, other than those relating to contributions and capital-set aside, were charged or credited to income. Had the aforementioned accounting change not been adopted, net income for 1981 would have decreased by \$9,416,000 (increased by \$1,711,000 — 1980).

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**OPINION OF INDEPENDENT AUDITORS**

**Asian Development Bank:**

We have examined the following financial statements of the Asian Development Bank — Asian Development Fund:

	Appendix
Balance Sheet, 31 December 1981 and 31 December 1980	1-1
Statement of Income and Expenses and Accumulated Net Income for the Years Ended 31 December 1981 and 31 December 1980	1-2
Statement of Changes in Financial Position for the Years Ended 31 December 1981 and 31 December 1980	1-3
Summary Statement of Loans, 31 December 1981	1-4
Statement of Resources, 31 December 1981	1-5
Notes to Financial Statements, 31 December 1981 and 31 December 1980	1-6

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Asian Development Fund at 31 December 1981 and 31 December 1980 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, after restatement for the change, with which we concur, in the method of accounting for translation adjustments as described in Note 6 to the financial statements.

DELOITTE HASKINS & SELLS

26 February 1982

**ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND****BALANCE SHEET****31 December 1981 and 31 December 1980**

Expressed in Thousands of United States Dollars (Note 1)

	<u>1981</u>	<u>1980<sup>a</sup></u>
<b>ASSETS</b>		
CASH IN BANKS	\$ 1,266	\$ 1,201
<b>INVESTMENTS</b>		
Government and government guaranteed obligations—amortized cost which approximates market (Face amounts \$8,740—1981, \$11,871—1980)	8,648	11,661
Time deposits	6,995	6,298
ACCRUED INCOME	188	338
AMOUNTS RECEIVABLE FROM CONTRIBUTOR(S) (See Appendix I-D)	1,010	1,061
OTHER ASSETS	1,205	1,420
<b>TOTAL</b>	<b>\$19,312</b>	<b>\$21,979</b>
<b>LIABILITIES AND UNEXPENDED BALANCES</b>		
ACCOUNTS PAYABLE	\$ 3,636	\$ 3,839
UNEXPENDED BALANCES (See Appendix I-B) (Note 2)	15,676	18,140
<b>TOTAL</b>	<b>\$19,312</b>	<b>\$21,979</b>

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

a Restated to conform to 1981 classifications.

## ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

## STATEMENT OF OPERATIONS AND UNEXPENDED BALANCES

For The Years Ended 31 December 1981 and 31 December 1980

Expressed in Thousands of United States Dollars (Note 1)

	1981	1980 <sup>a</sup>
CONTRIBUTIONS COMMITTED (See Appendix I-D)	\$ 5,646	\$ 5,135
INCOME		
From investments	\$1,444	\$ 1,538
From conversion of grants into loans (Note 3)	—	148
From other sources	<u>2</u>	<u>1,446</u>
TOTAL	7,092	6,828
EXPENSES (See Appendix I-E)		
Services to member countries (Note 3)	5,543	5,128
Administrative expenses	<u>2,094</u>	<u>7,637</u>
EXCESS OF EXPENSES OVER CONTRIBUTIONS AND INCOME	(545)	(1,059)
EXCHANGE GAINS AND (LOSSES) (Note 1)	<u>(1,919)</u>	<u>1,906</u>
INCREASE (DECREASE) IN UNEXPENDED BALANCES	(2,464)	847
UNEXPENDED BALANCES AT BEGINNING OF THE YEAR	18,140	17,293
UNEXPENDED BALANCES AT END OF THE YEAR	<u>\$15,676</u>	<u>\$18,140</u>

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

<sup>a</sup> Restated to conform to 1981 classifications.

## ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1981 and 31 December 1980

Expressed in Thousands of United States Dollars (Note 1)

	1981	1980*
<b>FUNDS WERE PROVIDED BY</b>		
Contributions drawn	\$5,382	\$ 5,394
Other — net	<u>486</u>	<u>42</u>
<b>Total</b>	<b><u>5,868</u></b>	<b>5,436</b>
<b>FUNDS WERE UTILIZED FOR</b>		
Operations		
Decrease (increase) in unexpended balances	2,464	(847)
Items not requiring or providing funds:		
Accrued expenses	474	(359)
Accrued income	(150)	136
Accrued contributions committed	<u>3,941</u>	<u>6,991</u>
Funds utilized for operations	6,729	5,921
Decrease (increase) in contributions drawn as a result of currency revaluations	<u>1,390</u>	<u>(1,957)</u>
<b>Total</b>	<b>8,119</b>	<b>3,964</b>
<b>INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS</b>		
	\$(2,251)	\$ 1,472

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

\* Restated to conform to 1981 classifications.

## ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

## STATEMENT OF CONTRIBUTED RESOURCES

31 December 1981

Expressed in Thousands of United States Dollars (Note 1)

Contributors	Amounts Committed During 1981	Cumulative Contributions Committed	Cumulative Amounts Received	Amounts Receivable
Australia	\$ 564	\$ 2,060	\$ 2,060	\$ —
Austria	—	129	129	—
Bangladesh	—	23	23	—
Belgium	—	693	665	28
Canada <sup>a</sup>	—	1,541	1,541	—
China, Republic of	—	200	200	—
Denmark	—	1,832	1,832	—
Finland	—	246	246	—
France	—	471	471	—
Germany, Federal Republic of	909	1,390	1,390	—
Hong Kong	—	100	100	—
India	366	1,091	725	366
Italy	—	130	130	—
Japan	2,961	32,351	32,351	—
Korea, Republic of	150	780	780	—
Netherlands	—	927	773	154
New Zealand	123	896	835	61
Norway <sup>b</sup>	172	836	836	—
Pakistan	—	319	319	—
Sri Lanka	—	6	6	—
Sweden	—	393	393	—
Switzerland	—	603	603	—
United Kingdom	401	3,746	3,345	401
United States	—	1,250	1,250	—
<b>TOTAL</b>	<b>\$5,646</b>	<b>\$52,013</b>	<b>\$51,003</b>	<b>\$1,010</b>

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

<sup>a</sup> Subsequent to 31 December 1981, Canada has made a further contribution equivalent to \$1,883 to the Technical Assistance Special Fund.<sup>b</sup> Norway has also committed to contribute the equivalent of \$172 each for the years 1982 and 1983 subject to parliamentary appropriations.

**ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND****SUMMARY STATEMENT OF EXPENSES****For the Year Ended 31 December 1981**

Expressed in Thousands of United States Dollars (Note 1)

RECIPIENTS	SERVICES TO MEMBER COUNTRIES				ADMINISTRATIVE EXPENSES			TOTAL EXPENSES
	Project Preparation	Project Implementation/ Advisory	Other	Total	Staff Consultants	Other	Total	
Bangladesh	\$ 400	\$139	\$ —	\$ 539	\$ 144	\$—	\$ 144	\$ 683
Burma	468	—	—	468	152	—	152	620
Cook Islands	—	15	—	15	—	—	—	15
Hong Kong	—	—	—	—	8	—	8	8
Indonesia	1,174	8	—	1,182	432	—	432	1,614
Kiribati	116	—	—	116	—	—	—	116
Korea, Republic of	130	—	—	130	114	—	114	244
Laos	35	—	—	35	40	—	40	75
Malaysia	75	—	—	75	94	—	94	169
Maldives	(1)	(8)	—	(9)	(2)	—	(2)	(11)
Nepal	5	194	—	199	63	—	63	262
Pakistan	84	150	—	234	262	—	262	496
Papua New Guinea	33	62	—	95	19	—	19	114
Philippines	252	—	—	252	231	—	231	483
Solomon Islands	—	42	—	42	57	—	57	99
Sri Lanka	240	121	—	361	209	—	209	570
Thailand	572	61	—	633	90	—	90	723
Tonga	—	9	—	9	—	—	—	9
Viet Nam	—	—	—	—	3	—	3	3
Western Samoa	144	50	—	194	1	—	1	195
Regional Activities	—	—	973	973	—	—	—	973
Multiple Projects/Headquarters	—	—	—	—	169	—	169	169
Other Administrative Expenses	—	—	—	—	—	8	8	8
<b>TOTAL</b>	<b>\$3,727</b>	<b>\$843</b>	<b>\$973</b>	<b>\$5,543</b>	<b>\$2,086</b>	<b>\$ 8</b>	<b>\$2,094</b>	<b>\$7,637</b>

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

## ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

### NOTES TO FINANCIAL STATEMENTS

31 December 1981 and 31 December 1980

#### NOTE 1 —

##### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

###### (a) Functional Currency and Reporting Currency

The functional currency of the Technical Assistance Special Fund (TASF) is deemed, as a matter of convenience, to be the same as the reporting currency, the United States dollar. The financial statements of TASF are expressed in thousands of current United States dollars.

