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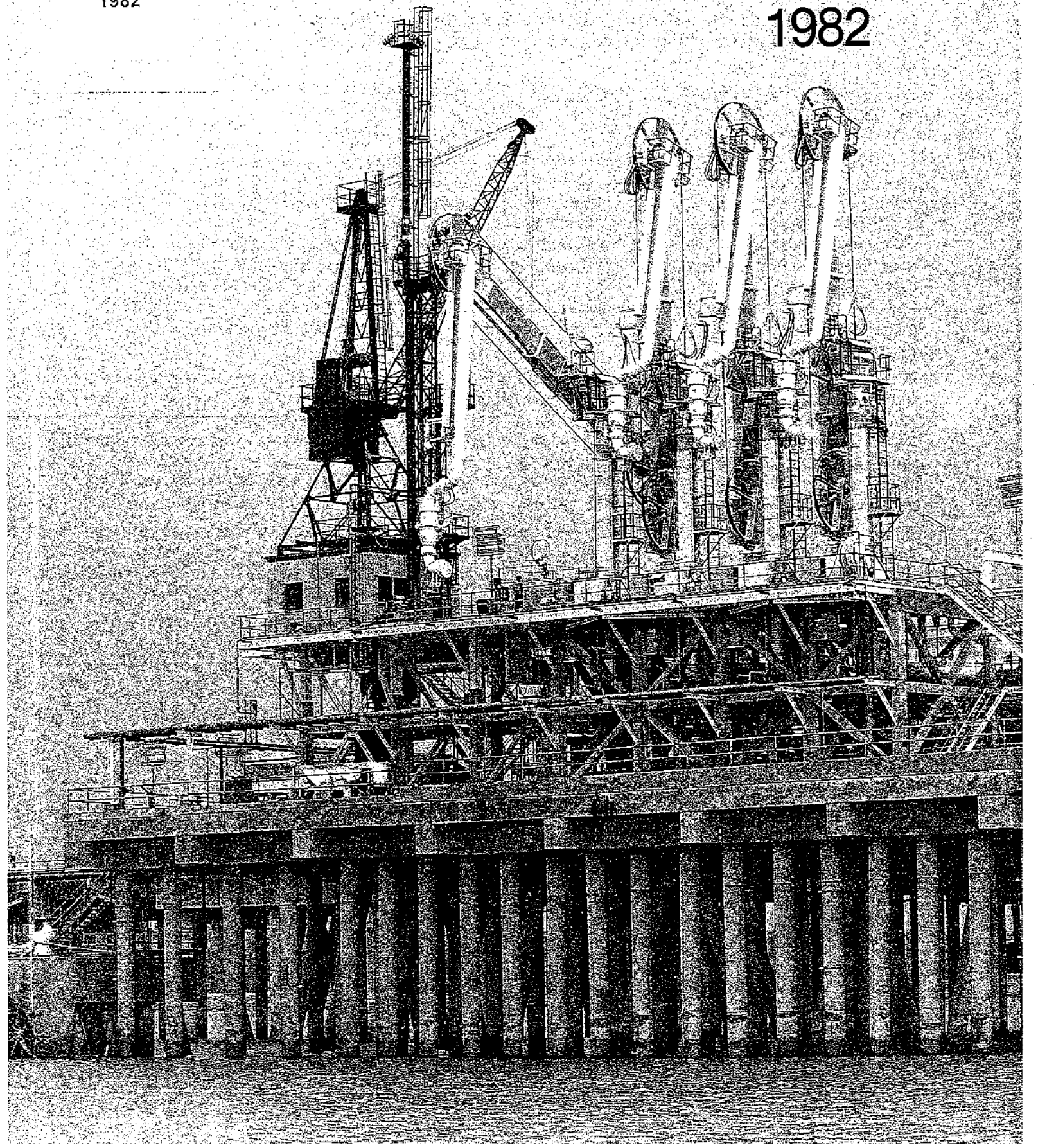
SIAN DEVELOPMENT BANK
ANNUAL REPORT
1982



The Asian Development Bank

The Asian Development Bank, an international partnership of 45 member nations, is engaged in promoting the economic and social progress of its developing member countries in the Asia-Pacific region.

The Bank started functioning in December 1966 with its Headquarters in Manila, Philippines. It is owned by the governments of 31 countries from the Asia-Pacific region and 14 countries from Europe and North America.

In 16 years of operations, the Bank has become a major catalyst in promoting the development of the most populous and fastest growing region in the world today. The Bank's principal functions are (i) to make loans for the economic and social advancement of developing member countries; (ii) to provide technical assistance for the preparation and execution of development projects and programs and advisory services; (iii) to promote investment of public and private capital for development purposes; and (iv) to respond to requests for assistance in coordinating development policies and plans of member countries. In its operations, the Bank is also required to give special attention to the needs of the smaller or less developed countries and give priority to regional, sub-regional and national projects and programs which will contribute to the harmonious economic growth of the region as a whole.

The financial resources of the Bank consist of ordinary capital resources, comprising subscribed capital, reserves and funds raised through borrowings; and Special Funds, comprising contributions made by member countries and amounts previously set aside from the paid-in capital. Loans from ordinary capital resources, which account for about 70 per cent of Bank lending, are generally made to member countries which have attained a somewhat higher level of economic development. Loans from Special Funds, which are administered in the Asian Development Fund, are made almost exclusively to the poorest borrowing countries on highly concessional terms.

The Bank has borrowed funds for its ordinary operations from the capital markets of Europe, Japan, the Middle East and the United States. It has also sold two-year dollar-denominated bonds to central banks or monetary authorities of its members. The Bank's callable capital which currently accounts for nearly 81 per cent of its subscribed capital backs its borrowings in the capital markets.

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

With the growing need for larger and more diversified inflows of capital to the region, the Bank is actively expanding its co-financing activities, with official as well as commercial and export credit sources. Steps have also been initiated for the Bank's entry into equity investment operations.

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

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

The Bank has 19 departments and offices — including a Resident Office in Dhaka, Bangladesh — dealing with various operational, financial, administrative and general support functions.

ASIAN DEVELOPMENT BANK
ANNUAL REPORT 1982

COVER: Loading arms for liquefied natural gas (LNG) atop a Bank-financed berth at Bintulu Deepwater Port in Sarawak, Malaysia. The Bank approved a $53.8 million loan in November 1979 to assist in the development of the port, which commenced operations in January 1983. As the focal point of a dynamic new regional growth center and the only deepwater port in the area, Bintulu will serve as the principal outlet for Sarawak's main industrial and agricultural exports — LNG from offshore gas fields, ammonia and urea from petro-chemical industries currently being established, and palm oil and timber from the comparatively underdeveloped but potentially rich hinterland.

Board of Directors

President and Chairman of the Board of Directors

Masao Fujioka

Directors	**Alternate Directors**
A. J. Barry	Jorma Paukku
John A. Bohn, Jr.	Donald R. Sherk
Hoon-Mok Chung	John Natera
N. W. Davey	Kai Detto
U Hla Maung	Kawee Keereepart
Paul Koehling	John Machin
Minoru Ohashi	Takashi Taniguchi
N. M. Qureshi	A. Melchor, Jr.
G. Ramachandran	K. F. Rahman
Thierry Rosset	Max Gertsch
Soesilo Sardadi	R.C.W. Hamilton
F. M. Tarin	Le Duc Van

ASIAN DEVELOPMENT BANK
Manila

Office of the President

24 March 1983

Dear Mr. Chairman:

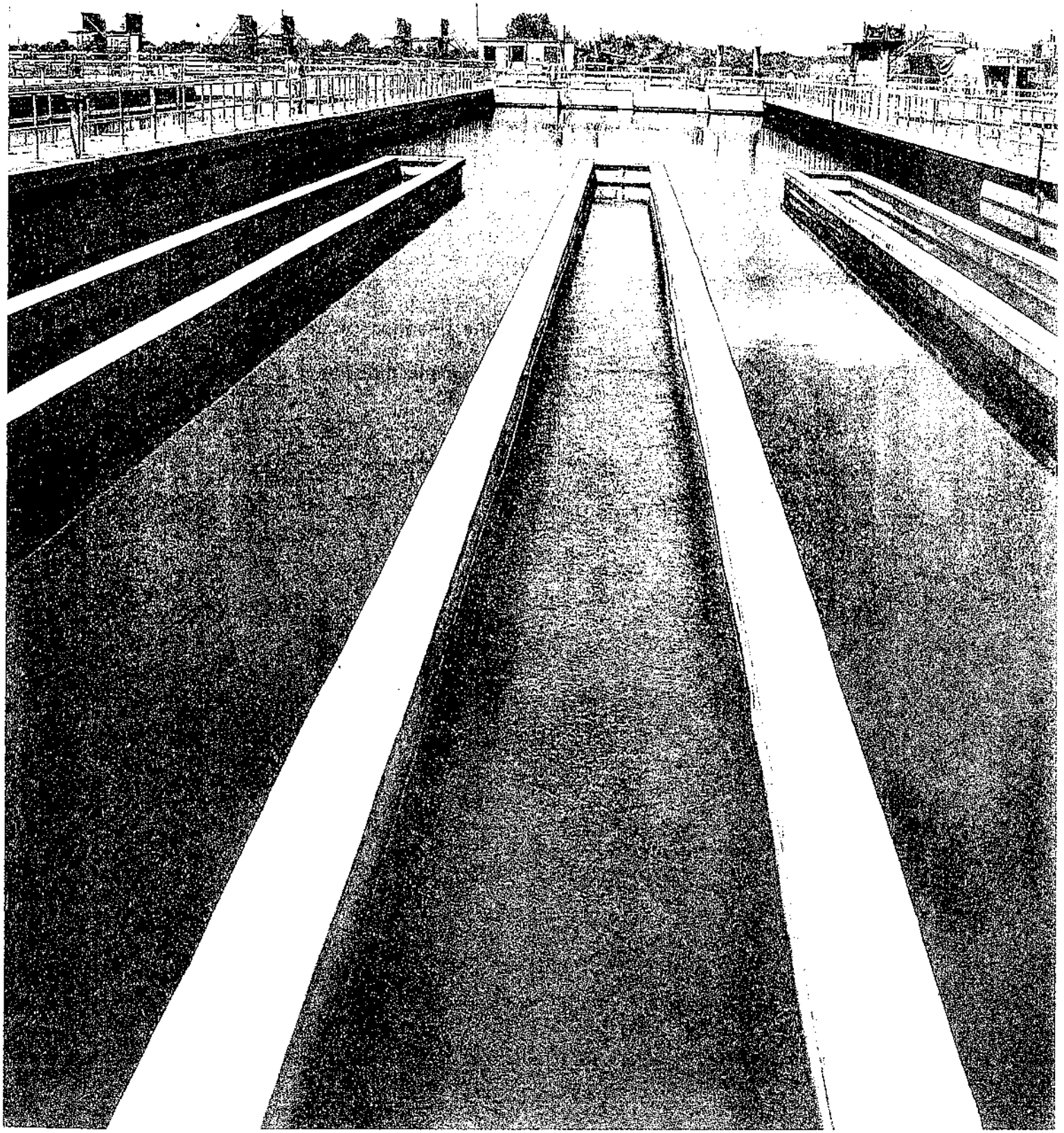
In accordance with Article 39 of the Articles of Agreement of the Asian Development Bank and Section 13 of its By-Laws, I submit to the Board of Governors the enclosed Annual Report of the Bank for 1982, including a separate report on the activities of the Special Funds of the Bank, which has been prepared 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

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 Func (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 1-VII, Notes to Financial Statements of Ordinary Capital Resources.

SETTLEMENT basin of the La Mesa Treatment Works of the Manila Water Supply Project. The Bank has extended over $140 million in loans to help expand and improve the water supply and sewerage systems of the fast-growing capital city of the Philippines.

THE RECORD

(1)

(amounts in $ million)

	1967-1971	1972-1976	1977	1978	1979	1980	1981	1982	1967-1982[a]
OPERATIONAL ACTIVITIES									
Loan Approvals									
Number of Projects[b]	83	168	41	51	54	58	54	56	565
Amount of Loans[c]	639.4	2,721.5	886.4	1,158.7	1,251.6	1,435.7	1,677.6	1,730.6	11,501.5
Ordinary Loans									
Number of Loans	59	115	24	31	29	29	30	32	349
Amount of Loans[c]	532.2	1,934.0	614.6	778.2	835.2	958.5	1,146.7	1,184.5	7,983.9
Disbursements	68	879	273	295	361	429	518.0	619.6	3,442.2
Special Funds Loans									
Number of Loans	28	89	21	22	29	30	27	25	271
Amount of Loans	107.2	787.5	271.8	380.5	416.3	477.2	530.9	546.1	3,517.6
Disbursements	7	204	84	167	125	150	149.2	175.5	1,062.4
Technical Assistance (Grants)[d]									
Number of Projects	55	119	42	47	57[e]	56	49	56	480[f]
Amount of Grants	8.0	20.3	7.2	11.1	13.9[e]	14.2	14.8	15.5	106.8[g]
Regional Activities (Grants)[d]									
Number of Projects	11	25	7	11	6	15	13	24	110[h]
Amount of Grants	4.1	2.4	0.9	0.9	1.0	1.6	1.8	2.5	15.1
RESOURCES AND FINANCES									
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	7,965	—
(In terms of 1966 US dollar)	(1,100)	(3,073)	(7,221)	(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	6,961	8,741	8,861	8,828	8,297	7,899	—
(In terms of 1966 US dollar)	(1,005)	(3,057)	(5,770)	(6,709)	(6,727)	(6,922)	(7,128)	(7,160)	—
Borrowings (gross)[i]	160	983	117	390	348	458	668	882	4,005
Outstanding Debt (at end of period)	159	1,084	1,205	1,610	1,777	1,872	2,274	2,810	—
Ordinary Reserve (at end of period)	22.4	111.9	146.1	181.1	250.4	360.8	512.0	665.7	—
Special Reserve (at end of period)	1.0	18.7	28.8	42.5	59.3	78.6	99.9	123.3	—
Gross Income	71.2	347.2	168.9	214.6	260.3	309.0	347.1	413.7	—
Net Income after Appropriation of Commissions to Special Reserve	36.9	122.4	52.7	73.6	101.1	126.5	139.7	151.4	—
Special Funds Resources (at end of period)[j]	192.5	931.9	1,285.2	1,846.7	2,065.4	2,916.1	3,184.7	3,616.9[k]	—
Member Countries (at end of period)	36	42	42	43	43	43	44	45	—
Professional Staff (at end of period)	191	288	304	334	360	416	468	517	—

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 ongoing 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 59 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 and 1982 are converted at exchange rates adopted by the Bank at the end of the quarter preceding the date of Board approval.

j 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.

k Commitments from these resources, after allowing for exchange rate adjustments, cancellations and repayments, totalled $3,403.9 million as of 31 December 1982.

THE BANK IN 1982

DURING 1982, a year of worldwide recession and considerable economic difficulty, the Bank took a number of important steps to strengthen its resource position and enhance its growing role as an instrument and a catalyst of development in the Asia-Pacific region.

Negotiations were concluded 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 1983-1986. A review of the Bank's ordinary capital resources was continued in order to determine the appropriate size of a third General Capital Increase.

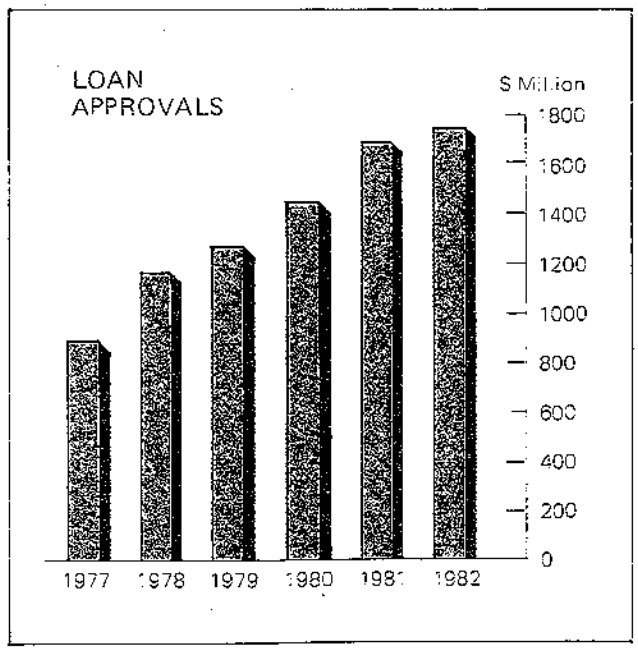
During the year, there were significant increases in the Bank's co-financing activities and borrowings in the international capital markets, and the Bank examined additional measures designed to stimulate in the coming years the inflow of funds — particularly from commercial sources — to the region.

Bank lending during the year amounted to $1,731 million compared with $1,678 million in 1981. Bank lending increased by 3.2 per cent in nominal terms in 1982, while over the five-year period 1978-1982 the annual increase averaged 14.3 per cent in nominal terms. Annual growth rates should be viewed in the context of a longer-term trend, however, and the decline in the rate of growth in 1982 was mainly due to exceptional factors, including adverse exchange rate changes which resulted in a significant reduction in available ADF resources. It was also a reflection of growing domestic resource constraints and reductions in development expenditures by some of the Bank's developing member countries (DMCs) as they attempted to adjust to the effects of the continuing recession in the world economy.

Total disbursements during the year amounted to $795 million compared with $667 million in 1981. The average size of loans rose from $29.4 million in 1981 to $30.4 million in 1982.

Other highlights of 1982:

- A Study of the Bank's Operational Priorities and Plans for the 1980s was completed.
- Co-financing with commercial and export credit sources nearly doubled to $276 million from $146 million in 1981, and total co-financing rose to $699 million from $627 million.
- The Bank undertook 14 borrowings amounting to the equivalent of $882 million compared with $668 million in 1981; it entered the Dutch domestic capital market for the first time and re-entered the United States capital market after an interval of six years.
- A consultant of high international standing was commissioned to prepare a comprehensive study of the Bank's financial policies.
- An in-depth Bank-sponsored Agriculture Sector Strategy Study of Nepal was completed.
- Major seminars on Co-Financing with Commercial and Export Credit Sources and Equity Financing Operations were held in Manila.
- The Bank's first Resident Office, in Dhaka, Bangladesh, was opened.



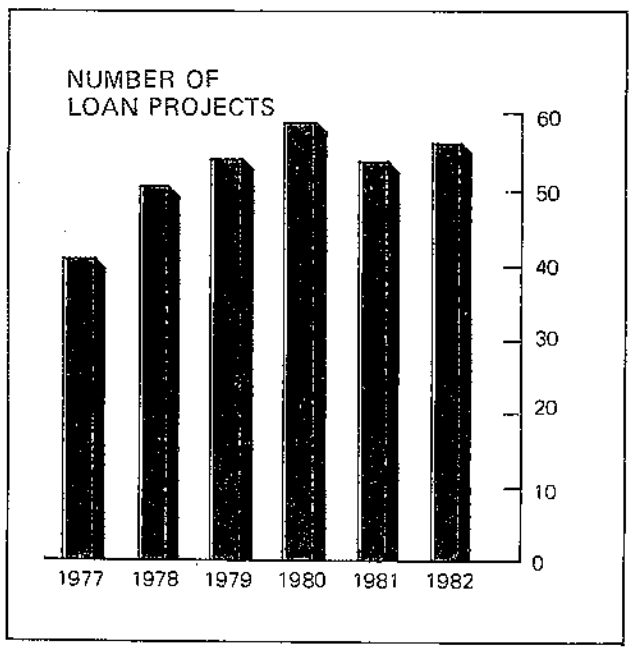
LENDING ACTIVITIES: During the year, the Bank approved 57 loans for 56 projects in 13 DMCs compared with 57 loans for 54 projects in 15 DMCs in 1981. Loans from ordinary capital resources (OCR) amounted to $1,184.5 million, an increase of 3.3 per cent in nominal terms over the corresponding figure of $1,147 million in 1981, while loans from Special Funds (SF), amounting to $546.1 million, showed an increase of 2.9 per cent in nominal terms over the 1981 concessional lending figure of $531 million. In 1982, about 98 per cent of SF loans went to DMCs which had a per capita gross national product (GNP) of less than $300 in 1980.

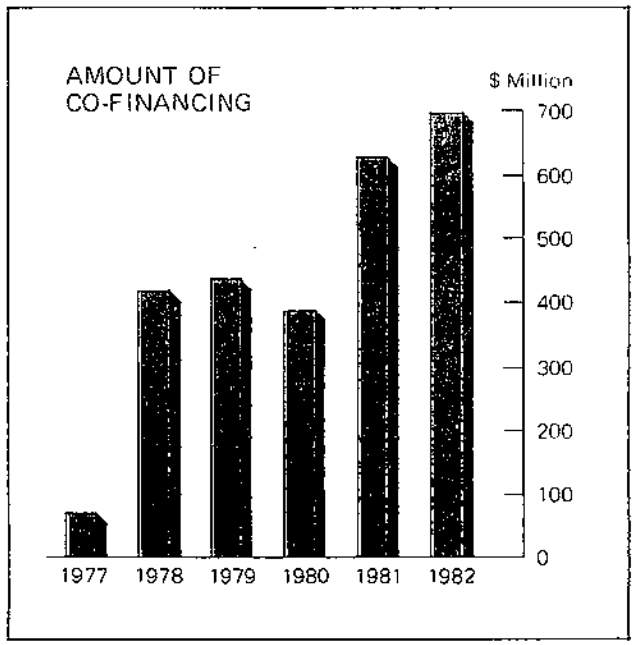
The total cost of projects approved — excluding seven development finance institution (DFI) and two sector loans — is estimated at $3,337 million. Direct Bank financing accounted for about 46 per cent of the total project costs. Of the rest, co-financiers provided about 18 per cent while the balance was provided by the DMCs themselves.

It is estimated that the total cost of the subloan projects to be financed by the seven DFI loans will be about $347.4 million. The projects to be financed by the two sector loans will involve an estimated total investment cost of $127 million.

During the year, 25 projects involved co-financing, with $699 million contributed by co-financiers and $878 million by the Bank. As in the past, most of the Bank's co-financing was with bilateral and multilateral official sources which together contributed $423 million or 61 per cent of total co-financing during the year. Co-financing provided by commercial and export credit sources amounted to $276 million or 39 per cent of the total compared with $146 million or 23 per cent in 1981.

LENDING BY SECTOR: Over the five-year period 1978-1982, Bank assistance to the Agriculture, Energy and Social Infrastructure sectors has recorded sharp increases, reflecting the high priority given to these sectors by the DMCs and the Bank. Correspondingly, Bank lending to other sectors has grown at a slower pace or has tended to decline (see graph on page 3).





During 1982, the Bank continued to increase the range and volume of its lending for the Agriculture and Agro-Industry sector which accounted for 35.9 per cent of total lending compared with 32.3 per cent in 1981. Bank loans supported, among other things, improvements to irrigation, drainage and flood control facilities, agricultural support services and feeder road networks, agro-processing and marketing, cotton development, integrated agricultural and rural development, agricultural credit and the development of forestry, fisheries and livestock.

The share of the Energy sector in total lending rose from 28.6 per cent in 1981 to 29.7 per cent in 1982. Bank loans covered, among other things, development of indigenous energy resources, especially hydropower, and the provision of transmission and distribution facilities for electricity and natural gas.

The share of Social Infrastructure projects — those designed to improve water supply and sanitation systems, provide low-income housing, develop urban infrastructure, and upgrade educational and health and population programs in DMCs — fell from about 22 per cent of total Bank lending in 1981 to about 10 per cent in 1982. This decrease followed an unusually steep increase of over 60 per cent in Bank lending to this sector in the previous year.

Bank lending to development finance institutions (DFIs) — credit lines from which subloans are made to meet the medium and long-term credit requirements of small and medium-scale industries — was also lower in 1982 and comprised 8.6 per cent of total lending compared with 12.2 per cent in 1981.

Conversely, there was a significant increase in lending for Transport and Communications, which accounted for almost 15 per cent of total lending in 1982 compared with 4.3 per cent in 1981. Bank loans supported the construction, rehabilitation and improvement of rural and provincial roads, the provision of microwave telecommunication links and consultant services for the development of ports.

Agriculture and Agro-Industry: The Bank continues to assign the highest priority to this sector because of its

crucial importance for the economies of most DMCs.

During the year, the Bank extended 22 project loans, including three technical assistance loans and one supplementary loan for a project previously approved. One large loan was approved as a credit line to augment the foreign exchange resources of an agricultural development bank for financing agro-industrial projects in the private sector.

As part of the Bank's efforts to assess the needs of its DMCs in this sector, and in order to formulate the appropriate strategies for responding to such requirements, Bank staff and consultants completed a comprehensive Agriculture Sector Strategy Study of Nepal in association with the Government of Nepal.

Bank lending to this sector in 1982 amounted to $621 million in 22 loans compared with $542 million in the same number of loans in 1981.

Energy: The Bank's Regional Energy Survey (RES), which was completed in 1981, clearly delineated the needs and prospects of the DMCs in the Energy sector, and Bank activities in 1982 also took into account RES findings and recommendations. Five of the 11 loans approved in this sector during the year were for the development of indigenous resources; four were for the provision of extra-high voltage electricity transmission and distribution lines; and two were for the transmission and distribution of gas. Most of the projects included components for institution-building and training.

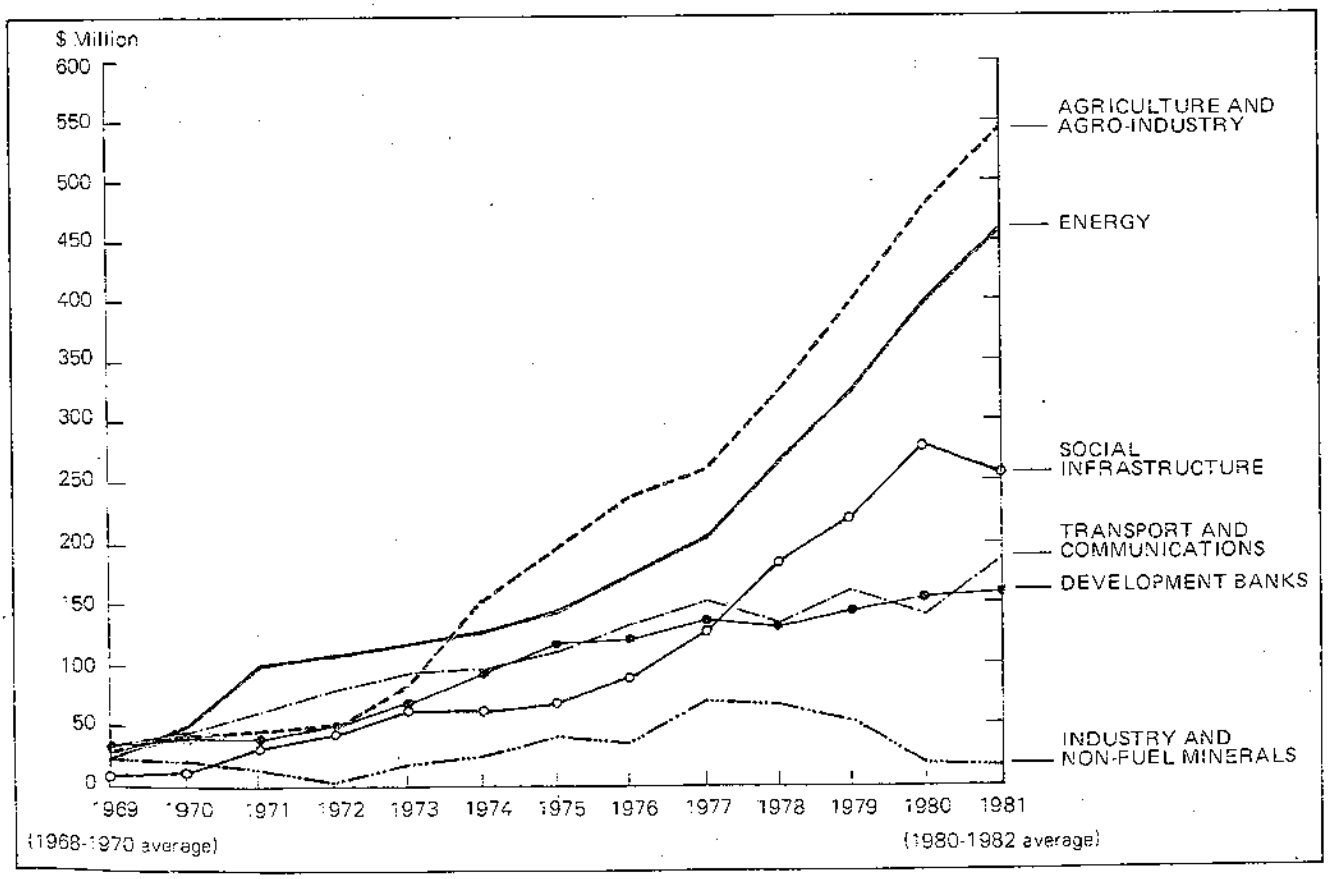
The Bank also hosted an Energy Planning Coordination Meeting in February, the objective of which was to promote improved coordination of technical assistance activities in the Energy sector among major donor agencies in the Asia-South Pacific region.

Bank lending to this sector in 1982 amounted to $514 million in 11 loans compared with $480 million in the same number of loans in 1981.

Social Infrastructure: Bank lending for social infrastructure projects — water supply and sanitation (sewerage), urban development, housing, education and health and population facilities — declined in 1982 after the steep rise of 60 per cent recorded in the previous year. In terms of three-year averages, Bank lending to this sector showed an increase from $181.9 million in 1977-1979 to $255.4 million in 1980-1982, reflecting the high priority given to social infrastructure projects both by the Bank and its DMCs.

In the Water Supply and Sanitation sector, the Bank in recent years has supported simple water and sanitation projects in provincial or rural areas as well as major water supply and sewerage systems in large cities. This reflects its strategy of promoting balanced growth and improving the health of rural and urban communities. Bank loans in 1982

LOAN APPROVALS BY SECTOR:
THREE-YEAR MOVING AVERAGES, 1968-1970—1980-1982



supported projects in a provincial capital, district and rural towns and a planning study involving an integrated approach to water resource management.

In the Urban Development sector, the Bank's objective is to support programs which are aimed at improving living conditions in crowded low-income urban areas and which lead to more efficient urban growth. One loan to this sector in 1982 will provide a wide range of basic facilities for new town development as part of a major resource-based regional development scheme.

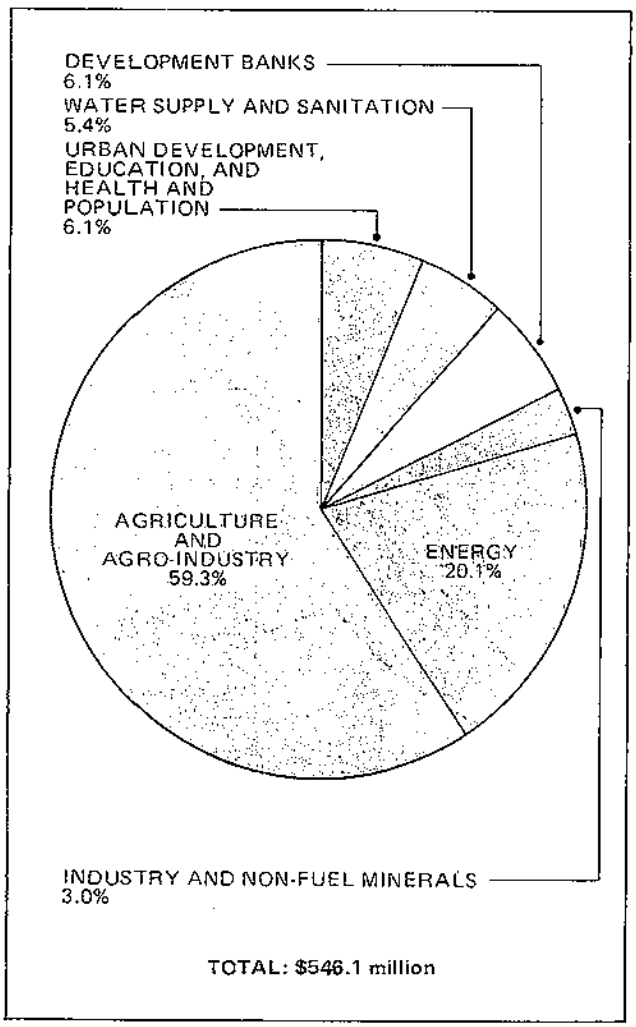
Bank support in the Education sector has in the past focused mainly on technical and vocational education. Recently, however, the Bank has also begun to support the development of general and science education in order to help augment manpower resources and occupational skills in DMCs. Bank loans to this sector in 1982 will help develop vocational education in Indonesia, technical education in Sri Lanka and science education in Nepal.

In line with its integrated approach to health improvement and population programs in the DMCs, the Bank in 1982 approved two loans in the Health and Population sector: one to improve an integrated system for the delivery of health and family planning services in Sri Lanka, and the other to upgrade and equip health centers in rural areas in Papua New Guinea.

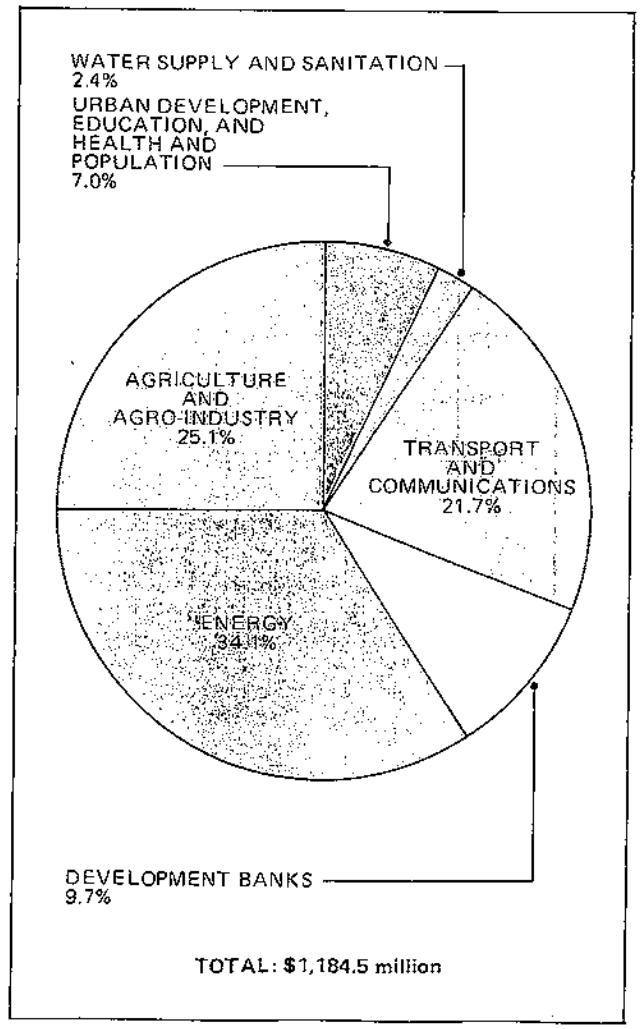
During 1982, Bank lending for social infrastructure projects amounted to $173.5 million compared with $364.8 million in 1981. Of the 1982 total, loans for Water Supply and Sanitation projects amounted to $57.9 million ($123.7 million in 1981), Urban Development to $30.2 million ($99.3 million in 1981), Education to $64.1 million ($82.5 million in 1981) and Health and Population to $21.3 million ($59.3 million in 1981).

Industry and Non-Fuel Minerals: The Bank's strategy in this sector is to help DMCs develop their industrial capacity and industrial infrastructures, taking into account such factors as their levels of economic development, resource endowments, size of domestic markets and international

SPECIAL FUNDS LOAN APPROVALS
BY SECTOR, 1982



ORDINARY LOAN APPROVALS
BY SECTOR, 1982



trade. It also supports industrial research and management training institutes.

The Bank recognizes the importance of mineral resource development in its DMCs, and in 1982 there was considerable follow-up work of earlier technical assistance for upgrading national facilities for mineral resource surveys and exploration programs. During the year, the Bank approved a $16.2 million loan for a tin mining project in Burma compared with one loan of $13 million to this sector in 1981.

Development Banks: Development finance institutions (DFIs) remain the most suitable conduit for Bank assistance to small and medium-scale projects, mostly in the private sector, which are not large enough to warrant direct Bank financing. In addition, the Bank pays attention to strengthening the managerial as well as the financial resources of DFIs in order to make them more efficient instruments of national development. The Bank has also helped establish new DFIs, particularly in the South Pacific region.

During 1982, the Bank made seven loans amounting to $148.5 million for six projects in this sector compared with six loans amounting to $204 million in 1981. They ranged in size from $1 million for the Development Bank of Vanuatu to $50 million for the Small and Medium Industry Bank of Korea.

Transport and Communications: Bank lending to this sector increased sharply in 1982 after several years of relative decline and an exceptionally low level of lending in 1981, when it accounted for only 4.3 per cent of total lending. In 1982, several road projects were taken up in DMCs and the share of Transport and Communications accounted for nearly 15 per cent of Bank lending.

Responding to the demand of DMCs for reliable low-cost transportation infrastructure and services, the Bank approved loans in 1982 to help upgrade rural and national roads in three DMCs and a major national highway in a fourth. One loan for ports development was also approved.

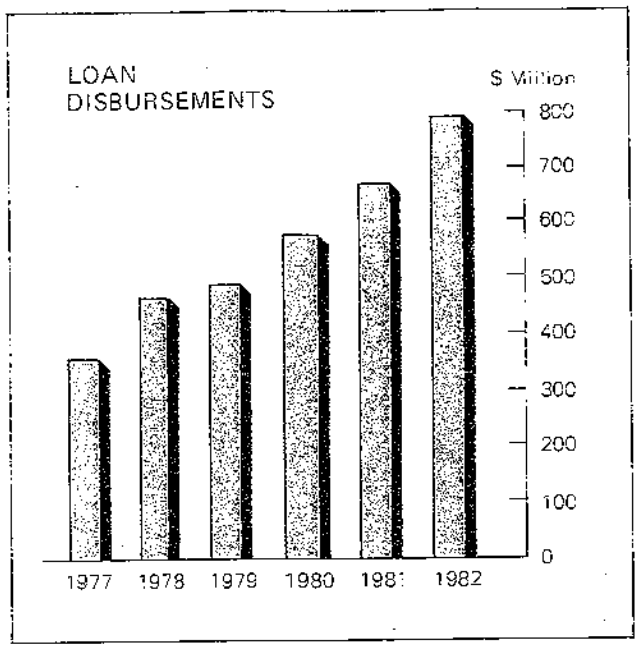
After an interval of eight years, the Bank made its first loan for telecommunications, $29 million for a new microwave system linking, inter alia, two major cities in Pakistan.

During the year, the Bank made six loans amounting to $257.4 million in this sector compared with two loans amounting to $72.4 million in 1981.

DISBURSEMENTS AND LOAN ADMINISTRATION: Loan disbursements from OCR and SF totalled $795 million in 1982 compared with $667 million in the preceding year. Disbursements under OCR loans improved from $518 million to $620 million, while disbursements under SF loans improved from $149 million to $175 million. As of the end of 1982, cumulative disbursements were $3,442 million from OCR and $1,062 million from SF.

A total of 375 loans were under administration in 1982. Thirty-six projects were completed.

During the year, 189 loan administration missions were undertaken to review the physical progress of projects and deal with specific loan administration matters. In addition, 17 loan disbursement missions explained disbursement procedures and helped expedite the submission to the Bank of loan withdrawal applications. In response to the requests of certain DMCs, two special project implementation review missions were undertaken for high-level discussions on ongoing projects.



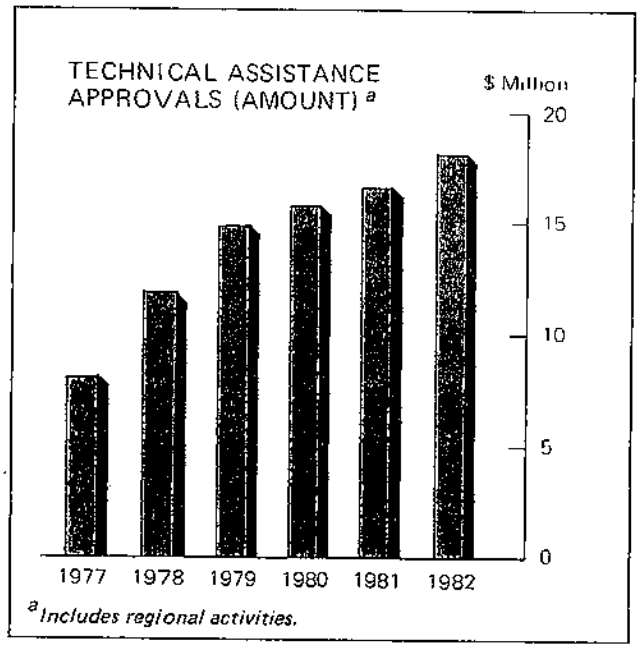
Studies on the performance of three borrowing DMCs in implementing projects were undertaken in 1982, bringing to six the number of country profile reports prepared by the Bank.

During the year, a number of measures to streamline internal procedures were instituted, including the implementation of some of the recommendations of a committee set up in 1981 to examine loan administration practices. These measures involve, among other things, greater delegation of authority, simplification of procedures and streamlining of workflows.

Two regional seminars on procurement and one on project implementation management were held in Manila; country seminars on procurement were also held in three DMCs. In addition, a Handbook on Procurement was completed and a Handbook on Recruitment of Consultants prepared.

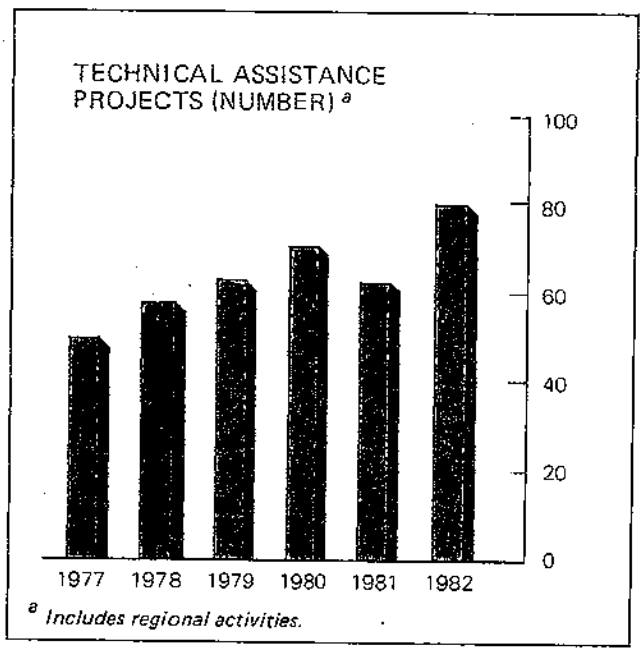
TECHNICAL ASSISTANCE: The Bank provided technical assistance (including technical assistance for regional activities) for 80 projects in 1982 compared with 62 projects in 1981, while the total amount increased from $16.6 million to $18 million in 1982. Of this, $15.5 million was for project preparatory and advisory/operational technical assistance for 56 projects compared with $14.8 million for 49 projects in 1981. The overall increase in the number and amount of technical assistance projects largely reflected the greater emphasis now being given by the Bank to regional activities, for which grants rose from $1.8 million for 13 projects in 1981 to $2.5 million for 24 projects in 1982.

On a sectoral basis, 51.8 per cent of the total amount of technical assistance approved in 1982 was for Agriculture and Agro-Industry compared with 55.2 per cent in 1981. About 28.7 per cent was provided to the Energy sector, and the rest to Transport and Communications, Development Banks, Industry and Non-Fuel Minerals and Social Infrastructure.



a Includes regional activities.

REGIONAL ACTIVITIES: During the year, the Bank completed a Study of the Bank's Operational Priorities and Plans for the 1980s. It also hosted an Energy Planning Coordination Meeting, a Regional Seminar on Equity Financing, a Workshop on Co-Financing with Commercial and Export Credit Sources and a Regional Power Utility Tariff Symposium. Other regional activities included a Regional Rural Electrification Survey, a Review of Refinery Rationalization Needs, a Regional Study on the Impact of the Energy Situation on Transport Development, a supplementary grant for the Regional Energy Survey, and technical assistance for ASEAN Governments for the Acquisition and Installation of Transmission Planning Software as well as several training programs and seminars.



a Includes regional activities.

POST-EVALUATION: Post-evaluation of completed projects provides valuable information for policy making and for guiding operational activities and improving subsequent project implementation. Post-evaluation has, therefore, emerged as an important management tool for the Bank and the executing agencies in its DMCs.

During 1982, 23 Project Performance Audit Reports (PPARs) were prepared covering projects in 11 DMCs. As of 31 December 1982, a total of 81 PPARs had been prepared. Of the 91 projects completed prior to the end of 1978, 57 have been or are being post-evaluated. The Bank proposes to post-evaluate all projects completed since 1979 for which Project Completion Reports have been prepared. During the year, the Fourth Review of Post-Evaluation Reports was issued. It covered 22 projects post-evaluated in 1981 and made a number of recommendations in relation to future operations.

During the year, work began on four special studies to examine the effectiveness of certain operational activities and to evaluate their impact — a fisheries sector impact study, and three studies on the effectiveness of executing agency arrangements, project-related technical assistance and training in DFIs.

POLICY REVIEWS: During the year, the Board of Directors reviewed a wide range of operational and financial policies of the Bank, including proposals for a third General Capital Increase. The Board also submitted to the Board of Governors for approval a Report and draft Resolution on the third Asian Development Fund replenishment (ADF IV).

Other policy papers considered by the Board in 1982 included: revisions to Ordinary Operations Loan Regulations and Special Operations Loan Regulations, Allocation of Administrative Expenses Between Ordinary Capital Resources and Asian Development Fund, Cooperation with the European Economic Community, Co-Financing with Commercial and Export Credit Sources, Equity Investment Operations of the Bank, Post-Evaluation Activities, Procedural Guidelines for Special Increases in Capital Subscriptions, Annual Review of the Financial Policies of the Bank, Lending Rate Review and Revised Investment Guidelines.

LENDING RATE: The Bank's lending rate on ordinary loans was increased from 10.10 per cent to 11.00 per cent per annum effective 1 January 1982. This rate, which was reviewed in August, remained in effect for the entire year.

ORDINARY CAPITAL RESOURCES: The authorized capital stock of the Bank as of 31 December 1982 stood at $7,965.1 million (SDR7,220.6 million), of which the subscribed portion amounted to $7,898.7 million (SDR7,160.4 million).

As of 31 December 1982, total subscriptions under the second General Capital Increase amounted to $4,511.4 million (SDR4,089.7 million). An amount of $42.0 million (SDR38.1 million) remained available for subscription.

During 1982, the Bank undertook 14 borrowings amounting to the equivalent of $881.8 million compared with a total equivalent of $668.5 million in 1981. The Japanese market remained the largest source of borrowings in view of the availability of funds in that market on relatively favorable terms. Over 35 per cent of the total borrowed in 1982 was denominated in Japanese yen.

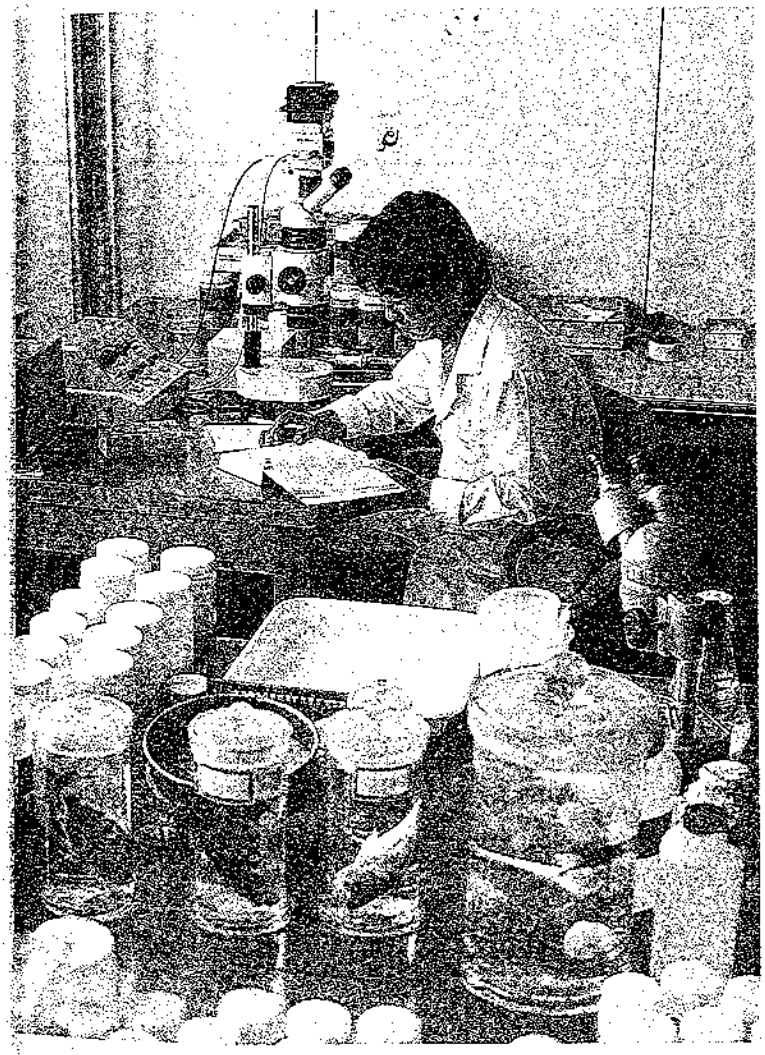
For the third year in succession, the Bank undertook two public bond issues in the Swiss capital market where interest rates were comparatively low. The Bank also floated three public bond issues in the Federal Republic of Germany and for the first time raised longer-term funds in the Dutch domestic capital market through two public bond issues. The Bank also re-entered the US capital market after a prolonged absence with a public offering in July of zero coupon notes. Two-year US dollar bonds totalling $68 million were placed with central banks and monetary authorities in 27 member countries. The Bank also made a private placement in the Middle East. The average maturity of the year's borrowings, weighted by amount, was 8.93 years, which had the effect of increasing the average life of outstanding borrowings from 7.03 years at the end of 1981 to 7.41 years at the end of 1982.

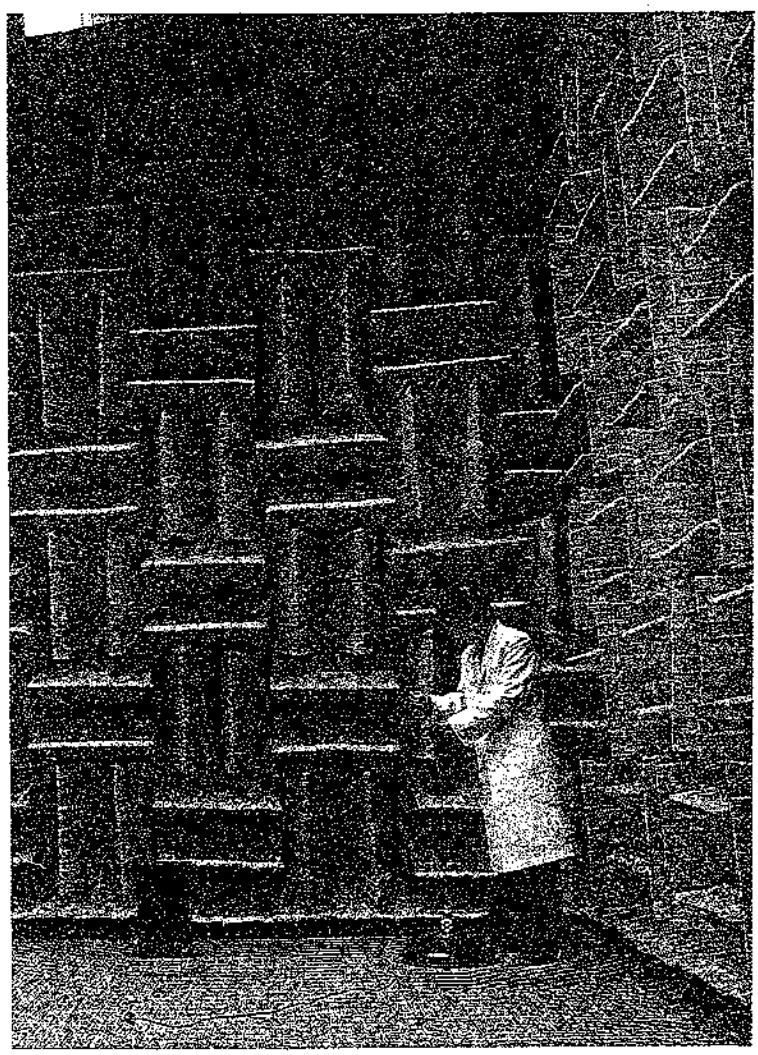
ASIAN DEVELOPMENT FUND: During 1982, negotiations were concluded for a third Asian Development Fund replenishment (ADF IV) to finance the Bank's concessional lending program over the four-year period 1983-1986. The developed member countries agreed to provide a total of about $3,205 million. In addition, four developing member countries agreed to make contributions totalling $9.5 million.

The fourth instalments of unqualified contributions to the second ADF replenishment (ADF III) became available to the Bank for loan commitments in February following receipt of the third instalment of the United States contribution. The fourth instalment of the United States contribution was received by the Bank in December. In view of a possible shortage of ADF resources by the end of the year as a result of the continuing strength of the United States dollar during the final quarter, the Board of Directors in December approved three loans totalling $85.9 million subject to the condition that they would be signed only after the necessary resources became available.[1]

During the year, the Bank received further payments totalling $18.6 million from the United States towards the balance of its contribution to the first ADF replenishment (ADF II). These payments reduced the outstanding balance of the United States contribution to ADF II to $37.9 million.

1 As a result of favorable exchange rate movements during December there was some improvement in the ADF resource position at the end of 1982, and in January 1983 the condition attached to the approval of these three loans was lifted.





ASSISTANTS at work in the Korea Ocean Research and Development Institute (left) and the Korea Standards Research Institute (right), two of five high-priority institutes provided with facilities, equipment and training under the Applied Research Institutes Project in the Republic of Korea for which the Bank has approved a $33 million loan.

OUTLOOK: Due to the duration and severity of the global recession now afflicting the international economy, the near-term economic prospects of the majority of the Bank's member countries are not encouraging.

Therefore, 1983 is envisaged as a year of consolidation and internal strengthening in which major efforts will be directed to improvements in the Bank's work processes and cost effectiveness with a view to achieving greater results with a relatively small increase in internal resources. These improvements will include greater delegation of authority, improved internal communications, making more effective use of available resources through staff redeployment, work streamlining and procedural improvements and further advances in computer and office automation systems.

Along with these efforts, which are expected to lead to a substantial improvement in the quality of the Bank's operational activities, follow-up work will continue on a Study of the Bank's Operational Priorities and Plans for the 1980s which was completed in 1982. This will entail Board consideration of major policy issues, improvements regarding country and sector programming, modifications of Bank regulations and procedures and upgrading of the Bank's analytical capacity. Implementation of the recommendations emanating from the Study is expected to have a significant impact on the thrust of development policy work and the future direction of the Bank's operations.

A study of the Bank's financial policies was also started in 1982 and is nearing completion. This is intended to provide guidance on longer-range financial policy formulation, planning and management. Similarly, a study on the streamlining of loan administration, completed in 1982, is expected to lead to greater efficiency and delegation of authority in loan administration activities.

Policy dialogues with the DMCs will become a more important part of the Bank's operations in 1983 and beyond. Within the Bank, this involves setting up analytical and coordinating mechanisms for the systematic identification and examination of policy issues and for determining the Bank's position with respect to such issues. Externally, it requires the identification of appropriate mechanisms in each country for initiating and conducting policy dialogues. These will be initiated with member countries on selected issues to the extent possible with existing information, analyses and contacts. The growing diversity of the Bank's development policy work and its impact on Bank operations and the development efforts of DMCs will require greater accent on policy and operational coordination within the Bank and further attention to aid coordination with other development financing organizations active in the region.

During 1983, the Bank will focus its research on those issues that reflect the economic conditions and concerns of the DMCs and are relevant to policy dialogues with these countries. Expanded economic policy research and analysis are planned and will include the major areas of trade and industry, energy, regional cooperation, financial development, aid flows, labor productivity and employment, as well as the international economic environment and economic evaluation of projects. Efforts will also be made to strengthen and computerize the Bank's statistical information system to allow quick and easy reference to economic indicators of DMCs. During the year the Bank's training and institution-building activities in its DMCs will also increase.

In 1983, a symposium on Development Strategies in Asia will be organized in Manila on the eve of the Bank's Sixteenth Annual Meeting. Also scheduled is a Development Roundtable for senior policy makers from DMCs, developed countries and Bank staff. During the year, the first semi-annual edition of the *Asian Development Review* will also be published.

The Bank's future resource requirements for its ordinary operations have been under study since 1980. A number of papers concerning a third General Capital Increase were discussed by the Board of Directors during 1982 and the Board's specific recommendations were expected to be submitted to the Board of Governors in early 1983.[1]

As far as the Bank's concessional lending program is concerned, the Bank will not be able to make any further loans until the third ADF replenishment (ADF IV) becomes effective, or unless there is a significant exchange rate movement in favor of the Bank. The target date for the effectiveness of ADF IV is 31 May 1983.

Recent developments have made it clear that not only Official Development Assistance, but also bond issues by DMCs, syndicated loans by commercial banks, private direct investment and other new techniques will have to be employed to increase the total capital inflow to developing countries.

The external resource requirements of the Bank's DMCs are projected to rise from about $27 billion in 1980 to around $63 billion in 1990. As the Bank itself will be able to meet only a fraction of these needs, considerable efforts will be needed to attract co-financing in Bank-assisted projects, especially from commercial and export credit sources. Subject to the approval of the Board of Governors, the Bank also hopes to make a modest start in equity investment operations during 1983 with a view to catalyzing the flow of funds, both domestic and external, to private sector development in the DMCs.[2]

At the end of 1982, the issue of greatest concern facing the Bank was the size and composition of its third General Capital Increase, which had been proposed to cover the program of lending from its ordinary capital resources over the years 1983-1987. It was expected that the capital increase as well as the third ADF replenishment (ADF IV) would come into effect during the first half of 1983. These developments will enable the Bank, as an effective regional development finance institution, to continue to perform a vital role in the development of the region in the years ahead.

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1 In March 1983, the Board of Directors submitted to the Board of Governors for approval a draft Resolution for a third General Capital Increase of 105 per cent with a 5 per cent paid-in portion.

2 In March 1983, the Board of Governors approved a resolution authorizing the Bank to commence equity investment operations.

