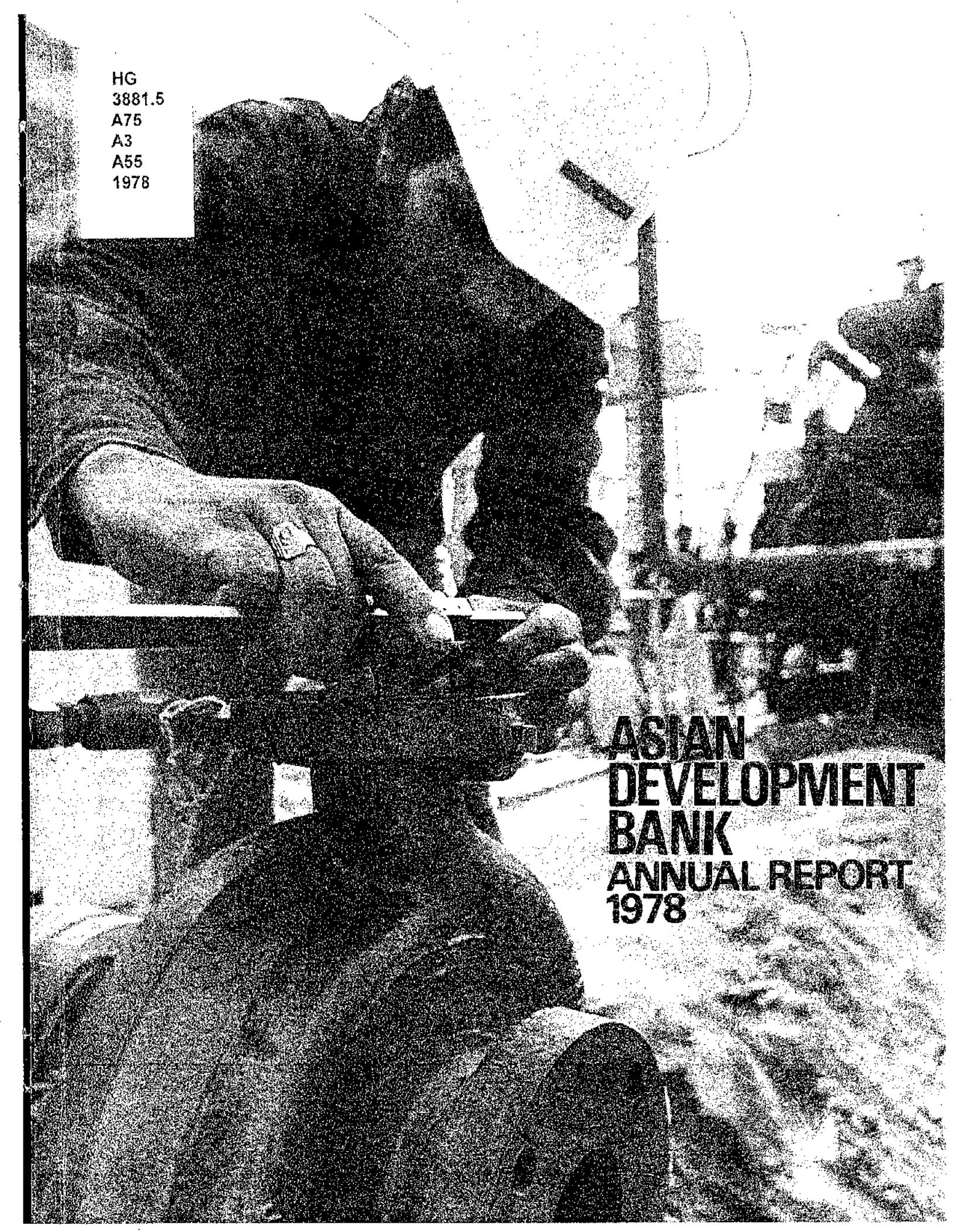
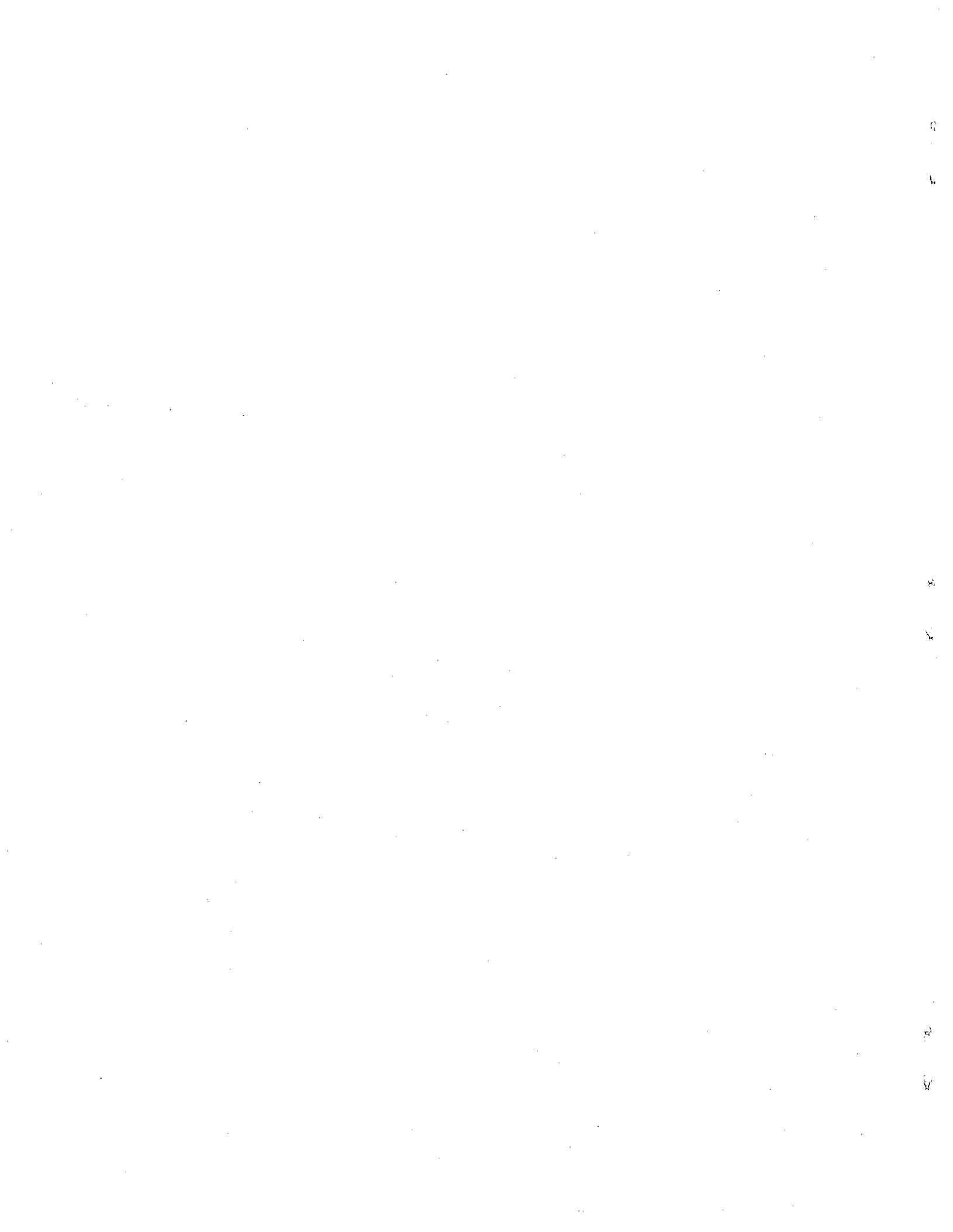


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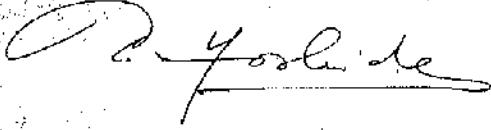
Office of the President

13 March 1979

Dear Mr. Chairman:

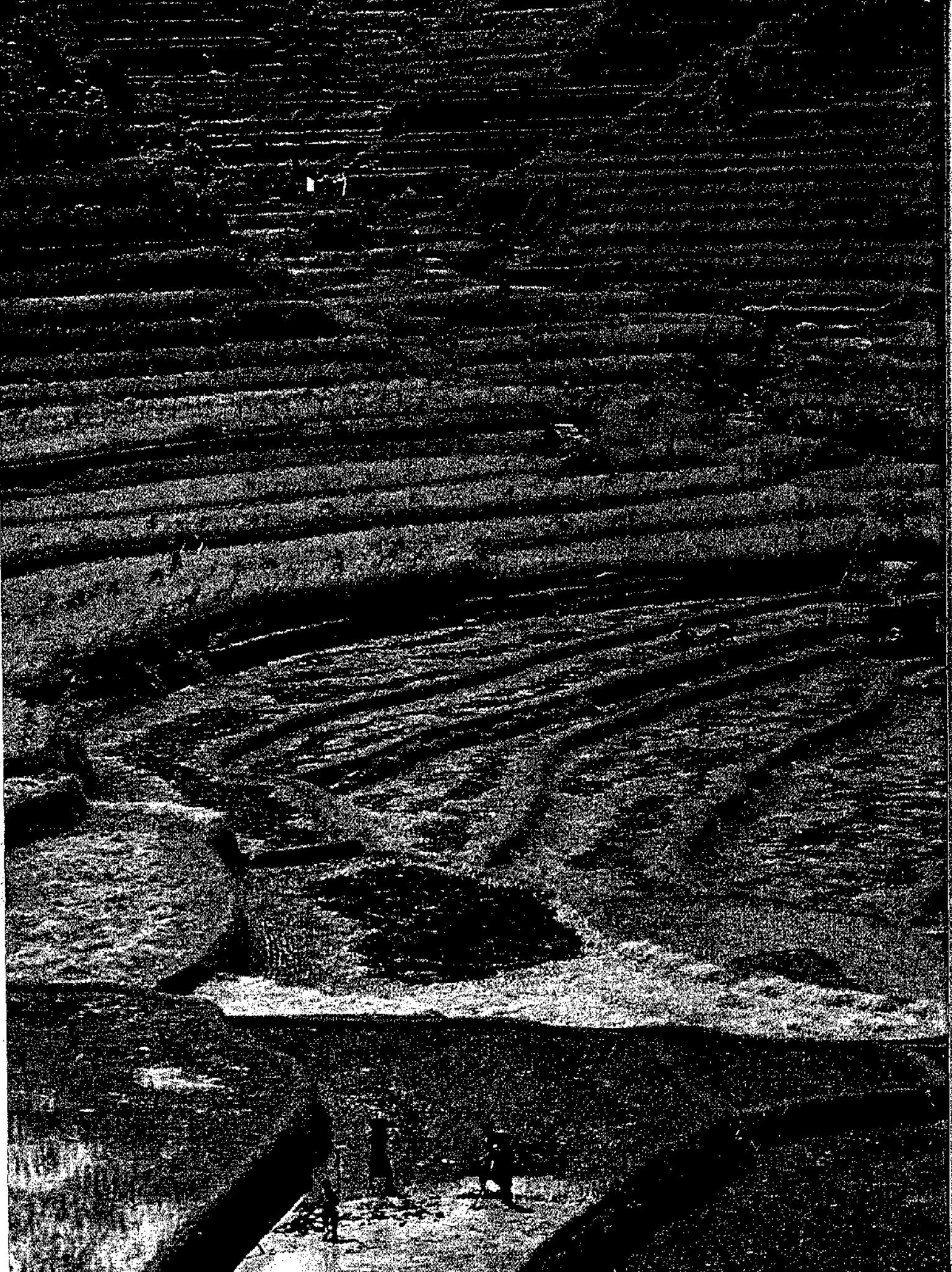
With respect to Article 39 of the Articles of Agreement of the Asian Development Bank and in accordance with Section 13 of the By-Laws of the Bank, I submit to the Board of Governors, on behalf of the Board of Directors, the enclosed Annual Report on the operations and policies of the Bank in 1978, including a separate report on the activities of the Special Funds of the Bank. The Annual Report also includes the financial statements prescribed in Section 15 of the By-Laws.

Sincerely yours,



TAROICHI YOSHIDA
President and
Chairman of the Board
of Directors

Chairman
Board of Governors
Asian Development Bank



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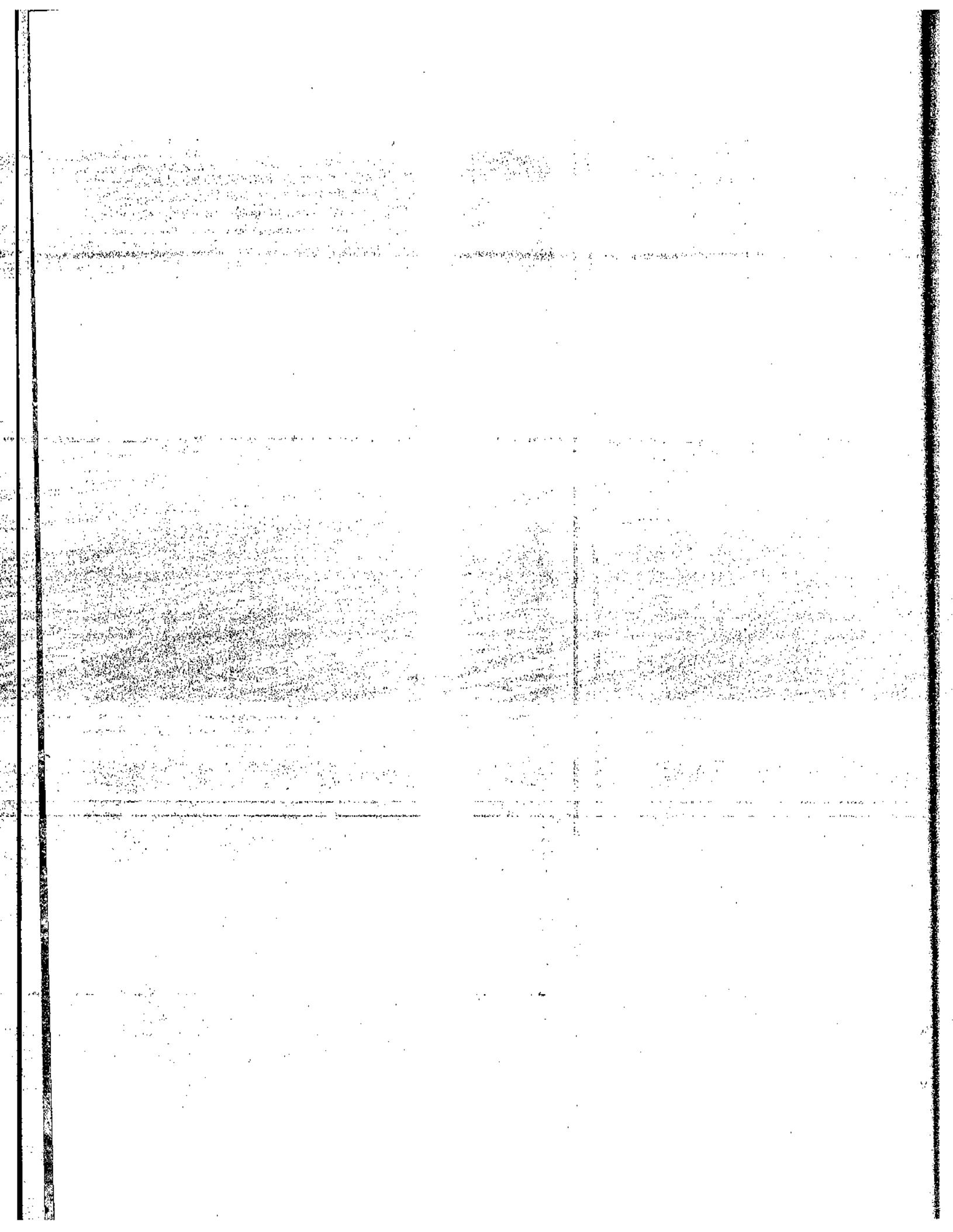
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NOTE ON DOLLAR AMOUNTS

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

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

RICE terraces in Bali, Indonesia, site of a Bank-financed Project that includes irrigation expansion and improvement, rural road construction, protected drinking water supplies and a soil conservation scheme.



THE RECORD

Financial Statement

for the Year Ended December 31, 1978

in US dollars (\$ million)

	1967	1972	1973	1974	1975	1976	1977	1978	1967-1978
OPERATIONAL ACTIVITIES									
Local Projects									
Number	113	39	39	40	66	45	52	125	4259
Amount	955	421	548	660	776	887	1,159	5,404	
Ordinary Loans									
Number	75	30	21	27	21	24	31	224	
Amount	754	303	375	494	540	765	778	3,857	
Disbursements (Amount)	119	120	160	285	268	273	295	1,515	
Special Funds Loans									
Number	44	24	19	14	16	21	22	160	
Amount	201	118	179	166	206	272	361	1,547	
Disbursements (Amount)	18	26	27	77	63	84	167	462	
Technical Assistance Projects (Grants) ¹									
Number	74	24	33	26	24	42	47	267	
Amount	1,128	260	542	438	462	1,063	11,083	46,689	
Regional Activities (Grants)									
Number	15	5	3	7	6	7	11	254	
Amount	14,271	0.16	40.1	9.94	0.89	10.91	0.88	18,222	
RESOURCES AND FINANCES									
Authorized Capital (at end of period)									
In terms of current US dollar	1,173	1,266	1,366	1,676	1,707	1,771	1,940	2,078	
In terms of 1960 US dollar	(2,750)	(2,790)	(2,790)	(3,048)	(3,073)	(3,221)	(3,221)	(7,221)	
Subscribed Capital (at end of period)									
In terms of current US dollar	2,49	2,725	2,701	3,202	3,688	6,961	8,741	10,741	
In terms of 1960 US dollar	(2,030)	(2,50)	(2,495)	(2,554)	(3,057)	(5,770)	(6,709)		
Borrowings (gross) ²									
Outstanding Debt (at end of period)	18	31	42	529	157	390	159		
Contingent Reserves (at end of period)									
Social Reserve (at end of period)	153	337	1623	10,97	18,66	28,75	42,48		
Gross Income	104.9	146.3	57.4	810	128.5	168.6	213.2		
Net Income (or) Appropriation of Commission to Special Reserve	102	157	264	245	40.6	17.2	106.4		
Special Funds Resources									
Net (end of period)	1,932	385.6	560.2	692.0	931.9	1,285.2	1,846.7	3,13	
Member Countries (at end of period)	197	40	41	41	42	42	43		
Professional Staff (at end of period)	207	322	231	254	285	1,304	334		

Cumulative amounts in last column may initially with annual figures due to rounding.

¹ Projects financed by loans from both ordinary capital resources and Special Funds are counted only once.

² Excluding the loans later incorporated in new loans amounting to a total of \$2.3 million.

These funds, drawn from ordinary capital resources under a scheme operational in 1973 (only) to supplement the limited Special Funds resources available at that time, were used to finance technical assistance projects financed on a loan basis, disbursed under loans.

The ultimate projects originated from sources outside the Bank (mainly UNDP and EEC). Technical assistance projects financed on a loan basis, disbursed under loans.

³ Excludes Southeast, Southwest, Transmigration and Area Development Project (\$495,600) and Bandung Urban Development and Sanitation Project (\$1,163,000), which were re-financed in 1976 partly by grants and partly by loans.

⁴ Includes additional financing of \$1,147,400 by UNDP for the Jute Seed Project in Bangladesh, which was approved in 1973.

⁵ Government loans \$9,935,500 (of which \$1,100,000 for updating the Asian Agricultural Survey (Phase II) was reallocated to 1977).

⁶ In preparation of the financial statements, capital stock amounts for 1978 have been valued in terms of the SDR at the value in current United States dollars as computed daily.

⁷ At the end of December 1977, the SDR was valued at \$1,002.9.

⁸ Gross amount of borrowings converted in US dollars at exchange rates prevailing at the end of the year of each borrowing.

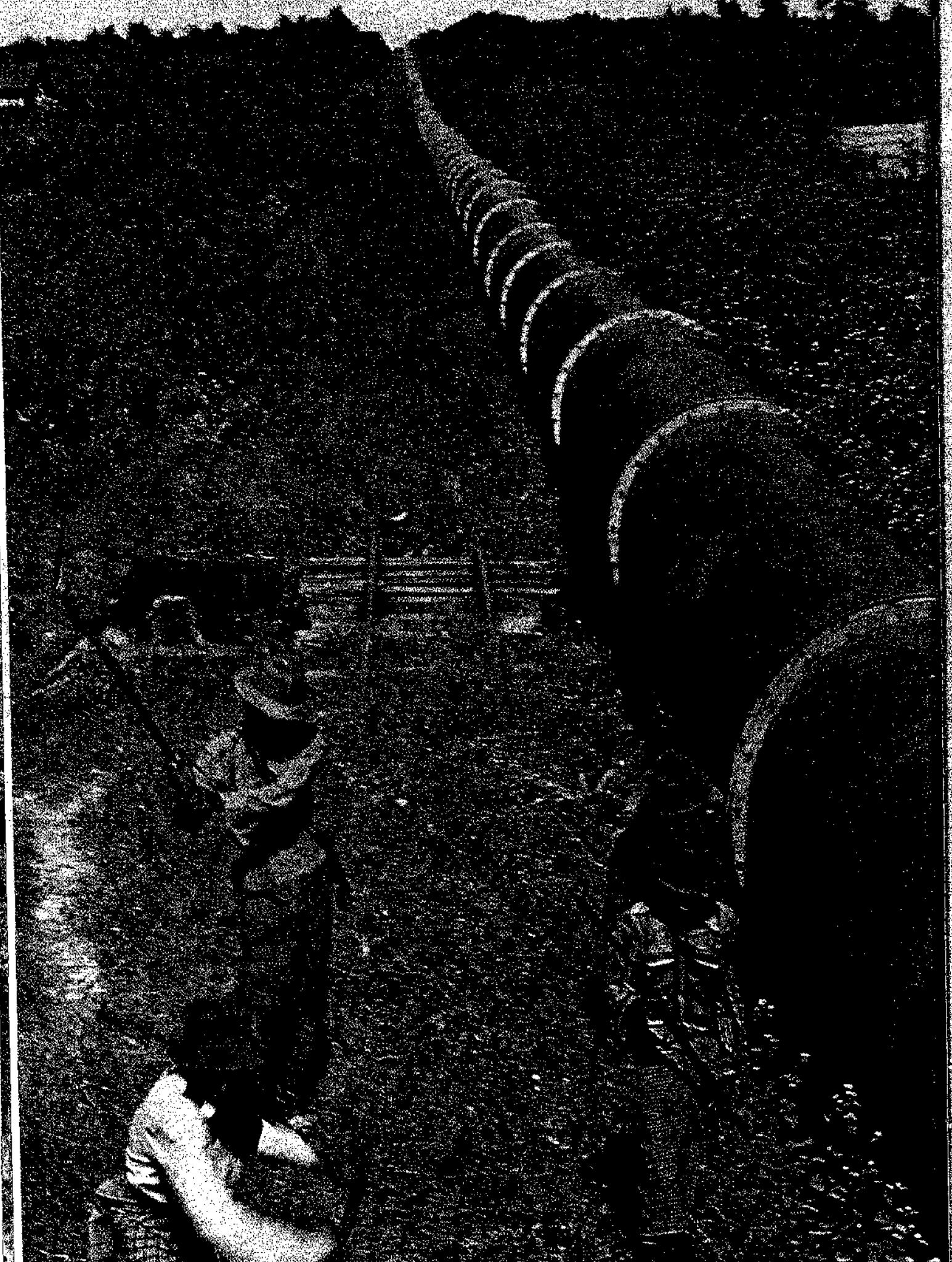
⁹ One thousand million francs due to the restatement of the capital stock for purposes of the financial statements, or the basis of the SDR in terms of the 1968 US dollar.

¹⁰ Local Reserve (members' resources set aside from capital, net income, expense and other credit) of the Agricultural Special Fund (prior to 1973), the Multi-Purpose Special Fund and the Asian Development Fund (after 1973) but excludes resources of the Technical Assistance Special Fund.

¹¹ Contribution to the Asian Development Fund made in 1972 by Belgium which became effective in 1974.

¹² Commitment of members' resources net of cancellations and repayments and including adjustments due to the effect of exchange rate changes on amounts of loans.

¹³ Gross amount of loans denominated in currencies other than the US dollar, totalled \$1,624.8 million at the end of 1978.



THE BANK IN 1978

THE YEAR 1978 was marked by a substantial expansion in the Asian Development Bank's lending and technical assistance activities. For the first time, the Bank's annual lending exceeded \$1,000 million. Technical assistance approvals also recorded a sharp increase to \$11.1 million.

The Bank broke new ground in a number of fields: it made its first loans in the health sector and also its first program loan. It made its first public offering of an external yen bond issue on international capital markets. The year saw the successful conclusion of efforts to replenish the Asian Development Fund (ADF), the Bank's soft loan window, on a larger and longer-term basis than in the past. The Bank also took a number of steps to strengthen its internal structure in an effort to respond more effectively to the region's development needs.

LENDING ACTIVITIES: Total loan approvals during the year reached \$1,159 million, up by 31 per cent from 1977 (22.2 per cent in real terms). Cumulative lending reached \$5,404 million, for 359¹ projects in 23 developing member countries (DMCs). The number of loans approved during the year — 53 — was also a new record, involving 52 projects in 18 countries. Nearly one-third of loan commitments was made to the poorer member countries on concessional terms.

Loans from ordinary capital resources were \$778 million, up 27 per cent from 1977 (18.3 per cent in real terms) and Special Funds loans were \$381 million, up 40 per cent (30.8 per cent in real terms). Nearly 90 per cent of Special Funds loans went to countries with a per capita GNP of less than \$200.

The average size of loans increased slightly to \$21.9 million in 1978. The total costs of projects approved for Bank financing during the year, excluding development bank projects, were estimated at \$2,892 million. Apart from financing 35 per cent of these overall costs, the Bank was also able to help mobilize a part of the project financing through co-financing arrangements.

The number of co-financed projects recorded a sharp increase from eight projects in 1977 to 18 projects and the funds provided by co-financiers from \$56 million to \$434 million. As at end-1978, 47 projects had a co-financing ele-

ment, with \$1,092 million being contributed by co-financiers and \$1,013 million by the Bank itself. For the first time, co-financing was undertaken with the International Fund for Agricultural Development, the Islamic Development Bank and the European Investment Bank.

The year's lending included \$60.6 million in foreign exchange for local currency expenditures in respect of 12 loans to five countries and a program loan of \$8.9 million.

LENDING BY SECTOR: In line with the trend in recent years, Agriculture and Agro-Industry accounted for the largest share in Bank lending during 1978. The share of this sector, however, recorded a modest decline from the 1977 level (26.8 per cent against 29.3 per cent). It is, however, significant that Bank assistance in this sector, provided on concessional terms to the poorer nations, recorded a substantial increase in 1978. For instance, Special Funds loans were up 31.1 per cent from the 1977 level, as compared to an increase of 19.7 per cent in total lending to this sector.

There was also a fall in the share of the Power sector (21.5 per cent against 24.5 per cent), as also in Transport and Communications (11.9 per cent against 16.5 per cent) and Water Supply (8.1 per cent against 9.6 per cent).

Against these reductions, there was a substantial rise in Bank lending to the Industry and Development Banks sectors (the latter sub-lend chiefly to small and medium-scale industrial enterprises), from 15.5 per cent in 1977 to 24.4 per cent. There were also small rises in the shares devoted to the Education and Health sectors.

Agriculture and Agro-Industry: Since agriculture, including forestry, fisheries and livestock, represents the largest single source of employment and accounts for almost half of the GNP and export earnings of most DMCs in the region, the Bank has been giving high priority to its activities in this key sector. Loan approvals amounted to \$310.7 million as against \$259.7 million in 1977, raising the total lending to the sector to the end of 1978 to \$1,360 million.

In dealing with the persisting problems of unemployment and underemployment, poverty and malnutrition among the rural population, the Bank has placed emphasis on an integrated approach to rural development, water management and expansion of rural employment. This approach

¹ Excluding five refinanced projects.

has also been used as a major instrument not only for raising productivity and food supplies but also for bringing about a general improvement in the quality of life of the rural masses.

Apart from its support to irrigation and rural development projects, the Bank has been giving increasing attention to fisheries and livestock production in an effort to improve the nutritional standards of the people. Other areas that have received Bank assistance include agro-industries, especially fertilizer which will help raise food output, and a variety of projects covering commercial crops which will facilitate diversification of agricultural economies.

The Second Asian Agricultural Survey carried out by the Bank in 1976-77 has identified some problem areas calling for special attention in the next decade — widespread underemployment and poverty, inadequate performance of agricultural production and distribution systems and insufficient implementation capacities at both government and "grassroots" levels for the development task. The Bank has been reviewing its policies and practices in the light of the recommendations contained in the Survey and of its own experience.

Industry and Development Banks: Total Bank lending to these two sectors recorded a sharp increase from \$137.6 million in 1977 to \$282.1 million, bringing the cumulative lending to the end of 1978 to \$1,192.2 million.

Loans to these two sectors cover financing directly provided by the Bank for industrial development and funds channelled through national development banks, primarily to assist small and medium-scale enterprises. Subloans from Bank credit lines have been supporting a wide variety of these smaller industries, thus helping to create additional employment and technical skills and promote investment of domestic and foreign private capital in such productive enterprises.

While the bulk of Bank support for industrial development in the past had been in the form of credit lines to national development banks, there was almost a three-fold increase in direct lending to industry in 1978 — from \$42.6 million in the previous year to \$124.6 million. The substantial increase was indicative of the wider variety of industrial projects available for direct Bank financing than in the past and the Bank's growing attention to projects which would help expand the supply of essential commodities and promote industrial research activities.

Power: Eight loans totalling \$249.2 million were made in 1978, bringing the cumulative lending to this sector to \$1,243.6 million.

The major objectives of Bank financing in this sector have been to ensure improved utilization of existing capacities and development of new facilities based on indigenous energy resources. Several loans have been provided to further strengthen and expand generation, transmission and distribution facilities serving major centers of the region. The Bank has also financed geographic extensions of existing power systems, with a view to bringing electric energy to the smaller towns and rural areas, and actively assisted in the establishment, rehabilitation and initial expansion of smaller systems in the region.

Because of the sharp increase in oil prices in recent years, the Bank has given close attention to the development of power generation facilities which utilize in an economic way indigenous resources such as water, natural gas and lignite. Consequently, about 90 per cent of Bank lending for power generation since 1975 has been for projects based on domestic energy resources.

Transport and Communications: With loans totalling \$138.1 million during the year, cumulative lending to this sector reached \$941.8 million.

A major part of Bank lending to this sector has been for roads, ports and airports. Most Bank loans for road networks are aimed at facilitating area development and reduction of regional economic disparities. The Bank recognizes that road projects have a catalytic impact on economic development, especially in rural areas, by enabling the producer to reduce transport costs and find wider and more assured markets for his crops. The Bank has, therefore, continued to emphasize the development and improvement of secondary and feeder roads, with a view particularly to providing low-cost facilities to underdeveloped rural areas and thus helping them realize their development potentials.

Similarly, the main objectives of Bank assistance for ports and airports have been to help DMCs to meet their development needs, handle an increasing volume of general cargo traffic and promote tourism.

Water Supply: Four loans totalling \$94.1 million were approved during the year. Total lending to the sector by the end of the year had reached \$512.6 million.

Development of piped water and sewerage facilities is essential not only to industry and commerce in urban areas, but perhaps even more to the health and well-being of the fast-growing urban population. Several projects in this field devote special attention to supplies to low-income groups, through extension of distribution networks to the residential areas of these groups and installation of public standpipes.

Apart from financing water supply projects in major metropolitan areas, the Bank has also supported water supply systems in smaller cities and provincial districts. Aspects such as integrated plans for development of water and sewerage systems, economy in costs and incorporation of appropriate technology in design and construction are given special attention.

Urban Development: Almost a quarter of the population of the Bank's DMCs resides in cities. It has been estimated that about 75 million people in these cities live in slums. Social problems such as unemployment, inadequate housing and water supply, overcrowding, insufficient transport facilities and poor sanitary and environmental conditions have assumed grave proportions because of increasing pressure of population in urban areas.

Bank operations in this field had been focused in the past on projects concerning water supply, sewerage and waste disposal. Since 1976 the Bank has financed three projects involving more integrated aspects of urban development than in the past. Together with a loan of \$16 million approved in 1978, total lending to this sector amounts to \$37.7 million.

HIGHLIGHTS OF THE BANK'S LENDING OPERATIONS TO THE END OF 1978

Since its first loan in 1968, the Bank's lending operations have been directed towards a wide spectrum of economic and social improvements in its DMCs. Some illustrations were:

- 47 irrigation and area development projects covering about 110,000 hectares, which support about 914,120 farmers. Total population expected to benefit — about 5.1 million.
- 19 fisheries development projects which will create additional employment opportunities for about 49,000 fishermen, raise fish catch by about 411,000 metric tons per year and benefit about 22 million consumers.
- Seven fertilizer projects which will help increase the region's fertilizer supplies by 116 million tons of nitrogen nutrients and 76,000 tons of phosphate nutrients per annum.
- 2,942 subloans to small and medium-scale enterprises through credit lines to DFIs.
- 72 projects for creation of 3.7 million kilowatts of generation capacity and for about 35,700 kilometers of transmission-distribution circuits. Of the generation capacity to be developed, over three-quarters will be based on indigenous resources such as water, natural gas and lignite.
- 29 water supply and sewerage projects which will help increase water supply capacity by 2.5 million cubic meters per day to 16 million cubic meters per day, benefiting nearly 42 million people in metropolitan areas, smaller towns and provincial districts.
- Construction of upgrading and improvement of 3,075 kilometers of roads in 31 projects serving an estimated population of 12.7 million.
- Construction/rehabilitation/modernization and expansion of ports in ten countries to increase cargo-handling capacity by about 2.1 million tons per year.
- Upgrading and expansion of vocational, technical and professional education. In 47 separate institutes which have an annual output of approximately 2,230 skilled workers, 1,080 technicians and 5,640 engineers.
- Two housing schemes in progress which will provide 2,650 low-cost houses and 8,000 low-cost flats.
- Two hospital-polyclinic and clinical training services projects in construction providing in two years time a total of 2,150 beds.

By the end of the year, 106 of the 359 approved projects had been completed, and the benefits of many other well-advanced projects were already beginning to be felt.