###### (b) Translation of Currencies

Assets, liabilities and unexpended balances in currencies other than United States dollars are translated at the applicable rates of exchange which prevailed at the end of the year.

Income and expense amounts in currencies other than United States dollars are translated for each quarter generally at the applicable rates of exchange at the beginning of the quarter; such practice approximates the application of average rates in effect during the quarter.

Translation adjustments are accounted for as exchange gains or losses and are charged or credited to operations.

###### (c) Contributions

Contributions by member countries are included in the financial statements as amounts committed from the date contribution agreements become effective. As to those member countries which have agreed to consider specific requests for financing, the amounts shown in the financial statements as amounts committed are based on the specific requests approved at the end of the year.

#### NOTE 2 —

##### FUNDING

(a) Since 1967, contributions have been made by 24 member countries. In most cases, the initial use of the contributions has been restricted to the procurement of services and facilities from the contributing member country. There has been a trend towards liberalization of the procurement terms, however, and many subsequent contributions and portions of the unexpended balances are substantially or wholly unrestricted.

(b) Unexpended balances also reflect funds retained from the Multi-Purpose Special Fund (which was terminated in 1980) for unrestricted use of the TASF. At 31 December 1981, \$2,679,000 was available from this source.

#### NOTE 3 —

##### SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for technical assistance projects and programs totalled approximately \$11,749,000 as of 31 December 1981 (\$12,670,000 — 1980); to the extent available, contributions to the TASF may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over \$150,000 will be converted to the subsequent loan. Under such options, no technical assistance expenditure was charged to loans and credited to Income during the year ended 31 December 1981 (\$148,000 — 1980).

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**DELOITTE HASKINS & SELLS**  
Certified Public Accountants

1114 Avenue of the Americas  
New York 10036

**OPINION OF INDEPENDENT AUDITORS**

Asian Development Bank:

We have examined the following financial statements of the Asian Development Bank — Technical Assistance Special Fund:

	Appendix
Balance Sheet, 31 December 1981 and 31 December 1980	1-A
Statement of Operations and Unexpended Balances for the Years Ended 31 December 1981 and 31 December 1980	1-B
Statement of Changes in Financial Position for the Years Ended 31 December 1981 and 31 December 1980	1-C
Statement of Contributed Resources, 31 December 1981	1-D
Summary Statement of Expenses for the Year Ended 31 December 1981	1-E
Notes to Financial Statements, 31 December 1981 and 31 December 1980	1-F

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

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Technical Assistance Special Fund at 31 December 1981 and 31 December 1980 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

26 February 1982

**SUMMARY OF BUDGET FOR 1982**  
**INTERNAL ADMINISTRATIVE EXPENSES**

	<b>1981</b>			
	<b>Original Budget</b>	<b>After Transfers<sup>1</sup></b>	<b>Actual</b>	<b>1982 Budget</b>
I. BOARD OF GOVERNORS	\$ 419,000	\$ 419,000	\$ 416,195	\$ 165,000
II. BOARD OF DIRECTORS	2,956,000	2,956,000	2,870,306	3,192,000
Salaries	1,332,000	1,333,000	1,332,810	1,575,000
Benefits	484,000	484,000	472,444	669,000
Relocation	591,000	529,000	456,010	257,000
Business Travel	293,000	306,000	305,518	390,000
Staff Services	256,000	264,000	263,746	301,000
Remuneration Study	—	40,000	39,778	—
III. STAFF	42,847,000	42,347,000	38,611,213	49,816,000
Salaries	24,028,000	24,028,000	22,839,823	28,721,000
Benefits	11,327,000	11,327,000	10,984,376	14,150,000
Relocation	2,805,000	2,805,000	1,452,079	2,423,000
Consultants	4,187,000	4,187,000	3,334,935 <sup>2</sup>	4,522,000
IV. BUSINESS TRAVEL AND REPRESENTATION	4,060,000	4,060,000	3,299,453	5,228,000
Business Travel	4,000,000	3,988,000	3,228,019	5,138,000
Representation	60,000	72,000	71,434	90,000
V. OTHER ADMINISTRATIVE EXPENSES	7,812,000	7,812,000	6,660,482	8,839,000
Communications	1,670,000	1,670,000	1,291,527	1,445,000
Office Occupancy	3,300,000	3,300,000	2,853,023	3,805,000
Library	167,000	167,000	164,126	187,000
Expendable Supplies	662,000	662,000	581,853	754,000
Office Equipment	668,000	668,000	612,232	961,000
Contractual Services	1,107,000	1,107,000	955,691	1,376,000
Insurance	168,000	162,000	126,363	231,000
Miscellaneous	70,000	76,000	75,867 <sup>3</sup>	80,000
VI. GENERAL CONTINGENCY	1,152,000	1,152,000	—	1,345,000
<b>T O T A L</b>	<b>\$58,746,000</b>	<b>\$58,746,000</b>	<b>\$51,857,649<sup>4</sup></b>	<b>\$68,585,000</b>