HIGHLIGHTS OF THE BANK'S OPERATIONS, 1967-1982

Developmental Role

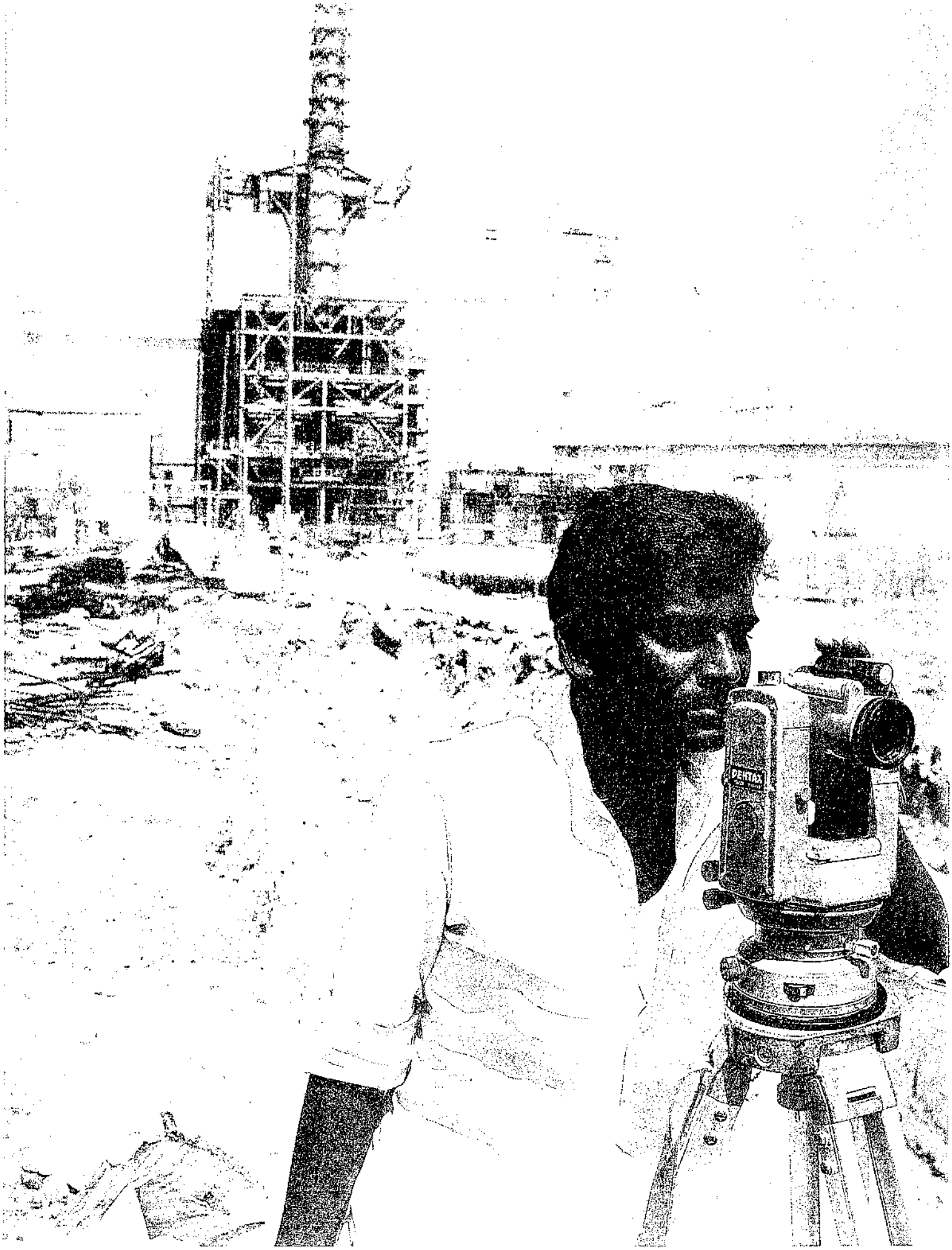
* 208 loan projects and 330 technical assistance projects completed.
* Every dollar lent by the Bank is matched with an average additional investment of about $1.5 by the borrowing countries and, in certain cases, by outside co-financiers. Total Bank lending of about $11.5 billion is expected to lead to additional investments of about $17.2 billion of which approximately 81 per cent would be provided by the borrowing DMCs and about 19 per cent by co-financiers.
* 136 loan projects involved co-financing of $3,241 million, comprising $1,415 million from bilateral sources, $1,257 million from multilateral sources and $569 million from export credit and commercial sources.
* 229 out of 565 loan projects resulted from Bank technical assistance to DMCs. An outlay of $55.9 million in technical assistance led to Bank lending of $4.6 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 $4 billion from international capital markets for ordinary lending. Of these borrowings, $2.8 billion was outstanding at the end of 1982.
* Mobilized over $3.4 billion in contributions from developed member countries for concessional lending to the Bank's poorer and less developed member countries; and about $58.9 million from both developed and developing member countries for financing the Bank's technical assistance activities.

Economic and Social Impact

* 78 irrigation and area development projects covering about 2.6 million ha., which support about 2 million farm families. Total population expected to benefit — about 11.7 million.
* 31 fisheries projects to create additional employment opportunities for about 137,000 fishermen, raise fish catches by about 916,000 mt. per year and benefit about 44 million consumers.
* 103 projects for creation of 7.61 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 57,000 km. of transmission-distribution circuits.
* 44 water supply and sanitation projects which will help increase water supply capacity by 10.1 million cubic meters per day and sewage treatment capacity by 1.1 million cubic meters per day, benefitting over 50 million people.
* Upgrading and expansion of vocational, technical, science and professional education in nearly 800 institutes which have an annual output of about 523,000 skilled workers, 14,250 technicians, 7,200 engineers, 530 other professionals and 190,000 secondary school students.
* Housing schemes and other social infrastructure facilities which will provide about 16,500 low-cost houses and 30,000 low-cost apartments and will help improve living conditions for over one million people.
* Five new hospitals/polyclinics and 470 health centers. Upgrading of an additional 344 hospitals and 200 health centers, including family planning services. Supply of essential drugs and improvement of drug distribution systems. Provision of better malaria protection for about 20 million people.
* 7,600 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, upgrading and improvement of 7,800 km. of main roads and about 2,800 km. of rural roads, serving an estimated population of 85 million; and of 830 km. of railways, serving an estimated population of 36 million.
* Construction, rehabilitation, modernization and expansion of ports in 16 countries to increase cargo-handling capacity to about 38 million tons per year.
* Construction, modernization and expansion of telecommunication facilities in four countries, serving an estimated population of 54 million.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ECONOMIC DEVELOPMENTS

PART I: THE REGION

THE BANK's developing member countries (DMCs) registered significantly lower economic growth in 1982 than in 1981. This was due to several factors, such as sluggish domestic and external demand, depressed export prices for most primary commodities, a slowdown in new investment, particularly in the private sector, and reduced agricultural production in countries that suffered from adverse weather conditions. The aggregate trade deficit of the region widened. The combined gross domestic product (GDP) of DMCs grew at 3.8 per cent in 1982. Though this growth rate was considerably lower than the past trend, it was better than that of some other major regions of the world. The average rate of inflation in the region declined and this relative price stability compared favorably with that of other developing regions.

International Setting

The year 1982 proved difficult both for industrialized and developing countries. Worldwide recession and high unemployment continued during the year. Overall world output stagnated, while an upturn in investment was inhibited by sluggish demand, the existence of large underutilized production capacity and high interest rates. It was increasingly realized that structural problems affecting the world economy were deep-rooted and could not be solved quickly.

The good performance of the food sector was a redeeming feature in an otherwise dismal record of production. According to the estimates of the Food and Agriculture Organization (FAO), world cereal production in 1982 reached a record level of 1,553 million tons, compared with the output of 1,513 million tons in 1981. Many countries also achieved some success in moderating inflation rates as a result of strict monetary and fiscal management and low prices of foodgrains and many raw materials.

Real gross national product (GNP) of the member countries of the Organization for Economic Cooperation and Development (OECD) fell by 0.5 per cent in 1982 compared with an increase of 1.2 per cent in 1981. Decline in industrial production was widespread as prospects of an early recovery dimmed. Weakened demand eased pressures on prices and consumer prices increased by 7.5 per cent in 1982 compared with 9.4 per cent in the previous year. Higher unemployment gave rise to increased demand for protectionism in some industrialized countries. The volume of trade of OECD countries declined during 1982, attributable in part to reduced oil shipments. The aggregate current account deficit of OECD countries is estimated to have increased to $39 billion from $31 billion in 1981.

Oil exporting countries as a group experienced a sharp decline of 4.7 per cent in real growth as their oil production fell for the third consecutive year, resulting in a marked deterioration in their current account surplus.

Non-oil developing countries experienced a general deterioration in their overall economic performance. Their GDP growth rate declined sharply from 2.8 per cent in 1981 to 1.8 per cent in 1982. Reduced demand in OECD and oil exporting countries depressed commodity prices and limited the growth of exports of the non-oil developing countries. As a result, the domestic purchasing power of non-oil developing countries was affected. High interest rates aggravated the debt-service burden of many of these countries, particularly those which relied heavily on commercial borrowings to finance their external deficits. International commercial banks adopted a cautious attitude toward lending to developing countries because of the uncertain economic prospects and a few cases of debt rescheduling outside the region. As a result, doubts arose regarding the capacity of the international financial system to finance growing deficits of developing countries.

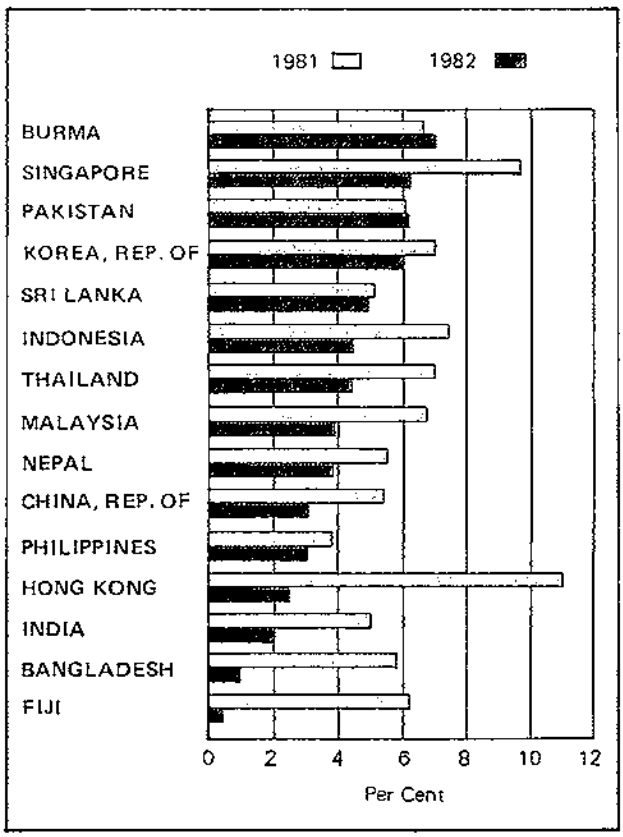
Economic Developments in DMCs

The overall economic performance of DMCs, as measured by their GDP growth rate, reached one of the lowest levels in the past two decades. Aggregate output of 15 DMCs[1] grew by 3.8 per cent in 1982, well below the rate of 6.4 per cent achieved in 1981.

1 At the time of writing this report, GDP estimates for 1982 were available only for 15 DMCs. These countries together account for about 98 per cent of the GDP of all DMCs.

SURVEYOR at work at the Pipri Thermal Generation Project near Karachi, Pakistan. The Bank has extended loans totalling $144 million for this major power station which will use natural gas as primary fuel and help meet the city's growing power demand.

ESTIMATED RATE OF REAL GROWTH OF SELECTED DMCs, 1981-1982



GDP Growth

Of the DMCs listed in Table 1[1], only Burma and Pakistan had higher rates of growth in 1982 than in 1981. Most DMCs experienced a sharp decline in their GDP growth, far below their long-term average growth rates of the preceding decade. This was true even of those countries which experienced relatively fast growth in the past.

Some major factors responsible for adverse developments in DMCs can be identified. In South Asia, GDP in Bangladesh, India, Nepal and Sri Lanka grew at lower rates principally because of a decline in agricultural production caused by poor weather. In Southeast Asia, Indonesia, Malaysia, Philippines and Thailand suffered economic slowdowns mainly because of low external demand for their primary export commodities. The newly industrializing countries (NICs)[2] recorded lower economic growth largely due to shrinking overseas markets for their manufactured exports. High interest rates affected economic growth in the DMCs through their adverse impact on investment activities at home and reduced inventory demand for their exports abroad.

Sectoral Performance

The overall index of agricultural production showed a much smaller increase in 1982 than in the previous year for a majority of DMCs for which data are available. Growth of agricultural production was affected, particularly in some of the large DMCs (India, Indonesia, Philippines and Thailand) which faced drought conditions. Low prices and declining export demand for most agricultural commodities also affected growth.

The total output of major foodgrains[1] in DMCs — rice, wheat and maize — fell below the record level of 285 million tons in 1981 to 278 million tons in 1982 (see Tables 2 and 3). The decline of 7 million tons was mainly due to a fall in the production of rice (in terms of paddy) from 211 million tons in 1981 to 203 million tons in 1982. India alone suffered a decline of 9.5 million tons. Reduced rice production in other countries such as Malaysia, Nepal, Pakistan, Sri Lanka and Thailand was more than offset by higher production in Bangladesh, Burma, Republic of China, Indonesia, Republic of Korea, Philippines and Viet Nam.

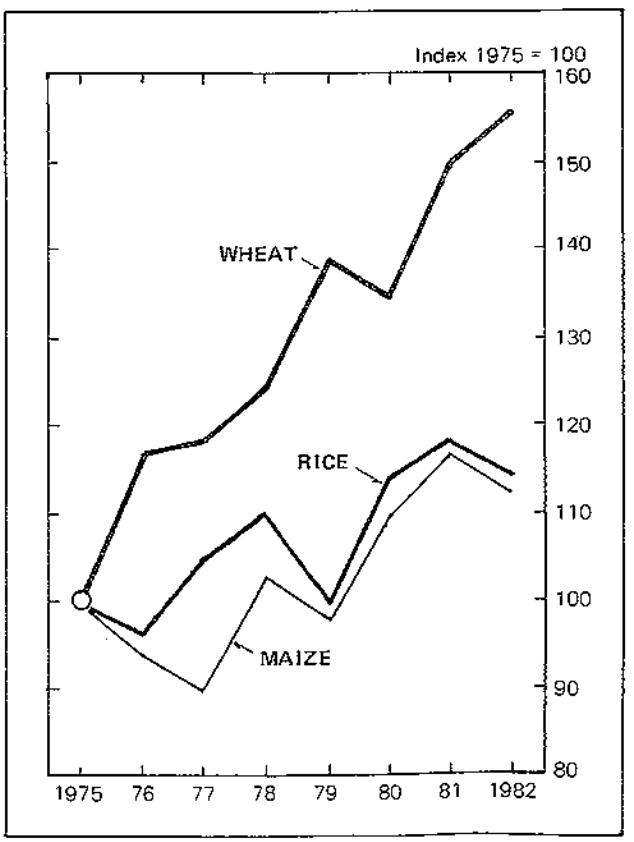
Wheat output, estimated at 54 million tons during 1982, showed an increase of 1.3 million tons over the level of 1981. The entire increase can be attributed to higher production in India whose output accounts for about 70 per cent of the production of all DMCs. Increases in production in Afghanistan, Burma and Nepal were offset by a decline in Bangladesh.

1 The tables referred to in this chapter appear on pages 94 - 104.

2 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.

1 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, 1975-1982



Overall production of maize in DMCs decreased by one million tons from 22 million tons in 1981 to 21 million tons in 1982. India's output of maize declined by 500,000 tons, while that of Thailand and Indonesia fell by 400,000 tons and 300,000 tons, respectively. The decline was partly offset by modest gains in the Philippines and some other countries.

The production performance of other major agricultural crops was also mixed. Production of natural rubber in the DMCs grew by 2.3 per cent in 1982, with Malaysia contributing about half of the total production of 3.4 million metric tons. Coconut production picked up slightly (1.1 per cent) in 1982. Most of the increase was accounted for by Indonesia and Philippines.

In marked contrast, sugar and palm oil production grew by 36.4 and 23.5 per cent, respectively. India, Indonesia, Philippines and Thailand were the major producers of sugar, while Indonesia and Malaysia produced most of the palm oil. Output of both jute and tea, mostly produced in South Asia, declined by 11 and 5.5 per cent, respectively. Cotton production, accounted for mostly by India and Pakistan, increased by 5.6 per cent in 1982.

Growth in the output of the manufacturing sector in DMCs was considerably lower in 1982 than in 1981. Sluggish demand for exports affected the growth of this sector in the NICs. Their exports, most of which comprised manufactured products, declined by 1 per cent in 1982 compared with an increase of 13.2 per cent in 1981.

In Southeast Asian DMCs, lower earnings from primary commodity exports led to sluggish domestic demand which slowed down the growth of the manufacturing sector. Stagnant external demand for manufacturing exports was another contributory factor.

In South Asia, poor performance in agricultural production affected the manufacturing sector both by weakening the growth of domestic demand and by reducing the availability of inputs to agro-based industries. The only exception was Pakistan where the growth rate of manufacturing output rose from 11 per cent in 1981 to 13.2 per cent in 1982 because of improved capacity utilization in both the public and private sectors.

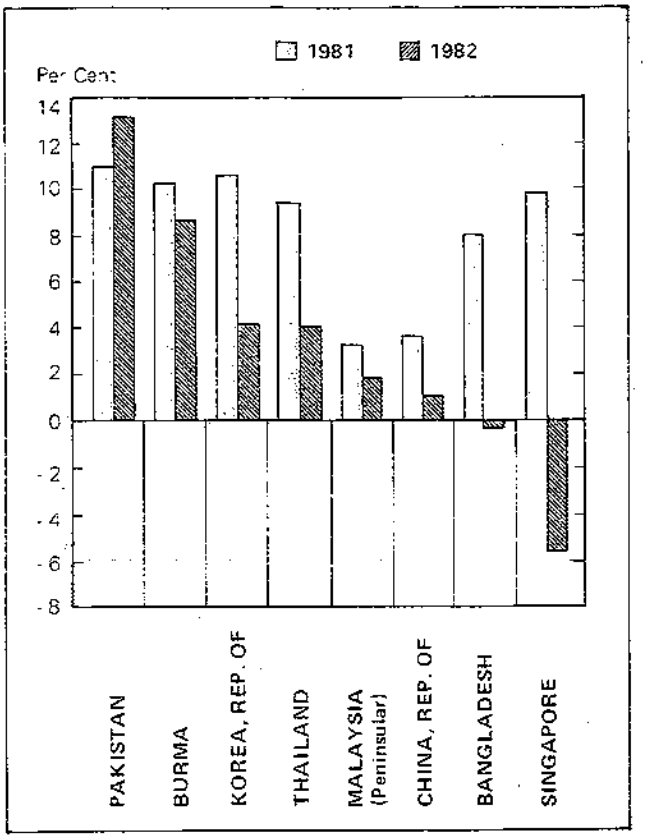
Complete data on electricity generation in DMCs during 1982 are not available. Based on partial information, it is estimated that electricity generation increased by 4.6 per cent during the year as compared to an increase of 6.7 per cent in 1981.

Oil production in the region declined by 5 million metric tons, from 111 million metric tons in 1981 to 106 million metric tons in 1982 (see Table 4). Production in Indonesia declined by 13 million tons to 66 million tons, which was below the quota allocated to it by OPEC. Increased production in Burma (0.6 million tons), India (4.8 million tons), Malaysia (2.4 million tons) and Philippines (0.2 million tons) partly offset the decline in Indonesia.

Output of natural gas continued to increase in 1982. Most of the nine DMCs which are significant producers of natural gas reported gains in output. The largest increases in natural gas production were registered by Bangladesh (30 per cent) and Thailand (60 per cent). Output declined in Afghanistan (4 per cent) and Republic of China (18 per cent).

Preliminary data indicate that there was a decline in the total value of oil imports in the region from $41 billion in 1981 to $40 billion in 1982 (see Table 4). Lower petroleum prices and a reduction in the volume of imports contributed to the decline. Oil imports declined by $0.7 billion in Republic of China, $0.2 billion in Hong Kong, $0.3 billion in India, $0.8 billion in Republic of Korea and $0.3 billion in Thailand. However, the ratio of oil import costs to the total export earnings of DMCs continued to be high as there was simultaneous decline in exports. The ratio of total oil imports to total value of exports from the region stood at 27.9 per cent in 1982, close to the 28 per cent ratio in 1981.

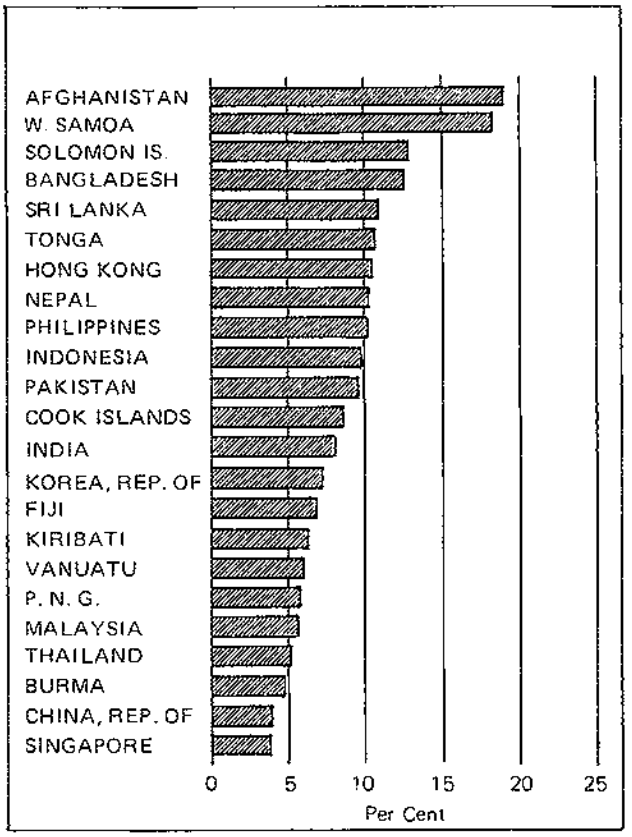
CHANGES IN MANUFACTURING PRODUCTION OF SELECTED DMCs, 1981-1982



Price Trends

The inflation rate in the region fell steadily over the past two years. The weighted increase in consumer prices was 15.7 per cent in 1980, 13.1 per cent in 1981 and 8 per cent in 1982 (see Table 5). The fall in commodity prices (including oil and foodgrains) and domestic stabilization policies contributed to the decline in prices in most DMCs. Inflation rates declined sharply in Republic of China, Cook Islands, Fiji, India, Republic of Korea, Papua New Guinea, Sri Lanka, Thailand and Vanuatu. Burma, Malaysia and Singapore continued to maintain their good records of price stability in recent years and experienced inflation rates of 4 to 6 per cent. However, inflation rates significantly increased or remained at double-digit levels (despite some declines) in Afghanistan, Bangladesh, Hong Kong, Nepal, Philippines, Sri Lanka and some of the South Pacific DMCs. Inflation in Indonesia and Kiribati stayed at single-digit levels despite some increases during the year.

CHANGES IN CONSUMER PRICES
OF SELECTED DMCs, 1982



Domestic Savings, Investment and Resource Gap

Data on domestic savings, investment and resource gap relating to 14 DMCs for the period 1979-1981 (Table 6) show that gross capital formation (GCF) as a percentage of GDP averaged over 25 per cent in nine DMCs, between 15 to 25 per cent in three, and below 15 per cent in two. However, the ratio of gross domestic savings (GDS) to GDP was considerably below that of investment in most DMCs, reflecting their substantial dependence on external resources. GDS averaged over 25 per cent of GDP in five DMCs, between 15 to 25 per cent in five, and was below 15 per cent in the other DMCs. The resource gap, measured as the difference between GCF and GDS as a ratio of GDP, averaged over 10 per cent in two DMCs, 5 to 10 per cent in seven, and less than 5 per cent in five.

The ratio of aggregate resource gap to GDP declined in several DMCs in 1981. Of the 14 DMCs for which data are available, seven showed a decline. The remaining seven countries showed an increase, the increase being particularly pronounced in the cases of Malaysia and Papua New Guinea. In some cases, the decline in the resource gap was, however, due to a fall in the investment ratio rather than an improvement in the domestic savings ratio. Declines in investment/GDP ratios in 1981 in several DMCs highlighted their inadequate investible resources and increasing constraints on their growth prospects. Although data for 1982 are not available, there are indications that the resource gap of DMCs may have narrowed further, largely because of a decline in the ratio of investment to GDP.

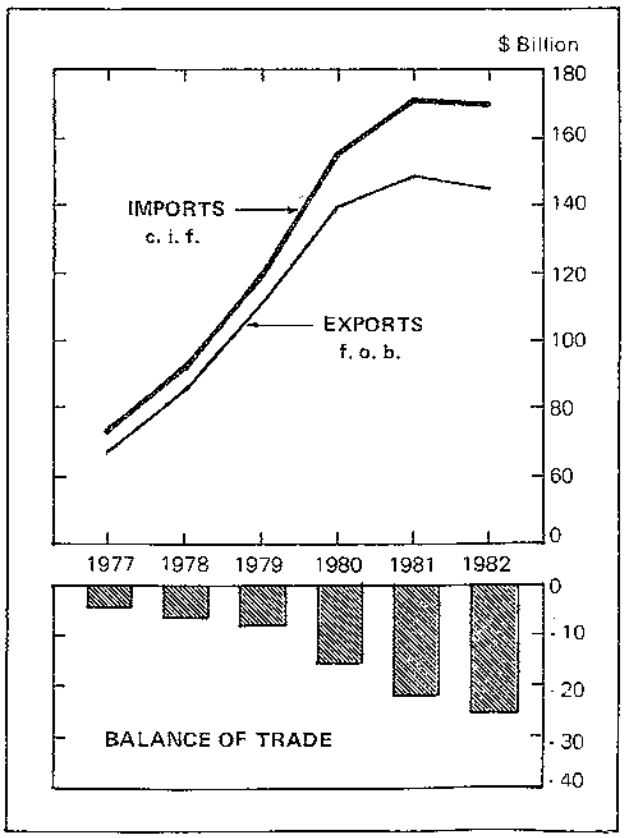
External Sector Developments

The combined trade deficit of DMCs rose from $22 billion in 1981 to $26 billion in 1982 (see Table 7). The increase is attributable largely to higher deficits in Malaysia, Pakistan and Singapore and a sharp reduction in the trade surplus of Indonesia. The total deficit of these DMCs, excluding Indonesia, increased by $1.9 billion, while Indonesia's trade surplus plunged from $9 billion in 1981 to $2.2 billion in 1982. For the first time in several years, Malaysia experienced a sizeable trade deficit. The largest reductions in trade deficit were recorded by Republic of Korea ($2.4 billion) and Thailand ($1.2 billion). Afghanistan and Republic of China were the only DMCs which experienced an increase in trade surplus.

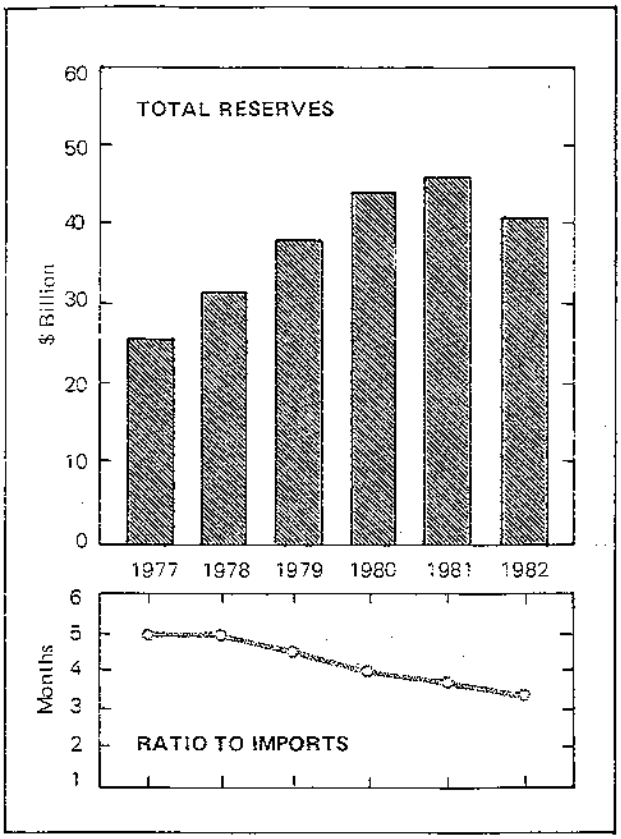
Export prices of major primary commodities, except jute and coffee, decreased in 1982. The greatest declines were registered by rice and sugar (36 and 44 per cent, respectively). Compared with average prices during the period 1977-1980, export prices declined sharply. Copra went down by 34 per cent, sugar by 29 per cent, jute and rubber by 19 per cent, and tea and palm oil by 18 per cent.

The aggregate value of exports of DMCs decreased by 3.1 per cent from $148 billion in 1981 to $144 billion in 1982. The decline was mainly accounted for by Bangladesh, Republic of China, Hong Kong, Indonesia, Malaysia, Pakistan, Philippines, Singapore and Thailand where exports significantly declined from the 1981 level. In contrast, a few DMCs, including India and Republic of Korea, experienced significant increases in their exports.

FOREIGN TRADE OF DMCs,
1977-1982



INTERNATIONAL RESERVES OF DMCs, 1977-1982



The total imports of DMCs decreased slightly from $170 billion in 1981 to $169 billion in 1982. Decreases in imports were notable in Afghanistan, Bangladesh, Republic of China, Fiji, Hong Kong, Republic of Korea, Pakistan, Philippines and Thailand. However, a few DMCs (Indonesia, Malaysia, Singapore and Sri Lanka) recorded substantially higher imports in 1982.

The terms of trade of DMCs during 1982 were generally unfavorable. Data on export and import unit values available for DMCs show that the terms of trade declined significantly in Bangladesh, Malaysia, Pakistan, Philippines and Thailand, and improved in Republic of China and Republic of Korea. Many of the other DMCs which depend heavily on exports of primary commodities also appear to have experienced worsening terms of trade during the year.

Data on the direction of trade flows of DMCs in 1981 — the latest year for which figures are available — show that Japan and the United States remained their two largest trading partners, absorbing 18.9 per cent and 19.3 per cent, respectively, of the total exports of DMCs and accounting for 20.9 per cent and 14.2 per cent, respectively, of the total imports. However, trade of DMCs with oil-exporting countries (excluding Indonesia) increased significantly, accounting for 13.1 per cent of the total imports of DMCs, and 7.2 per cent of their total exports in 1981. More significantly, there was a considerable expansion of trade among DMCs themselves. The share of intra-DMC exports in total exports increased from 19 per cent in 1976 to 26 per cent in 1981, while intra-DMC imports' share in total imports increased from 15 per cent to 20 per cent.

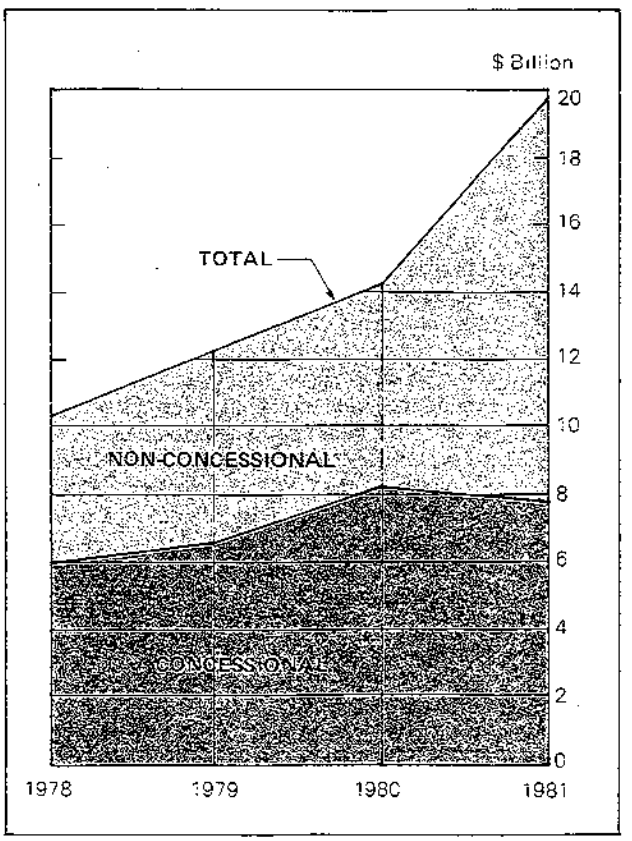
After many years, the international reserves of DMCs showed a significant decline and amounted to $41 billion at the end of 1982 compared with $46 billion at the end of 1981 (see Table 8). A number of countries experienced a decline in reserves — Afghanistan, Burma, India, Indonesia, Republic of Korea, Malaysia, Pakistan, Papua New Guinea, Philippines and Thailand. Only two countries — Republic of China and Singapore — added to their reserves significantly. The level of reserves at the end of 1982 was equivalent to 3.4 months' imports compared with 3.8 months' imports in 1981.

The net flow of external resources to DMCs rose from $14 billion in 1980 to $20 billion in 1981, the latest year for which data are available (see Table 9). The increase is fully attributable to non-concessional flows which rose from $5.9 billion in 1980 to $12 billion in 1981, while concessional flows fell from $8.2 billion to $7.8 billion.

Reflecting the continued inflow of external resources, the external public debt outstanding of DMCs is estimated to have increased from $84 billion in 1980 to $94 billion in 1981[1] or by 12 per cent (Table 10). The corresponding debt-service payments increased from $9.2 billion in 1980 to $11

1 Data on aggregate debts of DMCs are not generally published. Fairly adequate information on public debt is, however, available for the period up to 1981.

TOTAL FLOWS OF RESOURCES TO DMCs, 1978-1981



billion in 1981. There were wide differences in the debt-service ratios of individual DMCs, ranging from 0.2 per cent in the case of Solomon Islands to 40 per cent in the case of Western Samoa. Since these ratios relate to official debt, they understate the debt-service burden of DMCs, such as Republic of Korea and Philippines, which were able to raise substantial amounts in debts not guaranteed by governments. Nevertheless, the ratios represent adequately the debt-service burden of a majority of DMCs which rely mostly on official loans. For many of these DMCs, the debt-service ratio remains low due to a high grant element in the total inflow of their external resources. In some cases, an increase in the ratio was moderated or reversed by the cancellation or rescheduling of debt repayments allowed in recent years by some lenders.

Policy Initiatives of DMCs

The continuing challenge of sustaining economic growth and improving distributive equity in DMCs was made more difficult by an unfavorable domestic and external environment in 1982. The DMCs took several policy initiatives to solve their problems. Some notable examples of these — relating to fiscal and monetary policies, trade, energy and human resources — are given below in order to illustrate the nature and dimensions of the DMCs' efforts.

Fiscal and Monetary Policies

During 1982, the DMCs took a wide range of measures in the areas of fiscal and monetary management to promote economic growth with price stability. Several DMCs scaled down non-essential current expenditure and low priority investment following reduction in revenues, while others tried to increase government revenues to narrow their resource gaps. Bangladesh, Pakistan and Sri Lanka are notable examples of countries in which public sector developmental expenditure was curtailed because of reduced availability of budgetary resources. Bangladesh and Indonesia reduced the use of budgetary resources for subsidizing food and fuel. Philippines and Thailand adopted reforms to improve their domestic resource mobilization. A shift to taxation of gross salary and wages in the Philippines and a 10 per cent surcharge on import duties in Thailand illustrate this trend. India provided tax incentives to encourage domestic savings and to induce investment in the country by non-resident Indian citizens. Malaysia raised the rates of taxes on a number of non-essential goods produced domestically or imported. Republic of China, Indonesia, Republic of Korea, Malaysia and Singapore tried to pursue reflationary budgetary policies to offset declines in private investment.

Monetary policies in most DMCs became more restrictive during the year. Some DMCs (Bangladesh, Pakistan, Philippines and Sri Lanka) put restrictions on the expansion of domestic credit to public and private sector borrowers. Republic of Korea and Philippines introduced reforms to improve the working of their financial markets. The decline in inflation rates improved the real interest rates in many DMCs to positive levels.

External Trade Policies

Several DMCs, including India, Philippines and Thailand, maintained their import liberalization programs through reduction in high rates of tariffs and easing of import restrictions and administrative controls. However, declining export earnings and lower availability of external resources reduced the capacity of several DMCs to import. Consequently, some countries found it necessary to adopt special measures to reduce their imports. The Philippines introduced a 3 per cent across-the-board increase in import duties and Bangladesh, Fiji and Malaysia adopted measures to discourage luxury imports. Indonesia tightened controls over 126 import items.

Currencies of many DMCs depreciated against the US dollar during 1982. Notable examples are Bangladesh (18.7 per cent), Pakistan (16.4 per cent), India (8.1 per cent), Sri Lanka (7.7 per cent), Philippines (7.6 per cent), Nepal and Republic of Korea (6.7 per cent), Burma (6.4 per cent), Indonesia (6.3 per cent), Republic of China (5.5 per cent) and Thailand (5 per cent). Depreciation against the US dollar occurred in several countries due to a policy of maintaining parity of currencies with the baskets of currencies to which they were linked and depreciation of many of the currencies in the baskets in relation to the US dollar.

Several DMCs introduced specific measures in 1982 to boost their sagging exports. India lifted a ban on the export of sugar and lowered income tax on export profits of firms whose export turnover in FY 1983 would exceed that of the previous year by 11 per cent. Indonesia reduced costs of export credit, established export insurance and guarantee facilities, simplified customs clearance procedures and terminated export earnings surrender requirements. It also introduced new regulations on the export of logs while taking steps to increase the export of plywood. Malaysia established the necessary infrastructure for exporting liquefied natural gas (LNG) by early 1983 from its Bintulu plant in Sarawak. Singapore decided to set up a new Trade Development Board to prepare and implement policies conducive to national trade promotion. The Philippines stepped up efforts to attract more foreign manufacturers of semiconductors. Nepal promulgated the Industrial Enterprises Act and Trade Policy to promote private industrial investments and to expand exports. During the year, Thailand, which lifted the ban on sugar exports, eliminated cassava quotas and reduced taxes on rice in late 1981, launched a structural adjustment scheme for several industries with a view to making them competitive in the international market.

Energy Programs and Policies

In spite of the relief provided by a moderate decline in the price of oil, DMCs continued to assign high priority to reducing their heavy dependence on energy imports. India and Philippines made considerable progress in this regard. Major investments in the Energy sector were undertaken by several other DMCs (Bangladesh, Indonesia, Republic of Korea, Malaysia, Nepal, Pakistan and Thailand).

In addition to pursuing projects to increase production of domestic energy resources, many DMCs raised the prices of petroleum and petroleum products to reflect the prevailing cost of oil in the international market. Republic of Korea, Nepal and Republic of China led others in this regard, raising the price of a liter of gasoline to $1.34, $0.78, and $0.73, respectively, by the end of 1981 — well above its international price. In some other DMCs, the cost of gasoline ranged from $0.64 a liter (in India) to $0.13 a liter (in Burma). The price was still very low in Burma ($0.13 a liter), while Indonesia increased the price in 1982 (by 60 per cent) to $0.36 a liter, though it was still below the international price. Some DMCs which continued to increase the price of

gasoline in 1982 as part of their energy conservation programs were Bangladesh, Hong Kong, India, Republic of Korea and Thailand. While gasoline is not the most important petroleum product used in DMCs, the price of gasoline usually sets the pace of adjustment in the prices of other petroleum products. However, diesel oil used in mass transportation, industry and pump irrigation, and kerosene used by the low-income groups continued to be relatively low-priced in most DMCs.

Human Resources Development Policies

Human resources development remained an important goal in DMCs as a means of increasing national productivity and improving the standard of living of less privileged sections of societies.

Investments in education and vocational training continued to receive special attention during the year in most DMCs. A number of countries initiated new programs in these fields either on their own or with assistance from external sources. Singapore undertook measures to upgrade labor skills and retrain a large portion of its labor force to suit the needs of its advanced industrial economy. The Philippines stepped up its manpower development program. This included training in skills and apprenticeship schemes. Indonesia increased the construction of new primary and secondary schools, additional classrooms and houses for teachers. In Pakistan, emphasis was placed on free provision of functional literacy education, expansion of universities and manpower and skills training. Papua New Guinea embarked on a priority project to improve and expand technical education and apprentice training.

Several DMCs continued to emphasize family planning. Bangladesh undertook a special project with the objective of encouraging voluntary sterilization by over a million couples by 1984. India increased its budgetary allocation for population programs by 35 per cent in FY 1983. Singapore, which has successfully brought down its population growth, used taxation and monetary measures to discourage large families.

DMCs continued their efforts to accelerate the development of rural areas and improve the status of low-income groups. Several DMCs took special measures in this regard. Bangladesh launched a new experiment in decentralization of development planning and administration by posting its civil servants to rural administrative centers (thanas) where they were required to work under the supervision of elected representatives of the locality. A total of 55 such "model" thanas were inaugurated during 1982. Indonesia embarked on agricultural expansion plans geared to help small farmers, including those in the remote regions of Sumatra and Kalimantan. The Philippines doubled the initial provision of ₱1 billion ($117 million) for its National Livelihood Program (known as "Kilusang Kabuhayan at Kaunlaran" or "KKK"). Launched in 1981, the program envisages popular mobilization of productive and entrepreneurial energies at the grassroots level.

Regional Cooperation

Efforts toward increasing regional cooperation continued in 1982. The Association of Southeast Asian Nations (ASEAN) achieved progress in the areas of preferential trading arrangements and the establishment of industrial joint ventures in the private sector. As a result of a decision taken at the Twelfth ASEAN Economic Ministers Meeting (AEM) in January 1982, the product-by-product approach to tariff liberalization was dropped in favor of a modified across-the-board approach to tariff cutting subject to certain exclusions. The ceiling of total import value of $1 million on items subject to automatic 20-25 per cent margin of preferences in intra-ASEAN trade, approved in January 1982, was increased to $2.5 million in May 1982 and to $10 million in November 1982.

Under the Basic Agreement of ASEAN Industrial Joint Ventures, any manufacture produced by a private venture owned by investors from two or more ASEAN countries will be accorded a 50 per cent tariff cut if at least two ASEAN countries agree to extend this tariff preference. After a three-year period, the product will be given preferential tariff treatment by all ASEAN member countries. This joint venture agreement is expected to be more flexible than the complementation scheme[1] which needs the agreement of all five ASEAN members for any tariff cut.

South Pacific countries continued to pursue cooperative undertakings through the South Pacific Bureau for Economic Cooperation and the South Pacific Commission, the major regional organizations of this subregion.

Agreement was reached at the Thirteenth South Pacific Forum Meeting in August 1982 to improve the financial status of the Pacific Forum Line. An amount of $12.6 million from members was pledged for this purpose as well as to enable the Line to qualify for a loan of ECU 5 million equivalent from the European Investment Bank for container purchases. The members also agreed to study the region's air transport system.

At the Twenty-Second South Pacific Conference in October 1982, various regional projects were considered by the South Pacific Commission. A decision was reached to continue the second phase of the South Pacific Regional Environment Program, subject to financial support from member governments. This would include formulation of a strategy on nuclear waste disposal by developed countries in the region, conservation of coastal ecosystems and monitoring of marine pollution.

At their Third Meeting held in August 1982, Foreign Secretaries of South Asian countries agreed to hold a ministerial meeting on South Asian regional cooperation in 1983. The meeting would consider areas such as communications, rural development, agriculture, technology transfer, meteorology and health and population activities. A trend of growing bilateral cooperation among South Asian countries was also noted. A bilateral agreement was concluded in 1982 between Bangladesh and Nepal to set up a jute factory, a pulp and paper plant and a fertilizer plant in Nepal. India agreed to purchase from Bangladesh urea, newsprint and bitumen and to extend a credit of $60 million to Bangladesh for purchase of capital goods from it.

International Cooperation

There were several important developments in international trade and finance relevant to DMCs during the year. Loan commitments of the International Bank for Reconstruction and Development (IBRD) to DMCs (the region) increased from $2,558 million in fiscal year (FY) 1981 (ended 30 June) to $4,087 million in FY 1982, while interna-

1 Under the complementation scheme, first proposed in 1977 but formally approved only in 1981, each ASEAN member was to produce different components, such as car parts, which would be traded on preferential terms.

tional Development Association (IDA) credits committed declined from $2,132 million in FY 1981 to $1,700 million in FY 1982. The combined credits from these two sources increased from $4,690 million to $5,787 million. Net disbursements to DMCs amounted to $1,836 million from IBRD and $1,005 million from IDA during FY 1982 compared with $1,205 million and $1,116 million, respectively, in the previous year.

Credit commitments by the International Monetary Fund (IMF) to the region under standby and extended arrangements stood at SDR6,190.5 million at the end of 1982 compared with outstanding commitments of SDR8,138.1 million in the previous year. Outstanding IMF credit disbursed to DMCs amounted to SDR6,825 million at the end of 1982, about SDR2,100 million higher than that at the end of the previous year. In view of the depressed prices across a broad range of commodities, several DMCs availed themselves of the Fund's compensatory financing and bufferstocking facilities. Tin, sugar and cocoa are authorized commodities for bufferstocking assistance of IMF.

Prolonged economic slowdown in industrialized countries made the climate for increasing concessional aid difficult. This was reflected in a decline during 1981 in net official development assistance from multilateral agencies and members of the Development Assistance Committee of OECD. In terms of nominal dollar value, this was the first fall since 1968.

WORKER examines sheets of raw rubber at a small private factory on the outskirts of Colombo, Sri Lanka, which has benefitted from Bank assistance channelled through the National Development Bank of Sri Lanka.

The amount of IDA commitments authorized in FY 1982 and for FY 1983 was reduced because of lower contributions. At the Annual Meetings of IBRD and IMF held in 1982, most of the donor countries agreed to pay their IDA VI commitments in three years as originally envisaged and to provide another $2 billion in FY 1984 by way of bridging financing before negotiations for IDA VII are completed. As a result of these arrangements, it is expected that IDA would be able to make new commitments of about $3.5 billion in each of the fiscal years 1983 and 1984.

Although agreement was reached in principle to increase IMF quotas under the Eighth General Review from the existing level of $66 billion, the amount remained undecided at the close of the year.[1] A decision was taken by the Group of 10 countries and Switzerland to increase loanable funds under the General Arrangements to Borrow (GAB) from $7.1 billion to about $19 billion and to make the facility available to all IMF members, instead of to the members of the Group of 10 alone as hitherto.

Under the auspices of the United Nations Conference on Trade and Development (UNCTAD) an international jute organization was established by producer and consumer countries with Dhaka as its headquarters. Preparatory meetings were held on other commodities of interest to the region, including tropical timber, cotton and tea.

Among the commodities for which international commodity agreements (ICAs) have been concluded, rubber, tin, coffee, cocoa and sugar experienced sharp price declines. Various instruments of stabilization, such as export quotas and bufferstocks, were not able to reverse the trend. Consequently, measures such as restricting production, as in the case of rubber, were considered to supplement ICAs.

A meeting of 88 trade ministers from industrialized and developing member countries of the General Agreement on Tariffs and Trade (GATT) was held in November. The meeting, held at the ministerial level for the third time since GATT was founded in 1947, was intended to reaffirm the principle of free trade and to counter rising protectionism associated with prolonged economic recession. Following five days of discussions, the ministers reached an agreement to resist protectionist pressures in the formulation and implementation of national trade policy, to refrain from initiating or maintaining measures inconsistent with GATT and to make determined efforts to avoid measures which would limit or distort international trade. In view of the conflicting views held by different groups of countries, it was not possible to agree upon more concrete and specific measures for promoting international trade.

Bilateral accords, covering textile trade between 26 developing countries and the European Economic Community (EEC) under the Multi-Fiber Arrangement (MFA) for 1982-1986, were concluded after lengthy negotiations. The agreements are expected to result in an increase of about 5 per cent in EEC imports from developing countries in 1983 compared with a 4 per cent increase in 1982 under the previous MFA.

Details relating to major economic developments in 1982 in 17 DMCs for which adequate data are available are given in Part II.

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1 Early in 1983, a decision was reached to increase IMF quotas by 47.5 per cent to about $99 billion.

PART II: COUNTRY NOTES

Bangladesh

During Fiscal Year (FY) 1982 (ended in June), Bangladesh's GDP is estimated to have grown by 0.9 per cent compared with 5.9 per cent in the preceding year. The value-added in agriculture declined by 1.9 per cent as a result of prolonged drought. The value-added in the manufacturing and services sectors increased at a much slower pace because of shortages in domestic credit, raw materials and imported inputs as well as low domestic and export demand.

The crop failure and the large deficit-financed public expenditures in FY 1982 contributed to an increase in consumer prices of 12.8 per cent in 1982, as against 12 per cent in 1981.

The balance-of-payments situation in 1982 became very precarious. Import capacity was severely constrained by a decline in export receipts and a reduction in aid disbursements, particularly that of commodity assistance. The terms of trade deteriorated by 14.8 per cent in 1981 and again by 14.5 per cent in 1982. In view of the abnormal shortfall in export receipts, the country received an allocation of SDR60 million from the IMF Compensatory Financing Facility. Another SDR71 million was received from the same Facility to meet the cost of cereal imports.

Public sector resources from tax revenues and contributions of public enterprises registered substantial shortfalls compared with the budget estimates. The decline in imports of dutiable items affected Government revenues which depended heavily on import duties. Consequently, the Government took steps in the budget for FY 1983 to effect economies in both the recurrent and investment expenditure, while maintaining development outlays in priority sectors such as energy and food production. Several measures were taken during 1982 to improve economic management. Restraints were imposed on expansion of credit to contain increases in domestic prices. In addition to the food assistance provided by the international aid community, emergency imports of foodgrains were arranged from Burma and India. Subsidies on food, fertilizer, gasoline and utilities were reduced substantially. Simultaneously, procurement prices of rice and wheat were raised to maintain incentives for farmers. A law was enacted to promote foreign private investment. Denationalization of some factories formerly owned by Bangladesh nationals was announced and the first private local bank was inaugurated. These measures were expected to help promote the growth of the private sector and increase domestic savings which, at about 4 per cent of GDP, is one of the lowest among DMCs.

The economy of Bangladesh continued to face several development problems in 1982. The industrial sector, dominated by public enterprises, required structural adjustments and productivity improvements. There were large imbalances between supply and demand for food and energy, between the levels of imports and exports, between domestic resource mobilization and investment requirements for minimal necessary growth in per capita income, and between the increase in the labor force and growth of employment opportunities. The drain on limited foreign exchange resources caused by imports of energy and food to meet the requirements of a rapidly increasing population restricted the nation's ability to finance imports for development purposes.

The Government's development plans and policies were aimed at correcting structural imbalances. Self-sufficiency in food and energy, reduction in population growth rate, improved economic management of the public sector and growth of the private sector were given high priority. Various measures were also taken to promote exports as a step towards increased self-reliance.

Burma

GDP growth in Burma during FY 1983 (ending in March) is estimated at 7.1 per cent which is significantly higher than the growth of 6.7 per cent recorded in the preceding year. The somewhat lower growth in manufacturing and mining was more than offset by higher growth in agricultural production. Although drought conditions prevailed in upper Burma, agricultural production in the rest of the country increased significantly following widespread use of high-yielding varieties of rice and contributed to a much higher overall agricultural sector growth. Also, growth rates of the construction and services sectors were higher than in 1981.

Various official price indices have indicated increases in prices of between 1 and 5 per cent in recent years. Consumer prices went up by 4.9 per cent in 1982. This modest increase was due to a rise in productivity, particularly in the agriculture sector, and increased availability of essential commodities, while expansion of the monetized sector absorbed some of the increase in money supply.

Budget estimates for FY 1983 anticipate an increase of 8 per cent, both in current revenues and expenditures of the Government, leaving a surplus of K1,130 million ($145 million) — about one-fifth of total revenues — for financing the estimated capital expenditure of about K1,900 million ($243 million). The remaining K770 million ($98 million) was expected to be financed through capital receipts of K170 million ($22 million) and domestic and external borrowing. The Government's capital expenditure for FY 1983 represents an increase of about 38 per cent over the previous year.

Burma's trade deficit fell marginally from $360 million in FY 1981 to $357 million in FY 1982. Exports increased by 13 per cent from $514 million in FY 1981 to $582 million in FY 1982, while imports increased by 7.4 per cent from $874 million in FY 1981 to $939 million in FY 1982.

In April, Burma embarked upon a new four-year plan. The plan generally aims at furthering the objectives of the twenty-year plan, started in FY 1975, which were: increasing per capita income, transforming the base of the economic structure from agriculture to agro-based industries, and increasing the share of the state sector in the net output. Increasing labor productivity and exports were other targets. In the investment program of the Government for FY 1983, the share of the processing and manufacturing sector was 37.1 per cent of the total outlay. The share of agriculture was 18.4 per cent; mining, 11.5 per cent; and transport and communications, 10.2 per cent.

Republic of China

The growth of GDP of the Republic of China in 1982 was around 3 per cent, far below the planned target of 7.5 per cent. The primary factor contributing to this low growth rate was a 1.4 per cent reduction in exports in 1982 as against a growth of 13 per cent in 1981. Government con-

sumption increased moderately by 5 per cent, reflecting its cautious approach toward reflating the domestic economy. Gross fixed capital formation declined by 2 per cent, while industrial production increased by only about 1 per cent, as the rapid rates of growth in mining and construction achieved in 1981 slowed down. However, the service sector — especially banking and insurance — and real estate fared better.

Inflationary pressures continued to abate significantly from the high levels of 1980. Consumer prices increased by only 4 per cent in 1982 as against 16.3 per cent in 1981 and 19 per cent in 1980. Depressed domestic demand and declining prices of many imported goods and raw materials were the principal factors responsible for this trend.

The trade surplus increased from $2 billion in 1981 to $2.8 billion in 1982 as imports declined more than exports. The drop in imports was indicative of the depressed situation in the manufacturing sector and low levels of new investment, since about 90 per cent of total commodity imports consisted of capital goods and raw materials needed for industrial production.

The Government recently enacted several measures to stimulate private investment. These included lowering of interest rates, providing tax credits and increasing funds to small and medium-sized industries. In addition, emphasis was placed on new policies designed to expedite the merging of small and medium-sized industries into larger, more efficient units and developing high technology industries such as sophisticated electronics, computer software and machinery.

Fiji

The GDP of Fiji was estimated to have grown at a rate of 0.4 per cent in real terms in 1982 as against 6.3 per cent in 1981. The slowdown was due to a substantial decline in the production of sugar, fish and timber. The inflation rate continued to decelerate from 14.5 per cent in 1980 to 11.2 per cent in 1981 and 7 per cent in 1982, mainly because of the stable prices of imported goods such as fuel and foodstuff.

Exports continued to decline from $374 million in 1980 to $307 million in 1981 and $305 million in 1982. Low prices of principal export commodities (sugar, copra, fish and lumber) adversely affected the country's export earnings. Earnings from tourism, however, grew by between 15 and 20 per cent in 1982. In order to restrain rapidly growing imports, the Government introduced high import duties, mainly on luxury items, resulting in a substantial reduction in imports from $616 million in 1981 to $543 million in 1982. The trade deficit, therefore, narrowed from $309 million in 1981 to $238 million in 1982.

Tax revenues declined mainly because of lower revenue collections from import duties. The Government, therefore, found it necessary to impose a 15 per cent cut in budgetary expenditure.

Hong Kong

Hong Kong's GDP increased by 2.4 per cent in 1982, marking a sharp drop from the double-digit growth of the preceding years. Almost all major sectors felt the impact of worldwide recession in view of the highly open and export-oriented nature of the economy. Consumption expenditure increased only by 1.7 per cent in 1982, after 12.2 per cent growth in 1981 and 13 per cent growth a year earlier. Overall investment showed no growth compared with an increase of 13 per cent in 1981. Most of the impetus to production and investment was provided by Government expenditure which was mainly on construction activity. Expenditure increased by about 17 per cent in real terms.

The slackness in demand had some moderating influence on inflation. The increase in consumer prices during the year was 10.6 per cent, as against 15.4 per cent in 1981. Unemployment in manufacturing industries, especially in textiles, increased but was offset to some extent by growth in employment in finance, banking and other service sectors.

The overall visible trade gap narrowed slightly in 1982. While exports decreased by almost $1 billion in 1982, imports fell even more as a result of weak demand in re-export industries and a general slowdown in economic activities.

Revenues from land sales had increased sharply since FY 1978 (ended in March) because of a continuous rise in land prices. Consequently, the Government was able to finance expanding public investment without raising taxes. Low taxation rates stimulated investment in the private sector, while the Government pursued policies aimed at making Hong Kong a major financial and industrial center. The Government also played a key role in the provision of infrastructure facilities. The FY 1983 budget envisaged financing of public investments mostly with revenues derived from land sales, which were estimated to yield 32 per cent of the total revenues. However, the collapse of the property boom in 1982 caused a major setback in the realization of this objective.

India

The growth rate of India's GDP was expected to decline during FY 1983 (ending in March) to about 2 per cent compared with 5.2 per cent in FY 1982. The lower growth in FY 1983 was caused principally by reduced agricultural production under the impact of widespread drought and an irregular monsoon. Production of manufactured goods increased at a slower rate because of flagging export demand and prolonged labor unrest in the textile industry.

Consumer prices were expected to increase by about 8.1 per cent in FY 1983, considerably below the 13.1 per cent rise in FY 1982, despite a substantial reduction in agricultural output. The Government's policy of selective credit controls and increasing the import of goods in short supply helped restrain the increase in consumer prices.

The balance-of-payments position during 1982 remained difficult. Exports were adversely affected by low demand in industrial countries and falling prices for its primary commodities and registered only modest growth from the depressed level of 1981. At the same time, India imported a substantial quantity of foodgrains to augment its buffer stock, taking advantage of low foodgrain prices. Imports also increased as a result of a liberalization of import policy. The country was able to reduce its external deficit somewhat below the high level of 1981 by trimming its oil imports by about 2 million tons. External assistance — part of the proceeds of a large IMF loan contracted in 1981 — and some of the country's foreign exchange reserves were used to finance the large trade deficit.

Even though India depended on imports for only about 20 per cent of its commercial energy, the energy import bill pre-empted nearly three-fourths of its export receipts. Action to remedy the situation was taken in 1982 through policy measures designed to promote the development of domestic energy sources. Crude oil production was estimated to have increased from 15 million tons in 1981 to

20 million tons in 1982, while coal production increased from 123 million tons to 132 million tons.