Education: Lending for education projects amounted to \$30 million during 1978, bringing cumulative loans to this sector to \$77.8 million.

There has been an expansion of the Bank's activities in the educational field, and a broadening in scope, in recent years. Earlier projects were chiefly associated with technical and vocational skills training, but the Bank has now advanced into other secondary and higher levels of education.

Health: This is a relatively new area of Bank activity. Two loans totalling \$38.5 million were approved during the year, both for hospital-polyclinic projects.

Provision for health clinics has also been made on a modest scale in certain integrated area and agriculture development projects financed by the Bank in the past. The Bank hopes to make a start in the near future in assisting projects for health delivery services with family planning as an integral part.

LENDING RATE: The lending rate on ordinary loans was set at 7.65 per cent at the beginning of 1978, was adjusted to 7.70 per cent in the second quarter and left unchanged for the rest of the year.¹ The commitment charge on ordinary loans was raised during the year from 0.45 per cent to 0.75 per cent per annum.

Special Funds loans carry no interest and have continued to be made at a service charge of 1 per cent per annum since 1974.

DISBURSEMENTS: Loan disbursements from ordinary capital resources and Special Funds totalled \$462.2 million during 1978, as compared to \$356.2 million in the preceding year. Disbursements from ordinary capital resources amounted to \$295 million (\$272.5 million in 1977) and from Special Funds \$167.2 million (\$83.7 million in 1977). Total disbursements to the end of 1978 were \$1,515 million from ordinary capital resources and \$462.2 million from Special Funds.

A total of 219 loans were under implementation in 1978, with 46 loans becoming effective during the year. The rapid expansion of the Bank's activities and the increasing complexity of the projects financed have underlined the importance of loan administration and the need for new approaches. Close monitoring of individual projects, special attention to delays and problems in project implementation and a large number of review missions to help work out appropriate measures were some of the steps taken in this direction.

TECHNICAL ASSISTANCE: Technical assistance improves the capability of DMCs to make effective use of development funds in general, and plays an important role in generating new projects for financing by the Bank and other sources. The Bank's expanding activities in this area are helping build up a pool of skilled personnel for project formulation, implementation and management in DMCs.

The Bank's technical assistance activities expanded sharply during 1978. Technical assistance approvals for 47 projects in 18 DMCs totalled \$11.1 million, which was 54.8 per cent higher than in 1977. The Agriculture and Agro-Industry sector again received the largest share of technical assistance — 61.2 per cent as against 55.4 per cent in 1977.

In 1978 alone, 21 of the Bank's loans resulted from earlier technical assistance provided by the Bank. Cumulatively, to the end of 1978, 112 of the Bank's loans (about 29 per cent of the total) have had their origin from technical assistance provided earlier by the Bank.

The scope and coverage of the Bank's technical assistance activities have been considerably expanded and the terms of such assistance liberalized. The Bank can now provide technical assistance to induce development financing from other sources, make loans for technical assistance programs, and make greater use of local consultants.

REGIONAL ACTIVITIES: During the year the Bank was also involved in 11 regional activities. These included sub-

regional seminars on agricultural development (arising from the Second Asian Agricultural Survey), and regional seminars on forestry, irrigation, appropriate technology and small-scale industry, project implementation and supervision, feasibility studies, procurement and project management.

A new on-the-job training program for officers of development finance institutions in DMCs was introduced. Grants were made during the year for three pioneering studies: two surveys, one dealing with agriculture and another with Industry, in South Pacific DMCs, and the first phase of a research project on Traditional Socio-Cultural Systems and Modern Economic Growth in the region.

POLICY REVIEWS: The year was significant for a number of policy reviews and sectoral studies, which were carried out in a wide range of subjects. Among others, these covered a review of the arrangements for lending from ADF, the Bank's roles in the fields of forestry and forest industries and in mineral development, Bank operations in South Pacific DMCs, program lending and guidelines on the uses of consultants.

The review of arrangements for lending from ADF confirmed the policy of basing access to concessional loans on country considerations, especially the use of per capita GNP and debt-repayment capacity as major criteria. Based on these considerations, the borrowing countries were classified into three groups — Group A, comprising mainly the least developed, which would have full access to ADF, subject to availability of resources; Group B, comprising four middle-income countries, which would have access to ADF for modest amounts; and the rest in Group C, which would have no access to the limited resources of ADF. A further review of the arrangements is planned for 1980.

The Bank hopes to play a larger role in forestry and forest industries development in DMCs. Similarly, formulation and preparation of projects for development and exploitation of non-fuel minerals and coal resources will receive increased attention. Special efforts are also to be made in helping DMCs to develop institutional capabilities and facilities for carrying out geological surveys and mineral exploration programs.

A policy review was made during the year in an effort to make the Bank more responsive to the special needs of DMCs in the South Pacific region.

It was also decided that program loans may be made to DMCs, in special circumstances, in order to help increase productive capacity in high-priority sectors or activities.

A review of the Bank's Guidelines on Uses of Consultants was completed. Several policy aspects such as domestic procurement, local currency financing and co-financing, and a sector paper on Agriculture and Rural Development were due for consideration by the Board of Directors early in 1979.

ORDINARY CAPITAL RESOURCES: Subscriptions to the second general increase in the ordinary capital resources of the Bank, approved by the Board of Governors in 1976, continued to be received during the year. A total of \$1,208.6 million was received, thus raising total subscriptions under the second general capital increase to \$4,742.5 million.

The Bank is examining the implications of an amendment to the Articles of Agreement of the International

¹ The lending rate was reduced to 7.40 per cent per annum with effect from 1 January 1979.

Monetary Fund which came into effect in April, under which currencies no longer have any par-values in terms of gold. Meanwhile, for purposes of the Bank's financial statements, the capital stock is valued in terms of the Special Drawing Right, at its value in current United States dollars.

Borrowings during the year amounted to the equivalent of \$390 million, with six bond issues in four currencies — US Dollars, Deutsche Marks, Swiss Francs and Japanese Yen — while three earlier issues totalling \$130.6 million were redeemed. The terms obtained on borrowings continued to improve, a result not only of favorable market conditions but also of the Bank's sound financial position and high standing on the world's capital markets.

SPECIAL FUNDS: In July, the Board of Governors authorized the Bank to receive contributions to a second replenishment of ADF in an amount of \$2,150 million, consisting of a basic replenishment total of \$2,000 million and \$150 million in supplementary contributions. This replenishment is designed to meet the concessional lending program of the Bank for the period 1979-1982. The total resources of the Special Funds stood at \$1,846.7 million at the end of 1978. Of this, \$1,624.8 million had been committed, leaving a balance of \$221.8 million.

Nine donor countries made contributions to the Bank's Technical Assistance Special Fund in 1978, the use of which plays a key role in a wide range of current and potential development projects.

REORGANIZATION: In recognition of the expanded role and responsibilities of the Bank, a second position of Vice-President was established, effective from 1 April. The Bank now has two Vice-Presidents — Mr. A. T. Bambawale responsible for operational functions and Mr. S. Stanley Katz responsible for finances and administration functions.

Steps were also taken during the year to strengthen the Bank's operational and administrative structures.

A reorganization of the Bank's operational functions took place in August with a view to increasing the Bank's capacity to handle the rising volume of new and ongoing loan and technical assistance activities, strengthening project supervision and loan administration and providing for more effective policy formulation and review. The Operations Department was redesignated the Country Department and a new Development Policy Office was created.

The pre-existing two Projects Departments were reorganized into three departments on major sectoral lines. A Central Projects Services Office was established to assist in monitoring and supervision of project implementation and loan administration, and a separate Post-Evaluation Office was created out of a pre-existing unit in the Economic Office.

A decision was also taken during the year to reorganize the Bank's Administration Department, to take effect from 1 January 1979, with the bifurcation of the department — a Budget, Personnel and Management Systems Department and an Office of Administrative Services. These measures were designed to regroup activities along functional lines, and thus provide more effective support for the rising tempo of Bank activities.

OUTLOOK: This overview of the Bank's work during 1978 shows the steps that have been taken in an effort to strengthen the Bank's ability to assume a progressively more effective and expanding role in promoting the economic and social development of the region.

As a regional development finance institution, the Bank has carved for itself a distinctive role, befitting the size and diversity of the area it serves and its own modest resources. It has endeavored over the years to establish a relationship with its DMCs based on mutual rapport and progressively strengthened its ability to respond promptly and effectively to their changing needs and circumstances. The Bank's plans to expand its activities in such fields as social infrastructure, small-scale industries, minerals and forestry in 1979 are but one facet of this increased responsiveness.

The recent increase in the Bank's subscribed capital, which has substantially widened the Bank's access to the capital markets of the world, and the successful conclusion of its efforts for a further replenishment of ADF, have underlined the confidence of member countries, both developed and developing, in the Bank's expanded and special role in the region.

The development tasks facing the region, which are set out in the following chapter, add up to a formidable list. The several steps taken during the year to strengthen and streamline the Bank's policies and procedures and its operational and administrative structures should significantly support the Bank in its role as a catalyst for development.



ECONOMIC DEVELOPMENTS

IN 1978, the overall economic performance of DMCs of the Bank was quite impressive, particularly in the light of developments in the world economic situation.

The International Setting

During 1978, increases in world income and trade flows were modest in real terms. The rates of inflation remained high, particularly in the developing countries. Continued increases in the production of foodgrains contributed to a further improvement in world stocks of cereals¹, although strong demand for current consumption and the replenishment of stocks led to increases in the prices of foodgrains traded in international markets. World-wide consumption of petroleum products declined in 1978, partly due to the adoption of energy conservation measures and partly due to the slower growth in economic activity.

Within this global context, the economic situation in Industrial countries as well as in developing countries differed considerably. The aggregate Gross National Product (GNP) of the industrial countries which are members of the Organization for Economic Cooperation and Development (OECD) increased in real terms by about 3.5 per cent, which was marginally lower than the 3.7 per cent growth rate recorded in 1977.

The GNP growth rates of most of the OECD countries improved over those in 1977, although in several major countries the rates were considerably below the higher initial targets. This was a result of the cautious economic policies pursued by the countries concerned to contain inflation and, with some exceptions, to improve their balance of payments positions. The OECD countries as a group were successful in reducing the overall inflation rate, from 8.9 per cent in 1977 to about 8.2 per cent in 1978. Their aggregate current account deficit declined steeply from \$27,600 million in 1977 to about \$750 million in 1978.² There were, however, large imbalances in the current accounts of

the major OECD countries. The surpluses of some countries increased, while a few recorded higher deficits.

In most OECD countries, unemployment rates during 1978 were higher than those experienced in 1977. This, together with growing trade deficits in some cases and/or continued slow growth in economic activity and rapid increases in imports of certain items, led to the application of further selective restrictions on imports by several countries.

The members of the Organization of Petroleum Exporting Countries (OPEC) experienced a considerable slowdown in their rates of economic growth. As against aggregate GNP growth rates of 12 per cent in 1976 and 7 per cent in 1977, their growth rate for 1978 is estimated at about 5 per cent. Also, the aggregate current account surplus of the OPEC countries declined steeply from \$31,500 million in 1977 to \$11,000 million in 1978. The rising prices of most imported materials and manufactures, the depreciation in the value of the US dollar and the prospective supply and demand situation were among the factors which led to a decision by OPEC in December to raise oil prices in stages by 14.5 per cent during 1979.

The non-oil developing countries improved upon their overall economic performance of the preceding year. The combined economic growth rate of these countries is estimated to have been 5 per cent in 1978 compared with 4.7 per cent in 1977. Given the continued high rate of increase in their populations, this allowed only a modest growth of less than 3 per cent in average per capita income in these countries. The higher growth in income led to higher levels of imports with the result that their aggregate current account deficit is estimated to have increased sharply from \$24,000 million in 1977 to \$34,000 million in 1978. This, however, helped to moderate inflationary pressures. The overall increase in prices in the non-oil developing countries in 1978 was below that in 1977, although it was still higher than the increases for both the OECD countries and the OPEC countries.

Economic Developments in the Region

A review of the economic performance of DMCs of the Bank during 1978 shows that, in terms of major economic indicators, namely, real income, food production, price

¹ Total carryover of cereals is estimated by the Food and Agriculture Organization (FAO) to have increased from 168 million metric tons (m.t.) in 1977 to 176 million m.t. in 1978.

² In 1978, the total exports of the OECD countries increased by 6.3 per cent and their total imports increased by 4.3 per cent; while their exports to non-OECD countries increased by 6.3 per cent as against an increase in imports from the same source of 1.8 per cent.

stability, export earnings and foreign exchange reserves, the regional economy made good progress. Overall improvements in the economic performance of DMCs during the last few years have been sustained despite inflation, unstable exchange rates, and slow growth in income and trade in the world economy. The aggregate trade deficit of DMCs increased substantially during the year, reversing the downward trend since 1975. This was accompanied by larger capital inflows, reflecting generally the improved economic performance of the region.

Preliminary estimates of growth in real income for 14 DMCs listed in Table 1¹ indicate that eight experienced higher growth rates in 1978 compared with 1977. The growth rate in Gross Domestic Product (GDP) for Indonesia remained unchanged at 7.5 per cent. The growth rates for Hong Kong, Malaysia, and Philippines were marginally lower, though they were still relatively high at 10 per cent, 7.4 per cent and 5.8 per cent, respectively. The growth rate for Fiji fell from 4.3 per cent to 3 per cent, due to a shortfall in sugarcane production caused by adverse weather. The growth rate in India is estimated to have declined to 3.5 per cent, considerably below the rather high level of 7.2 per cent attained in 1977. The slow growth may be attributed to the fact that agricultural output was only 2 per cent higher than the high level achieved in 1977.

The most impressive improvements in GDP growth rates during 1978 were recorded by Bangladesh, Republic of

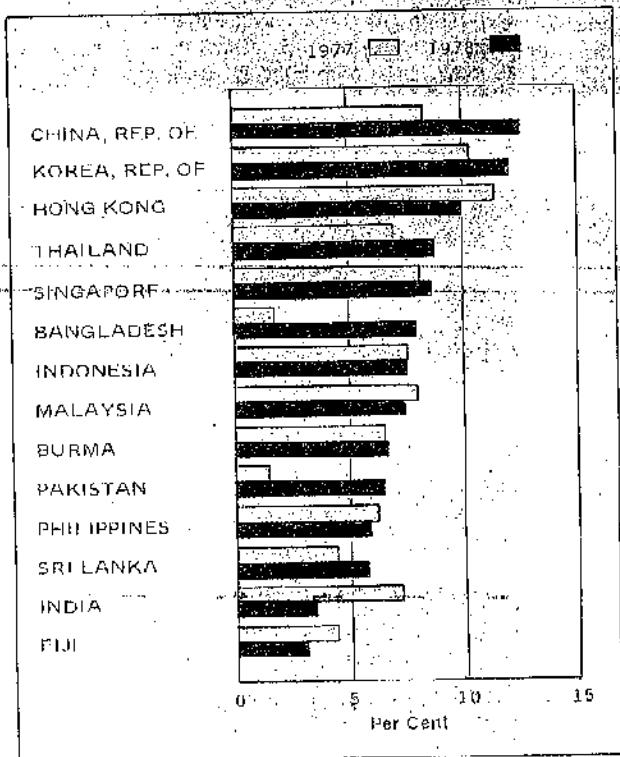
China and Pakistan. In Bangladesh, a 10 per cent increase in foodgrain production accounted largely for the high growth. Pakistan's satisfactory performance was due largely to a recovery in industrial activities, following a period of relative stagnation in 1977. In the case of the Republic of China, economic growth was above the very high performance recorded in 1977 and was due to expansionary domestic policies and favorable demand and prices for its exports. Republic of Korea, Sri Lanka and Thailand also showed substantial improvement in their GDP growth rates. Burma and Singapore showed a small improvement in GDP growth over the high rate achieved in the previous year. The economy of the Republic of Korea maintained its impressive record of growth, with an increase in GDP of 12.1 per cent. The growth rates of Burma, Sri Lanka and Thailand at 6.7 per cent, 5.7 per cent and 8.7 per cent, respectively, were record levels in recent years. The higher growth in the Republic of Korea was due mainly to a sharp increase in industrial production, while that in Thailand was due mainly to bumper food crops. In Sri Lanka both agricultural and industrial production contributed to the higher rate of economic growth. In the case of Burma, this was mainly because of the record level of rice production, while the continued high growth in Singapore was due to a steady expansion in industry and trade.

In the case of DMCs for which official national income data for 1978 are not yet available, the growth in Nepal's GDP is expected to have been higher than in 1977 due to a better harvest in 1977/78. The three Indochina member countries seem to have experienced low economic growth rates in 1978 due to the unsettled political and economic situations and the adverse impact of severe floods on agricultural production. Most of the Pacific Island DMCs are expected to have experienced unsatisfactory rates of growth in 1978 due to depressed levels of output and relatively low world prices for most of their principal export commodities. The main exception is the Solomon Islands, where a new fishing base and a recently established palm oil mill are expected to have made a substantial contribution to the growth in GDP.

The overall performance of the agricultural sectors in DMCs was varied. Some countries (e.g., the three Indochina countries, Republic of Korea and Malaysia) experienced unfavorable weather, which adversely affected the growth of their agricultural output. However, in several other DMCs (Bangladesh, Indonesia, Philippines, Sri Lanka and Thailand) large increases in agricultural production were achieved despite adverse weather in certain cases. In India, agricultural production was about 2 per cent above the high level achieved in the previous year. As a result, the overall output of the region exceeded that in 1977.

The significant progress made by the region in recent years with regard to food production was maintained during the year. The data provided in Tables 2 and 3 show that, in 1978, the combined output of rice, wheat and maize was 255 million metric tons (m.t.). This was 11 per cent higher than the output of 229 million m.t. in 1977 and surpassed the previous record level of 244 million m.t. achieved in 1977. Such a high and growing level of foodgrain production, despite adverse weather in a number of DMCs, indicates that development efforts which have been made by many DMCs are bearing fruit and that agricultural performance in the region is becoming relatively less vulnerable to the vagaries of weather.

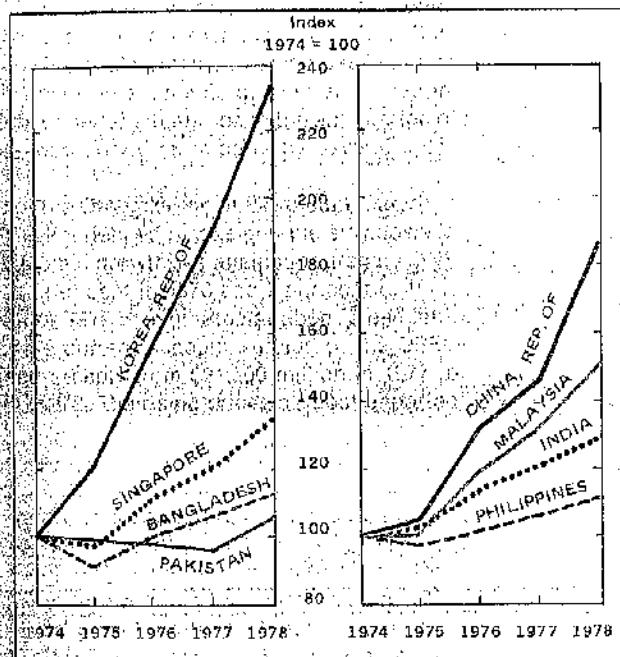
ESTIMATED RATE OF REAL GROWTH
OF SELECTED DMCs: 1977-1978



¹ Tables referred to in this Chapter appear on pages 76-87.

Among the foodgrains, rice — which is the staple food of the majority of the people in the region — recorded an increase of 4.5 per cent in production during 1978, reaching 194 million m.t. This increase was above the record level achieved in 1977 and was 13.9 per cent higher than the output in 1976. The gains were shared by several food deficit DMCs, namely, Bangladesh, Indonesia, Pakistan¹ and Sri Lanka. Burma, Nepal and Thailand, which are exporters, also experienced substantial gains. The two other major foodgrains, wheat and maize, also registered large increases in 1978; wheat output increased by 4.9 per cent and maize output by 5.3 per cent. The progressive increases in wheat production in recent years have been particularly noteworthy, from 35 million m.t. in 1975 to 43 million m.t. in 1978 — an increase of 23 per cent in three years. About 90 per cent of this increase was accounted for by India, where the growth in wheat output has averaged 9 per cent a year since 1975.

INDEX OF MANUFACTURING PRODUCTION OF SELECTED DMCs: 1974-1978



These improvements in food production enabled DMCs to reduce their net import of foodgrains from 14.6 million m.t. in 1976 to 10.3 million m.t. in 1977. According to preliminary estimates, the net foodgrain imports of DMCs in 1978 are expected to have remained at about the level of 1977.

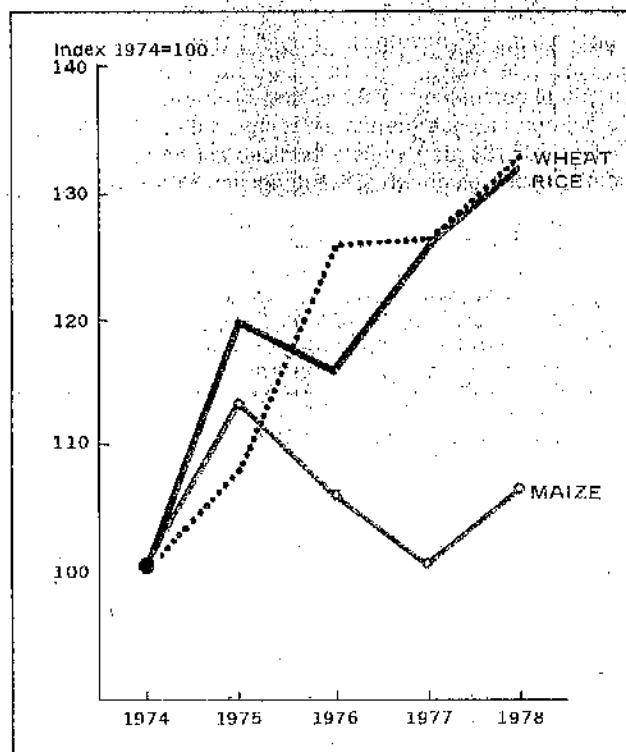
In an environment of sustained stimulus provided by various government policies, industrial production in DMCs generally continued to grow at a high rate. The improved position of international reserves in 1977 and higher capital inflows during 1978 enabled these countries to make adequate investments in, as well as to import the necessary components for, their manufacturing and construction in-

¹ Although Pakistan has an overall food deficit, it is a net exporter of rice.

dustries to maintain satisfactory levels of capacity utilization. Increased exports of manufactured goods also contributed to the good performance of their industrial sectors. Some of the industrialized DMCs faced demand constraints on their traditional exports to the developed countries. However, these effects were offset through greater diversification of export markets and products.

Available data on Indices of manufacturing production show that eight out of eleven DMCs achieved higher growth rates in the manufacturing sector during 1978 compared with 1977. Republic of China, Indonesia and Republic of Korea continued to register high growth rates (28.5 per cent, 20.3 per cent and 23.7 per cent, respectively). India and Bangladesh achieved a growth rate in manufacturing output of about 7 per cent, which was somewhat higher than that achieved in the previous year. In Pakistan, the increase of 10 per cent in the manufacturing sector represented a substantial recovery from the recession during 1975-1977, when the growth rates were negative. Malaysia registered a growth rate of 14.5 per cent, which is much higher than the 10.5 per cent increase recorded in 1977. Thailand registered a decline in its growth rate of manufactures, although the rate remained fairly high at 10.9 per cent. Fiji experienced an absolute reduction of 3 per cent in its manufacturing output as against an increase of 10.6 per cent in 1977.

GRAINS OUTPUT OF DMCs: 1974-1978



Tourism has become an important source of income to several DMCs. As a result of concessional group travel facilities introduced by various airlines and the promotional measures taken by various DMCs, the region has at-

tracted an increasing number of tourists in recent years. The aggregate income from tourism amounted to about \$2,200 million in 1975, \$2,900 million in 1976 and reached about \$3,400 million in 1977 (Table 4). Eight DMCs (Republic of China, Hong Kong, India, Republic of Korea, Malaysia, Philippines, Singapore and Thailand) accounted for 91 per cent of this income in 1977. The preliminary data available for many of the major tourist centers in the region suggest that income from tourism exceeded \$4,000 million in 1978. Tourist travel among countries within the region has also expanded considerably.

During 1978, DMCs further increased their efforts to contain their growing dependence on imported sources of energy. To this end, exploration for domestic fossil fuels and the exploitation of alternative sources of energy received increased attention. The value added in these areas continued to improve in a number of non-oil DMCs, notably Burma, India and Pakistan. Despite these efforts, the overall dependence of DMCs on imported sources of energy in 1978 was higher than in 1977 as their energy consumption increased rapidly in the wake of accelerated economic activities. The value of oil imports in 1978 was significantly higher than in 1977.

The overall record of DMCs in containing inflation since 1976 has been satisfactory. The weighted average of price increases in the reporting DMCs, excluding India, was 8.4 per cent in 1976, 8.3 per cent in 1977 and 8.2 per cent in 1978 (Table 5). In India, consumer prices increased by 2.5 per cent in 1978 as against an increase of 8.4 per cent in 1977, and a decline of 7.8 per cent in 1976. Including India, the overall averages would be 2.5 per cent in 1976, 8.3 per cent

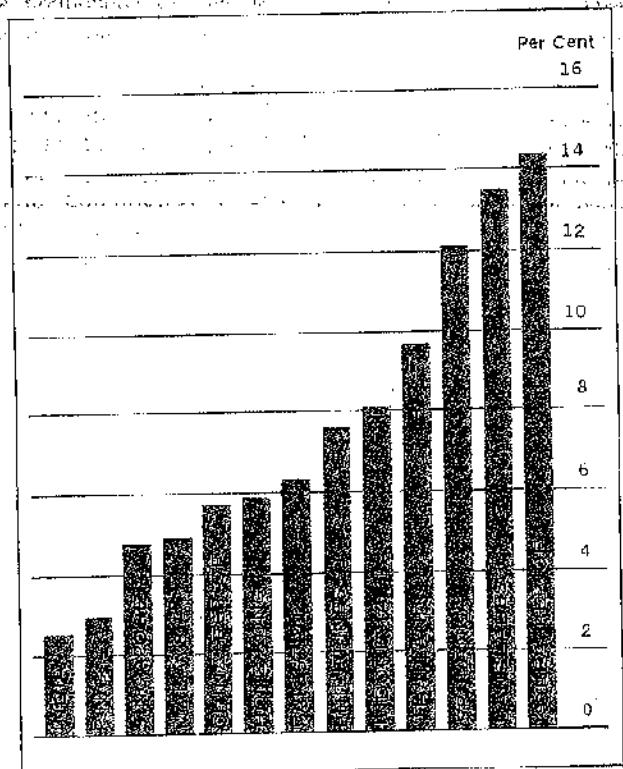
in 1977 and 6.2 per cent in 1978. A number of DMCs experienced reduced rates of inflation during 1978. The decreases were particularly significant in Burma, India, Indonesia and Pakistan, among the large countries, and the Cook Islands, Tonga and Western Samoa among the small Pacific island countries. As in 1977, only a few DMCs experienced double-digit inflation. The overall inflationary situation in DMCs continued to compare favorably with the average price increases experienced by various other groups of countries.¹ Prudent domestic fiscal and monetary policies adopted by DMCs, the greater availability of goods and services due to economic growth — particularly the sustained improvements in food production — as well as more liberal imports all contributed to this achievement.

The DMCs which experienced significantly higher rates of inflation during the year were Bangladesh, Republic of Korea, Singapore, Solomon Islands and Sri Lanka. Six DMCs, namely, Bangladesh, Cook Islands, Gilbert Islands, Republic of Korea, Solomon Islands and Sri Lanka experienced rates of inflation at double-digit levels. The major factors which caused inflationary pressures in several DMCs included expansionary monetary policies to accelerate the rate of growth in GNP; the depreciation of some regional currencies and the continued high rate of inflation in the world economy generally.

The overall position regarding the external trade of DMCs, which had improved steadily over the past two years, showed a major reversal in 1978. The aggregate trade deficit of DMCs more than doubled from about \$5,500 million in 1977 to an estimated \$11,300 million in 1978 (Table 6). Only the Republic of China, among the industrialized DMCs, improved its position significantly during the year, by more than doubling its trade surplus of \$830 million in 1977 to \$1,680 million in 1978. This was brought about by a 86 per cent increase in exports exceeding the very high (29 per cent) increase in its imports. The remaining three industrialized DMCs (Hong Kong, Republic of Korea and Singapore), which together had succeeded in reducing their overall trade deficits in 1977, experienced a reversal in 1978. Their combined trade deficit nearly doubled from \$3,700 million in 1977 to \$7,100 million in 1978. The main factors responsible were the liberalization of a wide variety of imports and their high economic growth rates, which led to a very sharp increase in imports. India experienced a steep increase in its trade deficit, from \$420 million in 1977 to \$1,050 million in 1978, due to a sharp increase in imports and a slow growth in exports.

The trade deficit of "other DMCs" (excluding the four industrialized DMCs and India) more than doubled from \$2,300 million in 1977 to \$4,800 million in 1978. The small trade surplus recorded by Sri Lanka in 1977 was converted to a sizable deficit in 1978. The trade surplus of Indonesia

**CHANGES IN CONSUMER PRICES
OF SELECTED DMCs: 1978**

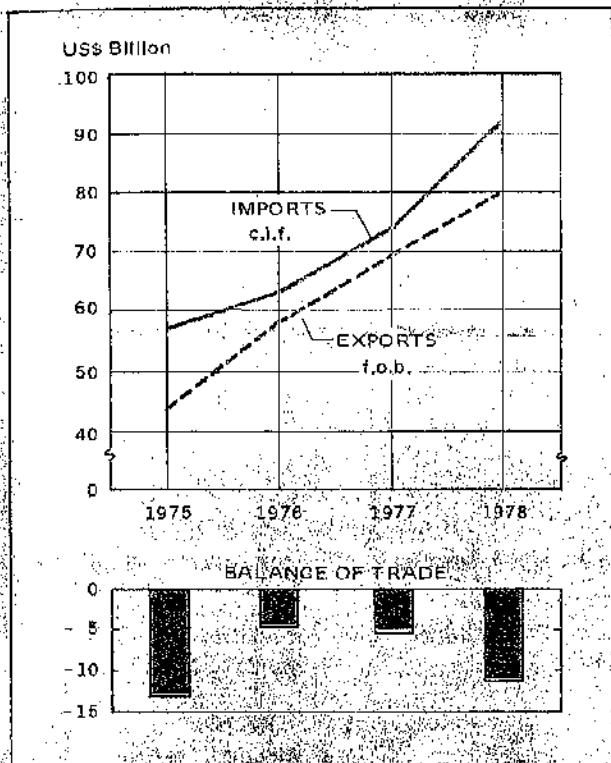


1. The rates of inflation for major groups of countries were:

	1976	1977 (per cent)	1978
OECD countries	8.8	8.9	8.2
OPEC countries	15.5	14.7	10.5
Non-oil developing countries (adjusted)	15.7	22.3	16.6

was drastically reduced, while that of Malaysia was substantially lower. The bulk of the overall deficit for this group was accounted for by Bangladesh, Pakistan, Philippines and Thailand. In most of these countries, exports increased in varying degrees, but the increase in imports exceeded the export growth.

FOREIGN TRADE OF DMCs: 1975-1978



The overall exports of DMCs during 1978 increased by 16.7 per cent, which was less than the 19 per cent growth rate achieved in 1977. The export performance of DMCs differed significantly. India's exports increased by 5.4 per cent from \$5,990 million in 1977 to \$6,310 million in 1978. The overall growth rate of exports for the four industrialized DMCs in 1978 was 26 per cent (21 per cent in 1977), while the export growth rate for "other DMCs" was only 6.3 per cent in 1978 compared with 18.5 per cent in 1977.

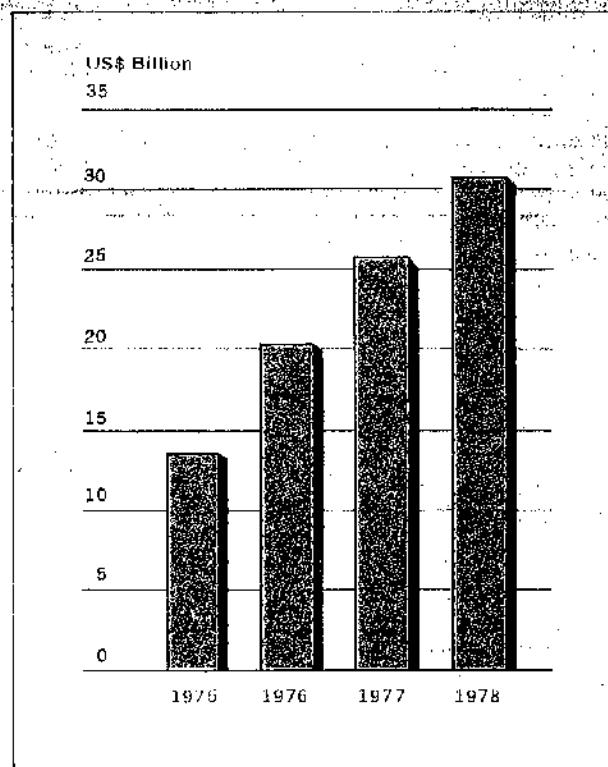
The aggregate imports of DMCs grew by 23.3 per cent in 1978, as against 18.8 per cent in 1977. A major part of the increase was accounted for by the four industrialized DMCs, whose imports increased by 30 per cent from \$40,250 million in 1977 to \$52,400 million in 1978. India's imports of \$7,380 million in 1978 were 15 per cent higher than the 1977 level of \$6,400 million, due to the liberalization measures adopted during the year. The imports of "other DMCs" increased by 15 per cent, from \$27,400 million in 1977 to \$31,500 million in 1978, which was much higher than the increase in their exports during the year.

The latest available data on the direction of trade flows (1977) show the same basic patterns that existed in 1976, viz., Japan, the United States and Western Europe accounted for most of the exports and imports of DMCs. They absorbed 18 per cent, 25 per cent and 18.1 per cent, respec-

tively, of the total exports by DMCs, and supplied 24.4 per cent, 15.8 per cent and 16.5 per cent, respectively, of their total imports in 1977. To bring about significant changes in the direction of trade flows is a long and slow process, as it requires the development of new markets and the establishment of new trade links. The share of intra-regional trade showed a marginal improvement during the year, in respect of both exports (from 17.2 per cent in 1976 to 17.8 per cent in 1977) and imports (from 15.3 per cent in 1976 to 16 per cent in 1977). The share of Middle East countries in the total trade of DMCs has also registered a moderate increase. While the share of the former countries in the region's imports remained virtually unchanged, exports to these countries from the region increased from 5.6 per cent of the total in 1976 to 6.4 per cent in 1977.