<sup>1</sup> Transfers were made between budget items within each Budget Category without exceeding the total amount for the Category.

<sup>2</sup> Includes \$2,086,456 from the Technical Assistance Special Fund.

<sup>3</sup> Includes \$7,723 from the Technical Assistance Special Fund.

<sup>4</sup> This excludes an amount of \$3,261,000 accrued for the first time, as of 31 December 1981, for accumulated compensated absences (accumulated leaves of staff which may be commutable to cash) to comply with a new accounting standard. Since actual payments are covered by the usual budget provision when leaves are taken, it is considered that the amount so accrued, which represents only potential payments, need not be included in the Budget. In subsequent years, only the excess accumulated amount, if any, over the amount already accrued will be included in future accruals.

**SUMMARY OF BUDGET FOR 1982****SERVICES TO MEMBER COUNTRIES**

CONTINUED

Financed from Bank's Own Resources	1981				1982	
	Commitments		Disbursements		Budget	
	Budget	Actual	Budget	Actual	New Commitments	Disbursements
Project Preparation	\$ 6,500,000	\$3,224,300	\$5,834,000	\$4,175,659 <sup>1</sup>	\$ 8,300,000	\$ 5,200,000
Advisory and Operational	2,800,000	2,046,000	2,252,000	868,960 <sup>2</sup>	2,400,000	2,800,000
Regional Services	1,200,000	1,715,800	987,000	1,000,549 <sup>3</sup>	2,300,000	2,600,000
Special (Energy)	500,000	—	500,000	—	—	—
<b>TOTAL</b>	<b>\$11,000,000</b>	<b>\$6,986,100</b>	<b>\$9,573,000</b>	<b>\$6,045,168</b>	<b>\$13,000,000</b>	<b>\$10,500,000</b>

1 Includes \$3,727,188 from the Technical Assistance Special Fund.

2 Includes \$642,355 from the Technical Assistance Special Fund.

3 Includes \$973,127 from the Technical Assistance Special Fund.

## RESOLUTIONS OF BOARD OF GOVERNORS DURING 1981

Resolution No.	Subject	Date Adopted
138	Admission of Republic of Vanuatu to Membership of Asian Development Bank	26 March 1981
139	Decision Relating to Section 5 of By-Laws of the Bank	8 April 1981
140	Further Extension of Time for Subscription to, and Payment of Instalments under, Second General Capital Increase	24 April 1981
141	Financial Statements and Auditors' Reports	2 May 1981
142	Allocation of Net Income	2 May 1981
143	Procedures for Election of Directors at Fourteenth Annual Meeting	1 May 1981
144	Date and Place of Fifteenth Annual Meeting	2 May 1981
145	Further Measures to Facilitate Payment of United States Contribution to First Replenishment of Asian Development Fund	22 October 1981
146	Amendment of Section 7 (B) (a) of By-Laws	21 December 1981

## BOARD OF GOVERNORS

(As of 31 December 1981)

U Tun Tin (Burma) Chairman

Wilhelm Breitenstein (Finland) Vice-Chairman

Bartholomew Ulufa'alau (Solomon Islands) Vice-Chairman

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Democratic Republic of	Abdul Wakil Finance Minister	M. Naim Askaryar
Australia	J. W. Howard Treasurer	J. C. Ingram Director Australian Development Assistance Bureau
Austria	Herbert Salcher <sup>1</sup> Federal Minister of Finance	Hans Seidel <sup>2</sup> State Secretary Ministry of Finance
Bangladesh	M. Saifur Rahman Minister of Finance	A.M.A. Muhith Secretary External Resources Division Ministry of Finance
Belgium	W. de Clerq <sup>3</sup> Vice Prime Minister Minister of Finance and Foreign Trade	M. D'Haeze Vice-Governor National Bank of Belgium
Burma	U Tun Tin Deputy Prime Minister and Minister of Planning and Finance	U Maung Shwe Deputy Minister Ministry of Planning and Finance
Cambodia		
Canada	Allan J. MacEachen Deputy Prime Minister and Minister of Finance	Marcel Masse President Canadian International Development Agency
China, Republic of	Yu Kuo-Hwa Governor The Central Bank of China	G.M. Wang Vice Minister of Finance
Cook Islands	V.A.K.T. Ingrain Minister of Economic Development	Jeff Llew Director Department of Development Planning
Denmark	Mogens Isakson Under-Secretary of State Ministry of Foreign Affairs	Henning Kjetggaard <sup>4</sup> Head of Department Ministry of Foreign Affairs