India has for a long time pursued a policy of import-substitution. Some of its manufactured products have become competitive in international markets. However, the total export of such products remains small in relation to the country's large GDP and import requirements. In recent years the Government introduced policies to promote exports, particularly of manufactured goods, and to allow liberal imports by industrial users to help in the fuller utilization of productive capacity. The Government also increased incentives to the private sector to invest in industry. It also took steps to attract foreign private investors by providing liberal fiscal concessions and attractive terms of repatriation of profits and capital.

For a low-income country, India has maintained a high level of investment of around 24 per cent of GDP, financed mostly from domestic resources. However, the overall growth rate was generally low. This, as was demonstrated in 1982, was partly due to the vulnerability of the large agricultural sector to adverse weather conditions and partly to low productivity of industrial investment. To overcome these problems, the Government placed greater emphasis on expansion of the irrigated area, increased use of fertilizer and efficiency in the utilization of water and other inputs by farmers. In the industrial sector, the Government provided various incentives for increasing the productivity of existing enterprises in both the public and private sectors. It also reduced tariff protection given to several domestic industries with a view to making them more efficient and competitive.

Indonesia

Indonesia's GDP in 1982 is estimated to have increased by about 4.5 per cent compared with an increase of 7.6 per cent in the previous year. Agricultural output fell short of the initial forecast because of drought conditions. Rice production is estimated to have gone up by only 3.1 per cent as against 11 per cent in 1981. Growth in non-rice agriculture was also sluggish in 1982. The mining sector's contribution to GDP was affected by weak demand for petroleum; its output fell below the quota authorized by OPEC. However, LNG production was higher than in the previous year. Manufacturing sector output decelerated, while that of construction, transport and utilities was maintained by public sector investment.

The consumer price index in 1982 registered an increase of 9.7 per cent compared with 7.1 per cent in 1981, in spite of major upward adjustments in the prices of petroleum products early in the year.

Since over two-thirds of budgetary revenues is derived from oil and oil products, the financial position of the Government became difficult during the year. The Government reduced the use of budgetary resources for subsidizing food and fuel prices. The prices of wheat and sugar were raised in 1981 and the prices of petroleum products were increased by over 60 per cent in January 1982.

Indonesia's external resource situation deteriorated in 1982 and the country is estimated to have incurred a current account deficit of $5.5 billion compared with a deficit of $1.2 billion in the previous year. Revenues from both oil and non-oil exports declined. Indonesia borrowed substantial amounts from foreign sources and drew upon its reserves to meet the current account deficit.

In January 1982 the Government introduced a number of measures to promote exports. These included reduction in interest rates on export credit, establishment of export insurance and guarantee facilities and simplification of customs clearance procedures. A counter-purchase policy was introduced which required foreign suppliers of certain goods to the Government to import goods of equivalent value or find other foreign buyers for the purpose.

In the light of the deteriorating balance-of-payments situation, Indonesia tightened controls over 126 import items. While these measures imposed no outright limitation on total imports, they were expected to slow down the growth of imports. A sixfold increase in the tax on overseas travel was introduced. A policy measure requiring shipment of Government cargoes in Indonesian vessels was also expected to provide some relief to the balance-of-payments situation.

The temporary deterioration in the external resource situation gave added impetus to Government efforts to diversify the production structure and to improve domestic resource mobilization. At the same time, Government efforts to promote exports, reduce subsidies and improve productive efficiency in various sectors would have to be intensified.

Republic of Korea

The Republic of Korea's GDP increased by about 6 per cent in 1982, compared with 7.1 per cent growth in 1981 and a goal of 7 per cent in the Government's Economic Management Plan. The growth rates of agriculture and manufacturing sectors were 5.5 per cent and 3.1 per cent, respectively. The increase in GDP was sustained by a strong recovery of investment spending during the year, mostly in the housing industry. The annual number of permits for house construction increased by 40 per cent (by the end of September). The Government's construction sector was also active and there was some recovery in investment by small and medium-sized industries.

The deceleration in inflation, which started during 1980, continued during the year. Consumer prices rose by about 7.3 per cent during 1982 compared with an increase of 21.3 per cent in 1981. Most of this reduction in inflation reflected reduced prices of many imported raw materials, continued stability in oil and food prices and only moderate increases in wages. Another significant factor that promoted price stability in the economy was the strength of the won. It remained strong against all major currencies, other than the US dollar against which it declined by 7 per cent.

As a result of the general sluggishness of demand in export markets, commodity exports increased by only 2.4 per cent compared with 21.4 per cent in 1981. Commodity imports, however, registered a decline of 7 per cent. As the deficit in the service account was also reduced, the current account deficit narrowed from $4.4 billion in 1981 to about $2 billion in 1982. The improvement in the balance of payments stemmed mainly from a rise in earnings from overseas construction projects, reduced imports of foodgrains and petroleum and successful implementation of import substitution measures in some heavy and chemical industries.

During the year, the Government introduced fresh policy measures to stimulate economic activity and liberalize the financial sector. Under a policy package announced in June, interest rates were reduced by 4 percentage points on both loans and deposits to 10 per cent and 8 per cent,

respectively. These rates will apply to all deposits and loans, thereby eliminating for the first time the complex system of varying interest rates for different types of loans and deposits. In addition, the corporate tax rate was reduced from a varying rate, ranging from 33 per cent to 38 per cent, to a uniform rate of 20 per cent, and the highest marginal rate of individual income-tax was cut from 76.5 per cent to 50 per cent, effective from 1983. Tax credits were given to encourage equity investment by business. Tax concessions were provided on purchase of cars and color television sets to stimulate demand and help the industries.

The Government also announced a three-pronged reform of the financial market. First, it decided to step up its banking liberalization program, gradually turning over Government-controlled commercial banks to the private sector. Second, measures were taken to enlarge the short-term money market by including smaller secondary banking institutions such as securities and mutual savings companies. Finally, the tax and banking laws were to be revised so as to bring within the tax net loans provided by the curb (informal) market.

The new economic incentives and financial reforms are expected to improve the growth performance of the economy. However, given the heavy weightage of exports in GDP, recovery of export demand would be crucial to the revival of its growth momentum.

Malaysia

Malaysia's GDP increased by 3.9 per cent in 1982, its lowest rate of growth since 1975. The manufacturing sector grew by 1.9 per cent, agriculture by 6.7 per cent and mining by 4.6 per cent. A reflationary public sector budget, together with revenue shortfalls, produced a large deficit that was only marginally smaller than the large deficit of 1981. The Government resorted to heavy external borrowing to maintain investment. However, revenue collections dwindled progressively and planned Government expenditure had to be scaled down.

Aside from an austere budget for 1983, the Government announced a number of revenue measures to increase taxes on cars, cigarettes, liquor and other luxury items.

Inflation slackened to 5.8 per cent from 9.7 per cent in 1981, partly as a result of tight money and credit conditions. Other contributory factors were removal of import duties on selected commodities, depressed prices of many domestic and imported goods and stabilizing measures adopted by the Government.

The volume and prices of a broad range of major export commodities, including rubber and tin, stagnated or fell further in 1982. However, Malaysia, which is not a member of OPEC, was able to increase oil shipments. The country also completed the necessary infrastructure for exporting LNG from its Bintulu plant in Sarawak. This is expected to augment export earnings from early 1983.

The trade account in 1982 registered a large deficit of about $1.1 billion compared with a deficit of $12 million in 1981. Large capital inflows, notably substantial external borrowings and syndicated credits and bonds, reduced the balance-of-payments gap to about $264 million, which was lower than in 1981. Malaysia also drew from the IMF compensatory and bufferstock financing facilities during the year. In spite of heavy external borrowings on commercial terms, the external public debt-service ratio remained at a modest level of 3.1 per cent in 1981.

The Malaysian ringgit depreciated by 4 per cent against the US dollar but appreciated against most other currencies. Continued low inflation rates, compared with industrial countries, have tended to enhance Malaysia's competitive position in recent years.

The shortage of budgetary resources in the face of growing development needs, which became a serious problem for the Government in 1982, is likely to persist for some time. The Government is, therefore, likely to face a difficult choice between maintaining overall development activity and continuing the subsidies and price supports previously provided through the budget.

Nepal

Nepal's GDP grew by 3.8 per cent in FY 1982 (ended in July) compared with 5.6 per cent in the previous year. However, the domestic inflation rate fell to 10.4 per cent in FY 1982 from 13.4 per cent in the previous year.

During the later part of 1982, a severe drought seriously affected agricultural production, particularly food output. The Government secured rice assistance from some countries in the region and requested emergency food assistance from the international aid community.

The domestic savings rate in Nepal is low, constituting only 8 per cent of GDP. About two-fifths of its total investment is financed by external assistance. The role of external assistance is particularly large in the public sector in which it finances nearly two-thirds of total development expenditure, with the budgetary resources providing the remaining one-third.

Nepal's exports during 1982 declined. Export of rice was banned due to drought. An earlier ban on the clearing of forests affected the export of timber. Tourism, which has been a dynamic source of foreign exchange earnings for Nepal in recent years, was also adversely affected by the world recession. The current account deficit of Nepal increased in FY 1982 and stood at $31 million. The overall balance of payments, however, recorded a $38 million surplus in the same period because of a fairly large inflow of external assistance.

The Government initiated a special Economic Program in early 1982 to focus attention on the components of the Sixth Plan which will be of immediate benefit to small farmers, small-scale manufacturers and the poorer segments of society. The Program also aimed at limiting the role of Government corporations and mobilizing the energies of the private sector. The Industrial Enterprises Act and the Trade Policy of 1982 were promulgated to promote private industrial investments and expand exports.

Despite sustained efforts of the Government to mobilize resources and improve the performance of the economy, the country continues to suffer from several constraints on its economic development. The major obstacles include an inadequate institutional base, low productivity, paucity of managerial and technical skills, and relatively limited natural resources. These handicaps have been compounded by the ecological deterioration of land through deforestation and soil erosion.

The Government is taking steps to raise agricultural productivity, make greater use of abundant hydropower resources and promote small-scale resource-based industries. However, progress in this regard has been slow in view of Nepal's various constraints. This can only be improved through greater domestic efforts coupled with continued and expanded external assistance.

Pakistan

Pakistan registered a GDP growth of 6.2 per cent during FY 1982 (ended in June) compared with 6.1 per cent in FY 1981. Value-added in manufacturing increased by 12.4 per cent and in agriculture by 2.5 per cent. In the Energy sector, the output of gas, coal and crude oil increased. The economy has been consistently registering a high-growth performance since FY 1978. Factors contributing to the resilience of the economy included a continuous period of good weather and large annual increases in workers' remittances which largely offset the impact of higher oil prices. The Government took steps to improve productivity, curtail public sector expansion and create an environment conducive to the recovery of the private sector. At the same time, demand management policies helped to reduce the relative size of budgetary deficits, Government borrowing from banks and the rate of monetary expansion.

Fiscal and monetary policies during the year were restrictive. Restraints on Government borrowing, together with higher domestic output, helped reduce the inflation rate to about 9.6 per cent in FY 1982 compared with 11 per cent in FY 1981. By the end of 1982, the inflation rate had dropped to an annual rate of about 5 per cent.

The export sector was depressed, marking a sharp break from the recent trend. Decline in demand for Pakistan's manufactured exports — textiles, cotton yarn and carpets — and the low prices for its primary commodity exports — rice and cotton — reduced its export earnings in FY 1982 by about 19 per cent compared with the level of FY 1981. The decline in export receipts was accompanied by a slowdown in the growth of remittances from Pakistanis working abroad. Despite continued access to the IMF's Extended Fund Facility, a larger-than-expected drawdown of Pakistan's international reserves was necessary to fill the balance-of-payments gap during the year.

The budget for FY 1982 did not provide for a substantial increase in tax rates. Instead, growth in tax revenue was expected from higher receipts from import duties on a larger volume of expected imports and further improvements in tax administration. On the expenditure side, a major attempt was made to reduce subsidies on wheat, cement and petroleum products.

The actual budgetary situation was tighter than initially anticipated. The increase in receipts from import duties failed to materialize as import volume was lower than anticipated, while a sharp decline in exports led to a large shortfall in export duty collections. The current budget surplus was reduced from an estimated Rs7.3 billion ($616 million) to Rs3.8 billion ($321 million). In order to hold down deficit financing within the limits prescribed by monetary policy, the Government implemented across-the-board cuts in budgetary allocations, which led to a drastic reduction in development expenditure for the year.

Despite its high growth rates of GDP in recent years, the country faced several domestic and external problems. Domestic savings contributed less than one-third of investment expenditure, while external sources provided the rest of the requirement. Pakistan's export earnings met only half of its import bill and its debt-servicing obligations have remained high. Continued efforts would, therefore, be required to increase domestic savings, enhance productivity in both agriculture and industry, utilize the scope for efficient import substitution, expand domestic sources of energy and promote exports.

Papua New Guinea

Papua New Guinea's GDP recorded no growth in 1982. As the aggregate growth in the preceding two years was negligible, per capita income steadily declined over the three-year period. Production and prices of important minerals (mainly comprising copper and gold) also declined. On the whole, agricultural production was stable.

The increase in consumer prices during 1982 was 5.9 per cent, substantially below the increase of 9.9 per cent in the preceding year.

Government expenditure was estimated to have declined in real terms in 1982, with further downward adjustment budgeted for 1983. These adjustments became necessary as a result of a reduction in Government revenues. While overall current and investment expenditures were curtailed, adequate provision was made to ensure sustained development of the minerals and energy sectors as well as major agricultural projects and effect general improvements in the support services designed to raise the productivity of the smallholder sector.

Due to a fall in the prices of principal export commodities, export earnings were considerably lower in 1982 than in 1981. Imports increased, but at a somewhat lower rate than in 1981. The trade deficit was a record $462 million in 1982, significantly above the deficit of $288 million in 1981.

Philippines

According to provisional official estimates, GDP of the Philippines grew by 3 per cent during 1982, which was less than the low rate of 3.8 per cent recorded in 1981. Production in agriculture, fisheries and forestry increased by 3.5 per cent and there was a 4.8 per cent growth in rice production .

Industrial growth decelerated to 2.7 per cent from 4.5 per cent in the previous year, as mining output fell by 1.5 per cent. Construction, encouraged by Government spending, grew by 4.4 per cent.

Consumer prices increased by 10.2 per cent compared with 12.4 per cent in 1981.

Merchandise export earnings declined substantially due to weak foreign demand and low prices for the country's major exports — coconut products, sugar and copper. Imports also decreased, but at a slower rate than exports. Reduced foreign demand, depressed commodity prices and high interest payments on foreign loans contributed to a larger current account deficit, despite the mitigating effect of increased remittances by overseas workers. In the course of the year the peso depreciated by 7.6 per cent against the US dollar, but remained firm against other major currencies.

The Government continued the process of interest rate deregulation, which was started in 1981, and initiated several fiscal reforms including a shift to gross taxation of salaries and wages. These measures were intended to improve domestic resource mobilization. With the World Bank's structural adjustment assistance, rationalization of the textile and cement industries commenced in 1982. Import liberalization continued as scheduled for the period 1981-1985. An additional 600 items were removed from the list of banned items and allowed to be imported, subject to the prescribed import duties and taxes. However, early in 1983 an additional ad valorem tax of 3 per cent and advance import deposit requirements were imposed to slow down

imports. At the same time, the Government lifted the tax on copra and modified restrictions on logging with a view to promoting exports. A growing fiscal deficit came under the scrutiny of IMF in the course of the country's negotiations for a standby credit facility and led to limitations on public expenditure projected for 1983.

A slowdown in foreign borrowing and a self-imposed $2.4 billion ceiling on approvals for 1982 adopted by the Central Bank, as well as lower foreign investment coupled with larger amortization payments, reduced the level of net long-term capital inflow during 1982.

A heavier debt-service burden was associated with low export demand and a large decline in the prices of primary exports. The debt-service ratio, as defined according to national law, was almost 20 per cent in 1982. The external resource situation appears to have become a serious constraint on the pursuit of the country's high-growth strategy to alleviate poverty and ameliorate under-employment in agriculture and industry.

Singapore

Singapore achieved a GDP growth rate of 6.3 per cent in 1982 compared with an increase of 9.9 per cent in 1981. In the manufacturing sector, which accounted for nearly 25 per cent of GDP, output declined by 5.6 per cent compared with a growth of 9.8 per cent in 1981. The construction sector, where the Government plays a significant role, grew by as much as 36 per cent. Value-added in transport and communications increased by 11 per cent and in financial and business sectors by about 14 per cent.

The Government increased its development outlays, partly to offset inadequate private investment. Public housing construction was accelerated through the provision of tax incentives and low-cost financing.

The rate of inflation during 1982 fell to 3.9 per cent from 8.2 per cent in 1981. This deceleration was mainly attributable to a general weakening in import prices, especially essential commodities.

Receipts from merchandise exports declined by 0.9 per cent while imports rose by 2.1 per cent. The decline in exports was largely attributable to weak foreign demand, diminished competitive edge due to steep wage increases during the past three years and continued firmness of the Singapore dollar. The deficit in the balance of trade widened from $6.6 billion in 1981 to $7.4 billion in 1982. However, the surplus in the service account from tourism and other services more than offset the trade deficit. This together with large capital inflows improved the overall balance-of-payments surplus.

The general policy of the Government has been to accelerate the transition to a skill-intensive, high-technology economy. The development of the manufacturing and service industries, which utilize higher skills and generate larger value-added per unit of output, continued to receive high priority. Maintenance of wage increases in line with productivity gains was also stressed. In addition, efforts were continued to upgrade labor skills and retrain workers.

In view of its small domestic market, Singapore has pursued a policy of outward orientation and vigorous trade promotion. In 1982, it was announced that a Trade Development Board would be set up in 1983 to strengthen export promotion.

Despite some deceleration in economic activity in 1982, the economy continued to be dynamic and adaptable. Recent Government initiatives toward promotion of technological sophistication, skill upgrading and research and development are expected to enhance the country's flexibility in dealing with a rapidly changing external environment.

Solomon Islands

The GDP of Solomon Islands is estimated to have declined by about 2.3 per cent in 1982 mainly because of reduced domestic production and low demand for its exports. However, the country's inflation rate decreased from 16 per cent in 1981 to about 13 per cent in 1982, mostly as a result of lower import prices of fuel and foodstuffs.

The country's exports decreased from $65 million in 1981 to $58 million in 1982. Fish — one of its major export items — suffered a substantial decline. Exports of timber and palm oil increased but could not fully offset the loss. The value of copra and cocoa exports remained at about the same level as in 1981.

Notwithstanding the decrease in exports, the trade deficit narrowed significantly from $10 million in 1981 to $3 million in 1982. This was because imports of fuel, machinery and transport vehicles were substantially reduced, decreasing overall imports by 19 per cent, from $75 million in 1981 to an estimated $61 million in 1982. As a result of higher external assistance, the overall balance of payments turned from a deficit in 1981 to a modest surplus in 1982.

Sri Lanka

Sri Lanka's GDP growth in 1982 was about 5 per cent compared with an increase of 5.4 per cent in the preceding year. Growth of agricultural production declined as a result of drought. The plantation sector was particularly affected. Production increases of processing industries were affected by lower output from the plantation sector. Growth in the services sector was also lower with banking, transport and tourism remaining stagnant. The manufacturing sector, however, recorded a higher growth rate of 9.1 per cent in 1982 compared with 5.2 per cent in 1981.

The budget deficit widened as more expenditure was incurred on salaries of Government employees and on drought-relief measures, while Government revenue did not show much improvement. Drought-relief expenditure was estimated at Rs50-60 million ($2-3 million) a month, and the increase in the Government's payroll in 1982 was considerably more than that initially budgeted.

In 1982, the trade deficit increased to $936 million from $819 million in 1981. Despite the cutbacks of non-essential imports, the import bill was higher than in 1981, while exports registered a decline of about 3.6 per cent from the level of 1981.

As part of a short-term stabilization measure, the Government deferred a planned increase in the value of food stamps and called for reduced expenditures by its ministries. The Central Bank took steps to reduce the excess liquidity of commercial banks. As a result, consumer prices increased by 11 per cent in 1982 compared with 18 per cent in 1981.

In view of the shortage of investible resources, the Government placed emphasis on the implementation of selected, high-priority projects, including the Accelerated Mahaweli Project, but it drastically reduced expenditure on several other sectors, including the housing program. Despite these measures, the Government found it necessary to raise a $100 million Eurodollar loan in June to help finance the reduced outlay.

Thailand

Thailand's GDP grew by 4.5 per cent in 1982 compared with 7.0 per cent in the previous year. Agricultural output stagnated after a large increase in 1981, while industrial production increased modestly. As the year progressed, construction activity also became sluggish.

Inflation, as reflected in consumer prices, eased to 5.2 per cent from 12.7 per cent in 1981.

Exports of several commodities grew in volume during the year because of good agricultural production in 1981. The high volume of exports more than offset the adverse terms of trade. However, total earnings from exports and the value of imports declined. The trade deficit narrowed to $1.8 billion in 1982 from $3 billion in 1981.

Depressed commodity prices and shortfalls in tax collections prompted the Government to take a number of measures. Various short-term measures were adopted to improve public finances as the country continued to pursue a medium-term strategy of structural adjustment. Some of these, including improvements in tax administration and a 10 per cent surcharge on certain import taxes, are fully compatible with the program of long-term reforms. Thailand's budget for FY 1983 (ending September) envisages a nominal increase of about 10 per cent in expenditure. The Government began various tax revisions, covering personal and corporate income-tax and property sales tax and initiated an overhaul of the system of protection by narrowing the range of nominal tariff rates.

During FY 1982 the Government took several measures to promote exports. These include improving the support price of paddy and reducing by 50 per cent the premium on rice exports, removing the ban on white sugar exports, eliminating cassava quotas and reducing export taxes on rubber. The discovery and exploitation of significant offshore natural gas resources and potential oil-bearing structures in the northeast part of the mainland raised hopes of significant substitution of oil imports in the coming years, despite some technical problems encountered in the Erawan field in the Gulf of Thailand.

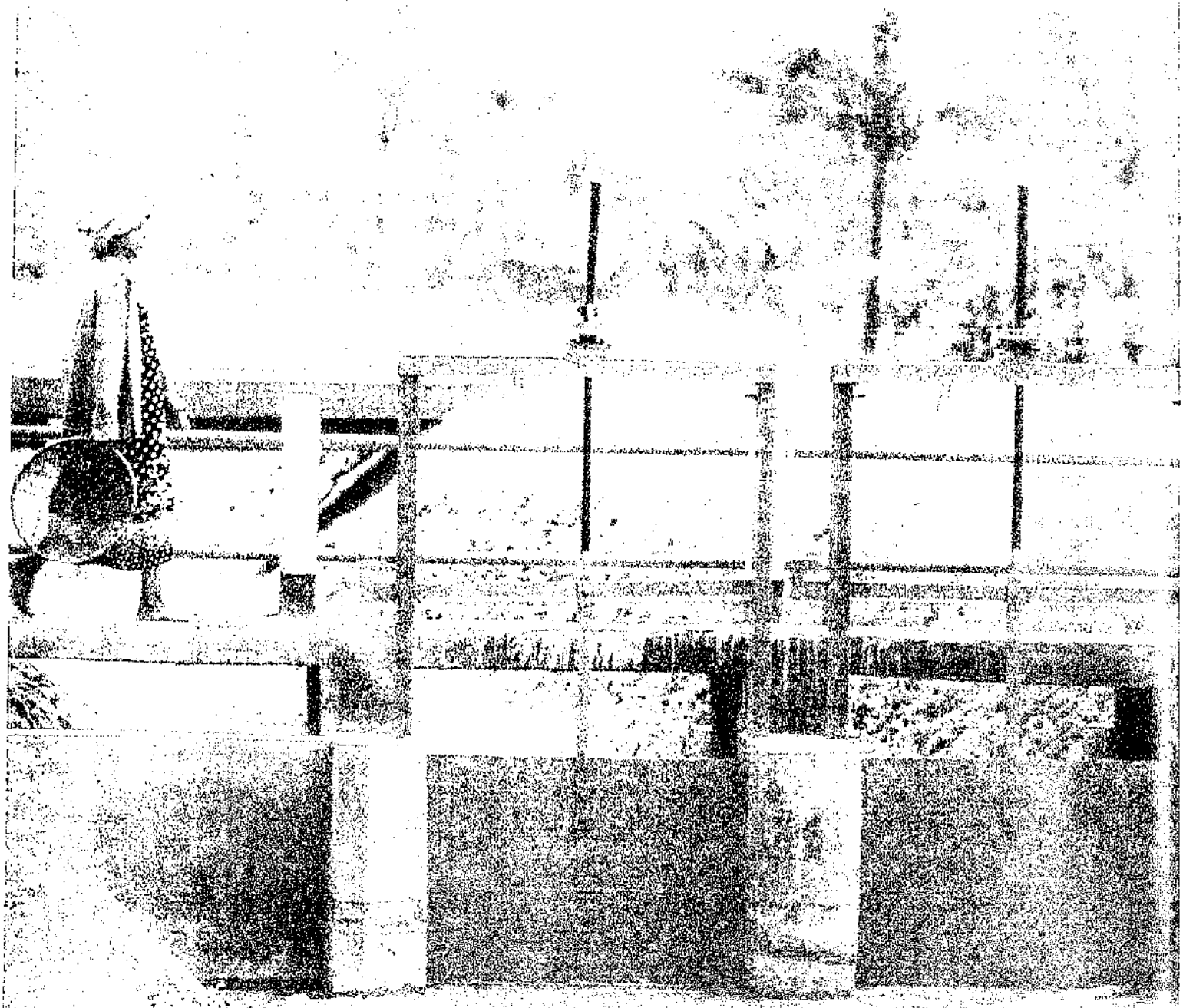
The Government found it difficult to implement various restructuring measures needed to improve economic efficiency during 1982. High unemployment, depressed agricultural incomes and inadequate public resources are likely to delay vigorous implementation of economic reforms.

Conclusion

During 1982, an adverse international environment and a decline in agricultural production led to a considerable slowdown in the GDP growth of DMCs. However, the overall growth achieved during the year was much higher than in other developing regions of the world. This may be attributed to sound policies and pragmatic measures adopted by DMCs in response to several adverse developments in the international economy.

Slow economic growth, slack domestic and external demand and a fall in the prices of primary commodities considerably affected Government revenues and overall investment in practically all DMCs. This situation made it difficult for DMCs to effect structural adjustments in their economies. Increased external resources are, therefore, necessary to facilitate such structural adjustments in line with economic realities and augment the supply of investible resources.

The Bank remained responsive to the needs of its DMCs during 1982. Its role during the year in providing external assistance to them is discussed in the following chapters.



OPERATIONS AND POLICIES

Lending Operations

TOTAL LOAN approvals during the year amounted to $1,731 million compared with $1,678 million in the previous year. Loans from ordinary capital resources (OCR) in 1982 amounted to $1,184.5 million, an increase of 3.3 per cent in nominal terms over the corresponding figure of $1,146.7 million in 1981, while loans from Special Funds (SF), amounting to $546.1 million, showed an increase of 2.9 per cent in nominal terms over the 1981 figure of $530.9 million.

Bank lending (OCR and SF) increased by 3.2 per cent in nominal terms in 1982, while over the five-year period 1978-1982 the annual increase averaged 14.3 per cent in nominal terms. Annual growth rates should be viewed in the context of a longer-term trend, however, and the decline in the rate of growth in 1982 was mainly due to exceptional factors, including adverse exchange rate changes which resulted in a significant reduction in available ADF resources. It was also a reflection of growing domestic resource constraints and reductions in development expenditures by some of the Bank's developing member countries (DMCs) as they attempted to adjust to the effects of the continuing recession in the world economy.

During the year, 57 loans for 56 projects in 13 DMCs were approved compared with 57 loans for 54 projects in 15 DMCs in 1981. Of these, one project — the Fourth Industrial Development Bank of Pakistan — received a blended loan, or, in other words, financing from both OCR and SF.

The average size of loans increased marginally from $29.4 million in 1981 to $30.4 million in 1982. While the average size of OCR loans decreased from $38.2 million in 1981 to $37 million in 1982, the average size of SF loans increased from $19.7 million to $21.8 million over the same period.

In 1982, about 98 per cent of SF loans went to DMCs which had a per capita gross national product (GNP) of less than $300 in 1980.

During the year, five DMCs received loans exclusively from OCR: Indonesia ($371.1 million), Philippines ($253.8 million), Republic of Korea ($205.5 million), Thailand ($171.6 million) and Malaysia ($92.6 million).

IRRIGATION lock at the Teluk Lada Area Development Project in western Java, Indonesia, where Bank assistance is aimed at raising agricultural production and improving the living standards of poor farmers.

Two DMCs received loans from both OCR and SF: Pakistan, $238.1 million ($78 million from OCR and $160.1 million from SF), and Papua New Guinea, $23 million ($12 million from OCR and $11 million from SF).

Six DMCs received loans exclusively from SF: Bangladesh ($223.7 million), Sri Lanka ($60.6 million), Burma ($56.2 million), Nepal ($32 million), Cook Islands ($1.5 million) and Vanuatu ($1 million).

Funds contributed by official and commercial co-financiers in 1982 amounted to $699 million compared with $627 million in 1981 and substantially added to the Bank's own assistance to its DMCs.

Over the five-year period 1978-1982, Bank assistance to the Agriculture, Energy and Social Infrastructure sectors has recorded sharp increases, reflecting the high priority given to these sectors by the DMCs and the Bank. Correspondingly, Bank lending to other sectors has grown at a slower pace or has tended to decline (see graph on page 3).

In 1982, Bank lending to the Agriculture and Agro-Industry sector accounted for 35.9 per cent of total lending compared with 32.3 per cent in 1981. In nominal terms, lending to this sector in 1982 increased by about 15 per cent. Bank loans supported, among other things, improvements to irrigation, drainage and flood control facilities, related agricultural support services and feeder road networks; agro-processing and marketing; cotton development; integrated agricultural and rural development; agricultural credit; and forestry, fisheries and livestock development. A large loan was also approved to augment the foreign exchange resources of an agricultural development bank for financing agro-industrial projects in the private sector.

The share of the Energy sector in total lending rose from 28.6 per cent in 1981 to 29.7 per cent in 1982. Lending for energy-related projects during the year covered, among other things, development of indigenous energy resources such as hydropower, thermal power and natural gas, rehabilitation and expansion of power distribution and transmission systems and extension of rural electrification.

During the year, however, there was a marked decline in the share of lending for social infrastructure projects. These accounted for about 10 per cent of total lending compared with about 22 per cent in 1981. This is explained in

LOAN APPROVALS IN 1982 AND TOTAL PROJECT COSTS
(amounts in $ million)

Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs[a]
BANGLADESH			
District Towns Water Supply and Sanitation	—	14.40	21.40
Ashuganj Thermal Power Generation	—	35.00	344.50
South-East Bangladesh Gas Transmission and Distribution	—	45.60	78.82
Bhola Irrigation	—	27.20	37.40
Second Tubewell	—	56.50	64.30
Northwest Rural Development	—	45.00	66.00
BURMA			
Second Forestry	—	25.00	57.75
Tin Mining	—	16.20	29.50
Mandalay Water Supply and Sanitation	—	15.00	33.00
COOK ISLANDS			
Cook Islands Development Bank	—	1.50	—
INDONESIA			
Second Irian Jaya Fisheries Development	34.00	—	49.60
Second Sulawesi Power	41.35	—	60.45
Vocational Education	40.00	—	85.00
Sixth Road	60.00	—	127.25
Second Agricultural Credit	27.57	—	62.00
Irrigation Package	77.00	—	155.30
Tulungagung II and Baro Raya Irrigation Study	4.35	—	6.87
Sixth Port	5.40	—	8.15
Brackishwater Aquaculture Development	23.00	—	50.00
Transmission and Distribution System Development	58.40	—	108.20
KOREA, REPUBLIC OF			
Seventh Small and Medium Industry Bank	50.00	—	—
Extra High Voltage Transmission	50.00	—	144.50
Third Road Improvement	80.00	—	225.00
Rural Sewage Treatment Sector	25.50	—	—
MALAYSIA			
Kalaka-Saribas Integrated Agricultural Development	0.68	—	1.75
Second Trengganu Tengah Development	30.20	—	75.70
East-West Highway — Phase II (Eastern Section)	15.00	—	61.50
Pahang Barat Integrated Agriculture Development	22.70	—	50.30
Mini-Hydropower Sector	24.00	—	—

Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs[a]
NEPAL			
Second Hill Irrigation	—	20.00	24.30
Science Education	—	8.00	12.80
Nepal Paper Mill Technical Services	—	4.00	4.32
PAKISTAN			
Telecommunications	29.00	—	60.00
Pipri II Thermal Generation (Supplementary)	—	29.00	36.14
Tarbela Hydropower Extension (Units 9 and 10)	29.00	—	159.00
Fourth Industrial Development Bank of Pakistan	20.00	20.00	—
Agricultural Development Bank of Pakistan	—	50.00	112.00
Baluchistan Fisheries Development	—	35.40	42.40
Sind Livestock Development	—	25.70	38.40
PAPUA NEW GUINEA			
Rural Health Services	12.00	—	20.83
Third Papua New Guinea Development Bank	—	11.00	—
PHILIPPINES			
Third Davao del Norte Irrigation	45.30	—	76.00
Cotton Development	26.70	—	45.60
Third Road Improvement	68.00	—	129.15
Agro-Processing and Marketing	36.00	—	52.00
Power System Development	32.75	—	58.00
Sixth Private Development Corporation of the Philippines	45.00	—	—
SRI LANKA, DEM. SOC. REP. OF			
Community Forestry	—	10.00	13.67
Health and Population	—	9.30	12.21
Technical Education	—	16.10	26.47
Livestock Development	—	15.20	20.72
Kirindi Oya Irrigation and Settlement (Supplementary)	—	10.00	28.00
THAILAND			
Second Power System Expansion	81.60	—	221.20
Songkhla Lake Basin Planning Study	3.00	—	4.58
Natural Gas Transmission	87.00	—	135.00
VANUATU			
Development Bank of Vanuatu	—	1.00	—
GRAND TOTAL	**1,184.50**	**546.10**	**3,337.03**

a Total project costs exclude those of DFI and sector loans.

part by the sharp 60 per cent increase in Bank lending to this sector in 1981. Bank loans in 1982 covered, among other things, the rehabilitation and expansion of the water supply systems in one provincial capital and five district towns, provision of waste disposal facilities in over 100 rural towns, upgrading of facilities and resources of vocational schools and improvements to health services, especially in rural areas.

Lending to development finance institutions (DFIs) also decreased to 8.6 per cent of total Bank lending in 1982 from 12.2 per cent of total lending in 1981.

On the other hand, there was a significant increase in lending to the Transport and Communications sector which accounted for 15 per cent of total lending during the year compared with 4.3 per cent in 1981. Bank loans supported, among other things, rehabilitation, improvement and construction of road communications, provision of telecommunications links through a high capacity microwave system and consultant services for master planning and detailed engineering designs for various ports.

LOAN APPROVALS BY COUNTRY AND BY SOURCE OF FUNDS, 1981, 1982, 1967-1982
(amounts in $ million)

Country	1981			1982			1967-1982			
	OCR	SF	Total	OCR	SF	Total	OCR	SF	Total	%
Afghanistan, Dem. Rep. of	—	—	—	—	—	—	—	95.10	95.10	0.83
Bangladesh	—	191.00	191.00	—	223.70	223.70	11.40	1,034.63	1,046.03	9.09
Burma	—	59.50	59.50	—	56.20	56.20	6.60	399.66	406.26	3.53
Cambodia	—	—	—	—	—	—	—	1.67	1.67	0.01
China, Rep. of	—	—	—	—	—	—	100.39	—	100.39	0.87
Cook Islands	—	—	—	—	1.50	1.50	—	2.50	2.50	0.02
Fiji	16.00	—	16.00	—	—	—	45.90	—	45.90	0.40
Hong Kong	—	—	—	—	—	—	101.50	—	101.50	0.88
Indonesia	337.80	—	337.80	371.07	—	371.07	1,777.85	162.28	1,940.13	16.87
Kiribati	—	—	—	—	—	—	—	1.75	1.75	0.02
Korea, Rep. of	205.20	—	205.20	205.50	—	205.50	1,579.03	3.70	1,582.73	13.76
Lao People's Dem. Rep.	—	—	—	—	—	—	—	36.84	36.84	0.32
Malaysia	116.80	—	116.80	92.58	—	92.58	799.33	3.30	802.63	6.98
Maldives	—	1.00	1.00	—	—	—	—	1.00	1.00	0.01
Nepal	—	45.20	45.20	—	32.00	32.00	2.00	294.92	296. 92	2.58
Pakistan	55.00	155.00	210.00	78.00	160.10	238.10	612.37	841.05	1,453.42	12.64
Papua New Guinea	8.00	8.00	16.00	12.00	11.00	23.00	55.95	80.94	136.89	1.19
Philippines	200.50	15.00	215.50	253.75	—	253.75	1,521.30	79.30	1,600.60	13.92
Singapore	—	—	—	—	—	—	178.08	3.00	181.08	1.57
Solomon Islands	—	—	—	—	—	—	—	14.85	14.85	0.13
Sri Lanka, Dem. Soc. Rep. of	—	35.50	35.50	—	60.60	60.60	14.13	306.21	320.34	2.79
Thailand	207.40	15.00	222.40	171.60	—	171.60	1,174.18	72.10	1,246.28	10.84
Tonga	—	1.68	1.68	—	—	—	—	6.05	6.05	0.05
Vanuatu	—	—	—	—	1.00	1.00	—	1.00	1.00	0.01
Viet Nam, Soc. Rep. of	—	—	—	—	—	—	3.93	40.67	44.60	0.39
Western Samoa	—	4.00	4.00	—	—	—	—	35.03	35.03	0.30
TOTAL	**1,146.70**	**530.88**	**1,677.58**	**1,184.50**	**546.10**	**1,730.60**	**7,983.94**	**3,517.55**	**11,501.49**	**100.00**

The total cost of projects approved — excluding seven DFI loans and two sector loans — is estimated at $3,337 million. Direct Bank financing accounted for about 46 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 seven DFI loans will be about $347.4 million. The projects to be financed by the two sector loans will involve an estimated total investment cost of $127 million.

At the end of 1982, the Bank's cumulative lending had reached $11,501.5 million for 565 projects in 26 DMCs. Of this total, loans amounting to $7,983.9 million were from OCR and $3,517.6 million were from SF.

In 1982, Local Cost Financing (LCF) amounted to $148.5 million for 19 projects in seven DMCs. Of this, $38 million was from OCR and $110.5 million from SF, representing 3.2 per cent and 20.2 per cent, respectively, of OCR and SF loans approved during the year. At the end of 1982, the Bank had provided a total of $610 million in LCF.

Co-Financing

In 1982, greater emphasis was placed on co-financing of development projects with other external sources. In view of the increasing difficulties in mobilizing official aid, opportunities for co-financing with commercial sources were more vigorously pursued than in the past.

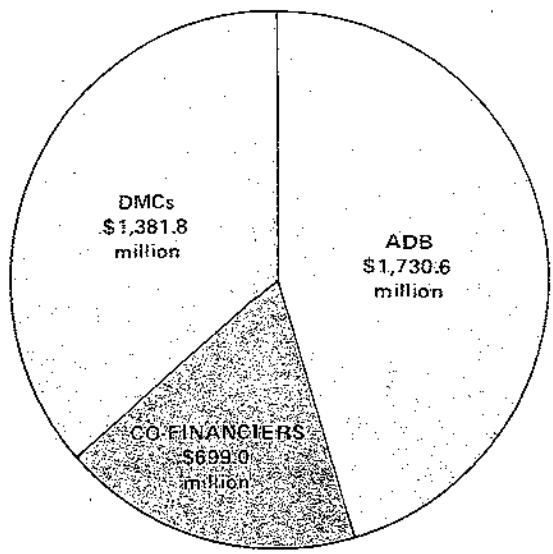
During the year, a total of 25 projects involved co-financing, with co-financiers contributing $699 million and the Bank contributing $878 million. This compared with 23 projects co-financed in 1981 for which co-financiers provided $627 million and the Bank $827 million. The relatively high amount of co-financing in 1982 was to a large extent due — as was the case in the previous year — to the inclusion of a few large projects in the Bank's lending operations having unusually large co-financing components. These included the Ashuganj Thermal Power Generation Project in Bangladesh which involved co-financing of $205 million and the Telecommunications Project in Pakistan which involved $101 million in co-financing, both from official sources.

As of the end of 1982, co-financing had been arranged for 136 Bank-assisted projects, with funds provided by co-financiers amounting to $3,241 million and Bank financing for these projects amounting to $3,855 million.

As in the past, much of the Bank's co-financing in 1982 was with bilateral and multilateral official sources, both in terms of number of projects (16, compared with 19 in 1981) and amount ($423 million, compared with $481 million in 1981). However, the share of official sources in the total amount of co-financing dropped from 77 per cent in 1981 to 61 per cent in 1982. Five member countries — Canada, Federal Republic of Germany, Japan, Sweden and Switzerland — provided $136.8 million, and Kuwait provided $46.5 million in co-financing with the Bank. Multilateral sources, comprising the European Economic Community (EEC), International Fund for Agricultural Development (IFAD), OPEC Fund for International Development, United Nations Development Programme (UNDP) and the World Bank, including the International Development Association (IDA), contributed $240 million.

Co-financing with commercial sources increased sharply in 1982, totalling $260.6 million in respect of nine projects and accounting for 37 per cent of all co-financing during the year. This compared with commercial co-financing of $87 million in respect of two projects in 1981 and a cumulative total of $125 million in respect of nine projects as of the end of 1981.

PROJECTS APPROVED IN 1982:
TOTAL COSTS AND SOURCES OF FINANCE



TOTAL COSTS[a]: $3,811.4 million

[a] *Total costs of DFI and sector loan projects are estimates based on previous Bank experience.*

Co-financing with export credit sources, however, was limited to $15 million for a single project, mainly due to the absence of suitable projects in the Bank's lending pipeline for the year.

In March 1982, a Co-Financing Unit was created in the Country Department to stimulate the interest of, and to serve as a focal contact point for, official as well as commercial co-financing sources. On the eve of the Bank's Fifteenth Annual Meeting, a Workshop on Co-Financing with Commercial and Export Credit Sources, attended by representatives from DMCs, commercial banks, the Bank and export credit organizations, was held in Manila. The Workshop provided a valuable opportunity for an exchange of views on ways of intensifying Bank efforts towards co-financing with commercial and export credit sources (see page 57).

During the year, a computer-based projects processing information system was introduced to improve monitoring and control procedures for the processing of projects and co-financing activities.

CO-FINANCING ARRANGEMENTS, 1982
(amounts in $ million)

Project	Country	Bank Loan		Amount of Co-Financing	Sources of Co-Financing
		OCR	SF		
Bhola Irrigation	Bangladesh	—	27.20	2.80	EEC
Ashuganj Thermal Power Generation	Bangladesh	—	35.00	92.00	IDA
				30.00	OPEC Fund
				35.00	Kuwait Fund
				48.00	Federal Rep. of Germany
Northwest Rural Development	Bangladesh	—	45.00	14.50	IFAD
Second Forestry	Burma	—	25.00	0.65	UNDP
Mandalay Water Supply	Burma	—	15.00	7.00	OPEC Fund
Transmission and Distribution System Development	Indonesia	58.40	—	15.00	Export Credit
Second Agricultural Credit	Indonesia	27.57	—	0.43	Switzerland
Extra High Voltage Transmission	Korea	50.00	—	32.00	Commercial Banks
Fourth Korea Long Term Credit Bank[a]	Korea	60.00	—	50.00	Commercial Banks
Seventh Small and Medium Industry Bank	Korea	50.00	—	15.00	Commercial Banks
Third Road Improvement	Korea	80.00	—	20.00	Commercial Banks
East-West Highway — Phase II (Eastern Section)	Malaysia	15.00	—	14.00	Commercial Banks
Mini-Hydropower Sector	Malaysia	24.00	—	13.00	Commercial Banks
Second Hill Irrigation	Nepal	—	20.00	1.37	UNDP
Science Education	Nepal	—	8.00	2.00	UNDP
Telecommunications	Pakistan	29.00	—	40.00	IBRD
				30.00	Federal Rep. of Germany
				31.00	Japan
Tarbela Hydropower Extension (Units 9 and 10)	Pakistan	29.00	—	17.00	Canada
				32.00	OPEC Fund
Pipri II Thermal Generation (Supplementary)	Pakistan	—	29.00	5.50[b]	OPEC Fund
Third Road Improvement	Philippines	68.00	—	11.50	Kuwait Fund
Sixth Private Development Corporation of the Philippines	Philippines	45.00	—	20.00	Commercial Banks
Kirindi Oya Irrigation and Settlement (Supplementary)	Sri Lanka	—	10.00	6.00	IFAD
				7.60	Federal Rep. of Germany
Technical Education	Sri Lanka	—	16.10	2.79	Sweden
				0.85	UNDP
Second Power System Expansion	Thailand	81.60	—	81.60	Commercial Banks
				4.96	IBRD
Songkhla Lake Basin Planning Study	Thailand	3.00	—	0.50	UNDP
Natural Gas Transmission and Distribution	Thailand	87.00	—	15.00	Commercial Banks
TOTAL		**707.57**	**230.30**	**699.05**	

a Bank loan was approved in 1981.
b Reallocation from a previous OPEC Fund loan for the Pipri Thermal Generation Project.

Benefits to the Poor

In recent years, particularly since the late 1970s, the Bank has become increasingly concerned with activities which will help alleviate poverty in its DMCs. While the Bank recognizes that economic growth is the central factor in its developmental role, it is equally aware that widespread poverty and inequitable income distribution can disrupt and even negate economic gains by leading to social or political instability. The Bank aims, therefore, to combine employment creation and poverty reduction with economic efficiency and viability as major objectives in its development projects.

In this regard, there has been a discernible trend in Bank operations since the mid-1970s in which the Bank has (i) concentrated its concessional lending in the poorer DMCs; (ii) emphasized investment in sectors which most benefit the poor, such as small farm agriculture and social infrastructure; (iii) identified and designed individual projects in such a way that their social impact would be high; and (iv) liberalized its modes of lending, including, for example, the provision of local cost financing in suitable cases. The Bank takes care to ensure, however, that all its projects meet the most rigorous tests of efficient resource allocation and sound management and banking practices.

The Bank has tried to ensure that substantial benefits go to its poorest borrowing countries by directing almost all of its concessional (ADF) lending to the low-income (Group A) DMCs. During 1982, 98 per cent of the Bank's $546 million in ADF lending went to the poorest countries — Bangladesh, Burma, Nepal, Pakistan and Sri Lanka. The only middle-income (Group B) country to receive any ADF funding was Papua New Guinea, which received $11 million for its development bank for relending to agricultural, fisheries, livestock, forestry and processing projects.

The Bank has also focused its lending in sectors where most of the project benefits go directly to the poor, especially agriculture and rural development and social infrastructure, which includes urban development and housing, education, health and population, and water supply and sanitation.

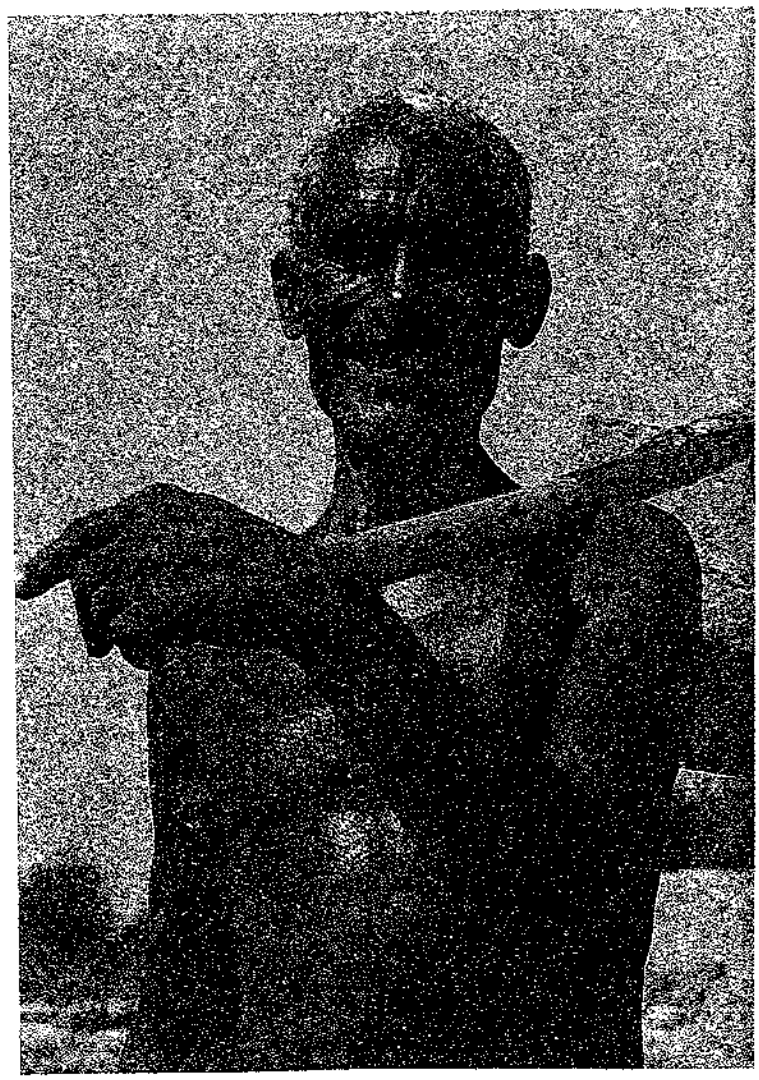
Bank-financed projects for agriculture and rural development, excluding agro-industry, received 34 per cent of total Bank lending in 1982. Since the majority of the poor live in rural areas and engage in agricultural activities, Bank-assisted agricultural projects have a significant impact on them. In order to ensure that project benefits actually reach the intended beneficiaries, the Bank recently introduced a Project Benefit Monitoring and Evaluation (PBME) system (see page 48).

Although the scope and emphasis of individual projects differ according to national needs and priorities, they share the common characteristic of helping the rural poor increase their productivity and incomes. Most projects concentrate on increasing agricultural production through the expansion of irrigated land, multiple cropping and, in the case of area development projects, the provision of credit and fertilizer, health services, vocational training and feeder roads. Examples of this type of Bank-assisted project for which loans were approved in 1982 are the Northwest Rural Development, Bhola Irrigation and Second Tubewell projects in Bangladesh, the Pahang Barat Integrated Agriculture Development Project in Malaysia and the Second Hill Irrigation Project in Nepal.

In many DMCs the rural poor depend on wood for heating and cooking and in some timber-producing DMCs forestry is an important income-generating activity for the landless and smallholder poor. In 1982, the Bank provided two loans for forestry development, $10 million for the Community Forestry Project in Sri Lanka and $25 million for the Second Forestry Project in Burma.

Bank-assisted livestock projects are aimed at improving the production capacity of the stock and increasing the availability of animal protein for local villagers. In 1982, the Bank approved loans of $25.7 million for the Sind Livestock Project in Pakistan and $15.2 million for a Livestock Development Project in Sri Lanka.

Bank loans for fisheries development also constitute an important method of directly assisting the poor, as a large percentage of Asia's poor depend upon fishing for their livelihood. In 1982, the Bank provided $92.4 million for three fisheries projects. The Brackishwater Aquaculture Project in Indonesia, for example, is expected to more than triple the average income of 7,700 smallholder farmers from $600 to $1,900 per year. The Second Irian Jaya Fisheries Development Project, also in Indonesia, is designed to improve the living conditions of 2,800 low-income artisanal fishermen and their families in Irian Jaya's Sorong area, and the Baluchistan Fisheries Development Project is ex-



pected to improve the standard of living of about 9,400 fishermen in the least developed province in Pakistan.

Social Infrastructure projects, particularly those in the Water Supply and Sanitation and Health and Population sectors, are particularly well-suited to improving the standard of living of the very poor in that they provide — often for the first time — the basic services so badly needed by low-income groups.

During the year, the Bank made four loans in the Water Supply and Sanitation sector, each of which will have an impact on the poor of the recipient DMCs. In Bangladesh, for example, improved water supply facilities in five district towns are expected to serve around 850,000 people by 1990. In Burma, a loan for a water supply project in Mandalay, the country's second largest city, is expected to benefit nearly 500,000 people. Other Bank loans in this sector — to the Republic of Korea and Thailand — are also expected to benefit the urban and rural poor through integrated water resource management and the elimination of waterborne diseases.

During 1982, the Bank also supported two rural health services projects. In Papua New Guinea about one million people are expected to benefit from a project which aims to provide basic health services in poor rural areas, and in Sri Lanka it is expected that the rural population in eight underserved districts will be provided with primary health care and family planning services.

In addition to providing assistance to sectors that directly aid the poor, the Bank also supports many projects that produce indirect benefits. In 1982, the Bank approved road improvement projects in Indonesia, Republic of Korea, Malaysia and Philippines which will provide access to numerous rural areas which are at present inaccessible. These roads will provide outlets for smallholder farm produce, decrease the cost of agricultural inputs and allow greater mobility to the people living in the project areas. Another example is the Bank-assisted Mini-Hydropower Sector Project in Malaysia which will bring electricity to some 375,000 people living in remote villages in four states of Peninsular Malaysia.

Each year the Bank continues to refine its strategy of providing a greater level of assistance to the poor in its DMCs. In the recent Study of the Bank's Operational Priorities and Plans for the 1980s, an approach has been outlined for the remainder of the decade that seeks to enhance the Bank's role in reducing poverty (see page 51).

First, the Bank's poverty-reducing and employment-creating efforts must not be confined to agriculture and social infrastructure projects, but should be incorporated, wherever feasible, into projects in other sectors such as Development Banks and Transport and Communications. Second, close attention must be paid — especially in projects addressed to the needs of the poor — to sociological and cultural factors and, most importantly, to institution-building to correct administrative and management deficiencies. Third, poverty issues should be made an important part of the Bank's policy dialogue with its DMCs. In summary, the Bank's objectives should be to support an appropriate blend of growth, employment creation and poverty alleviation throughout its broad range of development activities.

Support for Private Sector Activities in DMCs

The private sector plays a significant role in the growth of the Bank's DMCs, accounting for a large proportion of their gross domestic product. In view of this, it is essential that private sector initiatives should be encouraged and private investments promoted.

The Bank has been utilizing development finance institutions (DFIs) as an effective conduit for loans to the private sector. Since its very first loan in 1968, which was made to a DFI, the Bank has consistently supported small and medium-scale industries, many of them in the private sector, through credit lines. These enable the Bank to disperse medium and long-term development funds to a large number of smaller projects, the individual financing requirements of which are not large enough to warrant direct Bank supervision.

The Bank, as of the end of 1982, had approved 70 such loans totalling $1.46 billion to 28 DFIs in 19 borrowing countries. These loans accounted for about four-fifths of Bank assistance to the industrial sector and about 13 per cent of total Bank lending. The DFI loans were, in turn, farmed out to 7,600 subprojects, 95 per cent of them 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 feature of these credit lines is that they have proved to be perhaps the fastest vehicles for Bank assistance. They lead to a quick transfer of resources to the borrowing countries as well as to rapid generation of economic benefits. Almost two-thirds of the Bank's loans to DFIs have already been drawn down.

As an additional tool to promote private investment, the Bank is now actively exploring the possibility of undertaking equity financing on a modest scale.[1] In this connection, the Bank hosted a Regional Seminar on Equity Financing in Manila in February, at which the subject was exhaustively discussed by senior representatives of DMC governments, DFIs and industrial groups (see page 56).

Aside from equity investment operations, the Bank also initiated a study on how it could further diversify its operational activities to assist the private sector more effectively. Subject to the findings of this study, the methods that may warrant examination include unguaranteed loans (loans not guaranteed by the government of the recipient DMC), guarantee operations, subordinated loans, and additional flexibility in allowing credit lines to DFIs to be used for equity financing, etc. This study is expected to be completed in 1983.

In addition, the Bank is preparing to undertake a study on capital markets in selected DMCs as a regional technical assistance project in 1983. The study is expected to examine the status of capital market developments and identify possible areas for Bank assistance through technical or financial assistance.

During 1982, the Bank also continued to support the private sector in its DMCs through more traditional forms of assistance, such as its lending and technical assistance operations in the Agriculture and Agro-Industry and Energy sectors, as well as its support for infrastructure projects — roads, ports, shipping, communications and utilities — upon which private enterprises so frequently depend for their efficient operation.

Bank operations in the Agriculture and Agro-Industry sector, for example, have helped assist the region's largest single bloc of private entrepreneurs, the millions of small farmers who have directly benefited from Bank-assisted irrigation and rural development and fertilizer projects. Many other private enterprises have indirectly benefited as well — particularly those firms involved in the hauling, trucking, barging, milling, distribution or retailing of produce from Bank-financed agriculture projects.

SITE engineers at the Batang Ai Hydropower Project in Malaysia where the Bank is helping in the construction of rockfill dams, a power station and a 275 kV transmission line to Kuching, the state capital of Sarawak.

1 In March 1983, the Board of Governors approved a resolution authorizing the Bank to commence equity investment operations.

Training Activities

The Bank's DMCs are becoming increasingly aware of the need to develop human resources as an integral part of their economic development planning. In fact, the development of such resources represents a key factor in promoting economic growth. The DMCs are thus endeavoring to evolve a balanced, rational approach to human-resource planning along with a well-designed strategy for better organization, fuller development and more efficient use of the human resources of their countries.

There are many factors which determine a country's capacity for achieving economic growth and development. Broadly speaking, they can be grouped into three main categories: human, physical and financial. The human resource factor is particularly important. A country may possess abundant natural resources and the necessary machinery and capital equipment, but unless there are people who can mobilize, organize and harness these resources for the production of goods and services, it will not be able to make rapid strides towards economic and social advancement. Thus, one of the major tasks confronting the DMCs is the building up of "human capital."

Since its inception, the Bank has been actively assisting its DMCs to augment such capital through its training activities. These activities have included project-related training provided under Bank loans; training to support institution-building activities under advisory and operational technical assistance grants; general training activities offered on a regional/national basis through regional technical assistance; and on-the-job training in the Bank for seconded DMC officials.

Because human resource and institutional capabilities are essential in the implementation of projects, the Bank provides project-related training assistance in a variety of ways. For instance, it offers training to the staff of executing agencies through consultants. In 1982, 12 loans included such training components amounting to $9.7 million, more than double the amount allocated in the previous year. Similarly, the Bank provides overseas training and fellowships for executing agency staff. This has involved identifying specialized needs of key officials connected with project implementation and then arranging off-the-job training for them overseas. In 1982, 22 Bank loans entailed overseas training and fellowships totalling $8.8 million.