Most of the DMCs for which indices of export unit values are available obtained higher prices for their principal exports during 1978. Of the 11 DMCs concerned, only Western Samoa reported a lower export unit value index for 1978 compared with that for 1977. In several cases, this improvement was greater than the higher prices paid for their imports. As a result, the terms of trade of those DMCs improved. This improvement was shared by DMCs exporting manufactured goods, such as the Republic of Korea, as well as DMCs exporting mainly primary commodities, such as Bangladesh, Philippines and Sri Lanka. Republic of China, Hong Kong and Thailand experienced some decline in their terms of trade, while the terms of trade for Malaysia, Pakistan and Singapore remained unchanged over the previous year. However, in many cases, these terms of trade indices were still below the levels of the ear-

INTERNATIONAL RESERVES OF DMCs 1975-1978





FISH catch being pulled to shore near Galle, Sri Lanka, where a Fisheries Development Project is being assisted by the Bank with a concessional loan, following earlier technical assistance.

ly 1970s. Several DMCs for which indices of the terms of trade are not available are reported to have faced depressed prices for their exports and resultant lower terms of trade in 1978.

The aggregate international reserves of DMCs further improved during 1978. Data available for 20 DMCs (Table 7) show that their combined reserves increased from \$25,800 million at the end of 1977 to \$30,800 million by the end of 1978. In terms of the total import requirements of the region, these reserves were equivalent to about 4.7 months' imports — somewhat below the level in 1977 (5 months). With the exception of Burma, Fiji, Pakistan, Tonga and Western Samoa, all reporting DMCs registered gains in international reserves during 1978. Substantial increases were recorded by Afghanistan, India, Indonesia, Republic of Korea, Malaysia, Philippines, Singapore, Sri Lanka and Thailand. A significant development that has helped several DMCs to earn more foreign exchange and accumulate reserves in recent years has been the increasing contribution of remittances received from their nationals working in the Middle East countries. These remittances have become an important source of foreign exchange earnings — particularly in the case of Afghanistan, Bangladesh, India, Republic of Korea, Pakistan and Philippines.

The combined external debts of DMCs have continued to grow, reflecting the large net inflows of external resources to the region. The data presented in Table 8 show that the

total public debt outstanding of 18 DMCs increased by 19 per cent from \$40,100 million in 1975 to \$47,700 million in 1976. In 1977, this increased by 18 per cent to \$56,200 million. While no data for 1978 are available as yet, the large increases in external deficits during 1978 would have necessitated substantial borrowings by the DMCs concerned. The debt service ratios of most DMCs remained fairly low in 1977. However, in a few cases, the debt service burdens seem to have been pressing against prudent limits, particularly when account is taken of the large private debts that have also been incurred. The relief afforded by the conversion into grants of some past official loans provided by a number of developed countries to poorer DMCs has eased, to some extent, their debt servicing difficulties.

Domestic Efforts and Policies

The sustained and fairly high economic growth rates recorded by most DMCs in recent years, exceeding even their own growth performances prior to the oil crisis of 1973, are among the most encouraging developments of this decade. Appropriate national development efforts and the adoption of sound economic policies, including realistic adjustments of such policies in response to the altered international climate and changing internal conditions, have contributed greatly to this achievement.

In recent years, the development strategies pursued by most DMCs have generally sought to achieve a balanced

growth of both industry and agriculture. The structures and patterns of investment have been oriented so as to strengthen the linkages among the various sectors and meet the growing domestic demands increasingly from internal sources. Reducing their dependence on imports of key products, such as food, fuel and fertilizers, has remained an important objective for most DMCs. At the same time, they have attempted to enhance their capabilities to earn foreign exchange by acquiring greater competitiveness and diversifying both their export products and markets.

The fiscal and monetary policies pursued by DMCs have generally sought to help mobilize additional resources for development. An important indicator of the success of DMCs in this regard is the extent to which some of them have been able to finance their development expenditures from their own resources. Data on domestic savings, capital formation and "resource gaps" for 13 DMCs expressed as percentages of their GDP are presented in Table 9 for the period 1975-1977. The average share of capital formation in GDP is high in most cases (exceeding 30 per cent in two DMCs, 25 per cent in three DMCs, 20 per cent in three DMCs and 15 per cent in four DMCs). These high levels of investment were largely financed from domestic savings. The "resource gaps" have been in most cases less than 6 percent of GDP and are generally declining. In a few DMCs, domestic savings have been in excess of investments.

During 1978, DMCs in general continued to pursue socio-economic policies aimed at sustaining satisfactory rates of economic growth and alleviating poverty, unemployment and underemployment — especially in the rural areas. Some of the more populated DMCs, where poverty is acute (such as Bangladesh, Burma, India, Indonesia, Nepal, Pakistan, Philippines and Thailand), undertook specific programs to increase employment opportunities for the poor, raise income levels and generally improve the quality of life. The attainment of self-sufficiency in food production and development of indigenous energy resources remained the major objectives of their development policies and efforts.

Several DMCs (Bangladesh, Malaysia, Thailand and Sri Lanka) implemented policy changes during the year with a view to encouraging greater domestic private investment and also to attract private foreign investors. A few DMCs (India, Indonesia, Pakistan, Nepal and Sri Lanka) also concentrated on strengthening their long-term export capabilities through a variety of measures, including exchange rate realignments and/or increased efforts to stabilize their economies not only to promote exports but also to enhance the efficiency of local industries which, in some cases, are overly protected from external competition.

Although the task of opening up their domestic economies to increased external competition involves complex structural problems of a long-term nature for most DMCs, a few of them (Republic of China, India and Republic of Korea) took advantage of their improved international reserve positions to adopt more liberal import policies and to reduce tariffs.

Many DMCs continue actively to pursue measures aimed at reducing their population growth rates. In particular, Bangladesh, Indonesia, Philippines and Thailand, have all adopted comprehensive family planning programs and laid down specific short and medium-term goals to

reduce their population growth rates. The Philippines and Thailand have both reported some success in this regard in 1978. Some other DMCs (Burma, Republic of China, India, Republic of Korea, Singapore and Sri Lanka), which over the years have progressively and, in some cases, substantially reduced their population growth rates, maintained this trend during 1978.

Developments in Regional Cooperation

Continuing progress was made in economic cooperation among member countries of the Association of Southeast Asian Nations (ASEAN) in 1978. ASEAN's preferential trading arrangements (PTA) became effective on 1 January. At the ASEAN Economic Ministers' Meeting in Jakarta in June, it was agreed that the scope of PTA should be continuously expanded with each of the participants adding to the list of items to be so traded. As a result, the number of PTA items grew from 71 to 826 by 1 September. At the ASEAN Economic Ministers' Meeting in Kuala Lumpur in December, agreements on the establishment of urea projects in Indonesia and Malaysia were initialled under the ASEAN Industrial Complementation Program. The Ministers also agreed to expedite the establishment of an ASEAN emergency rice reserve amounting to 50,000 m.t. and decided that efforts should be made by various specialized ASEAN agencies to achieve greater self-reliance in shipping in future.

There were also several important developments in co-operation among the Pacific island countries in 1978. The South Pacific Conference approved the establishment of a South Pacific Board for Educational Assessment. The Conference also adopted a general resolution on regionalism recommending increased flexibility in immigration, health, communication and transport policies to enable the free movement of people, goods and ideas within the South Pacific region. In addition, both the South Pacific Commission and the South Pacific Bureau for Economic Cooperation have agreed to cooperate with the United Nations Environmental Program in formulating a South Pacific Regional Environment Program. A project document for this purpose was approved by the South Pacific Conference in 1978.

At the regional conference of the Food and Agriculture Organization (FAO) in August 1978, several DMCs (Bangladesh, India, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Pakistan, Philippines and Socialist Republic of Viet Nam) officially endorsed an agreement to establish a Center for Integrated Rural Development for Asia and the Pacific (CIRDAP) in Comilla, Bangladesh. The main objectives of CIRDAP are to raise production, incomes and general living conditions for small-scale farmers and other low-income groups in rural areas.

The Economic and Social Commission for Asia and the Pacific (ESCAP) organized an Inter-governmental Consultative Group Meeting in Bangkok in November 1978 to discuss the possibilities of establishing regional industries. Country representatives agreed that pre-feasibility studies should be undertaken for 10-15 industrial projects. It is expected that these studies will be submitted by ESCAP to governments in time to facilitate the next meeting to be held in 1979.

Bilateral cooperation was also further strengthened among many DMCs. The technical and financial assistance



FARMERS who will benefit from an Integrated Agricultural Development Project in Gawargan and Chardarrah, two north-eastern provinces in Afghanistan. The Bank-assisted Project is aimed at improving water supply and irrigation systems.

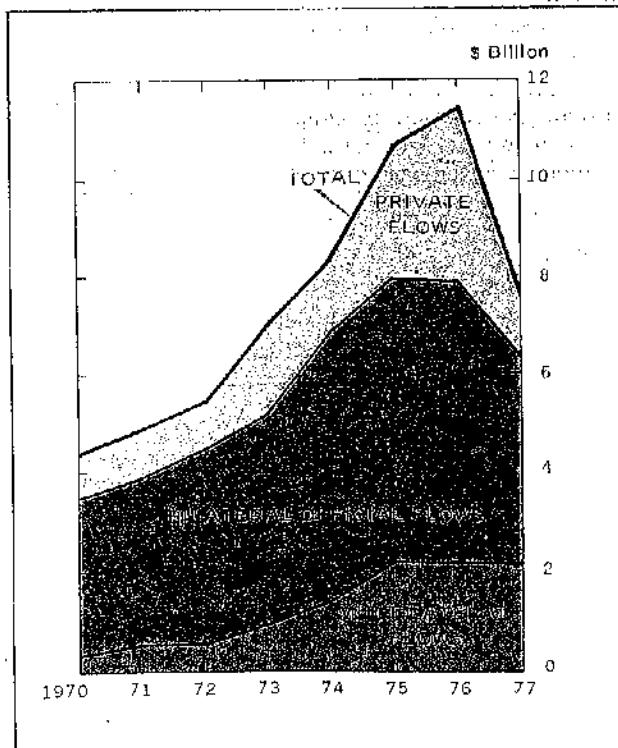
provided by countries such as India, Republic of Korea and Singapore to other DMCs has increased. South Asian countries continued to pursue recent initiatives for increased cooperation in that sub-region. Bangladesh and India agreed to open a railway route across a short corridor of Indian territory to help Nepal conduct overland trade with Bangladesh and use its ports for Nepal's foreign trade.

Developments in International Cooperation

The net inflow of financial resources from bilateral and multilateral sources to DMCs declined sharply, for the first time during the present decade, from \$11,500 million in 1976 to \$7,600 million in 1977 (Table 10). All major components were affected, but the largest decline was in respect of private flows. Complete data on resource inflows during 1978 are not yet available. However, the large deficit in trade and the addition to reserves suggest that the inflow of external resources in 1978 would have been well above the level in 1977.

Several important developments in international cooperation took place during 1978. Perhaps the most relevant for poorer DMCs was the agreement reached regarding the second replenishment of the Asian Development Fund (ADF), the soft-lending window of the Bank. The donor member countries of the Bank, which are participants in the ADF, have undertaken to provide a total amount of \$2,150 million to finance the Bank's concessional lending operations over the next four years on an expanded scale.

FINANCIAL FLOWS FROM ALL SOURCES
TO DMCs: 1970-1977



The decision by several developed countries to initiate programs to convert past official loans into grants in order to help ease the growing problems of external indebtedness that face low-income developing countries was another important development during the year. Although the Conference on International Economic Cooperation held in Paris in 1977 could not reach any formal agreement on this matter, a few developed countries have initiated their own plans to reduce the heavy debt burdens of developing countries. At the UNCTAD Ministerial Meeting on debts held in March 1978, a resolution was adopted which states, *inter alia*, that the developed donor countries will seek to adopt measures to adjust the terms of bilateral official development assistance they have provided in the past as a means of improving the net flows of such assistance in the future. By the end of 1978, the countries which had announced plans for providing such debt relief included Canada, Denmark, Finland, Federal Republic of Germany, Japan, Netherlands, Sweden, Switzerland and United Kingdom.¹

Other notable initiatives taken during 1978 to increase the availability of external resources to DMCs for development are the following: First, the quotas of the International Monetary Fund were increased by \$25,000 million to \$75,000 million. Second, the allocations of food aid by the world's more affluent countries have, for the first time, reached the minimum target of 10 million m.t. set by the World Food Conference. Third, a resolution was approved under the auspices of the United Nations to promote greater technical cooperation among developing countries. Fourth, the member countries of the World Bank reached near unanimity on the need for a general increase in the capital resources of that Bank to cover its lending operations in the next five to seven years.

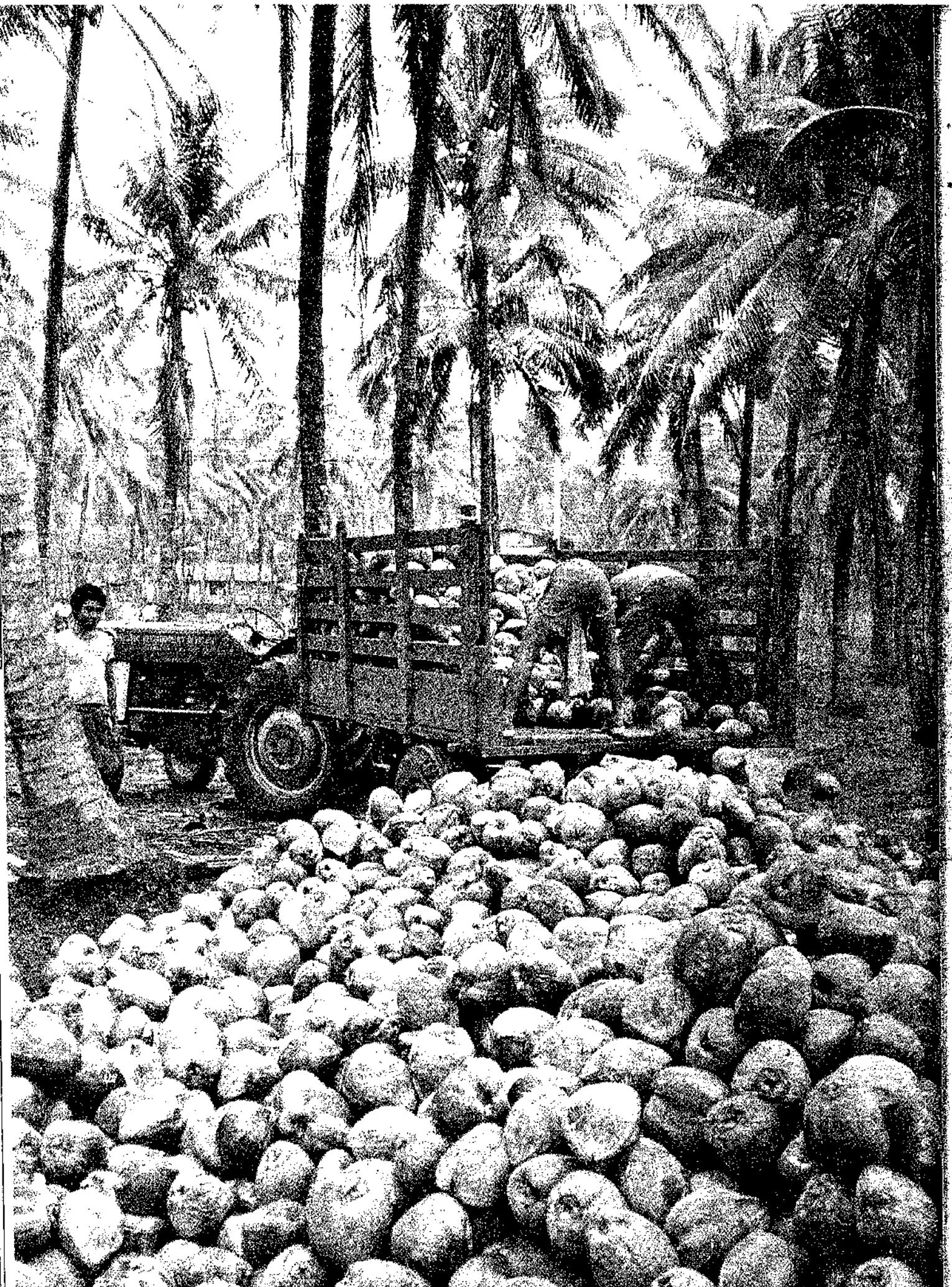
At the Bonn Economic Summit Meeting held in the Federal Republic of Germany in July 1978, the Heads of

In recent years, the aid programs of Australia and Norway have been entirely on the basis of grant assistance.

Government for Canada, Federal Republic of Germany, France, Italy, Japan, United Kingdom and United States recognized the need for better access to their markets for the products of developing countries in future. They also promised an increased flow of financial assistance and other resources to the developing countries; including increased concessional aid for the poorer developing countries. In addition, they agreed to actively pursue negotiations on the proposed Common Fund with a view to reaching a successful conclusion as soon as possible, and to continue their efforts to conclude individual commodity agreements and complete on-going studies on various ways of stabilizing the export earnings of developing countries.

The Independent Commission on International Development Issues, headed by Willy Brandt, former Chancellor of the Federal Republic of Germany, continued its deliberations and consultations with concerned individuals in both developed and developing countries. Its latest meeting during the year was held at Kuala Lumpur in November.

The strategy for the United Nation's Third Development Decade is now being considered. While the details remain to be worked out, matters involving integrated rural development, appropriate technology, ecological balance, income redistribution and employment generation will constitute essential components of this strategy. These objectives will also undoubtedly be fundamental elements of the national development strategies pursued by individual DMCs in the coming decade. In the immediate future, however, the main thrust of the development strategies of most DMCs for achieving these broad objectives will require continuing emphasis on higher agricultural production — particularly of foodgrains — and rapid industrialization. The pattern and scale of production as well as choice of technology will have to be so designed as to ensure that the benefits of growth are widely distributed. As discussed in subsequent sections of this Report, the Bank is committed to the pursuit of such goals through the loan and technical assistance it provides to its DMCs.



OPERATIONS AND POLICIES

Lending Operations

IN 1978, the Bank achieved an impressive level of assistance to the region, the total loan approvals exceeding one billion dollars for the first time. Project loans, together with one program loan, totalled \$1,159 million. Nearly one-third of the loan commitments was on concessional terms and went to the poorer countries. Significant progress was made in the area of co-financing and cooperation with other aid agencies. Technical assistance activities expanded sharply in 1978, recording an increase of 54.8 per cent over the previous year.

During the year, a total of 53 loans for 52 projects in 18 developing member countries (DMCs) was approved, compared to 45 loans for 45 projects in 16 DMCs in 1977. While the number of loans increased by 18 per cent, total loan approvals of \$1,159 million showed an increase of 31 per cent (22.2 per cent in real terms) over the total of \$887 million in 1977. In addition, the Bank reactivated six loans totalling \$16.6 million previously approved for five projects in Viet Nam.¹

Loans from ordinary capital resources amounted to \$778 million, an increase of 27 per cent (18.3 per cent in real terms) over the 1977 figure of \$615 million. A modest improvement in the availability of resources facilitated the approval of Special Funds loans totalling \$381 million, an increase of nearly 40 per cent (30.8 per cent in real terms) over the concessional lending total of \$272 million in 1977. In 1978, 89 per cent of Special Funds loans went to countries which had a per capita GNP of less than \$200 in 1975.

Five DMCs received loans exclusively from ordinary capital resources, namely, Fiji (\$16.2 million), Hong Kong (\$19.5 million), Republic of Korea (\$150 million), Malaysia (\$93.1 million) and Singapore (\$19 million).

Four DMCs received loans from both ordinary capital resources and Special Funds in 1978. Indonesia received \$198.7 million in loans, consisting of \$174.7 million from ordinary capital resources and \$24 million from Special Funds. Pakistan received a total of \$143.6 million in loans, consisting of \$57.1 million from ordinary capital resources and \$86.5 million from Special Funds. The Philippines

received loans totalling \$119.5 million, including \$14 million from Special Funds. Thailand received \$157.1 million in loans, including \$14 million from Special Funds.

Nine DMCs received loans exclusively from Special Funds, namely, Afghanistan (\$1.45 million), Bangladesh (\$90.3 million), Burma (\$65.5 million), Lao People's Democratic Republic (\$8 million), Nepal (\$25 million), Papua New Guinea (\$12.4 million), Sri Lanka (\$33.9 million), Tonga (\$1.5 million) and Western Samoa (\$4 million).

The Bank continued to pay special attention to its small South Pacific DMCs, which received five loans totalling \$34 million in 1978, compared with \$29 million in seven loans in the previous year. Four of these loans were from Special Funds. Attention has been given to strengthening the development finance institutions (DFIs) in these islands and also to improving the power and water supply sectors. As at the end of the year, total Bank loans to DMCs in the South Pacific amounted to \$125.5 million for 29 projects.

Loans approved in 1978 included one supplementary loan of \$7.96 million from Special Funds for the Rangoon Water Supply Project in Burma. Five technical assistance loans totalling \$9.04 million were approved — \$7.59 million from ordinary capital resources for two projects each in Indonesia and Thailand and \$1.45 million from Special Funds for one project in Afghanistan. These technical assistance loans were made for feasibility studies, master plans and the preparation of detailed designs and tender documents for area development, ports, airports and multipurpose projects.

The average size of loans approved in 1978 increased to \$21.9 million, from \$19.7 million in 1977. Excluding the supplementary and technical assistance loans mentioned earlier, the average loan amount in 1978 was \$24.3 million, as compared to \$20.4 million in 1977. This result is largely attributable to 22 loans being approved for amounts larger than \$25 million (compared with 15 in the previous year).

The largest Bank-financing of any project in 1978 went to the Pipri Thermal Generation Project in Pakistan, for which \$60 million in all was approved — \$25 million from ordinary capital resources and \$35 million from Special Funds. The largest loan made from ordinary capital resources during the year was \$50 million to the Korea Development Bank, and the smallest was an engineering loan of \$1.3 million for the Domestic Airports Project in Indonesia. The largest loan made from Special Funds was \$51.5 million for the

1. Binh Dinh Irrigation Project, Saigon Power Project, Go Cong Pioneer Agricultural Project, Tan An Integrated Agricultural Project and Saigon Water Distribution Project. The Saigon Water Distribution Project involved loans from both ordinary capital resources and Special Funds.

LOAN APPROVALS IN 1978 AND TOTAL PROJECT COSTS
 (amounts in \$ million)

Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs
AFGHANISTAN, DEMOCRATIC REPUBLIC OF Seraj Agricultural Development	—	1.45	2.35
BANGLADESH			
Pabna Irrigation and Rural Development	—	38.00	85.15
Livestock Services Development and Training	—	12.40	20.00
Second Bangladesh Shilpa Bank	—	25.00	—
Educational Equipment Development	—	6.00	8.00
Low-Lift Pump Maintenance Program	—	8.90	9.48
BURMA			
Second Fisheries Development	—	26.00	68.00
Rangoon Water Supply (Supplementary)	—	7.96	61.67
Pyinmana Integrated Sugar	—	31.50	74.70
FJJI			
Second Power Project	16.20	—	23.10
HONG KONG			
Sha Tin Hospital Polyclinic	19.50	—	111.70
INDONESIA			
Southeast Sulawesi Transmigration and Area Development	34.30	—	67.12
Ball Irrigation	18.00	—	33.88
Ujung Pandang II Power	26.00	—	31.50
Third Road	34.00	—	61.00
Domestic Airports	1.30	—	2.29
Second Power Distribution	31.40	—	45.00
Fifth Port	26.30	—	100.48
Teluk Lada Area Development (Phase II)	3.41	—	6.03
Senior Technical Schools	—	24.00	42.00
KOREA, REPUBLIC OF			
Fifth Korea Development Bank	50.00	—	—
Applied Research Institutes	33.00	—	93.16
Mineral Resources Development	8.00	—	9.30
Fifth Small and Medium Industry Bank	40.00	—	—
Second Fisheries Development	19.00	—	35.30
LAO PEOPLE'S DEMOCRATIC REPUBLIC			
Forestry Development	—	8.00	18.50
MALAYSIA			
Trengganu Tengah Township Development	16.00	—	40.56
Trengganu Hydropower	45.40	—	319.50
Johor Perak and Trengganu Water Supply	31.74	—	68.74

Country/Project	Ordinary Capital Resources	Special Funds	Total Project Costs
NEPAL			
Second Tribhuvan International Airport	—	11.00	20.00
Integrated Rural Development	—	14.00	37.20
PAKISTAN			
Automotive Components Manufacturing	32.10	—	32.10
Haji Thermal Generation	25.00	35.00	319.60
D.G. Khan Cement	—	51.50	99.90
PAPUA NEW GUINEA			
Second Water Supply	—	5.40	8.10
Second Papua New Guinea Development Bank	—	7.00	—
PHILIPPINES			
Second Manila Water Supply	49.00	—	394.10
Malab River Irrigation	23.50	—	47.20
Second Agusan River Irrigation	—	14.00	31.00
Laguna de Bay Fish Pen Development	9.00	—	23.10
Mindanao Secondary and Feeder Roads	24.00	—	34.90
SINGAPORE			
Kent Ridge Hospital-Polyclinic	19.00	—	64.90
SRI LANKA DEMOCRATIC SOCIALIST REPUBLIC OF			
Sevanagala Sugar Development	—	33.90	52.20
THAILAND			
Fourth Power Distribution	33.70	—	82.30
Aquaculture Development	—	14.00	41.80
Fourth Industrial Finance Corporation of Thailand	30.00	—	—
Songkhla and Phuket Ports	1.50	—	2.10
Fourth Power Transmission	36.50	—	64.50
Kud Multipurpose	1.38	—	3.13
Third Highway	40.00	—	77.30
TONGA			
Tonga Development Bank	—	1.50	—
WESTERN SAMOA			
Third Development Bank of Western Samoa	—	4.00	—
GRAND TOTAL	778.23	380.51	2,892.14

LOAN APPROVALS IN 1978 AND TOTAL PROJECT COSTS

(amounts in \$ million)

Country	1977			1978			1968-1978			%
	OCR	SF	Total	OCR	SF	Total	OCR	SF	Total	
Afghanistan	—	14.70	14.70	—	1.45	1.45	—	75.00	75.00	1.39
Bangladesh	—	84.75	84.75	—	90.30	90.30	11.40	353.93	365.33	6.76
Burma	—	25.10	25.10	—	65.46	65.46	6.60	196.66	203.26	3.76
Cambodia	—	—	—	—	—	—	—	1.87	1.67	0.03
China, Rep. of	—	—	—	—	—	—	99.99	—	99.99	1.86
Fiji	—	—	—	16.20	—	16.20	22.90	—	22.90	0.42
Gilbert Islands	—	—	—	—	—	—	—	1.75	1.75	0.03
Hong Kong	20.50	—	20.50	19.50	—	19.50	81.50	—	81.50	1.51
Indonesia	136.00	—	136.00	174.71	24.00	198.71	573.70	137.28	710.98	13.16
Korea, Rep. of	135.15	—	135.15	150.00	—	150.00	832.75	3.70	836.45	15.48
Lao People's Dem. Rep.	—	—	—	—	8.00	8.00	—	19.69	19.69	0.36
Malaysia	43.30	—	43.30	93.14	—	93.14	427.00	3.30	430.30	7.96
Nepal	—	23.50	23.50	—	25.00	25.00	2.00	148.34	150.34	2.78
Pakistan	68.00	71.00	139.00	57.10	86.50	143.60	423.07	290.35	713.42	13.20
Papua New Guinea	17.70	—	17.70	—	12.40	12.40	17.70	47.94	65.64	1.22
Philippines	147.00	—	147.00	105.50	14.00	119.50	700.85	29.30	730.15	13.51
Singapore	—	—	—	19.00	—	19.00	143.98	3.00	146.98	2.72
Solomon Islands	—	5.63	5.63	—	—	—	—	9.20	9.20	0.17
Sri Lanka	—	41.50	41.50	—	33.90	33.90	14.13	137.11	151.24	2.80
Thailand	47.00	—	47.00	143.08	14.00	157.08	495.38	22.10	517.48	9.58
Tonga	—	0.37	0.37	—	1.50	1.50	—	3.17	3.17	0.06
Viet Nam	—	—	—	—	—	—	3.93	40.67	44.60	0.83
Western Samoa	—	5.25	5.25	—	4.00	4.00	—	22.84	22.84	0.42
TOTAL	614.65	271.80	886.45	778.23	380.51	1,158.74	3,856.88¹	1,547.00	5,403.88	100.00

¹ Cumulative total adjusted to account for refinancing in 1978 of Southeast Sulawesi Transmigration and Area Development Project (Indonesia) for \$280,000 and Mindanao Secondary and Feeder Roads Project (Philippines) for \$600,000.

D.G. Khan Cement Project in Pakistan, and the smallest was an engineering loan of \$1.45 million for the Seraj Agricultural Development Project in Afghanistan.

The total costs of projects approved in 1978, excluding DFI projects, are estimated at \$2,892 million, of which Bank financing accounted for 35 per cent. In addition, the Bank has been able to help mobilize a part of the other project financing required through increased resort to co-financing arrangements. In the case of the seven loans made to DFIs, the relevant subloans have not yet been fully identified. However, on the basis of the Bank's past experience, the total costs of the projects financed by these seven loans could be of the order of \$655 million.

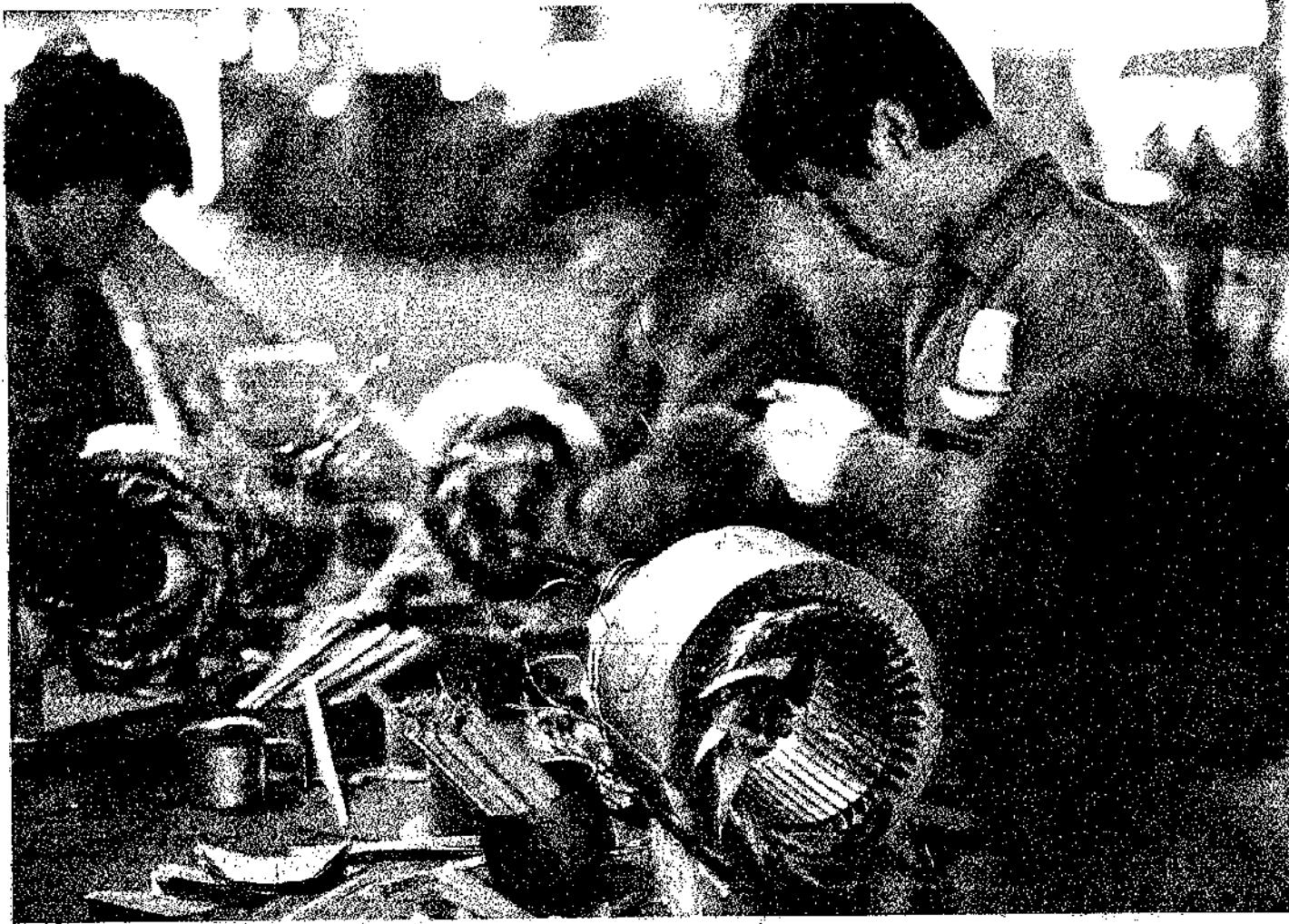
By the end of 1978, the Bank's cumulative lending had reached \$5,404 million for 359¹ projects in 23 DMCs. Of these, loans totalling \$3,857 million were from ordinary capital resources and \$1,547 million were from Special Funds.

¹ Excluding five projects which were re-financed.