<sup>1</sup> Succeeded Hannes Androsch in February.<sup>2</sup> Succeeded Robert Pollak in April.<sup>3</sup> Succeeded R. Vandepitte in December.

R. Vandepitte succeeded M. Eyskens in April.

<sup>4</sup> Succeeded C.U. Haxthausen in October.

## CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Nepal	Yadav Prasad Pant Minister of Finance and Commerce and Supplies	Karma Dhoj Adhikary <sup>1</sup> Finance Secretary Ministry of Finance
Netherlands	A.P.J.M.M. van der Stee Minister of Finance	J. de Koning Minister for Agriculture and Fisheries
New Zealand	R.D. Muldoon Prime Minister and Minister of Finance	Bernard Vincent Galvin Secretary to the Treasury
Norway	Svenn Stray <sup>2</sup> Minister of Foreign Affairs	Eivinn Berg <sup>3</sup> State Secretary Ministry of Foreign Affairs
Pakistan	Ghulam Ishaq Khan Minister of Finance, Planning, Commerce and Cooperation	Ejaz Ahmed Naik <sup>4</sup> Secretary Ministry of Planning and Economic Affairs
Papua New Guinea	John R. Kaputin, M.P. Minister for Finance	Mekere Morauta Secretary for Finance
Philippines	Cesar Virata Prime Minister and Minister of Finance	Jaime Laya <sup>5</sup> Governor Central Bank of the Philippines
Singapore	Tony Tan Ken Yam <sup>6</sup> Minister for Trade and Industry	J.Y.M. Pillay Permanent Secretary Revenue Division Ministry of Finance
Solomon Islands	Bartholomew Ulufa'alu <sup>7</sup> Minister of Finance	Pulepada Ghemu Minister of Foreign Trade, Industry and Labour
Sri Lanka, Democratic Socialist Republic of	Hannie de Mel Minister of Finance and Planning	W.M. Tilakaratna Secretary to the Treasury and Secretary, Ministry of Finance and Planning
Sweden	Carl Tham <sup>8</sup> Under-Secretary of State for International Development Cooperation Ministry for Foreign Affairs	Per Joedahl <sup>9</sup> Director and Head Multilateral Department Office for International Development Cooperation Ministry for Foreign Affairs
Switzerland	Klaus Jacobi Ambassador Delegate of the Federal Council for Trade Agreements	Hans Meyer Deputy General Manager Swiss National Bank

1 Succeeded Jitendra Bai Maskay in August.  
Jitendra Bai Maskay succeeded Goraksha Bahadur Nhucho Pradhan  
in August.

2 Succeeded Knut Frydenlund in December.  
3 Succeeded John Joergen Holst in December.  
4 Succeeded Alteb Ahmad Khan in March.

5 Succeeded Gregorio S. Licaros in April.  
6 Succeeded Goh Chok Tong in April.  
7 Succeeded Benedict Kinika in September.  
8 Succeeded Hans Blix in December.  
9 Succeeded Bo Kjellen in October.

## CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Thailand	Sommal Hoontrakool <sup>1</sup> Minister of Finance	Chanchai Leelavorn Under-Secretary of State for Finance Ministry of Finance
Tonga	M. 'U. Tupouniu'a <sup>2</sup> Minister of Finance	Baron Vaea Minister of Labour, Commerce & Industries and Assistant Minister of Finance
United Kingdom	Neil Marten, M.P. Minister of State for Foreign & Commonwealth Affairs and Minister for Overseas Development	J.L.F. Buist Under-Secretary Overseas Development Administration
United States	Donald T. Regan <sup>3</sup> Secretary of the Treasury	Richard N. Cooper Under-Secretary of State for Economic Affairs
Vanuatu	Kalpokor Kalsakau Minister of Finance	John Sethy Regenvanu Minister of Agriculture, Forest and Fisheries
Viet Nam, Socialist Republic of	Nguyen Duy Gia <sup>4</sup> Minister-Director General State Bank of Viet Nam	Le Hoang Vice-Minister Deputy Director-General State Bank of Viet Nam
Western Samoa	Vaovasamanala R.P. Phillips Minister of Finance	A.L. Hutchison Financial Secretary

<sup>1</sup> Succeeded Amnuay Viravan in March.<sup>2</sup> Succeeded S. Taqa in January.<sup>3</sup> Succeeded G. William Miller in May.<sup>4</sup> Succeeded Tran Duong in February.

## BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1981)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED <sup>1</sup>
A. J. Barry (Canada)	Jorma Paukku <sup>2</sup> (Finland)	Canada Denmark Finland Netherlands Norway Sweden
John A. Bohn, Jr. <sup>3</sup> (United States)	Jon M. Gaaserud (United States)	United States
Hoon-Mok Chung <sup>4</sup> (Republic of Korea)	John Natera (Papua New Guinea)	Republic of China Republic of Korea Papua New Guinea Vanuatu
N.W. Davey (Australia)	Kai Dettö <sup>5</sup> (Australia)	Australia Hong Kong Kiribati Solomon Islands
U Hla Maung <sup>6</sup> (Burma)	Khalil Hassan (Malaysia)	Burma Malaysia Nepal Singapore Thailand
Genji Nozaki (Japan)	Takashi Taniguchi (Japan)	Japan
N.M. Qureshi <sup>7</sup> (Pakistan)	A. Melchor, Jr. <sup>8</sup> (Philippines)	Pakistan Philippines
G. Ramachandran <sup>9</sup> (India)	K. Mahmood (Bangladesh)	Bangladesh India
Thierry Rosset <sup>10</sup> (France)	Max Gertsch (Switzerland)	Belgium France Italy Switzerland
Soesilo Sardadi <sup>11</sup> (Indonesia)	R.C.W. Hamilton <sup>12</sup> (New Zealand)	Cook Islands Fiji Indonesia New Zealand Tonga Western Samoa
David L. Stanton <sup>13</sup> (United Kingdom)	Paul Koehling <sup>14</sup> (Federal Republic of Germany)	Austria Federal Republic of Germany United Kingdom
F.M. Tarin <sup>15</sup> (Democratic Republic of Afghanistan)	(Vacant) <sup>16</sup>	Democratic Republic of Afghanistan Lao People's Democratic Republic Maldives Democratic Socialist Republic of Sri Lanka Socialist Republic of Viet Nam

<sup>1</sup> In alphabetical order within each group.<sup>2</sup> Succeeded Dag Larsson on 1 September.<sup>3</sup> Succeeded Thomas C. Dawson (resigned with effect from 9 June) on 7 October. Thomas C. Dawson was elected at the Fourteenth Annual Meeting to succeed Lester E. Edmont.<sup>4</sup> Elected at the Fourteenth Annual Meeting to succeed Cong H. Kay.<sup>5</sup> Succeeded Peter H. Hodge on 1 November.<sup>6</sup> Elected at the Fourteenth Annual Meeting to succeed Yeo Teng Yang.<sup>7</sup> Elected at the Fourteenth Annual Meeting to succeed A. Melchor, Jr.<sup>8</sup> Succeeded N.M. Qureshi on 1 June.<sup>9</sup> Elected at the Fourteenth Annual Meeting to succeed Y.T. Shah.<sup>10</sup> Elected at the Fourteenth Annual Meeting to succeed Rosario Bonavoglia.<sup>11</sup> Elected at the Fourteenth Annual Meeting to succeed R.A. Kartadipemena.<sup>12</sup> Succeeded Cliff F. Sproule on 1 July.<sup>13</sup> Elected at the Fourteenth Annual Meeting to succeed Rainer Goerdeler.<sup>14</sup> Succeeded David L. Stanton on 1 July.<sup>15</sup> Elected at the Fourteenth Annual Meeting to succeed Le Duc Van.<sup>16</sup> F.M. Tarin was Alternate Director until 31 May.