The Bank has also provided training support under advisory and operational technical assistance grants to establish or strengthen government institutions. These grants included provisions for both on-the-job and off-the-job training assistance. In 1982, ten such grants totalling $4 million were extended by the Bank.

The Bank's regional technical assistance grants have been for seminars and workshops dealing with procurement, project implementation, development banking, and project appraisal methods and techniques. In 1982, the Bank provided funds amounting to $1.2 million for 13 regional training activities which involved a total of 442 participants from 25 DMCs.

In pursuing its critical role in human resource and institutional development for its DMCs, the Bank will switch from a project-oriented approach for training to an integrated one serving a wider range of training needs. One reason for this is that a strong executing agency will help ensure successful project implementation; accordingly, the Bank will step up still further its institution-building efforts.

A key aspect of this strategy will be a new emphasis on institution-building associated more directly with improved Bank training activities. This new initiative will be based on an increasing recognition that the transfer of capital and technology is frequently not sufficient to ensure success, whether at the macro-economic or at project level, and that such capital transfer must be accompanied by measures to build up effective local institutions that can manage financial and human resources in a cost-effective manner.

ENGINEER checking a biogas unit in Nepal. A component for the development of biogas — a potential source of energy in many DMCs — was included in the Fourth Agricultural Credit Project, for which the Bank approved a $15 million concessional loan.

Environmental Activities

In its efforts to promote socio-economic development and improve environmental quality, the Bank recognizes the need to avoid serious and irreversible damage to natural resources and the environment. In this regard, the Bank usually takes one of two approaches. Either the environmental aspects are systematically integrated in a development project or they take the form of an environmental project *per se*.

In 1982, some 123 loan and technical assistance projects in 21 DMCs were reviewed to assess their environmental impact. Although most reviews were conducted at the appraisal stage of the project cycle, there were also sustained efforts to introduce environmental considerations at earlier stages — the planning of country programs, project identification and preparation and sector studies. It is expected that the environmental dimension will be viewed eventually as a routine and integral part of project appraisal.

The primary objective of environmental review is to identify potential impacts, predict their magnitude, and develop protective measures to minimize environmental degradation. Examples of this in Bank-assisted projects include an

air quality monitoring study to determine optimum stack heights for a power plant in Thailand; an investigation of land-based disposal options for effluent discharges generated by a proposed pulp and paper mill in Nepal; and development of environmental planning and design criteria for a hydropower project in the Philippines.

In undertaking these and other projects, the Bank works closely with DMC government agencies, international institutions and non-governmental organizations in the environmental field. It has also established training programs for Bank staff in aspects of environmental planning and management.

Resource management is a matter of growing concern, especially in the Bank's tropical DMCs which are inherently more susceptible to environmental degradation and ecological disturbances. Moreover, these countries tend to have rapidly growing populations whose need for food, fuel and shelter invariably strains the supporting capacity of the local environment. This often results in overgrazing, deforestation, lack of water, and increased disease transmission.

Consequently, developing country governments have given greater attention to projects involving environmental/resource planning (reforestation, shifting cultivation, multiple water-usage, and pollution) and a growing number of components have been included in Bank-assisted projects to help meet these needs. Consistent with this approach, the Bank in 1982 approved a loan to formulate a basin-wide development and environmental plan in southern Thailand for sustained development of water and other natural resources, agriculture, urban and rural infrastructure and industry. This will help ensure the systematic and orderly implementation of priority development projects and the optimum use of natural resources while minimizing environmental disturbance.

JUTE drying in Bangladesh. A Bank loan for the Jute Seed Project has helped improve research and experimentation facilities, seed production and training of local staff in the cultivation of this nationally important crop.

Sectoral Review

Agriculture and Agro-Industry

The largest portion of the Bank's lending in 1982 went once again to the Agriculture and Agro-Industry sector. Lending to this sector amounted to $621.3 million (35.9 per cent of lending overall), an increase of 14.7 per cent over the level of 1981.

More than 50 per cent of the Bank's technical assistance in 1982 also went once again to this sector.

These figures reflect the continued emphasis placed by the Bank on assisting its DMCs in this vital field. For most of the DMCs, agriculture accounts for between 25 and 60 per cent of Gross Domestic Product (GDP) and provides employment for between 50 and 90 per cent of the labor force. A major part of export earnings, from about one-third to 90 per cent of all merchandise exports (including processed products), also originates in this sector.

The achievement of major DMC development objectives — such as increased food production, employment creation, foreign exchange earnings and savings, and amelioration of poverty — remains heavily dependent on continued development in this sector.

The Bank extended 22 project loans in this sector in 1982. These included three technical assistance loans and one supplementary loan for a project previously approved.

Within the sector, nearly half the lending (49.7 per cent) went to irrigation and rural development. Agricultural support services, including agricultural credit, received the next largest share (18.3 per cent), followed by fisheries (14.9 per cent), livestock (6.6 per cent), forestry (5.6 per cent) and industrial crops and agro-industry (4.9 per cent).

The Bank approved 28 technical assistance grants in the Agriculture and Agro-Industry sector in 1982 amounting to $8 million. The largest portion of this — 10 grants for $4.2 million — went to irrigation and rural development.

As part of the Bank's efforts to examine the needs of its borrowing DMCs in this sector and in order to formulate appropriate strategies for responding to such requirements, Bank staff and consultants completed a comprehensive Agriculture Sector Strategy Study of Nepal during 1982. The study was financed by Bank technical assistance approved in December 1980.

Total lending to this sector as of the end of 1982 amounted to $3,427 million for 194 projects, while technical assistance amounted to $58.8 million for 240 projects.

Irrigation and Rural Development: The primary objectives of Bank-assisted agriculture projects continue to be raising food production, diversifying agricultural output and developing the rural economy. The central factor in crop intensification strategies is irrigation, combined with flood control and drainage measures. Close attention is, however, also paid to increasing employment opportunities and raising rural incomes. An integrated approach to agricultural and rural development projects is emphasized and special emphasis is placed on strengthening rural institutions and designing projects to achieve increased participation of smallholders and landless workers.

Emphasis is also placed on smaller-scale schemes involving relatively simple technology which can be implemented fairly quickly and, for similar reasons, projects involving the rehabilitation of existing facilities and im-

LOAN APPROVALS BY SECTOR: THREE-YEAR MOVING AVERAGES, 1968-1970 — 1980-1982
(amounts in $ million)

	Total Lending	Agriculture and Agro-Industry	Energy	Industry and Non-Fuel Minerals	Development Banks	Transport and Communications[a]	Social Infrastructure: Water Supply and Sanitation	Social Infrastructure: Urban Development, Education, Health and Population
Average during								
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
1980-1982	1,614.6	543.6	458.7	11.8	159.8	185.3	96.3	159.1
Cumulative (1968-1982)	11,501.5	3,427.3	2,957.2	391.4	1,458.6	1,615.0	887.4	764.6
Percentage Distribution								
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	9.2	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
1980-1982	100.0	33.7	28.4	0.7	9.9	11.5	6.0	9.8
Cumulative (1968-1982)	100.0	29.8	25.7	3.4	12.7	14.0	7.7	6.7

a Includes Multiproject loans.

provements to water management practices are also favored.

During 1982, the Bank approved a $77 million loan for an Irrigation Package Project in Indonesia under which existing irrigation systems will be rehabilitated and upgraded, directly benefitting 82,460 farm families and indirectly benefitting another 138,700 rural families in Java, of which the majority are in the low-income bracket.

Three concessional loans were extended to Bangladesh, all aimed at increasing agricultural output and alleviating poverty among the landless and rural poor. The rapid development of minor irrigation facilities under individual and private group ownership and operation is the main thrust of the Government's Medium Term Foodgrain Production Plan, which is aimed at achieving self-sufficiency in foodgrains. The primary objective of the Bhola Irrigation Project (for which the Bank approved a loan of $27.2 million) and the Second Tubewell Project ($56.5 million) is to help achieve the Plan targets for minor irrigation, while the Northwest Rural Development Project ($45 million) includes a specific program to assist the landless.

Two projects involved co-financing with the International Fund for Agricultural Development (IFAD). These were the Northwest Rural Development Project in Bangladesh (for which IFAD provided $14.5 million) and the supplementary loan for the Kirindi Oya Irrigation and Settlement Project in Sri Lanka (for which IFAD provided $6 million). The latter also involved co-financing of $7.6 million from the Federal Republic of Germany.

In 1982, the Bank approved ten loans amounting to $308.7 million in this subsector. This accounted for almost 50 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 $1,816.8 million.

Industrial Crops and Agro-Industry: The Bank's activities in this subsector cover the development and/or related processing of plantation crops — such as tea, rubber, oil palm and coconut — and that of field crops — such as sugar, jute, cotton and rice. Assistance for fertilizer production is also included.

During the year, the Bank extended two loans to this subsector amounting to $31 million. The first ($26.7 million for the Cotton Development Project in the Philippines) will assist over 35,000 farm families to grow cotton to help meet growing domestic demand and save foreign exchange used for the import of cotton. The second ($4 million for the Paper Mill Technical Services Project in Nepal) will involve the investigation, design, supervision and monitoring of the construction of a mill which will produce printing and writing paper, using local paddy straw and sabai grass as basic feedstock.

As of the end of 1982, the Bank had provided a total of $589 million in loans for 37 projects in this subsector.

Fisheries: The Bank has emerged as an important source of financing of fisheries development projects in Asia and the South Pacific. These projects have emphasized the importance of this subsector as a source of high-protein food, particularly for the lower-income groups, and highlight its significant impact on economic growth, employment generation and its potential for foreign exchange earnings.

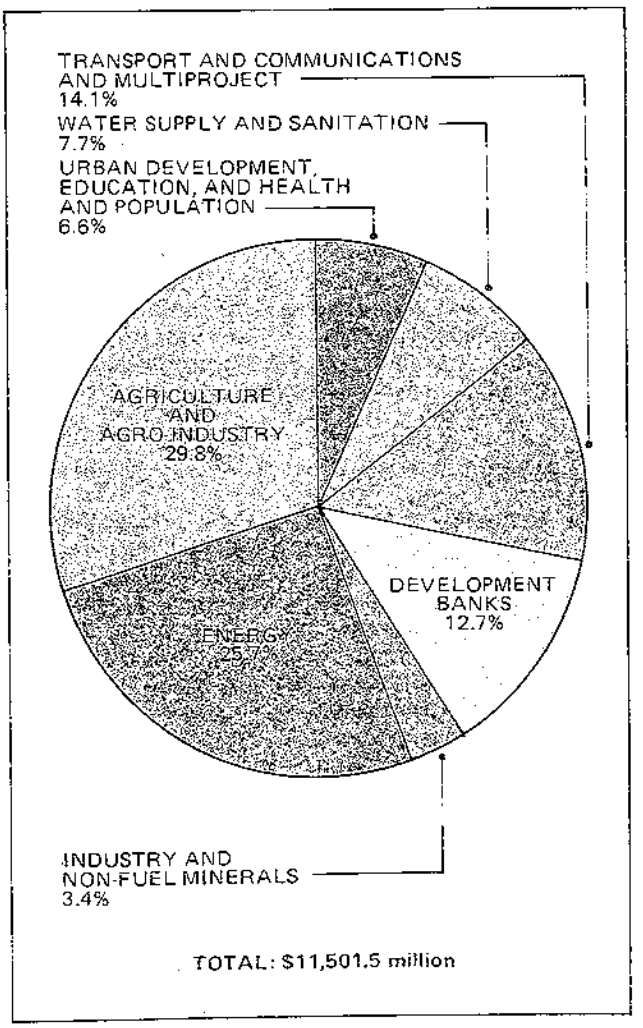
During 1982, the Bank made three loans amounting to $92.4 million for the fisheries subsector — the Second Irian Jaya Fisheries and the Brackishwater Aquaculture Projects in Indonesia and the Baluchistan Fisheries Project in Pakistan.

As of the end of 1982, the Bank had made 32 loans amounting to $460 million for fisheries and aquaculture development.

Livestock: The Bank's experience in this subsector is still rather limited, but the number of loans is increasing and the scope of projects is broadening to encompass almost all aspects of livestock development, including the strengthening of government support services. The major target group in most recent projects has been the small farmer.

During the year, the Bank approved two livestock loans — the Sind Livestock Development Project in Pakistan and the Livestock Development Project in Sri Lanka. Both are designed to increase mainly smallholder livestock output and the supply of animal products to meet domestic demand.

LOAN APPROVALS
BY SECTOR, 1967-1982



As of the end of 1982, the Bank had provided $135.2 million in loans for 11 livestock projects.

Forestry: In the forestry field, the Bank has assisted projects relating to log extraction, processing and afforestation for industrial use, fuelwood production and environmental protection. Due to diminishing wood supplies and the increased cost of alternative sources of fuel, afforestation has become particularly urgent for many DMCs.

During 1982, the Bank approved two loans for forestry totalling $35 million. The first — the Second Forestry Development Project in Burma — is aimed at maintaining Burma's rich forest resources while increasing timber extraction, reducing transport losses and improving recovery and the quality of wood during processing. The United Nations Development Programme (UNDP) will co-finance this Project with $650,000. The second — the Community Forestry Project in Sri Lanka — is designed to increase the supply of fuelwood for low-income rural dwellers.

As of the end of 1982, the Bank had provided seven loans amounting to $85.7 million to the forestry subsector.

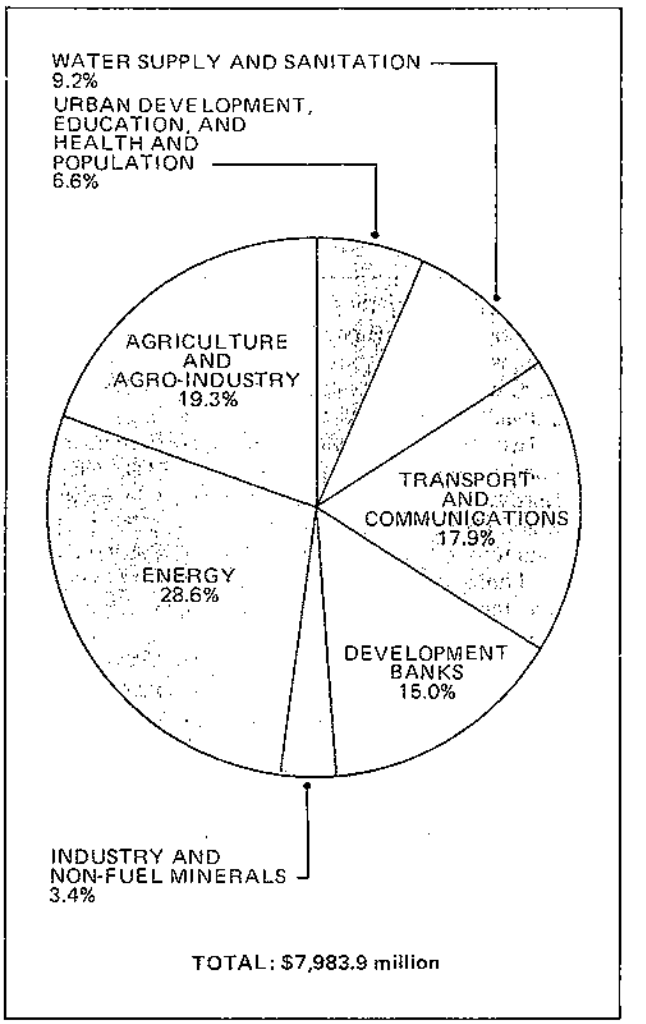
Agricultural Support Services: The Bank recognizes the importance of agricultural credit and other support services (such as research, extension, marketing and storage) in promoting expanded agricultural production and improving the condition of the small farmer.

In 1982, three loans totalling $114 million were extended in this area. Two were for agricultural credit — $27.57 million for the Second Agricultural Credit Project in Indonesia which will also be supported by Switzerland with $430,000 in co-financing, and $50 million to the Agricultural Development Bank of Pakistan. The third — $36 million for the Agro-Processing and Marketing Project in the Philippines — will augment and modernize post-harvest and marketing facilities in the rice and fruit and vegetable sectors.

Seven technical assistance grants totalling almost $1 million were also extended in this area.

As of the end of 1982, the Bank had provided 24 loans for agricultural support services projects (including agricultural credit) totalling $340.5 million.

ORDINARY LOAN APPROVALS
BY SECTOR, 1967-1982



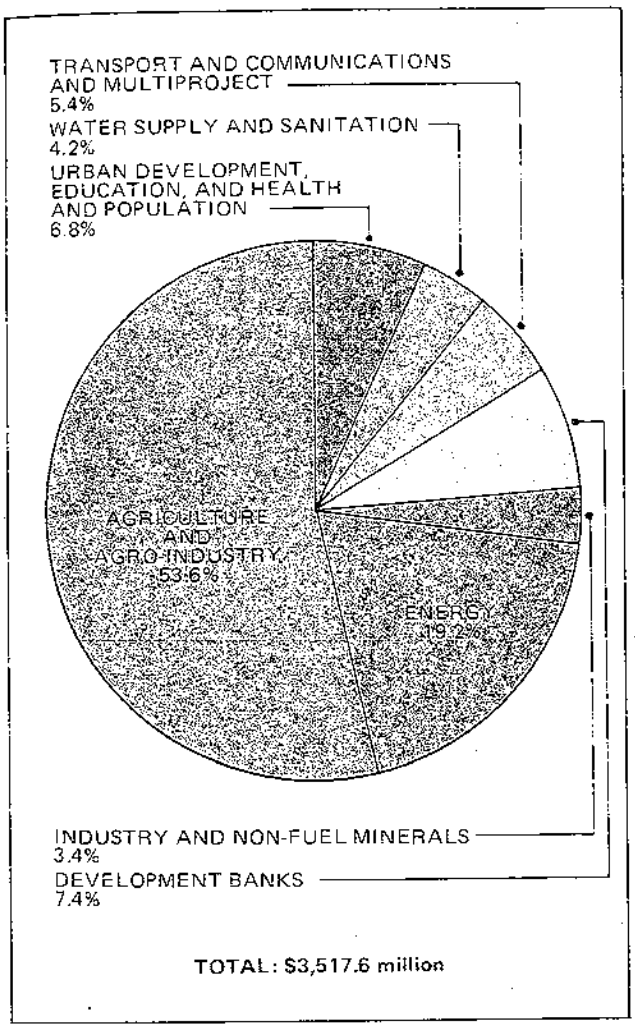
Energy

Activities in the Energy sector during 1982 reflected policies that evolved largely from the findings and recommendations of the Bank's Regional Energy Survey (RES). Completed in 1981, the RES recommended, inter alia, that the Bank increase its lending and technical assistance activities, including co-financing, in the Energy sector. It also recommended that the Bank broaden its portfolio by increasing support to the development of renewable and indigenous energy resources, the promotion of energy conservation and the enhancement of the capabilities of national energy planning institutions to formulate and implement effectively comprehensive energy development plans and policies. In order to cope with the increased and diversified work load, the Energy Planning Unit within the Industry and Development Banks Department served as the focal point for the planning and development of Energy Sector activities and for the formulation of policies and strategies for the Bank's lending and technical assistance operations.

The main thrust of the Bank's lending operations during 1982 in the Energy sector continued to be power development. However, increased emphasis was placed on the development of indigenous, mostly renewable, energy resources. Of the 11 loan projects approved during the year in this sector, five were for the development of indigenous resources. These loans, amounting to $198.6 million, will assist in the installation of about 580 MW of hydropower generating capacity in Malaysia, Pakistan and Thailand. Bank projects also envisage the utilization of natural gas for power generation. Two loans made during the year will provide for the installation of 500 MW of gas power generating capacity in Bangladesh and Pakistan.

Apart from the development and utilization of indigenous resources, Bank activities were also aimed at the development of transmission and distribution facilities for electricity and natural gas. These included the rehabilitation and reinforcement of existing distribution lines, expansion

SPECIAL FUNDS LOAN APPROVALS
BY SECTOR, 1967-1982



of extra high voltage and other transmission lines as well as construction of new ones. In all, about 4,172 km. of extra high voltage, transmission and distribution lines of various voltages will be provided by Bank financing in Indonesia, Republic of Korea, Philippines and Thailand. A gas project in Bangladesh will help develop onshore transmission and distribution gas pipelines, while another, in Thailand, will assist in the construction of offshore pipelines and an onshore compressor unit to enable the transmission of additional gas supplies.

Most of the Energy sector loans made in 1982 included components for strengthening institutional capability of the executing agencies in such fields as manpower training, assistance in demand forecasting, hydrological studies, project evaluation, inventory control, system planning and load management activities. The implementation of the generation and transmission and distribution projects is expected to result in reduced losses in distribution and transmission and lesser dependence on oil use. Indirectly, these projects will also help the growth of balanced regional development and help alleviate balance-of-payments problems.

Although the number of loan projects approved in 1982 was unchanged from the previous year, the amount increased from $480.1 million to $513.7 million. The share of the Energy sector in total Bank lending rose from 28.6 per cent in 1981 to 29.7 per cent in 1982. Co-financing to the extent of $421.1 million was arranged for eight projects: $264.5 million from bilateral and multilateral sources for four projects and $156.6 million from commercial and export credit sources for five projects. Total cumulative lending to the Energy sector amounted to $2,957.1 million at the end of 1982.

During 1982, technical assistance operations in this sector underwent significant changes both in quantitative and qualitative terms. Energy planning was promoted through two technical assistance projects in Bangladesh, one for national energy planning and the other for power system planning. Renewable indigenous energy promotion through hydropower development, both major and minor, will be undertaken under three technical assistance grants approved for Indonesia and Philippines. Development of another indigenous resource, coal, in the Philippines will be undertaken in a feasibility study financed by a technical assistance grant. Industrial energy audit and conservation technical assistance grants were approved in order to help Republic of Korea and Philippines to formulate more effective policies and programs for energy conservation.

Through another technical assistance project, rural electrification in the DMCs will be surveyed to help in the assessment and evaluation of rural electrification programs. Similarly, a review of refinery rationalization needs in the DMCs will be undertaken to provide a broad assessment of the existing and prospective petroleum product imbalances and, in the light of the future demand, to formulate strategies for meeting the projected situation.

During the year, two major energy-related meetings were held at the Bank: the Energy Planning Coordination Meeting, which was aimed at coordinating Energy sector technical assistance activities in the Bank's region; and the Regional Power Utility Tariff Symposium, at which rational approaches to determining appropriate power utility tariffs were discussed (for additional details, see pages 56 and 58).

Other related projects in the pipeline for 1983 include the processing of the ASEAN Coal Development Study which will look into projected demand and supply potential and options in the ASEAN region and propose preliminary strategies. Preparatory work was done on a Sail Boat Motor Propulsion Project which aims to investigate the energy saving potentials through retrofitting sails on motor-powered vessels used in inter-island shipping in the South Pacific region. Preparatory work was well advanced on a Second Natural Gas technical assistance project in Bangladesh, an Energy Conservation technical assistance project in Thailand and a Rural and Renewable Energy Development technical assistance project in Indonesia aimed at examining the prospects of replacing oil with local resources.

During 1982, the Bank's technical assistance to the Energy sector amounted to $5.23 million comprising $4.46 million for ten projects in the DMCs and $774,000 for six regional Energy sector technical assistance grants.

Industry and Non-Fuel Minerals

The majority of the Bank's DMCs continue to assign high priority to industrialization as a strategy for achieving balanced and accelerated socio-economic development. Although industrial growth in many borrowing countries has been affected in recent years by the rising costs of fuel imports and widespread recession, industrialization remains a focal point in the economic development of the region.

Improvements in balance of payments through import substitution and/or export diversification, higher employment generation, more equitable income distribution and a wider dispersal of the ownership of the means of production are among the benefits sought by DMCs from industrialization. However, 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 industrial capacity and industrial infrastructures, taking into account such factors as their individual level of economic development, resource endowments, size of domestic markets and international trade. Traditionally, the Bank has helped its DMCs to industrialize by providing finance for the creation or expansion of industrial capacity. It has done this in two ways: by direct lending for large-scale industries and by indirect lending through DFIs which are involved in the promotion of small and medium-scale industries. Recognizing the importance of applied research and industrial management training for supporting industrial development, the Bank has also extended assistance for the establishment, expansion and upgrading of industrial research institutes and industrial management training institutes, thereby helping small and medium-scale industries achieve greater operational efficiency, higher productivity, better quality standards and improved technology.

The development of non-fuel mineral resources for export and domestic consumption can make a significant contribution towards increasing foreign exchange earnings and domestic revenues in some DMCs, thus serving both to improve balance of payments as well as stimulate economic activity in other sectors. Several DMCs are known to have significant amounts of untapped mineral resources, but a major constraint in their development to date has been lack of basic information and data for assessing and evaluating mineral deposits. The Bank recognizes that systematic geological, geophysical and geochemical surveys can help facilitate more rapid mineral resource development in DMCs through generation of

LOAN APPROVALS BY SECTOR, 1981, 1982, 1967-1982
(amounts in $ million)

Sector	1981						
	OCR		SF		TOTAL		
	No.	Amount	No.	Amount	No.[a]	Amount	%
Agriculture and Agro-Industry	9	276.60	13	265.00	20	541.60	32.28
Agriculture	8	253.60	10	165.00	16	418.60	24.95
Agro-Industry	1	23.00	3	100.00	4	123.00	7.33
Energy	6	335.90	5	144.20	11	480.10	28.62
Industry and Non-Fuel Minerals	1	13.00	—	—	1	13.00	0.78
Development Banks	3	140.00	3	64.00	6	204.00	12.16
Transport and Communications	1	71.40	1	1.00	2	72.40	4.32
Water Supply and Sanitation	4	123.70	—	—	4	123.70	7.37
Urban Development	2	99.30	—	—	2	99.30	5.92
Education	3	61.00	2	21.50	4	82.50	4.92
Health and Population	1	25.80	2	33.50	3	59.30	3.53
Multiproject	—	—	1	1.68	1	1.68	0.10
TOTAL	**30**	**1,146.70**	**27**	**530.88**	**54**	**1,677.58**	**100.00**

a A project which is financed from both OCR and SF is counted only once.

reliable data on location, quantity, quality and mining feasibility of mineral ore deposits. Bank activities in this sector in 1982, therefore, focused on follow-ups to earlier technical assistance for the development and upgrading of national institutional capabilities and facilities for conducting mineral resource surveys and exploration programs.

During the year, the Bank approved a loan of $16.2 million to Burma for a tin mining project, bringing cumulative Bank lending to the Industry and Non-Fuel Minerals sector as of the end of the year to 24 loans amounting to $391.44 million for 22 projects in nine DMCs. The Bank had also extended 22 technical assistance grants amounting to $3.767 million to this sector for 21 projects in nine countries (including two regional studies).

Development Banks

During the year, the Bank continued to promote the growth of small and medium-scale industries through credit lines to DFIs. In this way, the Bank is able to make assistance available to comparatively small development projects, the financing requirements of which are not individually large enough to warrant direct evaluation, financing and follow-up. The Bank uses the DFIs as channels to reach specific target groups; it also augments the resources of the DFIs themselves and enables them to assist a much larger number — and a much wider range — of enterprises than might otherwise have been possible.

The Bank's assistance to DFIs is also directed towards promoting financially sound and well-managed institutions which can make significant contributions to the developmental efforts in their respective countries. DFIs can do this by effectively mobilizing domestic and external resources and efficiently allocating them among carefully chosen development projects. Apart from actively strengthening and reorienting existing DFIs in the region, the Bank has also assisted in the establishment of new DFIs, particularly in the South Pacific.

The Bank has provided technical assistance to DFIs for institution-building purposes. Such assistance is extended together with loans, or separately, as may be appropriate and is utilized by DFIs to secure the services of experts to advise and guide them in organizational and operational matters and for staff training.

In 1982, the Bank extended credit lines of $1.5 million to the Cook Islands Development Bank (CIDB) and $1 million to the Development Bank of Vanuatu (DBV), the first time the Bank had assisted these two South Pacific DFIs. The Bank's loan to CIDB — for which it had earlier provided technical assistance — includes for the first time a component for financing low-cost housing construction. The loan

1982							1967-1982						
OCR		SF		TOTAL			OCR		SF		TOTAL		
No.	Amount	No.	Amount	No.[a]	Amount	%	No.	Amount	No.	Amount	No.[a]	Amount	%
10	297.30	12	324.00	22	621.30	35.90	78	1,541.43	132	1,885.88	194	3,427.31	29.80
9	270.60	11	320.00	20	590.60	34.10	64	1,349.33	102	1,443.15	157	2,792.48	24.30
1	26.70	1	4.00	2	30.70	1.80	14	192.10	30	442.73	37	634.83	5.50
8	404.10	3	109.60	11	513.70	29.70	77	2,281.75	47	675.39	105	2,957.14	25.71
—	—	1	16.20	1	16.20	0.90	18	272.47	6	118.97	22	391.44	3.40
3	115.00	4	33.50	6	148.50	8.60	48	1,197.10	25	261.50	70	1,458.60	12.70
6	257.40	—	—	6	257.40	14.90	69	1,426.78	27	184.37	87	1,611.15	14.00
2	28.50	2	29.40	4	57.90	3.30	36	738.86	12	148.56	44	887.42	7.72
1	30.20	—	—	1	30.20	1.80	9	249.45	1	20.00	10	269.45	2.34
1	40.00	2	24.10	3	64.10	3.70	10	199.80	14	160.60	22	360.40	3.13
1	12.00	1	9.30	2	21.30	1.20	4	76.30	4	58.40	8	134.70	1.17
—	—	—	—	—	—	—	—	—	3	3.88	3	3.88	0.03
32	**1,184.50**	**25**	**546.10**	**56**	**1,730.60**	**100.00**	**349**	**7,983.94**	**271**	**3,517.55**	**565**	**11,501.49**	**100.00**

to DBV was combined with a technical assistance grant of $100,000 to facilitate institutional development.

The Bank also made four other loans to assist private industrial enterprises: the Small and Medium Industry Bank in the Republic of Korea ($50 million), the Industrial Development Bank of Pakistan ($40 million), the Private Development Corporation of the Philippines ($45 million), and the Papua New Guinea Development Bank ($11 million, combined with a technical assistance grant of $210,000 for institution-building purposes). The Bank had previously extended similar credit lines to each of these DFIs.

Two of the credit lines approved in 1982 involved co-financing with commercial banks, the Seventh Small and Medium Industry Bank ($15 million) and the Sixth Private Development Corporation of the Philippines ($20 million). In addition, $50 million in commercial co-financing was arranged in respect of the Fourth Korea Long Term Credit Bank, for which the Bank extended a $60 million credit line in 1981, bringing to $100 million the total of commercial co-financing for this Project.

In all, the seven loans for six projects approved by the Bank in this sector during the year amounted to $148.5 million. As of the end of 1982, the Bank had approved 70 such credit lines amounting to $1,459 million, representing 12.7 per cent of total Bank lending.

Transport and Communications

Bank lending to this sector showed a marked increase during the year following the sharp but temporary decline in 1981 when — due partly to special circumstances including the cyclical nature of Bank lending in some sectors — the share of Bank lending for Transport and Communications fell to only 4.3 per cent of total Bank lending for the year.

In 1982, however, the Bank made six loans amounting to $257.4 million or nearly 15 per cent of total lending, more than three times the $72.4 million approved for this sector in the previous year. This was in response to the demand within DMCs for reliable low-cost transportation infrastructure and services with a view to reducing regional disparities and promoting the closer integration of rural and national economies.

Bank loans to Indonesia and the Philippines approved during the year will help to construct, or upgrade and improve, nearly 2,000 km. of rural roads, in addition to about 850 km. of national roads. The projects are located in diverse regions and cover numerous districts in these two archipelagic DMCs. By comparison, only about 800 km. of rural roads had been improved with Bank assistance during the entire preceding decade. Both projects included maintenance components and consultant services for institution-building. Technical assistance grants for the preparation of similar projects in the future were also extended to both countries with the aim of further systematic improvement of roads in selected provinces.

Arising from earlier Bank technical assistance, a loan for upgrading the eastern section of the East-West Highway in Malaysia will complement Government investments in agriculture, irrigation and land development in the less developed east coast states of the country, thereby helping to reduce regional socio-economic disparities. Another Bank-assisted project for the improvement of 400 km. of national roads and 27 bridges will result in the completion of a plan to upgrade the primary national network of roads in the southern part of the Republic of Korea.

One loan approved in 1982 will provide for consultant services for the preparation of a detailed engineering design for the second phase development of Surabaya Port, as well as for the development of Balikpapan and Banjarmasin Ports in Indonesia where, over the years, the Bank has financed many projects in this sector. In addition, master plans and feasibility studies covering seven trunk ports in central Indonesia will be prepared, followed by detailed engineering designs for some of these ports on a selective basis.

The Bank made its first loan in eight years for telecommunications — $29 million for a new microwave system linking, inter alia, the cities of Karachi and Peshawar in Pakistan.

Four projects approved for the Transport and Communications sector in 1982 involved co-financing amounting to $146.5 million. The Telecommunications Project in Pakistan will be co-financed by the World Bank, the Federal Republic of Germany, Japan and Government/other sources. Assistance from the Kuwait Fund will support the Philippine road project, while funds from commercial sources will be harnessed for the road projects in Malaysia and Republic of Korea.

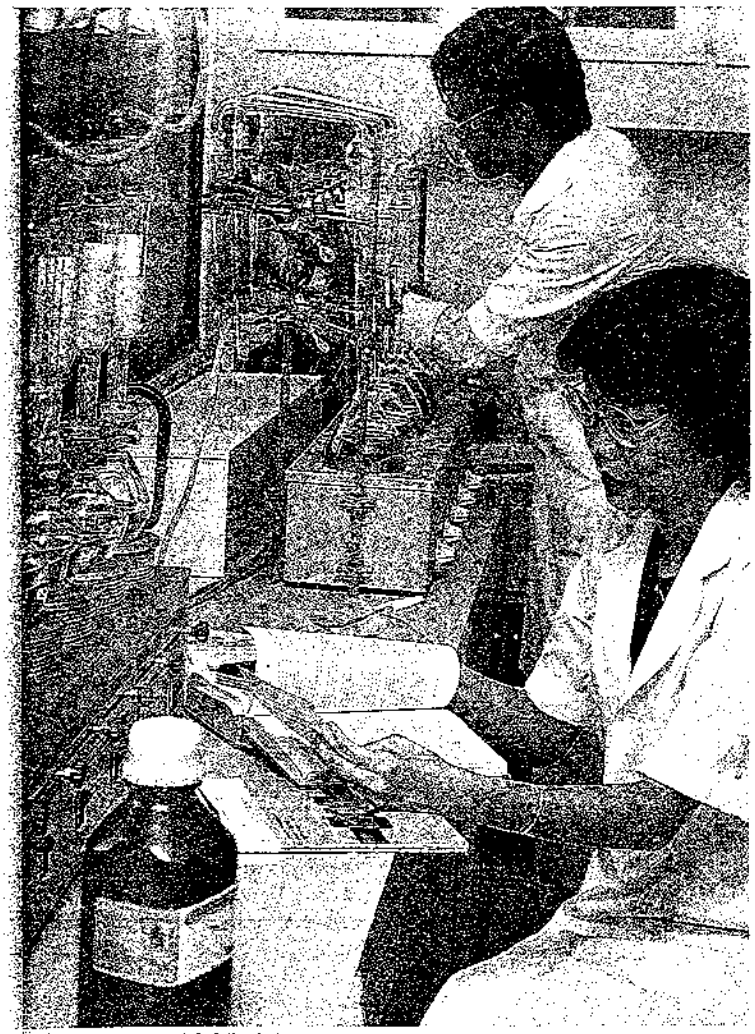
The Bank approved six technical assistance projects for this sector in 1982 — two for roads, three for ports and one for a regional study. The latter will, in the light of relative energy efficiencies of different modes of transport and the need to conserve energy, assess the impact of energy costs on transportation and the emerging priorities for future investment in this sector (see page 72).

As of the end of 1982, the Bank had made 96 loans amounting to $1,611.2 million for 87 projects in the Transport and Communications sector. Roads and ports projects received the major share (58.6 per cent and 30.1 per cent, respectively), followed by airports (5.7 per cent), railways (2.9 per cent), and telecommunications (2.7 per cent). Cumulatively, the share of lending to the sector as a proportion of total lending since 1968 stood at 14 per cent.

Water Supply and Sanitation

It has been estimated that 80 per cent of all illness in developing countries is linked to contaminated drinking water and lack of adequate sanitation facilities. Moreover, at any given time there are about 150 million Asians suffering from gastro-enteritis, a disease directly linked to dirty water. To alleviate this situation, the United Nations has declared the period 1981-1990 the International Drinking Water Supply and Sanitation Decade. Its goal is to provide access to safe drinking water and adequate sanitary facilities for everyone by the end of the decade.

Formerly, the Bank's lending activities in this sector were concentrated in assisting metropolitan and large urban water supply and sewerage systems. However, the emphasis has recently shifted to more balanced development in both urban and rural areas in order to promote social equity and improve the health conditions of rural, as well as urban, communities. Reflecting this, the Bank in 1982 approved loans for the provision of water supply facilities in a provincial capital, for the provision of water supply and sanitation facilities in five district towns and for the treatment of human waste in 102 rural towns. It also approved a technical assistance program loan for a planning study involving an integrated approach to water resource manage-



LABORATORY technicians at the Bedok Sewage Treatment Plant in Singapore, where a Bank loan will help to double capacity to 116,000 cubic meters per day.

ment and economic and social development in a less developed region. This trend is expected to continue and several small town and rural water supply and sanitation projects are being prepared for possible Bank financing in 1983 or later.

During the year, a concessional loan was approved for a project in Mandalay, Burma's second largest city. This will provide clean and reliable water to 90 per cent of Mandalay's population of 500,000 and a phased investment program for improving wastewater disposal and sanitation. A concessional loan was also provided to Bangladesh for a project designed to improve and expand the existing water supply facilities and commence the provision of adequate sanitary facilities in five district towns with populations ranging from 68,000 to 159,000. Some 102 rural municipalities with populations ranging from 5,000 to 57,000 in the Republic of Korea will benefit from a $25.5 million Bank loan which will provide some 66 cost-effective facilities for treatment and disposal of human waste. In Thailand, more balanced regional development and a more widespread distribution of the benefits of economic growth will result from a technical assistance program loan approved during the year. This will finance an integrated study for water resource management and economic and social development of the Songkhla Lake Basin and be followed by a detailed feasiblity study of selected high priority projects.

Two of these projects involved co-financing arrangements: the Mandalay Water Supply Project, for which the OPEC Fund for International Development will provide $7 million; and the Songkhla Lake Basin Planning Study, for which UNDP will provide $500,000.

The Bank approved five project preparatory technical assistance grants in this sector in 1982 — in Bangladesh, Indonesia, Republic of Korea, Nepal and Thailand. It also approved one advisory and operational technical assistance grant in Burma, as well as technical assistance for a seminar which will address the problem of improving the control of urban water supply distribution systems in general and the problem of controlling unaccounted-for water in particular.

The Bank approved four loans amounting to $57.9 million for this sector in 1982. As of the end of 1982, total lending to the Water Supply and Sanitation sector amounted to $887.4 million, covering 44 projects in 14 countries.

Urban Development

The Bank's approach in this sector has been to support programs which are aimed at directly improving living conditions in low-income areas and which lead to more efficient urban growth. Consistent with the latter objective, the Bank has supported, in appropriate cases, development of new towns or growth centers with rural hinterlands. Such development, apart from providing essential services to the predominantly low-income population, also serves to improve the spatial balance of economic infrastructure and growth and thereby reduce pressure on large cities. The Bank lays emphasis on policy issues and institutional aspects, including financial management, in order to improve the capabilities of agencies responsible for urban and regional development. While Bank-assisted Water Supply and Sanitation sector projects contribute directly to its objectives in the Urban Development sector, increasing importance is also attached to complementarity of services and an integrated approach towards urban development and housing.

During 1982, the Bank approved $30.2 million for an urban development project as well as technical assistance grants of $50,000 for a country urban sector profile and $80,000 for a regional seminar.

The Second Trengganu Tengah Development Project in Malaysia is designed to provide development roads and basic settlement-related facilities in new towns as part of a large resource-based regional development scheme in the state of Trengganu. The Project, complementing two earlier Bank loans related to that regional development scheme, will provide for the construction of about 52 km. of new roads and town development works in six new towns/growth centers. On completion, the Project will benefit about 40,000 people, mostly belonging to low-income groups.

In Indonesia, a technical assistance grant for an urban sector study will provide a comprehensive urban sector profile, including a review of experiences and impact of urban sector programs/projects, which would enable the identification of potentials and priorities for Bank assistance in the short and medium-term. The regional technical assistance grant will bring together, through a seminar on Financing of Low-Income Housing, senior officials from public, quasi-public and private agencies for discussions on policies and financing of low-income housing. This will lead to the identification of constraints and problems and

their possible solutions.

At the end of 1982, total lending for the sector amounted to $269.5 million for ten projects and $774,500 for six technical assistance projects, excluding contributions amounting to $854,500 from UNDP for three technical assistance projects.

Education

The development of education in DMCs remains an important area of the Bank's operational activities. In the past, the Bank's lending in this sector was channelled mainly into vocational and technical education and training. More recently, however, the Bank has played an increasingly important role in a broader spectrum of educational activities.

In addition to the more traditional engineering craft and technician training, the Bank's involvement in vocational and technical education now extends to agricultural education, vocational courses for business, commercial art, home economics and a variety of traditional crafts. Such vocational and technical education projects support educational development consistent with overall regional and national economic development needs. Project components, which are delineated in accordance with each country's manpower and development needs, include the development of curricula, teacher training, provision of equipment and technical consultants, fellowships for staff development, and management and institutional improvement.

During the year, a separate Education Division was established in the Bank in recognition of the crucial role which education plays in the economic and social development of its DMCs.

The Bank provided $64.1 million in three loans for education in 1982. In addition, the Swedish International Development Authority (SIDA) provided co-financing of $2.79 million and the United Nations Development Programme (UNDP) a total of $2.85 million.

The Vocational Education Project in Indonesia is designed to improve the quality of vocational education and alleviate the country's shortage of skilled manpower. The Project will upgrade 26 vocational schools and provide for the construction of 22 new schools. In addition, two vocational education development centers will be established to train vocational school teachers and improve the quality of vocational schools curricula. The Project is expected to help increase the number of students enrolled annually in business, home economics, and arts and crafts schools by 50 per cent — from about 20,000 at present to about 30,000 on completion of the Project at the end of 1987.

The Technical Education Project in Sri Lanka — for which the Bank has agreed to provide $16.1 million — has three components: (i) establishing a National Technical Teachers Training College; (ii) fully upgrading ten technical institutes and providing laboratory facilities at ten other technical institutes; and (iii) improving the relevance and efficiency of technical education in areas such as curricula, evaluation, inspection and institutional resources development. As a result of the Project, the craftsmen and technicians passing through the technical institutes will be more highly skilled in trades needed by the country for its planned economic development. A small increase in the number of engineering graduates is expected because the improvement of the technical institutes should lead to a reduction in student drop-out rates.

The Science Education Project in Nepal — for which the Bank has agreed to provide $8 million — is aimed at improving the quality of science teaching in secondary schools in Nepal. This should have the effect of improving the quality of students entering post-secondary technician training centers and institutions of science and technology. Under the Project, 25 Science Education Development Units will be established to provide in-service training programs for science teachers and six existing pre-service science teacher training institutes (which are campuses of Tribhuvan University) will be upgraded. It is estimated that about 180,000 secondary school students will benefit from the Project. In addition, about 2,500 secondary science teachers will have their knowledge and pedagogical skills upgraded.

The Bank approved a technical assistance grant to prepare an agricultural education project in Indonesia.

At the end of 1982, Bank assistance for the Education sector amounted to $360.4 million for 24 loans and $3.52 million for 19 technical assistance projects.

Health and Population

High population growth rates continue to cause concern in many DMCs. The trends in birth and death rates are closely interrelated with the countries' social and economic development, including developments in the health status of their populations. Delivery systems for health and family planning services are closely linked in many countries, and the Bank continues to adopt an integrated approach to population programs and health improvements.

During 1982, two projects amounting to $21.3 million were approved for the Health and Population sector, one of which resulted from previous Bank technical assistance. The Health and Population Project in Sri Lanka, which the Bank is supporting with a $9.3 million concessional loan, constitutes the first phase of Government plans to improve the country's integrated delivery system for health and family planning services. The Project is to be implemented in eight underserved districts and includes provisions for the construction, upgrading and equipping of health centers, support of in-service training programs and consultant services.

A Bank loan of $12 million was extended for the Rural Health Services Project in Papua New Guinea which is aimed at improving the health services delivery system in six of the country's 19 provinces. The Project will help in the construction and upgrading of health centers and aid posts and provide them with essential medical and communications equipment. A provision has also been made to improve the availability and quality of water supplies and sanitary facilities to rural communities as well as Government institutions such as health facilities and schools.

During the year, the Bank approved a technical assistance grant of $150,000 to Burma for preparation of the Rangoon General Hospital Project and a grant of $50,000 to Indonesia to help prepare a Health and Population sector profile. The study is expected to result in the identification of potential areas for Bank support for this sector in Indonesia.

At the end of 1982, the Bank had approved eight loans in the Health and Population sector amounting to $134.7 million and $1.3 million for eight technical assistance projects.

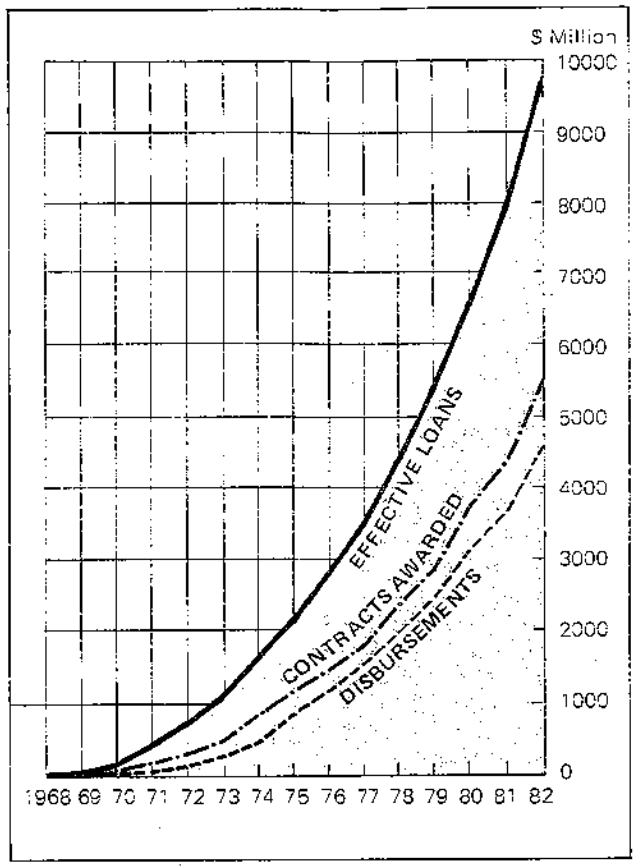
Loan Administration

During 1982, 57 loans were approved and 60 loans had become effective, including 48 loans approved in previous years. This brought the total number of loans under administration to 375 compared with 357 in 1981. Of the projects being supervised, 103 involved co-financing with other external sources.

Bank staff continued to monitor closely individual projects. During the year, 189 loan administration missions visited 287 projects in the field to review the physical progress of projects and deal with specific loan administration matters. In addition, 17 loan disbursement missions were undertaken to explain disbursement procedures and help expedite the submission to the Bank of loan withdrawal applications. Furthermore, in response to the requests of certain borrowing countries for periodic discussions on Bank-financed projects, two project implementation review missions were sent to a borrowing country. In the course of these, high-level review meetings were held with senior government officials on broad institutional, financial and procedural issues related to ongoing projects. Similar missions to other borrowing member countries will be carried out in 1983.

Continuing an activity started in 1981, studies on the performance of three borrowing member countries in implementing projects were undertaken by the Central Projects Services Office, bringing to six the total number of country profile reports prepared by the Bank. These reports identify and analyze country specific implementation problems and issues which are then discussed with central government authorities. Enhancing the absorptive capacity of the countries concerned is the main objective of this exercise.

CONTRACTS AWARDED AND DISBURSEMENTS TO END OF 1982



CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS, 1968-1982[a]
(amounts in $ million)

Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No.[b]	Amount[c]	Amount[c]	Percentage of Cumulative Effective Loans	Amount[d]	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
1982	570	9,672	5,531.8	57	4,504.6	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 one fully cancelled and seven refinanced loans.
c Net of cancellations and amount transferred to subsequent loans.
d Includes interest and other charges financed during construction.

In 1982, measures to streamline internal procedures were instituted in order to achieve greater efficiency in the Bank's loan administration activities. A committee set up in 1981 to undertake a comprehensive review of loan administration practices and procedures completed its work and made various recommendations involving, among other things, greater delegation of authority, simplification of procedures and streamlining of work flows. Most of the recommendations of the committee have been approved by Management and adopted for implementation by Bank staff. Others requiring the approval of the Board of Directors will be considered early in 1983. To complement these efforts to streamline loan administration, computerization of loan administration data and reports was initiated and a Loan Financial Information System was started. This system is now being expanded to include additional project data which will facilitate the Bank's project monitoring activities. Likewise, in order to avoid delays in selecting consultants for project implementation, computerization of consultants' data through use of the Data on Consultants (DACON) form has been accelerated. With regard to co-financed projects, which are often more difficult to supervise, improvements in recording and reporting systems were introduced during the year.

In 1982, the Bank also provided assistance to project executing agencies to improve their project implementation capabilities. Two regional seminars on procurement and one on project implementation management were conducted at the Bank's Headquarters. In addition, three country seminars on procurement were held in Burma, Malaysia and Sri Lanka. A total of 295 senior and middle-level officials participated in these seminars. To provide additional guidance on procurement activities, a Handbook on Procurement was completed and is now being provided to staff of executing agencies. Likewise, sample tender documents, prepared jointly with the World Bank and the Inter-American Development Bank, were finalized and will be made available to Bank borrowers. With respect to consultants, a Handbook on Recruitment of Consultants is under preparation and is expected to be completed in early 1983.

Two major indicators of overall project performance are the total value of contracts awarded and disbursements. Contracts for the supply of goods and services recorded a substantial increase of 79 per cent from $646 million in 1981 to $1,158 million in 1982. More than 16 per cent of the total value of contracts awarded in 1982 went to suppliers and consultants from DMCs, bringing the cumulative share of DMCs in Bank-financed procurement to 13.6 per cent compared with 12.9 per cent in 1981.

Disbursements in 1982 amounted to $795 million compared with $667 million in 1981. Disbursements under ordinary loans amounted to $620 million, representing a 20 per cent increase over the 1981 figure of $518 million. With respect to Special Funds loans, $175 million was disbursed, 17 per cent more than the $149 million disbursed in 1981 and a substantial improvement over the marginal reduction registered in that year. However, the 1982 figure for Special Funds loans was still short of an earlier projection of $213 million and this was due primarily to large shortfalls in three projects which experienced implementation difficulties. The increase of $128 million in ordinary and Special Funds loan disbursements is significant considering the problems that most of the projects faced because of budgetary difficulties.

Projects Completed

Thirty-six projects were completed in 1982, bringing the total number of projects completed to 208 out of 565 projects approved as of the end of the year. Project Completion Reports (PCRs) are prepared for completed projects and 28 such PCRs were prepared in 1982 of which 13 have been submitted to the Board of Directors and 15 are to be circulated in early 1983. A total of 81 PCRs have been prepared up to the end of 1982.

Project Benefit Monitoring and Evaluation

For many Bank-assisted projects additional activities beyond those connected with project implementation are required to ensure that benefits are achieved and sustained. In most irrigation projects, for example, several complementary activities are required for the accrual of benefits, including (i) delivery of irrigation services, (ii) delivery of supporting agricultural services, and (iii) marketing services and pricing incentives. Through loan covenants and assurances the Bank seeks to ensure that these necessary services are provided and that an appropriate policy environment is also present. However, experience indicates that additional efforts are required to ensure that benefits are actually achieved, particularly in complex projects and in most Agriculture and Rural Development projects.

To help ensure that development services are received by intended beneficiaries and that project benefits actually accrue, the Bank recently introduced Project Benefit Monitoring and Evaluation (PBME) into many projects. The Agriculture and Rural Development Department developed Guidelines on Logical Framework Planning (LFP) and Project Benefit Monitoring and Evaluation (PBME) in August 1980, appointed a Project Economist (PBME) in August 1982 and held an in-house seminar/workshop on PBME in November 1982.

PBME is an organized sequence of activities that provides information to concerned agencies to (i) measure socio-economic benefits in the project area; (ii) specify those areas where corrective action is needed; and (iii) assist policy makers examine the influence of various policies and procedures concerning the achievement of intended project benefits. PBME data also serve other purposes. PBME benchmark surveys, if completed prior to appraisal, assist executing agencies and Bank staff in project formulation and appraisal. Information generated through PBME activities will also be used by executing agencies and the Bank in PCRs and in evaluation studies conducted by the Post-Evaluation Office.

In 1983, PBME will be more thoroughly incorporated into Bank practices and a Regional Seminar on PBME is also planned. Methodologies for specific categories of agricultural and rural development projects are being developed and will be incorporated into project preparation. As required, Agriculture and Rural Development Department staff conduct PBME missions in addition to normal loan administration missions. Educational materials and programs for Bank staff and for personnel in appropriate DMC agencies will be offered.

Work has also commenced on developing PBME systems for infrastructure projects and a regional seminar is pro-

posed to be convened in 1983 to discuss PBME methodology for education projects.

Post-Evaluation

The Post-Evaluation Office (PEO) is organized as a separate unit and it reports direct to the President. Independent assessment of Bank projects in the Project Performance Audit Reports (PPARs), which that office prepares, embraces all aspects of the Bank's operational activities including project preparation, appraisal, implementation, operating performance, economic returns, the Bank's monitoring performance and achievement of project objectives. Lessons derived from the post-evaluation of completed projects are, where appropriate, translated into inputs for policy making, for shaping the operational activities and improving project implementation in subsequent activities in the sector and in the DMCs. The Board of Directors attaches particular importance to the post-evaluation function and its Audit Committee is required, among other things, to satisfy itself that the post-evaluation activities are adequate and efficient. In its Annual Report to the Board, the Audit Committee welcomed the continued strengthening of the post-evaluation activities of the Bank.

During 1982, 23 PPARs were prepared. These covered projects in Burma (one fisheries and one general agriculture project), Indonesia (two irrigation projects), Republic of Korea (one irrigation, one water supply, one road and one industrial project), Malaysia (one rural development, one road and one water supply project), Pakistan (one power project), Papua New Guinea (one road project), Philippines (one power, one road and one port project), Sri Lanka (one fisheries and one irrigation project), Thailand (one education and one development bank project), Tonga (one telecommunications project) and Western Samoa (one telecommunications and one development bank project). As of 31 December 1982 a total of 81 PPARs had been prepared. Of the 91 projects completed prior to the end of 1978, 57 have been or are being post-evaluated. The Bank proposes to post-evaluate all projects completed since 1979 for which Project Completion Reports have been prepared.

The Fourth Review of Post-Evaluation Reports was issued in April 1982. This Review covered 22 projects (involving 29 loans, including two supplementary loans and five blended loans) post-evaluated during 1981. These projects involved a total investment of about $733 million, of which the Bank provided about $250 million. The Review found that 13 projects (about 60 per cent) were successfully implemented and fulfilled their objectives, some remarkably well; seven projects (approximately 30 per cent) only partially achieved their objectives; and two projects (about 10 per cent) could be considered as marginal, although even these did have some positive impact on the borrowing country. These 22 projects were approved between 1970 and 1975, and a large proportion suffered from the effects of the unsettled conditions and more severe inflationary trends of the mid-1970s after the energy crisis.

The Review brought to light a number of factors that had an impact on successful project implementation, including project preparation, designs, cost overruns, delays, and capability and experience of executing agencies. The Review focused on the experience of the Bank in institution-building during the 1970s. In many cases, it was concluded, this experience had been satisfactory and improvements had been made in the administration and technical capabilities of executing agencies. It was often found that Bank monitoring played a crucial role in strengthening the executing agencies and in avoiding delays. Based on the post-evaluation findings a number of recommendations were made in relation to project preparation, implementation schedules, financial covenants and forecasts, institution-building aspects of the Bank's operations and follow-up action on some post-evaluation findings.

In 1982, the role of the PEO was expanded to include the preparation of effectiveness and impact studies. During the year, work was initiated on four special studies to examine the effectiveness of certain operational activities and to evaluate their impact. These comprised a fisheries sector impact study and three studies on the effectiveness of executing agency arrangements, project-related technical assistance and training in DFIs.

The fisheries subsector has presented difficulties, some of which are attributable to the energy crisis, and the fisheries sector impact study will focus on a review of the Bank's experience and issues to be resolved in its future operations as well as common problems in this sector. The objectives of the study of executing agency arrangements are to assess those arrangements which have been adopted for the Bank's loan and technical assistance projects and to analyze the strengths and weaknesses of alternative implementation arrangements. Technical assistance, financed by grants or under loans, is an important component of the Bank's assistance to its DMCs. The study of this assistance aims at evaluating its effectiveness in strengthening institutions and improving their planning, design and implementation capabilities.

To date, the Bank has organized 24 regional training programs for personnel of DFIs. The strengths and weaknesses of these training activities are being assessed under a special PEO study.

During the year, the practice was initiated of inviting PEO staff to attend meetings concerned with the processing of new loan proposals, with a view to ensuring that the experience gained from completed projects — as determined through post-evaluation studies — is appropriately taken into account in the formulation of new projects. This is a useful and timely development which should have a beneficial impact on the Bank's assistance to its DMCs.

TELEPHONE operators in Western Samoa. The telecommunications system of this South Pacific DMC was modernized and expanded under a Bank-financed Telecommunications Project.

Technical Assistance and Regional Activities

During 1982, the Bank provided $18 million in technical assistance (including technical assistance for regional activities) for 80 projects compared with $16.6 million for 62 projects in 1981. Of this, $15.5 million was for project preparatory and advisory/operational technical assistance for 56 projects in 12 DMCs compared with $14.8 million for 49 projects in 16 DMCs in 1981.

About 61 per cent of the increase in the number and almost half the increase in the amount of technical assistance projects approved during the year were due to the greater emphasis being given to regional activities — such as training programs and workshops, seminars and surveys — for which grants rose from $1.8 million for 13 projects in 1981 to $2.5 million for 24 projects in 1982.