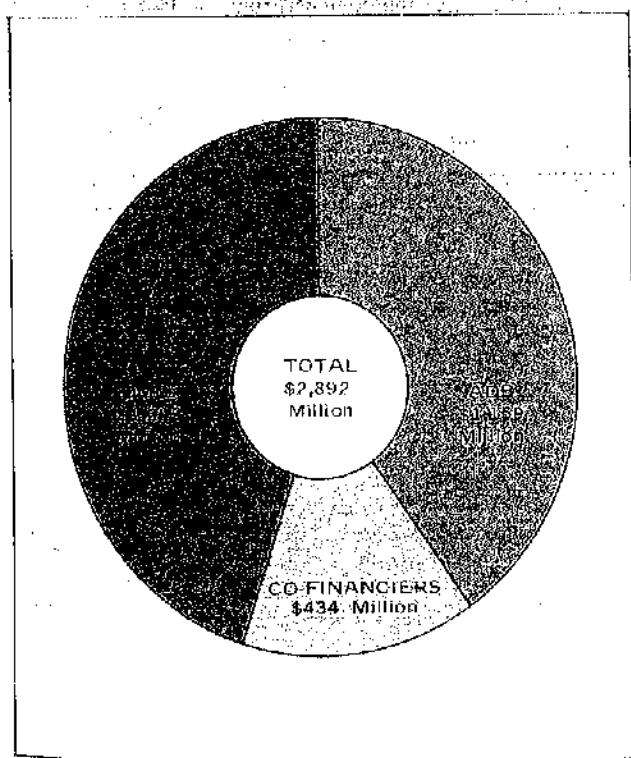
In addition to financing the foreign exchange costs of the goods and services required for these projects, the Bank has also financed, in specific circumstances, interest and other charges during construction as well as a portion of the local currency expenditures on certain projects.

The financing of interest and other charges during construction aims at relieving the executing agencies concerned of the financial strain during the construction period of the projects, and also easing the debt-service burden on DMCs before the projects start yielding benefits. In 1978, the Bank financed interest and other charges amounting to \$11.7 million from ordinary capital resources. In respect of three loans to two countries.

In considering local cost financing, the Bank places primary emphasis on a DMC's economic situation, particularly its overall balance of payments position and its ability to mobilize domestic resources. Consequently, preference is given to projects with low foreign exchange costs and/or high economic and social benefits. In 1978, local currency financing components totalling \$60.6 million were included in 12 loans to five countries --- \$26.7 million



**PROJECTS APPROVED IN 1978
TOTAL COSTS AND SOURCES OF FINANCE**



ELECTRICAL plant assembly in the Republic of Korea, financed with a Bank subloan through the Small and Medium Industry Bank.

from ordinary capital resources and \$33.9 million from Special Funds. These accounted for 3.4 percent and 0.9 percent, respectively, of the total loans approved from these resources in 1978. The criteria for lending foreign exchange to finance local currency expenditures on projects will be reviewed by the Board in 1979.

The Bank has promoted the development of manpower in DMCs by providing increasing assistance for education and training purposes, including the training of counterpart staff on projects. The Bank has also sought opportunities for the application of appropriate technology in projects, taking into account the individual economic characteristics in DMCs. The Bank has similarly paid special attention to environmental aspects in various projects. One of the Applied Research Institutes in the Republic of Korea being financed by the Bank will be engaged in the study of ocean environment, with specific reference to its conservation, and will also undertake research on ocean pollution. Evaluation of environmental impact also features in a number of projects such as area development, water supply, forestry, irrigation, power and ports. A special aspect of the hospital project in Singapore is that the design of the buildings will incorporate energy saving measures such as shading devices and solar heating.

CO-FINANCING ARRANGEMENTS CONCLUDED IN 1978
(amounts in \$ million)

Project	Country	Bank Loan	Amount of Co-Financing	Sources of Co-Financing
		OCR	SF	
Pabna Irrigation and Rural Development	Bangladesh	—	38.00	30.00 IFAD
Second Fisherles Development	Burma	—	26.00 ¹	1.12 EEC
Pyinmana Integrated Sugar	Burma	—	31.50	6.50 OPEC Special Fund
Second Power	Fiji	16.20	—	(15.60 (14.80 (9.10 IBRD European Investment Bank United Kingdom
Southeast Sulawesi Transmigration and Area Development	Indonesia	34.30	—	(5.89 ² (10.00 EEC Islamic Development Bank
Fifth Port	Indonesia	26.30	—	40.39 Fed. Rep. of Germany
Trengganu Hydropower	Malaysia	45.40	—	(4.50 (12.00 (20.00 Australia Japan Kuwait
Sagarmath Forestry Development ³	Nepal	—	4.90	3.00 OPEC Special Fund
Integrated Rural Development	Nepal	—	14.00	(3.75 EEC IFAD
Second Tribhuvan International Airport	Nepal	—	11.00	5.00 OPEC Special Fund
Tarbela Hydropower ⁴	Pakistan	—	38.00	13.00 OPEC Special Fund
Pipri Thermal Generation	Pakistan	25.00	35.00	(15.40 (15.40 (9.20 France France (export credit) Saudi Arabia
Second Manila Water-Supply	Philippines	49.00	—	85.00 IBRD
Laguna de Bay Fish Peh Development	Philippines	9.00	—	4.50 OPEC Special Fund
Kirindi-Gya Irrigation and Settlement ⁵	Sri Lanka	—	24.00 ⁵	12.00 IFAD
Agriculture Development	Thailand	—	14.00	1.01 EEC
Kudi Multipurpose	Thailand	1.38	—	0.20 UNDP
Telecommunications ⁶	Tonga	—	1.30	0.78 Australia
TOTAL		206.58	237.70	434.04

¹ Loan amount was subsequently reduced by \$1.12 million as a result of co-financing from EEC.

² Including technical assistance grant of \$2.37 million.

³ Bank loan was approved in 1977.

⁴ Co-financing with Canada for \$35 million was concluded in 1977.

⁵ Loan amount was subsequently reduced by \$4 million as a result of no-financing from IFAD.

⁶ Bank loan was approved in 1973.

The Bank made a start in the field of program lending in 1978 with a loan to Bangladesh for low-lift pump maintenance to strengthen the pump installations and servicing operations in the Dacca division.

Co-Financing

The main objective of co-financing is to help mobilize a larger inflow of foreign resources to meet the development needs of DMCs. Co-financing has enabled the Bank to finance large-scale projects, the financing requirements of which might have been difficult to meet entirely from the Bank's own resources. In view of the advantages to both the Bank and DMCs, the Bank has been placing an increasing emphasis on co-financing activities.

The Bank initiated co-financing with other external sources for projects in DMCs in 1970. Since then, the Bank's co-financing activities have gradually expanded and

diversified. The co-financiers at present include not only traditional sources but also many new aid agencies, as well as export credit institutions and private sources.

During the year, the Bank achieved a record level of co-financing: 18 projects¹ involved funds from co-financiers totalling \$434 million. The Bank's share for these projects was \$444 million,² and their total cost was estimated at \$1,762 million. This represents a significant increase in comparison with eight projects co-financed in 1977, with funds from co-financiers amounting to \$56 million. Since 1970, co-financing has been arranged for 47 projects, for which the Bank has provided \$1,013 million and co-financiers \$1,092 million.

¹ Including four projects approved in 1977 or earlier for which co-financing arrangements were concluded in 1978.

² Bank financing for two projects was subsequently reduced by a total of \$5.12 million as a result of co-financing.

With the exception of an export credit of \$15.4 million from France, all of the Bank's co-financing in 1978 has been arranged with official sources, both bilateral and multilateral. Traditional donor countries such as Australia, France, Japan, Federal Republic of Germany and United Kingdom made available \$82.2 million through co-financing, and two OPEC countries, Kuwait and Saudi Arabia provided a further \$112 million. Among the multilateral sources, the World Bank and United Nations Development Programme (UNDP) co-financed projects with the Bank with amounts totalling \$100.8 million, whereas other multilateral institutions, namely, European Economic Community (EEC), European Investment Bank (EIB), International Fund for Agricultural Development (IFAD), Islamic Development Bank (IsDB) and OPEC Special Fund (OSF), contributed \$123.66 million.

In the light of the experience gained in the past and the prospects for increased co-financing in the future, the Bank will review its co-financing policies and practices during 1979.

Sectoral Review

Agriculture and Agro-Industry

Lending and technical assistance for Agriculture and Agro-Industry in 1978 reflected the Bank's sustained emphasis on this critical development sector over the years. The sector covers irrigation and rural development,

fisheries, agricultural credit, livestock, seed production, forestry, fertilizer and agro-processing.

In terms of overall Bank lending, this sector again attracted the largest share in 1978. Of total loans, 26.8 per cent was approved for these activities, the overall share in the period 1968-1978 being 25.2 per cent. Similarly, this sector received the largest share — 61.2 per cent — of the Bank's technical assistance outlays in 1978; over the period 1968-1978 this share has averaged 50.8 per cent.

Total lending in this sector to the end of 1978 amounted to almost \$1,360 million for 109 projects. Technical assistance in this same area has amounted to about \$24 million.

The Bank's strategy for agricultural assistance has continued to place emphasis on an integrated approach to rural development, land utilization, water management and expansion of rural employment as a means of dealing with the persisting problems of unemployment and underemployment, poverty and malnutrition among the rural population in DMCs.

The types of projects the Bank has supported and the kinds of designs it has encouraged to date can be summarized as follows: (i) among resource development activities, Irrigation (with particular attention being paid to tertiary canal systems) and marine fishing have received special emphasis; (ii) in terms of the commodity concentration of project loans, rice has been the most important followed by fish and fertilizer (almost equal emphasis), tree crops (such as palm oil, rubber and tea), fibres, sugar and

LOAN APPROVALS BY SECTOR IN 1978

(amounts in \$ million)

Sector	Amounts			
	OCR	SF	Total	%
Agriculture and Agro-Industry	108.59	202.15	310.74	26.8
Agriculture	108.59	128.75	237.34	20.5
Agro-Industry	—	73.40	73.40	6.3
Industry	73.10	51.50	124.80	10.8
Development Banks	120.00	87.50	157.50	13.6
Power	214.20	35.00	249.20	21.5
Transport and Communications	127.10	11.00	138.10	11.9
Water Supply	80.74	13.86	94.10	8.1
Urban Development	16.00	—	16.00	1.4
Education	—	30.00	30.00	2.6
Health	38.50	—	38.50	3.3
TOTAL	778.23	380.51	1,158.74	100.0

LOAN APPROVALS BY SECTOR TO END OF 1978

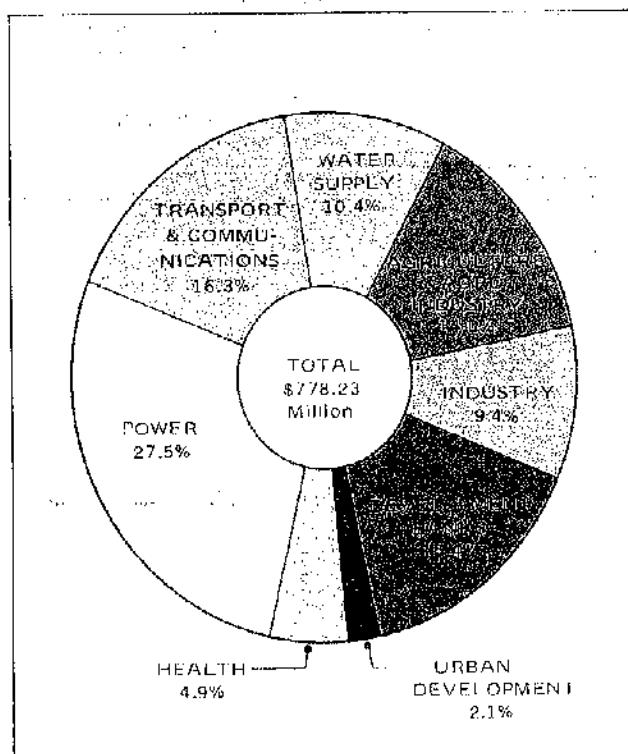
(amounts in \$ million)

Sector	1977			
	OCR	SFR	Total	%
Agriculture and Agro-Industry	105.50	154.20	259.70	29.3
Agriculture	105.50	148.50	254.00	28.7
Agro-Industry	—	5.70	5.70	0.6
Industry	40.00	2.62	42.62	4.8
Development Banks	95.00	—	95.00	10.7
Power	163.36	54.25	217.60	24.5
Transport and Communications	129.00	17.03	146.03	16.5
Water Supply	45.30	39.50	84.80	9.6
Urban Development	20.50	—	20.50	2.3
Education	16.00	4.20	20.20	2.3
Health	—	—	—	—
TOTAL	614.65	271.80	886.45	100.0

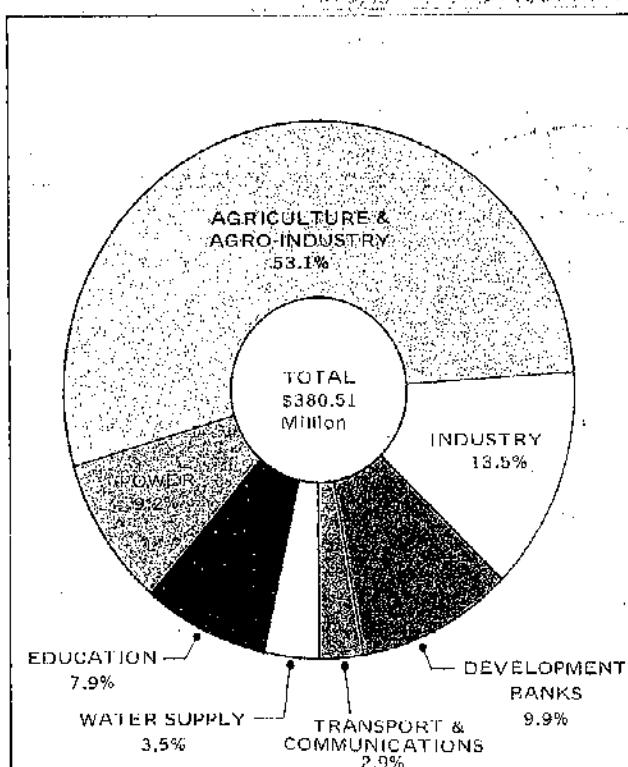
wood (almost equal emphasis); (iii) the intended beneficiaries of project assistance have mainly been small farmers and fishermen; (iv) assistance with research, extension services and training in agricultural/rural development activities has been extended mainly in the form of building special components (e.g. demonstration farms, local research stations) into area-specific projects and strengthening staff training facilities in rural credit institu-

tions; (v) the "input package" approach, which emphasizes the integration of several development activities in the agricultural area, has been a fairly standard feature of Bank-assisted projects; (vi) intervention in the functioning of rural institutions and development agencies in rural areas has principally taken the form of providing resources to help reorganize and/or expand irrigators' associations, farmers' and fishermen's cooperatives and formal credit in-

**ORDINARY LOAN APPROVALS
BY SECTOR: 1978**



**SPECIAL FUNDS LOAN APPROVALS
BY SECTOR: 1978**



1978

1968-1978

OCR	SF	Total	%	OCR	SF	Total	%
108.59	202.15	310.74	26.8	588.25	771.66	1,359.91	25.2
108.59	128.75	237.34	20.5	486.85	549.49	1,036.34	19.2
	73.40	73.40	6.3	101.40	222.17	323.57	6.0
73.10	51.50	124.00	10.8	256.47	93.62	350.09	6.6
120.00	37.50	157.50	13.6	732.10	110.00	842.10	15.6
214.20	35.00	249.20	21.5	983.27	260.34	1,243.61	23.0
27.10	11.00	138.10	11.9	791.89	149.87	941.76	17.4
80.74	13.36	94.10	8.1	394.95	117.51	512.46	9.5
16.00	—	16.00	1.4	37.65	—	37.65	0.7
—	30.00	30.00	2.6	33.80	44.00	77.80	1.4
38.50	—	38.50	3.3	38.50	—	38.50	0.7
78.23	380.51	1,158.74	100.0	3,856.88	1,547.00	5,403.88	100.0

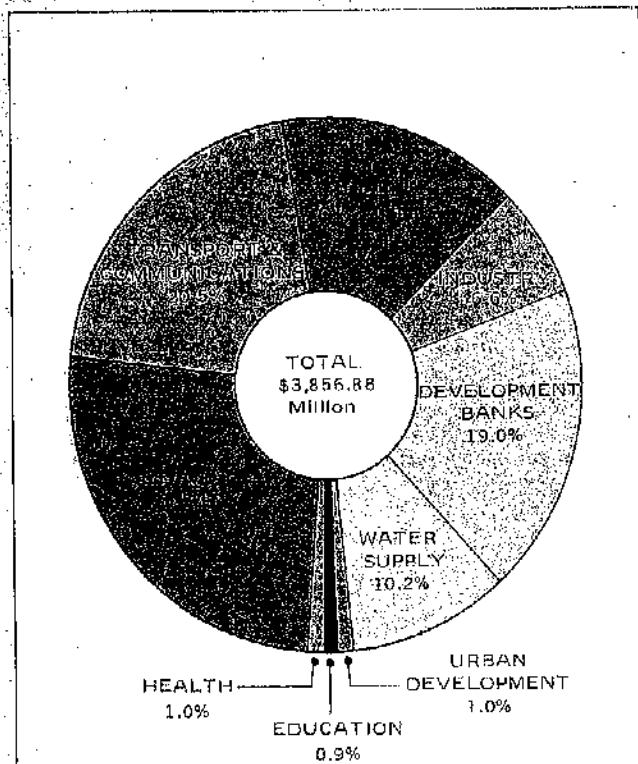
Cumulative total (adjusted to account for refinancing) of Southeast Sulawesi Transmigration and Area Development Project (Indonesia) for \$280,000, and Mindanao Secondary and Feeder Roads Project (Philippines) for \$600,000 in 1978.

sitions; (vii) assistance with agricultural and rural development planning has been extended mainly in the form of feasibility studies for project preparation; and (viii) apart from regional activities, nearly all assistance has been of the "project" type, involving the financing of specific capital investment activities which are scheduled for completion within pre-determined periods.

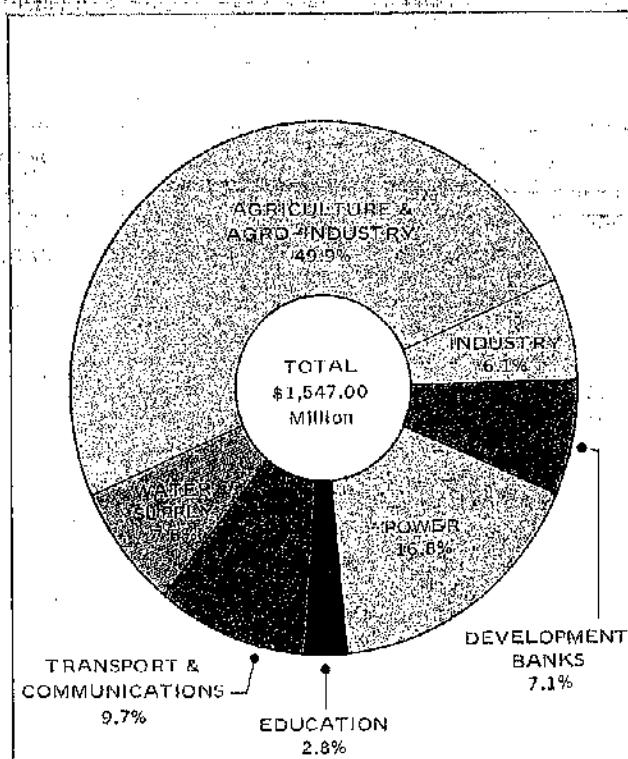
With regard to agriculture and the rural economy, the fin-

dings of a large body of recent research from a wide variety of sources, including the Second Asian Agricultural Survey, undertaken by the Bank itself, indicate that the major development issues for the next decade will be (i) widespread underemployment and poverty among rural populations; (ii) unsatisfactory performance of agricultural production and distribution systems; (iii) implementation capacities of both Government and "grassroots" levels

ORDINARY LOAN APPROVALS BY SECTOR TO END OF 1978



SPECIAL FUNDS LOAN APPROVALS BY SECTOR TO END OF 1978



which are inadequate for the development task; and (iv) continuing neglect, with increasingly serious consequences, of certain vital eco-systems.

In considering the initiatives needed from DMC Governments, the Bank has noted the importance of making agriculture and rural development strategy the centerpiece of overall economic planning, with probable adjustments to and interactions with a wide range of economic policies and business activities in these countries.

Looking to the future, the Bank has been reviewing its priorities and examining "guidelines" for designing "bankable" projects as well as the need to adjust its present operational policies. The Bank will continue to provide capital investment to develop directly or indirectly the land, water and human resources of rural areas. In most countries of the region, the possibilities of further expanding the net cultivated area are very limited, so that the greatest emphasis will have to be placed on increasing annual production per hectare from land already under cultivation. Promotion of non-land-using economic activity will also be required, to reduce the present underemployment of the rural workforce.

Irrigation and Rural Development: In the irrigation and rural development sub-sector, ten loans totalling \$156.9 million were approved during the year, bringing total lending to \$724.7 million (involving 54 projects). Three of the ten loans were comparatively small amounts to provide technical assistance required for project feasibility studies and, if found warranted, the preparation of detailed engineering designs and tender documents. These projects were in Afghanistan, Indonesia and Thailand.

The program loan made to Bangladesh in 1978 for low-lift pump maintenance has already been mentioned. The other loans ranged from \$14 million each for the Integrated Rural Development Project in Nepal and the Second Agusan Irrigation Project in the Philippines to \$34.3 million for the Southeast Sulawesi Transmigration and Area Development Project in Indonesia and \$38 million for the Pabna Irrigation and Rural Development Project in Bangladesh.

Fisheries: During the year under review, four loans were made to the fisheries sub-sector, comprising \$26 million for a Second Fisheries Development Project in Burma, \$19 million for the Second Fisheries Development Project in the Republic of Korea, \$9 million for the Laguna de Bay Fish Pen Development Project in the Philippines, and \$14 million for an Aquaculture Development Project in Thailand.

At the end of 1978 the Bank had provided a total of \$214.8 million in loans for 19 fisheries projects, an additional \$742,400 for fisheries components in loans for three rural development projects, and about \$1.7 million for 12 technical assistance projects in nine DMCs.

There is a high potential for the further development of the fisheries of the region. The improvement of the incomes of fishermen is of prime importance in those projects where they are the direct beneficiaries. The Bank's experience shows that these incomes can improve by between 40 and 80 per cent as a result of such projects. Demand for fish as a regional protein source is high and rising, and the Bank's activities in this sub-sector are expected to receive increasing attention in future.

Livestock: At the end of 1978, loans for livestock development in the region amounted to \$16.3 million for three pro-



WORKER at an oxygen cylinder supply factory, a project assisted by a Bank subloan through the Bangladesh Shilpa Bank.

jects. In addition, the Bank has provided more than \$4 million for livestock components in loans for six area development projects, and has also approved technical assistance grants with a total value of \$1.3 million for nine other projects in this sub-sector.

During the year under review, a loan of \$12.4 million from Special Funds was made to Bangladesh for the development of livestock services, vaccine production and training facilities. This project was accompanied by technical assistance grants of \$350,000 for institution building and project preparation. In addition, technical assistance grants amounting to \$640,000 were approved for the preparation of livestock projects in Pakistan, Nepal and Indonesia. These projects reflect the Bank's growing involvement in livestock development, which is of considerable importance to the rural population, particularly the smallholder farming communities.

While increased production of animal protein is an important result of livestock development, the Bank's involvement in this sub-sector has not been confined to this aspect. Close attention has also been given to improving animal health services for the protection of draft animals, which are so important for agricultural production in the region.

Forestry: As of 31 December 1978, the Bank had made three loans totalling \$38 million and eight technical assistance grants totalling \$994,700 for this sub-sector. Forestry also features as a component of a number of rural and area development loans, while some forest industries have received funds indirectly through DFIs supported by the Bank.

The Bank's sectoral strategy for forestry is broadly aimed at the rational utilization of existing forest resources and the development of new plantings, the integration of forestry with other land-uses, the development and improvement of the necessary institutions, and care for the environment. Research indicates that the region as a whole will face a mounting deficit between production and consumption of forest products unless the present rate of reforestation can be substantially improved and efficient forest management maintained.

Agro-Industry: Two loans were approved from Special Funds for the processing of agricultural products during the year, both involving sugar production for domestic consumption. A loan of \$33.9 million went to Sri Lanka to develop a sugar cane plantation, build an irrigation network and install a factory; this loan was accompanied by a technical assistance grant of \$205,000. The second loan was to Burma, comprising \$31.5 million to build a sugar factory and construct a related storage dam, reservoir, irrigation and other facilities; part of this project was co-financed by the OPEC Special Fund.

These loans bring cumulative lending in the agro-industry sub-sector to \$323.6 million.

Industry and Development Banks

The majority of DMCs have assigned a high priority to industrialization as a strategy for achieving accelerated economic development. Improvements in the balance of payments through import substitution and/or export diversification, greater employment, a more equitable distribu-

tion of income and wider ownership of the means of production are among the benefits sought from industrialization.

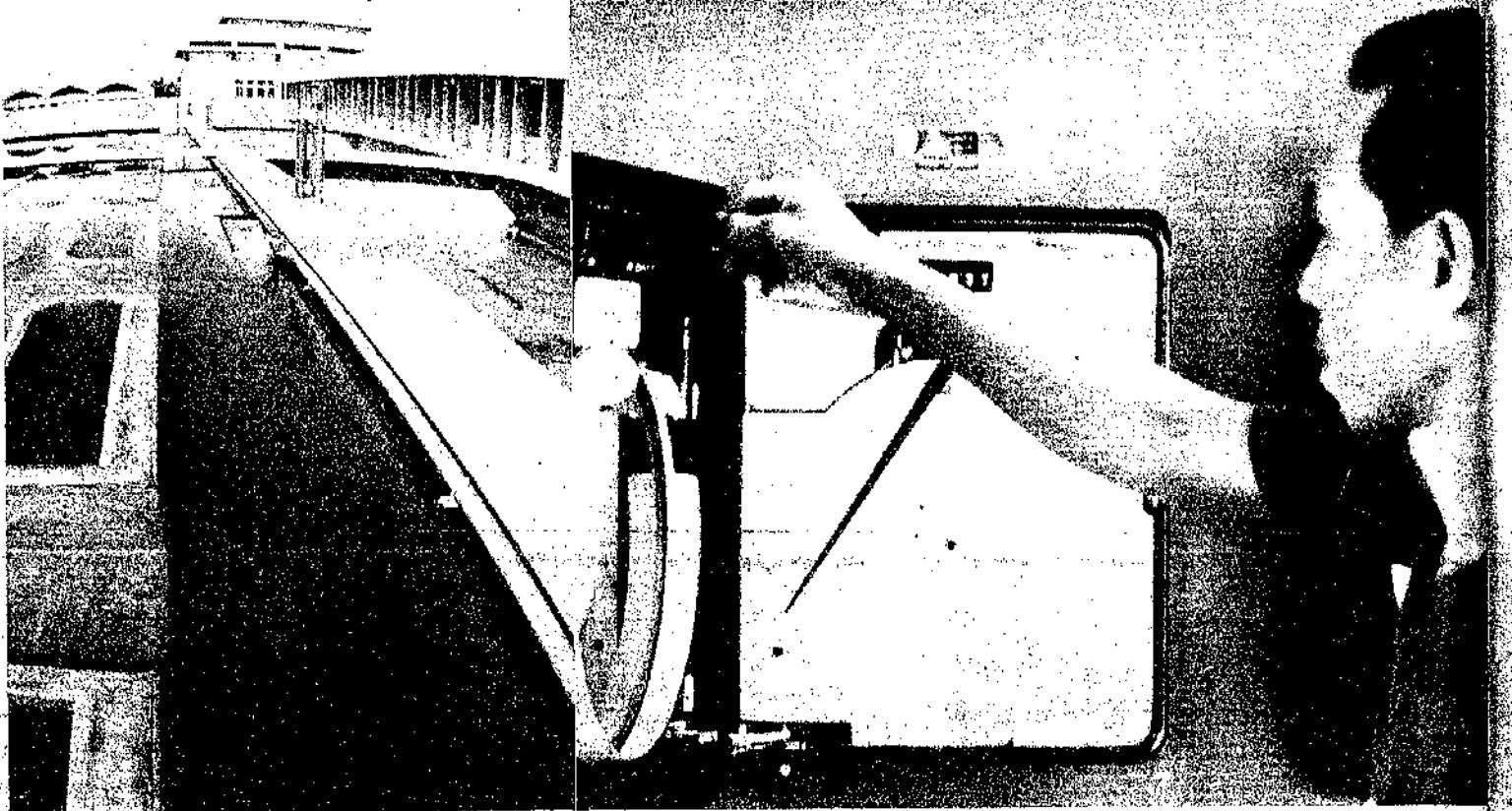
Efforts at industrialization have generally been two-pronged. On the one hand, the establishment of small and medium-scale industries in the countryside to generate greater employment, improve manual and managerial skills and enhance the quality of entrepreneurship has been actively pursued. On the other hand, the setting up of large industrial projects embodying economies of scale has been considered equally important. Although by their nature such large-scale projects are relatively technology and capital intensive, they play an important part in strengthening and diversifying the manufacturing sector, widening the possibilities of industrial growth, and allowing fuller and more efficient utilization of existing capacity through linkage effects with other sectors of the economy.

The Bank's lending has supported both of these efforts towards industrialization. By channelling credits through DFIs, the Bank has substantially assisted DMCs in establishing small and medium-scale industry projects which are too numerous, too small and geographically scattered to permit Bank assistance on a direct basis. The large industrial projects have been more direct recipients of Bank loans and technical assistance. Efforts at assisting these will continue as long as opportunities for the balancing of industrial capacity in an appropriate manner and viable prospects for broadening the industrial structure in DMCs exist.

In addition to providing credits for the creation or expansion of industrial capacity, the Bank recognizes the poten-

FARMERS in Nepal will be provided with irrigation facilities for about 15,000 hectares benefitting some 8,000 families, under the Third Agricultural Credit Project financed by the Bank.





TREATMENT plant of the Greater Ipoh Water Supply Project in Perak State, West Malaysia. The Project involves extraction of 20 million gallons of water daily from the Perak River for distribution to the Greater Ipoh Area.

distance grants. A vital afforad by Industrial estates in accelerating and rationalizing the development of industry, particularly of the small and medium-scale type required in rural areas. The Bank has also supported the development and strengthening of industrial research institutions, which contribute to the Industrialization effort by helping to improve technology and productivity.

Industry: Four loans totalling \$124.6 million were approved in this sector during 1978. This was 10.8 per cent of the Bank's total lending for the year and represented a three-fold increase over the corresponding amount for 1977. Lending to this sector at the end of 1978 amounted to \$350 million for 21 projects.

The substantial increase in activity in this sector in 1978 indicates the continuing availability of suitable projects for Bank assistance, including several in lines of industrial activity not previously financed by the Bank. It is also indicative of the differing sizes of industrial projects, considering that the same number of projects were financed in 1977 for a total amount of \$42.6 million.

Five Industrial research institutions in the Republic of Korea will be the first of those engaged in applied research to be assisted by the Bank. Another research institute, also in the Republic of Korea, will have the distinction of being the first institution engaged in geological mapping, production of baseline data and in the improvement of techniques for locating, mining and processing of minerals, to be expanded and strengthened with a loan from the Bank.

Still another first is the loan extended for an Automotive Components Manufacturing Project in Pakistan, to help balance and stimulate the automotive industry in that country through technology transfers and interlinkages. The second industrial loan project in Pakistan will help increase the local production of cement, a basic commodity in housing and other construction of a developmental nature. This provides an example of import-substituting activity using domestic natural resources.

Development Banks: This sector received seven credit lines from the Bank for a total amount of \$157.5 million during 1978, compared with three credit lines amounting to \$95 million in 1977. The level of lending to this sector in 1978 was the highest in the Bank's history.

Since its inception, the Bank has approved 46 credit lines for a total amount of \$842.1 million to 21 development banks in 15 DMCs, representing 15.6 per cent of the Bank's total lending. In addition, DFIs, especially those in the South Pacific region, have been provided with extensive technical assistance grants.

During the year, the Korea Development Bank and the Small and Medium Industry Bank of Korea received their fifth credit lines for \$50 million and \$40 million, respectively. The Industrial Finance Corporation of Thailand received its fourth credit line of \$30 million, and the Bangladesh Shilpa Bank its second credit line of \$25 million, of which \$4 million has been specifically earmarked for financing small-scale industries. A notable feature of the Bank's lend-

ing in this sub-sector during the year was the increased level of operations in the South Pacific region. Three credit lines were sanctioned to development banks in South Pacific DMCs, namely, the second credit line to the Papua New Guinea Development Bank (\$7 million), the third credit line to the Development Bank of Western Samoa (\$4 million) and the first credit line to the Tonga Development Bank (\$1.5 million).

The recipient banks have used the proceeds of the credit lines to finance individual development projects in various sectors of their national economies, but the industrial sector has been the main beneficiary. Such projects range from the financing of cash crop plantations and the construction of school buildings in some South Pacific DMCs to the setting up of sophisticated, reasonably large-sized ventures in other DMCs which have an adequate industrial base for such projects.

The Bank's credit lines to DFIs are playing an important role in fostering economic growth by meeting the foreign currency costs of projects over a wide range of both size and sub-sectors, besides developing and strengthening DFIs in the countries concerned.

Power

Bank operations in the power sector are characterized by emphasis on: (i) promoting the balanced development of the power sector so as to ensure more efficient utilization of existing capacities; and (ii) development of new facilities based on the use of indigenous energy resources. These twin objectives continued to shape lending activities for the year 1978.

During the year, the Bank provided \$249.2 million in eight loans for seven power projects. These included major extensions to power transmission and distribution networks, strengthening of the facilities of medium-sized systems and development of new generation facilities based on available indigenous energy resources. Two generation projects in Malaysia and Pakistan involved co-financing with external donors, while a transmission line project in Fiji informed a natural complement to a hydropower generation project financed by other donors. The year also saw the reactivation of financial assistance provided to the power sector in Viet Nam in earlier years.

Besides these loan activities, significant technical assistance was provided during the year. Under a technical assistance grant to Laos, a program for the electrification of the Vientiane Plain will be prepared. The electrification of rural areas is an essential part of that nation's integrated development effort.