**PRINCIPAL OFFICERS**

(As of 31 December 1981)

**OFFICE OF THE PRESIDENT**

<b>Masao Fujioka</b>	President
<b>A. T. Bambawale</b>	Vice-President
<b>S. Stanley Katz</b>	Vice-President

**OFFICE OF THE SECRETARY**

<b>Wilfred A. Vawdrey</b>	Secretary
<b>A.B. Adarkar</b>	Assistant Secretary

**OFFICE OF THE GENERAL COUNSEL**

<b>Chun Pyo Jhong</b>	General Counsel
<b>Vacant</b>	Deputy General Counsel
<b>Daud Ilyas</b>	Assistant General Counsel
<b>Ramdass K. Keswani</b>	Assistant General Counsel
<b>Herbert V. Morais</b>	Assistant General Counsel

**COUNTRY DEPARTMENT**

<b>Vacant</b>	Director
<b>Song Chil Lee</b>	Deputy Director and Acting Director
<b>Zia Noorzoy</b>	Deputy Director
<b>Eiji Kobayashi</b>	Country Manager (Democratic Republic of Afghanistan, Nepal, Pakistan)
<b>S. Mahboob Alam</b>	Country Manager (Burma, Maldives, Democratic Socialist Republic of Sri Lanka)
<b>E. Watanabe</b>	Country Manager (Bangladesh, Cambodia, Lao People's Democratic Republic, Socialist Republic of Viet Nam)
<b>Klaus J.L. Hoffarth</b>	Country Manager (Malaysia, Thailand)
<b>Jayanta Madhab</b>	Country Manager (Republic of China, Republic of Korea, Philippines)
<b>Sayed A. Baha</b>	Country Manager (Hong Kong, Indonesia, Singapore)
<b>Mazhar Ali Khan</b>	Country Manager (South Pacific)

**DEVELOPMENT POLICY OFFICE**

<b>Akira Tsusaka</b>	Director
<b>A. I. Aminul Islam</b>	Manager
<b>Paul C. Krukowski</b>	Manager

## APPENDIX 6

### CONTINUED

#### AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT

B.M. Socksmono	Director
Kunio Takase	Deputy Director
E. Frank Tacke	Deputy Director
S.T. Senewiratne	Manager (General Agriculture)
Satish C. Jha	Manager (Rural Development and Agricultural Credit)
Eun Jin Lim	Manager (Irrigation I - East Asia, Southeast Asia, South Pacific)
Richard M. Bradley	Manager (Irrigation II - South Asia, Indo-China)
M. Zaki Azam	Manager (Fisheries and Livestock)

#### INFRASTRUCTURE DEPARTMENT

Kasturi L. Luthra	Director
Lewis Hayashi	Deputy Director
Mahesan Ganesan	Manager (Airports and Highways)
Yuzo Akatsuka	Manager (Ports, Railways and Telecommunications)
David A. Howarth	Manager (Water Supply)
Ronald S. Skeates	Manager (Social Infrastructure, including Education, Health and Population and Urban Development)

#### INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT

Robert N. Bakley	Director
Joaquin J. Gochoco	Deputy Director
Vacant	Energy Advisor
Stephen Y. C. Lau	Manager (Industry and Minerals)
S. N. Vinze	Manager (Power Division East)
Alan Burrell	Manager (Power Division West)
Muttathottil K. Titus	Manager (Development Finance Division)

#### CENTRAL PROJECTS SERVICES OFFICE

Wolf D. Kluber	Chief
Urs Rolf Sieber	Manager (Consulting Services)
Vacant	Manager (Central Loan Administration Services)

## BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT

Yukinori Wanabae	Director
Joseph H. Landriault	Deputy Director
Dang Fook Lee	Manager (Budget and Planning)
John P. Kennedy	Manager (Personnel)

## OFFICE OF ADMINISTRATIVE SERVICES

Raymond B. Lyon	Chief
Frank R. S. Weeraratne	Coordinator, Special Projects
Ian F. Darroch	Manager (Building Services)
Pyong Whi Min	Manager (General Services)

## CONTROLLER'S DEPARTMENT

S. M. A. Kazmi	Controller
Sven P. Blaeckberg	Deputy Controller
Alan L. Pan	Assistant Controller (Accounting)
Shamshad Ali Khan	Assistant Controller (Administrative Expenses)
Vacant	Assistant Controller (Loans)

## TREASURER'S DEPARTMENT

Edgar J. Roberts, Jr.	Treasurer
Yukiji Miyazaki	Deputy Treasurer
Albert L. Faber	Assistant Treasurer (Securities)
Vacant	Assistant Treasurer (Finance)

## ECONOMIC OFFICE

Seiji Naya	Chief Economist
Kedar N. Kohli	Assistant Chief Economist
Burton T. Ohale	Chief Statistician