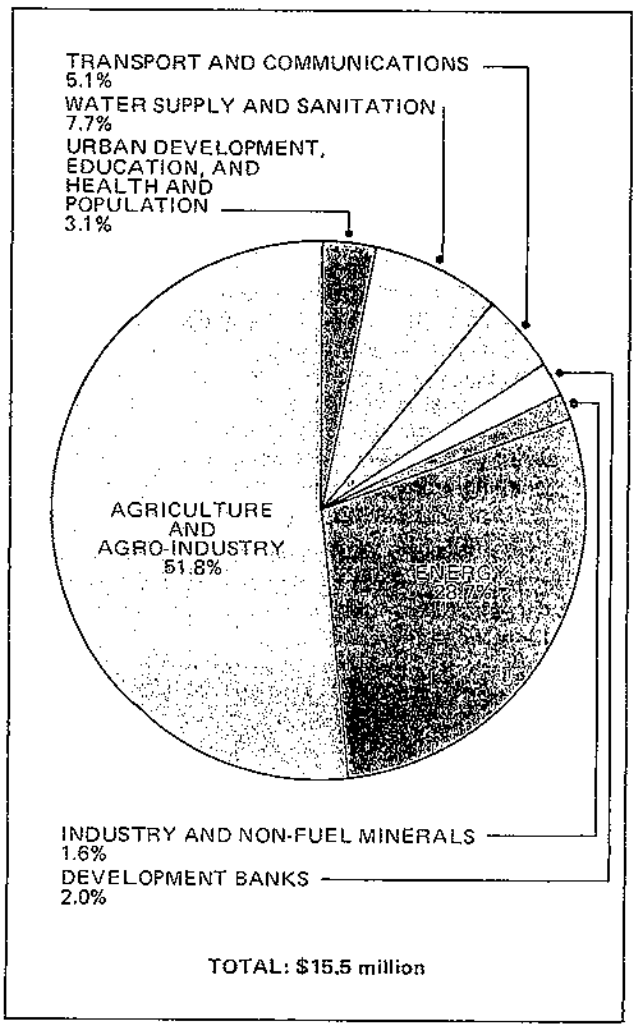
Technical Assistance for DMCs

Technical assistance is one of the important areas 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.

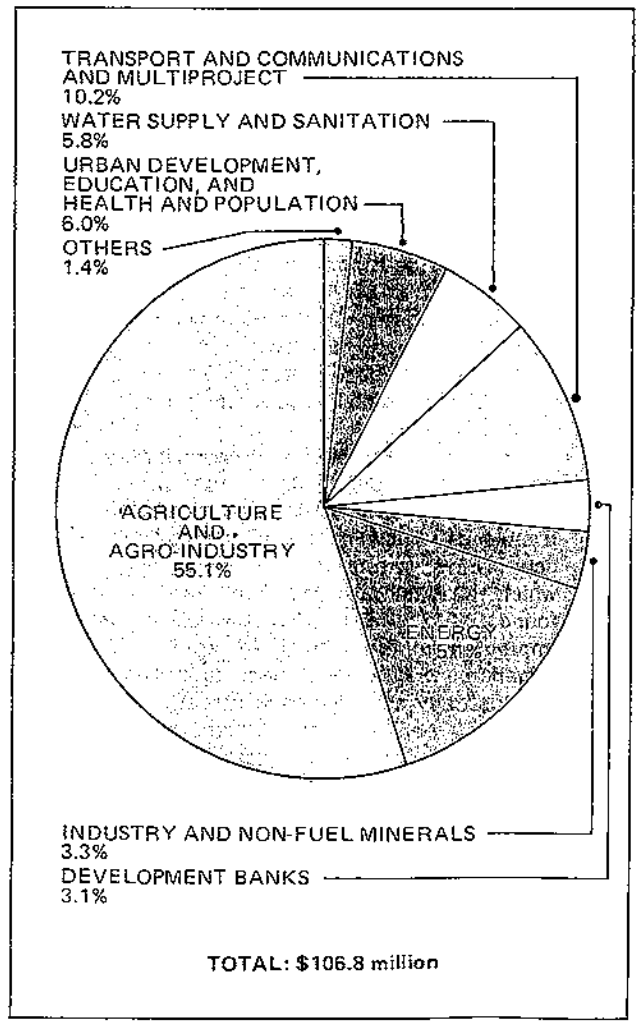
In broad terms, the Bank provides three types of technical assistance: project preparatory, advisory and operational (including project implementation/supervision), and regional. Project preparatory technical assistance is aimed at helping a borrower to formulate viable investment projects for subsequent 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 operational technical assistance, regional technical assistance

TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1982



TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1967-1982



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 40 per cent of the Bank's total technical assistance has been for project preparation, 50 per cent for advisory and operational, and the remaining 10 per cent for regional activities.

During 1982, project preparatory technical assistance amounted to $7.9 million for 43 projects, while advisory and operational technical assistance amounted to $7.6 million for 13 projects. These amounts included technical assistance grant components incorporated in 20 Bank loans amounting to $6.5 million, of which $1.8 million was for project preparation and $4.7 million for advisory and operational (including implementation).

Technical assistance grants are financed mainly from the Bank's Technical Assistance Special Fund (see page 84). In addition, the Bank acts as Executing Agency for technical assistance projects financed from other multilateral and bilateral sources such as UNDP and the 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 1982, eight technical assistance projects amounting to $5.1 million were wholly or partly financed from other sources with the Bank acting as Executing Agency, comprising six projects for $4.3 million from UNDP and two projects for $0.8 million from the Swiss Government. In addition, four projects received assistance from FAO on a cost-sharing basis.

Twelve DMCs received project preparatory and advisory/operational technical assistance from the Bank amounting to $15.5 million for 56 projects in 1982. Technical assistance grants provided to South Pacific DMCs in 1982 amounted to $1.2 million for seven projects compared with $576,000 for five projects in the previous year.

On a sectoral basis, 51.8 per cent of the total amount of technical assistance approved in 1982 was for Agriculture and Agro-Industry compared with 55.2 per cent in 1981. Technical assistance in this sector involved, among other things, irrigation, agricultural credit, rural development, forestry, livestock and fisheries, smallholder agriculture, aquaculture, integrated area development, foodgrain storage and cotton development. About 28.7 per cent was provided to the Energy sector to cover mainly rural electrification and mini-hydropower development, 5 per cent to the Transport and Communications sector and the rest to Development Banks, Industry and Non-Fuel Minerals, Water Supply and Sanitation, 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 1982, 229 Bank loans amounting to $4,558 million had resulted from earlier technical assistance amounting to $55.9 million provided by the Bank. In 1982, 33 loans amounting to $976.3 million resulted from earlier technical assistance; of this $585.5 million was from OCR and $390.8 million from SF, representing 49 per cent and 72 per cent, respectively, of total loan approvals from each of these sources in 1982. This also highlights the importance of technical assistance in the Bank's concessional lending operations to the low-income DMCs, and those DMCs which are fully eligible for SF lending received $8.1 million for 22 projects compared with $9.5 million for 26 projects in 1981.

ENERGY conservation service unit at work in Bangkok. A Bank-assisted Energy Master Plan will provide the Government of Thailand with a comprehensive strategy for the orderly development and management of the Energy sector up to the year 2000.

A total of 36 technical assistance projects, mostly approved in previous years, were completed in 1982, 32 projects for project preparation and four projects for advisory and operational purposes, bringing the total number of technical assistance projects completed to 330 projects. The total amount of technical assistance grants provided to DMCs as of the end of 1982 stood at $106.8 million.

Regional Activities

Study of the Bank's Operational Priorities and Plans for the 1980s: In November, the Study of the Bank's Operational Priorities and Plans for the 1980s was completed. The main objective of this Study was to review the entire range of policies and procedures that affect the Bank's operational programs and to develop strategies and guidelines for Bank operations in the medium-term up to the end of 1987, especially in the context of the resources constraints that are expected to prevail in this decade. This was the first time in the Bank's 16 years of existence that such a comprehensive review had been undertaken.

Although the Study was essentially carried out by Bank staff, it benefited from guidance by an Advisory Group of five eminent outside experts on the conduct of the Study. The Advisory Group comprised Prof. John P. Lewis of Princeton University (Chairman), Dr. Nurul Islam of the Food and Agriculture Organization (FAO), Prof. Kiyoshi Kojima of Hitotsubashi University, Japan, Prof. Mohammed

TECHNICAL ASSISTANCE APPROVALS, 1982
(amounts in $ thousand)

Country/Project	Project Preparatory	Advisory and Operational
BANGLADESH		
Ganges-Kobadak Rehabilitation and Improvement	491.0[a]	—
Energy Planning	—	2,100.0[b]
Low-Lift Pump Command Area Development	234.0[c]	—
Power Transmission and Distribution	50.0	—
District Towns Sanitary Drainage	100.0	—
Rural Development II	250.0[d]	—
Power System Master Plan Study	—	650.0[e]
BURMA		
Second Forestry	—	990.0[f]
Mandalay Water Supply and Sanitation	—	250.0
Rangoon General Hospital	150.0	—
INDONESIA		
IKK and Small Towns Water Supply and Sanitation Sector	250.0	—
Agricultural Education	238.0	—
Mini-Hydropower Development	150.0	—
Sixth Port	150.0	—
Health and Population Sector Study	50.0	—
Urban Development Sector Study	50.0	—
Tulungagung II and Baro Raya Irrigation Study	150.0	—
Second Agricultural Credit	—	430.0[g]
National Crop Protection	249.0	—
Arterial, Collector and Rural Roads Development	150.0	—
Fisheries Sector Study	50.0	—
Tanggari II Hydropower Scheme	150.0	—
KOREA, REPUBLIC OF		
Rural Sewage Treatment	50.0	—
Energy Conservation Investment Review	—	275.0
MALAYSIA		
Kalaka-Saribas Integrated Agricultural Development	150.0	—
NEPAL		
Second Hill Irrigation	—	1,370.0[h]
Water Supply and Sanitation Sector Profile	50.0	—
Formulation of Fifth Power	50.0	—
Hill Forest Development	150.0[i]	—

Note: For Regional Activities, see page 73.

a Of this, $341,000 is to be financed by UNDP, with the Bank acting as Executing Agency.
b Of this, $1.05 million is to be financed by UNDP, with the Bank acting as Executing Agency.
c In addition, FAO will provide $81,000 under a cost-sharing arrangement.
d In addition, FAO will provide $96,600 under a cost-sharing arrangement.
e Of this, $400,000 is to be financed by UNDP.
f Of this, $650,000 is to be financed by UNDP.
g To be financed by the Government of Switzerland, with the Bank acting as Executing Agency.
h To be financed by UNDP, with the Bank acting as Executing Agency.
i In addition, FAO will provide $52,000 under a cost-sharing arrangement.

Country/Project	Project Preparatory	Advisory and Operational
PAKISTAN		
Foodgrain Storage	50.0	—
Channel Maintenance Dredging Study for Port Qasim	85.0	—
Revised Chashma Right Bank Irrigation	240.0	—
Baluchistan Fisheries	—	250.0
PAPUA NEW GUINEA		
Cape Rodney Agricultural Development	190.0	—
Port Development Study	250.0	—
Third Papua New Guinea Development Bank	—	210.0
PHILIPPINES		
Sorsogon Integrated Area Development	350.0	—
Forestry Development	245.0	—
Cagayan River (Mindanao) Hydropower Study	150.0	—
Mineral Resources Development (Phase II)	244.0	—
Cotton Development	—	220.0
Agro-Processing and Marketing	47.0	—
Aquaculture Development	215.0	—
Second Coal Development	330.0	—
Industrial Energy Audits and Conservation Program	—	560.0
Rural Roads	150.0	—
Agro-Processing and Marketing	—	250.0
SOLOMON ISLANDS		
Rural Development Centers	200.0	—
Livestock Development	150.0	—
THAILAND		
Second Medium Scale Irrigation Package	730.0[j]	—
Cotton Development	150.0[k]	—
Smallholder Livestock Development	50.0	—
Agricultural Credit	50.0	—
Songkhla Lake Basin Planning Study	500.0[h]	—
VANUATU		
Smallholder Agricultural Development	140.0	—
Development Bank of Vanuatu	—	100.0
TOTAL	**7,878.0**	**7,655.0**

j Of this, $360,000 is to be financed by the Government of Switzerland.
k In addition, FAO will provide $64,200 under a cost-sharing arrangement.

1982 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[a]	Amount of Bank Financing			Amount of Co-Financing	Local Cost to be Financed by Government
				OCR	SF	Total		
BANGLADESH								
District Towns Water Supply	1978	0.580	21.40	—	14.40	14.40	—	7.00
South-East Bangladesh Gas Transmission and Distribution	1980	0.210	78.82	—	45.60	45.60	—	33.22
Bhola Irrigation	1981	0.219	37.40	—	27.20	27.20	2.80	7.40
Second Tubewell Development	1981	0.400	64.30	—	56.50	56.50	—	7.80
Northwest Rural Development	1982	0.250	66.00	—	45.00	45.00	14.50	6.50
BURMA								
Second Forestry	1980	0.132	57.75	—	25.00	25.00	0.65	32.10
Tin Mining	1980	0.178	29.50	—	16.20	16.20	—	13.30
Mandalay Water Supply	1979	0.240	33.00	—	15.00	15.00	7.00	11.00
COOK ISLANDS								
Cook Islands Development Bank	1977	0.091	—	—	1.50	1.50	—	—
INDONESIA								
Second Irian Jaya Fisheries Development	1981	0.150	49.60	34.00	—	34.00	—	15.60
Vocational Education	1980	0.329	85.00	40.00	—	40.00	—	45.00
Second Agricultural Credit	1979	0.090	62.00	27.57	—	27.57	0.43	32.00
Sixth Road	1979	0.150	127.25	60.00	—	60.00	—	67.10
	1981	0.050	—	—	—	—	—	—
Sixth Port	1977	0.150	8.15	5.40	—	5.40	—	2.60
Brackishwater Aquaculture Development	1981	0.100	50.00	23.00	—	23.00	—	27.00
KOREA, REPUBLIC OF								
Third Road Improvement	1974	0.550[b]	225.00	80.00	—	80.00	20.00	125.00
Rural Sewage Treatment Sector	1982	0.050	—	25.50	—	25.50	—	39.50
MALAYSIA								
East-West Highway — Phase II (Eastern Section)	1980	1.040[b]	61.50	15.00	—	15.00	14.00	32.50

Sadli of the University of Indonesia and Dr. E. Broeder of Kreditanstalt für Wiederaufbau (KfW), Federal Republic of Germany. The Bank's DMCs were selectively consulted on the issues reviewed through five intensive country studies on Bangladesh, Republic of Korea, Malaysia, Nepal and Thailand. These country studies were conducted by Bank missions led by outside consultants in order to maintain objectivity.

The results of the Study were presented in a Task Force Report prepared by Bank staff, which was accompanied by an independent Advisory Group Report commenting on the Task Force's recommendations. Some of the highlights from the Study's many recommendations were: (i) that the Bank should ensure that the maximum concessional assistance goes to the poorest (Group A) DMCs; (ii) that the Bank's general areas of concern should continue to be agriculture and rural development, energy and social infrastructure; (iii) that the Bank should adopt a multi-year country programming approach based upon specific sectoral strategies to support the structural transformation of DMCs; (iv) that the

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Costs[a]	Amount of Bank Financing			Amount of Co-Financing	Local Cost to be Financed by Government
				OCR	SF	Total		
NEPAL								
Second Hill Irrigation	1980	0.530	24.30	—	20.00	20.00	1.37	2.93
Nepal Paper Mill Technical Services	1981	0.200	4.32	—	4.00	4.00	—	0.32
Science Education	1981	0.155	12.80	—	8.00	8.00	2.00	2.80
PAKISTAN								
Sind Livestock	1980	0.210	38.40	—	25.70	25.70	—	11.70
Baluchistan Fisheries Development	1981	0.350	42.40	—	35.40	35.40	—	6.10
PAPUA NEW GUINEA								
Rural Health Services	1980	0.170	20.83	12.00	—	12.00	—	8.80
PHILIPPINES								
Third Davao del Norte Irrigation	1977	0.150	76.00	45.30	—	45.30	—	30.70
Third Road Improvement	1977	0.150	129.15	68.00	—	68.00	11.50	49.50
Agro-Processing and Marketing	1982	0.047	52.00	36.00	—	36.00	—	16.00
Cotton Development	1980	0.140	45.60	26.70	—	26.70	—	18.90
SRI LANKA, DEM. REP. OF								
Community Forestry	1980	0.094	13.67	—	10.00	10.00	—	3.67
Kirindi Oya Irrigation and Settlement (Supplementary)	1981	0.050	28.00	—	10.00	10.00	13.60	4.40
Technical Education	1980	0.150	26.47	—	16.10	16.10	3.64	6.74
Livestock Development	1980	0.200	20.72	—	15.20	15.20	—	5.50
THAILAND								
Natural Gas Transmission	1981	0.040	135.00	87.00	—	87.00	15.00	33.00
TOTAL		**7.595**	**1,726.33**	**585.47**	**390.80**	**976.27**	**106.49**	**705.68**

a Excludes total costs of DFI and sector loans.
b Includes technical assistance loan.

Bank should conduct policy dialogues with individual DMCs; (v) that the Bank should promote institutional development within DMC executing agencies; (vi) that the Bank should increase the amount of local cost financing as well as the amount of program and sector lending; (vii) that the Bank's project implementation procedures should be improved by modifying existing arrangements and delegating certain procurement activities to borrowers and executing agencies; (viii) that the Bank should play a catalytic role by helping to mobilize additional resources for development in the region by taking new initiatives such as co-financing with commercial and export credit sources, commencing equity investment operations and providing partial guarantees and unguaranteed loans; and (ix) that the Bank should act as a regional resource center which would provide analyses and assessments of issues relevant to the development of the DMCs.

The Bank's Management is considering the recommendations contained in the reports of the Task Force and the Advisory Group. Proposals for changes in Bank policies

TECHNICAL ASSISTANCE BY COUNTRY AND REGIONAL ACTIVITIES, 1981, 1982, 1967-1982
(amounts in $ thousand)

Country	1981				
	No.	Bank Financing	Other Sources[a]	Total	%
Afghanistan, Dem. Rep. of	—	—	—	—	—
Bangladesh	5	469.30	2,550.00	3,019.30	18.17
Burma	1	—	350.00	350.00	2.11
Cambodia	—	—	—	—	—
China, Republic of	—	—	—	—	—
Cook Islands	—	—	—	—	—
Fiji	1	100.00	—	100.00	0.60
Indonesia	7	629.00	420.00	1,049.00	6.31
Kiribati	1	27.00	—	27.00	0.16
Korea, Republic of	2	200.00	—	200.00	1.20
Lao People's Democratic Republic	—	—	—	—	—
Malaysia	2	400.00	350.00	750.00	4.51
Maldives	—	—	—	—	—
Nepal	9	395.00	3,800.00	4,195.00	25.24
Pakistan	5	806.00	350.00	1,156.00	6.96
Papua New Guinea	1	179.00	—	179.00	1.08
Philippines	7	1,370.00	810.00	2,180.00	13.12
Singapore	1	—	542.72	542.72	3.27
Solomon Islands	1	150.00	—	150.00	0.90
Sri Lanka, Dem. Soc. Rep. of	3	155.00	360.00	515.00	3.10
Thailand	2	270.00	—	270.00	1.62
Tonga	1	120.00	—	120.00	0.72
Vanuatu	—	—	—	—	—
Viet Nam, Socialist Republic of	—	—	—	—	—
Western Samoa	—	—	—	—	—
Sub-Total	49	5,270.30	9,532.72	14,803.02	89.07
Regional	13	1,715.80	100.00	1,815.80	10.93
TOTAL	**62**	**6,986.10**	**9,632.72**	**16,618.82**	**100.00**

a Excluding FAO cost-sharing arrangements.
b Supplementary technical assistance grants are not counted as separate projects.
c Adjusted to include additional UNDP financing of $789,873 in 1982 for the Jute Seed Project, Bangladesh, which was approved in 1976.
d Adjusted to include additional UNDP financing of $218,215 in 1982 for the Forestry Development Project, Lao PDR, which was approved in 1978.

and procedures, as appropriate, will be considered by the Board of Directors in 1983.

Energy Planning Coordination Meeting: In February, the Bank hosted an Energy Planning Coordination Meeting which was aimed at promoting improved coordination of technical assistance activities in the Energy sector of the Asia and South Pacific region. The meeting was attended by representatives of 17 major donor agencies. A system for effecting regular and systematic exchanges of information on energy-related work in DMCs was devised during the meeting and the first such exercise commenced during the year. In August, the Bank completed and distributed to all donor agencies and DMCs its "Compilation of Technical Assistance Activities in the Energy Sector in ADB's Developing Member Countries."

Regional Seminar on Equity Financing: The Bank held a Regional Seminar on Equity Financing in February in the context of its examination of equity financing as an additional method of promoting private investment in its DMCs. The main purpose of the Seminar, for which the Bank pro-

1982					1967-1982		
No.	Bank Financing	Other Sources[a]	Total	%	No.[b]	Total Amount	%
—	—	—	—	—	15	2,465.70	2.02
7	2,084.00	1,791.00	3,875.00	21.47	56	20,344.12[c]	16.68
3	740.00	650.00	1,390.00	7.70	26	5,681.00	4.66
—	—	—	—	—	2	111.00	0.09
—	—	—	—	—	1	100.00	0.08
—	—	—	—	—	2	161.00	0.13
—	—	—	—	—	5	489.00	0.40
12	1,637.00	430.00	2,067.00	11.46	77	14,436.52	11.84
—	—	—	—	—	2	175.00	0.14
2	325.00	—	325.00	1.80	20	3,352.30	2.75
—	—	—	—	—	17	4,552.29[d]	3.73
1	150.00	—	150.00	0.83	12	2,387.00	1.96
—	—	—	—	—	2	268.00	0.22
4	250.00	1,370.00	1,620.00	8.98	51	18,300.70	15.01
4	625.00	—	625.00	3.46	25	4,685.00	3.84
3	650.00	—	650.00	3.60	15	2,164.60	1.78
11	2,761.00	—	2,761.00	15.30	51	10,853.00	8.90
—	—	—	—	—	2	577.42	0.47
2	350.00	—	350.00	1.94	13	1,746.34	1.43
—	—	—	—	—	29	4,287.50	3.52
5	600.00	880.00	1,480.00	8.20	22	5,713.10	4.69
—	—	—	—	—	7	950.00	0.78
2	240.00	—	240.00	1.33	2	240.00	0.20
—	—	—	—	—	11	1,110.60	0.91
—	—	—	—	—	15	1,632.50	1.34
56	10,412.00	5,121.00	15,533.00	86.07	480	106,783.69	87.57
24	2,513.30	—	2,513.30	13.93	109	15,154.33	12.43
80	**12,925.30**	**5,121.00**	**18,046.30**	**100.00**	**589**	**121,938.02**	**100.00**

vided $50,000 in technical assistance, was to exchange views on the dimensions of the anticipated equity financing needs of DMCs, and on the specific policy and operational approaches now under consideration for possible equity financing operations by the Bank. The Seminar was attended by senior representatives of DMC governments, DFIs and industrial groups.

Workshop on Co-Financing with Commercial and Export Credit Sources: In line with its increased emphasis on cooperation with commercial sources, the Bank held a Workshop on Co-Financing with Commercial and Export Credit Sources in Manila on the eve of its Fifteenth Annual Meeting. This provided an opportunity for the Bank and representatives of commercial banks, export credit financing sources and DMCs to exchange views on furthering cooperation in the co-financing of development projects in DMCs. The Workshop, for which the Bank extended $158,000 in technical assistance, was attended by nearly 200 officially registered participants, including representatives from DMCs, commercial banks and export credit organizations as well as members of delegations to the

TECHNICAL ASSISTANCE APPROVALS, 1982
FUNDED FROM OTHER SOURCES
(amounts in $ thousand)

Agency	No. of Projects	Amount
United Nations Development Programme (UNDP)	6	4,311.0[a]
Switzerland	2	810.0
Food and Agriculture Organization (FAO)	4	303.6
TOTAL	12	5,424.6

a UNDP provided additional financing of $789,873 for the Jute Seed Project in Bangladesh, which was approved in 1976; and $218,215 for the Forestry Development Project in Lao PDR, which was approved in 1978.

Bank's Annual Meeting, members of the Board of Directors, media representatives and Bank staff.

During the Workshop the Bank was able to stimulate interest in co-financing activities with commercial and export credit sources. A new publication — Project Profiles for Potential Co-Financing — was distributed to participants in the Workshop and is being issued to commercial banks and export credit agencies on a quarterly basis.

Regional Power Utility Tariff Symposium: In August, the Bank hosted a major Power Utility Tariff Symposium to which over 50 participants, including 34 senior officials from power utilities and concerned agencies of DMCs, came to discuss electricity pricing policies. The Symposium, for which the Bank provided $125,000 in technical assistance, covered electricity pricing objectives, traditional and modern approaches to electricity pricing, problems of implementing tariffs based on long-run marginal cost, electricity pricing in DMCs and the role of international lending institutions.

During 1982, the Bank also approved several other regional activities, including training programs and seminars (see pages 71-73).

TECHNICAL ASSISTANCE APPROVALS BY SECTOR, 1981, 1982, 1967-1982
(amounts in $ thousand)

Sector	1981			1982			1967-1982		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	24	8,175.30	55.20	28	8,041.00	51.77	240	58,834.93	55.10
Agriculture	22	7,855.30	53.10	23	7,324.00	47.15	210	54,213.01[a]	50.77
Agro-industry	2	320.00	2.10	5	717.00	4.62	30	4,621.92[b]	4.33
Energy	9	2,754.00	18.60	10	4,465.00	28.74	57	16,128.84	15.10
Industry and Non-Fuel Minerals	1	190.00	1.30	1	244.00	1.57	20	3,541.90	3.32
Development Banks	—	—	—	2	310.00	2.00	25	3,327.60	3.12
Transport and Communications	7	1,726.00	11.60	5	785.00	5.05	61	10,739.30	10.06
Water Supply and Sanitation	3	350.00	2.40	6	1,200.00	7.73	32	6,199.50	5.81
Urban Development	2	680.00	4.60	1	50.00	0.32	6	1,629.00	1.52
Education	3	927.72	6.30	1	238.00	1.53	19	3,516.92	3.29
Health and Population	—	—	—	2	200.00	1.29	8	1,274.00	1.19
Multiproject	—	—	—	—	—	—	2	140.00	0.13
Others	—	—	—	—	—	—	10	1,451.70	1.36
TOTAL	49	14,803.02	100.00	56	15,533.00	100.00	480	106,783.69	100.00

a Adjusted to include additional UNDP financing of $789,873 in 1982 for the Jute Seed Project, Bangladesh, which was approved in 1976.
b Adjusted to include additional UNDP financing of $218,215 in 1982 for the Forestry Development Project, Lao PDR, which was approved in 1978.

Operational and Financial Policies

During 1982, the Board of Directors considered a number of operational and financial policies. On the resources side, the Board considered several papers concerning the third General Capital Increase (GCI) of the Bank. It is envisaged that the Board's findings and recommendations on the GCI would be submitted to the Board of Governors in early 1983.[1]

During the year, the Board also submitted to the Board of Governors for approval a Report and draft Resolution on the third Asian Development Fund replenishment (ADF IV).

In December, certain revisions, both to the Ordinary Operations Loan Regulations and the Special Operations Loan Regulations, were adopted by the Board. The objective of the revisions, in the case of the Ordinary Operations Loan Regulations, was to implement the Exchange Risk Pooling System, and, in the case of the Special Operations Loan Regulations, was to enable ADF loans to be denominated in SDR.

The Board also reviewed the formula for the Allocation of Administrative Expenses between Ordinary Capital Resources and the Asian Development Fund. It was decided to continue the present formula as it reflects reasonably the shares of administrative expenses allocable to both resources.

During 1982, the Board approved a recommendation that the Bank apply to the International Monetary Fund (IMF) for prescription as an authorized holder of special drawing rights of the IMF. The Bank was formally prescribed as a holder of special drawing rights by the IMF on 15 October 1982 and accordingly is authorized to accept, hold, and use special drawing rights in transactions and operations in accordance with terms and conditions established by the IMF.

During the year, the Board approved revised arrangements for cooperation with the European Economic Community (EEC). It was decided that co-financing between the Bank and the EEC would in future be on a parallel basis, with the EEC directly responsible for the administration of EEC-financed project components under the Bank's general coordination.

In addition, several other operational and financial policy issues were considered by the Board in 1982, including Co-Financing with Commercial and Export Credit Sources, Equity Investment Operations of the Bank, Post-Evaluation Activities, Procedural Guidelines for Special Increases in Capital Subscriptions, Annual Review of the Financial Policies of the Bank, Lending Rate Review and Revised Investment Guidelines.[2] Some of these issues will receive further consideration in 1983.

Co-Financing with Commercial and Export Credit Sources

The Bank's policy on co-financing with commercial and export credit sources was reviewed in May. Incorporating various views expressed in the review, a policy paper was approved by the Board of Directors in August as an acceptable working basis for promoting co-financing with these sources.

The Board generally endorsed the need for increased efforts in promoting co-financing with commercial and export credit sources. It was recognized that co-financing with such sources could complement the Bank's assistance to its DMCs and enhance its catalytic role in development. In order to augment resource transfers to the DMCs, such co-financing would be over and above the Bank's planned lending levels. However, the decision to accept such co-financing should be that of the DMCs and should not be a condition for the Bank's own loans.

It was felt that the Bank should create a positive and conducive environment for co-financing with commercial and export credit sources. Measures that could be taken in this direction include: identifying suitable projects for co-financing in country programming; widening the eligibility of co-financing for all DMCs, including low-income countries; expanding co-financing publicity programs, including seminars and workshops; holding frequent consultations and systematically exploring co-financing possibilities with both DMCs and potential co-financiers as early as possible in the project cycle; and providing coordination and technical services to co-financiers and to DMCs.

Several promotional measures were supported. These included, among other things, strengthening the arrangements relating to the optional cross-default clause, adopting complementary financing schemes, adjusting maturities of Bank loans, and using lines of credit from co-financiers for specific projects or programs and consideration of loosely connected parallel financing schemes. The Board also endorsed the need for the Bank to take a flexible approach to the promotion of such co-financing.

QUALITY control testing in the laboratory of the Baturaja Cement Project in South Sumatra, Indonesia. This Bank-assisted Project will produce 500,000 metric tons of cement annually.

1 In March 1983, the Board of Directors submitted to the Board of Governors for approval a draft Resolution for a third General Capital Increase of 105 per cent with a 5 per cent paid-in portion.

2 For additional details see: Post-Evaluation Activities (page 49); Procedural Guidelines for Special Increases in Capital Subscriptions (page 75); Annual Review of Financial Policies of the Bank (page 76); Revised Investment Guidelines (page 77); and Lending Rate Review (page 78).

Equity Investment Operations by the Bank

During the year, a preliminary examination on equity investment operations was made by the Board of Directors and reported to the Board of Governors at the Fifteenth Annual Meeting. The examination followed a Regional Seminar on Equity Financing held at the Bank's Headquarters in February (see page 56). The Board considered the issue in greater detail following the Annual Meeting.

It was recognized that in the light of recent developments in the international economy and the prospective changes in the economic situation of the DMCs, there was a need for the Bank to supplement the efforts of the DMCs in mobilizing additional financial resources to meet their development needs. A possible equity investment facility was seen as enabling the Bank to provide assistance directly to a wide range of productive ventures in the private sector and could complement the Bank's indirect lending to industrial projects through DFIs.

The Board considered various aspects relating to the possible undertaking of equity investment operations. A revised Board paper, taking into account the Board discussion, was circulated to the Board towards the end of 1982 and is expected to be considered by the Board in early 1983 for a final decision and further report to the Board of Governors.[1]

Policies Under Consideration

A policy paper on Review of Arrangements for Lending from the Asian Development Fund (1982-1986) was scheduled for consideration by the Board in early 1983. At the end of the year, several major policy papers were being finalized or were under preparation for circulation and consideration by the Board in early 1983, including Lending Foreign Exchange for Local Currency Expenditures on Projects, Program Lending and Technical Assistance Operations. Other important policies are to be reviewed later in the year.

Inter-Agency Cooperation

During the year, the Bank strengthened its links with other major international institutions involved in the socio-economic advancement of the Asia-Pacific region. In particular, contacts were increased and strengthened with the World Bank group, the International Fund for Agricultural Development, the OPEC Fund for International Development, the United Nations Development Programme, the Food and Agriculture Organization, the European Economic Community as well as several other major international institutions. Several computer systems and programs developed in the Bank were transferred for use by the Islamic Development Bank.

Meeting of International Financial Institutions

In September, the President of the Bank attended a meeting of International Financial Institutions (IFIs) in Toronto, Canada. The meeting was also attended by the Presidents of the African Development Bank, the European Investment Bank (EIB) and the Inter-American Development Bank, the Director-General of the OPEC Fund for International Development, the Senior Vice-President (Operations) of the World Bank as well as representatives of the Islamic Development Bank, the International Fund for Agricultural Development (IFAD) and the Commission of the European Communities. A wide range of issues and problems currently confronting the IFIs was discussed, including the effects of current resource constraints on the planned level of lending operations of IFIs over the next five years, the progress of capital resource replenishment of multilateral financial institutions, the role of the donor agencies in facilitating greater non-concessional flows to developing countries and new initiatives in co-financing.

World Bank Group

During the year, the Bank maintained close contact with the World Bank. The fourth annual ADB-World Bank high-level coordination meeting was held in Manila in May 1982 at the Bank's Headquarters. At the meeting, overall policy matters of interest to both institutions were discussed,

CUTTING a road through the Mangaia Plantation, Cook Islands, one of several subprojects assisted by a $1 million Multiproject loan approved by the Bank in 1980.

1 In March 1983, the Board of Governors approved a resolution authorizing the Bank to commence equity investment operations.

covering: (i) the worldwide recession and the effects of tight monetary policies and high interest rates on Asian countries, (ii) the role of the Banks as catalysts for investment flows and their relations with the private sector, (iii) the future of concessional lending, (iv) trends and developments in development assistance, and (v) areas of cooperation between the two institutions and coordination of operational activities.

During the year, the Bank and the World Bank, together with other sources, co-financed the Ashuganj Thermal Power Generation Project in Bangladesh, involving an International Development Association (IDA) credit of $92 million; the Telecommunications Project in Pakistan, involving an International Bank for Reconstruction and Development (IBRD) loan of $40 million; and the Second Power System Expansion Project in Thailand, involving an IBRD loan of $4.96 million.[1]

Development Committee Meetings

The Bank was represented at the Eighteenth Meeting of the Development Committee, held in Helsinki, Finland, in May, where the Committee reviewed the status of lending operations for multilateral development institutions, including IBRD/IDA and Regional Development Banks, and the flow of non-concessional funds through co-financing and other arrangements.

The President of the Bank attended the Nineteenth Development Committee meeting in Toronto, Canada, in September. The meeting, which reviewed the issue of transferring real resources to the developing countries, focused attention on the replenishment of resources by the IDA in the World Bank group and on the efforts of the World Bank and the Regional Development Banks to secure additional non-concessional flows of funds to developing countries through co-financing with private sources.

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 1982. Although no projects were appraised by the Bank for exclusive financing by IFAD during the year, two Bank-financed projects were co-financed by IFAD in an amount of $20.5 million.

OPEC Fund for International Development

The close cooperation between the Bank and the OPEC Fund for International Development continued in 1982. The Assistant Director-General of the OPEC Fund had meetings with delegations from several DMCs and Bank staff during the Bank's Fifteenth Annual Meeting and discussed possibilities of development assistance from the OPEC Fund. In 1982, the OPEC Fund provided $74.5 million in co-financing for four Bank-assisted projects. Bank representatives visited the OPEC Fund to exchange views on future cooperation and discuss co-financing possibilities in the Bank's pipeline of projects for 1983.

1 This financing depends on whether savings materialize under a previous loan.

United Nations Development Programme

During 1982, the close cooperation between the Bank and the United Nations Development Programme (UNDP) 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 six projects wholly or partly financed by UNDP amounting to $4.3 million compared with ten projects for $7.4 million in 1981.

UNDP assistance channelled through the Bank during the period 1977-1982 was primarily for the least developed countries in the Bank's region. Bangladesh received $10 million or 30 per cent of such assistance, while Nepal received $12.1 million or 34 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 exchange of information. The Bank was also represented at major UNDP meetings such as the Twenty-Ninth Session of the UNDP Governing Council in Geneva.

Economic and Social Commission for Asia and the Pacific

In October, the President visited the headquarters of the Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok and discussed with the Executive Secretary prospects for closer cooperation between ESCAP and the Bank. In addition, Bank staff attended several important ESCAP meetings during the year, including the Expert Group on Port Management Information Systems in February, the Intergovernmental Railway Group in August and the Committee on Shipping and Transport and Communications in December.

Food and Agriculture Organization

Revised Working Arrangements between the Bank and the Food and Agriculture Organization (FAO) came into effect on 1 January 1982. The revised Arrangements included several new areas for cooperation and ways to streamline and improve the cooperative procedures and modify the cost-sharing arrangements. Annual reviews of the cooperative program between the Bank and the FAO Investment Centre took place in January (for 1982) and December (for 1983). Four projects were prepared by the Centre under the cost-sharing arrangements during the year.

Aid Group Meetings

Bank representatives participated in the annual Aid Group Meetings organized by the World Bank for Bangladesh, Burma, Republic of Korea, Pakistan, Philippines and Sri Lanka. The Bank was also represented at the Annual Meeting of the Inter-Governmental Group on Indonesia (IGGI) organized by the Government of the Netherlands.

European Economic Community

Due to the policy reorientation in the manner of the Bank's cooperation with the European Economic Com-

munity (EEC) (see page 59), 1982 was a year of consolidation and preparation for future relationship between the two bodies. A grant of $2.8 million equivalent was provided by the EEC for the Bhola Irrigation Project in Bangladesh. In addition, a technical assistance grant of about $1.1 million equivalent was provided to the Bank under a channel financing arrangement for financing technical assistance to eligible DMCs.

Other International Organizations

The Bank maintained close contact with other multilateral and bilateral agencies in 1982 through discussions and meetings, exchange of information, attendance at conferences and seminars as well as through specific project and sector activities.

The United Nations Fund for Population Activities (UNFPA) was included, for the first time, in the Bank's list of Official Observers invited for the 1982 Annual Meeting of the Board of Governors. The World Health Organization (WHO) and UNFPA were associated with the Bank in formulating and preparing the Health and Population Project in Sri Lanka. Similar interaction will continue during project implementation, particularly with UNFPA, whose activities in Sri Lanka will complement this Bank-assisted Project. WHO participated in a joint review of population, health and nutrition in the Philippines in association with the World Bank, the United States Agency for International Development (USAID) and the Bank. The Rural Health Services Project in Papua New Guinea, also approved in 1982, resulted from a feasibility study prepared by WHO under earlier Bank-financed technical assistance. Staff of the United Nations Educational Scientific and Cultural Organization (UNESCO) assisted the Bank in studies relating to the evaluation and benefit monitoring of education projects from which a regional activity is expected to emerge. The third meeting of the Committee of International Development Institutions on the Environment (CIDIE) was among the more important conferences at which the Bank was represented as a member. The Committee is an important link between the Bank and the United Nations Environment Programme (UNEP).

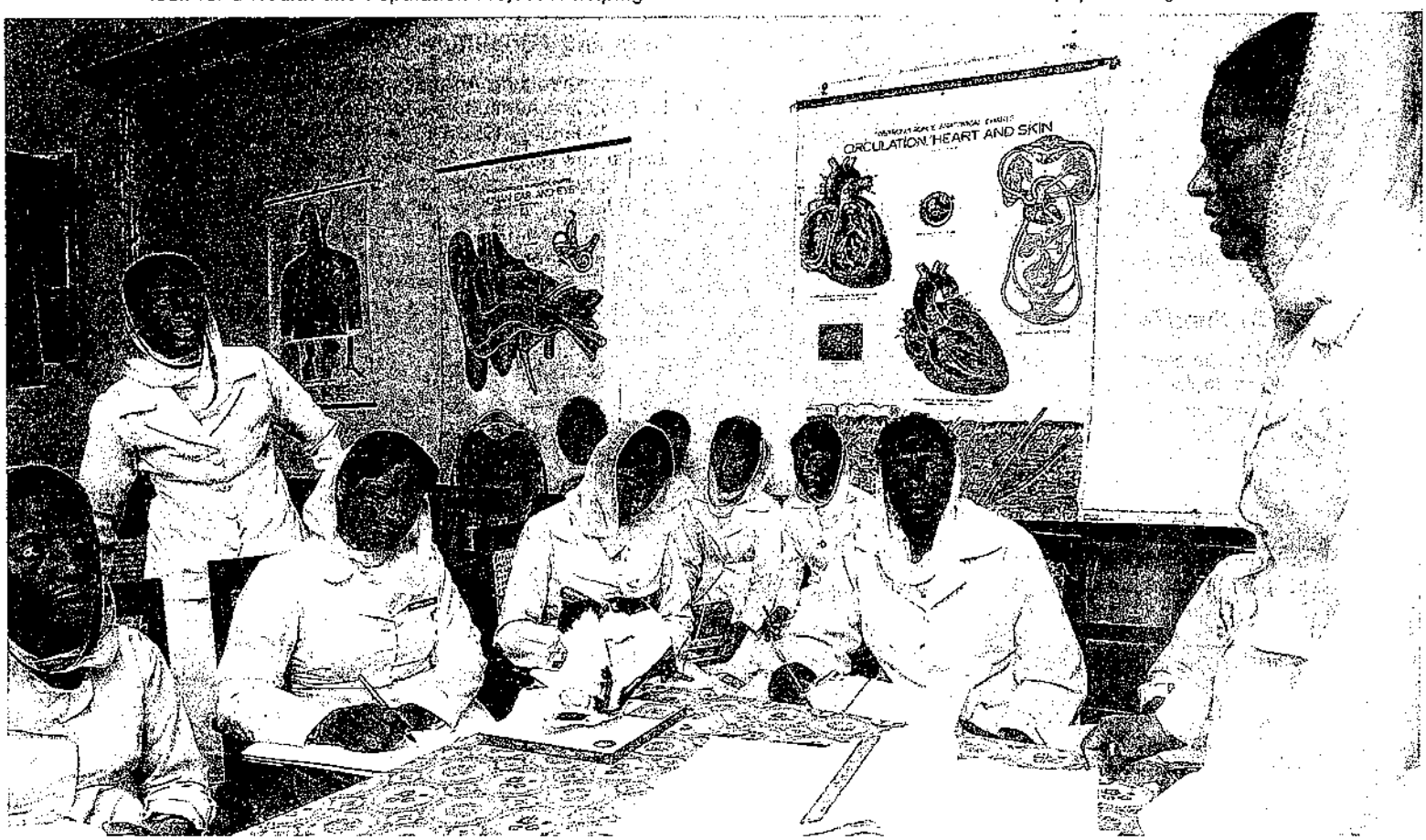
Cooperation with Bilateral Sources

Reflecting the Bank's increased emphasis on co-financing, consultations with bilateral aid agencies were stepped up during 1982 with the aim of promoting even closer cooperation with these sources. A Bank delegation visited Abu Dhabi Fund, Kuwait Fund, Saudi Fund and the Islamic Development Bank to establish working arrangements with these agencies and consultations were held in Manila with the Islamic Development Bank and the Saudi Fund.

Bilateral contacts with European financing sources also increased. In addition, under the cooperation arrangement entered into in 1980 between the Bank and Switzerland relating to Swiss financing of technical assistance, two technical assistance projects amounting to $0.8 million in Indonesia and Thailand were approved by the Bank in 1982. This brings the cumulative total of assistance under the agreement to $5.1 million, equivalent to about SwF10.7 million.

Representatives from the Australian Development Assistance Bureau, the Canadian International Development Agency and the Overseas Economic Cooperation Fund also visited the Bank during the year to discuss co-financing opportunities.

STUDENT nurses undergoing training at a hospital in Punjab Province, Pakistan, where a $15 million concessional Bank loan for a Health and Population Project is helping raise rural health standards and curb the population growth rate.



Loan and Technical Assistance Approvals in 1982[1]

Bangladesh

LOANS

District Towns Water Supply: $14.4 million from ADF to improve and expand the water supply facilities in the five district towns of Barisal, Bogra, Comilla, Jessore and Mymensingh, and to build institutional capability to operate and maintain the water supply systems in these five towns as financially and technically sound public utilities. The Project also includes a demonstration program to provide about 23,000 low-cost household sanitation units. About 842,000 people are expected to benefit from the Project by 1990.

Ashuganj Thermal Power Generation: $35 million from ADF to increase the base load generation capacity (300 MW) in the East Zone to meet the power requirements forecast beyond 1986. The Project involves the extension of the steam power station at Ashuganj, adding two natural gas-fueled generation units of 150 MW each, and construction of a 48 km. 250 kV double circuit transmission line between Ashuganj and Gorasal. The Project also includes consultant services and staff training. The Project is being co-financed by the International Development Association ($92 million), OPEC Fund for International Development ($30 million), Kuwait Fund ($35 million) and the Federal Republic of Germany ($48 million).

South-East Bangladesh Gas Transmission and Distribution: $45.6 million from ADF for a Project aimed at increasing the capacity of the existing transmission and distribution system in the Titas franchise area and developing a gas distribution network and associated facilities to supply industrial, commercial and domestic consumers in the city of Chittagong and the towns of Feni, Laksham, Chandpur and Comilla.

Bhola Irrigation: $27.2 million from ADF to provide irrigation facilities to serve 39,000 ha. on Bhola Island in Barisal district. This includes the improvement and extension of the tidal creek network; rehabilitation of the coastal embankment; development of about 2,300 irrigation command areas; provision of 2,300 low-lift pump sets, workshop and maintenance facilities, and diesel fuel; and improvement of a section of the Bhola-Charfasson trunk road in the Project area. The Project would directly benefit 66,000 farm families with a total population of about 400,000 and increase farm employment in the area. EEC is co-financing the Project with $2.8 million.

Second Tubewell: $56.5 million from ADF for a Project designed to increase the supply of irrigated water in the districts of Tangail, Jamalpur and Mymensingh in the northern central part of Bangladesh through the development of groundwater resources. Under the Project, 960 deep tubewells and 4,450 shallow tubewells will be installed to serve about 33,000 ha. and 22,000 ha., respectively. The Project will also provide command area development, construction of 1,080 km. of power transmission lines and installation of electric motors at 680 existing deep tubewells. About 46,500 farm families in the Project area will benefit from the Project.

Northwest Rural Development: $45 million from ADF for a Project designed to increase agricultural production through the provision of command area development, deep and shallow tubewells, low-lift pumps, phosphatic fertilizer and equipment, pharmaceuticals and vaccines for livestock health services extension. The Project will involve a program for the landless poor which provides technical support training and credit through cooperatives to off-farm enterprises, improvement of fish seed multiplication farms, and provision of credit to cooperative fishponds and livestock enterprises. About 37,000 small farmers will benefit from the agricultural production component of the Project, while the program for the landless and rural poor will help establish more than 70,000 productive enterprises in the Project area. IFAD is co-financing the Project with $14.5 million.

TECHNICAL ASSISTANCE

Ganges-Kobadak Rehabilitation and Improvement: $491,000 (of which $341,000 is to be financed by UNDP with the Bank acting as Executing Agency) to carry out a feasibility study and prepare a Project for the rehabilitation and improvement of pumping plants, existing major infrastructure for irrigation, drainage and flood control and strengthening of farmers' organization and agricultural support services.

Energy Planning: $2,100,000 (of which $1,050,000 will be financed by UNDP with the Bank acting as Executing Agency) to help the Government in the preparation of a comprehensive energy sector plan with proposals for immediate action and guidelines to develop options until the year 2000.

Low-Lift Pump Command Area Development: $234,000 to prepare a comprehensive feasibility study for a Project which would include a command area development package; provision of new pumpsets, supply of fuel and spare parts; and assistance in institution-building in command area development.

Power Transmission and Distribution: $50,000 to assist the Government in the formulation of a Project which would involve the construction of two transmission lines between Ashuganj and Comilla and between Tongi and Ghorasal, and the expansion of the distribution network in the Chittagong area.

District Towns Sanitary Drainage: $100,000 to carry out a Study to improve sanitary drainage in the district towns of Barisal, Bogra, Comilla, Jessore and Mymensingh.

Rural Development II: $250,000 to prepare a rural development Project covering thanas (precincts) in Kushtia, Rajshahi and Pabna districts in the northwestern part of Bangladesh.

1 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.

Power System Master Plan Study: $650,000 (including $400,000 to be financed by UNDP with the Bank acting as Executing Agency) to help the Government prepare a comprehensive 20-year master plan for the generation and transmission of electricity in Bangladesh.

Burma

LOANS

Mandalay Water Supply: $15 million from ADF for a Project to provide a cost-effective water supply system to meet the urgent need for clean and reliable water supply in Mandalay, Burma's second largest city, and to help formulate a phased investment program to improve waste water disposal and sanitation. OPEC Fund is co-financing the Project with $7 million.

Tin Mining: $16.2 million from ADF to provide facilities for mining and processing tin ore from tin-bearing deposits in the Tenasserim Division in Southern Burma. The export of tin ore concentrate to be produced under the Project will help increase foreign exchange earnings.

Second Forestry: $25 million from ADF for the establishment of 8,800 ha. of teak and pine forest plantation, with the provision of access feeder roads and transport equipment; the provision of equipment for timber extraction and log loading as well as vehicles to transport logs; rehabilitation of railway transport; and provision of specialized equipment such as log loaders. The Project also includes the establishment of wood processing facilities; improvement of health facilities, water supply and sanitation at logging and plantation camps; provision of project support facilities such as office building and staff housing; and consultant services and overseas training. UNDP is co-financing the Project with $0.65 million (see technical assistance which follows).

TECHNICAL ASSISTANCE

Second Forestry: $990,000 (of which $650,000 is to be financed by UNDP with the Bank acting as Executing Agency) to strengthen the overall organizational capability and upgrade the skills and technical expertise of Timber Corporation and the Forest Department, the Executing Agencies for the Second Forestry Project.

Mandalay Water Supply: $250,000 to strengthen the institutional capability of the Mandalay City Development Committee, the Executing Agency for the Bank-financed Mandalay Water Supply Project.

Rangoon General Hospital: $150,000 to prepare a Project for the construction and equipping of a new Rangoon General Hospital.

Cook Islands

LOAN

Cook Islands Development Bank (CIDB): $1.5 million from ADF as a first credit line to CIDB to augment its foreign exchange resources for financial years 1982-83 and 1984-85 to enable it to meet medium and long-term credit requirements for specific development activities, including low-cost housing construction.

Indonesia

LOANS

Transmission and Distribution System Development: $58.4 million for a Project designed to improve the quality and reliability of power supply to about 320,000 existing consumers and to cater to about 270,000 new consumers in five major cities. The Project involves the rehabilitation and reinforcement of power distribution facilities and associated transmission systems in Semarang and Surakarta (Sulo) in Central Java, Yogyakarta and Malang in East Java and Medan in North Sumatra. The Project also includes consultant services to identify demand centers for mini-hydropower development, prepare feasibility studies and design for mini-hydropower schemes and upgrade the institutional capabilities of PLN, the Executing Agency. The Project will be co-financed by export credit sources in the amount of $15 million.

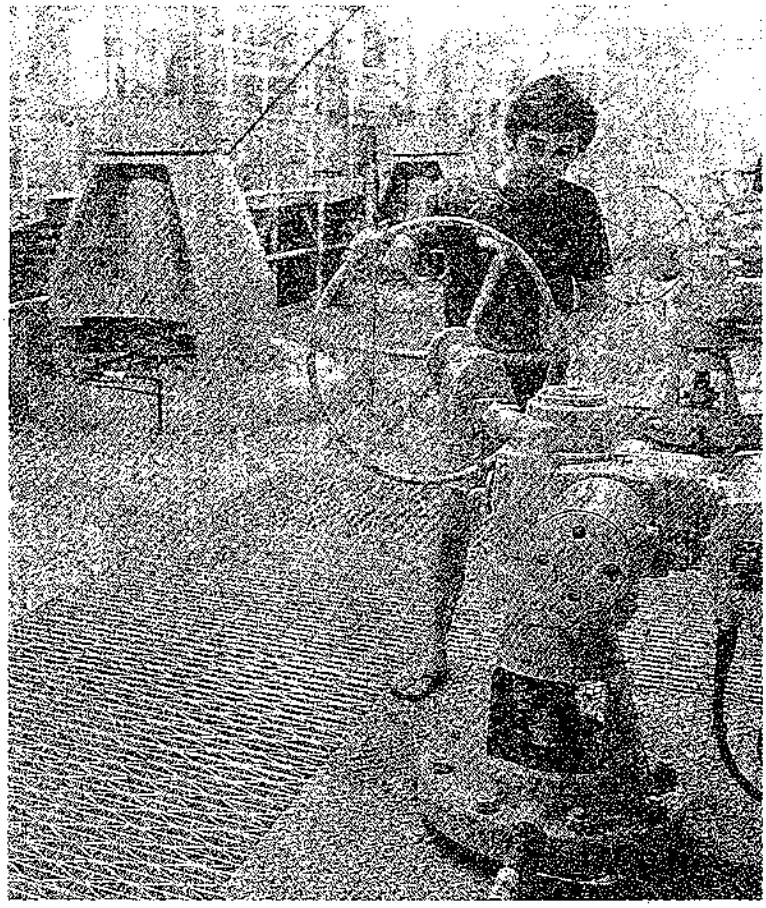
Brackishwater Aquaculture Development: $23 million for a Project designed to increase the production of shrimp and milkfish from brackishwater aquaculture; improve the socio-economic condition of small-scale tambak (brackishwater fishpond) farmers; and generate foreign exchange earnings from the export of shrimp. The Project will develop tambak production in Java, South Sulawesi and Aceh (Sumatra) by providing the necessary supporting services and facilities for tambaks, including improved water supply, canals, shrimp hatcheries and extension services, and credit for pond improvement and water pumps.

Sixth Port: $5.4 million to cover consultant services for the preparation of master plans/feasibility studies and detailed engineering designs (as required) for Surabaya, Banjarmasin and Balikpapan Ports and seven trunk ports in the central region of Indonesia. Completion of the planning and design activities outlined in the Project will provide the basis for implementation of a major part of the Government's new ports and shipping services system.

Tulungagung II and Baro Raya Irrigation Study: $4.35 million for a technical assistance loan to update the feasibility studies and prepare detailed engineering designs and bid documents for two irrigation projects — Tulungagung II in East Java and Baro Raya in Aceh Province.

Irrigation Package: $77 million to finance a package project designed to rehabilitate and upgrade the irrigation systems in about 42,800 ha. in Waru-Turi (East Java) and in West Semarang (Central Java) through the construction of a barrage and a feeder canal, improvement of wiers and related works, clearing of heavily silted canals, and the construction of drainage and flood control systems. At full development, agricultural production will increase by about 117,700 mt. of paddy, 135,200 mt. of sugar cane and 6,100 mt. of maize and soybeans. The Project will directly benefit 82,400 farm families and indirectly nearly 139,000 families in the rural areas.

Second Agricultural Credit: $27.57 million for a Project designed to increase the quantity and improve the quality of post-harvest facilities of selected rural cooperatives (KUDs) in the rice-surplus provinces of East Java, Bali, Nusa Tenggara Barat and South Sulawesi. The Project, in



SEDIMENTATION tanks (left) and the pumping station (right), two features of the Bank-assisted Sha Tin Sewage Treatment Project which has provided important new facilities for this fast-growing town in Hong Kong's New Territories.

addition to providing direct benefits to about 500,000 KUD members and one million KUD applicant farmers, will also generate employment opportunities for about 5,000 skilled and unskilled workers from rural communities served by the participating KUDs and will train over 3,200 KUD managerial and business staff, 2,000 integrated rice mill operators, and about 1,000 truck drivers. The Project is being co-financed by the Government of Switzerland with $430,000 (see technical assistance which follows).

Sixth Road: $60 million for a Project designed to improve road communications in densely populated areas. The Project comprises the improvement of about 400 km. of arterial and collector roads in the provinces of Central and East Java and South Kalimantan, upgrading and rehabilitation of about 600 km. and resealing of about 800 km. of local roads in 14 selected kabupatens (districts) in the provinces of Central and East Java, procurement of construction and maintenance equipment, and consultant services. The Project includes technical assistance for the preparation of a future project which will include the improvement of arterial and collector roads in six selected provinces and the development of local roads in 30 additional kabupatens.

Vocational Education: $40 million for a Project designed to improve the quality of vocational education and to alleviate the country's shortage of skilled manpower. The Project comprises the upgrading of 48 vocational schools throughout the country, including the construction of 22 new schools; construction of two Vocational Education Development Centers; provision of equipment, instructional materials and library books; fellowships; and consultant services.

Second Sulawesi Power: $41.35 million for the rehabilitation and expansion of the distribution and associated transmission systems in the Minahasa area of North Sulawesi and Ujung Pandang area of South Sulawesi and consultant services for the preparation of a feasibility study of the Tanggari II Hydropower scheme.

Second Irian Jaya Fisheries Development: $34 million for a Project designed to increase fish production, primarily for export and the generation of foreign exchange and partly for domestic consumption, by developing offshore and coastal skipjack and tuna fisheries in Irian Jaya.

TECHNICAL ASSISTANCE

IKK and Small Towns Water Supply Sector: $250,000 for the preparation of a Project to provide water supply facilities in a large number of district, sub-district and other small towns.

Agricultural Education: $238,000 to study the agricultural education system in Indonesia at the secondary and tertiary levels in relation to the needs of the public and private sectors and to prepare a detailed project proposal for the expansion and improvement of agricultural education.

Mini-Hydropower Development: $150,000 for consultant services for the identification of demand centers

where development of mini-hydropower resources would merit consideration and preparation of feasibility studies and designs for about ten mini-hydropower schemes.

Sixth Port: $150,000 grant portion of the technical assistance loan for the preparation of master plans and feasibility studies for the seven Central Regional trunk ports.

Health and Population Sector Study: $50,000 to assess the policies, priorities and resources position of the health and population sector and to make a preliminary assessment of various potential areas for Bank lending.

Urban Development Sector Study: $50,000 for a Study to prepare an appropriately documented and referenced profile of urban sector development in Indonesia which will focus on urban development and housing policies, programs and projects in selected cities, particularly secondary cities and growth centers having the potential of reducing pressure on existing major cities. The Study is designed to help identify the investment potential in the urban sector, while also giving pointers for management of urban growth at national, provincial and local government levels.

Tulungagung II and Baro Raya Irrigation Study: $150,000 grant portion of the technical assistance loan to update the feasibility studies and prepare detailed engineering designs and bid documents for two irrigation projects — Tulungagung II in East Java and Baro Raya in Aceh Province.