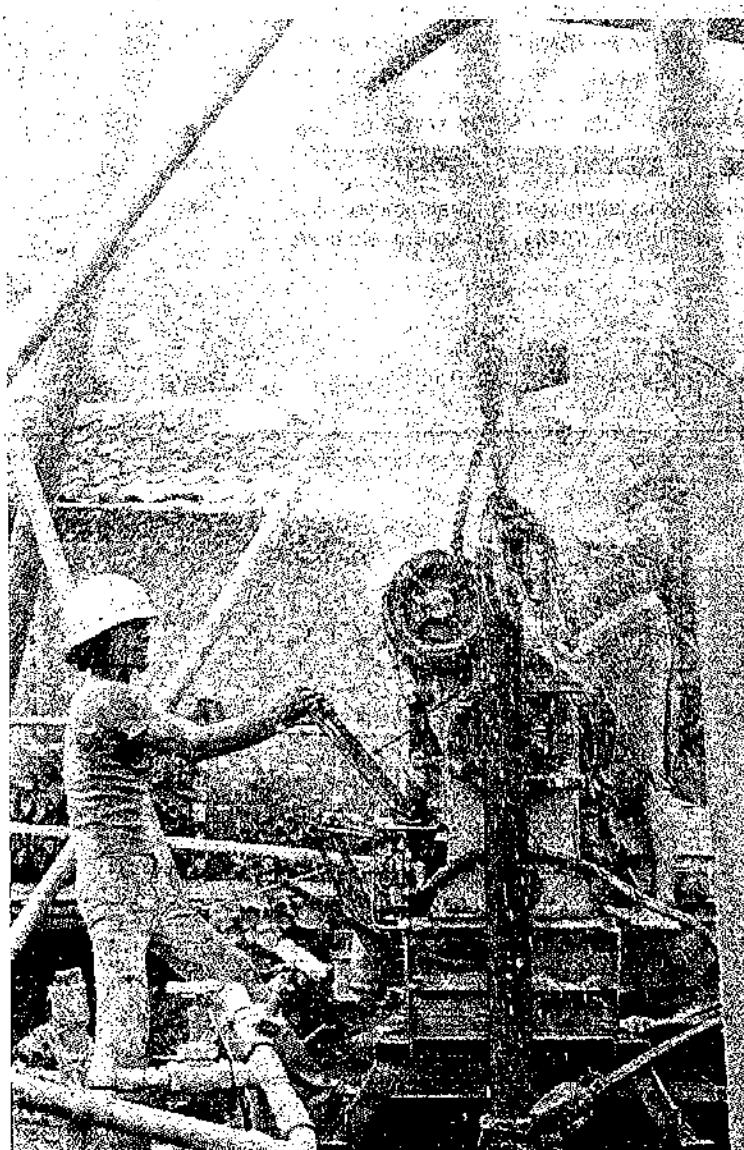
A technical assistance loan of \$1.38 million and a grant of \$150,000 approved for Thailand, in conjunction with a UNDP grant of \$200,000 for the Kud Multipurpose Project, will enable the Government to obtain consultant services for the preparation of engineering studies, detailed designs and tender documents for an irrigation-cum-hydropower project.

In addition to the above project-oriented technical assistance, provision was also made for technical assistance in various loan projects to deal with problem areas that were identified with the help of executing agencies. For instance, along with the loan for a transmission project, a technical assistance grant was provided to the Fiji Electricity Authority to enable it to undertake studies of its tariff level and structure.

The importance of proper maintenance, training and institutional capability in achieving optimum efficiency in project operations is reflected in two loans which incorporate express provisions for training purposes: the loan for a generation project in Pakistan provides for extensive training of the executing agency personnel in the operation and maintenance of the project facilities, while the technical assistance grant/loan to Thailand includes a component for the training of counterpart staff on aspects of feasibility study and detailed designs.

An indicator of the region's economic growth is the fact that total power generation in DMCs has been rising by about 10 per cent per annum in the last decade. Notwithstanding this, the average per capita annual electricity production is still low, at about 160 kilowatt hours (kWh), and then only with the inclusion of some high-consumption member countries such as Singapore, Hong Kong and Republic of China, whose per capita production has neared or exceeded 2,000 kWh. A serious problem in most countries with low levels of power consumption is the poor condition of the distribution networks, resulting in high energy losses. The Bank's assistance, therefore, focuses considerable attention on improvement of these networks.

DRILLING for water as part of the Bandung Water Supply Project. The Project resulted from earlier Bank technical assistance.



The energy crisis of the recent past occasioned a change in emphasis towards the development of indigenous sources of power generation. This trend is reflected in the fact that about 90 per cent of the Bank's loans for power generation made in the period 1975-1978 has been for the development of power based on domestic fuel and hydropower resources.

Power projects generally are capital intensive. This is further enhanced by the accent on development of generation based on indigenous energy resources. In its 12 years of operations, the Bank has lent \$1,244 million in 81 loans to this sector. While this level of assistance, accounting for about 23 per cent of total Bank lending, may be considered sizeable, future investment requirements in power projects among DMCs indicate that an enormous task still lies ahead in this key sector.

Transport and Communications

Considering that transport and communications play an important role in the process of economic development, the Bank has provided sustained support to this sector from the very first year of its lending activities.

By the end of 1978, \$941.8 million or 17.4 per cent of the Bank's cumulative lending had been provided to the transport and communications sector involving 68 projects. Technical assistance for 39 projects amounted to about \$67 million, or 14.4 per cent of total technical assistance grants. Within the sector, lending for roads accounted for 59 per cent, followed by 24.4 per cent for ports, 10 per cent for airports, 5 per cent for railways and 1.6 per cent for telecommunications.

Until the early 1970s, in keeping with the development objectives of its DMCs, Bank assistance to this sector was focused mainly on rehabilitation and improvement of the primary road networks and enlargement of the capacities

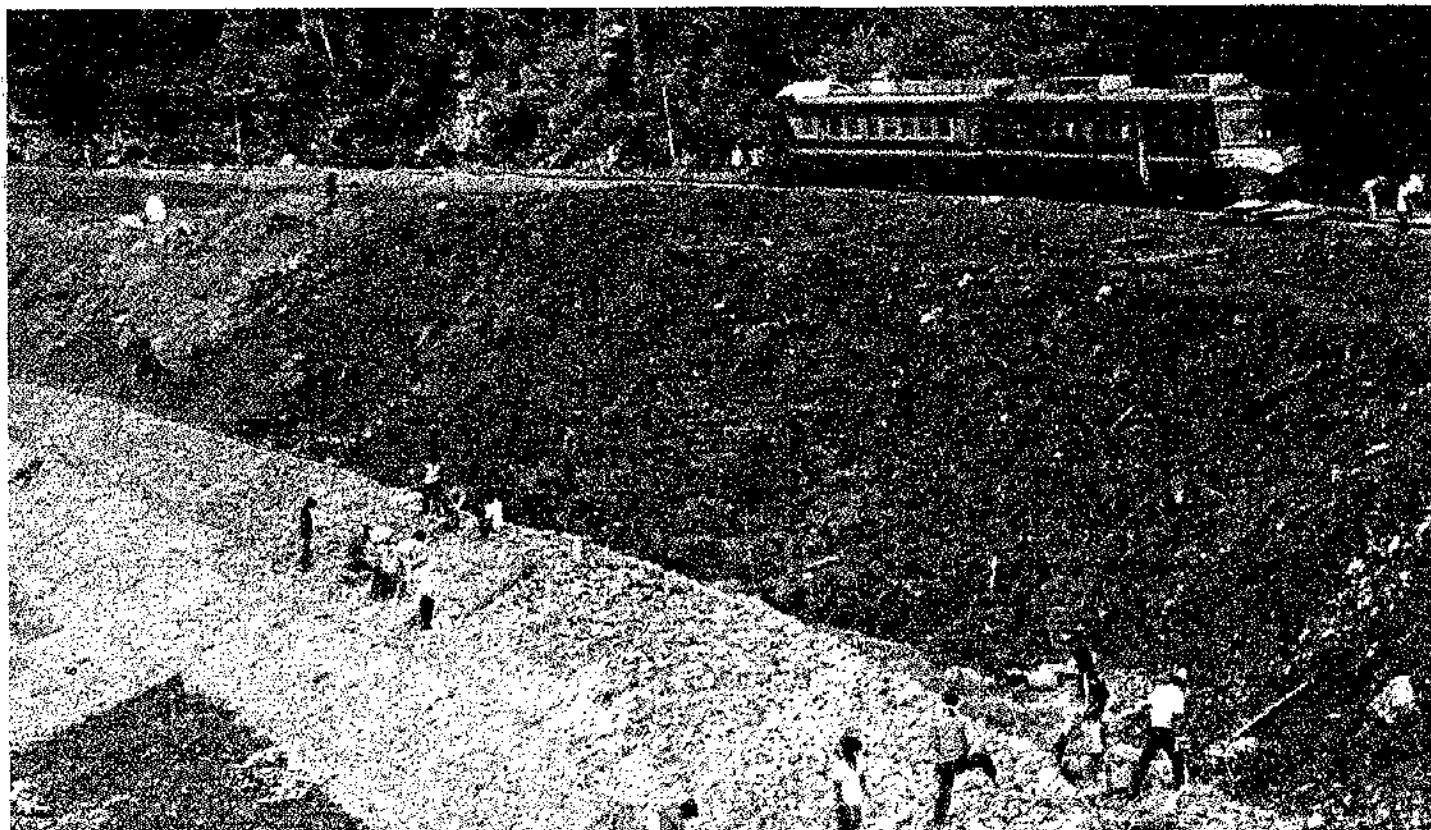
of principal ports. Following substantial improvements to these facilities in most DMCs in recent years, the Bank's emphasis has been increasingly oriented towards improvement of secondary and feeder roads as well as smaller ports, the main aim being to provide dependable low-cost facilities, particularly in rural and underdeveloped areas of the countries concerned. Improvement of feeder and farm-to-market roads is also generally included in Bank-financed integrated rural development projects. On a relatively smaller scale, the Bank has also financed the improvement of railway and airport facilities.

In 1978, seven loans totalling \$138.1 million were approved — three for road projects, two for airports and two for port projects.

The loans for road projects, one each in the Philippines, Indonesia and Thailand, amounted to \$98 million involving, in total, the improvement of about 1,440 kilometers of roads. The project in Indonesia is expected to influence the socio-economic conditions of about six million people, while those in Thailand and the Philippines would help improve roads in rural areas serving an estimated population of 770,000 in total. These projects will benefit the local populations through increased accessibility to markets and farm inputs, thereby facilitating realization of the full development potential of the areas served.

Of the two airport loans totalling \$12.3 million, the one to Indonesia is for technical assistance to prepare feasibility studies and master plans for seven domestic airports spread across the archipelago, plus detailed engineering for necessary first-stage improvements. The other project involves first-phase construction of a new terminal complex at Tribhuvan International Airport in Nepal which would primarily facilitate further growth of the expanding tourist industry in that country. Under an earlier Bank-financed project, the runway facilities at the same airport are being improved.

REHABILITATION work is being carried out on the 474-kilometer Philippine National Railways' Southern Line, between Manila and Legaspi, under a Project that will ensure faster travel links with the southern peninsula of Luzon.



Loans for the two port projects, one in Indonesia and the other in Thailand, amounted to \$27.8 million. The main objective of the Bank in this field has been to enable ports in DMCs to cater more effectively to the development needs of the countries concerned, and to handle an increasing volume of general cargo traffic.

The loan to Indonesia was for the expansion of Belawan Port, and the other to Thailand was to provide technical assistance for the master planning and detailed design of improvements to Songkhla and Phuket Ports. These ports all cater to both domestic and international shipping.

Water Supply

Four loans totalling \$94.1 million were approved for the water supply sector in 1978, which accounted for 8.1 per cent of total loans approved in the year. These loans were extended to Papua New Guinea, Philippines, Malaysia and Burma.

Total Bank lending for water supply projects to the end of 1978 had reached \$512.5 million, covering 29 projects in 12 countries. The Bank continues to regard its effort in this sector as a high-priority activity, because of the contribution which improved water supply and sanitation systems make to the socio-economic well-being of people, as well as to their industrial advance.

The water and sewerage systems of the larger cities in the developing countries of Asia have deteriorated in recent decades. This is because maintenance has lagged, and more and more consumers have made demands on the systems at a faster rate than they could be expanded. The massive drift to the towns of population from the countryside, an especially visible demographic phenomenon of recent times, has greatly added to the dimensions of the water and sewerage problems in most DMCs.

The need for integrated plans in water and sewerage systems is reflected in the Bank's lending. A majority of the projects in this sector includes intake works, treatment plants and transmission and distribution facilities, in addition to catchment development works. Many of the projects are accompanied by master-plan studies, financed by the Bank or from other sources, which point the way to future developments. The Bank seeks to ensure that the projects it finances are not only at least cost, but also specifically incorporate appropriate technology in design and construction as good engineering practice.

The Bank's projects have given special consideration to improving the well-being of poorer people among the urban populations in its DMCs. An outstanding feature of some projects, such as the water supply works in Manila, Bandung (Indonesia) and Hyderabad (Pakistan), is the provision of public standpipes, to serve large numbers of residents of the poorer districts, who hitherto had no convenient or, indeed, safe source of water supply.

Urban Development

The cities of DMCs now accommodate almost one-quarter of their total population. At the same time, the urban population is increasing at a much faster rate than the total population in most DMCs. It has been estimated that the rate of increase in the population living in slums and squatter areas is higher than that of the city population, causing a steady deterioration of the environment and living conditions inside those urban areas.

In an effort to deal with this massive problem, the governments of most DMCs have undertaken urban development planning. However, much remains to be accomplished in resource mobilization, urban land management and control and institutional arrangements. In the past, Bank operations were concentrated mainly in areas of water supply, sewerage and waste disposal. Lending operations of a more integrated nature started in 1976 with the approval of the Bandung Urban Development and Sanitation Project, followed in 1977 by the Sha Tin Urban Development Project in Hong Kong...

The Trengganu Tengah Township Development Project in Malaysia, approved during 1978, forms part of the ongoing Trengganu Tengah Regional Development Scheme. In which Bank participation started with the financing of another major infrastructure requirement, the Jerangau-Jabor Development Road. The new Township Project includes town development work (site formation, roads, drainage, water reticulation and sewerage) and regional water supply and housing for low-income groups (together with commercial buildings) for five new towns in the area.

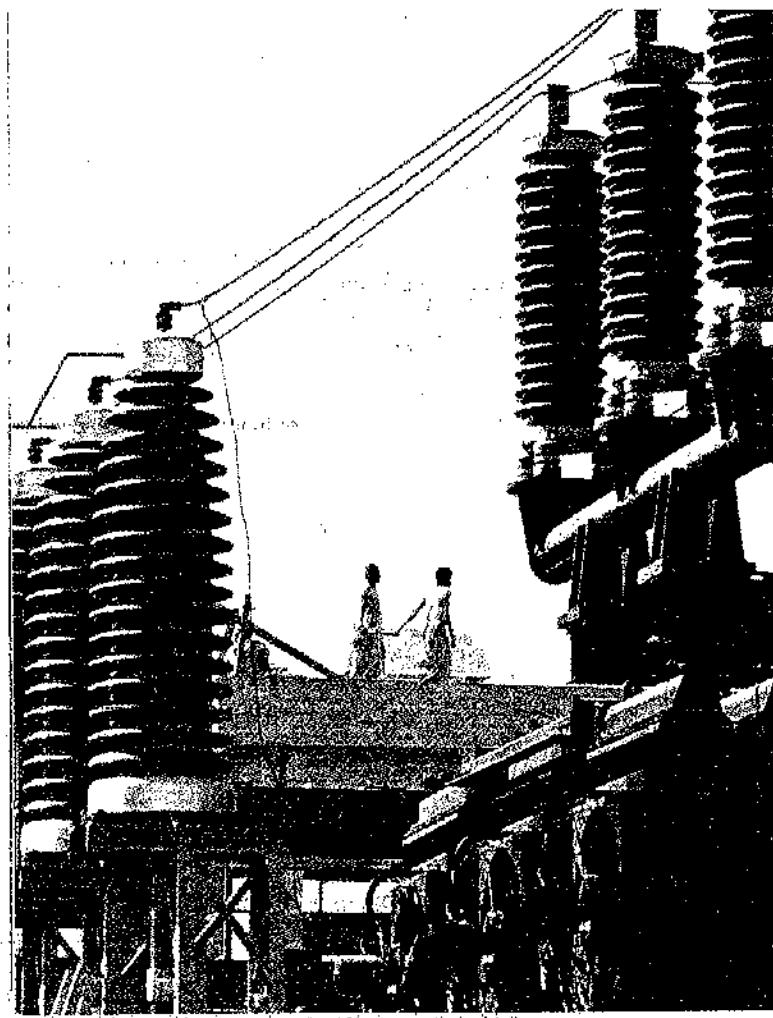
Education

Lending for education projects totalled \$30 million during the year, bringing cumulative lending to this sector to \$77.8 million. Two loans and two technical assistance grants were approved in 1978. A study of the Bank's educational projects to date shows a steady broadening in scope. Whereas Bank loans at first were confined to vocational and technical education, progress has also been made in other secondary and higher levels of education. Increasingly, activities have also been located in the provincial regions of member countries.

The Bangladesh Educational Equipment Development Project will establish facilities for the design and prototype manufacture of pre-production batches of educational equipment which at present has to be imported from abroad. This loan, from Special Funds resources, follows technical assistance provided by the Bank in 1977.

The Senior Technical Schools Project in Indonesia will help improve technical manpower by upgrading the quality of 17 technical schools, widely dispersed throughout the country, by the supply of needed equipment, construction and consultant services. An important aspect of the Project is the establishment of a resource center for teachers' technical training at Medan and the provision, for the first time in a Bank education project, of fellowships and training seminars to improve teacher trainers and their administrative staff.

The Bank has provided technical assistance for a project preparation study of the various faculties in the University of North Sumatra, at Medan, which occupies a prominent place as a regional institution of higher learning. Consultants to be provided will review the University's current curricula, and advise on teaching methods, book supplies and laboratory facilities. They will also plan space requirements and recommend appropriate science equipment and laboratory facilities. A technical assistance grant was also made to cover the foreign exchange cost of a study of vocational education needs in Afghanistan, to examine the establishment of secondary-level vocational schools in seven major provincial centers and the upgrading of the Vocational Teacher Education Department at Kabul University.



GAS turbine station of the Karachi Electricity Supply Corporation in Pakistan. The Bank-assisted Gas Turbine Generation Project will support further development of economic and industrial activities in Karachi.

Although not categorized as such, much of the Bank's efforts in the educational field over the past decade has taken the form of training programs included as built-in features of various loan and technical assistance projects. On-the-job training of local personnel is a frequent component of projects classified under other sectors in virtually every sphere of Bank assistance. As the projects approved in 1978 attest, the Bank's investment in future generations is now being extended to an even wider range of beneficiaries.

Health

The Bank, in the past, did not finance health projects as such, although some of the area development projects included provision for health clinics in rural areas. Having regard to the importance of health and particularly family planning in economic and social development, the Bank has studied the possibilities of involvement in this important field. Preliminary contacts were made in 1978 with some DMCs with a view to developing projects that would be suitable for Bank assistance. The Bank expects particularly to be able to assist selected countries in promoting health delivery services with family planning as an integral part.

Two hospital-polyclinic projects were approved by the Bank in 1978, namely, the Sha Tin Hospital-Polyclinic in Hong Kong, and the Kent Ridge Hospital-Polyclinic in

Singapore. These projects are designed to provide specialist and out-patient hospital facilities as well as teaching facilities for medical schools associated with the hospitals.

Loan Administration

The increasing number of Bank loans and the growing complexity of the projects being financed have required greater emphasis on, and the adoption of new approaches to, loan administration work. The progress of individual projects has been closely monitored, and special attention has been paid to delayed and problem projects. In all, 136 review missions were sent to the field during the year to assess the physical progress of projects, identify problems or difficulties that have emerged, and help work out appropriate remedial measures.

The progress made in the awarding of contracts and the withdrawal of loan proceeds was also kept under constant review. A number of disbursement missions have visited several borrowing member countries to help expedite procurement and disbursements on their part.

The reorganization of the Bank in August 1978 resulted in the adoption of measures specifically intended to strengthen loan administration. First, the Central Projects Services Office (which had been a unit in the former Projects Department) was established as an independent office, charged with the responsibility of planning, monitoring, reviewing and reporting on the Bank's project supervision activities. Second, a more rational basis for estimating the manpower requirements for loan administration has been introduced in the budget planning process; to ensure that enough manpower resources will be allotted for this particular task in future.

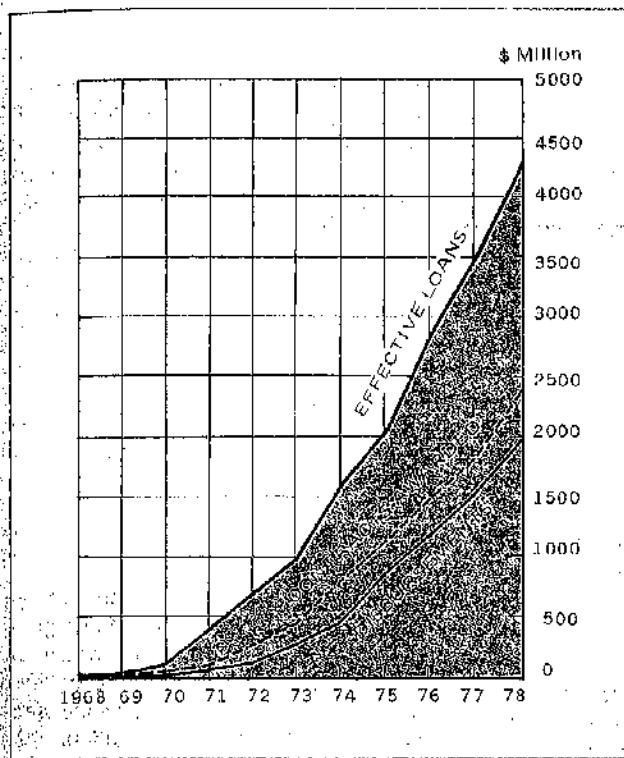
Improvements were also introduced in other areas of loan administration. A "Loan Administration Manual" has been issued to staff as a Bank operational document, and a revised set of loan administration instructions is under preparation.

The domestic procurement policy adopted by the Bank in January 1976 is being reviewed. The preparation of Project Completion Reports, which was hitherto undertaken on a selective basis, has been made a requirement for all completed projects. These reports will provide the Bank with a comprehensive assessment of how projects have been implemented and the lessons that can be learned from past experience.

To improve the loan administration capabilities of the staff of executing agencies, particularly in the fields of procurement and disbursements, seminars were held in Bangladesh and Thailand in 1978 under the joint sponsorship of the concerned governments and the Bank.

A total of 219 loans were under implementation in 1978, with 46 loans becoming effective during the year. Disbursements were completed on 39 loans, raising the total number of closed loans to 120 since 1971. Contracts awarded during the year amounted to \$548.4 million, while disbursements came to \$462.2 million; these figures compare with \$349 million and \$356.2 million, respectively, in 1977. The percentages of cumulative amounts of contracts awarded, and disbursements relative to the total amount of effective loans, as of the end of 1978 were 56 per cent and 46 per cent, respectively, as compared with 53 per cent and 44 per cent, respectively, in 1977.

**CONTRACTS AWARDED AND DISBURSEMENTS
TO END OF 1978**



Information on Procurement

Goods and services required for Bank-assisted projects are mostly procured through international competitive bidding among member countries. The Bank took two important steps during 1978 for disseminating information on

business opportunities associated with its lending and technical assistance activities.

First, it launched in October a new monthly publication entitled "Operational Information on Proposed Projects", available worldwide on a subscription basis. In addition to brief descriptions of the projects under consideration by the Bank for financial and technical assistance, this publication carries details of executing agencies, estimates of possible loan amounts, consultancy services which may be needed and the status of proposed projects.

Second, the Bank made 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. The Business Edition of Development Forum, also available on subscription, carries three kinds of notices: (1) Advance Information listing proposed projects which are in the early stages of loan processing; (2) General Procurement Notices providing information about projects approved or under consideration by the Bank, to appear a few months before the first tender or prequalification documents are circulated; and (3) Individual Notices providing details of specific contracts which are ready for international bidding.

It is hoped that the information disseminated through these publications will be particularly useful to prospective suppliers, contractors, consultants and co-financiers.

Post-Evaluation

In view of the expanding scope of post-evaluation coverage, and in recognition of the importance attached to the post-evaluation activities of the Bank, a separate independent Post-Evaluation Office was established in 1978.

During the year the Bank completed two intensive international post-evaluation studies, one on a port project and the

CONTRACTS AWARDED AND DISBURSEMENTS UNDER EFFECTIVE LOANS TO END OF 1978

(amounts in \$ million)

Year	Cumulative Effective Loans		Cumulative Contracts Awarded		Cumulative Disbursements	
	No. ¹	Amount ^b	Amount	% of Effective Loans	Amount ^c	% of 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	49	26.4	19
1971	67	404	115.5	29	75.1	19
1972	93	690	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

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

^b Excluding one fully cancelled and five refinanced loans.

^c Net of cancellations and amounts transferred to subsequent loans.

^d Includes interest and other charges financed during construction.

other on a power project. Three other intensive internal studies covering a further port project, a road project and a development bank loan were substantially completed. In addition, work proceeded on four other projects being post-evaluated by groups of outside experts. Involved were two loans for fisheries development, a power project and a development bank loan. These studies were substantially completed.

Post-evaluation of completed projects is becoming an integral part of the Bank's operations. Started in 1974 as an exercise involving a few projects, it is now envisaged that eventually about 50 per cent of all completed projects will be subjected to post-evaluation. This extended coverage will in most cases take the form of concise Project Performance Audits highlighting major issues. They will be based on comprehensive Project Completion Reports to be prepared by the relevant Projects Departments.

A limited number of projects will continue to receive intensive internal review. This will be undertaken by staff in the Post-Evaluation Office with the assistance of short-term outside consultants, if necessary. It is also proposed that, as in the past, intensive post-evaluation of selected projects will be conducted by fully independent outside evaluating agencies.

Technical Assistance and Regional Activities

Technical Assistance

Provision of technical assistance, especially for improving the capability of DMCs to make more effective use of external assistance both from the Bank and from other sources, is an important aspect of the Bank's developmental role. Technical assistance grants are financed mainly from the Technical Assistance Special Fund, established in 1968, to which both developed and developing member countries of the Bank contribute, and which also receives net income from the Bank's ordinary capital resources from time to time. In addition, the Bank administers technical assistance projects financed from other sources such as UNDP and EEC. It also cooperates with FAO on a cost-sharing basis in providing project preparatory technical assistance in the agricultural sector.

Apart from the preparation of projects, technical assistance activities are also directed towards implementing development projects, and improving the technical, managerial and organizational capabilities of DMCs; as

TECHNICAL ASSISTANCE BY COUNTRY AND REGIONAL ACTIVITIES TO END OF 1978¹
(amounts in \$ thousand)

Country	No.	Bank Financing	Other Sources	Total	%
Afghanistan	4	92.0	—	92.0	1
Bangladesh	4	813.0	370.0	1,183.0	14
Burma	18	539.0	215.0	754.0	9
Cambodia	—	—	—	—	—
China, Republic of	—	—	—	—	—
Cook Islands	1	91.0	—	91.0	1
Fiji	1	92.0	—	92.0	1
Gilbert Islands	—	—	—	—	—
Indonesia	5	701.0	100.0	801.0	9.9
Korea, Republic of	3	401.0	—	401.0	5.0
Lao People's Democratic Rep.	1	74.0	—	74.0	0.9
Malaysia	1	150.0	—	150.0	1
Nepal	5	415.7	750.0	1,165.7	14
Pakistan	2	300.0	—	300.0	3
Papua New Guinea	2	149.0	—	149.0	1.8
Philippines	3	300.0	200.0	500.0	6.2
Singapore	—	—	—	—	—
Solomon Islands	1	50.0	—	50.0	0.6
Sri Lanka	2	190.0	350.0	540.0	6.7
Thailand	3	447.5	146.0	593.5	7.4
Tonga	—	—	—	—	—
Viet Nam	—	—	—	—	—
Western Samoa	2	223.0	—	223.0	2.6
Sub-Total	42	5,028.2	2,131.0	7,159.2	88.7
Regional	7	908.8	—	908.8	11.3
TOTAL	49	5,937.0	2,131.0	8,068.0	100.0

¹ Excluding technical assistance loans.

well as to establish and strengthen the various development institutions in those countries, and to assist in the formulation of national and/or sectoral development strategies and plans.

The Bank's technical assistance activities expanded significantly in 1978, both in terms of number of projects and the total amount of assistance provided.

Forty-seven projects amounting to \$11.1¹ million were approved during the year, compared to 42 projects amounting to \$7.2 million in 1977. Eight projects were wholly or partly financed from other sources in 1978, with the Bank acting as Executing Agency; four projects received assistance totalling \$1.7 million from UNDP and four projects received assistance of \$3.3 million from EEC.

Project preparatory technical assistance amounted to \$8.4 million for 34 projects; advisory and operational technical assistance amounted to \$2.7 million for 13 projects. These amounts include technical assistance grant components incorporated in many Bank loans, totalling \$6.5 million in all, of which \$4.5 million was for project preparatory purposes and \$2 million for project implementation.

¹ On a grant basis; technical assistance loans are excluded.

In 1978, 18 DMCs received technical assistance. The fully eligible Special Funds countries received \$4.7 million for 26 projects, compared with \$4.5 million for 24 projects to them in 1977. Technical assistance grants provided to South Pacific DMCs in 1978 amounted to \$735,700² for seven projects (two project preparatory and five advisory), compared to \$605,000 for seven projects in 1977.

On a sectoral basis, 61.2 per cent of the total amount of technical assistance approved in 1978 was for agriculture and agro-industry projects, compared to 55.4 per cent in 1977. Technical assistance to this sector involved irrigation, rural and area development, livestock services, agro-processing, fisheries and forestry. About 13 per cent of technical assistance was provided to the industry sector, 9 per cent went to the water supply sector, 5.4 per cent to transport and communications, 3 per cent to the education sector, 2.5 per cent to the power sector and the rest to national development banks and other activities.

Twenty-one loans approved in 1978 resulted from earlier technical assistance provided by the Bank. The total amount of such earlier technical assistance was \$8.7 million.

¹ Including supplementary technical assistance for the Lungga Hydropower Project, Solomon Islands.

No.	1978			1967-1978			
	Bank Financing	Other Sources	Total	%	No.	Amount	%
247.2	—	—	247.2	2.1	16	2,465.7	4.5
1,238.0	230.0	—	1,468.0	12.3	32	8,617.4	15.1
237.0	—	—	237.0	2.0	9	1,506.0	2.7
—	—	—	—	—	2	111.0	0.2
—	—	—	—	—	1	100.0	0.2
—	—	—	—	—	1	91.0	0.2
70.0	—	—	70.0	0.6	5	389.0	0.7
—	—	—	—	—	1	50.0	0.1
154.0	2,560.0	—	3,714.0	31.0	43	9,148.5	16.7
247.0	860.0	—	1,107.0	9.3	14	2,552.3	4.6
140.0	395.0	—	585.0	4.5	10	1,784.0	3.2
350.0	—	—	350.0	2.9	7	1,237.0	2.3
430.0	350.0	—	780.0	6.5	22	4,113.7	7.5
220.0	350.0	—	570.0	4.8	9	1,670.0	3.0
238.0	—	—	238.0	2.0	7	905.6	1.6
207.0	—	—	207.0	1.7	26	4,176.0	7.6
—	—	—	—	—	1	34.7	0.1
241.7 ³	—	—	241.7	2.0	8	1,016.7	1.9
296.2	—	—	296.2	2.5	14	1,067.5	3.4
509.6	200.0	—	709.6	5.9	12	1,878.1	3.4
88.0	—	—	88.0	0.7	5	760.0	1.4
125.0	—	—	125.0	1.0	12	1,110.6	2.0
98.0	—	—	98.0	0.8	11	1,091.5	2.0
6,136.7	4,945.0	—	11,081.7	92.6	267	45,676.3	85.0
880.8	—	—	880.8	7.4	54	8,225.6	15.0
7,017.5	4,945.0	—	11,962.5	100.0	321	54,901.9	100.0

¹ Cumulative total adjusted to include additional UNDP financing amounting to \$154,943 for the Bangladesh Jute Seed Project.

² Includes supplementary financing for the Lungga Hydropower Project amounting to \$65,717.

TECHNICAL ASSISTANCE APPROVALS IN 1978¹

(amounts in \$ thousand)

Country/Project	Project Preparatory	Advisory and Operational
AFGHANISTAN, DEMOCRATIC REPUBLIC OF		
Vocational Education	97.2	—
Seraj Agricultural Development	150.0	—
BANGLADESH		
Livestock Services and Development Training (Part A)	—	200.0
Livestock Services and Development Training (Part B)	150.0	—
District Towns Water Supply	580.0 ²	—
Pilot Plants Processes Development Center	99.0	—
Study on Development of Man-Made Fiber Industry	190.0	—
Study on Development of Pharmaceutical Industries	99.0	—
Pabna Irrigation (Phase II)	150.0	—
BURMA		
Second Rice Processing Industries	95.0	—
Rangoon Water Supply	142.0	—
FIJI		
Electricity Authority Tariff Study	—	70.0
INDONESIA		
Bali Irrigation (Phase II)	150.0	—
Belawan Port Study (Phase II)	150.0	—
Teluk Lada Area Development (Phase II)	150.0	—
Sumatra Fisheries Development	98.0	—
Livestock Development	190.0 ³	—
University of North Sumatra	246.0	—
Semarang Groundwater Investigation and Development	210.0	—
Domestic Airports	150.0	—
Southeast Sulawesi Transmigration and Area Development	2,370.0 ³	—
KOREA, REPUBLIC OF		
Applied Research Institutes	—	880.0 ⁴
Incheon Port (Phase II)	150.0	—
Study on Small-Scale Industries	—	97.0
LAO PEOPLE'S DEMOCRATIC REPUBLIC		
Forestry Development	—	395.0 ⁴
Vientiane Plain Rural Electrification	140.0	—
MALAYSIA		
Kernasin-Semarak Integrated Rural Development	350.0	—

Country/Project	Project Preparatory	Advisory and Operational
NEPAL		
Integrated Rural Development	—	200.0
Livestock Development	230.0	—
Second Integrated Rural Development	350.0 ³	—
PAKISTAN		
Baluchistan Livestock Development	220.0	—
Second Fisheries Development	350.0 ³	—
PAPUA NEW GUINEA		
Project Planning and Implementation	—	238.0
PHILIPPINES		
Fisheries Development	93.0	—
Malangas Coal Mine	114.0	—
SOLOMON ISLANDS		
Forestry Development	81.0	—
Second National Development Plan	—	95.0
SRI LANKA, DEMOCRATIC SOCIALIST REPUBLIC OF		
Rural Credit	91.2	—
Sevanagala Sugar Development	—	205.0
THAILAND		
Kud Multipurpose	350.0 ⁵	—
Southern Region Industrial Estate	199.6	—
Third Highway	150.0	—
Aquaculture Development	110.0	—
TONGA		
Tonga Development Bank	—	88.0
VIET NAM, SOCIALIST REPUBLIC OF		
Binh Dinh Irrigation, Go Cong Pioneer Agriculture	—	
Tan An Integrated Agriculture	—	55.0
Saigon Water Distribution	—	70.0
WESTERN SAMOA		
Fourth Five Year Development Plan Preparation	—	98.0
TOTAL	8,410.7⁶	2,671.0

1. Excluding regional projects and technical assistance loans.

2. Of this, \$230,000 is to be financed by UNDP.

3. To be financed by EEC with Bank acting as Executing Agency. EEC funds will be utilized for financing consultants if they are from eligible sources.