## INFORMATION OFFICE

P. S. Hariharan	Chief Information Officer
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## OFFICE OF COMPUTER SERVICES

G. Trujillo, Jr.	Chief
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## INTERNAL AUDIT OFFICE

M. Ikramullah Khan	Chief
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## POST-EVALUATION OFFICE

Ernest J. Ettlinger	Chief
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## CHANNELS OF COMMUNICATION AND DEPOSITORIES

(As of 31 December 1981)

COUNTRY	CHANNEL	DEPOSITORY
Afghanistan, Democratic Republic of	Treasury Department Ministry of Finance	Da Afghanistan Bank
Australia	Secretary Commonwealth Treasury	Reserve Bank of Australia
Austria	Bundesministerium fuer Finanzen	Oesterreichische National Bank
Bangladesh	Secretary External Resources Division Ministry of Finance	Bangladesh Bank
Belgium	Ministere des Finances Services des Relations Financieres avec l'Etranger	National Bank of Belgium
Burma	Ministry of Planning and Finance	Union of Burma Bank
Cambodia		National Bank of Cambodia
Canada	Department of Finance	Bank of Canada
China, Republic of	Governor The Central Bank of China	Central Bank of China
Cook Islands	Financial Secretary	National Bank of New Zealand, Ltd.
Denmark	Ministry of Foreign Affairs	Danmarks National Bank
Fiji	Ministry of Finance	Central Monetary Authority of Fiji
Finland	Ministry for Foreign Affairs Department for International Development Cooperation	Soumen Pankki-Finlands Bank
France	Direction du Tresor Ministere de l'Economie et des Finances	Banque de France
Germany, Federal Republic of	Bundesministerium fuer Wirtschaftliche Zusammenarbeit	Deutsche Bundesbank
Hong Kong	The Financial Secretary Government Secretariat	Hongkong and Shanghai Banking Corporation
India	Secretary to the Government of India Ministry of Finance Department of Economic Affairs	Reserve Bank of India
Indonesia	Ministry of Finance	Bank Indonesia
Italy	Ministero del Tesoro D.G. Tesoro — Div. XVI	Banca d'Italia
Japan	Minister of Finance	Bank of Japan
Kiribati	Secretary for Finance Ministry of Finance	Bank of New South Wales
Korea, Republic of	Minister of Finance	Bank of Korea

## CONTINUED

COUNTRY	CHANNEL	DEPOSITORY
Lao People's Democratic Republic	National Bank of Laos	National Bank of Laos
Malaysia	Secretary General to the Treasury The Treasury	Bank Negara Malaysia
Maldives	Maldives Monetary Authority	Maldives Monetary Authority
Nepal	Secretary Ministry of Finance	Nepal Rastra Bank
Netherlands	Ministerie van Financien	De Nederlandsche Bank N.V.
New Zealand	Secretary of Foreign Affairs Ministry of Foreign Affairs	Reserve Bank of New Zealand
Norway	Department of International Economic & Social Development The Royal Ministry of Foreign Affairs	Norges Bank
Pakistan	Economic Affairs Division Ministry of Finance and Economic Affairs	State Bank of Pakistan
Papua New Guinea	Secretary for Finance Department of Finance	Bank of Papua New Guinea
Philippines	Ministry of Foreign Affairs	Central Bank of the Philippines
Singapore	The Permanent Secretary Ministry of Finance Revenue Division	Monetary Authority of Singapore
Solomon Islands	The Permanent Secretary Ministry of Finance	Australia and New Zealand Banking Group, Ltd.
Sri Lanka, Democratic Socialist Republic of	Secretary Ministry of Finance and Planning	Central Bank of Ceylon
Sweden	Ministry for Foreign Affairs	Sveriges Riksbank (Bank of Sweden)
Switzerland	Departement federal de l'économie publique Division du commerce	Banque Nationale Suisse
Thailand	Ministry of Finance	Bank of Thailand
Tonga	Ministry of Finance	Accountant-General Treasury Department
United Kingdom	United Nations Department (B) Overseas Development Administration	Bank of England
United States	Secretary of the Treasury Treasury Department	Federal Reserve Bank of New York
Vanuatu	Development Bank of Vanuatu	Central Bank of Vanuatu
Viet Nam, Socialist Republic of	The State Bank of Viet Nam	State Bank of Viet Nam
Western Samoa	Financial Secretary Treasury Department	Bank of Western Samoa