Second Agricultural Credit: $430,000 (to be financed by the Government of Switzerland and administered by the Bank) to cover the services of a technical training consultant who will advise and assist in the coordination, organization and implementation of the technical training program (including the operation of integrated rice milling units) under the Project.

National Crop Protection: $249,000 to review ongoing crop protection activity, evaluate existing pilot integrated pest control projects, and prepare a master plan and an operational plan for a National Crop Protection Project.

Arterial, Collector and Rural Roads Development: $150,000 for consultant services for the preparation of a Project which will include the improvement of arterial and collector roads in six selected provinces and the development of local roads in 30 additional kabupatens as well as the preparation of a detailed program for project benefit monitoring and evaluation of the Bank-assisted Sixth Road Project.

Fisheries Sector Study: $50,000 for a comprehensive fisheries sector study to identify major constraints to development as well as potentials for development and to prepare an investment-oriented strategy based on maximum participation of local fishermen and businessmen.

Tanggari II Hydropower Scheme: $150,000 for the preparation of a feasibility study of the Tanggari II Hydropower Scheme in the Minahasa area of North Sulawesi.

Korea, Republic of

LOANS

Rural Sewage Treatment Sector: $25.5 million for the provision of sewage treatment plants capable of treating the nightsoil up to the year 1990 in 102 rural towns with a projected population of about 1.7 million.

Seventh Small and Medium Industry Bank: $50 million as a seventh credit line to the Small and Medium Industry Bank to meet a part of the medium and long-term foreign exchange requirements of small and medium-scale industries in the private sector. Co-financing with commercial banks has been arranged in the amount of $15 million.

Extra High Voltage Transmission: $50 million for a Project designed to provide transmission lines to connect new nuclear power units to main extra-high voltage grid for the 2 X 950 MW nuclear power plants (numbers Seven and Eight) which are under construction on the southeast coast and also for the 2 X 950 MW nuclear plants (numbers Nine and Ten) which are under construction on the northeast coast. The Project involves the construction and commissioning of about 800 circuit-km. of double-circuit 345 kV extra-high voltage transmission lines. The Project will be co-financed by commercial banks in the amount of $32 million.

Third Road Improvement: $80 million for the third phase of improvements to the existing road network in the southern part of the country involving (i) the widening and improvement to two-lane paved standard of six national road stretches totalling 364 km., mainly on existing alignments; widening and strengthening of the Yeosu-Suncheon road (33 km.) to an undivided four-lane standard; and replacement of 27 existing substandard bridges on seven other national roads; and (ii) the provision of consultant services to assist the Ministry of Construction in the supervision of the civil works construction. These road improvements will bring about significant benefits for the 1.5 million people in villages adjacent to the Project roads and an additional one million people in towns and cities at road termini. The Project will be co-financed by commercial banks in the amount of $20 million.

TECHNICAL ASSISTANCE

Rural Sewage Treatment: $50,000 to study the possibility of developing a Rural Sewage Treatment Project covering about 100 rural towns in different parts of the country.

Energy Conservation Investment Review: $275,000 to assist the Government formulate more effective policies and programs for the promotion of energy conservation in the industrial sector.

Malaysia

LOANS

Kalaka-Saribas Integrated Agricultural Development: $0.68 million for a feasibility study designed to develop an area within the Kalaka and Saribas districts in the State of Sarawak. The Study will use an integrated approach to improve the standards of living of smallholders, shifting cultivators and fishermen.

Second Trengganu Tengah Development: $30.2 million to provide basic facilities for new communities being built in conjunction with large-scale agricultural and forestry development of underused land in the east coast state of Trengganu. The Project includes the construction of additional infrastructure, such as town development works to accommodate an additional 33,000 settlers; a 37-km. feeder road and 15-km. of access roads; and training and institutional support.

East-West Highway—Phase II (Eastern Section): $15 million for a Project aimed at upgrading the Eastern Section (84 km.) of the East-West Highway comprising the improvement of existing roads (53 km.), new construction along improved alignments (31 km.), and the provision of consultant services for construction supervision. The Project will be co-financed by commercial banks in the amount of $14 million.

Pahang Barat Integrated Agriculture Development: $22.7 million for the development of about 10,000 ha. of smallholder rubber and oil palm estates, 2,500 ha. of cacao and fruit crops, nine pilot development schemes, and the provision of agricultural support services, consultant services and training.

Mini-Hydropower Sector: $24 million for the construction of about 41 mini-hydro schemes in the western part of Peninsular Malaysia with individual capacity ranging from 50 kW to 1.5 MW. The Project is part of Malaysia's mini-hydropower development program. Associated transmission lines and specialist advisory consultant services will also be provided. The Project will be co-financed by commercial banking sources with about $13 million.

TEAK seedlings in a nursery in Nepal. The Bank-assisted Sagarnath Forestry Development Project is designed to reforest 10,000 ha. in the Terai region to alleviate a severe shortage of wood — including fuelwood — in the urban areas of the country.

TECHNICAL ASSISTANCE

Kalaka-Saribas Integrated Agricultural Development: $150,000 grant portion of the technical assistance loan for the preparation of a feasibility study designed to develop an area within the Kalaka and Saribas districts in the State of Sarawak.

Nepal

LOANS

Second Hill Irrigation: $20 million from ADF for a Project to increase agricultural production primarily through the provision of irrigation and related facilities for 4,000 ha. in five areas of the Far Western Region. UNDP is co-financing the Project with $1.37 million (see technical assistance which follows).

Science Education: $8 million from ADF for a Project to improve the quality of science education in 725 secondary and lower secondary schools by upgrading science teaching skills and facilities. About 180,000 students in secondary and lower secondary schools and 2,500 secondary school teachers will be able to update their knowledge and teaching skills and about 130 new science teachers will receive training each year under the Project. UNDP is co-financing the Project with $2 million.

Nepal Paper Mill Technical Services: $4 million from ADF for a Project designed to provide technical services for the investigation, design, supervision and monitoring of the building of a paper mill in the Western Terai with a rated capacity of 30 tons per day of printing and writing paper, using local paddy straw and sabai grass as basic feedstock.

TECHNICAL ASSISTANCE

Second Hill Irrigation: $1.37 million (to be financed by UNDP with the Bank acting as Executing Agency) for consultant services for the implementation of the Second Hill Irrigation Project.

Water Supply and Sanitation Sector Profile: $50,000 for a Study of the Bank's lending strategy to the water supply and sanitation sector. The Study will review existing and proposed development, institutional aspects, and implementation capacity to determine the potential, appropriateness and timing of the Bank's future assistance to the sector.

Formulation of Fifth Power: $50,000 to prepare a Project for the construction of 70 km. of 132 kV line, two 132 kV substations, 1,000 km. of subtransmission and distribution lines and associated substations.

Hill Forest Development: $150,000 for the preparation of a Project aimed at the reforestation of denuded hill slopes; rehabilitation of degraded forests for sustained production of fuelwood, fodder and timber; prevention of soil

erosion in catchment areas by improved management and protection of forests; and strengthening of the Forest Department and the Fuelwood Corporation of Nepal.

Pakistan

LOANS

Telecommunications: $29 million for a Project designed to provide a reliable telecommunications route between the northern and southern areas of Pakistan, linking provincial capitals through the provision of a high capacity microwave system. The Project also includes the provision of subsidiary routes to small exchanges to assist in the integration of remote communities and rural areas currently without any kind of telecommunications service. The Project is being co-financed by the International Bank for Reconstruction and Development ($40 million), the Federal Republic of Germany ($30 million) and the Government of Japan ($31 million).

Pipri II Thermal Generation (Supplementary): $29 million from ADF as a supplementary loan to assist the Government in meeting the foreign exchange financing gap which has resulted from an unexpected shortfall in co-financing. The Project is designed to provide sufficient generation, transmission and distribution facilities to meet the economic and industrial development program in the Karachi area. The OPEC Fund for International Development is providing $5.5 million for the Project.

Tarbela Hydropower Extension (Units 9 and 10): $29 million to provide sufficient generation, transmission and distribution facilities to meet the economic and industrial development goals set by the Government. The Project will provide additional hydropower generation (2 x 175 MW) on a least-cost basis to meet forecast load growth during the period 1982-1990. The Project is being co-financed by the Canadian Government ($17 million) and the OPEC Fund for International Development ($32 million).

Fourth Industrial Development Bank of Pakistan (IDBP): $20 million from OCR and $20 million from ADF as a fourth credit line to IDBP to finance investment foreign exchange requirements of manufacturing industries in the private sector.

Agricultural Development Bank of Pakistan (ADBP): $50 million from ADF as a credit line to augment ADBP's foreign exchange resources to finance the medium and long-term credit requirements of agro-industrial projects in the private sector.

Baluchistan Fisheries Development: $35.4 million from ADF to assist in the development of fisheries resources along the coast of Baluchistan. The Project includes the construction of new fisheries harbor at Pasni; the provision of fishmeal plants, onshore refrigeration facilities and fish carriers; the supply of marine engines and improved fishing gear for fishermen; and the provision of credit facilities, training and extension services.

Sind Livestock Development: $25.7 million from ADF to assist in the development of the Sind livestock sector. The Project includes the establishment of milk collection, chilling, processing and transportation facilities; establishment of feedmills and feeding units; provision of breed improvements and animal health services; and training and consultant services.

TECHNICAL ASSISTANCE

Foodgrain Storage: $50,000 for a feasibility study for a Project aimed at providing adequate storage facilities for grain at strategic locations in the Project area, together with the necessary allied facilities.

Channel Maintenance Dredging Study for Port Qasim: $85,000 for a Study to assist the Port Qasim Authority to examine alternative methods for carrying out the annual maintenance dredging requirements of the navigational channel leading to Port Qasim and selecting the optimal technical and economic solution.

Revised Chashma Right Bank Irrigation: $240,000 to assist the Government prepare a supplemental financing proposal for the revised Project in a form suitable for additional external financing.

Baluchistan Fisheries: $250,000 advisory technical assistance to the Department of Livestock and Fisheries in the implementation of the proposed Baluchistan Fisheries Project.

Papua New Guinea

LOANS

Rural Health Services: $12 million for a Project aimed at improving the infrastructure of the Department of Health and the delivery of health services in six selected provinces. The Project will help support the distribution of health services to selected provinces. Potential beneficiaries are estimated at about one million, one-third of the total population.

Third Papua New Guinea Development Bank (PNGDB): $11 million from ADF as a third credit line to augment the foreign exchange resources of PNGDB to enable it to meet medium and long-term credit requirements for development activities in the agricultural, manufacturing and service industry sectors and to provide advisory and institution-building technical assistance.

TECHNICAL ASSISTANCE

Cape Rodney Agricultural Development: $190,000 for a feasibility study for smallholder agricultural development schemes in Cape Rodney, Central Province. The objectives of the schemes are to increase the production of natural rubber and cocoa for export, and of food and cash crops; improve the rubber industry; and increase household incomes and living standards of the rural population.

Port Development Study: $250,000 for a preliminary technical and economic analysis of 16 ports to review the requirements of the port system and to determine overall investment requirements and priorities. This will be followed by a feasibility study of selected ports and recommendations on optimum rehabilitation and development programs.

Third Papua New Guinea Development Bank (PNGDB): $210,000 advisory technical assistance to assist PNGDB in building up expertise in project evaluation in the industrial sector.

Philippines

LOANS

Power System Development: $32.75 million for a Project aimed at extending the National Power Corporation's power grid to meet the accelerated electrification program in Luzon, the Visayas and Mindanao, considered necessary for balanced regional development. The Project also includes the exploitation of renewable indigenous energy sources for electric power generation to help reduce costly fuel oil imports.

Third Davao del Norte Irrigation: $45.3 million for a Project designed to assist Government efforts to ensure sustained self-sufficiency in foodgrains and bring about balanced regional development. The Project includes provision of infrastructure to increase rice production, improve rural income, create employment opportunities and upgrade the living standards of people in the Project area.

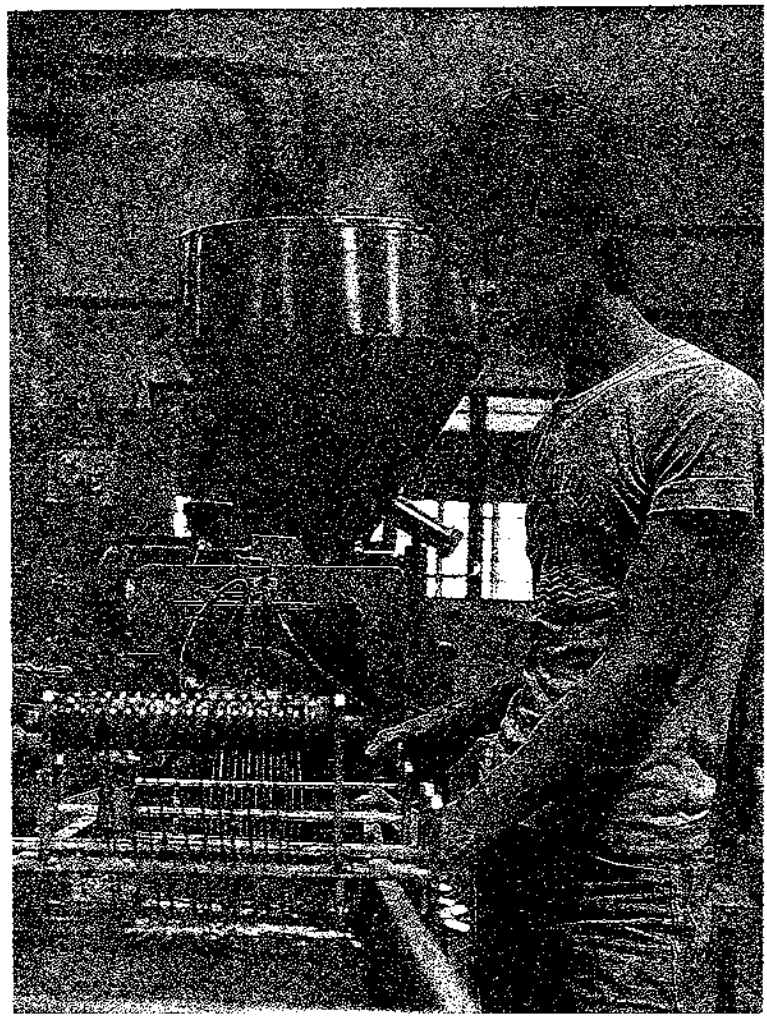
Third Road Improvement: $68 million for a Project designed to improve national road links totalling about 450 km. in the islands of Luzon, Mindanao, Palawan and Panay and rural road links totalling 510 km. in nine provinces in the islands of Luzon, Negros, Palawan and Panay. The Project includes the provision of maintenance equipment and workshop tools. It also includes consultant services for institution-building and to assist in project implementation. The Project is being co-financed by Kuwait Fund in the amount of $11.5 million.

Agro-Processing and Marketing: $36 million to augment and modernize the post-harvest and marketing infrastructure in the food crop sector. The Project includes the establishment of the Northern Philippines Grains Complex in Isabela Province; the provision of rice threshing, drying equipment and storage and transportation facilities; the modernization of 350 rice mills; the setting up of six farmers' markets and a wholesale market; the strengthening of two trading centers; and the setting up of a Food Technology Research and Development Center.

Cotton Development: $26.7 million for a Project to support Government efforts to undertake, implement and supervise commercial cotton production. The Project will give support to cotton smallholders by providing farm machinery and equipment, credit and inputs; strengthen cotton research and extension services; and establish processing facilities, including gins and an oil extraction plant. It will assist 35,000 farm families in Luzon and Mindanao to grow cotton by doubling the area presently under cotton cultivation.

Sixth Private Development Corporation of the Philippines (PDCP): $45 million as a sixth credit line to augment PDCP's foreign exchange resources to meet medium and

PRIVATE enterprises in the Philippines such as this marble producer (left) and colorants manufacturer (right) have benefitted from Bank loans re-lent by the Private Development Corporation of the Philippines.



long-term development credit requirements of industrial and other enterprises in the private sector. It is estimated that projects to be financed under the Bank loan will generate about 3,100 new jobs, half outside the Metropolitan Manila area. The Project will be co-financed by commercial banks in the amount of $20 million.

TECHNICAL ASSISTANCE

Sorsogon Integrated Area Development: $350,000 for a feasibility study for multi-sectoral development of the Province of Sorsogon in Bicol.

Forestry Development: $245,000 for the preparation of a Project for the reforestation of degraded forest areas for the production of fuelwood and the maintenance of the rural environment by involving kaingero (slash-burn) farmers in Ilocos Norte in the northern part of the country.

Cagayan River (Mindanao) Hydropower Study: $150,000 for the provision of consultant services to prepare studies for the initial development of three identified hydropower sites on the Cagayan River in North Central Mindanao and for the engineering and detailed design for a site selected for initial development.

Mineral Resources Development (Phase II): $244,000 for the preparation of priority components of the Government's Mineral Resources Development Program, including the setting up of a Mineral Resources Research Center and the establishment of regional schools of mines.

Cotton Development: $220,000 to enable a team of consultants to carry out a management support study which will examine existing information, reporting and inventory control systems on cotton development as well as identify any techno-managerial constraints that need to be overcome. The Study will also determine the data processing and computer facility needs of the Philippine Cotton Corporation (PCC).

Agro-Processing and Marketing: $47,000 to prepare a Project aimed at improving post-harvest and marketing facilities in the food crop sector in the country.

Aquaculture Development: $215,000 to prepare an Aquaculture Development Project which would help expand fish production to meet growing domestic demand.

Second Coal Development: $330,000 for a feasibility study of a Project to develop the Bislig coal field in southeastern Mindanao and establish coal terminal facilities for a national coal logistics system which would channel coal flows from the various supply sources to end-users.

Industrial Energy Audits and Conservation Program: $560,000 to assist the Government formulate more effective policies and programs for energy conservation in the industrial sector (including electric power) which accounts for about 60 per cent of total energy consumption in the economy.

Rural Roads: $150,000 to prepare feasibility studies for the improvement of priority rural road sections in 15 provinces and to prepare a detailed program for project monitoring and evaluation of the rural roads component under the Third Road Improvement Project (see loan preceding).

Agro-Processing and Marketing: $250,000 advisory technical assistance for a Study of the country's rice milling industry and the institutional review of the National Food Authority to improve its operational capability.

Solomon Islands

TECHNICAL ASSISTANCE

Rural Development Centers: $200,000 for a feasibility study aimed at developing growth centers to assist rural development through the provision of multifunctional support and services. The Project is expected to provide a package of incentives and inputs supplemented by infrastructural facilities.

Livestock Development: $150,000 for a feasibility study of the extension of the existing Cattle Development Project to include other domestic stocks (poultry, pigs and goats) and the production of animal feeds.

Sri Lanka

LOANS

Kirindi Oya Irrigation and Settlement (Supplementary): $10 million from ADF to provide supplementary financing for a Project that will increase agricultural production in the Project area in the southeast quadrant of the country by the rehabilitation of existing irrigation facilities and provision of new facilities, and the settlement of about 4,200 landless farm families on new farm lands that will be developed. The Project will benefit about 8,700 farm families through increased farm output. The Project will be co-financed by the International Fund for Agricultural Development ($6 million) and the Federal Republic of Germany ($7.6 million).

Livestock Development: $15.2 million from ADF to improve the quality and increase the productivity of the livestock sector in ten districts in the country, to increase the participation of smallholders in livestock production, to diversify on-farm employment opportunities and to increase the incomes of approximately 35,000 farm families in the Project area.

Technical Education: $16.1 million from ADF for a Project designed to improve the quality and efficiency of commerce and technical craft and technician-level training offered by the Ministry of Higher Education. The Project includes the construction and equipping of a new National Technical Teachers Training College, provision or upgrading of workshop equipment and other facilities, and provision of new or revised courses and curricula. The Government of Sweden and the United Nations Development Programme are co-financing the Project with $2.79 million and $0.85 million, respectively.

Health and Population: $9.3 million from ADF for a Project designed to improve the health of the rural population in eight underserved districts by improving the delivery system for health care and family planning services at

primary level. The Project includes the strengthening of health infrastructure at the primary health care level, support of in-service training program for medical and paramedical personnel in general public health and family planning, and provision of consultant services to assist in project implementation and project benefit monitoring and evaluation. The Project will benefit about 1.9 million people, or about 16 per cent of the rural population of the country.

Community Forestry: $10 million from ADF to increase fuelwood supplies by using local manpower resources of village communities in five districts and by establishing a block fuelwood plantation in one district, and to create institutional capabilities to support the expansion of community forestry in other areas. Approximately 6,000 rural families will benefit from this Project.

Thailand

LOANS

Natural Gas Transmission and Distribution: $87 million to assist the Government in the development of indigenous gas resources. The Project is designed to transport gas from Platong gas field and the adjacent gas fields through interconnection with the existing main offshore submarine pipeline. The Project will be co-financed by commercial banks in the amount of $15 million.

Songkhla Lake Basin Planning Study: $3 million for the preparation of a planning study to formulate a strategic framework for the development of the Songkhla Lake Basin consistent with environmental protection and the preparation of detailed feasibility studies of selected high-priority projects. UNDP is co-financing the Project with $0.5 million (see technical assistance which follows).

Second Power System Expansion: $81.6 million for a Project aimed at the least-cost expansion of the generation and transmission facilities of the Electricity Generating Authority of Thailand (EGAT) to meet forecast load growth from 1985. The Project will enable EGAT to expand its hydroelectric generation capacity by 189 MW and extend and reinforce its transmission system. The Project will be co-financed by commercial banks in the amount of $81.6 million and by the International Bank for Reconstruction and Development in the amount of $4.96 million.

TECHNICAL ASSISTANCE

Second Medium Scale Irrigation Package: $730,000 (of which $380,000 is to be financed by the Government of Switzerland with the Bank acting as Administrator) for feasibility studies for the Second Medium Scale Irrigation Package Project.

Cotton Development: $150,000 to examine the cotton industry and formulate a cotton development project.

Smallholder Livestock Development: $50,000 to prepare a Project designed to increase beef and dairy cattle production, including quality beef, milk and dairy products for domestic and export markets.

Agricultural Credit: $50,000 to prepare a Project designed to supplement the Government's resources for extending credit to farmers for the purchase of fertilizer and farm equipment.

Songkhla Lake Basin Planning Study: $500,000 (to be financed by UNDP with the Bank acting as Executing Agency) to meet part of the foreign exchange costs of this Project (see loan preceding).

Vanuatu

LOAN

Development Bank of Vanuatu (DBV): $1 million from ADF as a first credit line to Development Bank of Vanuatu. The credit line will augment the foreign exchange resources of DBV to enable it to meet medium and long-term credit requirements for specific development activities in the agricultural, industrial and tourism sectors and to provide advisory and institution-building technical assistance.

TECHNICAL ASSISTANCE

Smallholder Agricultural Development: $140,000 for a feasibility study to provide support services aimed at improving the quality of smallholder and Government agricultural production activities, including research, extension, training, input supplies and provision of facilities for institution-building and small agro-processing units.

Development Bank of Vanuatu (DBV): $100,000 to assist DBV in strengthening its project appraisal and supervision capabilities.

REGIONAL ACTIVITIES[a]

Sixth Regional Program on Development Banking: $155,000 for a Program held in New Delhi, India, from 15 March to 23 April, in collaboration with the Development Banking Centre of the Management Development Institute. The Program was designed to enhance the skills of professional staff of DFIs in the promotion, evaluation and monitoring of industrial projects. Attention was also given to institutional aspects of development banking.

Third Regional Program on Industrial Project Appraisal — Marketing and Economic Aspects: $95,000 for a Program, held in Manila from 26 July to 13 August, designed to strengthen the analytical skills of professional staff of DFIs in the assessment of the marketing and economic elements of projects.

South Asia and South East Asia and Pacific Regional Power Projects Course (1982): $60,000 for a Course, held in Manila from 12 July to 20 August, to enhance the technical skills of power utility staff in power project analysis to enable them to formulate, evaluate and implement power development projects effectively and economically. The Course was co-sponsored by the Bank,

a Includes regional activities approved in 1982 except Study of the Bank's Operational Priorities and Plans for the 1980s; Energy Planning Coordination Meeting; Regional Seminar on Equity Investment; Workshop on Co-Financing with Commercial and Export Credit Sources; and Regional Power Utility Tariff Symposium, which appear between pages 51 and 58.

the Economic Development Institute of the World Bank and the National Power Corporation of the Philippines.

Second Development Bank Staff Training: $45,000 for in-service training at the Bank for four senior officials from four selected DFIs, focusing on Bank policies, procedures and requirements with regard to its operations in the development banking sector. Each training program will last for three months.

Regional Program on Management Development for Development Finance Institutions in Asia: $85,000 for a Program — the first of its kind to be supported by the Bank — to assist senior officials of DFIs in improving their management capabilities in planning, organization and control, as well as in effective leadership. The Program was held in Baguio City, Philippines, from 6 to 23 September.

Regional Program on Management Development for South Pacific Development Finance Institutions: $60,000 for a Program conducted in Suva, Fiji, from 25 October to 5 November in collaboration with the Fiji Development Bank. The objective of the Program was to enhance the management expertise of senior officials of the South Pacific DFIs in planning, organization and control, as well as in effective leadership.

Fifth Regional Program on Project Implementation and Supervision: $120,000 for a Program held in Jakarta, Indonesia, from 22 November to 17 December in collaboration with Bank Pembangunan Indonesia and the German Foundation for International Development. The Program was intended to augment the expertise of professional staff of DFIs in the effective monitoring of approved projects during their implementation and operational stages.

Seventh Regional Program on Development Banking: $150,000 for a Program to enhance the skills of professional staff of DFIs in the areas of project promotion, evaluation and supervision. The Program will also focus on institutional aspects of development banking. To be held in Colombo, Sri Lanka, from 14 February to 25 March 1983, the Program will be conducted in collaboration with the Development Finance Corporation of Ceylon and the National Development Bank of Sri Lanka.

Publication of Procurement Opportunities Under Bank-Financed Projects in the Development Forum Business Edition (Third Contribution): $15,000 to continue arrangements for the Business Edition of Development Forum, a periodical published by the Center for Economic and Social Information of the United Nations, to publish twice a month procurement notices for bidding opportunities on development projects assisted by the Bank.

ASEAN Governments for the Acquisition and Installation of Transmission Planning Software: $222,000 for a computer software package for the power utility authorities of the five member countries of the Association of Southeast Asian Nations (ASEAN) to assist them in medium and long-term transmission planning. The package will be used by the power authorities to evaluate expansion alternatives for power transmission. It will evaluate load growth, system losses, location of generating plants and load centers, oil costs, transmission voltage levels and easement costs. The technical assistance also calls for an intensive training program.

APO Third Training Course in Project Management: $24,700 for a Course, sponsored by the Asian Productivity Organization (APO) in cooperation with the Bank and the Indian National Productivity Council, designed to give participants the knowledge and skills required in effective project management with a view to alleviating the region's acute shortage of professionally trained project managers. The Course was held in India — in New Delhi from 6 to 11 September and in Bangalore from 19 September to 1 October.

Sub-Regional Workshop on Strategies for Integrating Women in National Planning Processes: $45,000 for a Workshop designed to assist participants from planning agencies and development organizations of South Pacific Island countries in formulating and implementing strategies which would contribute to the enhancement of the social and economic roles of women. The Workshop, held in Suva, Fiji, from 19 to 30 October, was organized by the United Nations Asian and Pacific Development Centre (APDC) in cooperation with the University of the South Pacific.

Regional Energy Survey (Supplementary): $75,000 to cover additional printing and distribution costs of the Bank-sponsored Regional Energy Survey.

Regional Study on the Impact of the Energy Situation on Transport Development: $250,000 for a Study which will (i) assess the impact of recent trends in the Energy sector on the priorities and patterns of transport development in DMCs; (ii) outline projects, programs and policies which could help improve transport sector energy efficiency in the various modes and which deserve further study; (iii) recommend programs, methodologies and data collection that should become a part of the ongoing efforts of DMCs to enable them to respond effectively to energy developments in their transport planning; and (iv) relate the findings to guidelines for consideration by the Bank in its future program for assistance to DMCs in the transport sector.

Regional Seminar on Financing of Low-Income Housing: $80,000 for a Seminar, to be held in Manila in February 1983, which will bring together senior officials from agencies concerned with policy-making, financing and implementation of low-income housing, including slum upgrading in urban areas. Participants will exchange information on housing finance approaches, institutional framework and related matters.

Review of Refinery Rationalization Needs: $47,000 to examine rationalization needs of oil refineries in DMCs to provide for the changing product-mix required by oil conservation measures. Specifically, the Review will provide (i) a broad assessment of the existing and prospective petroleum product imbalances of the DMCs, (ii) an inventory of plans and measures being considered or under implementation for improvement, (iii) an outline of other programs and actions that appear to be needed, and (iv) estimates of capital and technical assistance necessary for the implementation of these programs.

Research and Training in Aquaculture: $220,000 for a Research and Training Project in Aquaculture, focusing on carp seed (fry and fingerlings) production in several DMCs. Its objectives are to (i) analyze the problems of carp seed supply in selected DMCs, particularly the problems of carp hatcheries in Bank-financed projects; (ii) design and coordinate a program of applied research to resolve these problems; (iii) provide advice to carp hatchery operators on how to improve and manage hatchery/nursery systems so as to increase seed production; (iv) make recommendations for improving research and training in carp seed production; (v) hold a training workshop on management of carp seed production, compare experience in different DMCs, discuss the research findings and recommendations, and outline ways to implement the recommendations; and (vi) publish and disseminate information resulting from the Project.

13th Pacific Trade and Development Conference (PAFTAD): $50,000 for a Conference, to be held in Manila from 24 to 28 January 1983 under the co-sponsorship of the Bank and the Philippine Institute for Development Studies (PIDS), with the theme "Energy and Structural Change in the Asia-Pacific Region." Its emphasis will be on the impact of energy price increases, particularly the effects of economic activities and the policy responses. The Conference is expected to bring together leading academics, high-level government officials and policy makers as well as participants from international agencies.

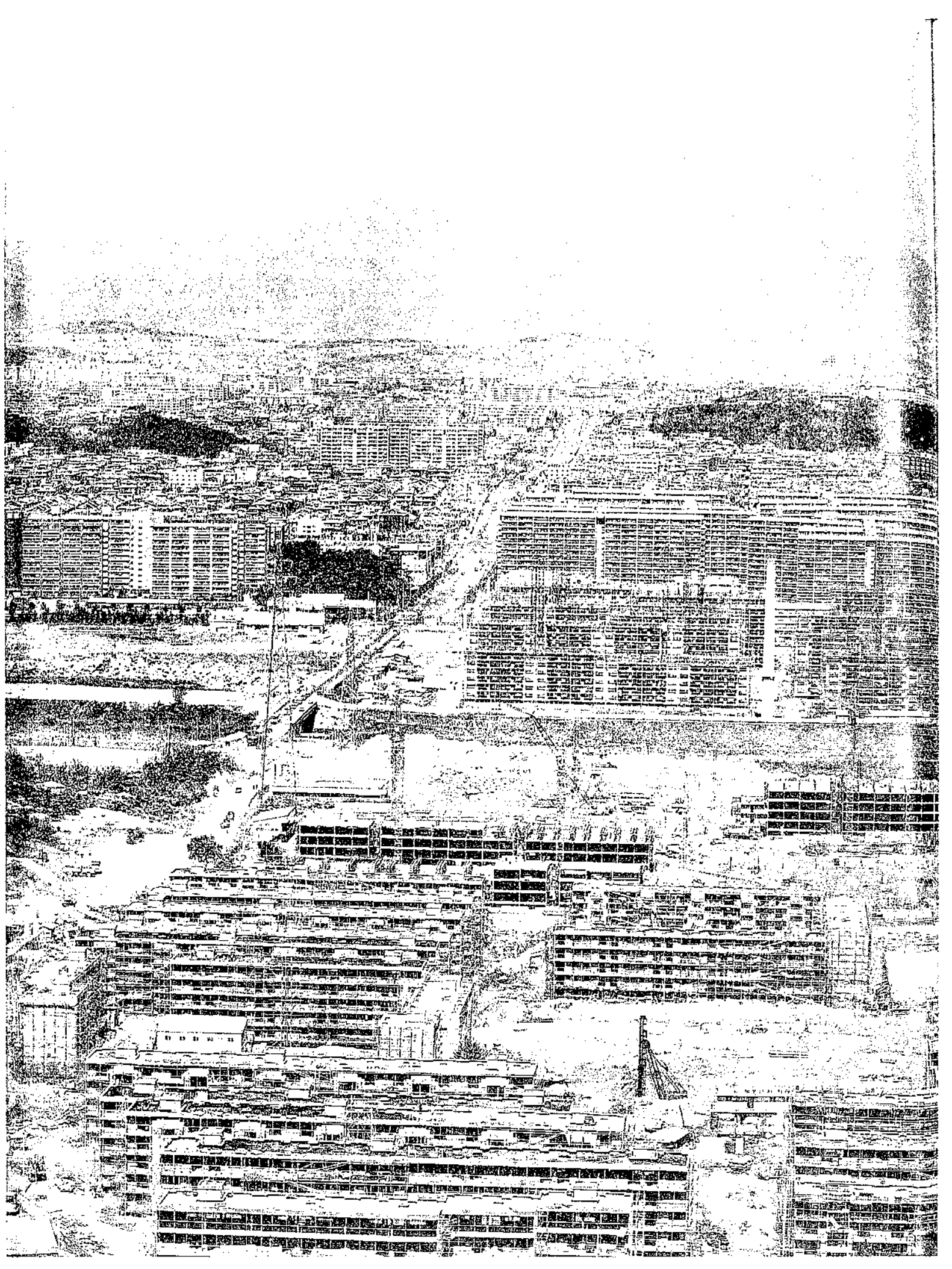
Regional Rural Electrification Survey: $245,000 for a Survey intended to help remedy inadequacies in the assessment and evaluation of the efficiency and achievements of rural electrification programs. These have been undertaken on an increasing scale in the region over the past two decades. The operating experience of these programs will be examined with a view to preparing guidelines for improved planning and implementation, as well as evaluation.

Training Course in Project Feasibility, Appraisal and Implementation: $56,600 for a Course to be conducted by the Asian Productivity Organization (APO). Its aims are to improve the participants' skills in preparing project feasibility studies, broaden their knowledge of project feasibility and appraisal, enhance their understanding of the various aspects of project implementation and provide an overview of the full cycle of a project. It will be held in January and February 1983 in the Philippines and in Japan.

Regional Seminar on Control of Water Supply Distribution Systems: $80,000 for a Seminar, to be held in Singapore in February 1983, to analyze the problems of controlling unaccounted-for water in DMCs' water supply distribution systems. The Seminar will promote exchange of information on water control and include a demonstration of control techniques by Singapore's Public Utility Board. The Seminar is also intended to help the Bank formulate guidelines on water supply distribution system control in projects for future financing.

REGIONAL ACTIVITIES, 1982

	Amount ($ thousand)
Research and Training in Aquaculture	220.0
Sixth Regional Program on Development Banking	155.0
Second Development Bank Staff Training	45.0
Regional Seminar on Equity Financing	50.0
ASEAN Governments for the Acquisition and Installation of Transmission Planning Software	222.0
Regional Energy Survey (Supplementary)	75.0
South Asia and South East Asia and Pacific Regional Power Projects Course (1982)	60.0
Third Regional Program on Industrial Project Appraisal — Marketing and Economic Aspects	95.0
Fifth Regional Program on Project Implementation and Supervision	120.0
Regional Program on Management Development for South Pacific Development Finance Institutions	60.0
Regional Program on Management Development for Development Finance Institutions in Asia	85.0
Regional Power Utility Tariff Symposium	125.0
Regional Rural Electrification Survey	245.0
Review of Refinery Rationalization Needs	47.0
Regional Seminar on Financing of Low-Income Housing	80.0
Regional Seminar on Control of Water Supply Distribution Systems	80.0
Regional Study on the Impact of the Energy Situation on Transport Development	250.0
Publication of Procurement Opportunities Under Bank-Financed Projects in the Development Forum Business Edition (Third Contribution)	15.0
APO Third Training Course in Project Management	24.7
13th Pacific Trade and Development Conference (PAFTAD)	50.0
Training Course in Project Feasibility, Appraisal and Implementation	56.6
Workshop on Co-Financing with Commercial and Export Credit Sources	158.0
Sub-Regional Workshop on Strategies for Integrating Women in National Planning Processes	45.0
Seventh Regional Program on Development Banking	150.0
TOTAL	2,513.3



ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Separation of Operations

IN ACCORDANCE with its Articles of Agreement, the Bank's ordinary capital resources and Special Funds resources are held, used and committed entirely separate from each other. The ordinary and special operations of the Bank are shown separately in its financial statements. Moreover, the Bank's ordinary capital resources may under no circumstances be charged with, or used to discharge, losses or liabilities arising out of its special operations. The Bank's administrative expenses are allocated between ordinary capital resources and Special Funds resources on the basis of the number of loans respectively approved from each of these resources. Funds raised by the Bank through borrowings are included in the Bank's ordinary capital resources and used in its ordinary operations.

Capital Structure of the Bank

As of 31 December 1982, the Bank's authorized capital stock stood at $7,965.1 million (SDR7,220.6 million), while its subscribed capital stock amounted to $7,898.7 million (SDR7,160.4 million). During the year, the United States made additional subscriptions totalling $45.6 million (SDR41.3 million) under the second General Capital Increase and Bhutan made an initial membership subscription of $1.2 million (SDR1.1 million), while, at the request of Viet Nam, a part of its subscription to the second General Capital Increase was cancelled.

Valuation of Capital and Maintenance of Value

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 for the valuation of the Bank's capital stock are under examination by the Bank. Pending a decision on this matter, the value of the Bank's capital stock is expressed, for purposes of the Bank's financial statements, in terms of the SDR on the basis that each share has the value of SDR10,000. The mutual obligations of each member and the Bank with respect to maintenance of value of currency holdings is also measured by the same standard, but settlement of such obligations is being held in abeyance. For purposes of the financial statements, the SDR is translated into current United States dollars at the rate computed by the IMF. As of 31 December 1982, the rate was $1.10311 per SDR. Further information on valuation of capital and maintenance of value is given in Notes A and D of the Notes to Financial Statements of Ordinary Capital Resources, Appendix I-VII.

Proposed Third General Capital Increase

Pursuant to Board of Governors' Resolution No. 134, the Bank in 1982 continued to review future resource requirements for its ordinary operations. A number of working papers on the subject were considered by the Board of Directors. As of the end of the year, however, the basic issues of the size and composition of the proposed Capital Increase were still pending. It was anticipated that a consensus would emerge early in 1983. Depending on such consensus, it was envisaged that the Board of Directors' findings and recommendations on a third General Capital Increase could be submitted to the Board of Governors in March 1983.[1]

Special Increases in Subscriptions

During the year, the Board of Directors considered procedural guidelines for special increases in capital subscriptions of individual members, and approved a procedure for multilateral consultation in this regard. The Bank received a number of requests for special increases, and the Board of Directors held several informal meetings to consider possible criteria for dealing with such requests. However,

1 In March 1983, the Board of Directors submitted to the Board of Governors for approval a draft Resolution for a third General Capital Increase of 105 per cent with a 5 per cent paid-in portion.

FOREGROUND: Low-income housing units under construction in Seoul, Republic of Korea. The Bank-assisted Second Low Income Urban Housing Project will eventually benefit over 43,000 people in Seoul and five other cities.

no conclusions had been reached by the end of the year and further discussions were expected to be held in 1983 to resolve outstanding issues.

Progress of Second General Capital Increase

In May, the Board of Governors adopted Resolution No. 153 whereby the final date for subscriptions to the second General Capital Increase was further extended to 30 April 1983. As of 31 December 1982, all except two members had subscribed to their entitlements, bringing the aggregate of subscriptions under the second General Capital Increase to $4,511.4 million (SDR4,089.7 million). An amount of $42.0 million (SDR38.1 million) remained available for subscription.

Financial Policies

The annual review of the Bank's financial policies was undertaken early in the year and covered, among other things, lending and borrowing programs for the year, financial objectives and indicators, and policies relating to liquidity, income and reserves. Subsequently, the Bank commissioned an independent consultant of high international standing to prepare a comprehensive study of its financial policies. To facilitate discussions on the third General Capital Increase, the consultant in April submitted an interim report on two financial policy issues, namely, special reserve and gearing ratio. The final study, which is expected to be available in early 1983, will serve as a basis for the Bank's financial policy formulation and for its financial planning and management. Pending completion of the study and the Bank's review of its findings, the existing framework of the Bank's financial policies is to continue unchanged.

In view of the increasing importance of reviewing the Bank's financial policies, plans and projections on a continuing basis and the need to examine critically the Bank's longer-range financial management policies in the context of its overall development financing objectives, the appropriate organizational management for handling this function was reviewed and strengthened during the year (for additional details, see page 88).

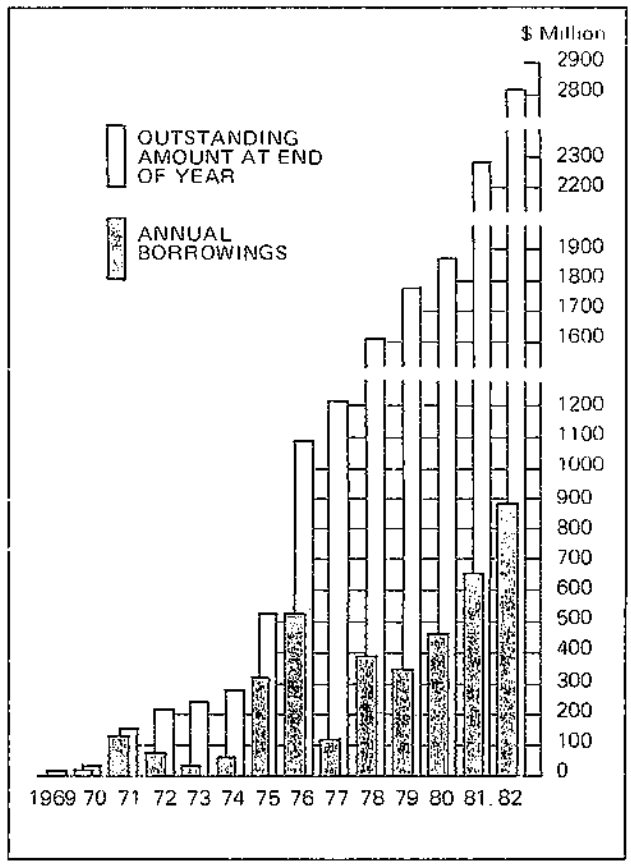
Borrowings

During 1982 the Bank made 14 borrowings amounting to the equivalent of $881.8 million compared with a total equivalent to $668.5 million raised in 1981. Details of the year's borrowings are shown in the table on page 77.

In pursuance of its continuing efforts to diversify its borrowings and in view of its expanding borrowing program, the Bank made its first public offerings in the Dutch domestic capital market and re-entered the United States capital market after an interval of six years. In the Dutch domestic market the Bank made two public bond issues, in February and August, each for f100 million, while in the United States market it undertook a public offering in July for a principal amount of $400 million of zero coupon notes sold at a deep discount from face value.

The Japanese market remained the largest source of borrowings in view of the availability of funds in that market on relatively favorable terms throughout the year. Over 35 per cent of the total amount borrowed in 1982 was denominated in Japanese yen, consisting of two public bond issues in Japan in March and September, each for ¥20 billion; a direct borrowing of ¥20 billion in May provided by a syndicate of banks and life insurance companies; and a public bond issue in July in the international capital markets outside Japan and the United States for ¥15 billion.

BORROWINGS: 1969-1982



For the first time the Bank made three public bond issues in one year in the German capital market. These issues, floated in April, August and November, were each for DM150 million.

The Bank again made two public bond issues in the Swiss capital market where interest rates were comparatively low. These issues, in May and August, were each for SwF100 million.

In April, Two-Year US Dollar Bonds totalling $68 million were placed with central banks and monetary authorities in 27 member countries, replacing the maturing Two-Year US Dollar Bonds of 1980.

The Bank was again able to tap funds from oil exporting countries for the benefit of its DMCs by making a private placement in the Middle East. The placement, with the Saudi Arabian Monetary Agency, was for SwF75 million.

The average maturity of the year's borrowings, weighted by amount, was 8.93 years, which had the effect of increasing the average life of outstanding borrowings from 7.03 years at the end of 1981 to 7.41 years at the end of 1982.

Investments

At the end of 1982, the Bank's OCR investments were denominated in 23 currencies and amounted to the equivalent of $1,957.3 million ($1,670.1 million at the end of

1981), including investments of Special Reserve Fund assets. Of the total investments, 61.1 per cent (28.4 per cent at the end of 1981) was held in securities issued or guaranteed by member governments, obligations of other multilateral development banks and 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 increased to 11.42 per cent from 10.56 per cent in 1981.

In September, the Board approved revised investment guidelines, designed to improve the Bank's flexibility in balancing liquidity and income objectives. The major changes included (i) allowing the Bank to invest in a wider range of obligations; (ii) extending the permissible maximum maturity of investment securities; (iii) limiting the Bank's investments in each of several classes of investments; (iv) extending the general limitation on the investment maturity and range of bank-related investments; and (v) providing a more flexible guideline for investment in bank obligations.

BORROWINGS, 1982

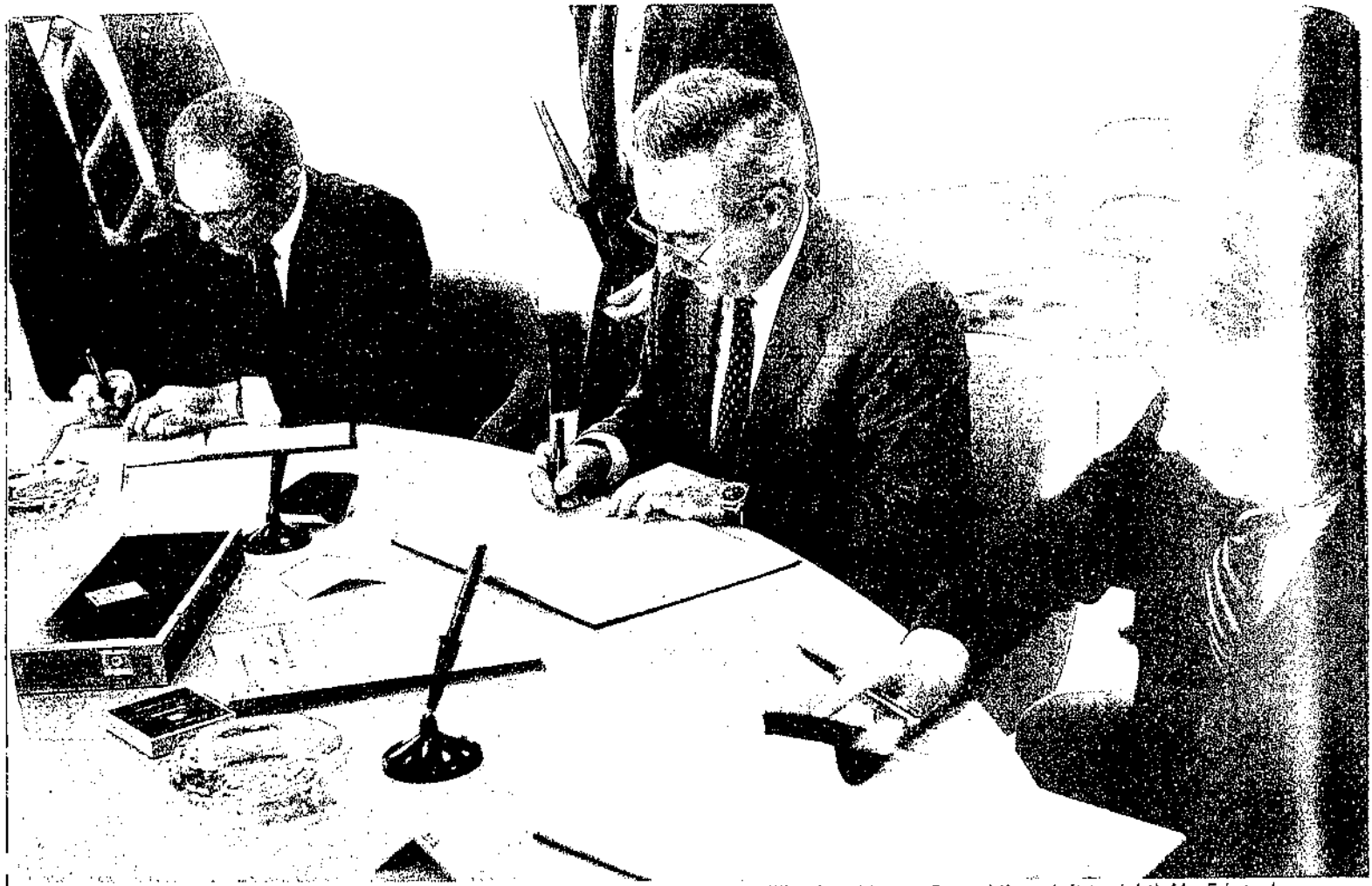
Country	Borrowing	Amount in Currency of Borrowing (million)	US$ Equivalent[a] (million)
Germany, Federal Republic of	9.25% 10-Year Bonds due 1992	DM 150	66.5
	9.25% 10-Year Bonds due 1992	DM 150	62.1
	8.25% 10-Year Bonds due 1992	DM 150	59.4
Japan	8.20% 12-Year Bonds due 1994	¥20,000	91.0
	8.40% 12-Year Bonds due 1994	¥20,000	78.7
	Direct Borrowing	¥20,000[b]	81.1
Netherlands	11.50% 10-Year Bonds due 1992	f 100	40.5
	11.00% 10-Year Bonds due 1992	f 100	37.4
Saudi Arabia	Private Placement	SwF 75	38.8
Switzerland	7.00% 10-Year Bonds due 1992	SwF 100	51.7
	7.125% 10-Year Bonds due 1992	SwF 100	47.5
United States	Zero Coupon 10-year Notes due 1992	US$ 100[c]	100.0
Central Banks/ Monetary Authorities	14.10% 2-Year Bonds due 1984	US$ 68	68.0
International[d]	8.625% 10-Year Bonds due 1992	¥15,000	59.1
TOTAL			**881.8**

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 Consists of two tranches: Tranche A amounting to ¥8 billion has 15 years maturity with 8.70% interest rate and Tranche B amounting to ¥12 billion has 10 years maturity with 8.50% interest rate.

c Proceeds from sale of notes with a face value of US$400 million.

d International capital markets outside Japan and the United States.



SIGNING of documents in Frankfurt in November for a DM 150 million bond issue. Seated (from left to right): Mr. Edgar J. Roberts, Jr., the Bank's Treasurer, Mr. Karl Miesel and Mr. Michael von Brentano, Senior Vice Presidents, Deutsche Bank.

Lending Rate

An interim review of the Bank's lending rate was undertaken early in the year. On the basis of this review, the lending rate was increased from 10.10 per cent per annum to 11.00 per cent per annum with effect from 1 January 1982. The annual review of the lending rate was undertaken in August. As a result of this review the Board decided to retain the lending rate unchanged at 11.00 per cent per annum.

Exchange Risk Pooling System

In August 1981, the Board of Directors approved the adoption by the Bank of an Exchange Risk Pooling System to equalize the exchange risk among the borrowers in respect of currencies repayable under loans financed from the Bank's ordinary capital resources. Preparatory work on the implementation of the system has been proceeding satisfactorily and the system was introduced from 1 January 1983.

Loan Disbursements and Repayments

Disbursements from ordinary capital resources during the year amounted to $619.6 million, bringing cumulative disbursements from this source up to the end of 1982 to $3,442.2 million. Repayments in 1982 totalled $148.0 million, consisting of $146.7 million on loans held by the Bank and $1.3 million on portions of loans sold to participants. Cumulative loan repayments up to the end of 1982 reached $655.1 million, consisting of $638.1 million on loans held by the Bank and $17.0 million on portions sold to participants.

Income and Expenses

The Bank's gross income in 1982 was $413.7 million, an increase of $66.6 million or 19.2 per cent over the $347.1 million gross income figure in 1981. The increase was due mainly to a rise in income from loans and income from investments by $22.4 million and $43.6 million, respectively.

Gross expenses increased by $52.7 million, or 28.3 per

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

	1981 Actual	1982 Budget	1982 Actual	1983 Budget
1. Gross Income	347.1	401.9	413.7	481.1
2. Less Expenses Charged to Ordinary Capital Resources:				
a. Interest and Other Financial Expenses	157.7	202.4	202.7	266.7
b. Administrative Expenses[a]	27.9	31.8	35.1	37.5
c. Services to Member Countries	0.5	3.1	1.0	3.4
TOTAL	186.1	237.3	238.8	307.6
3. Net Income	161.0	164.6	174.8	173.5
4. Appropriation of Commissions to Special Reserve	(21.3)	(24.7)	(23.4)	(31.1)
5. Net Income After Appropriation of Commissions to Special Reserve	139.7	139.9	151.4	142.4

Note: Figures may not add due to rounding.

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

cent, from $186.1 million in 1981 to $238.8 million in 1982. This was due to an increase of $45.0 million in financial expenses, $7.2 million in administrative expenses and $0.5 million in services to member countries.

Net income after appropriation of commissions to the Special Reserve increased by $11.7 million, or 8.4 per cent, from $139.7 million in 1981 to $151.4 million in 1982.

Reserves

The Bank's Ordinary Reserve rose from $512.0 million as of 31 December 1981 to $665.7 million as of 31 December 1982. The increase was due to (i) the transfer to the Ordinary Reserve of the accumulated net income as of 31 December 1981 amounting to $139.7 million; and (ii) the net credit to Ordinary Reserve amounting to $14.0 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 $99.9 million as of 31 December 1981 to $123.3 million as of 31 December 1982 as a result of appropriations of commissions earned on loans during the year.

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SPECIAL FUNDS

Major Developments in 1982

DURING 1982, negotiations were concluded for a third Asian Development Fund replenishment (ADF IV) to finance the Bank's concessional lending program over the four-year period 1983-1986. The developed member countries agreed to provide a total of about $3,205 million, while a further $9.5 million was agreed to be provided by four developing member countries.

The fourth instalments of unqualified contributions to the second Asian Development Fund replenishment (ADF III) became available to the Bank for loan commitments in February following receipt of the third instalment of the United States contribution. The fourth instalment of the U.S. contribution was received by the Bank in December.

During the year, the Bank also received further payments totalling $18.6 million from the United States towards the balance of its contribution to the first Asian Development Fund replenishment (ADF II). These payments reduced the outstanding balance of the U.S. contribution to ADF II to $37.9 million.

During 1982, Indonesia made its first contribution to the Technical Assistance Special Fund (TASF) and further contributions were made by 11 other member countries.

Third ADF Replenishment (ADF IV)

During the year, the Bank successfully concluded negotiations with ADF donor countries for a third Asian Development Fund replenishment (ADF IV) to finance its projected concessional lending program for its poorer developing member countries over the four-year period 1983-1986. The negotiations had commenced in 1981 when formal meetings attended by representatives of all 17 developed member countries were held in Geneva and Canberra. Further meetings were held in 1982, in Paris, Washington D.C. and Manila. The meetings were all chaired by Sir John Chadwick, Special Adviser to the President of the Bank. Although the Bank's initial replenishment target of $4.1 billion was broadly supported at these meetings, the economic and financial difficulties facing donor countries made it necessary for the replenishment target to be revised. The level finally agreed on by the developed member countries was about $3,205 million (at the average of daily exchange rates during the first quarter of 1982).[1] In addition, four developing member countries, namely, Republic of China, Hong Kong, Indonesia and Republic of Korea, agreed to make contributions totalling $9.5 million to the replenishment.

Resolution No. 154, authorizing the Bank to receive contributions to ADF IV in accordance with the terms and conditions that had been agreed on, was adopted by the Board of Governors in July. The Resolution provides that in order for the replenishment arrangements to become effective, the Bank would have to receive unqualified contribution commitments from developed member countries totalling at least $1.6 billion. The target date specified for this purpose is 31 May 1983. The Resolution envisages that contributions would become available for loan commitments in four equal annual instalments over the period 1983-1986. As of 31 December 1982, Instruments of Contribution to the replenishment had been received from Republic of China, Denmark and Republic of Korea.

Second ADF Replenishment (ADF III)

The second ADF replenishment (ADF III) was authorized by Governors' Resolution No. 121, adopted in July 1978, to cover the Bank's concessional lending program over the four-year period 1979-1982. The total amount authorized was $2,150 million (at 1 April 1978 exchange rates), to be released to the Bank for loan commitments in four equal annual instalments over the replenishment period. At the beginning of 1982, the third instalment of the United States contribution became available to the Bank for loan commitments. Although the amount of the instalment was $3 million short of the full $111.25 million required by Resolution No. 121, the Board of Directors, pursuant to the provisions of the Resolution, agreed to the release of the fourth instalments of the other contributions. Such release

1 France indicated that in the event that the Board of Governors approved an increase of the desired order in its share of the Bank's capital, it intended to offer an additional contribution to ADF IV of $27,320,000 equivalent.

SCHOOL teachers discussing curricula in Bangladesh. The Bank-financed Community Schools Project is helping to bring non-formal training programs to the rural areas of the country.

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

	Valued as of 31/12/81	Change in 1982			Valued as of 31/12/82
		Addition	Exchange Rate Adjustments[a]	Net Change	
CONTRIBUTED RESOURCES					
Australia	146.85	27.30	(22.74)	4.56	151.41
Austria	19.87	4.23	(1.20)	3.03	22.90
Belgium	25.10	3.73	(5.51)	(1.78)	23.32
Canada	218.28	40.48	(8.71)	31.77	250.05
Denmark	19.59	3.12	(2.93)	0.19	19.78
Finland	13.24	3.37	(2.65)	0.72	13.96
France	63.61	21.20	(12.45)	8.75	72.36
Germany, Federal Republic of	216.65	31.81	(12.72)	19.09	235.74
Italy	67.62	13.66	(10.59)	3.07	70.69
Japan	1,402.96	204.15	(103.27)	100.88	1,503.84
Netherlands	64.39	10.96	(4.48)	6.48	70.87
New Zealand	9.87	0.84	(1.32)	(0.48)	9.39
Norway	19.25	3.43	(3.75)	(0.32)	18.93
Sweden	23.85	5.46	(6.81)	(1.35)	22.50
Switzerland	42.83	6.66	(4.86)	1.80	44.63
United Kingdom	154.12	28.30	(28.06)	0.24	154.36
United States	496.04	238.09	—	238.09	734.13[b]
Total Contributed Resources	**3,004.13**	**646.81**	**(232.08)**	**414.73**	**3,418.86**
Additional Resources					
Set-Aside Resources	55.42[c]	—	(2.90)	(2.90)	52.52[d]
Other Resources[e]	4.68	0.26	—	0.26	4.94
Accumulated Translation Adjustments	(3.89)	(8.61)	—	(8.61)	(12.50)
Accumulated Net Income	124.40	28.72	—	28.72	153.12
Total Additional Resources	**180.61**	**20.37**	**(2.90)**	**17.47**	**198.08**
Total Resources	**3,184.74**	**667.18**	**(234.98)**	**432.20**	**3,616.94**
Less: Amounts Disbursed and Outstanding	872.24	164.04	(50.75)	113.29	985.53
Less: Amounts Committed but Undisbursed	2,055.37	362.97	—	362.97	2,418.34
Total Uncommitted Resources	**257.13**	**140.17**	**(184.23)**	**(44.06)**	**213.07**
Less: Provision for Exchange Rate Fluctuations[f]	166.70	28.06	—	28.06	194.76
Net Amount Available for Loan Commitments	**90.43**	**112.11**	**(184.23)**	**(72.12)**	**18.31**

Note: Figures may not add due to rounding.

a Relating to balances as of 31 December 1981 and additions during 1982.

b Excluding the balance ($37.87 million) of the United States' contribution to the first ADF replenishment (ADF II) and the balance ($3.00 million) of its contribution to the second ADF replenishment (ADF III) for which the necessary internal procedures had not been completed.

c Valued in terms of SDR at the rate of $1.16396 as of 31 December 1981.

d Valued in terms of SDR at the rate of $1.16311 as of 31 December 1982.

e Amounts initially accrued or allocated to other Special Funds.