4. To be financed by UNDP with Bank acting as Executing Agency.

5. Of this, \$200,000 is to be financed by UNDP.

6. Includes supplementary financing for the Lunga 4 Hydropower Project (Solomon Islands) amounting to \$65.717.

TECHNICAL ASSISTANCE APPROVALS BY SECTOR TO END OF 1978¹
 (amounts in \$ thousand)

Sector	1977			1978			1967-1978		
	No.	Amount	%	No.	Amount	%	No.	Amount	%
Agriculture and Agro-Industry	22	3,988.2	55.4	24	6,783.2	61.2	129	23,728.4	50.8
Agriculture	20	3,526.2	49.2	20	6,007.2	54.2	111	21,236. ²	45.6
Agro-Industry	2	442.0	6.2	4	776.0	7.0	18	2,492.2	5.3
Industry	2	512.0	7.2	6	1,461.6	13.2	13	2,282.9	4.9
Development Banks	2	380.0	5.3	2	185.0	1.7	23	2,812.6	6.0
Power	5	740.0	10.3	2	275.7 ³	2.5	27	4,780.2	10.3
Transport and Communications	5	692.0	9.7	4	600.0	5.4	39	6,699.8	14.4
Water Supply	2	239.0	3.3	4	1,002.0	9.0	17	3,737.5	8.0
Urban Development	—	—	—	—	—	—	1	100.0	0.2
Education	4	628.0	8.8	2	343.2	3.1	9	1,253.2	2.7
Health	—	—	—	—	—	—	—	—	—
Others	—	—	—	3	431.0	3.9	9	1,281.7	2.7
TOTAL	42	7,159.2	100.0	47	11,081.7	100.0	267	46,676.3	100.0

1 Excluding regional technical assistance projects and technical assistance loans.

2 Cumulative total adjusted to include additional UNDP financing for the Bangladesh Jute Seed Project amounting to \$154,943.

3 Includes supplementary financing for the Lungga Hydropower Project (Solomon Islands) amounting to \$65,717.

**TECHNICAL ASSISTANCE APPROVALS IN 1978
 FUNDED FROM OTHER SOURCES**
 (amounts in \$ thousand)

Agency	No. of Projects	Amount
European Economic Community (EEC)	4	3,260
United Nations Development Programme (UNDP)	4	1,685 ¹
TOTAL	8	4,945

1 In addition, UNDP provided additional financing amounting to \$154,943 for the Jute Seed Project, Bangladesh, which was approved by the Bank in 1976.

million (including \$0.9 million financed from other sources such as EEC and UNDP), of which \$3.6 million was provided on a grant basis and \$5.1 million has been incorporated in the resulting loans. The total amount of loans approved by the Bank for these projects in 1978 was \$440 million; in addition, these projects received co-financing amounting to \$239 million. Cumulatively, by the end of 1978, 112 loans totalling \$1,721 million had resulted from technical assistance provided by the Bank, costing \$22.4 million in all.

A total of 27 technical assistance projects were completed in 1978, 20 for project preparation and 7 for advisory and operational purposes, bringing the total number of technical assistance projects completed to 171.

The total amount of technical assistance grants provided to DMCs as at the end of 1978 stood at \$46.7 million¹ (see table above).

1 Including projects financed from sources outside the Bank, mainly UNDP. Regional activities and technical assistance loans are excluded.

TECHNICAL ASSISTANCE LEADING TO PROJECT LOANS IN 1978

(Amounts in \$ million)

Country/Project	Year of T/A Approval	Amount of T/A	Total Project Cost	Amount of Bank Financing	Amount of Go. Financing	Local costs to be financed by Government
				OCR	SF	Total
BANGLADESH						
Pabna Irrigation and Rural Development	1977	0.250 ¹	85.15	—	38.0	30.00
Livestock Services Development and Training	1977	0.056 ²	20.00	—	12.4	—
Educational Equipment Development	1977	0.080	8.00	—	6.0	—
BURMA						
Pyinmana Integrated Sugar	1978	0.328	74.70	—	31.5	6.50
INDONESIA						
Southeast Sulawesi Transmigration and Area Development (T/A Loan)	1976 (1976)	0.225 (0.260)	67.12	34.3	—	34.3
Batu Irrigation	1977	0.100 ³	33.88	18.0	—	18.0
Third Road	1974	0.270	61.00	34.0	—	34.0
Bali Port (Phase II) (T/A Loan)	1975 (1975)	0.100 (4.350)	100.48	26.3	—	26.3
Teluk Lada Area Development	1974	0.230	5.00	3.41	—	3.41
Senior Technical Schools	1977	0.196	42.00	—	24.0	—
KOREA, REPUBLIC OF						
Mineral Resources Development	1977	0.162	9.80	8.0	—	8.0
LAO PEOPLE'S DEMOCRATIC REPUBLIC						
Forestry Development	1977	0.074	18.50	—	8.0	—
NEPAL						
Second Tribhuvan International Airport	1975	0.250 ⁴	20.00	—	11.0	11.0
Integrated Rural Development	1977	0.330	37.20	—	14.0	14.0
PAKISTAN						
Pilot Thermal Generation	1974	0.200	819.60	25.0	35.0	60.0
PHILIPPINES						
Cagayan River Irrigation	1975	0.100	47.20	23.5	—	23.5
Agusan River Irrigation II	1975	0.100	31.00	—	14.0	14.0
Mindanao Secondary and Feeder Roads (T/A Loan)	1975 (1975)	0.100 (0.500)	34.90	24.0	—	24.0
SRI LANKA, DEM. SOC. REP. OF						
Selanagala Sugar	1977	0.350 ⁵	52.20	—	38.9	—
THAILAND						
Aquatulture Development	1977	0.110	41.80	—	14.0	14.0
Songkhla and Phuket Ports	1976	0.050	2.10	1.5	—	1.5
TOTAL		8.691	1,111.16	198.01	241.8	439.81
% to total Loan Approvals in 1978				25.4%	68.5%	38.0%
1. Of the total amount, \$220,000 was financed by EEC.						
2. Collected with FAO at the same amount, \$56,000.						
3. Financed by EEC.						
4. Financed by UNDP.						

Regional Activities

As part of the Follow-up Activities on the Findings of the Second Asian Agricultural Survey (AAS II), two sub-regional seminars, to analyze and discuss the implications of the Survey, were held early in the year with senior policy-makers from DMCs participating.

The first of these held in Manila and Los Baños during 9-13 January in cooperation with the University of the Philippines at Los Baños, the Southeast Asian Regional Center for Graduate Study and Research in Agriculture and the International Rice Research Institute, was intended primarily for DMCs in the Southeast and East Asian sub-regions.

The second seminar, held in Dacca and Comilla during 23-27 January, in cooperation with the Government of Bangladesh and the Bangladesh Academy for Rural Development, was mainly for countries in the South Asian sub-region.

The main topics considered in both seminars were:

- (i) the AAS-II report;
- (ii) planning considerations, both at the macro-level over a whole economy and at area and sector levels, which would help to formulate strategies for agricultural and rural development in future;
- (iii) certain key components in these strategies — for example, agricultural technology improvement, rural employment creation, institutional reform and rural development administration (with particular reference to agricultural support systems);
- (iv) future Bank policy on agricultural and rural development assistance; and
- (v) special subjects which reflected the expertise and the facilities on hand at the two seminar locations. These were the role of agricultural research in agricultural development, at the Manila/Los Baños seminar, and how to induce change at the village level through the formation of self-help groups, at the Dacca/Comilla seminar.

The Second Asian Agricultural Survey has been published by Praeger Special Studies and was released for public sale on 1 February 1978, under the title of **Rural Asia: Challenge and Opportunity**. Great interest in this publication was evinced by institutions and the media around the world, and the findings of the Survey have been widely disseminated.

The Bank approved a grant of \$90,000 to help finance a 10-day **Regional Seminar on the Application of Appropriate Technology in Forestry and Forest Industries**. The Seminar — to be jointly financed by the Bank and the Finnish Department for International Development Cooperation, organized by the Bank and the International Labour Organisation and set for January 1979 — will bring together senior forestry officials from DMCs for workshops in Manila and field trips to forestry plantations, logging sites and processing facilities on the southern Philippine island of Mindanao. The officials, responsible for forest management, logging and wood processing, will examine and discuss a variety of technical, economic, managerial and institutional considerations relating to the use of appropriate technology in the forestry sector, which plays such an important role in the economies of many Asian countries and in the regional economy as a whole.

A grant of \$257,000 was approved for the carrying out of an agricultural survey in the Bank's seven DMCs in the

REGIONAL ACTIVITIES IN 1978

	Amount (\$ thousand)
Research on Traditional Socio-Cultural Systems and Modern Economic Growth in Developing Countries in Asia and the Pacific	50.0
ADB Regional Seminar on Appropriate Technology/Small-scale Industries Development	55.0
ESCAP-ADB-SPEC Industrial Survey of the South Pacific	80.0
Regional Seminar on the Application of Appropriate Technology in Forestry and Forest Industries	90.0
Asian Productivity Organization's Ninth Project Feasibility Study Training Course (Contribution)	38.8
Subsidy for Business Edition of Development Forum	35.0
Development Bank Staff Training at ADB Headquarters	34.0
South Pacific Agricultural Survey	257.0
Regional Seminar on Irrigation Development and Management	95.0
ADB-DSE Regional Program for Project Implementation and Supervision	49.0
Regional Seminars on Procurement and Project Management	197.0
TOTAL	880.8

South Pacific (the **South Pacific Agricultural Survey**). These countries were not covered in AAS-II conducted by the Bank in 1976 because, in the opinion of the AAS-II Task Force, the special features and distinct development needs of the South Pacific DMCs warranted a separate agricultural survey by experts familiar with the sub-region.

The Survey will be concerned with agriculture (both non-market subsistence and commercial), forestry and fishing (both marine and inland). The aim of the Survey will be to identify the most promising areas for investment in the rural economies of South Pacific countries during the next five to ten years. To be conducted in the first half of 1979, the Survey will be undertaken by a team of experts under the guidance of an Advisory Group, comprising persons who have an intimate knowledge of the South Pacific. The initial meeting of the Advisory Group took place in October.

The Bank agreed to conduct a three-week **Regional Seminar on Irrigation Development and Management** in Manila in January-February 1979, and an amount of \$95,000 was provided for this purpose. The Seminar is designed to discuss policy and technical issues of current concern and to compile a report entitled "Review of Irrigation Development in ADB's First Decade".

The three main topics to be discussed would be (i) institutional and organizational aspects of irrigation development and management, including agricultural supporting ser-

vices; (ii) cost effectiveness and socio-economic benefits, with special reference to low-cost techniques, labor-intensive methods, income distribution aspects and the need for an integrated approach; and (iii) project implementation and loan administration, including mobilization of local goods and services, training and the use of appropriate technology.

A Regional Seminar on Appropriate Technology/Small-Scale Industries Development for senior officials of concerned development finance institutions and government ministries in Asia was held at the Bank's Headquarters from 10 to 15 July, with technical support from the Office of International Programs of the Georgia Institute of Technology, Atlanta. An amount of \$55,000 was provided by the Bank for the Seminar.

The Seminar was attended by 20 participants, 12 from DFIs and eight from government departments or agencies concerned with small-scale industry development, from 10 countries. The immediate objectives of the Seminar were to underline the significance and importance of small-scale industry development, the need for and the desirability of adopting appropriate technology in this context, as well as to emphasize the institutional framework — both internal and external — that must exist and the policy environment that must prevail if small-scale industry development is to make the desired headway in the respective countries. For the longer term, the Seminar aimed at increasing the flow of DFI assistance to small-scale industries, and facilitating the Bank's efforts in evolving innovative approaches to help promote small-scale industries in its DMCs in future.

The Bank launched in September, on an experimental basis, an On-the-Job Training Program at the Headquarters, in the fields of appraisal, implementation and supervision of projects for four professional senior staff from selected DFIs in the Asian and Pacific region. The training, in each case, will be of three months duration and not more than one DFI official at a time will be invited for training.

The training aims mainly at familiarizing officials of Bank-assisted DFIs with the methods of appraisal and supervision applied by the Bank in its evaluation of a DFI's activities. Also, it will provide information regarding the Bank's principles, requirements and procedures in the field of appraisal and administration of Bank credit lines to DFIs generally.

It is expected that the knowledge so acquired will be disseminated by the officials involved among their colleagues on return to their respective institutions. The Bank approved an amount of \$34,000 for this Program.

An officer from the Industrial Development Bank of Pakistan trained under this Program from 17 September to 15 December 1978, and three officers from three other selected DFIs will train in 1979. After review of the training program and assessment of its benefits to both the institutions concerned and the Bank, the program may be extended to other DFIs on a selective basis in future.

A Regional Program on Project Implementation and Supervision, designed for senior officials of DFIs in Asia, was held at the Bank's Headquarters from 4 to 21 December, in collaboration with the German Foundation

FURNACE of a steel plant in Singapore, assisted by a Bank subloan through the Development Bank of Singapore.



for International Development. Twenty participants from as many industrial DFIs in 11 countries attended the Program.

The Program covered the various stages of supervision — loan effectiveness and the three specific stages of implementation, completion and subsequent operation — with particular attention to the problems faced at each of these stages and possible ways to overcome them. Emphasis was also given to the recognition of early warning signals, in order to detect and anticipate problems and introduce corrective measures before such problems overwhelm the projects.

The Program also addressed itself to problem projects and their rehabilitation, as well as to the adoption of more comprehensive project monitoring systems, which could include the socio-economic aspects as well, so as to adequately assess the overall development impact of DFIs' operations. The Bank provided an amount of \$49,000 for the Program.

A technical assistance grant of \$38,800 was extended by the Bank to the Asian Productivity Organization for the Ninth Project Feasibility Study Training Course, to be held

MODERN highway connecting Kuala Lumpur and Karak in Peninsular Malaysia, which has cut travelling time between the country's East Coast and the capital city.



in early 1979 in the Philippines and Japan. This was the seventh such grant by the Bank to the APO for this purpose.

A pioneering study on **Traditional Socio-Cultural Systems and Modern Economic Growth** in the developing countries of the region was the subject of a \$50,000 grant by the Bank, for the first phase of research into the interaction between traditional and modern technologies and institutions. Supported by Bank staff, four internationally-known consultants are involved in the study — Professors Kazushi Ohkawa, Henry Rosovsky, Mohammed Ansari Nawawi and Yogendra Singh.

This first phase will comprise the preparation of a bibliography of the available literature on the subject, a basic data resources survey and a detailed research proposal for future work in this field. In its loan and technical assistance activities, the Bank has always endeavored to take into account the interplay of newer and older ways, but its efforts to do so have been constrained by inadequate research and lack of information on social structures and the economic relationships between people in its DMCs. The aim of the study, therefore, is to help the Bank identify ways in which it can promote positive interactions, to render its operations more effective, and to formulate more relevant development strategies in the countries concerned.

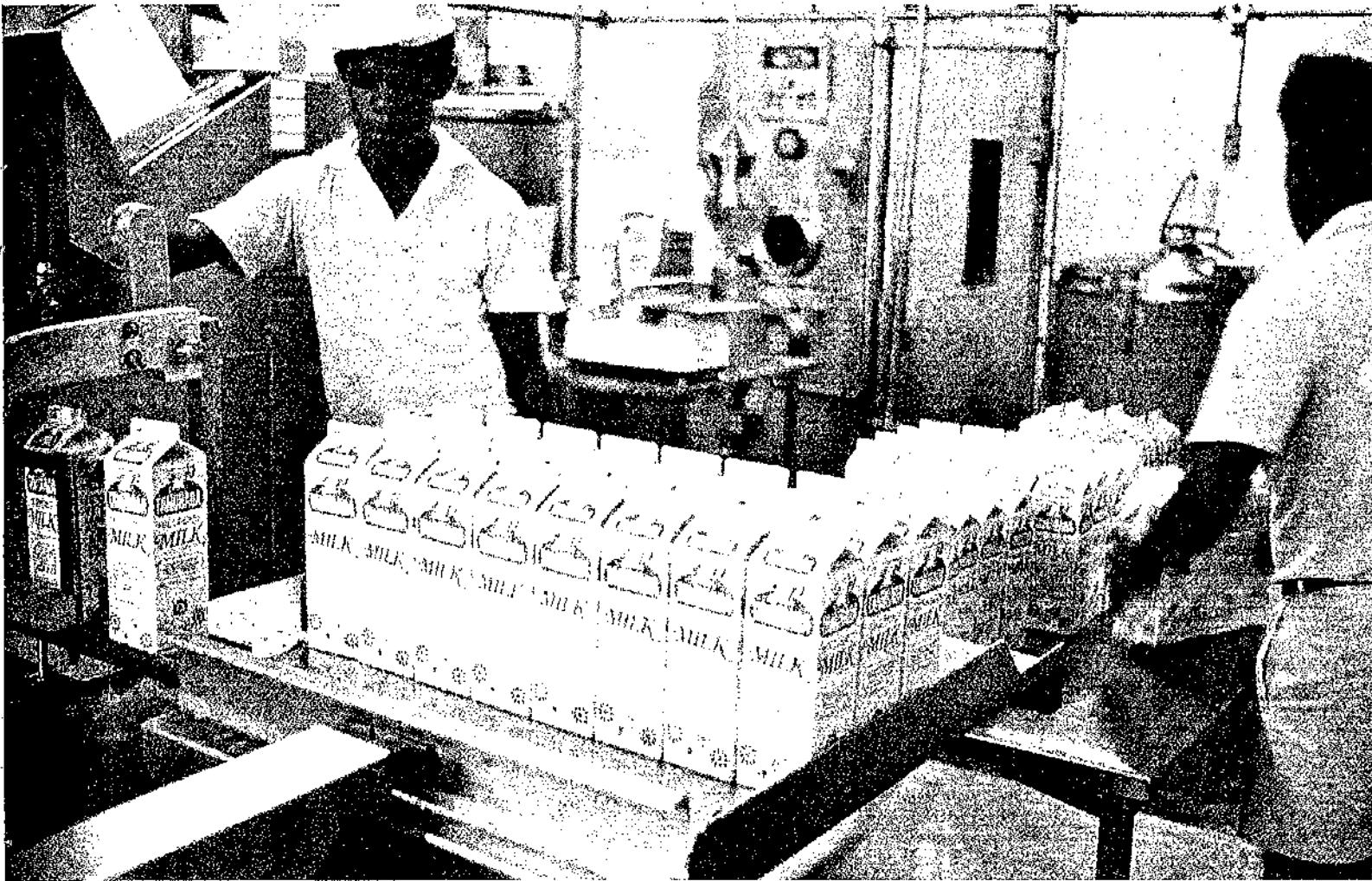
The consultants met at the Bank's Headquarters in December to review progress on the study. Their initial report is due early in 1979.

A technical assistance grant of \$80,000 has also been approved for an **Industrial Survey of the South Pacific**, to be carried out by the Economic and Social Commission for Asia and the Pacific in cooperation with the Bank and the South Pacific Bureau for Economic Cooperation. The main objectives are to assess the human and natural resources of this sub-region, to study its potential for industrialization and investment, and to identify opportunities to develop and apply appropriate technologies. The Bank's grant is being used to finance the services of an economist team-leader and of an expert in small-scale industry and appropriate technology.

Two Regional Seminars on Procurement and Project Management are to be held early in 1979, for which \$97,000 has been approved by the Bank. To be attended by staff from executing agencies in DMCs, these seminars are designed to provide participants with an understanding of the Bank's policies, practices and procedures regarding procurement, and its concepts and methodologies for implementing Bank-financed projects.

A sum of \$35,000 was provided by the Bank as a subsidy for the **Business Edition of Development Forum**, a periodical published by the U.N. Center for Economic and Social Information. In which procurement information relating to Bank-assisted projects was arranged to be published on a regular basis (see page 35).

The second phase of construction of the **Nam Ngum Hydropower Project** in the Lao People's Democratic Republic was successfully completed in late 1978 at a cost of approximately \$45 million. The Bank helped to mobilize the required funds for the Project. It also functioned as Administrator of the Second Nam Ngum Development Fund and Coordinator for the execution of the Project. The contributors to this Fund were Australia, Canada, France, Federal Republic of Germany, India, Japan, Netherlands, New Zealand, Switzerland and United Kingdom. Additional



PACKAGING milk at a dairy farm in Papua New Guinea. The Project was financed by a Bank subloan through the Papua New Guinea Development Bank.

financing was obtained from contributor governments in early 1976 to meet a substantial cost overrun on the Project.

Commercial operations of the new generating facilities started in October, while the official inauguration of the Project took place in early November. Apart from providing Laos with sufficient generating capacity to meet the expected growth in internal demand for power for a number of years to come, the Project will enable the country to earn substantial foreign exchange through the export of surplus power to Thailand.

Lending and Operational Policies

Program Lending

In February, the Bank decided that program loans may be made to DMCs, in special circumstances, in order to help them to increase the productive capacity in certain high-priority sectors or activities. Such circumstances include:

(a) the existence or imminent danger of considerable under-utilized capacity in the sector or activity concerned, owing to a shortage of foreign exchange to import essential equipment, components, spare parts and raw materials;

(b) the ability of the borrower to provide the necessary resources to maintain high output in the sector or activity after a short period of Bank assistance;

(c) the presentation by the borrower of a program which provides a satisfactory basis for Bank assistance; and

(d) the absence of appropriate alternative sources of finance for the purpose for which Bank assistance is sought.

It was also decided that program lending should initially be limited to 5 per cent of the Bank's anticipated overall annual lending and, for any particular country, to 10 per cent of anticipated annual lending to that country by the Bank.

Program loans may be made from either ordinary capital resources or Special Funds. All of the terms and conditions of Bank lending, as appropriate, will be applicable to program loans. Program lending guidelines will be reviewed two years after the approval of the Bank's first program loan. As reported on page 50, the first such loan was made to Bangladesh, in an amount of \$8.9 million from Special Funds during 1978.

Concessional Lending from the Asian Development Fund

In August, the arrangements for lending from the Bank's concessional resources — the Asian Development Fund (ADF) — were reviewed. The review confirmed the policy of basing a DMC's access to ADF loans on country considerations, and particularly the use of per capita GNP and the country's debt repayment capacity for this purpose. Borrowing DMCs were thus classified into three groups.

Group A consists of DMCs that will have full access to ADF loans, and includes the least developed countries and those most seriously affected by world economic developments. DMCs in this group will be given priority in the allocation of ADF resources and will receive at least 85 per cent of total allocations. Given the limited availability of ADF resources, ordinary loans for certain Group A DMCs may also be provided in exceptional cases, having regard to their repayment capacity and their development potential.

Group B consists of four DMCs (namely, Indonesia, Papua New Guinea, Philippines, and Thailand) that will have modest access to ADF loans, in that not more than 15 per cent of total ADF lending during the period 1979-1982 may be provided to them. Allocation of ADF resources among DMCs in this group will take into account their respective economic situations. Priority in the use of such resources will continue to be given to projects having a high social and economic value but a relatively low financial return or foreign exchange earning capacity. The rest of the countries, comprising Group C, will not have access to the limited resources of ADF.

These arrangements for ADF lending will be effective until the end of 1980, in the latter part of which year a further review will be undertaken.

Review of Bank Operations in the South Pacific

In December, the Bank's operational policies in relation to South Pacific DMCs were reviewed and modified, with a view to making them more responsive to the specific needs of these countries. It was decided that, in meeting the requirements of South Pacific DMCs, the Bank would:

- (a) consider lending to most South Pacific DMCs on concessional terms, implementing flexibly the general criteria set out for this purpose;
- (b) basically help to develop the productive capabilities of South Pacific DMCs with priority to fisheries and forestry projects;
- (c) support the main rural development thrust on the basis of less sophisticated approaches and technologies; and
- (d) pay particular regard to the respective size and potential of the various South Pacific DMCs in order to be able to assist different countries in different ways.

Recognizing that the smaller South Pacific DMCs (as well as Maldives) would usually have smaller projects, the Bank is prepared to consider multi-project loans for "packages" of public sector projects in these countries, which may be from more than one sector. A further review of these policies relating to Bank operations in South Pacific DMCs will be undertaken after three years.

Forestry Development

Forests play an important role in the region in the control of siltation of rivers and reservoirs, the conservation of soil and the maintenance of agriculture, as well as in the provision of essential materials. In August 1978, the Bank considered a paper on the role of forestry and forest industries in the socio-economic development of the region. It was decided that future strategy for Bank involvement in this field should relate to the rational utilization of existing resources and the establishment of new production bases.

Much of the forest depletion in the region is the result of population growth, coupled with static agricultural technologies and inadequate land tenure systems. The

strategy for forestry development in future emphasizes rural development and the integration of forestry with other land uses; it also gives due attention to the development and improvement of relevant local institutions and stresses the environmental role of trees and woodlands. It is recognized that forestry provides a unique vehicle for development in many DMCs.

Mineral Development

Most DMCs of the Bank are known to have substantial mineral resources which have yet to be thoroughly exploited. These resources could provide a source of much needed foreign exchange earnings or savings, either through exports or import substitution of such minerals.

The Bank decided during the year that it could perform a useful role in assisting DMCs to intensify their efforts to exploit their potential non-fuel mineral and coal resources by providing: (i) technical assistance loans and grants for surveys and economic evaluations of discovered mineral reserves; and (ii) "seed" capital financing for the development of facilities for mining and beneficiation of minerals and related infrastructural development.

It was considered that the Bank's involvement in activities related to petroleum exploration, prospecting, production and marketing would not be appropriate. The oil-producing DMCs have been highly successful in attracting foreign private capital and expertise from trans-national oil

PROTOTYPES of educational equipment to be manufactured and evaluated in Bangladesh under a Bank Project. Aimed at facilitating and promoting better teaching methods, the Project resulted from an earlier technical assistance grant.



companies to help them develop their petroleum resources, and such cooperation could be expected to continue in the future. However, Bank assistance for the rehabilitation and/or expansion of existing petroleum production facilities could be considered favorably, in the event that financing for such projects is not available from other sources on reasonable terms.

Special efforts will also be made by the Bank to develop the institutional capability and facilities in DMCs for carrying out geological surveys and mineral exploration programs to help to discover new reserves. The Bank is currently making appropriate organizational and staffing arrangements to implement the decision to extend assistance to DMCs for the development of non-fuel minerals and coal resources, and for projects involving the rehabilitation and/or expansion of existing petroleum production facilities. The Bank will cooperate with other aid agencies and with prospective investors to increase the flow of capital and technical assistance to its DMCs for the development of their mineral resources in future.

Policies under Review

A detailed review of the Guidelines on Uses of Consultants was completed during the year. Various recommended changes in the Guidelines, including the greater use of consultants from DMCs and local consultants in future, have been approved by the Board of Directors. Revised guidelines will accordingly be issued during 1979.

At the end of 1978, papers on a number of other policy issues — including Domestic Procurement, Local Currency Financing, Co-Financing and a sector paper on Agriculture and Rural Development — had been circulated for consideration by the Board early in 1979.

Inter-Agency Cooperation

The Bank continued to maintain close contacts with other institutions interested in the economic development of the Asian and Pacific region. Institutional arrangements for cooperation were concluded during the year with IFAD. Moreover, the cooperation with EEC and the OPEC Special Fund was strengthened, leading to the implementation of arrangements for co-financing of various projects in certain DMCs. A close working relationship continued with the World Bank and UNDP, and also other international agencies such as FAO, WHO and ILO.

Regional Development Banks

The annual consultation meeting between the Presidents of the African Development Bank, the Asian Development Bank and the Inter-American Development Bank was held in Washington, D.C. in September. This meeting was also attended by representatives of six other International Institutions — the Arab Fund for Economic and Social Development, EEC, the European Investment Bank, IFAD, the Islamic Development Bank and the OPEC Special Fund. The World Bank was also represented. Views were exchanged on various financial and economic problems faced by developing countries, and on operational aspects of common interest to the institutions.

World Bank Group

The Bank and the World Bank continued to cooperate closely through frequent visits of officials, exchanges of in-



RICE Genetics Resources Laboratory at the International Rice Research Institute, Los Baños, Philippines, one of the agricultural research institutions supported by the Bank.

formation on operational activities and the coordination of their respective economic development activities in particular DMCs. The World Bank co-financed two projects with the Bank, namely, the Second Manila Water Supply Project in the Philippines and the Second Power Transmission Project in Fiji, involving a total of \$100.6 million.

The Bank was represented in an observer capacity at the Annual Meetings of the IMF-World Bank Group in Washington, D.C., in September. The World Bank was also represented by observers at the Annual Meeting of the Bank held in Vienna in April. The President of the Bank attended the meeting of the Development Committee of the IMF-World Bank in Washington in September. In addition, the Bank was represented at four other meetings of the Development Committee held during the year. The Bank also participated in the aid coordination meetings held during the year under the auspices of the World Bank for Bangladesh, Burma, Republic of Korea, Nepal, Pakistan, Philippines, Sri Lanka and Thailand.

International Fund for Agricultural Development

Close cooperation and consultations between IFAD, established in 1977, and the Bank were maintained in 1978. The Bank was represented at the sessions of the Preparatory Commission for IFAD, as well as its Governing Council. The Bank also assisted IFAD in various ways during the preparatory stages, including assistance by way of secondment of a staff member to the Preparatory Commission. A draft Cooperation Agreement between IFAD and the Bank was drawn up in 1977 and potential projects suitable for early IFAD financing were discussed.

Following the approval of the Cooperation Agreement with IFAD by the Board of Governors of the Bank in April, these co-financing arrangements have been implemented. During 1978, IFAD provided a total of \$55 million for three Bank-financed projects — the Kirindi Oya Irrigation Project in Sri Lanka (\$12 million), the Pabna Irrigation and Rural Development Project in Bangladesh (\$30 million) and the Integrated Rural Development Project in Nepal (\$13 million).

OPEC Special Fund

Discussions for cooperation by the Bank with the OPEC Special Fund (OSF) were initiated in April 1977. The OSF operates with a minimum of administrative machinery and a maximum of collaboration with existing aid institutions both within and outside its member countries. Cooperation between OSF and the Bank started with the provision by the former of financing for cost overruns incurred on a number of Bank-financed projects.

In 1978, OSF co-financed five of the Bank's projects to the extent of \$32 million — the Pyinmana Integrated Sugar Project in Burma (\$6.5 million), the Second Tribhuvan International Airport Project (\$5 million) and the Sagarnath Forestry Project (\$3 million) in Nepal, the Tarbela Hydro-power Project in Pakistan (\$13 million) and the Laguna de Bay Fish Pen Development Project in the Philippines (\$4.5 million). In addition, the Bank prepared in 1978 a fisheries project in Viet Nam for exclusive financing by a loan of \$7 million from OSF; this project will be administered by the Bank. The comparable total for co-financing by OSF in 1977 was \$12.7 million.

United Nations Development Programme

The Bank continued its cooperation with UNDP in assisting DMCs with technical assistance for project preparation and advisory services. There were visits by UNDP officials to the Bank and also frequent consultations and exchanges of information between UNDP Headquarters and the Bank. In addition, Bank missions regularly called on UNDP Resident Representatives and staff in DMCs to exchange views on various projects.

The Bank was represented at the meeting of the UNDP Regional Bureau for Asia and the Pacific held at Colombo, the 25th Session of the UNDP Governing Council held in Geneva, and the meeting on Technical Cooperation Among Developing Countries held in Argentina.

During the year, the Bank agreed to act as Executing Agency in respect of four UNDP-financed technical assistance projects involving a total of \$1.7 million — the District Towns Water Supply Project in Bangladesh (\$230,000); the Applied Research Institutes Project in the Republic of Korea (\$860,000); the Forestry and Forest Industry Project in the Lao People's Democratic Republic (\$395,000); and the Kud Multipurpose Project in Thailand (\$200,000). Moreover, UNDP provided additional financing for the Jute Seed Project in Bangladesh (\$154,943), which was approved in 1976.

Food and Agriculture Organization

The Bank and the FAO cooperated in project preparatory technical assistance for three further projects in 1978. This brought the total to 12 since the Interim Arrangements for Cooperative Action with FAO were established in 1968. Discussions on improving these cooperative arrangements were held during the year, while the usual close contact with FAO was also maintained in other areas.

The three cooperative projects undertaken in 1978 involved a study of the fisheries sector in the Philippines and the preparation of a feasibility report on integrated development of the industry in future; a study of the fisheries sector in Indonesia and the preparation of a feasibility study on integrated fisheries development in Sumatra; and an in-depth examination of rural credit in Sri Lanka.

European Economic Community

Cooperation between EEC and the Bank began in 1976, when EEC allocated a grant equivalent to \$1.9 million to finance Bank-executed programs of technical assistance in certain DMCs. Under the financing arrangement with EEC approved by the Bank in December 1976, eight technical assistance projects totalling \$1.71 million have been financed by EEC on a grant basis.

In 1977, EEC allocated in its aid budget the equivalent of \$10 million for co-financing of five projects in selected DMCs. Two of the Bank's projects involving EEC co-financing totalling \$5.6 million were approved in 1977 and three projects involving EEC co-financing of \$4.4 million were approved in 1978. In addition, EEC allocated \$0.45 million for technical assistance programs to be executed by the Bank. EEC agreed to provide co-financing of three more of the Bank's projects and the financing of various technical assistance programs, totalling \$12 million under EEC's aid budget for 1978.

Brandt Commission

The Brandt Commission (officially named the Independent Commission on International Development Issues) was formed towards the end of 1977 to study some of the serious problems confronting developing countries and the existing institutional framework for international cooperation. In response to a request by the Commission in May, the Bank made available to it the results of various studies undertaken by the Bank and of its experience as a regional development bank.