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

occurred in February. In December the fourth instalment of the United States contribution also became available to the Bank. By the end of the year, therefore, contribution commitments for the full amount of ADF III, except for the $3 million balance of the U.S. third instalment, had been received by the Bank.

Resolution No. 121 requires that payments of ADF III contributions should be completed by 31 December 1982. As of that date, the $3 million balance of the United States third instalment was still outstanding together with the fourth instalment payment of Canada. The Board of Directors therefore recommended that the Board of Governors approve an extension of the final payment date to 31 December 1983.[1]

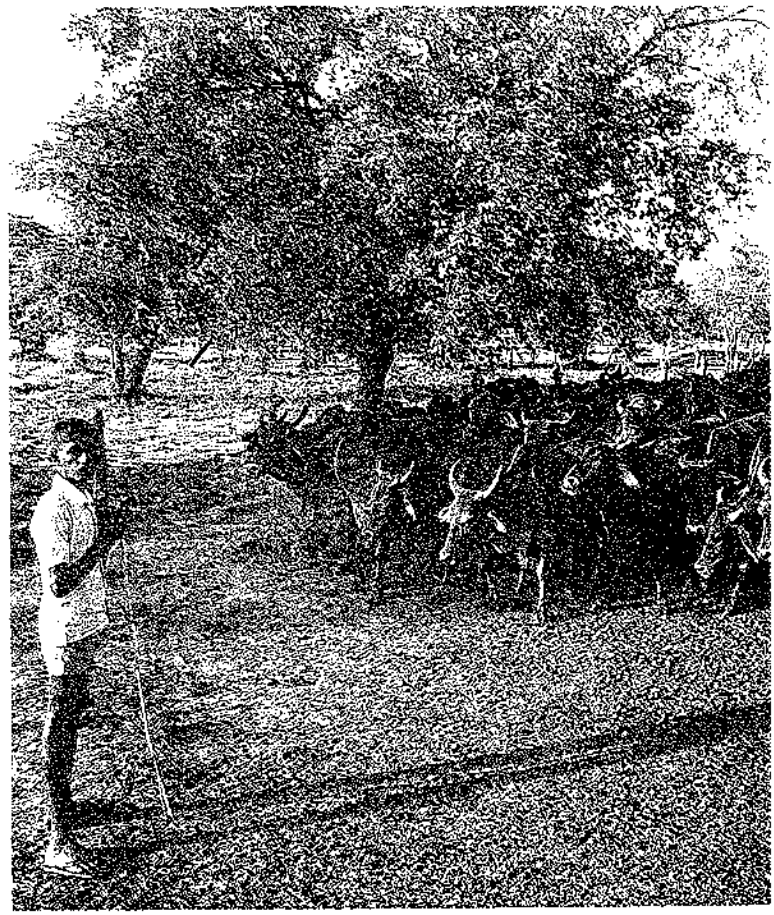
First ADF Replenishment (ADF II)

The Bank was authorized to receive contributions to the first ADF replenishment (ADF II) by Governors' Resolution No. 92, as amended, to finance its concessional lending program over the three-year period 1976-1978. By the end of 1978 unqualified contribution commitments to ADF II had reached $701 million with the last $60 million of the United States contribution still to come. Of this amount, the United States paid $3.5 million in January 1981, $7.8 million in January 1982 and $10.7 million in December 1982. The outstanding balance of the contribution at the end of 1982 was therefore $37.9 million. The deadline for payment of the U.S. contribution was extended by Governors' Resolution No. 145, adopted in October 1981. The Resolution provides that the Governors will fix the final date for payment when the United States Government informs the Bank of a new payment schedule.

Availability and Utilization of ADF Resources

At the beginning of 1982, the net ADF resources available for concessional loan commitments, after allowing a provision for exchange rate fluctuations, was about $90 million. During the year, additional resources of $647 million became available under ADF II and ADF III. In addition, net income accrued to ADF amounting to about $29 million. However, principally because of changes during 1982 in the values of some of the major contributors' national currencies against the United States dollar, the net increase in the value of resources available for loan commitments was only $404 million. The net amount available for loan commitments in 1982 was, therefore, $494 million.

During the final quarter, in view of the continuing strength of the United States dollar against the currencies of other ADF contributors, it seemed possible that available ADF resources would prove insufficient to cover the full concessional lending program for the year. Consequently, during December the Board of Directors approved three loans totalling $85.9 million subject to the condition that they would be signed only after the necessary resources became available.[2] New concessional loans approved during the year, including loans conditionally approved, totalled $546 million. After allowance for cancellations, repayments and exchange rate adjustments, net loan commitments during the year amounted to $476 million. The net resources available for further loan commitments at the end of the year were, therefore, $18 million.



LIVESTOCK development at the Anuradhapura Dry Zone Agriculture Project in Sri Lanka. This Bank-financed Project, which also includes rainfed and irrigated farming and improved agricultural services and facilities, is expected to increase the incomes and employment opportunities of over 20,000 poor farm families.

As of 31 December 1982 the cumulative amount of net loan commitments was $3,404 million. Disbursements from ADF resources during 1982 amounted to $175.5 million, bringing total cumulative disbursements to $1,062.4 million. Repayments during the year and cumulative repayments up to the end of the year amounted to $11.4 million and $51.9 million, respectively.

Denomination of Loans in SDR

In December, the Board of Directors reviewed the Bank's practice of denominating ADF loans in terms of the U.S. dollar. It was noted that this practice had caused difficulties and uncertainties to the Bank in matching ADF loan commitments with ADF resources available to cover such loan commitments, because ADF resources, consisting of various currencies, fluctuated in value in terms of the U.S. dollar depending on exchange rate movements. The Board decided, therefore, that, in order to significantly reduce fluctuations between ADF resources and ADF loan commitments and to overcome these difficulties and uncertainties, ADF loans to be negotiated after 1 January 1983 would be denominated in terms of the SDR.

1 The recommendation was approved by the Board of Governors in Resolution No. 156, adopted in January 1983.

2 As a result of favorable exchange rate movements during December there was some improvement in the ADF resource position at the end of 1982, and in January 1983 the condition attached to the approval of these three loans was lifted.

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

	1981	1982
1. Gross Income	51.01	56.14
2. Administrative Expenses	25.14	27.42
3. Net Income for the Year	25.87	28.72
4. Balance of Accumulated Net Income at Beginning of the Year	98.53	124.40
5. Balance of Accumulated Net Income at End of the Year	124.40	153.12

LOGS awaiting export from a Burmese timberyard. The Bank has extended loans totalling over $50 million for the modernization and mechanization of Burma's wood industry.

ADF Income and Expenses

ADF net income for 1982 amounted to $28.7 million compared with $25.9 million in 1981.

At the end of 1982, the Bank's investments of ADF resources were denominated in 17 currencies and amounted to the equivalent of $442.0 million ($396.6 million at the end of 1981). Of the total investments, 35.1 per cent (37.7 per cent at the end of 1981) was held in securities issued or guaranteed by member governments and obligations of approved government agencies of member countries. 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 11.17 per cent compared with 10.62 per cent in 1981.

Technical Assistance Special Fund

During 1982, Indonesia made its first contribution to the Technical Assistance Special Fund (TASF) and further contributions were made by 11 other member countries. The contributions received by the Bank were as follows:

Member Country	Amount		US$ Equivalent[a]
Australia	A$	550,000	539,332
Belgium	BF	25,000,000	532,822
Canada	Can$	2,250,000[b]	1,819,382
France	FF	3,500,000	520,446
Indonesia	US$	250,000	250,000
Italy	Lit.	1,260,000,000	919,708
Japan	¥	687,000,000	2,923,404
Korea, Rep. of	US$	220,000	220,000
Norway	NKr	1,000,000	143,699
Pakistan	PRs.	700,000	54,484
Switzerland	SwF	1,000,000	501,379
United Kingdom	£	210,000	352,050

a As of 31 December 1982.

b Of this contribution, Can$322,858 (US$261,149 equivalent) was utilized to finance technical assistance expenditures under a Special Funds loan of the Bank and pursuant to TASF Regulations was transferred to ADF upon disbursement.

TECHNICAL ASSISTANCE SPECIAL FUND
(US Dollar Equivalent)[a]

Contributor	Total Contributions	Amount Utilized
Australia	2,540,420	1,994,972
Austria	124,637	47,194
Bangladesh	22,659	19,752
Belgium	1,181,031	596,961
Canada[b]	3,098,900	1,990,745
China, Republic of	200,000	200,000
Denmark	1,767,957	1,590,382
Finland	237,558	236,695
France	968,265	336,437
Germany, Federal Republic of	1,332,084	1,164,619
Hong Kong	100,000	100,000
India	976,575	968,799
Indonesia	250,000	3,335
Italy	1,049,322	129,614
Japan	34,145,583	27,099,168
Korea, Republic of	1,000,000	791,395
Netherlands	914,060	914,060
New Zealand	885,338	885,338
Norway	919,234	635,565
Pakistan	373,785	325,818
Sri Lanka, Dem. Soc. Rep. of	6,309	6,309
Sweden	382,384	382,384
Switzerland	1,104,438	603,059
United Kingdom	4,097,395	4,097,395
United States	1,250,000	1,250,000
Sub-Total	58,927,934	46,369,996
Other Resources[c]	4,003,419	47
TOTAL	**62,931,353**	**46,370,043**

a The amount of contribution is valued as the sum of the amount utilized, translated at the exchange rates used by the Bank on the respective dates of utilization, and the amount unutilized, translated at the exchange rates used by the Bank on 31 December 1982.

b Excluding portion (equivalent to $261,149) of the Canadian TASF contribution used to finance technical assistance expenditures under a Special Funds loan of the Bank and transferred to ADF.

c Represents income, repayments and reimbursements accruing to TASF since April 1980.

The contributions of Australia, Japan, Republic of Korea and Switzerland are untied, being available for procurement in all member countries, while the contributions of France, Italy, Norway and Pakistan are partly untied, being available for procurement in the contributor country and in all developing member countries. The contributions of Belgium, Canada, Indonesia and United Kingdom are tied to procurement in the contributor country, although the first three of these contributions are also available for financing the services of affiliates of contributor country firms or individuals operating in developing member countries.

The total of all contributions (excluding the amount of US$261,149 equivalent transferred to ADF) made to TASF in 1982 amounted to the equivalent of $8.5 million, of which wholly or partly untied contributions accounted for 68.4 per cent compared with 90.7 per cent in 1981.

At the end of 1982, total contributions to TASF amounted to the equivalent of $58.9 million, of which $46.4 million had been utilized by the Bank.

MEMBERSHIP AND ADMINISTRATION

Members

THE MEMBERSHIP of Bhutan was approved by the Board of Governors on 2 April 1982 and became effective on 15 April 1982, bringing the total membership of the Bank to 45 countries.

Board of Governors

The Fifteenth Annual Meeting of the Board of Governors was held in Manila from 28 to 30 April. At the meeting, the Governor for Nepal was elected Chairman of the Board of Governors, and the Governors for Canada and the Republic of Korea were elected Vice-Chairmen, to hold office until the close of the Sixteenth Annual Meeting. A list of Governors and Alternate Governors as of 31 December 1982, with notations of changes during the year, appears in Appendix 4.

The resolutions adopted by the Board of Governors in 1982, including those adopted at the Fifteenth Annual Meeting, are listed in Appendix 3.

Board of Directors

The Board of Directors held 51 formal meetings in 1982 as well as numerous informal meetings to discuss policy and other matters. In pursuance of its responsibility for the direction of the general operations of the Bank, the Board, inter alia:

- Approved 79 proposals for loans and technical assistance grants.
- Submitted to the Board of Governors for their approval proposals for a third Asian Development Fund replenishment (ADF IV).
- Reviewed the general financial policies of the Bank and set a new lending rate from 1 January.
- Approved borrowings totalling the equivalent of $881.8 million, comprising borrowings in Deutsche Marks, Swiss Francs, Japanese Yen, United States Dollars and Dutch Guilders, and the roll-over of $68 million in Two-Year Bonds.
- Approved a classification and compensation program for professional staff.
- Reviewed the Bank's co-financing activities with commercial and export credit sources.
- Reviewed arrangements for cooperation with the European Economic Community.
- Approved the Administrative Budget for 1983 and a capital budget for computer and word processing programs for the period 1982-1984.

The Board dealt with a number of other issues, the most significant being its continued review of the Bank's resource position and a proposed increase in the capital stock. It also commenced consideration of a proposal for the Bank to undertake equity investment operations.

A list of Directors and Alternate Directors and their voting groups, as of the end of 1982, with notations of changes during the year, appears in Appendix 5.

Audit Committee of the Board

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 on an evaluation of internal controls in the Bank; and (v) the adequacy and efficiency of internal audit and post-evaluation activities.

The Committee held 14 formal meetings in 1982 and submitted an annual report and a special report to the Board. The special report recommended the appointment of outside auditors for 1983.

The members of the Committee at the end of the year were Mr. N. W. Davey (Chairman), Mr. John A. Bohn, Jr., Mr. N. M. Qureshi, Mr. Max Gertsch and Mr. John Natera. Mr. Bohn and Mr. Gertsch replaced Mr. David L. Stanton and Mr. Khalil Hassan, respectively, during the year.

Committee on Administrative Matters Relating to Members of the Board (CAMB)

The Committee held one formal meeting and several informal meetings during the year. It submitted one report to the Board.

BRACKISHWATER shrimps from a Bank-financed Aquaculture Development Project in Thailand which is helping to meet growing local demand for fish products, improve the employment opportunities and incomes of fish farmers and increase foreign exchange earnings.

The members of the Committee at the end of the year were Mr. Hla Maung (Chairman), Mr. Thierry Rossel, Mr. Soesilo Sardadi, Mr. Jorma Paukku and Mr. Takashi Taniguchi. Mr. Paukku and Mr. Taniguchi replaced Mr. Jon M. Gaaserud and Mr. K. Mahmood, respectively, during the year.

Ad Hoc Committee for Review of 1983 Administrative Budget

An Ad Hoc Committee for Review of the 1983 Administrative Budget was established in October 1982 by decision of the Board of Directors. Mr. Hoon-Mok Chung, Mr. Paul Koehling, Mr. G. Ramachandran, Mr. R. C. W. Hamilton and Mr. Donald R. Sherk were appointed as members of the Committee and Mr. Ramachandran designated as Chairman.

Under its terms of reference the Committee reviewed the proposed 1983 Administrative Budget and submitted a report thereon to the Board. The Committee also considered the form and coverage of the mid-year review of the Budget and submitted a report to the Board on possible improvements in the mid-year review.

Organization

A new Co-Financing Unit was established in the Country Department in line with the Bank's new emphasis on promoting its co-financing activities. The Country Department itself was reorganized to strengthen country economic and program work with the redistribution of DMCs from seven into six Country Divisions. The Bank's first Resident Office was established in Dhaka, Bangladesh, with a view to facilitating the Bank's operations in that country.

The diversification and volume of activities such as education, urban planning and health in the Infrastructure Department led to the bifurcation of the Social Infrastructure Division and the creation of a separate Education Division.

A Financial Policy Division, headed by a Financial Advisor, was established in the Treasurer's Department to devote full-time attention to financial policy and financial planning and management functions and to coordinate work on capital increases, Special Fund replenishments and related matters as well as on financial issues of a general nature. The responsibility for coordinating financial policies was transferred to this Division from the Controller's Department. The Securities Division and the Finance Division were restructured by merging borrowing and investment functions under a Treasury Operations Division and by grouping back-office and international payment functions under a combined Treasury Services Division.

The Coordinator of Special Projects and his staff were separated from the Office of Administrative Services and established as a separate Special Projects Office to coordinate the Bank's new Headquarters Building and Staff Housing projects. The responsibilities of the Information Office were also broadened to include a wider range of public relations, internal communications and audio-visual activities.

LIEUTENANT-GENERAL H.M. Ershad, Chief Martial Law Administrator of Bangladesh, cutting the ribbon at the official opening of the Bank's Resident Office in Dhaka. Watching are (from left) ADB President Masao Fujioka, ADB Resident Director Song Chil Lee, Secretary of the Bangladesh External Resources Division M. Rahman, Mrs. Fujioka, and Bangladesh Minister for Finance and Planning A.M.A. Muhith.

Special Activities

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, accounting, administrative functions and loan and technical assistance and data processing activities of the Bank. The overall objective is to assist Heads of Departments and Offices and Managers at other levels in the effective discharge of their responsibilities. The Internal Audit Office (IAO) reports to the President.

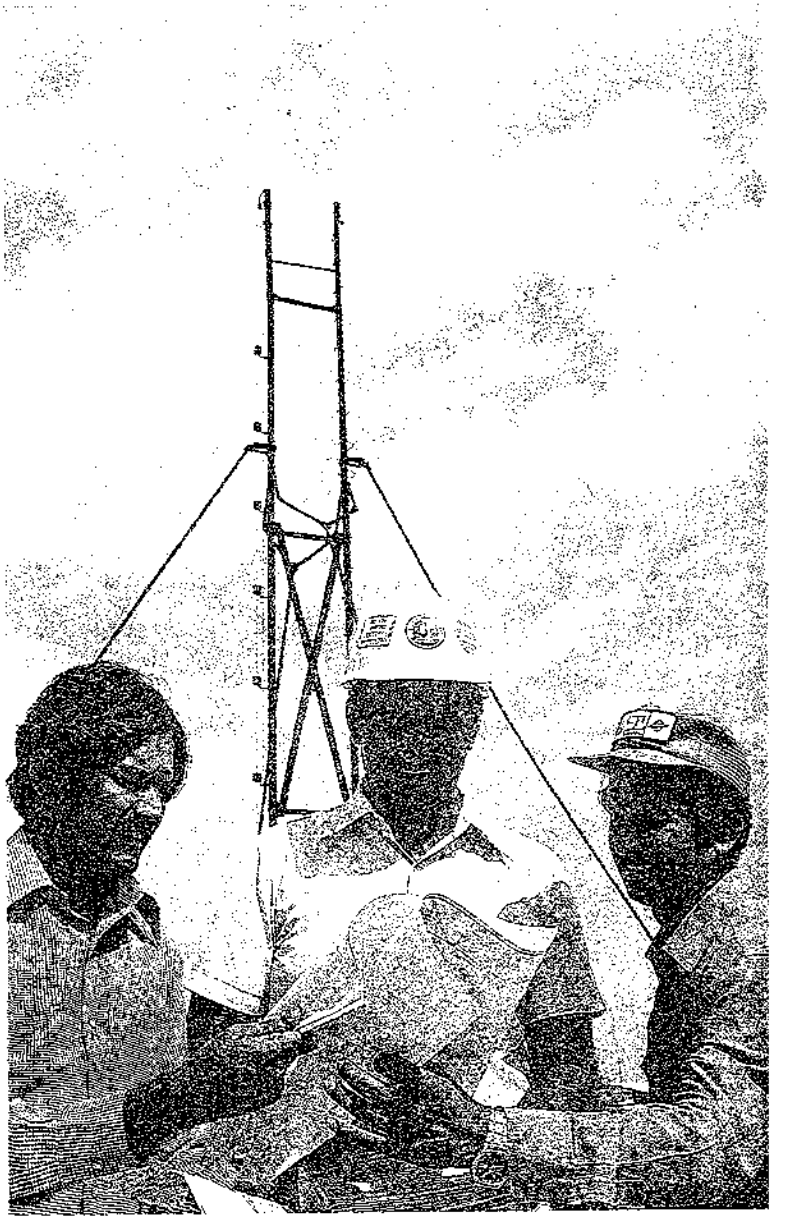
The results of audits, comprising findings, analyses, conclusions and recommendations, are conveyed to Management and departments or offices concerned by separate report, for information and action as appropriate. Copies of such audit reports are also conveyed to the Audit Committee of the Board of Directors, which may review selected reports with the representative of the IAO and/or departments or offices concerned. The Audit Committee also reviews the status of implementation of IAO's recommendations and IAO's annual work program.

In performing the audits, the IAO examines and evaluates the adequacy and effectiveness of management controls, the reliability and integrity of financial and operating information, the adequacy of safeguards for the Bank's resources — funds, property and personnel — and the economy, efficiency and effectiveness in the use of such resources. The IAO also reviews the extent of compliance with the Bank's policies, guidelines, systems, procedures and agreements, including the adequacy and effectiveness of controls inherent in the computer environment. It reviews and tests computer systems which are operational and/or in the process of conversion from manual systems.

Recently, IAO's involvement in the Bank's loan project operations has included reviews of compliance with provisions in loan covenants, evaluation of the adequacy and effectiveness of internal controls over loan income on disbursements, and participation in the Bank's review missions. Increased IAO attention was placed on audits for achieving economy and efficiency and on computer systems review and testing of computer systems which are operational or in the process of conversion from the existing system. A major initiative has been taken to strengthen and enhance the efficiency of IAO with the preparation of a comprehensive and up-to-date audit manual.

Computer and Office Automation Programs: During the year, considerable progress was made in implementing the Bank's computer program. The initial establishment of the Bank's central data base was completed and a number of computer applications were implemented in the areas of lending, accounting and finance, and administrative management. An intensive program of staff training was carried out and computer terminals were installed in various user areas for direct input to and information retrieval from the data base. Several computer programs are operational on the main computer and on microprocessors which will meet the analytical and statistical needs of Bank staff in project appraisal, financial analysis, economic evaluation, personnel management and forecasting and financial projections.

The Office Automation Program for the Bank was presented to the Board in January. During the second half of the year, 20 word processors were installed in various Bank units. After extensive training of Bank staff, the word processors were brought into use in the Bank's operations.



ENGINEERS discussing plans at the Meyal Oilfield, Pakistan. Bank loans totalling $80 million to the National Development Finance Corporation (NDFC) of Pakistan have been re-lent to this and other major industrial projects throughout the country.

In 1983, the computer facility will be enhanced to achieve productivity improvement in computer operations, better service through the use of microprocessors, word processors, computer terminals and graphics facilities. Future plans include increased activities in the areas of program maintenance, data base administration, network control and computer operations. The progressive introduction of office automation and computer-based information systems will result in greater work efficiency and better management information for the Bank's operations.

Research: The focus of the Bank's research activities during 1982 was on analysis of major economic issues for DMCs during the 1980s, review and analysis of

current socio-economic developments in the DMCs, strengthening the economic evaluation methodology in project appraisal and improvements to the quality and coverage of statistical data compiled by the Bank.

A large number of studies in the fields of domestic and external resource mobilization; medium and small-scale industries; trade and external debt; energy; economic forecasting and methodologies for economic evaluation of projects were completed during the year. Most were published for circulation, either as Asian Development Bank Economic Staff Papers or as Economics Office Reports. Considerable work was also done for the launching — early in 1983 — of a new publication entitled *Asian Development Review*. A new format was also devised for the *Key Indicators of the Developing Member Countries of ADB*.

Bank staff also attended several national and international seminars on economic development issues during the year.

MAINTAINING the serviceability of low-lift pumps which are crucial for the mechanical irrigation of fields in the dry season is the major objective of the Low-Lift Pump Maintenance Program in Bangladesh, for which the Bank approved its first program loan in 1978.

Office Accommodation

In view of the anticipated delay in the availability of the Bank's new Headquarters building (now envisaged in 1987), the Bank during the year reviewed its office space needs for the period 1983-1987. Preliminary findings indicated a need to rent considerable additional office space as an interim measure. A more detailed assessment of the requirements up to 1987 will be completed during 1983. Such assessment will take into consideration the additional space required to prevent further fragmentation of departments and offices, to relocate dispersed units in one building and to accommodate the Bank's ongoing computerization and office automation programs.

New Headquarters Building

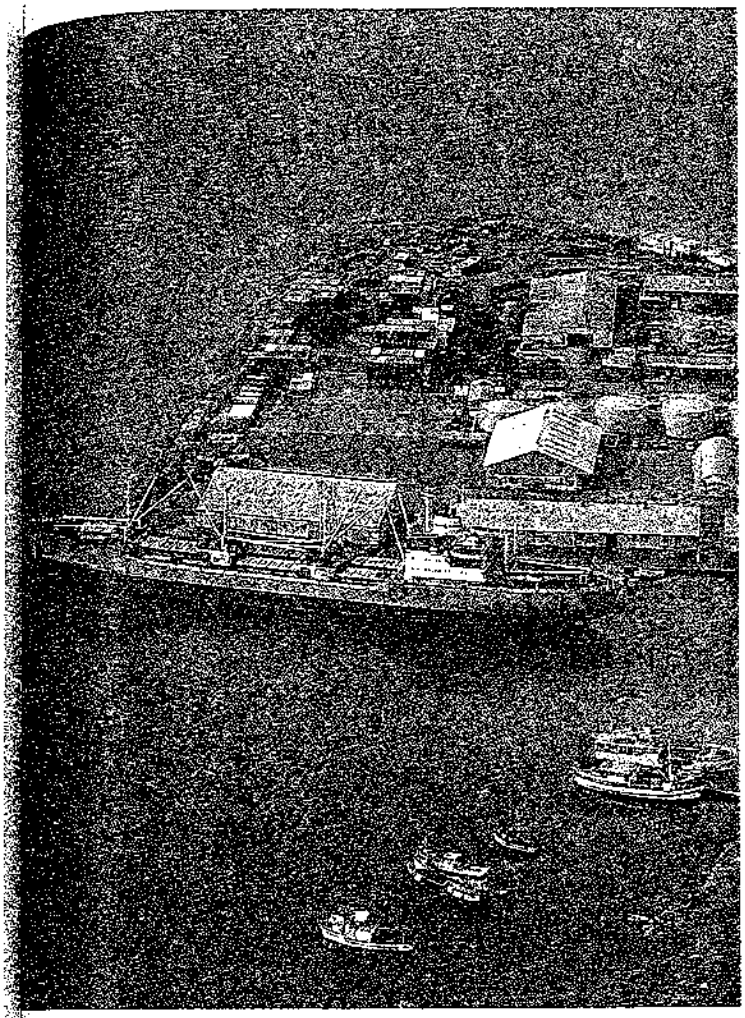
While appraisal of the joint Bank-Philippine Government Headquarters building project in the proposed Financial Center Complex (FCC) was being completed, the Government informed the Bank in mid-1982 of the need to limit its financial involvement in the project. The Government indicated, however, that it would support the Bank in any efforts to construct the building on another site. Consequently, construction of the new Headquarters building on another site was evaluated in comparison with the original FCC project. The Board of Directors is expected to consider the alternative site proposal early in 1983 to determine the basis for proceeding with the project.

Staff

On 31 December 1982, the Bank's staff had reached a total of 1,379 from 33 member countries. Of these, 517 belonged to the professional staff category and 862 to the supporting staff category. There were 79 professional staff appointments during the year, while 30 staff terminated their appointments with the Bank. In the supporting staff category, 102 appointments were made and 29 staff resigned. Due to satisfactory progress in recruitment in 1982, the Bank is, for the first time in five years, very close to being fully staffed.

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-à-vis comparable organizations, the Board of Directors approved general salary increases for professional staff and supporting staff, effective 1 August.

During 1982, work on a number of programs initiated in previous years to strengthen and improve the Bank's personnel management was continued or completed. Foremost among these was the comprehensive review of the Bank's professional staff compensation systems which had been conducted over a two-year period with the assistance of management consultants. This study involved analyses of the structure and relationships among professional staff positions, the effectiveness of the Bank's salary practices in terms of external competitiveness and internal equity and ability to motivate high performance, and the adequacy and impact of the Bank's allowances and benefits. The policy guidelines and programs developed in the course of this study are intended to provide a systematic and integrated long-term basis for attracting, motivating, developing and retaining the highly



PORT facilities at Honiara, Solomon Islands, have been expanded and improved with the help of a Bank loan, substantially increasing the cargo-handling capacity of this South Pacific island DMC.

qualified professional staff needed to carry out the Bank's programs during the remainder of the 1980s.

The central component of these programs is a new position evaluation system and related ten-level classification structure which restructure professional staff positions on the basis of consistent Bank-wide assessments of job content and the relative worth of jobs. Conversion to the new system and to the corresponding ten-level salary structure, approved by the Board with effect from 1 May 1982, was initiated in September.

Based on the compensation study, the Board also approved significant changes in a number of professional staff allowances and benefits. These changes had the general objectives of encouraging longer service, maintaining international competitiveness and compensating for specific costs associated with the Bank's location.

With respect to other aspects of staff compensation, agreement was reached during 1982 on a pension transferability agreement with the World Bank; employing this arrangement as a framework, negotiations for similar agreements will now be undertaken with other international institutions.

The implementation of the professional staff position classification program (together with the earlier implementation of a comparable supporting staff system) provides an improved framework for other personnel management programs and activities on which developmental work continued during 1982. These include the design of manpower planning systems intended to correlate program plans with budgetary and staffing resources and requirements and to support planning for recruitment, training and development, individual career paths and succession. The initial portion of this system, a computerized personnel management information system, became operational in late 1982.

In 1982, substantial progress was also made in staff training, where an expanded program of internal and external workshops and seminars focused on Bank policies and procedures and technical aspects of project evaluation was designed and implemented.

Staff Housing Scheme

The Bank's rental assistance scheme continued in force during the year. A long-term solution to the housing problems of professional staff through a Bank-financed program of constructing housing and associated facilities for lease to staff gained further progress with the signing in mid-1982 of an agreement with the Philippine Government confirming the Bank's right to own land for construction of staff housing. A proposal for a staff housing scheme was presented for Board consideration in November 1982. The Board expressed agreement in principle with the proposal but suggested a scaling down of the overall size of the scheme. A revised proposal will be submitted for Board consideration after a decision has been taken on the site of the new Headquarters building.

Budget

Internal Administrative Expenses for 1982 amounted to $62,749,716 against the original Budget of $68,585,000, representing 91.5 per cent utilization of the latter. The underrun of $5,835,284 against the Budget is due mainly to savings in staff salaries and relocation on account of lower number of staff appointments, lower than projected professional staff general salary increase and economies effected in staff consultants and business travel.

The Administrative Budget for 1983, which was approved on 22 December 1982, is summarized in Appendix 2. It provides for Internal Administrative Expenses in 1983 amounting to $77,524,000, an increase of $14.8 million over actual expenses in 1982. The increase is attributable largely to: (i) additional staff required for ongoing and new activities programmed in 1983 and arising from positions which could not be filled in 1982; (ii) salary and benefit improvements approved in 1982 and further improvements subject to consideration in 1983; (iii) increased business travel and additional overheads including office occupancy, contractual services, depreciation, etc., required to support the Bank's functions; and (iv) past and prospective price escalation.

Commitments for Services to Member Countries in 1982 amounted to $12,925,300, representing 99 per cent utilization of the budget of $13,000,000 and an increase of 85 per cent over actual commitments of $6,986,100 in 1981. Provision is made in 1983 for new commitments amounting to $19,000,000, representing an increase of 47 per cent over the actual commitments in 1982.

STATISTICAL ANNEX

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TABLE 1
ESTIMATED RATE OF REAL GROWTH, 1970-1982 AND PER CAPITA GNP OF SELECTED DMCs, 1981

Country	Rate of Real Growth (%)				Per Capita GNP[a] In Current $
	Ave. Annual Growth Rate (1)	1980 (2)	1981 (3)	1982[b] (4)	1981 (5)
Bangladesh[c]	6.4 (1973-80)	3.7	5.9	0.9	140
Burma[d]	4.2 (1970-80)	7.9	6.7	7.1	180
China, Rep. of	9.6 (1970-80)	6.8	5.5	3.1	2,560
Fiji	3.3 (1977-80)	-3.2	6.3	0.4	1,880
Hong Kong	9.5 (1974-80)	11.7	10.9	2.4	5,390
India[d]	4.4 (1970-80)	7.7	5.2	2.0	250
Indonesia	7.9 (1971-80)	9.9	7.6	4.5	520
Korea, Rep. of	8.7 (1970-80)	-3.5	7.1	6.0	1,720
Malaysia	8.1 (1971-80)	8.1	6.9	3.9	1,820
Nepal[c]	1.9 (1975-80)	-2.3	5.6	3.8	160
Pakistan[c]	5.0 (1970-80)	7.3	6.1	6.2	350
Papua New Guinea	3.3 (1977-80)	-0.6	0.7	...	820
Philippines	6.0 (1970-80)	4.9	3.8	3.0	790
Singapore	9.6 (1970-80)	10.3	9.9	6.3	5,220
Sri Lanka	4.1 (1970-80)	5.7	5.4	5.0	300
Thailand	6.9 (1970-80)	5.8	7.0	4.5	770
Average[e]		6.3	6.4	3.8	450

... denotes data not available.
a World Bank Atlas Methodology, 1979-81 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 1981.

Sources: IBRD for column (5) and country sources for columns (1), (2), (3) and (4).

TABLE 2
RICE (PADDY) PRODUCTION IN SELECTED DMCs, 1979-1982[a]
(Million metric tons)

Country	1979	1980	1981	1982[b]	Annual Growth Rate (%)		
					1980	1981	1982[b]
Bangladesh	19.109	20.821	20.200	20.700	9.0	-3.0	2.5
Burma	10.448	13.318	13.900	14.500	27.5	4.4	4.3
China, Rep. of	3.209	3.083	3.087	3.120	-3.9	0.1	1.1
India	63.476	80.400	80.300	70.800	26.7	-0.1	-11.8
Indonesia	26.283	29.600	32.776	33.800	12.6	10.7	3.1
Korea, Rep. of	7.881	5.311	7.200	7.300	-32.6	35.6	1.4
Malaysia	2.095	2.070	2.090	1.832	-1.2	1.0	-12.3
Nepal	2.060	2.464	2.560	1.652	19.6	3.9	-35.5
Pakistan	4.824	4.679	5.100	5.000	-3.0	9.0	-2.0
Philippines	7.836	7.723	8.108	8.500	-1.4	5.0	4.8
Sri Lanka	1.917	2.133	2.229	2.011	11.3	4.5	-9.8
Thailand	15.758	17.368	17.774	17.300	10.2	2.3	-2.7
Viet Nam, Soc. Rep. of	10.758	11.600	12.570	13.800	7.8	8.4	9.8
Other DMCs	2.238	2.600	2.876	2.970	16.2	10.6	3.3
TOTAL	**177.892**	**203.170**	**210.770**	**203.285**	**14.2**	**3.7**	**-3.6**

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, February 1983 and country sources.

TABLE 3
WHEAT AND MAIZE PRODUCTION IN SELECTED DMCs, 1979-1982[a]
(Million metric tons)

Country	1979	1980	1981	1982[b]	Annual Growth Rate (%)		
					1980	1981	1982[b]
WHEAT							
Afghanistan	2.663	2.750	3.000	3.104	3.3	9.1	3.5
Bangladesh	0.494	0.823	1.093	0.800	66.6	32.8	-26.8
Burma	0.090	0.117	0.124	0.183	30.0	6.0	47.6
India	35.508	31.830	36.460	37.800	-10.4	14.5	3.7
Korea, Rep. of	0.042	0.092	0.057	0.057	119.0	-38.0	—
Nepal	0.454	0.440	0.477	0.526	-3.1	8.4	10.3
Pakistan	9.950	10.805	11.500	11.500	8.6	6.4	—
TOTAL	**49.201**	**46.857**	**52.711**	**53.970**	**-4.8**	**12.5**	**2.4**
MAIZE							
Afghanistan	0.760	0.797	0.798	0.805	4.9	0.1	0.9
India	5.603	6.804	7.000	6.500	21.4	2.9	-7.1
Indonesia	3.606	3.991	4.100	3.800	10.7	2.7	-7.3
Nepal	0.554	0.743	0.752	0.711	34.1	1.2	-5.5
Pakistan	0.875	0.946	1.004	1.015	8.1	6.1	1.1
Philippines	3.090	3.123	3.110	3.290	1.1	-0.4	5.8
Thailand	2.863	3.100	4.000	3.600	8.3	29.0	-10.0
Other DMCs	0.977	0.955	1.068	1.107	-2.3	11.8	3.7
TOTAL	**18.328**	**20.459**	**21.832**	**20.828**	**11.6**	**6.7**	**-4.6**

— 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, February 1983 and country sources.

TABLE 4
OIL PRODUCTION AND IMPORTS OF SELECTED DMCs, 1980-1982

Country	Crude Petroleum Production ('000 mt)				Petroleum & Petroleum Products Imports ($ million)			
	1980	1981	1982[a]	% Increase 1982/81	1980	1981	1982[a]	% Increase 1982/81
Afghanistan	16	8	...	...	65	124	112	-9.7
Bangladesh	6	6	...	...	162	172	159	-7.6
Burma	1,376	1,633	2,245	37.5	26	8	...	...
China, Rep. of	211	183	148	-19.1	4,452	5,066	4,370	-13.7
Fiji	—	—	—	—	127	155	153	-1.3
Hong Kong	—	—	—	—	1,536	1,903	1,747	-8.2
India	9,399	14,925	19,740	32.3	5,500	6,273	5,985	-4.6
Indonesia	77,794	79,570	66,455	-16.5	1,774	1,721	2,872	66.9
Korea, Rep. of	—	—	—	—	6,164	6,918	6,080	-12.1
Malaysia	13,245	12,383	14,789	19.4	1,768	1,999	1,861	-6.9
Nepal	—	—	—	—	40	35	26	-25.7
Pakistan	492	487	525	7.8	1,079	1,535	1,565	2.0
Papua New Guinea	—	—	—	—	176	236	...	...
Philippines	513	203	444	118.7	1,929	2,439	2,100	-13.9
Singapore	—	—	—	—	6,949	9,381	9,566	2.0
Solomon Islands	—	—	—	—	11	16	15	-6.2
Sri Lanka	1,303	...	...	...	492	518	561	8.3
Thailand	14	27	25	-7.4	2,868	2,984	2,640	-11.5
Tonga	—	—	—	—	4	4	4	—
Vanuatu	—	—	—		7	6	7	16.7
Western Samoa	—	—	—	—	10	13	8	-38.5
TOTAL (Reporting)	**104,369**	**110,808[b]**	**105,704[b]**	**-4.6**	**35,139**	**41,506**	**40,067[b]**	**-3.5**

... denotes data not available.
— denotes magnitude zero.

a Preliminary estimates.
b Estimates based on all countries.

Sources: UN, *Monthly Bulletin of Statistics*, January 1983 and country sources.

TABLE 5
CHANGES IN CONSUMER PRICES IN SELECTED DMCs, 1980-1982[a]
(Per cent)

Country	1980	1981	1982[b]
Afghanistan	23.8	21.5	19.1
Bangladesh	15.5	12.0	12.8
Burma	0.6	0.3	4.9
China, Rep. of[c]	19.0	16.3	4.0
Cook Islands	13.7	20.8	8.7
Fiji[c]	14.5	11.2	7.0
Hong Kong	15.5	15.4	10.6
India[c]	11.4	13.1	8.1
Indonesia	15.4	7.1	9.7
Kiribati	15.0	5.8	6.3
Korea, Rep. of	28.5	21.3	7.3
Malaysia	6.7	9.7	5.8
Nepal	9.8	13.4	10.4
Pakistan[c]	11.8	11.0	9.6
Papua New Guinea	12.2	9.9	5.9
Philippines	17.8	12.4	10.2
Singapore	8.5	8.2	3.9
Solomon Islands	13.2	16.0	13.0
Sri Lanka	26.1	18.0	11.0
Thailand	19.9	12.7	5.2
Tonga	22.4	14.9	10.8
Vanuatu	11.2	27.4	6.2
Western Samoa	20.5	20.5	18.3
Weighted Average[d]	**15.7**	**13.1**	**8.0**

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 1981.

Sources: IMF, *International Financial Statistics*, February 1983 and country sources.

TABLE 6
DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCES GAP AS PERCENTAGE OF GDP OF SELECTED DMCs, 1979-1981
(Per cent)

Country	Gross Domestic Savings as Percentage of GDP			Gross Capital Formation as Percentage of GDP			Resources Gap as Percentage of GDP		
	1979	1980	1981	1979	1980	1981	1979	1980	1981
Bangladesh (FY)	1.6	3.2	4.0	11.4	12.9	12.8	9.8	9.7	8.8
Burma	14.8	16.6	16.3	22.1	20.8	22.4	7.3	4.2	6.1
China, Rep. of	34.6	33.3	30.8	33.7	34.2	29.5	-0.9	0.9	-1.3
Hong Kong	27.9	26.3	23.6	27.1	27.8	28.5	-0.8	1.5	4.9
India (FY)	22.5	21.9	22.8	23.0	23.8	25.3	0.5	1.9	2.5
Korea, Rep. of	26.3	19.3	26.0	35.1	30.6	31.8	8.8	11.3	5.8
Malaysia	30.2	27.6	23.0	24.2	28.2	32.3	-6.0	0.6	9.3
Nepal (FY)	8.8	8.5	8.0	13.0	15.8	14.0	4.2	7.3	6.0
Pakistan (FY)	5.1	5.2	5.6	17.0	17.5	15.9	11.9	12.3	10.3
Papua New Guinea	28.0	19.3	12.8	23.5	25.9	29.0	-4.5	6.6	16.2
Philippines	26.8	25.4	24.5	31.2	29.7	29.7	4.4	4.3	5.2
Singapore	30.9	31.4	32.5	39.1	42.6	42.3	8.2	11.2	9.8
Sri Lanka	17.2	13.3	15.4	28.6	35.3	32.9	11.4	22.0	17.5
Thailand	21.3	20.7	19.8	28.8	27.2	26.8	7.5	6.5	7.0

Sources: Country sources.

TABLE 7
BALANCE OF TRADE OF SELECTED DMCs, 1979-1982
($ million)

Country	Exports (fob)			
	1979	1980	1981	1982[a]
Afghanistan	474	705	694	707
Bangladesh	616	740	644	526
Burma	406	479	514	582
China, Republic of	16,103	19,811	22,408	22,100
Cook Islands	4	4	4	4
Fiji	257	374	307	305
Hong Kong	15,178	19,743	21,842	20,979
India	7,808	8,242	7,300	7,850
Indonesia	15,590	21,909	22,260	19,859
Kiribati	24	3	3	2
Korea, Republic of	15,055	17,505	21,254	21,768
Lao PDR	35	31	33	...
Malaysia	11,067	12,955	11,703	11,321
Maldives	5	8	9	13
Nepal	104	92	129	113
Pakistan	1,725	2,396	2,958	2,399
Papua New Guinea	1,068	1,050	830	736
Philippines	4,601	5,788	5,722	4,995
Singapore	14,228	19,359	20,964	20,778
Solomon Islands	66	69	65	58
Sri Lanka	976	1,077	1,070	1,032
Thailand	5,298	6,505	6,902	6,810
Tonga	8	8	9	4
Vanuatu	47	35	33	23
Viet Nam, Socialist Republic of	535	606	615	...
Western Samoa	18	17	12	20
TOTAL	**111,296**	**139,511**	**148,284**	**143,642[b]**

... denotes data not available.

a Preliminary estimates.
b Estimates based on all countries.

Sources: IMF, *International Financial Statistics*, February 1983 and country sources.

Imports (cif)				Balance of Trade			
1979	1980	1981	1982[a]	1979	1980	1981	1982[a]
425	552	622	587	49	153	72	120
1,390	1,906	1,814	1,580	-774	-1,166	-1,170	-1,054
633	663	874	939	-227	-184	-360	-357
14,774	19,733	20,438	19,257	1,329	78	1,970	2,843
23	23	24	24	-19	-19	-20	-20
470	561	616	543	-213	-187	-309	-238
17,157	22,438	24,739	23,533	-1,979	-2,695	-2,897	-2,554
9,828	14,341	13,907	13,900	-2,020	-6,099	-6,607	-6,050
7,202	10,834	13,272	17,625	8,388	11,075	8,988	2,234
17	19	16	22	7	-16	-13	-20
20,339	22,292	26,131	24,308	-5,284	-4,787	-4,877	-2,540
94	131	125	...	-59	-100	-92	...
7,842	10,813	11,715	12,372	3,225	2,142	-12	-1,051
20	26	28	32	-15	-18	-19	-19
231	278	354	374	-127	-186	-225	-261
3,676	4,741	5,409	4,941	-1,951	-2,345	-2,451	-2,544
789	1,021	1,118	1,198	279	29	-288	-462
6,613	8,295	8,479	7,800	-2,012	-2,507	-2,757	-2,805
17,628	23,979	27,570	28,155	-3,400	-4,620	-6,606	-7,377
56	70	75	61	10	-1	-10	-3
1,457	2,034	1,889	1,968	-481	-957	-819	-936
7,158	9,215	9,924	8,580	-1,860	-2,710	-3,022	-1,770
29	33	40	41	-21	-25	-31	-37
73	71	59	58	-26	-36	-26	-35
1,212	1,212	1,200	...	-677	-606	-585	...
74	63	72	73	-56	-46	-60	-53
119,210	**155,344**	**170,510**	**169,280[b]**	**-7,914**	**-15,833**	**-22,226**	**-25,635[b]**

TABLE 8
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs, 1979-1982

Country	International Reserves[a] ($ million)				Ratio to Imports[b] (Months)			
	1979	1980	1981	1982[c]	1979	1980	1981	1982[c]
Afghanistan	484.2	641.5	519.3	394.5	13.7	13.9	11.0	8.1
Bangladesh	402.0	321.1	155.3	182.6	3.5	2.0	1.0	1.4
Burma	214.9	271.8	239.2	99.1	4.1	4.9	4.2	1.3
China, Rep. of	1,576.0	2,345.0	7,368.0	8,677.0	1.3	1.4	4.3	5.4
Fiji	137.0	168.0	135.5	124.0	3.5	3.6	2.6	2.7
India	7,716.0	7,228.0	4,941.0	4,760.0	9.4	6.1	4.3	4.2
Indonesia	4,167.0	6,500.0	6,076.0	3,264.1	6.9	7.2	5.5	2.2
Kiribati[d]	73.8	79.8	74.9	80.0	52.1	50.4	56.2	43.6
Korea, Rep. of[e]	5,691.4	6,554.0	6,870.2	6,304.2	3.4	3.5	3.2	3.1
Lao PDR	26.1	14.0	18.1	...	3.3	1.3	1.7	...
Malaysia	4,013.0	4,491.0	4,193.0	3,857.6	6.1	5.0	4.3	3.7
Nepal	165.5	189.2	208.3	204.1	8.3	7.8	7.0	6.5
Pakistan	941.0	1,684.0	1,507.0	1,018.0	3.1	4.3	3.3	2.5
Papua New Guinea	514.6	438.2	469.5	340.0	7.8	5.2	5.0	3.4
Philippines	2,416.0	3,140.0	2,707.0	1,753.0	4.4	4.5	3.8	2.7
Singapore	5,818.5	6,566.8	7,549.2	8,324.2	4.0	3.3	3.3	3.5
Solomon Islands	34.1	24.1	...	...	7.3	4.1	...	...
Sri Lanka	520.0	249.0	330.0	354.1	4.3	1.5	2.1	2.2
Thailand	3,129.0	3,026.0	2,727.0	1,599.0	5.2	3.9	3.3	2.2
Tonga[d]	14.9	18.1	11.6	13.6	6.2	6.6	3.5	4.0
Western Samoa	4.8	2.8	3.5	2.4	0.8	0.5	0.6	0.4
TOTAL	**38,059.8**	**43,952.4**	**46,124.1[f]**	**40,683.7[f]**	**4.5**	**4.0**	**3.8[f]**	**3.4[f]**

... denotes data not available.

a Gold + SDRs + Reserves position in IMF + Foreign exchange holdings; year-end figures unless otherwise specified.
b Imports cif from trade statistics were used for computing the ratio.
c India as of July; Republic of Korea as of October; and Western Samoa as of October.
d Foreign exchange holdings only.
e Includes commercial banks' foreign assets, which constitute 48%, 55%, 61% and 57%, of total international reserves for 1979 to 1982, respectively.
f Estimates based on all countries.

Sources: IMF, *International Financial Statistics*, February 1983 and country sources.

TABLE 9
TOTAL FLOWS OF RESOURCES TO DMCs, 1979-1981
($ million)

Country	Concessional Flows (ODA)			Non-Concessional Flows[a]			Total Flows		
	1979	1980	1981	1979	1980	1981	1979	1980	1981
Afghanistan	107.9	32.3	23.2	21.2	2.0	-0.5	129.1	34.3	22.7
Bangladesh	1,155.9	1,220.3	1,095.8	34.4	-6.0	-23.9	1,190.3	1,214.3	1,071.9
Bhutan	5.8	8.3	9.8	—	—	—	5.8	8.3	9.8
Burma	363.6	308.7	283.6	154.4	94.0	44.4	518.0	402.7	328.0
Cambodia	108.2	188.3	130.0	-0.1	—	—	108.1	188.3	130.0
China, Rep. of	7.1	-3.5	7.8	412.3	442.4	686.9	419.4	438.9	694.7
Cook Islands	7.7	10.6	10.5	—	0.8	1.2	7.7	11.4	11.7
Fiji	30.9	33.8	40.5	29.7	34.6	45.4	60.6	68.4	85.9
Hong Kong	11.9	3.6	9.5	1,041.5	888.4	1,624.6	1,053.4	892.0	1,634.1
India	1,370.1	2,161.4	1,902.4	-82.0	237.1	386.7	1,288.1	2,398.5	2,289.1
Indonesia	720.8	938.5	975.4	-290.8	810.4	3,569.1	430.0	1,748.9	4,544.5
Kiribati	9.1	19.1	15.3	—	—	7.7	9.1	19.1	23.1
Korea, Rep. of	133.7	138.8	330.6	1,437.0	684.1	1,201.8	1,570.7	822.9	1,532.5
Lao PDR	59.0	35.9	35.0	0.4	-0.9	—	59.4	35.0	35.0
Malaysia	125.1	122.3	142.0	592.9	488.4	853.4	718.0	610.7	995.4
Maldives	6.4	21.4	12.9	0.4	-0.2	9.1	6.8	21.2	22.0
Nepal	136.8	163.0	180.6	3.5	-1.6	0.0	140.3	161.4	180.6
Pakistan	604.8	1,037.2	768.2	87.6	164.4	38.9	692.4	1,201.6	807.1
Papua New Guinea	284.3	325.3	335.9	43.1	64.8	-12.1	327.4	390.1	323.8
Philippines	267.3	294.2	376.5	885.7	668.6	859.6	1,153.0	962.8	1,236.1
Singapore	5.5	11.9	21.8	521.5	658.5	1,260.9	527.0	670.4	1,282.6
Solomon Islands	26.5	35.2	31.1	-0.2	0.1	-1.0	26.3	35.3	30.1
Sri Lanka	321.4	431.2	366.6	-0.2	36.3	39.3	321.2	467.5	405.9
Thailand	392.3	384.8	406.6	553.7	694.1	1,154.5	946.0	1,078.9	1,561.2
Tonga	23.9	14.9	18.0	0.3	-0.3	—	24.2	14.6	18.0
Vanuatu	38.3	43.9	30.4	4.8	-1.6	-1.0	43.1	42.3	29.4
Viet Nam, Soc. Rep. of	336.4	220.8	242.4	109.8	-26.8	60.2	446.2	194.0	302.6
Western Samoa	29.8	23.9	25.0	3.7	-0.6	-0.4	33.5	23.3	24.6
TOTAL	**6,690.5**	**8,226.1**	**7,827.4**	**5,564.6**	**5,931.0**	**11,804.8**	**12,255.1**	**14,157.1**	**19,632.2**

0.0 denotes magnitude less than half of the unit employed.
— denotes magnitude zero.
a Including bilateral and multilateral non-concessional flows and private flows.

Source: OECD, February 1983.

TABLE 10
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO
OF SELECTED DMCs, 1979-1981
($ million)

Country	Debt Outstanding[a]			Service Payments			Debt Service Ratio (%)		
	1979	1980	1981	1979	1980	1981	1979	1980	1981
Bangladesh	2,842.8	3,495.2	3,849.9	84.1	76.0	97.9	9.9	5.6	6.9
Burma	1,220.2	1,531.6	1,755.0	91.3	109.7	165.1	22.2	22.3	26.5[b]
China, Rep. of	3,082.4	4,029.4	4,709.5	730.9	956.1	1,131.7	4.0	4.2	4.7
Fiji	104.6	174.3	226.0	12.1	18.9	27.0	2.5	3.2	4.9
Hong Kong	329.9	436.0	308.7	29.3	80.8	191.3	0.2[c]	0.4[c]	0.9[c]
India	15,643.2	17,255.9	17,903.0	963.0	1,055.9	1,025.1	9.2	8.8	9.5[b]
Indonesia	13,233.4	14,940.4	15,529.1	2,100.9	1,776.6	1,973.7	13.5	8.0	8.3
Korea, Rep. of	13,930.7	16,274.3	19,964.0	2,577.6	2,761.9	3,597.0	13.2	12.2	13.0
Malaysia	2,846.7	3,103.4	4,627.3	545.0	325.8	401.7	4.4	2.2	3.1
Maldives	6.2	23.8	38.9	0.1	0.3	0.7	2.0[c]	3.0[c]	5.4[c]
Nepal	123.1	173.9	231.6	3.3	3.9	4.9	1.4	1.4	1.6
Pakistan	8,022.8	8,775.3	8,813.9	484.4	604.4	529.0	12.0	10.9	9.6
Papua New Guinea	404.2	510.3	612.8	49.0	61.3	64.9	4.4	5.6	6.7
Philippines	5,143.1	6,402.2	7,387.6	808.0	581.6	874.5	13.1	7.4	10.3
Singapore	1,323.0	1,369.4	1,318.2	219.4	265.2	228.5	1.2	1.1	0.8
Solomon Islands	3.6	7.6	11.7	0.0	0.1	0.1	0.0	0.1	0.2[c]
Sri Lanka	1,091.1	1,337.0	1,584.8	76.3	81.5	90.9	6.5	5.5	5.7
Thailand	2,701.0	3,684.0	5,169.2	276.1	405.8	620.8	4.3	4.9	6.7
Western Samoa	48.2	55.0	57.0	3.7	4.6	4.4	20.6[c]	27.1[c]	40.0[c]
TOTAL	**72,100.2**	**83,579.0**	**94,098.2**	**9,054.5**	**9,170.4**	**11,029.2**	**7.0**	**5.5**	**6.2**

0.0 denotes magnitude less than half of the unit employed.

a Disbursed only.
b Exports of goods and non-factor services were used in computing the ratio.
c Merchandise exports were used in computing the ratio.

Sources: IBRD, October 1982 and January 1983.