In the course of 1978, there were exchanges of views between staff members of the Bank and the Commission Secretariat through visits and correspondence. In response to an invitation from the Commission, the President of the Bank attended, in his personal capacity, the meeting of the Commission held in Kuala Lumpur during November and presented his views on regional economic cooperation.

World Food Council

The Fourth Session of the World Food Council (WFC), established by the World Food Conference in 1974, was held in Mexico City in June. Among the recommendations of the resulting "Mexico Declaration" was that developing countries should discuss the constraints which they face in increasing food production, and ways of overcoming them. Following this, the Bank was requested to initiate relevant consultations among developing countries in the Asian region. To this end, the Bank has agreed to co-sponsor, with WFC, a meeting of its DMCs, to which developed member countries will be invited to attend as observers.

Other International Organizations

Cooperation with the World Health Organization (WHO) continued through informal meetings and regular exchanges of information. In March, there was an ADB-WHO meeting with the objective of exchanging information on various matters of mutual interest, and in particular on health sector projects being assisted by the two institutions. Bank missions also had discussions with WHO regional offices and experts in pursuing their respective operational activities.

The Bank took advantage of opportunities to meet with senior officials of the International Labour Organisation



METROPOLITAN Water Intake Project in Seoul, Republic of Korea, which has a capacity of 1.2 million metric tons per day to meet the growing demand for water in the metropolitan area.

(ILO) and to exchange information with them on the possibilities of closer Bank-ILO cooperation in certain activities. The technical assistance provided by the Bank for the Regional Seminar on the Application of Appropriate Technology in Forestry and Forest Industries was organized in collaboration with ILO.

There was continuing cooperation, including staff visits and exchanges of information, between the Bank and other international organizations, such as UNESCO, UNICEF, the United Nations Capital Development Fund and the Mekong Committee during the year. The Bank maintained close cooperation with the Economic and Social Commission for Asia and the Pacific and some of the ESCAP conferences and meetings were attended by Bank staff. Thus the Bank was represented at the 34th Session of ESCAP held in Bangkok in March; at the 2nd Regional Preparatory Meeting for the United Nations Conference on Science and Technology for Development held in Bangkok in July; and at the 3rd session of the ESCAP Committee on Statistics held in Bangkok in October. It was also represented at the Inter-governmental Planning Bureaux for Participation of Development Banks in the Establishment of Regional Industries, held in Bangkok in November. An officer deputed by the Bank to ESCAP in 1977 continued to work as a member of the Inter-Agency Task Force on Integrated Rural Development.

Loan and Technical Assistance Approvals in 1978¹

Afghanistan, Democratic Republic of LOAN

Seraj Agricultural Development: \$1.45 million technical assistance loan from Special Funds for the preparation of a comprehensive feasibility study to develop the Seraj area at the confluence of the Helmand and Arghandab rivers to increase agricultural production on 10,700 hectares of virtually uncropped land, and a further 8,200 hectares of partially irrigated land. The project, if feasible, will include preparation of tender designs, specifications and tender documents for construction financing (see technical assistance below).

TECHNICAL ASSISTANCE

Seraj Agricultural Development: \$150,000 for the preparation of a comprehensive feasibility study to develop the Seraj area at the confluence of the Helmand and Arghandab rivers to increase agricultural production on areas indicated in the loan project.

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.

Vocational Education: \$97,200 for the preparation of a plan for the establishment of secondary-level vocational schools in seven major provincial centers and the upgrading of the Vocational Teacher Educational Department at Kabul University.

Bangladesh

LOANS

Second Bangladesh Shilpa Bank: \$25 million from Special Funds to augment the foreign currency resources of the Bangladesh Shilpa Bank to enable it to meet the foreign exchange requirements of small-scale Industries and service enterprises in the private sector, and Industrial and service enterprises in the private and public sectors.

Educational Equipment Development: \$6 million from Special Funds to facilitate a greater supply of educational equipment to the schools in Bangladesh and thereby promote better teaching quality. The Project involves construction of integrated manufacturing facilities for design, and manufacture of pre-production batches of equipment and subsequent local contracting out for the manufacture of the bulk of the equipment.

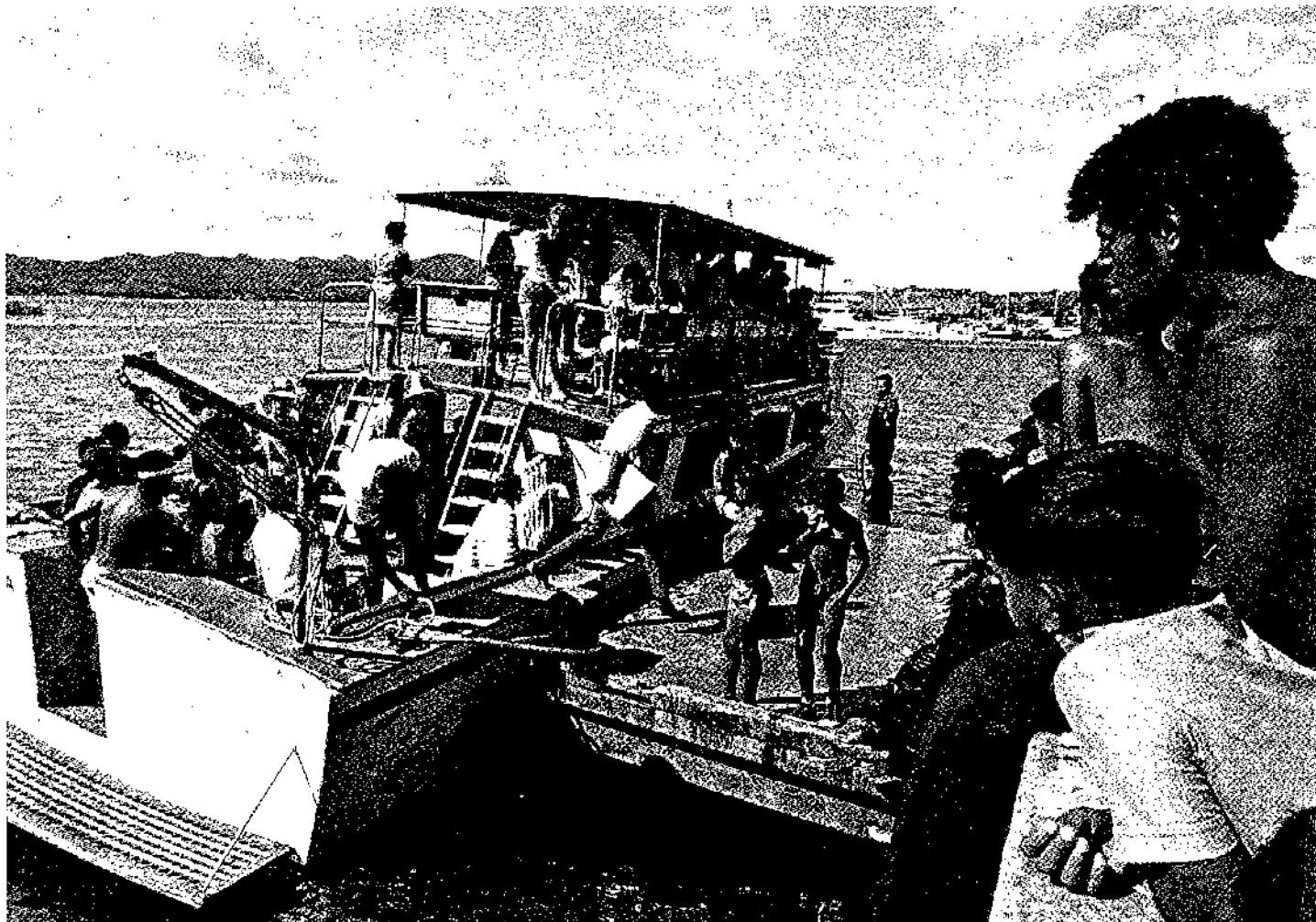
Livestock Services Development and Training: \$12.4 million from Special Funds. The main objectives of the Project are to reduce the incidence of animal diseases and to

increase livestock productivity in Bangladesh through improving livestock health, as well as to provide the necessary inputs, including the training of fieldstaff, to support the Directorate of Livestock Services and to develop it into an effective service unit.

Pabna Irrigation and Rural Development: \$38 million from Special Funds for the improvement of flood control, irrigation, drainage, roads, agricultural production and provision of marketing facilities in the densely populated Project area located about 125 km. northwest of Dacca in the districts of Pabna and Rajshahi. The Project will provide embankments and a major flood control/drainage network to protect the entire area of about 186,000 hectares, and irrigation as well as intensive agricultural and rural development for an area of about 29,000 hectares, selected for first phase development. The Project will also provide consulting services for the second phase development feasibility study. IFAD is providing co-financing amounting to \$30 million.

Low-Lift Pump Maintenance Program: \$8.9 million from Special Funds as a Program Loan for the procurement of pumps, spare parts, tools, repair, maintenance and transportation equipment to strengthen the pump installation and servicing operations of the Bangladesh Agricultural Development Corporation in the districts of Dacca Division. This is the Bank's first Program Loan.

TOURISTS enjoying a visit to Fiji. Tourist facilities in the country are being improved with a Bank subloan through the Fiji Development Bank.



TECHNICAL ASSISTANCE

Pilot Plants Processes Development Center: \$99,000 for preparing a detailed project proposal for the development of the Pilot Plants and Processes Development Center in Dacca, after a careful assessment of the functions and needs of the Bangladesh Council of Scientific and Industrial Research.

Study on Development of Pharmaceutical Industries: \$99,000 to examine the prospects for the economical production of fine chemicals and active pharmaceutical ingredients in Bangladesh.

Study on Development of Man-Made Fiber Industry: \$190,000 to examine the prospects for the economical production of polyester and polynotic fibers in Bangladesh.

Livestock Services Development and Training (Part A): \$200,000 for institution building of the Directorate of Livestock Services.

Livestock Services Development and Training (Part B): \$150,000 for the preparation of a project in the livestock sector.

Pabna Irrigation (Phase II): \$150,000 for provision of consultant services for a second phase development of the Project area, covering: (i) the preparation of an overall study of the area not irrigated under the Project, to recommend the appropriate area for a second phase development, and (ii) the preparation of a feasibility study of the second phase area for intensive agricultural and rural development.

District Towns Water Supply: \$580,000, including \$230,000 financed by UNDP, for the preparation of a project for the improvement of water supplies for five district towns (Comilla, Bogra, Barisal, Mymensingh and Jessore) up to the year 1990. In addition, the technical assistance is expected to help in establishing institutional arrangements and financial systems needed to promote systematic development of the water supply sector.

Burma

LOANS

Second Fisheries Development: \$26 million from Special Funds to develop offshore and coastal fisheries, including onshore facilities and collecting centers in Tenasserim Division and Rangoon area, as well as to develop inland fisheries resources. This will help meet the domestic demand for fish, and generate foreign exchange earnings through export of high-priced species. The EEC is providing co-financing amounting to \$1.12 million.

Pyinmana Integrated Sugar: \$31.5 million from Special Funds for the installation of a new sugar factory with a capacity of 1,500 tons of cane per day (TCD) in Pyinmana, Central Burma, construction of a storage dam and reservoir on Ngalak River, an irrigation network for about 8,000 hectares and provision of farm and feeder roads, workshop, laboratory facilities and workers' housing and water supply. The Project also includes rehabilitation of the existing sugar factory with a capacity of 1,500 TCD in Pyinmana, to be undertaken by the Government, with co-financing from the OPEC Special Fund amounting to \$6.5 million.

Rangoon Water Supply (Supplementary): \$7.96 million from Special Funds to meet part of the foreign exchange cost overrun on the Rangoon Water Supply Project approved in 1973, which aims to improve the supply system in Rangoon city by constructing earth dams, transmission pipelines and pumping stations. The OPEC Special Fund provided co-financing amounting to \$1.28 million in 1977 (see technical assistance below).

TECHNICAL ASSISTANCE

Second Rice Processing Industries: \$95,000 to formulate a project for construction and renovation of rice milling, rice storage and rice bran oil processing facilities in the country.

Rangoon Water Supply: \$142,000 for the study of Rangoon Water Supply system, including a tariff study, for preparation of a project for improvement of the distribution network which currently covers only 40 per cent of the city.

Fiji

LOAN

Second Power Project: \$16.2 million for the construction of a 132 kV transmission line and substations to interconnect the centers of Suva and Lautoka and the proposed Monasavu-Walloa Hydro-electric Scheme. A system control center for the Fiji power grid will also be constructed. The World Bank, the European Investment Bank and the U.K. Government are providing co-financing amounting to \$15.6 million, \$14.8 million and \$9.1 million, respectively.

TECHNICAL ASSISTANCE

Fiji Electricity Authority Tariff Study: \$70,000 technical assistance to the Fiji Electricity Authority (FEA) to review its long-range tariff policy and tariff structure, in light of the increasing financial burden which will be imposed on FEA as a result of the capital-intensive national power development program based on the exploitation of Fiji's hydropower potential.

Hong Kong

LOAN

Sha Tin Hospital-Polyclinic: \$19.5 million for the construction of a 1,400-bed hospital-polyclinic as well as clinical teaching facilities for students from the Medical School of the Chinese University. The Project will serve as a core medical facility for the new-town population of the New Territories.

Indonesia

LOANS

Second Power Distribution: \$31.4 million for the rehabilitation and expansion of primary and secondary distribution network in West Java, involving the construction of single circuit 70 kV transmission line and 20 kV overhead lines and underground cables. In addition, new service connections will be provided to about 63,000 existing and 54,000 new customers.

Third Road: \$34 million for upgrading and improvement of about 420 kilometers of roads in East Java, for consultant services for the review and updating of earlier feasibility studies.



JET airliner landing at Tribhuvan International Airport in Kathmandu, Nepal, which is being expanded and improved with Bank assistance to meet increasing air traffic needs.

ty studies for certain road sections, and the preparation of preliminary and detailed engineering designs for selected roads in Central Java and three provinces in Kalimantan.

Bali Irrigation: \$18 million for a rural development project consisting of the construction and improvement of irrigation and related facilities on 11,630 hectares, development of access and rural roads, the establishment of a pilot soil conservation scheme, a coconut stemwood utilization scheme, watershed rehabilitation and the provision of rural water supplies. It includes technical assistance for feasibility studies for a future irrigation and agricultural development project on 24,600 hectares, water supply facilities and preparation of a project for small-scale industries and handicrafts (see technical assistance on page 53).

Domestic Airports: \$1.3 million technical assistance loan for feasibility studies, master planning and detailed engineering designs for seven domestic airports at Medan, Palembang, Semarang, Pontianak, Balikpapan, Sorong and Jayapura (see technical assistance on page 53).

Senior Technical Schools: \$24 million from Special Funds for the upgrading and rehabilitation of 17 Senior Technical Schools In Indonesia and for the establishment of a regional Technical Teachers' Upgrading Centre at

Medan. The project involves site development, construction of new or rehabilitation of existing school buildings, including classrooms, workshops and laboratories and the provision of furniture, equipment and teaching materials.

Ujung Pandang II Power: \$26 million for the installation of two 12 MW diesel generating units at Ujung Pandang in South Sulawesi, construction of a 70/150 kV substation, construction of 70 kV double circuit transmission line, construction of 48 kilometers of 20 kV and 100 kilometers of low voltage lines and provision of 80 distribution transformers. Also provided are consultant services for detailed designs and assistance for supervision of construction and training of personnel. The Project also involves detailed engineering designs for Tanggarl I Hydropower Project in Minahasa area in North Sulawesi.

Teluk Lada Area Development (Phase II): \$3.41 million technical assistance loan for a feasibility study, detailed engineering designs and tender documents for an irrigation-oriented area development project covering about 25,100 hectares comprising the Ciliman-Cilemer Scheme (12,100 hectares) and the Cibaliung Scheme (13,000 hectares), both in Banten area in West Java (see technical assistance on page 53).

Fifth Port: \$26.3 million for the rehabilitation and expansion of port facilities at Belawan, involving dredging and reclamation works, construction of road embankments and a quay, paving of roads and port areas, provision of utility services, construction of transit sheds and other supporting facilities, with the provision of tugboats, pilot boats and cargo handling equipment. The project includes a feasibility study and project preparation for Phase II development of the Port and a port operational improvement study. The Federal Republic of Germany is providing \$40.39 million for co-financing (see technical assistance below.)

Southeast Sulawesi Transmigration and Area Development: \$34.3 million for an integrated area development project in Southeast Sulawesi, involving the establishment of new transmigrant irrigated settlements, improvements to the infrastructure in existing settlements and local villages, improvements to rural roads, strengthening agricultural supporting services and studies for future development of high priority areas in the province. EEC is providing \$3.62 million for co-financing, in addition to \$2.37 million for technical assistance; the Islamic Development Bank is also providing \$10 million for co-financing (see technical assistance which follows).

TECHNICAL ASSISTANCE

Sumatra Fisheries Development: \$98,000 for consultant services for a comprehensive study of the fisheries sector in the Sumatra region and a feasibility study of an integrated fisheries development project in Sumatra.

Bali Irrigation (Phase II): \$150,000 for feasibility studies for a future irrigation and agricultural development project, rural water supply facilities and preparation of a small scale industries component.

Domestic Airports: \$150,000 for feasibility studies, master planning and detailed engineering designs for seven domestic airports.

Teluk Lada Area Development (Phase II): \$150,000 for a feasibility study and detailed engineering design for two irrigation schemes under Teluk Lada Area Development (Phase II) in Banten area, West Java.

Livestock Development: \$190,000 to be financed by EEC¹ with the Bank acting as Executing Agency, for consultant services to conduct a feasibility study for increased livestock production, principally from cattle and buffalo in selected areas in North Sumatra or South Kalimantan, and to provide support services in the Project area.

Semarang Groundwater Investigation and Development: \$210,000 for consultant services for the investigation and exploration of groundwater potential in the Kali Gareng and adjacent river basins as a source of water supply for Semarang in Central Java. The work includes project preparation for development of selected well-fields in the area.

Belawan Port Study (Phase II): \$150,000 for a feasibility study for Phase II development of the Belawan Port.

University of North Sumatra: \$246,000 for preparing a project for the upgrading and development of Agriculture, Technology, Natural Sciences, Medicine and Economics faculties at the University of North Sumatra at Medan.

Southeast Sulawesi Transmigration and Area Development: \$2,370,000 to be financed by EEC¹ with the Bank acting as Executing Agency, for feasibility studies for future settlement areas in Southeast Sulawesi.

Korea, Republic of LOANS

Fifth Korea Development Bank: \$50 million as a fifth credit line to the Korea Development Bank for augmenting its foreign exchange resources to enable it to meet the medium and long-term credit requirements of private industrial enterprises.

Applied Research Institutes: \$33 million for the expansion of facilities and strengthening of the institutional structure of five research institutes, through provision of laboratory equipment for research and development, consultant services and overseas training of technical staff. The five institutes financed by the loan are (1) Korea Standards Research Institute, (2) Korea Institute of Machinery and Metals, (3) Korea Research Institute of Ships, (4) Korea Institute of Energy Conservation and (5) Korea Ocean Research and Development Institute.

Mineral Resources Development: \$8 million for the expansion of facilities and institutional strengthening of the Korea Research Institute of Geoscience and Mineral Resources, through provision of machinery and equipment for mineral resources data collection and various research activities, and consultant services and training of technical staff.

Fifth Small and Medium Industry Bank: \$40 million as a fifth credit line to the Small and Medium Industry Bank for augmenting its foreign exchange resources to enable it to meet the medium and long-term foreign exchange requirements of small and medium scale industries in the private sector.

Second Fisheries Development: \$19 million to replace obsolete fishing vessels with different types of new vessels and provide training vessels for fishermen, and to provide a fisheries port and fishing base for exploitation of Korea's offshore resources, so as to help meet the increasing domestic demand for fish and contribute to the improvement of fishermen's incomes as well as increase foreign exchange earnings through exports.

TECHNICAL ASSISTANCE

Study on Small-Scale Industries: \$97,000 to review the existing structure, problems, policies and prospects of both the small and medium industrial establishments in the Republic of Korea, and to make recommendations for any action which might be called for, in considering the long-term prospects of small-scale industries, within the industrial structure of the country.

¹ EEC funds will be utilized for financing consultants if they are from eligible sources.

Incheon Port (Phase II): \$150,000 to develop a plan for the future development of Incheon Port and to determine the investments necessary to meet the forecast traffic demand on the port through the year 1990.

Applied Research Institutes: \$860,000 to be financed by UNDP to meet part of the cost of consulting services and overseas training of personnel for the five Applied Research Institutes.

Lao People's Democratic Republic

LOAN

Forestry Development: \$8 million from Special Funds for rehabilitation of the Lao Plymill, establishment of a new sawmill, construction of forest roads, rehabilitation of logging and transport equipment, installation of facilities for economic utilization of wood residues, provision of buildings and equipment for plant and machine maintenance, and development of forest nurseries for reforestation purposes.

TECHNICAL ASSISTANCE

Forestry Development: \$395,000 financed by UNDP with the Bank acting as Executing Agency, to provide assistance in project implementation, training of local staff, development of skills and the organization of operations.

Vientiane Plain Rural Electrification: \$140,000 for the preparation of a comprehensive rural electrification program for the Vientiane Plain, utilizing low-cost energy available from the nearby Nam Ngum Hydropower Plant and the formulation of a first phase Project for priority implementation.

Malaysia

LOANS

Trengganu Tengah Township Development: \$16 million for the provision of settlement-related infrastructure in a regional land development scheme covering an area of about 1 million acres in the State of Trengganu on the east coast of Peninsular Malaysia. The Project includes the construction of town development works, water supply systems and low-cost housing in five new towns, as well as the provision of services of professional staff for strengthening the Trengganu Tengah Development Authority.

Johor, Perak and Trengganu Water Supply: \$31.74 million for the expansion of the water supply and distribution systems for the following towns and surrounding rural areas: Johor Bahru in the State of Johor; Dinding, Krian, Larut dan Malang and Kuala Kangsar in the State of Perak; and Kuala Trengganu in the State of Trengganu. The Project will meet the projected demands in the various areas up to 1988-1991 and is an integral part of the national water supply development program.

Trengganu Hydropower: \$45.4 million to finance part of the foreign exchange costs of the main dam and associated structures in a 400MW power project in the State of Trengganu on the east coast of Peninsular Malaysia, and to finance the foreign exchange cost of a panel of experts to monitor project implementation.

Australia, Japan and Kuwait are providing co-financing amounting to \$4.5 million, \$12 million and \$20 million, respectively; additional co-financing is still required.

TECHNICAL ASSISTANCE

Kemasin-Semerak Integrated Rural Development: \$350,000 for the preparation of a feasibility study for an integrated rural development project covering drainage, irrigation and flood control, agricultural extension services, development of livestock, aquaculture and agro-based industries, and provision of social infrastructure, in the State of Kelantan on the east coast of Peninsular Malaysia.

Nepal

LOANS

Integrated Rural Development: \$14 million from Special Funds to finance a portion of foreign exchange costs and a portion of the local currency expenditures on the construction of certain infrastructure components, for agriculture and industrial development, environmental protection, social services, project monitoring and training, and consultant services for project implementation. EEC and IFAD are providing co-financing amounting to \$3.75 million and \$13 million, respectively (see technical assistance below).

Second Tribhuvan International Airport: \$11 million from Special Funds to finance (i) a portion of the foreign exchange costs of civil works, buildings and consultant services for supervision of construction and for financial and management aspects; and (ii) a portion of the local currency expenditures required for civil works and building. The OPEC Special Fund is also providing co-financing amounting to \$5 million.

TECHNICAL ASSISTANCE

Livestock Development: \$230,000 to formulate a Livestock Development Project, with particular emphasis on promotion of milk production in the Terai area of the Janakpur Zone and the Banke and Bhardia Districts of the Bheri Zone, and development of vaccine production, strengthening of veterinary services, and the improvement of training facilities at national level.

Integrated Rural Development: \$200,000 for consultant services for project monitoring.

Second Integrated Rural Development: \$350,000 to be financed by EEC¹ with the Bank acting as Executing Agency, for the preparation of a Second Integrated Rural Development Project.

Pakistan

LOANS

D.G. Khan Cement: \$51.5 million from Special Funds for the installation of a dry-process cement plant of 2,000 metric tons per day or 600,000 tons per year capacity in the D.G. Khan District in the Province of Punjab. The proposed plant will produce ordinary Portland cement to help meet domestic demand.

¹ EEC funds will be utilized for financing consultants if they are from eligible sources.

Pipri Thermal Generation: \$35 million from Special Funds and \$25 million from ordinary capital resources to finance a part of the foreign exchange cost of constructing a thermal generating station at Pipri, east of Karachi, by the Karachi Electric Supply Corporation Limited. The Project includes the first 200 MW generating unit, and transmission and substation facilities to interconnect the generating station with the Karachi grid. France is providing co-financing amounting to \$30.8 million, \$15.4 million is available from export credit and \$92 million from Saudi Arabia.

Automotive Components Manufacturing: \$32.1 million for the modernization and expansion of facilities for the production of automotive components, comprising a tool and die shop, a press shop, a wheel-rim manufacturing shop and a foundry.

TECHNICAL ASSISTANCE

Baluchistan Livestock Development: \$220,000 for a detailed feasibility study and the formulation of an integrated livestock development project in the Province of Baluchistan.

Second Fisheries Development: \$350,000 to be financed by EEC¹ with the Bank acting as Executing Agency for a feasibility study to formulate a second fisheries development project, including construction of a new fisheries port in Karachi, mechanization of coastal/artisanal fisheries, introduction of new fishing techniques, establishment of on-shore and marketing facilities, and development of inland fisheries.

Papua New Guinea

LOANS

Second Papua New Guinea Development Bank: \$7 million from Special Funds as a second line of credit to augment the foreign currency requirements of the Papua New Guinea Development Bank, to enable it to meet the medium and long-term credit requirements of its borrowers in small-scale industry, smallholder agricultural development and the small business sector.

Second Water Supply: \$6.4 million from Special Funds for the provision of comprehensive piped water supply facilities in the town of Madang for the first time. The Project includes the development of a ground water supply source capable of meeting expected demands up to 1986.

TECHNICAL ASSISTANCE

Project Planning and Implementation: \$238,000 for improving project selection and formulation as well as implementation of projects in the public sector, by training local personnel in Government departments and provincial offices.

Philippines

LOANS

Allah River Irrigation: \$23.5 million for the construction of irrigation and related facilities covering 21,000 hectares in the provinces of South Cotabato and Sultan Kudarat in Min-

danao, including provision for watershed management, pilot demonstration farms, rural water supply and health facilities, and consultant services for project implementation.

Second Manila Water Supply: \$49 million for the construction of additional water supply, treatment and distribution facilities which will fully utilize the existing combined capacity of the Metropolitan Waterworks and Sewerage System and meet Manila's basic water requirements up to 1985. The World Bank is providing co-financing amounting to \$85 million.

Second Agusan Irrigation: \$14 million from Special Funds for construction of additional irrigation and related facilities covering 8,000 hectares in the provinces of Agusan del Norte and Agusan del Sur in Mindanao. The Project also includes land development, establishment of three pilot demonstration farms, rural water supply, health service facilities (including a schistosomiasis control program) and consultant services for project implementation.

JADE products manufactured at a factory in Mariveles, Philippines, set up with Bank assistance, channelled through the Development Bank of the Philippines.



¹EEC funds will be utilized for financing consultants if they are from eligible sources.

Laguna de Bay Fish Pen Development: \$9 million for (i) the development of fish pen modules covering 2,500 hectares in Laguna de Bay through the extension of sub-loans to small-scale fishermen to procure necessary materials, and (ii) the construction of a fish hatchery/nursery complex, provision of related equipment and introduction of a supportive marketing program. The OPEC Special Fund is providing co-financing amounting to \$4.5 million.

Mindanao Secondary and Feeder Roads: \$24 million for the improvement and upgrading of 558 kilometers of secondary and feeder roads in the provinces of Sultan Kudarat, Misamis Oriental, Agusan del Norte and South Cotabato in Northern and Southern Mindanao; assistance to four provincial governments on road maintenance programs; and consultant services for construction supervision, maintenance assistance and for Project coordination.

TECHNICAL ASSISTANCE

Malangas Coal Mine: \$114,000 for the preparation of a detailed feasibility study of, and the drawing up of a mining master plan for, the Malangas coalfield in Mindanao. Components include an in-depth analysis of mineable coal reserves, formulation of surface and underground exploration programs, preparation of an exploitation masterplan, fundamental engineering designs and equipment specifications, transportation and market analyses, and formulation of an organization plan.

Fisheries Development: \$93,000 for (i) a general study of the fishery sector in the Philippines, including the identification of specific investment projects and their relative priorities, and (ii) the preparation of a detailed feasibility study for an integrated fisheries development project.

Singapore

LOAN

Kent Ridge Hospital-Polyclinic: \$19 million for the construction of Phase I of a general hospital with a capacity of 485 beds, including associated specialist clinics, centralized support facilities and teaching facilities for the Medical School at the University of Singapore. The Project involves site development, buildings and building services, external works such as roads and drainage, and the provision of medical and hospital equipment.

Solomon Islands

TECHNICAL ASSISTANCE

Second National Development Plan: \$95,000 to finance the cost of engaging three consultants to assist the Government in the preparation of the Second National Development Plan (1980-1984), which is currently being formulated by the Central Planning Office in association with concerned ministries and agencies.

Forestry Development: \$81,000 for the preparation of the first phase investment program covering plantation establishment on 5,000 hectares of Government-owned land in the immediate wake of licensed logging at Viru Kalena. The technical assistance will cover (i) project preparation for a 10-year plantation establishment program following systematic logging; (ii) preparation of a detailed plan for roading within the area, salvage logging in the previously cut-over forest and consideration of selective



WORKER in an aluminum factory in Thailand, financed with a Bank subloan through the Industrial Finance Corporation of Thailand.

felling within established plantations and (iii) consideration of the development of primary processing, and an estimation of cost for each component.

Sri Lanka, Democratic Socialist Republic of LOAN

Sevanagala Sugar Development: \$33.9 million from Special Funds for the development of about 9,000 hectares of land for sugar cane plantation on the left bank of Walawe River, about 160 kilometers southeast of Colombo, construction of irrigation network, and installation of a sugar factory of 2,000 tons of cane per day capacity. The Project includes provision of agricultural development, supporting services and facilities, roads and buildings. It also includes assistance to the Sri Lanka Sugar Corporation in overall organizational improvements (see technical assistance below).

TECHNICAL ASSISTANCE

Rural Credit: \$91,200 for an in-depth examination of the rural credit system in all its aspects, and the formulation of a rural credit project covering a number of carefully selected areas.

Sevanagala Sugar Development: \$205,000, in conjunction with the loan for the Sevanagala Sugar Development Project, to assist the Sri Lanka Sugar Corporation in making overall organizational improvements.

Thailand

LOANS

Songkhla and Phuket Ports: \$1.5 million technical assistance loan to finance engineering services for de-

talled site investigations, master plans and detailed designs and tender documents for the development of two major deep-sea ports at Songkhla and Phuket in southern Thailand.

Fourth Industrial Finance Corporation of Thailand: \$30 million as a fourth line of credit to augment the foreign exchange resources of the Industrial Finance Corporation of Thailand for relending to private industrial establishments.

Fourth Power Distribution: \$33.7 million to the Metropolitan Electricity Authority (MEA) to construct substations and distribution lines for expanding the capacity and improving the reliability of Bangkok's distribution system, and extending MEA's service area to the heavily populated districts outside the city.

Fourth Power Transmission: \$36.5 million to the Electricity Generating Authority of Thailand to finance the construction of two main 230 KV transmission lines to provide power to the northeastern region from hydro-electric and lignite-fired power plants in the north.

Kud Multipurpose: \$1.38 million technical assistance loan for updating existing feasibility studies, preparation of detailed designs and tender documents and training of local staff for a project envisaging improvement of three existing irrigation systems serving an area of 41,000 hectares, and installing a power house with generation capacity of 100 MW in the northern region of Thailand (see technical assistance which follows).

Aquaculture Development: \$14 million from Special Funds for upgrading of existing shrimp/fish ponds, development of 2,000 hectares of swamp land into small shrimp/fish ponds, setting up two pilot hatcheries, establishment of 3,000 Pangasius fish cages and development of 1,000 hectares of land into small integrated farms in various parts of Thailand to increase fish and shrimp production through aquaculture. EEC is providing co-financing amounting to \$1.01 million (see technical assistance which follows).

Third Highway: \$40 million from ordinary capital resources for improvement of 410 kilometers of nine provincial roads located in the north, northeast and central regions of Thailand, reconstruction of original two-lane carriage-way of the national highway between Bang Na and Bang Pakong (Route 34), together with associated consultant services for construction supervision, and consultant services for a feasibility study and detailed engineering designs for 61 provincial roads (see technical assistance which follows).

TECHNICAL ASSISTANCE

Southern Region Industrial Estate: \$99,600 for a comprehensive study to formulate a project for an industrial estate in the southern region of Thailand.

Kud Multipurpose: \$350,000, including \$200,000 financed by UNDP with the Bank acting as Executing Agency, to update existing feasibility studies and prepare detailed designs and tender documents for multipurpose dams in the northern region of Thailand.

Aquaculture Development II: \$110,000 to finance the foreign exchange costs of a feasibility study for a second aquaculture project.

Third Highway: \$150,000 to finance part of the consultant services required for the preparation of a feasibility study of the 61 provincial roads included in the Third Highway Project.

Tonga

LOAN

Tonga Development Bank: \$1.5 million from Special Funds to augment the foreign currency resources of the Tonga Development Bank, to enable it to meet medium and long-term credit requirements for development projects (see technical assistance below).

TECHNICAL ASSISTANCE

Tonga Development Bank: \$88,000 for extension of the existing advisory technical assistance.

Viet Nam, Socialist Republic of

TECHNICAL ASSISTANCE

Saigon Water Distribution: \$70,000 to assist Government agencies involved in the earlier Project and to expedite procurement of equipment and materials to be financed out of the Bank loan.

Binh Dinh Irrigation, Go Cong Pioneer Agriculture and Tan An Integrated Agriculture: \$55,000 to assist Government agencies involved in the three earlier Projects and to expedite procurement of equipment and construction materials to be financed out of the respective Bank loans.

Western Samoa

LOAN

Third Development Bank of Western Samoa: \$4 million from Special Funds as a third line of credit to augment the foreign currency resources of the Development Bank of Western Samoa, to enable it to meet medium and long-term credit requirements for development projects.