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 31 December 1982 and 31 December 1981

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1-IV Summary Statement of Loans, 31 December 1982

1-V Summary Statement of Borrowings, 31 December 1982 and 31 December 1981

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Opinion of Independent Auditors

ASIAN DEVELOPMENT FUND

1-1 Balance Sheet, 31 December 1982 and 31 December 1981

1-2 Statement of Income and Expenses and Accumulated Net Income for the Years Ended 31 December 1982 and 31 December 1981

1-3 Statement of Changes in Financial Position for the Years Ended 31 December 1982 and 31 December 1981

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Opinion of Independent Auditors

TECHNICAL ASSISTANCE SPECIAL FUND

1-A Balance Sheet, 31 December 1982 and 31 December 1981

1-B Statement of Operations and Unexpended Balances for the Years Ended 31 December 1982 and 31 December 1981

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1-D Statement of Contributed Resources, 31 December 1982

1-E Summary Statement of Expenses for the Year Ended 31 December 1982

1-F Notes to Financial Statements, 31 December 1982 and 31 December 1981

Opinion of Independent Auditors

ASIAN DEVELOPMENT BANK

BALANCE

31 December 1982

Expressed in Thousands of

ASSETS

	1982		1981	
CASH IN BANKS (Note B)		$ 53,044		$ 58,776
INVESTMENTS (Note C)				
Government and government guaranteed obligations — amortized cost (Face amounts $1,200,775—1982, $482,943—1981)	$1,193,524		$ 475,056	
Time deposits and other obligations of banks	640,459	1,833,983	1,095,187	1,570,243
LOANS (See Appendix 1-IV) (Note A)				
Loans approved — $7,983,943—1982, $6,799,443—1981				
Effective loans		6,036,704		5,076,617
ACCRUED INCOME				
On investments	57,356		52,701	
On loans	62,673	120,029	56,548	109,249
AMOUNTS RECEIVABLE FROM MEMBERS				
Non-negotiable, non-interest-bearing demand obligations (Notes B and D)	377,061		402,057	
Amounts required to maintain value of currency holdings (Note E)	1,562		1,559	
Subscription Instalments (Note D)	284	378,907	1,527	405,143
OTHER ASSETS				
Notional amounts required to maintain value of currency holdings (Note F)	86,133		65,253	
Administration Charge receivable from the Asian Development Fund (Note G)	2,087		3,420	
Unamortized issuance costs of borrowings (Note A)	37,417		26,190	
Miscellaneous	12,456	138,093	11,917	106,780
SPECIAL RESERVE FUND ASSETS (Note H)		123,300		99,897
TOTAL		$8,684,060		$7,426,705

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

ORDINARY CAPITAL RESOURCES

SHEET

and 31 December 1981

United States Dollars (Note A)

LIABILITIES, CAPITAL AND RESERVES

	1982		1981	
UNDISBURSED BALANCES OF EFFECTIVE LOANS (See Appendix 1-IV)		$3,352,075		$2,744,280
BORROWINGS				
Principal amounts outstanding (See Appendix 1-V)	$2,809,894		$2,273,551	
Less — unamortized discounts and premiums on interest-bearing bonds and notes	9,181	2,800,713	8,342	2,265,209
ACCRUED INTEREST ON BORROWINGS		87,823		69,084
ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Notional amounts required to maintain value of currency holdings (Note F)	52,172		38,924	
Miscellaneous	16,268	68,440	7,960	46,884
CAPITAL AND RESERVES (SDRs in thousands)				
Capital Stock (See Appendix 1-VI) (Note D)				
Authorized (SDR 7,220,570)				
Subscribed (SDR 7,160,370 — 1982, SDR 7,128,070 — 1981)	7,898,676		8,296,788	
Less — "callable" shares subscribed (SDR 5,768,640 — 1982, SDR 5,739,660 — 1981)	6,363,444		6,680,735	
"Paid-in" shares subscribed (SDR 1,391,730 — 1982, SDR 1,388,410 — 1981)	1,535,232		1,616,053	
Less — subscription instalments not due (SDR 4,225 — 1982, SDR 6,010 — 1981)	4,661		6,995	
Subscription instalments matured (SDR 1,387,505 — 1982, SDR 1,382,400 — 1981)	1,530,571		1,609,058	
Less — capital set aside and transferred to the Asian Development Fund (Note I) (SDR 47,610)	52,519		55,416	
	1,478,052		1,553,642	
Advance payments on subscriptions (Note D)	254		854	
Accumulated translation adjustments (Note A)	(43,715)		(4,854)	
Ordinary Reserve (Note J)	665,683		512,041	
Special Reserve (Note H)	123,300		99,897	
Net income after appropriation of commissions to Special Reserve for the years ended 31 December 1982 and 31 December 1981 (See Appendix 1-II) (Note J)	151,435	2,375,009	139,668	2,301,248
TOTAL		$8,684,060		$7,426,705

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1982 and 31 December 1981

Expressed in Thousands of United States Dollars (Note A)

	1982		1981	
INCOME				
From loans:				
Interest	$165,469		$150,223	
Commissions	23,403		21,299	
Commitment charge	24,458		19,404	
From Investments (Note C)	199,122		155,489	
From other sources-net (Note G)	1,220		640	
GROSS INCOME		$413,672		$347,055
EXPENSES				
Interest and other financial expenses (Note A)	202,731		157,676	
Administrative expenses (Note G)	35,086		27,910	
Services to member countries (Note L)	1,017		502	
GROSS EXPENSES		238,834		186,088
NET INCOME		174,838		160,967
APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note H)		(23,403)		(21,299)
NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note J)		$151,435		$139,668

The accompanying notes to financial statements (Appendix 1-VII) 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 1982 and 31 December 1981

Expressed in Thousands of United States Dollars (Note A)

	1982	1981
FUNDS WERE PROVIDED BY		
Operations		
Net income	$ 174,838	$ 160,967
Items not requiring or providing funds:		
Accrued interest and other expenses	20,232	15,358
Accrued income including capitalized interest and commitment charges on loans	(31,455)	(29,447)
Administration Charge (Note G)	(27,410)	(25,118)
Commissions (transferred to Special Reserve Fund assets)	(23,403)	(21,299)
Other — net	10,368	3,093
Funds provided by operations	123,170	103,554
Borrowings	894,587	795,924
Loans collected	139,847	135,611
Decrease in loans disbursed and outstanding as a result of currency revaluations	127,476	145,354
Capital subscriptions	6,824	122,784
Demand obligations of members encashed	6,818	2,953
Administration Charge collected	28,743	31,078
Decrease in other assets as a result of currency revaluations	21,880	20,381
Decrease in capital set aside and transferred to Special Funds due to substitution of the SDR for the 1966 dollar as unit of value	2,897	5,306
Net credit to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as unit of value	13,974	24,698
Total	1,366,216	1,387,643
FUNDS WERE UTILIZED FOR		
Loans disbursed	598,940	501,657
Bonds purchased for redemption and borrowings redeemed	239,118	267,927
Decrease in borrowings as a result of currency revaluations	125,170	126,266
Decrease in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as unit of value	84,668	146,620
Demand obligations of members received	3,361	69,405
Net maintenance of value adjustments	7,635	(36,609)
Net translation adjustments	38,861	40,539
Other — net	10,455	21,787
Total	1,108,208	1,137,592
INCREASE IN CASH IN BANKS AND INVESTMENTS	$ 258,008	$ 250,051

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

ASIAN DEVELOPMENT BANK

SUMMARY STATEMENT

31 December

Expressed in Thousands of

Borrowers/Guarantors[1]	Principal Amounts	Loans Not Yet Effective	Refundings and Cancellations
Bangladesh	$ 11,400	$ —	$ 2,082
Burma	6,600	—	—
China, Republic of	100,390	—	9,252
Fiji	45,900	—	112
Hong Kong	101,500	—	4,503
Indonesia	1,777,850	114,370	36,247
Korea, Republic of	1,579,030	205,500	46,392
Malaysia	799,328	91,900	41,512
Nepal	2,000	—	—
Pakistan	612,370	78,000	32,174
Papua New Guinea	55,950	12,000	572
Philippines	1,521,300	253,750	12,001
Singapore	178,080	—	32,542
Sri Lanka	14,135	—	931
Thailand	1,174,180	171,600	41,804
Viet Nam	3,930	—	2,389
Adjustments in United States dollar equivalents of loans disbursed			
TOTAL	$7,983,943	$927,120	$262,513

MATURITY STRUCTURE

Twelve Months Ending 31 December	Amounts
1983	$161,131
1984	193,115
1985	223,661
1986	251,334
1987	276,038

The accompanying notes to financial statements (Appendix 1-VII) 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 translation adjustments which have not been allocated to specific maturities.

ORDINARY CAPITAL RESOURCES

OF LOANS

1982

United States Dollars (Note A)

Payments Received On Loans Held by Bank	Payments Received For Loans Sold	Effective Loans	Undisbursed Balances of Effective Loans	Outstanding Balances
$ 4,189	$ —	$ 5,129	$ —	$ 5,129
472	—	6,128	147	5,981
48,490	2,800	39,848	—	39,848
2,272	—	43,516	19,357	24,159
25,755	3,859	67,383	14,959	52,424
22,772	—	1,604,461	1,279,783	324,678
237,166	3,456	1,086,516	394,440	692,076
49,961	2,140	613,815	293,964	319,851
2,000	—	—	—	—
58,795	—	443,401	166,767	276,634
152	—	43,226	21,147	22,079
78,901	423	1,176,225	648,258	527,967
38,368	2,830	104,340	34,543	69,797
8,988	—	4,216	—	4,216
59,803	1,711	899,262	478,710	420,552
91	—	1,450	—	1,450
		(102,212)[2]		(102,212)[2]
$638,175	$17,219	$6,036,704	$3,352,075	$2,684,629

OF EFFECTIVE LOANS

Five Years Ending 31 December	Amounts
1992	1,591,652
1997	1,648,174
2002	1,286,331
2007	488,949
2012	31,724
Undetermined	(115,405)[3]
Total	$6,036,704

ASIAN DEVELOPMENT BANK

SUMMARY STATEMENT

31 December 1982 and

Expressed in Thousands of

Currency	Balance 31 December 1981	Changes During the Year Ended 31 December 1982: Borrowings	Repayments and Sinking Fund and Other Purchases	Translation and Other[3] Adjustments
Austrian schilling	$ 2,649	$ —	$ 1,562	$ (188)
Belgian franc	4,019	—	—	(769)
Deutsche mark	516,300	183,609	45,525	(18,425)
Italian lira	5,036	—	703	(683)
Japanese yen	788,724	330,223	90,190	(45,353)
Kuwaiti dinar	62,163	—	2,947	(1,818)
Luxembourg franc	5,597	—	998	(1,018)
Netherlands guilder	65,830	77,859	5,064	(5,266)
Saudi Arabian riyal	7,342	—	3,671	—
Swiss franc	568,026	134,896	17,406	(51,650)
United States dollar	247,865	168,000	71,052	6,044[3]
Principal amounts outstanding	2,273,551	894,587	239,118	(119,126)
Less: Unamortized discounts and premiums on interest-bearing bonds and notes	8,342	839	—	—
TOTAL	$2,265,209	$893,748	$239,118	$(119,126)

MATURITY STRUCTURE

Twelve Months Ending 31 December	1982	1981
1982		$257,344
1983	$213,218	221,614
1984	129,797	61,739
1985	77,222	76,815
1986	172,632	174,980
1987	53,327	

The accompanying notes to financial statements (Appendix 1-VII) 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 1982, the Bank has made the following additional borrowings:

Currency	Principal Amount	Coupon Rate	Due for Redemption
Japanese yen	¥ 20 billion	7.800%	1989 — 1995
Swiss franc	SwF 100 million	5.875	1986 — 1995

3 Balance outstanding at 31 December 1982 includes $196 million for the Ten-Year Zero Coupon Notes of 1982 (principal amount at maturity, $400 million); amortization of the original discount at issuance by the interest method is shown as an "Other Adjustment".

ORDINARY CAPITAL RESOURCES

OF BORROWINGS

31 December 1981

United States Dollars (Note A)

Balance 31 December 1982	Weighted Average Effective Interest Rates[1] 1982	1981	Due for Redemption
$ 899	7.30%	7.28%	1983
3,250	7.36	7.36	1983
635,959	8.44	8.23	1983—1992
3,650	7.22	7.22	1983—1987
983,404[2]	8.19	8.05	1983—2001
57,398	11.00	10.87	1983—1991
3,581	6.64	6.64	1983—1987
133,359	9.84	8.28	1983—1992
3,671	8.00	8.00	1983
633,866[2]	6.31	6.12	1983—1994
350,857[3]	12.40	11.61	1983—1996
2,809,894	8.48	8.07	
9,181			
$2,800,713			

OF BORROWINGS OUTSTANDING

Five Years Ending 31 December	1982	1981
1992/1991	1,910,993	1,025,521
1997/1996	468,576	336,620
2002/2001	78,085	118,918
Total	$3,103,850	$2,273,551

ASIAN DEVELOPMENT BANK

STATEMENT OF SUBSCRIPTIONS TO

31 December

Expressed in Thousands of United States Dollars (Note A)

MEMBERS	SUBSCRIBED Shares	Per Cent of Total	Par Value Expressed In SDR	Par Value Expressed In Dollars	PAR VALUE OF CALLABLE SHARES Subject to Call Expressed In SDR	Subject to Call Expressed In Dollars
REGIONAL						
Afghanistan[1]	1,195	0.167	SDR 11,950	$ 13,182	SDR 8,130	$ 8,968
Australia	49,937	6.974	499,370	550,860	402,680	444,200
Bangladesh	8,812	1.231	88,120	97,206	71,060	78,387
Bhutan	110	0.015	1,100	1,213	890	981
Burma	4,700	0.656	47,000	51,846	37,900	41,808
Cambodia[1]	875	0.122	8,750	9,652	5,950	6,564
China, Republic of	9,400	1.313	94,000	103,692	75,800	83,616
Cook Islands	23	0.003	230	254	190	210
Fiji	587	0.082	5,870	6,475	4,730	5,218
Hong Kong	4,700	0.656	47,000	51,846	37,900	41,808
India	54,637	7.631	546,370	602,706	440,580	486,008
Indonesia	47,000	6.564	470,000	518,462	379,000	418,079
Japan	117,500	16.410	1,175,000	1,296,154	947,500	1,045,197
Kiribati	35	0.005	350	386	280	309
Korea, Republic of	43,475	6.072	434,750	479,577	350,580	386,728
Laos	246	0.034	2,460	2,714	1,980	2,184
Malaysia	23,500	3.282	235,000	259,231	189,500	209,039
Maldives	35	0.005	350	386	280	309
Nepal	1,269	0.177	12,690	13,998	10,230	11,286
New Zealand	13,254	1.851	132,540	146,206	106,880	117,900
Pakistan	18,800	2.626	188,000	207,385	151,600	167,232
Papua New Guinea	810	0.113	8,100	8,935	6,540	7,214
Philippines	20,562	2.872	205,620	226,822	165,810	182,907
Singapore	2,937	0.410	29,370	32,398	23,680	26,121
Solomon Islands	58	0.008	580	640	470	518
Sri Lanka	5,005	0.699	50,050	55,211	40,360	44,522
Thailand	11,750	1.641	117,500	129,616	94,750	104,520
Tonga	35	0.005	350	386	280	309
Vanuatu	58	0.008	580	640	470	518
Viet Nam	6,038	0.843	60,380	66,606	47,740	52,663
Western Samoa	58	0.008	580	640	470	518
Total Regional	447,401	62.483	4,474,010	4,935,325	3,604,210	3,975,840
NON-REGIONAL						
Austria	2,937	0.410	29,370	32,398	23,680	26,121
Belgium	2,937	0.410	29,370	32,398	23,680	26,121
Canada	45,143	6.305	451,430	497,977	364,030	401,565
Denmark	2,937	0.410	29,370	32,398	23,680	26,121
Finland	1,175	0.164	11,750	12,962	8,580	9,465
France	14,687	2.051	146,870	162,014	118,430	130,642
Germany, Fed. Rep. of	37,334	5.214	373,340	411,835	301,050	332,091
Italy	11,750	1.641	117,500	129,616	94,750	104,520
Netherlands	6,462	0.903	64,620	71,283	52,110	57,483
Norway	2,937	0.410	29,370	32,398	23,680	26,121
Sweden	1,175	0.164	11,750	12,962	8,580	9,465
Switzerland	4,037	0.564	40,370	44,533	32,550	35,907
United Kingdom	17,625	2.461	176,250	194,423	142,130	156,785
United States	117,500	16.410	1,175,000	1,296,154	947,500	1,045,197
Total Non-Regional	268,636	37.517	2,686,360	2,963,351	2,164,430	2,387,604
TOTAL	716,037	100.000	SDR 7,160,370	$7,898,676	SDR 5,768,640	$6,363,444

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

1 As of 31 December 1982, 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.

ORDINARY CAPITAL RESOURCES

CAPITAL STOCK AND VOTING POWER

1982

and in Thousands of Special Drawing Rights

PAR VALUE OF PAID-IN SHARES				VOTING POWER		
Instalments Not Due Expressed in		Instalments Matured Expressed in				
SDR	Dollars	SDR	Dollars	Number of Votes	Per Cent of Total	Per Cent of Regional/ Non-Regional
SDR —	$ —	SDR 3,820	$ 4,214	5,172	0.578	0.906
—	—	96,690	106,660	53,914	6.024	9.447
—	—	17,060	18,819	12,789	1.429	2.241
157	174	53	58	4,087	0.457	0.716
—	—	9,100	10,038	8,677	0.969	1.520
—	—	2,800	3,088	4,852	0.542	0.850
—	—	18,200	20,076	13,377	1.494	2.344
—	—	40	44	4,000	0.447	0.701
—	—	1,140	1,257	4,564	0.510	0.800
—	—	9,100	10,038	8,677	0.969	1.520
—	—	105,790	116,698	58,614	6.549	10.271
—	—	91,000	100,383	50,977	5.696	8.933
—	—	227,500	250,957	121,477	13.573	21.286
5	5	65	72	4,012	0.448	0.703
—	—	84,170	92,849	47,452	5.302	8.315
—	—	480	530	4,223	0.472	0.740
—	—	45,500	50,192	27,477	3.070	4.815
—	—	70	77	4,012	0.448	0.703
—	—	2,460	2,713	5,246	0.586	0.919
—	—	25,660	28,306	17,231	1.926	3.019
—	—	36,400	40,153	22,777	2.545	3.991
—	—	1,560	1,721	4,787	0.535	0.839
—	—	39,810	43,915	24,539	2.742	4.300
—	—	5,690	6,277	6,914	0.773	1.212
—	—	110	122	4,035	0.451	0.707
—	—	9,690	10,689	8,982	1.003	1.574
—	—	22,750	25,096	15,727	1.757	2.756
—	—	70	77	4,012	0.448	0.703
55	61	55	61	4,035	0.451	0.707
—	—	12,640	13,943	10,015	1.119	1.755
—	—	110	122	4,035	0.451	0.707
217	240	869,583	959,245	570,688	63.764	100.000
—	—	5,690	6,277	6,914	0.773	2.132
423	466	5,267	5,811	6,914	0.773	2.132
—	—	87,400	96,412	49,120	5.488	15.146
—	—	5,690	6,277	6,914	0.773	2.132
—	—	3,170	3,497	5,152	0.576	1.589
—	—	28,440	31,372	18,664	2.085	5.755
—	—	72,290	79,744	41,311	4.615	12.738
3,375	3,723	19,375	21,373	15,727	1.757	4.849
—	—	12,510	13,800	10,439	1.166	3.218
—	—	5,690	6,277	6,914	0.773	2.132
—	—	3,170	3,497	5,152	0.576	1.589
—	—	7,820	8,626	8,014	0.895	2.471
—	—	34,120	37,638	21,602	2.413	6.660
210	232	227,290	250,725	121,477	13.573	37.457
4,008	4,421	517,922	571,326	324,314	36.236	100.000
SDR 4,225	$4,661	SDR 1,387,505	$1,530,571	895,002	100.000	

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1982 and 31 December 1981

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 1982, the SDR was valued at $1.10311. (See Note D. 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 practice approximates the application of average rates in effect during the quarter. Translation adjustments, other than those relating to maintenance of value of currency holdings under Article 25 (see Note E) and "Notional amounts required to maintain value of currency holdings"(see Note F), 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-IV) 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 translation adjustments are made to arrive at effective loans.

(5) **Unamortized Issuance Costs of Borrowings**

Unamortized issuance costs of borrowings are ratably amortized over the life of each issue.

(6) **Property, Furniture and Equipment**

The headquarters seat of the Bank, including land, building, facilities and fixtures and the initial cost of

CONTINUED

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 using the straight-line method. 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 K) to administrative expenses currently.

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 27 (26—1981) members aggregating $261,768,000 ($279,288,000 — 1981).

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 $4,555,000 ($10,337,000 — 1981).

NOTE C —

INVESTMENTS

As of 31 December 1982, the market value of investments was $1,862,950,000 ($1,557,262,000 — 1981), including investments not traded in the market which were valued at their cost or amortized cost of $727,786,000 ($1,103,936,000 — 1981). During the year ended 31 December 1982, sales of investments resulted in a net gain of $8,466,000 (net loss of $463,000 — 1981). Gains and losses on sales of investments are measured by the difference between average amortized cost and the net proceeds of sales. The annualized rate of return on the average investments held during the year, based on the portfolio held at the end of each quarter, including realized gains and losses, was 11.42% (10.56% — 1981).

NOTE D —

CAPITAL STOCK

The authorized capital stock of the Bank consists of 722,057 shares, of which 716,037 shares have been subscribed by members. Of the subscribed shares, 576,864 are "callable" and 139,173 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,

provided 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 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

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changes were 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 1982, the value of the SDR in terms of the United States dollar was $1.10311 giving a value for each share of the Bank's capital equivalent to $11,031.10.

If the capital stock as of 31 December 1982 had been valued in terms of $12,063.50 per share, the "callable" capital subscribed would have been $6,958,999,000 ($6,924,039,000 — 1981) instead of $6,363,444,000 ($6,680,735,000 — 1981), the "paid-in" capital subscribed would have been $1,678,913,000 ($1,674,908,000 —1981) instead of $1,535,232,000 ($1,616,053,000 —1981), the total subscribed capital would have been $8,637,912,000 ($8,598,947,000 — 1981) instead of $7,898,676,000 ($8,296,788,000 — 1981) and maintenance of value obligations would have been $154,154,000 ($75,825,000 — 1981) receivable from members instead of $35,523,000 ($27,888,000 — 1981) receivable from members.

As of 31 December 1982, all matured instalments amounting to $1,530,571,000 ($1,609,058,000 — 1981) were received except $284,000 ($1,527,000 — 1981). Instalments not due aggregating $4,661,000 ($ 6,995,000 — 1981) are receivable as follows:

	1982	1981
1982		$2,505,000
1983	$2,653,000	2,494,000
1984	1,950,000	1,996,000
1985	58,000	

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 E —

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 D and F).

NOTE F —

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 1982 consisting of receivables of $86,133,000 ($65,253,000 — 1981) and payables of $52,172,000 ($38,924,000 — 1981) represent (a) the net decrease of $152,592,000 ($74,266,000—1981) 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 1982, offset by (b) the decrease of $118,631,000 ($47,937,000—1981) 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.

NOTE G —

INCOME AND EXPENSES

Income from other sources includes exchange loss of $831,000 ($1,393,000 — 1981).

Administrative expenses are net of Administration Charge to Special Operations amounting to $27,410,000 ($25,118,000 — 1981). 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 H —

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 I —

CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as of 28 April 1973 to be used as part of the Special Funds of the Bank. The resources so set aside, amounting to $52,519,000 as of 31 December 1982 expressed in terms of the SDR on the basis of $1.10311 per SDR ($57,434,000 in terms of $1.20635 per 1966 dollar-see Notes A and D), were allocated and transferred to the Asian Development Fund.

NOTE J —

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 H) 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 1981 was allocated to the Ordinary Reserve.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Notes A and D) resulted in a net credit of $13,974,000 to the Ordinary Reserve during the year ($24,698,000—1981). This net credit represents the amount of $84,668,000 ($146,620,000—1981) restatement of the matured and paid capital subscriptions offset by the net amount of $70,694,000 ($121,922,000—1981) 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 F).

NOTE K —

STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of service, provided that as of such a date, the employee shall not have reached the normal retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet.

From December 1974, participants have contributed 9 1/3 per cent of their remuneration to the Plan, and the Bank has contributed amounts equal to 18 2/3 per cent of the participants' remuneration. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions. For the year ended 31 December 1982, the amount contributed by the Bank was $5,214,000 ($4,388,000 — 1981).

The actuarial present value of vested and non-vested accumulated plan benefits as of 30 September 1982 totalled $29,259,000 and $2,949,000 respectively. Net assets available for benefits totalled $42,785,000 as of 30 September 1982. The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8 per cent.

NOTE L —

SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for technical assistance projects and programs totalled approximately $17,015,000 as of 31 December 1982 ($11,749,000 — 1981); 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 remaining balance over $150,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of $31,000 (nil-1981) were charged to loans and credited to income of ordinary capital resources during the year ended 31 December 1982.

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 — Ordinary Capital Resources:

	Appendix
Balance Sheet, 31 December 1982 and 31 December 1981	1-I
Statement of Income and Expenses for the Years Ended 31 December 1982 and 31 December 1981	1-II
Statement of Changes in Financial Position for the Years Ended 31 December 1982 and 31 December 1981	1-III
Summary Statement of Loans, 31 December 1982	1-IV
Summary Statement of Borrowings, 31 December 1982 and 31 December 1981	1-V
Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1982	1-VI
Notes to Financial Statements, 31 December 1982 and 31 December 1981	1-VII

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 1982 and 31 December 1981 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

25 February 1983

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1982 and 31 December 1981

Expressed in Thousands of United States Dollars (Note 2)

ASSETS	1982		1981	
CASH IN BANKS		$ 4,174		$ 4,855
INVESTMENTS (Note 3)				
Government and government guaranteed obligations — amortized cost (Face amounts $158,042 — 1982, $151,728 — 1981)	$ 155,049		$ 149,336	
Time deposits and other obligations of banks	286,931	441,980	247,226	396,562
LOANS (See Appendix 1-4) (Note 4)				
Loans approved — $3,517,543 — 1982, $2,971,443 — 1981				
Effective loans		2,800,375		2,371,628
ACCRUED INCOME				
On investments	7,744		9,464	
On loans	3,617	11,361	3,298	12,762
NOTES OF CONTRIBUTORS				
Non-negotiable, non-interest-bearing notes		2,125,233		1,943,517
AMOUNTS RECEIVABLE FROM CONTRIBUTORS (See Appendix 1-5)		45,880		21,498
ACCOUNTS RECEIVABLE		7,632		1,533
TOTAL		$5,436,635		$4,752,355
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL				
UNDISBURSED BALANCES OF EFFECTIVE LOANS (See Appendix 1-4)		$1,814,844		$1,499,393
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 5)		2,087		3,420
ACCOUNTS PAYABLE		2,766		2,061
UNEXPENDED BALANCES AND CAPITAL				
Amounts available for loan commitments (See Appendix 1-5)				
Contributed Resources	$3,418,858		$3,004,130	
Set-Aside Resources (Note 6)	52,519		55,416	
Other Resources	4,941		4,680	
	3,476,318		3,064,226	
Advance payments on contributions	—		62,746	
Accumulated translation adjustments (Note 2)	(12,500)		(3,890)	
Accumulated net income (See Appendix 1-2)	153,120	3,616,938	124,399	3,247,481
TOTAL		$5,436,635		$4,752,355

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 1982 and 31 December 1981

Expressed in Thousands of United States Dollars (Note 2)

	1982	1981
INCOME		
From Investments (Note 3)	$ 44,439	$ 39,542
From loans	11,454	11,248
From other sources - net	251	219
GROSS INCOME	56,144	51,009
EXPENSES		
Administrative expenses (Note 5)	27,423	25,141
NET INCOME FOR THE YEAR	28,721	25,868
BALANCE OF ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR	124,399	98,531
BALANCE OF ACCUMULATED NET INCOME AT END OF THE YEAR	$153,120	$124,399

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 1982 and 31 December 1981

Expressed in Thousands of United States Dollars (Note 2)

	1982	1981
FUNDS WERE PROVIDED BY		
Operations		
Net income	$ 28,721	$ 25,868
Items not requiring or providing funds:		
Accrued income	1,401	467
Administration Charge (Note 5)	27,410	25,118
Funds provided by operations	57,532	51,453
Contributions drawn	547,791	385,074
Notes of contributors encashed	192,152	122,120
Decrease in notes of contributors as a result of currency revaluations	151,458	134,949
Decrease in loans disbursed and outstanding as a result of currency revaluations	51,219	64,591
Loans collected	10,954	11,218
Total	1,011,106	769,405
FUNDS WERE UTILIZED FOR		
Notes of contributors received	525,326	349,355
Decrease in contributions drawn as a result of currency revaluations	219,930	213,143
Loans disbursed	175,469	149,226
Administration Charge paid	28,743	31,078
Net translation adjustments	8,610	9,416
Decrease in Set-Aside Resources due to substitution of the SDR for the 1966 dollar as unit of value	2,897	5,306
Other - net	5,394	(850)
Total	966,369	756,674
INCREASE IN CASH IN BANKS AND INVESTMENTS	$ 44,737	$ 12,731

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[a]

31 December 1982

Expressed in Thousands of United States Dollars (Note 2)

Borrowers	Principal Amounts	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	Effective Loans	Undisbursed Balances of Effective Loans[b]	Outstanding Balances
Afghanistan	$ 95,100	$ 20,100	$ 949	$ 1,646	$ 72,405	$ 46,153	$ 26,252
Bangladesh	1,034,630	281,300	5,440	2,401	745,489	504,620	240,869
Burma	399,660	15,000	1,193	—	383,467	219,816	163,651
Cambodia	1,670	—	—	—	1,670	1,027[c]	643
Cook Islands	2,500	—	—	—	2,500	1,676	824
Indonesia	162,280	—	5,440	12,778	144,062	45,796	98,266
Kiribati	1,750	—	—	—	1,750	1,234	516
Korea, Republic of	3,700	—	102	1,256	2,342	—	2,342
Laos	36,843	—	6,877	1,478	28,488	11,926	16,562
Malaysia	3,300	—	—	828	2,472	—	2,472
Maldives	1,000	—	—	—	1,000	976	24
Nepal	294,920	51,400	5,532	9,153	228,835	150,685	78,150
Pakistan	841,050	160,100	95	5,431	675,424	522,935	152,489
Papua New Guinea	80,940	11,000	—	4,765	65,175	22,268	42,907
Philippines	79,300	—	405	1,843	77,052	53,570	23,482
Singapore	3,000	—	—	327	2,673	—	2,673
Solomon Islands	14,850	—	4	—	14,846	3,720	11,126
Sri Lanka	306,205	50,600	6,936	6,963	241,706	150,663	91,043
Thailand	72,100	—	4	—	72,096	61,016	11,080
Tonga	6,050	—	—	96	5,954	1,701	4,253
Vanuatu	1,000	1,000	—	—	—	—	—
Viet Nam	40,670	13,000	3,745	1,541	22,384	5,052	17,332
Western Samoa	35,025	—	84	1,383	33,558	10,010	23,548
Adjustments in United States dollar equivalents of loans disbursed					(24,973)[d]		(24,973)[d]
TOTAL	$3,517,543	$603,500	$36,806	$51,889	$2,800,375	$1,814,844	$985,531

MATURITY STRUCTURE OF EFFECTIVE LOANS

Twelve Months Ending 31 December	Amounts	Five Years Ending 31 December	Amounts
1983	$13,528	1992	252,687
1984	14,145	1997	361,880
1985	17,807	2002	467,921
1986	20,937	2007	524,735
1987	26,313	2012	509,036
		2017	451,568
		2022	163,764
		Undetermined	(23,946)[e]
		Total	$2,800,375

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 $348.

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 translation adjustments and undisbursed amounts which have not been allocated to specific maturities.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1982

Expressed in Thousands of United States Dollars (Note 2)

	Amounts Committed During 1982	Cumulative Amounts Committed	Amounts Not Yet Available for Loan Commitments	Amounts Available for Loan Commitments	Amounts Received	Amounts Receivable
CONTRIBUTED RESOURCES						
Australia	$ —	$ 151,412	$ —	$ 151,412	$ 151,412	$ —
Austria	—	22,897	—	22,897	22,897	—
Belgium	—	23,317	—	23,317	23,317	—
Canada	—	250,049	—	250,049	204,169	45,880
Denmark	—	19,784	—	19,784	19,784	—
Finland	—	13,960	—	13,960	13,960	—
France	—	72,358	—	72,358	72,358	—
Germany, Federal Republic of	—	235,741	—	235,741	235,741	—
Italy	—	70,685	—	70,685	70,685	—
Japan	—	1,503,840	—	1,503,840	1,503,840	—
Netherlands	—	70,870	—	70,870	70,870	—
New Zealand	—	9,392	—	9,392	9,392	—
Norway	—	18,928	—	18,928	18,928	—
Sweden	—	22,498	—	22,498	22,498	—
Switzerland	—	44,632	—	44,632	44,632	—
United Kingdom	—	154,363	—	154,363	154,363	—
United States	—	775,000[a]	40,868	734,132	734,132	—
Total	—	3,459,726	40,868	3,418,858	3,372,978	45,880
SET-ASIDE RESOURCES (Note 6)	—	52,519	—	52,519	52,519	—
OTHER RESOURCES	261[b]	4,941	—	4,941	4,941	—
TOTAL	$261	$3,517,186	$40,868	$3,476,318	$3,430,438	$45,880

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

a. Including $37,868 and $3,000 representing the balance of the United States' contribution to the first ADF replenishment (ADF II) and the balance of its contribution to the second ADF replenishment (ADF III), respectively, for which the necessary internal procedures had not been completed as of 31 December 1982.

b. Amount transferred from Canada's contribution to the Technical Assistance Special Fund.

ASIAN DEVELOPMENT BANK — ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1982 and 31 December 1981

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$103,075,000 at 31 December 1982 (US$103,563,000 — 1981) be restricted to procurement of goods and services from their respective countries. Of this amount, the equivalent of US$64,087,000 as of 31 December 1982 (US$56,370,000 — 1981) 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;

(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 for the four years ending 31 December 1982 under a four-instalment program; and

(iii) In July 1982, the third replenishment of the Fund in a total amount equivalent to US$3,214,073,000 for the four years ending 31 December 1986 under a four- instalment program. This replenishment shall come into effect on or before 31 May 1983 when instruments of Contribution shall have been received by the Bank for unqualified contribution commitments in an aggregate amount equivalent to at least US$1,600,000,000.

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.

NOTE 3 —

INVESTMENTS

As of 31 December 1982, the market value of investments was $443,538,000 ($392,935,000 — 1981), including investments not traded in the market which were valued at their cost or amortized cost of $317,659,000 ($228,593,000 — 1981). During the year ended 31 December 1982, sales of investments resulted in a net gain of $365,000 ($47,000 — 1981). Gains and losses on sales of investments are measured by the difference between average amortized cost and the net proceeds of sales. The annualized rate of return on the average investments held during the year, based on the portfolio held at the end of each quarter, including realized gains and losses, was 11.17% (10.62% — 1981).

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 translation adjustments are made to arrive at effective loans.

NOTE 5 —

ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses include Administration Charge to Special Operations amounting to $27,410,000 ($25,118,000 — 1981). 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 —

SET-ASIDE RESOURCES

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and 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 1982, the SDR was valued at $1.10311. On this basis, Set-Aside Resources amounted to $52,519,000. If the capital stock as of 31 December 1982 had been valued in terms of $12,063.50 per share, Set-Aside Resources would have been $57,434,000.

DELOITTE HASKINS & SELLS
Certified Public Accountants

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New York 10036

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 1982 and 31 December 1981	1-1
Statement of Income and Expenses and Accumulated Net Income for the Years Ended 31 December 1982 and 31 December 1981	1-2
Statement of Changes in Financial Position for the Years Ended 31 December 1982 and 31 December 1981	1-3
Summary Statement of Loans, 31 December 1982	1-4
Statement of Resources, 31 December 1982	1-5
Notes to Financial Statements, 31 December 1982 and 31 December 1981	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 1982 and 31 December 1981 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

25 February 1983

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

BALANCE SHEET

31 December 1982 and 31 December 1981

Expressed in Thousands of United States Dollars (Note 1)

	1982	1981
ASSETS		
CASH IN BANKS	$ 1,627	$ 1,266
INVESTMENTS (Note 2)		
Government and government guaranteed obligations—amortized cost (Face amounts $4,636—1982, $8,740—1981)	4,536	8,648
Time deposits and other obligations of banks	10,554	6,995
ACCRUED INCOME	111	188
AMOUNTS RECEIVABLE FROM CONTRIBUTORS (See Appendix 1-D)	2,599	1,010
OTHER ASSETS	1,423	1,205
TOTAL	$20,850	$19,312
LIABILITIES AND UNEXPENDED BALANCES		
ACCOUNTS PAYABLE	$ 4,288	$ 3,636
UNEXPENDED BALANCES (See Appendix 1-B) (Note 3)	16,562	15,676
TOTAL	$20,850	$19,312

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

ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF OPERATIONS AND UNEXPENDED BALANCES

For The Years Ended 31 December 1982 and 31 December 1981

Expressed in Thousands of United States Dollars (Note 1)

	1982		1981	
CONTRIBUTIONS COMMITTED (See Appendix 1-D)		$ 8,516		$ 5,646
INCOME				
From investments (Note 2)	$1,147		$ 1,444	
From other sources - net (Note 4)	342	1,489	2	1,446
TOTAL		10,005		7,092
EXPENSES (See Appendix 1-E)				
Services to member countries (Note 4)	5,892		5,543	
Administrative expenses	1,711	7,603	2,094	7,637
CONTRIBUTIONS AND INCOME IN EXCESS OF (LESS THAN) EXPENSES		2,402		(545)
EXCHANGE LOSSES - net (Note 1)		(1,516)		(1,919)
INCREASE (DECREASE) IN UNEXPENDED BALANCES		886		(2,464)
UNEXPENDED BALANCES AT BEGINNING OF THE YEAR		15,676		18,140
UNEXPENDED BALANCES AT END OF THE YEAR		$16,562		$15,676

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

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1982 and 31 December 1981

Expressed in Thousands of United States Dollars (Note 1)

	1982	1981
FUNDS WERE PROVIDED BY		
Contributions drawn	$6,382	$ 5,382
FUNDS WERE UTILIZED FOR		
Operations		
Decrease (increase) in unexpended balances	(886)	2,464
Items not requiring or providing funds:		
Accrued expenses	(898)	474
Accrued income	(77)	(150)
Accrued contributions committed	6,915	3,941
Funds utilized for operations	5,054	6,729
Decrease in contributions drawn as a result of currency revaluations	1,056	1,390
Other — net	464	(486)
Total	6,574	7,633
DECREASE IN CASH IN BANKS AND INVESTMENTS	$ (192)	$ (2,251)

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

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

STATEMENT OF CONTRIBUTED RESOURCES

31 December 1982

Expressed in Thousands of United States Dollars (Note 1)

Contributors	Amounts Committed During 1982[a]	Cumulative Contributions Committed	Cumulative Amounts Received	Amounts Receivable
Australia	$ 539	$ 2,540	$ 2,540	$ —
Austria	—	125	125	—
Bangladesh	—	23	23	—
Belgium	533	1,181	1,159	22
Canada	1,558[b]	3,099[b]	2,009	1,090
China, Republic of	—	200	200	—
Denmark	—	1,768	1,768	—
Finland	—	238	238	—
France	521	968	968	—
Germany, Federal Republic of	—	1,332	1,332	—
Hong Kong	—	100	100	—
India	—	977	977	—
Indonesia	250	250	250	—
Italy	920	1,050	130	920
Japan	2,923	34,145	34,145	—
Korea, Republic of	220	1,000	1,000	—
Netherlands	—	914	903	11
New Zealand	—	885	885	—
Norway	144	919	919	—
Pakistan	55	374	319	55
Sri Lanka	—	6	6	—
Sweden	—	382	382	—
Switzerland	501	1,104	603	501
United Kingdom	352	4,098	4,098	—
United States	—	1,250	1,250	—
TOTAL	$8,516	$58,928	$56,329	$2,599

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

a Subsequent to 31 December 1982, Singapore has made its first contribution in the amount of $100 and New Zealand and Norway have made further contributions equivalent to $54 and $144, respectively, to the Technical Assistance Special Fund.

b Excludes the equivalent of $261 utilized to finance technical assistance expenditures under a Special Funds loan of the Bank and transferred to the Asian Development Fund in 1982.

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF EXPENSES

For the Year Ended 31 December 1982

Expressed in Thousands of United States Dollars (Note 1)

	SERVICES TO MEMBER COUNTRIES				
RECIPIENTS	Project Preparation	Project Implementation/ Advisory	Total	ADMINISTRATIVE EXPENSES[a]	TOTAL EXPENSES
Bangladesh	$ 206	$ 95	$ 301	$ 267	$ 568
Burma	110	47	157	170	327
Fiji	97	—	97	—	97
Indonesia	124	44	168	255	423
Kiribati	(116)	119	3	—	3
Korea, Republic of	197	—	197	32	229
Laos	109	—	109	5	114
Malaysia	—	—	—	121	121
Nepal	200	179	379	74	453
Pakistan	577	390	967	175	1,142
Papua New Guinea	148	82	230	87	317
Philippines	750	222	972	136	1,108
Solomon Islands	201	—	201	—	201
Sri Lanka	(8)	87	79	121	200
Thailand	286	88	374	214	588
Vanuatu	82	—	82	—	82
Viet Nam	—	—	—	7	7
Western Samoa	119	1	120	18	138
Total	$3,082	$1,354	4,436	1,682	6,118
Regional Activities			1,456	—	1,456
Multiple Projects/Headquarters			—	5	5
Other Administrative Expenses			—	24	24
TOTAL			$5,892	$1,711	$7,603

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

a Principally staff consultants.

ASIAN DEVELOPMENT BANK — TECHNICAL ASSISTANCE SPECIAL FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1982 and 31 December 1981

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 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 —

INVESTMENTS

As of 31 December 1982, the market value of investments was $15,151,000 ($15,666,000 — 1981), including investments not traded in the market which were valued at their cost or amortized cost of $11,396,000 ($7,576,000 — 1981). During the year ended 31 December 1982, sales of investments resulted in a net gain of $1,000 ($4,000 — 1981). Gains and losses on sales of investments are measured by the difference between average amortized cost and the net proceeds of sales. The annualized rate of return on the average investments held during the year, based on the portfolio held at the end of each quarter, including realized gains and losses, was 8.58% (9.46% — 1981).

NOTE 3 —

FUNDING

Since 1967, contributions have been made by 25 (24-1981) 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.

NOTE 4 —

SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for technical assistance projects and programs totalled approximately $17,015,000 as of 31 December 1982 ($11,749,000 — 1981); 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 remaining balance over $150,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of $337,000 (nil-1981) were charged to loans and credited to income from other sources of the TASF during the year ended 31 December 1982.

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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 1982 and 31 December 1981	1-A
Statement of Operations and Unexpended Balances for the Years Ended 31 December 1982 and 31 December 1981	1-B
Statement of Changes in Financial Position for the Years Ended 31 December 1982 and 31 December 1981	1-C
Statement of Contributed Resources, 31 December 1982	1-D
Summary Statement of Expenses for the Year Ended 31 December 1982	1-E
Notes to Financial Statements, 31 December 1982 and 31 December 1981	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 1982 and 31 December 1981 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

25 February 1983

SUMMARY OF BUDGET FOR 1983

INTERNAL ADMINISTRATIVE EXPENSES

	1982			
	Original Budget	After Transfers[1]	Actual	1983 Budget
I. BOARD OF GOVERNORS	$ 165,000	$ 165,000	$ 163,861	$ 193,000
II. BOARD OF DIRECTORS	3,192,000	3,192,000	3,162,073	3,850,000
Salaries	1,575,000	1,625,000	1,624,359	1,785,000
Benefits	669,000	679,000	678,286	916,000
Relocation	257,000	227,000	209,209	473,000
Business Travel	390,000	345,000	334,725	377,000
Staff Services	301,000	316,000	315,494	299,000
III. STAFF	49,816,000	49,816,000	46,668,427	56,005,000
Salaries	28,721,000	28,721,000	27,069,935	32,681,000
Benefits	14,150,000	14,475,000	14,473,617[2]	17,609,000
Relocation	2,423,000	2,098,000	1,886,370	2,123,000
Consultants	4,522,000	4,522,000	3,238,505[3]	3,592,000
IV. BUSINESS TRAVEL AND REPRESENTATION	5,228,000	5,228,000	4,086,816	5,200,000
Business Travel	5,138,000	5,138,000	4,002,678	5,094,000
Representation	90,000	90,000	84,138	106,000
V. OTHER ADMINISTRATIVE EXPENSES	8,839,000	8,839,000	8,668,539	10,756,000
Communications	1,445,000	1,451,000	1,449,402	1,607,000
Office Occupancy[4]	3,436,000	3,157,000	3,030,641	3,549,000
Library	187,000	196,000	195,843[5]	190,000
Expendable Supplies	754,000	743,000	742,259	877,000
Office Equipment	961,000	1,026,000	1,025,565	1,281,000
Contractual Services	1,376,000	1,276,000	1,241,926	1,805,000
Insurance	231,000	201,000	194,148	230,000
Depreciation[4]	369,000	707,000	707,034	1,110,000
Miscellaneous	80,000	82,000	81,721[6]	107,000
VI. GENERAL CONTINGENCY	1,345,000	1,345,000	—	1,520,000
TOTAL	$68,585,000	$68,585,000	$62,749,716	$77,524,000

1 Transfers were made between budget items within each Budget Category without exceeding the total amount for the Category.
2 Excludes $675,028 accrued as an accounting requirement as of 31 December 1982 for accumulated compensated absences.
3 Includes $1,687,560 from the Technical Assistance Special Fund.
4 A budget item for Depreciation was created under the new policy on Capital Expenditures. $369,000 originally included as amortization of establishment costs under Office Occupancy was transferred to this new item.
5 Includes $19,121 from the Technical Assistance Special Fund.
6 Includes $4,691 from the Technical Assistance Special Fund.

SUMMARY OF BUDGET FOR 1983

SERVICES TO MEMBER COUNTRIES

CONTINUED

Financed from Bank's Own Resources	Commitments 1982 Budget	Commitments 1982 Actual	Commitments 1983 Budget
Project Preparation	$ 8,300,000	$ 6,657,000	$ 8,600,000
Advisory and Operational	2,400,000	3,755,000	5,400,000
Regional	2,300,000	2,513,300	5,000,000
TOTAL	**$13,000,000**	**$12,925,300**	**$19,000,000**

RESOLUTIONS OF BOARD OF GOVERNORS DURING 1982

Resolution No.	Subject	Date Adopted
147	Amendment of Section 5 of By-Laws	18 February 1982
148	Admission of Kingdom of Bhutan to Membership in Asian Development Bank	2 April 1982
149	Amendment of Section 7 (B)(a) of By-Laws	20 April 1982
150	Financial Statements and Auditors' Reports	30 April 1982
151	Allocation of Net Income	30 April 1982
152	Place and Date of Sixteenth Annual Meeting	30 April 1982
153	Further Extension of Time for Subscription to, and Payment of Instalments under, Second General Capital Increase	21 May 1982
154	Third Replenishment of Asian DevelopmentFund	30 July 1982
155	Amendment of Section 7(B)(a) of By-Laws and Amendment of Resolution No. 66	23 December 1982

BOARD OF GOVERNORS

(As of 31 December 1982)

Yadav Prasad Pant (Nepal) (Chairman)

Allan J. MacEachen (Canada) (Vice-Chairman)

Kyong-Shik Kang (Republic of Korea) (Vice-Chairman)

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Democratic Republic of	Abdul Wakil[1] Minister of Finance	Rajab Ali Yagana[2] President Treasury Department
Australia	J. W. Howard Treasurer	Richard C. Manning[3] Acting Director Australian Development Assistance Bureau
Austria	Herbert Salcher Federal Minister of Finance	Hans Seidel State Secretary Ministry of Finance
Bangladesh	A.M.A. Muhith[4] Minister for Finance and Planning	Mafizur Rahman[5] Secretary External Resources Division Ministry of Finance
Belgium	W. de Clercq Vice Prime Minister and Minister of Finance and Foreign Trade	E. Kestens[6] Director-General of Administration of the Treasury
Bhutan	Dawa Tsering Minister for Foreign Affairs	Dorji Tshering Secretary Ministry of Finance
Burma	U Tun Tin Deputy Prime Minister and Minister of Planning and Finance	U Maung Shein Deputy Minister Ministry of Planning and Finance
Cambodia		
Canada	Allan J. MacEachen Deputy Prime Minister and Secretary of State for External Affairs	Marcel Massé

1 Succeeded Mehrabuddin Paktiawal in July.
Mehrabuddin Paktiawal succeeded Abdul Wakil in May.
2 Succeeded Khaliullah Sediq in July.
Khaliullah Sediq succeeded Rajab Ali Yagana in May.
Rajab Ali Yagana succeeded M. Naim Askaryar in February.
3 Succeeded D. N. Sanders in July.
D.N. Sanders succeeded J. C. Ingram in April.
4 Succeeded Fasihuddin Mahtab in June.
Fasihuddin Mahtab succeeded M. Saifur Rahman in February.
5 Succeeded Kazi Fazlur Rahman in November.
Kazi Fazlur Rahman succeeded A. M. A. Muhith in February.
6 Succeeded M. D'Haeze in May.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
China, Republic of	Kuo-Hwa Yu Governor Central Bank of China	Wilson C. P. Yen[1] Vice-Minister of Finance
Cook Islands	V.A.K.T. Ingram Minister of Economic Development	Tutai Manuela[2] Senior Programme Officer Department of Development Planning
Denmark	Mogens Isaksen Under-Secretary of State Ministry of Foreign Affairs	Henning Kjeldgaard Head of Department Ministry of Foreign Affairs
Fiji	Charles Walker Minister of Finance	Savenaca Siwatibau General Manager Central Monetary Authority
Finland	Wilhelm Breitenstein Undersecretary of State Ministry for Foreign Affairs	Eero Asp
France	Jacques Delors Minister of Economy and Finance	Michel Camdessus[3] Director of Treasury Ministry of Economy
Germany, Federal Republic of	Jürgen Warnke[4] Federal Minister for Economic Cooperation	Winfried Heck Deputy Assistant Secretary Federal Ministry of Finance
Hong Kong	John H. Bremridge Financial Secretary	D. W. A. Blye[5] Secretary for Monetary Affairs
India	Pranab Mukherjee[6] Minister of Finance	M. Narasimham[7] Secretary Ministry of Finance Department of Economic Affairs
Indonesia	Ali Wardhana Minister of Finance	Rachmat Saleh Governor Bank Indonesia
Italy	Carlo Azeglio Ciampi[8] Governor Bank of Italy	Mario Sarcinelli[9] Director General of the Treasury Ministry of the Treasury
Japan	Noboru Takeshita[10] Minister of Finance	Haruo Maekawa Governor Bank of Japan

1 Succeeded C.M. Wang in February.
2 Succeeded Jeff Liew in February.
3 Succeeded Jean-Yves Haberer in February.
4 Succeeded Rainer Offergeld in November.
5 Appointed in March.
6 Succeeded R. Venkataraman in January.
7 Succeeded R. N. Malhotra in October.
8 Succeeded Lamberto Dini in February.
9 Succeeded Fernanda Forcignano in March.
Fernanda Forcignano succeeded Felice Ruggiero in January.
10 Succeeded Michio Watanabe in December.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Kiribati	Tiwau Awira Minister for Finance	Roniti Tewaiki Minister for Trade and Communications
Korea, Republic of	Kyong-Shik Kang[1] Minister of Finance	Yeung-Ki Hah[2] Governor Bank of Korea
Lao People's Democratic Republic	Bousbong Souvannavong Governor Banque Nationale du Laos	Nouphanh Sithphasay[3] Secretary of State for Finance
Malaysia	Tengku Razaleigh Hamzah Minister of Finance	Tan Sri Thong Yaw Hong Secretary General to the Treasury
Maldives	Fathulla Jameel Minister of External Affairs	Ismail Fathy Vice Governor Maldives Monetary Authority and Director of Dept. of Finance
Nepal	Yadav Prasad Pant Minister of Finance	Karna Dhoj Adhikary Finance Secretary Ministry of Finance
Netherlands	H. O. Ruding[4] Minister of Finance	E.M. Schoo[5] Minister for Development Cooperation
New Zealand	R.D. Muldoon Prime Minister and Minister of Finance	Bernard Vincent Galvin Secretary to the Treasury
Norway	Svenn Stray Minister of Foreign Affairs	Eivinn Berg State Secretary Ministry of Foreign Affairs
Pakistan	Ghulam Ishaq Khan Minister of Finance, Planning, Commerce and Coordination	Ejaz Ahmed Naik Secretary Ministry of Planning and Economic Affairs
Papua New Guinea	Phillip Bouraga[6] Minister for Finance	Mekere Morauta Secretary for Finance
Philippines	Cesar Virata Prime Minister and Minister of Finance	Jaime C. Laya Governor Central Bank of the Philippines
Singapore	Tony Tan Keng Yam Minister for Trade and Industry	J.Y.M. Pillay Permanent Secretary Revenue Division Ministry of Finance

1 Succeeded Woong-Bae Rha in June.
Woong-Bae Rha succeeded Seung-Yun Lee in January.
2 Succeeded Joon Sung Kim in January.
3 Appointed in February.
4 Succeeded A. P. J. M. M. van der Stee in November.
5 Succeeded C. P. van Dijk in November.
C. P. van Dijk succeeded J. de Koning in March.
6 Succeeded John R. Kaputin in October.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Solomon Islands	Bartholomew Ulufa'alu Minister of Finance	Felix P. Panjuboe[1] Permanent Secretary Ministry of Finance
Sri Lanka, Democratic Socialist Republic of	Ronnie de Mel Minister of Finance and Planning	W.M. Tilakaratna Secretary to the Treasury and Secretary, Ministry of Finance and Planning
Sweden	Goesta Edgren[2] Under Secretary of State for International Development Cooperation Ministry for Foreign Affairs	Per Joedahl 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
Thailand	Sommai Hoontrakool Minister of Finance	Panas Simasathien[3] Permanent Secretary for Finance
Tonga	J. C. Cocker[4] Minister of Finance	Baron Vaea Minister of Labour, Commerce and Industries and Assistant Minister of Finance
United Kingdom	Neil Marten, M.P. Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development	J.L.F. Buist Under-Secretary Overseas Development Administration
United States	Donald T. Regan Secretary of the Treasury	Wilson A. Wallis[5] 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 Minister-Director General State Bank of Viet Nam	Le Hoang Vice-Minister Deputy Director-General State Bank of Viet Nam
Western Samoa	Tofilau Luamanuvae Eti[6] Prime Minister and Minister of Finance	A.L. Hutchison Financial Secretary

1 Succeeded Pulepada Ghemu in February.
2 Succeeded Carl Tham in October.
3 Succeeded Chanchai Leetavorn in October.
4 Succeeded M. 'U. Tupouniua in March.
5 Succeeded Richard N. Cooper in November.
6 Succeeded Vaovasamanala R.P. Phillips in April.

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1982)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED[1]
A. J. Barry (Canada)	Jorma Paukku (Finland)	Canada Denmark Finland Netherlands Norway Sweden
John A. Bohn, Jr. (United States)	Donald R. Sherk[2] (United States)	United States
Hoon-Mok Chung (Republic of Korea)	John Natera (Papua New Guinea)	Republic of China Republic of Korea Papua New Guinea Vanuatu
N.W. Davey (Australia)	Kai Detto (Australia)	Australia Hong Kong Kiribati Solomon Islands
U Hla Maung (Burma)	Kawee Keereepart[3] (Thailand)	Burma Malaysia Nepal Singapore Thailand
Paul Koehling[4] (Federal Republic of Germany)	John Machin[5] (United Kingdom)	Austria Federal Republic of Germany United Kingdom
Minoru Ohashi[6] (Japan)	Takashi Taniguchi (Japan)	Japan
N.M. Qureshi (Pakistan)	A. Melchor, Jr. (Philippines)	Pakistan Philippines
G. Ramachandran (India)	K. F. Rahman[7] (Bangladesh)	Bangladesh Bhutan India
Thierry Rosset (France)	Max Gertsch (Switzerland)	Belgium France Italy Switzerland
Soesilo Sardadi (Indonesia)	R.C.W. Hamilton (New Zealand)	Cook Islands Fiji Indonesia New Zealand Tonga Western Samoa
F.M. Tarin (Democratic Republic of Afghanistan)	Le Duc Van[8] (Socialist Republic of Viet Nam)	Democratic Republic of Afghanistan Lao People's Democratic Republic Maldives Democratic Socialist Republic of Sri Lanka Socialist Republic of Viet Nam

1 In alphabetical order within each group.
2 Succeeded Jon M. Gaaserud on 12 June.
3 Succeeded Khalil Hassan on 1 July.
4 Succeeded David L. Stanton on 1 June.
5 Succeeded Paul Koehling on 1 June.
6 Succeeded Genji Nozaki on 16 August.
7 Succeeded K. Mahmood on 1 October.
8 Appointed on 25 June.

APPENDIX 6

PRINCIPAL OFFICERS

(As of 31 December 1982)

OFFICE OF THE PRESIDENT	
Masao Fujioka	President
A. T. Bambawale	Vice-President
S. Stanley Katz	Vice-President
OFFICE OF THE SECRETARY	
Wilfred A. Vawdrey	Secretary
A.B. Adarkar	Assistant Secretary
OFFICE OF THE GENERAL COUNSEL	
Chun Pyo Jhong	General Counsel
Ramdass K. Keswani	Assistant General Counsel
Herbert V. Morais	Assistant General Counsel
Peter H. Sullivan	Assistant General Counsel
COUNTRY DEPARTMENT	
Ernest A. Oestreicher	Director
Zia Noorzoy	Deputy Director
Klaus J. L. Hoffarth	Deputy Director
Eiichi Watanabe	Co-Financing Manager
Grahame Muller	Country Manager (Democratic Republic of Afghanistan, Pakistan, Maldives, Democratic Socialist Republic of Sri Lanka)
Sayed A. Baha	Country Manager (Bangladesh, Bhutan, India, Nepal)
Noritada Morita	Country Manager (Burma, Thailand, Cambodia, Lao People's Democratic Republic, Socialist Republic of Viet Nam)
Paul G. Krukowski	Country Manager (Republic of China, Republic of Korea, Philippines)
Sharda P. Srivastava	Country Manager (Hong Kong, Indonesia, Malaysia, Singapore)
Eiji Kobayashi	Country Manager (Cook Islands, Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Vanuatu, Western Samoa)
DEVELOPMENT POLICY OFFICE	
Akira Tsusaka	Director
A. I. Aminul Islam	Manager
William T. C. Ho	Manager

CONTINUED

AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT	
B.M. Soeksmono	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 and Sanitation)
Mazhar Ali Khan	Manager (Social Infrastructure, including Health and Population and Urban Development)
Charles J. Leven	Acting Manager (Education)
INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT	
Robert N. Bakley	Director
Joaquin J. Gochoco	Deputy Director
Jayanta Madhab	Energy Advisor
Stephen Y. C. Lau	Manager (Industry and Minerals)
S. N. Vinze	Manager (Power Division East)
Alan D. Burrell	Manager (Power Division West)
Ivan L. Zimonyi	Manager (Development Finance Division)
CENTRAL PROJECTS SERVICES OFFICE	
Wolf D. Kluber	Chief
Urs Rolf Sieber	Manager (Consulting Services)
N. Viswanathan	Manager (Central Loan Administration Services)
BANGLADESH RESIDENT OFFICE	
Song Chil Lee	Resident Director

BUDGET, PERSONNEL AND MANAGEMENT SYSTEMS DEPARTMENT	
Yukinori Watanabe	Director
Joseph H. Landriault	Deputy Director
Dang Fook Lee	Manager (Budget and Planning and concurrently In-Charge, Systems and Procedures)
John P. Kennedy	Manager (Personnel)
OFFICE OF ADMINISTRATIVE SERVICES	
S. Mahboob Alam	Chief
Ian F. Darroch	Manager (Building Services)
Pyong Whi Min	Manager (General Services)
SPECIAL PROJECTS OFFICE	
Frank R. S. Weereratne	Chief
CONTROLLER'S DEPARTMENT	
Sven P. Blaeckberg	Controller
Alan L. Pan	Assistant Controller (Accounting)
Shamshad Ali Khan	Assistant Controller (Administrative Expenses)
Hiroyuki Yamamoto	Assistant Controller (Loans)
TREASURER'S DEPARTMENT	
Edgar J. Roberts, Jr.	Treasurer
Yukiji Miyazaki	Deputy Treasurer
Daud Ilyas	Financial Advisor
Albert L. Faber	Assistant Treasurer (Treasury Operations)
Vacant	Assistant Treasurer (Treasury Services)
ECONOMICS OFFICE	
Seiji Naya	Chief Economist
Kedar N. Kohli	Assistant Chief Economist
Vacant	Chief Statistician
INFORMATION OFFICE	
P. S. Hariharan	Chief Information Officer
OFFICE OF COMPUTER SERVICES	
C. Trujillo, Jr.	Chief
S. Kalyanaraman	Assistant Chief
INTERNAL AUDIT OFFICE	
M. Ikramullah Khan	Chief
POST-EVALUATION OFFICE	
Ronald S. Skeates	Chief

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