TECHNICAL ASSISTANCE

Fourth Five-Year Development Plan Preparation: \$98,000 for the preparation of the Fourth Five-Year Development Plan to help the country in assessing its future potential and in identifying suitable action programs to meet established priorities.



ORDINARY CAPITAL RESOURCES AND FINANCIAL MANAGEMENT

Capital

AS OF 31 December 1978 the authorized capital stock of the Bank was \$9,406.9 million (SDR 7,220.6 million). The subscribed capital was \$8,740.8 million (SDR 6,709.3 million), consisting of \$6,986.6 million (SDR 5,362.8 million) in callable capital and \$1,754.2 million (SDR 1,346.5 million) in paid-in capital. The subscribed capital was increased during the year by \$1,223.3 million (SDR 939 million) on account of (i) a subscription of \$0.4 million (SDR 0.3 million) by the Republic of Maldives as a new member, (ii) a subscription of \$14.3 million (SDR 11 million) to a special capital increase by Switzerland and (iii) the subscriptions of \$1,208.6 million (SDR 927.7 million) by 11 members under the second general capital increase.

Increase in Capital Stock

Resolution No. 104¹ of the Board of Governors provided that subscriptions under the second general capital increase² be made not later than 31 March 1978 and that the first instalments of subscriptions to paid-in shares be paid on or before 31 March 1978. It was also provided in the Resolution that, at the request of a member, the Board of Directors may allow that member up to a further month (i.e., until 30 April 1978) to make its subscription, and up to a further three months after 31 March in the relevant year for payment of any instalment by that member. Acting pursuant to these powers, the Board of Directors extended the final date for subscriptions to 30 April 1978, and the final date for payment of the first instalments of subscriptions to paid-in shares to 30 June 1978.

Subsequently, by Resolution No. 120³ of the Board of Governors, the final date for subscriptions was extended to 30 April 1979. The Resolution also laid down that any member subscribing to the second general capital increase after that date shall pay the first instalment of its subscription to paid-in shares within three months after the date of such subscription, and the second, third and fourth instalments on the first, second and third anniversaries, respectively, of the date of payment of the first instalment.

During the year, subscriptions amounting to \$1,208.6 million (SDR 927.7 million) were received under the second general capital increase. Ten members subscribed to their

full share entitlements, while one member made a partial subscription. As a result, aggregate subscriptions under the second general capital increase amounted to \$4,742.5 million (SDR 3,640.2 million) at the end of the year.

Valuation of Capital

The capital stock of the Bank is defined in Article 4, paragraph 1, of the Articles of Agreement as being "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 yet taken a decision on the matter.

Pending such a decision, the Bank's capital stock has been valued for purposes of the accompanying 1978 financial statements in terms of the Special Drawing Right (SDR), on the basis that each share has the value of SDR 10,000, and is expressed in current United States dollars on the basis of the rate for the SDR as of 31 December 1978, as computed by the IMF.

Borrowings

During the year, six borrowings amounting to the equivalent of \$390.1 million were undertaken by the Bank, including the Bank's first public offering in the external yen market. The terms obtained on borrowings in 1978 continued to improve, reflecting not only the favorable market conditions but also the fact that the Bank's name and sound financial position are now well accepted in major capital markets.

Borrowings made during the year were as follows:

15-YEAR SWISS FRANC PUBLIC BOND ISSUE

In January, the Bank offered a public issue of SwF80 million of bonds in Switzerland at a coupon rate of 4.25 per cent per annum payable annually with an issue price of

1. Adopted on 20 October 1976.

2. The second general increase became effective on 30 September 1977.

3. Adopted on 12 May 1978.

99.50 per cent and a final maturity of 15 years. This was the Bank's fourth public issue on the Swiss capital market. The bonds are listed on the stock exchanges of Zurich, Basle, Geneva, Lausanne and Berne.

TWO-YEAR UNITED STATES DOLLAR BONDS

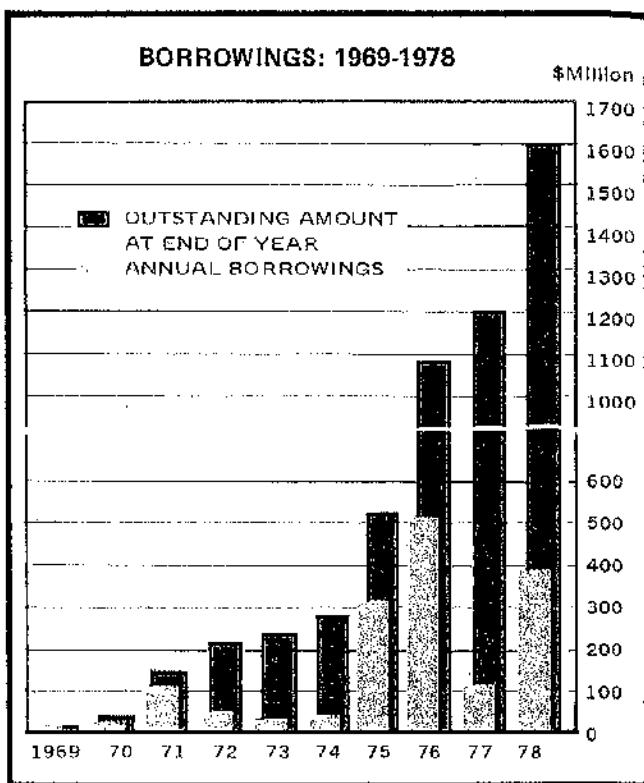
Two-Year Bonds of 1978 totalling \$70 million, issued at par with an interest rate of 7.80 per cent per annum payable semi-annually, were placed in April with central banks and monetary authorities of 26 member countries. The aggregate principal amount of the bonds represents an increase of \$20 million over that of the Two-Year Bonds of 1976 which matured on 1 April 1978.

TEN-YEAR DEUTSCHE MARK PUBLIC ISSUE

Also in April, DM100 million of bonds were offered publicly in the Federal Republic of Germany with an interest rate of 5.50 per cent per annum payable annually, a full maturity of ten years, and an issue price of 99.75 per cent. This was the Bank's fourth public issue in the German capital market. The bonds are listed on the stock exchanges of Frankfurt and Duesseldorf.

JAPANESE YEN BONDS - FIFTH SERIES

In May, the Bank offered its fifth yen bond issue in Japan totalling ¥15 billion, with a final maturity of 15 years, a



BORROWINGS IN 1978

Countries	Issue	Amount in Currency of Borrowing (million)	US\$ Equivalent ¹ (million)
Germany, Federal Republic of	5½% 10-Year Bonds due 1988	DM 100	54.7
Japan	6.30% 15-Year Bonds due 1993 (Fifth Series)	¥ 15,000	77.1
Switzerland	4¼% 15-Year Bonds due 1993	SwF 80	49.5
	4¾% 10-Year Notes due 1988	SwF 100	61.8
Central Banks/ Monetary Authorities	7.8% 2-Year Bonds due 1980	US\$ 70	70.0
International ²	5.75% 10-Year Bonds due 1988	¥ 15,000	77.1
	TOTAL		390.1³

1 US dollar equivalents are based on the exchange rates used by the Bank on 31 December 1978.

2 International capital markets outside Japan and the United States.

3 Total does not tally due to rounding.

coupon rate of 6.30 per cent per annum payable semi-annually and an issue price of 99.75 per cent. The bonds, which are listed on the stock exchanges of Tokyo, Osaka and Nagoya, are redeemable in nine equal instalments of ¥900 million from 1984 through 1992, with a final instalment of ¥6.9 billion in 1993.

PRIVATE PLACEMENT IN SWISS FRANCS

In July, notes amounting to SwF100 million were placed privately in Switzerland. The notes, which have a full maturity of ten years, were issued at par and have an interest rate of 4.375 per cent per annum payable annually.

EXTERNAL YEN BOND ISSUE

The Bank's first external yen bond issue in International capital markets outside Japan and the United States was offered in September. The issue, which was for an amount of Y15 billion, was made at par with a coupon rate of 5.75 per cent per annum payable annually and a full maturity of ten years. The bonds are listed on the stock exchanges of Luxembourg and Singapore.

Bond Redemptions

During the year, three earlier issues totalling US\$130.7 million were fully redeemed, of which \$50 million was in respect of US dollar two-year bonds and \$80.7 million was in respect of Japanese yen borrowings.

Review of Financial Policies

The annual review of the Bank's financial policies took place early in 1978. The review related to the Bank's lending program from ordinary capital resources during the period 1978-1981, its broad financial objectives and key financial indicators, its liquidity policy and future borrowing program and its lending rate. The lending program for 1978-1981 was increased from \$3,250 million to \$3,450 million and the level of new loan commitments in 1978 was set at \$750 million. Subject to annual review, this was to increase by \$75 million per annum in succeeding years. The liquidity policy was modified slightly to reduce the projected liquidity requirements. Otherwise, the financial objectives and key financial indicators of the Bank remained as approved in 1977.

Lending Rate

After a review of some approaches to determination of the lending rate, the Board of Directors concluded that, while the Bank's borrowing costs (to which a positive spread is added to cover its administrative expenses) provided a quantitative basis for arriving at the likely level at which the lending rate of the Bank could be held, the appropriate rate should finally depend on the impact of the lending rate so derived on the net income and the consequent build-up in the reserves of the Bank, and, ultimately, on the two decisive financial indicators, namely, the Interest Coverage Ratio and the Reserve: Loan Ratio. The rate chosen should be such that these indicators do not fall below the minimum acceptable levels.

Taking relevant factors into consideration, the Board decided that the lending rate of the Bank should be set at 7.65 per cent per annum with effect from 1 January 1978. This rate was later raised to 7.70 per cent per annum in the

second quarter of the year. In August 1978, the matter was reviewed again by the Board and it was decided that the lending rate should continue unchanged at 7.70 per cent per annum for the rest of the year.¹

Commitment Charge

Following a comprehensive review of the policy on the commitment charge early in 1978, the charge was raised from 0.45 per cent per annum to 0.75 per cent per annum.

Member Currencies

In line with past practice based on the decision taken by the Board of Directors on 31 August 1972, the Bank adopted (in the first quarter of 1978) new exchange rates in respect of the currencies of 16 member countries for translation in its accounts and for purposes of maintenance of value of such currencies held by the Bank. Most amounts receivable from or payable to member countries in respect of such maintenance of value obligations had been settled by the end of the year.

With the entry into force on 1 April 1978 of the Second Amendment to the Articles of Agreement of the IMF, further action on maintenance of value has been held in abeyance pending a decision on the valuation of the Bank's capital. Consequently, the new exchange rates adopted as from 1 April 1978 in respect of the currencies of 30 member countries have been used only for the purpose of translation in the Bank's accounts.

Loan Disbursements and Repayments

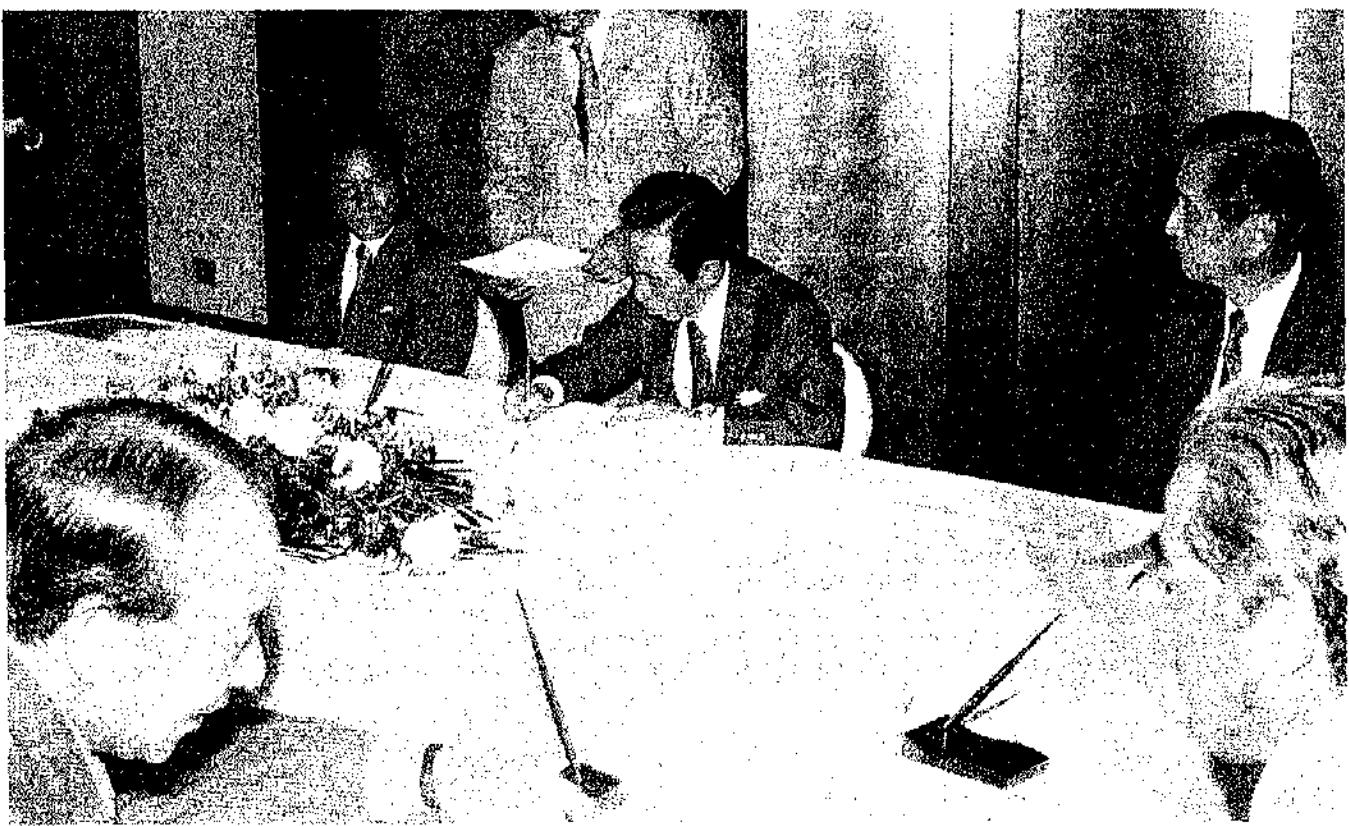
Loan disbursements from ordinary capital resources during the year amounted to \$295 million, bringing total disbursements from this source up to the end of 1978 to \$1,515 million. Loan repayments in 1978 totalled \$64.7 million, consisting of \$62.5 million on loans held by the Bank and \$2.2 million on portions of loans sold to participants. Cumulative loan repayments up to the end of 1978 reached \$196.5 million, consisting of \$183.7 million on loans held by the Bank and \$12.8 million on portions sold to participants.

Investments

At the end of the year the Bank's investments — held in 23 separate currencies — amounted to the equivalent of \$1,261 million, including investments and Special Reserve Fund Assets, of which 32.7 per cent was held in government securities and government-guaranteed obligations of member countries and 67.3 per cent in time deposits and certificates of deposit with banks in member countries and the Bank for International Settlements.

Of the total investments in government securities and government-guaranteed obligations of member countries, 60 per cent was invested in securities maturing within one year and 40 per cent in securities maturing after one year up to five years. Of the total investments in time deposits and certificates of deposit with banks in member countries and the Bank for International Settlements, 32.4 per cent was invested in deposits maturing within one year and 67.6 per cent in deposits maturing after one year up to five years.

1 The lending rate was reduced to 7.40 per cent per annum with effect from 1 January 1979.



SIGNING of documents in Tokyo in May of the public offering in Japan of ¥15 billion, 6.30% 15-Year Bonds due 1993 (Fifth Series).

Cost Sharing Between Ordinary Capital Resources and Special Funds

The formula for apportioning the Bank's administrative expenses between ordinary capital resources and Special Funds adopted in 1973 excluded certain items from the computation and apportioned the balance on the basis of the number and amounts of loans approved during the year from each of these resources. This formula was revised in 1978, because Special Funds operations were considered to have become a regular feature of the Bank's normal business, and the income earned on Special Funds was in a position to sustain the Administration Charge applicable to such operations. Under the current formula, the entire administrative expenses of the Bank are now apportioned on the basis of the number of loans approved during the year out of ordinary capital resources and Special Funds.

Income and Expenses¹

Gross Income of the Bank in 1978, before net gain from changes in the value of currencies, was \$213.2 million, an increase of \$44.6 million, or 26.4 per cent, on that for the preceding year.

Administrative Expenses, after deducting \$10.3 million attributable to Special Fund operations, were \$14.5 million. Services to Member Countries amounted to \$1.1 million, while Financial Expenses totalled \$111.6 million. Gross Expenses for the year thus amounted to \$127.2 million.

Net Income for the year before net gain from changes in the value of currencies, was therefore \$85.9 million. There was a net gain of \$34.2 million on account of changes in the value of currencies during the year, which increased the net income for 1978 to \$120.1 million, of which \$13.7 million

was appropriated as commissions to the Special Reserve. The Bank's net income in 1978 after Appropriation of Commissions to Special Reserve was therefore \$106.4 million, as shown in Appendix I-II.

Accumulated Net Income and Reserves

As of 31 December 1978, the Ordinary Reserve of the Bank amounted to \$196.8 million, having been augmented during the year by the Net Income after Appropriation of Commissions to Special Reserve for 1977 totalling \$72.4 million, which the Board of Governors allocated to the Ordinary Reserve at the Eleventh Annual Meeting. The Ordinary Reserve, however, was charged during the year with an amount of \$17.8 million in connection with the restatement, for purposes of the Bank's financial statements, of capital stock amounts by the substitution of the SDR for the 1966 dollar as the unit of value following the entry into force of the Second Amendment to the IMF Articles of Agreement. This charge represented the portion that was not offset by notional amounts required to maintain the value of currency holdings when capital stock amounts were restated in terms of the SDR and translated into current United States dollars, the Bank's unit of account. Since the value of the SDR in terms of current United States dollars varies from day to day, the Bank's capital stock amounts, restated in terms of the SDR and translated into current United States dollars, are subject to further adjustment at the end of each accounting period.

The Bank also has a Special Reserve representing commissions appropriated pursuant to Articles 16 and 17. The amount was \$28.8 million as of 31 December 1977. This increased by \$13.7 million during the year to \$42.5 million as of 31 December 1978. The combined total of the two Reserves maintained by the Bank therefore amounted to \$239.3 million at the end of 1978.

¹ Excluding income and expenses of the Special Funds.

INCOME AND EXPENSES

(in \$ million — totals may not tally because of rounding)

	1977 Actual	1978 Budget	1978 Actual	1979 Budget
I. ORDINARY CAPITAL RESOURCES				
1. Gross Income	168.6	187.1	213.2	237.3
2. Less Expenses Charged to Ordinary Capital Resources:				
a. Administrative Expenses ¹	14.1	17.4	14.5	18.0
b. Services to Member Countries	1.2	1.2	1.1	1.3
c. Financial Expenses	90.9	100.7	111.6	124.4
TOTAL	106.1	119.3	127.2	143.7
3. Income before Net Gain from Changes in Value of Currencies	62.5	67.8	85.9	93.6
4. Net Gain from Changes in Value of Currencies	<u>19.9</u>	—	34.2	—
5. Net Income	<u>82.4</u>	<u>67.8</u>	<u>120.1</u>	<u>93.6</u>
6. Appropriation of Commissions to Special Reserve	(10.1)	(12.8)	(13.7)	(17.5)
7. Net Income After Appropriation of Commissions to Special Reserve	<u>72.4</u>	<u>55.0</u>	<u>106.4</u>	<u>76.1</u>
II. SPECIAL FUNDS				
1. Administrative Expenses Allocated to Special Funds ²	<u>7.1</u>	<u>7.7</u>	<u>10.3</u>	<u>13.6</u>
2. Expenses Charged to Technical Assistance Special Fund				
a. Administrative Expenses	0.9	0.9	1.4	1.0
b. Services to Member Countries	1.9	3.6	2.6	4.5
TOTAL	2.8	4.5	4.0	5.5

1 An Administration Charge to Special Operations was instituted in 1971 and modified in 1973 and 1978. The Charge is allocated on the basis of a formula for apportioning administrative expenses between ordinary capital resources and Special Funds.

2 Excluding the Technical Assistance Special Fund.



SPECIAL FUNDS

THE YEAR 1978 saw the successful conclusion of negotiations with donor countries on a second replenishment of the Asian Development Fund (ADF III), thus enabling the Bank to continue its concessional lending operations on an expanded scale in the following four years. By the end of the year, unqualified contribution commitments had been received in respect of all donor countries' contributions to the first replenishment (ADF II), apart from an amount equivalent to one-third of the United States' contribution which still awaited legislative action. Nearly all of the resources of the Multi-Purpose Special Fund (MPSF)¹ had been transferred to ADF, leaving a small balance representing principally the uncommitted portion of Canada's initial contribution which will be transferred to ADF as committed. Further contributions to the Technical Assistance Special Fund (TASF) were received during 1978 from nine member countries.

Asian Development Fund

Second Replenishment

In July, the Board of Governors adopted Resolution No. 121, authorizing the Bank to receive contributions to a second replenishment of the Asian Development Fund (ADF III) in an aggregate amount of \$2,150 million.

The Bank's proposals for the replenishment, designed to cover a concessional lending program of \$2,150 million over the four-year period 1979-1982, were considered at a meeting of developed member countries in Kyoto in October 1977, followed by a meeting in Geneva in February 1978, and a further meeting in Vienna in April. At the Vienna meeting, agreement was reached on all outstanding aspects of the proposed replenishment, and a scheme acceptable to all donor countries was finally settled. All three meetings were chaired by Sir John Chadwick, Special Adviser to the President of the Bank.

The final scheme embodied in Resolution No. 121 calls for contributions by donor countries towards a basic replenishment total of \$2,000 million in accordance with the effort-sharing arrangements that had been agreed upon in connection with the First Replenishment (ADF II). In all, 16 countries have so far undertaken to participate in ADF III — Australia, Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United

¹ MPSF, together with the Agricultural Special Fund (ASF), was established in 1968. ASF was wound up in 1970, and its resources were consolidated with those of MPSF.

SPECIAL FUNDS LOANS APPROVED IN 1978

(amounts in \$ million)

Country/Project	Amount
AFGHANISTAN, DEMOCRATIC REPUBLIC OF Seraj Agricultural Development (T/A Loan)	1.45
BANGLADESH Pabna Irrigation and Rural Development	38.00
Livestock Services Development and Training	12.40
Second Bangladesh Shilpa Bank	25.00
Educational Equipment Development	6.00
Low-Lift Pump Maintenance Program	8.90
BURMA Second Fisheries Development	26.00
Rangoon Water Supply (Supplementary)	7.96
Pyinmana Integrated Sugar	31.50
INDONESIA Senior Technical Schools	24.00
LAO PEOPLE'S DEMOCRATIC REPUBLIC Forestry Development	8.00
NEPAL Second Tribhuvan International Airport	11.00
Integrated Rural Development	14.00
PAKISTAN Pipli Thermal Generation	35.00
D. G. Khan Cement	51.50
PAPUA NEW GUINEA Second Water Supply (Stage II)	5.40
Second Papua New Guinea Development Bank	7.00
PHILIPPINES Second Agusan River Irrigation	14.00
SRI LANKA, DEMOCRATIC SOCIALIST REPUBLIC OF Sevanagala Sugar	33.90
THAILAND Aquaculture Development	14.00
TONGA Tonga Development Bank	1.50
WESTERN SAMOA Third Development Bank of Western Samoa	4.00
TOTAL	380.51

STATUS OF SPECIAL FUNDS
(US dollars million equivalent)¹

	As of 31 December 1977	Change	As of 31 December 1978
ASIAN DEVELOPMENT FUND			
Contributed Resources ²			
Australia	54.04	+ 11.69	65.73
Austria	4.97	+ 3.56	8.53
Belgium	13.45	+ 4.86	18.31
Canada	74.36	+ 16.47	90.83
Denmark	10.84	+ 3.82	14.66
Finland	3.45	+ 0.08	3.53
Germany, Federal Republic of	109.10	+ 40.43	149.53
Italy	28.47	+ 9.95	38.42
Japan	611.94	+ 281.34	893.29
Netherlands	29.62	+ 9.91	39.52
New Zealand	9.09	+ 0.43	9.53
Norway	8.19	+ 2.18	10.37
Sweden	5.96	+ 3.76	9.72
Switzerland	16.94	+ 8.46	25.40 ³
United Kingdom	56.94	+ 16.87	73.81
United States	150.00	+ 120.00	270.00 ⁴
Total Contributed Resources	1,187.38	+ 533.79	1,721.17
Set-Aside Resources	57.43 ⁵	+ 4.59	62.03 ⁶
Other Resources	3.61	+ 0.47	4.08
Accumulated Net Income	28.58	+ 23.36	51.94
Total Asian Development Fund	1,277.01	+ 562.21	1,839.22
MULTI-PURPOSE SPECIAL FUND			
Contributed Resources			
Canada	7.42	— 0.57	6.85
Accumulated Net Income and Other Credit	0.77	— 0.20	0.58
Total Multi-Purpose Special Fund	8.19	— 0.76	7.43
Total Contributions, Set-Aside Resources, Other Resources, Net Income and Other Credit	1,285.20	+ 561.45	1,846.65
Less: Loan Commitments ⁷	1,192.06	+ 432.77	1,624.83
Balance (Uncommitted Resources)	93.14	+ 128.68	221.82

Note: Totals may not add due to rounding.

1 At the exchange rates used by the Bank at the relevant dates.

2 Contributions, or instalments thereof, unconditionally committed to the Bank. Includes contributions to the Multi-Purpose Special Fund (MPSF), amounts transferred from MPSF to the Asian Development Fund and resources contributed under ADF I and ADF II.

3 Excludes Switzerland's contribution to ADF III received by the Bank in December 1978, as the contribution will not be effective until the arrangements for ADF III as a whole become effective.

4 Includes only the first two instalments of the United States' contribution to ADF II, as the balance of the contribution is subject to completion of necessary legislation.

5 Valued in terms of 1966 dollars at the rate of \$1.20635 per 1966 dollar.

6 Valued in terms of the SDR at the rate of \$1.020279 per SDR applicable as of 31 December 1978.

7 Net of cancellations and repayments (\$10.83 million as of 31 December 1977 and \$27.2 million as of 31 December 1978 and including adjustments due to the effect of exchange rate changes on amounts of loans disbursed in currencies other than the United States dollar (\$36.4 million as of 31 December 1977 and \$105.04 million as of 31 December 1978).

Kingdom and United States. In addition, the Resolution authorized the Bank to receive supplementary contributions up to a total of \$150 million or such higher amount as may be approved by the Board of Directors. The making of supplementary contributions will not, however, affect in any way the relative effort-sharing arrangements for the purpose of future replenishments. By the end of 1978, Australia, Austria, Federal Republic of Germany, Japan, Switzerland and United Kingdom had promised supplementary contributions totalling the target of \$150 million authorized by Resolution No. 121.

The Resolution provides that unqualified contribution commitments by donor countries must reach an aggregate amount of \$1,000 million before ADF III arrangements as a whole come into effect, and specifies 31 March 1979 as the target date for this.¹ At the end of 1978, the Bank had received the first contribution instrument, which was deposited by Switzerland.

Progress of First Replenishment

The first replenishment of the Asian Development Fund (ADF II), designed to finance the Bank's concessional lending program over the three-year period 1976-1978, was authorized in December 1975 by Resolution No. 92 of the Board of Governors. The total amount authorized for the replenishment was \$830 million, later revised to \$809

¹ ADF III came into effect on 29 March 1979.

million. By April 1978 the Bank had received unqualified contribution commitments from 15 donor countries, namely, Australia, Austria, Belgium, Canada, Denmark, Federal Republic of Germany, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom and United States, in an aggregate amount of \$630.5 million. By the middle of 1978, in accordance with the provisions of Resolution No. 92, the whole of this amount had become available to the Bank for loan commitment purposes. As of 31 December 1978, following the deposit of a second unqualified contribution commitment by the United States, the total of such commitments under ADF II had reached \$701 million.

Resources and Utilization¹

At the end of 1977, the combined resources of ADF and MPSF had totalled \$1,285 million at the then prevailing exchange rates. Against these resources, loan commitments (after allowing for exchange rate adjustments, cancellations and repayments) totalling \$1,192 million had been approved, leaving an uncommitted balance at the beginning of 1978 of \$93 million.

The two contribution commitments deposited during the year by the United States under ADF II increased the available resources by a total of \$120 million. The release of

¹ See chapter on Operations and Policies for description of lending from Special Funds.

COUNTRY AND SECTORAL DISTRIBUTION OF SPECIAL FUNDS LOANS TO END OF 1978
(amounts in \$ million)

Country	No.	Amount	% Share	Agriculture and Agro-Industry	Industry and Development Banks	Power	Transport and Communications	Water Supply	Education
Afghanistan, Dem. Rep. of	8	75.00	4.85	51.10	—	9.00	14.90	—	—
Bangladesh	23	353.93	22.88	181.98	71.00	53.75	41.20	—	8.00
Burma	11	196.66	12.71	170.10	—	10.10	—	16.46	—
Cambodia	1	1.67	0.11	—	—	—	1.67	—	—
Gilbert Islands	1	1.75	0.11	—	—	—	1.75	—	—
Indonesia	22	137.28	8.87	63.68	—	27.30	10.80	11.50	24.00
Korea, Rep. of	1	3.70	0.24	—	—	—	—	—	3.70
Lao People's Dem. Rep.	5	19.89	1.27	8.97	—	4.72	—	6.00	—
Malaysia	1	3.30	0.21	3.30	—	—	—	—	—
Nepal	21	148.84	9.59	53.73	39.50	9.00	41.91	—	4.20
Pakistan	14	290.35	18.77	51.25	57.50	109.30	10.80	61.50	—
Papua New Guinea	6	47.94	3.10	7.74	11.50	—	9.80	18.90	—
Philippines	5	29.30	1.89	28.30	—	—	1.00	—	—
Singapore	1	3.00	0.19	—	—	—	—	—	3.00
Solomon Islands	3	9.20	0.60	7.17	—	—	2.03	—	—
Sri Lanka, Dem. Soc. Rep. of	11	137.11	8.86	101.51	5.00	25.50	5.10	—	—
Thailand	3	22.10	1.43	19.00	—	—	—	—	3.10
Tonga	3	3.17	0.21	—	1.87	—	1.80	—	—
Viet Nam, Soc. Rep. of	9	40.67	2.63	20.50	7.00	6.30	3.72	3.15	—
Western Samoa	11	22.84	1.48	8.33	10.25	3.70	5.56	—	—
TOTAL	160	1,547.00	100.00	771.66	203.62	260.34	149.87	117.51	44.00

the final instalments of other contributors added a further \$235 million at 31 December 1978 exchange rates.

Individual contributions to ADF and MPSF have been made in the national currencies of the respective contributors. During the year, appreciations in the values of some of the major contributors' national currencies against the United States dollar resulted in a net increase in the total value of contributed resources expressed in terms of United States dollars. In addition, \$30 million accrued during the year in the form of net income and repayments of earlier Special Funds loans. Total resources of ADF and MPSF at the end of 1978 therefore stood at \$1,846.7 million, an increase of \$561.5 million during the year.

The total of new ADF loans approved during 1978 was \$381 million, or \$109 million above that of the previous year. As of 31 December 1978 the cumulative amount committed in loans (after allowing for exchange rate adjustments, cancellations and repayments) from the combined resources of ADF and MPSF was \$1,624.8 million, leaving a balance of uncommitted resources at that date of \$221.8 million. Loan disbursements in 1978 amounted to \$167.2 million, bringing total disbursements from Special Funds to \$462.2 million. Loan repayments in 1978 totalled \$6.3

million; cumulative repayments up to the end of 1978 amounted to \$12.2 million.

Income and Expenses¹

At the end of 1977 MPSF had an accumulated net income of \$468,110. This amount was transferred to ADF during 1978, as reported to the Board of Governors at the Eleventh Annual Meeting. In 1978 MPSF had a gross income of \$249,975, expenses of \$118,048, a net gain from changes in the value of currencies of \$138,398, and a resultant net income of \$270,325. This net income has been credited to the Accrued Resources of MPSF in accordance with the Special Funds Rules and Regulations.

In 1978 ADF had a gross income of \$29.84 million, gross expenses of \$10.20 million and a net gain from changes in the value of currencies of \$3.72 million. Net income for 1978 was therefore \$23.36 million, bringing accumulated net income to the end of 1978 to \$51.94 million.

Arrangements for Lending from ADF

The arrangements for ADF lending were reviewed in August. An account of this review and the conclusions reached may be found on page 45.

¹ Excluding Technical Assistance Special Fund.

INCOME AND EXPENSES AND ACCUMULATED NET INCOME — SPECIAL FUNDS¹ (amounts in \$ million)

	MPSF		ADF	
	1977	1978	1977	1978
1. Gross Income	0.56	0.25	22.56	29.84
2. Administrative Expenses	0.19	0.12	6.91	10.20
3. Income Before Net Gain from Changes in Value of Currencies	0.37	0.13	15.65	19.64
4. Net Gain from Changes in Value of Currencies	0.10	0.14	1.65	3.72
5. Net Income for the Year	0.47	0.27	17.30	23.36
6. Balance of Accumulated Net Income at Beginning of the Year	0.29	0.47	11.28	28.58
7. Transfers to ADF	(0.29)	(0.47)	—	—
8. Balance of Accumulated Net Income at End of the Year	0.47	0.27	28.58	51.94

¹ Excluding Technical Assistance Special Fund.

Technical Assistance Special Fund

During 1978, further contributions to the Technical Assistance Special Fund (TASF) were made by nine countries, as follows:

Country	Amount	US\$ Equivalent ¹
Australia	A\$ 220,000	251,108
Denmark	DKr 5,000,000	959,709
Japan	¥ 568,000,000	2,918,808
Korea, Republic of	US\$ 150,000	150,000
Netherlands	f. 250,000	126,968
New Zealand	NZ\$ 375,000	397,755
Norway	Nkr. 1,000,000	199,107
Pakistan	PRs. 700,000	70,485
United Kingdom	£ 300,000	610,352

1 Based on the exchange rates used by the Bank on 31 December 1978.

The contribution from Norway was untied and the contribution from Japan was substantially untied. The contributions from the Republic of Korea and the Netherlands were conditionally untied to the procurement of goods and/or services from the donor country concerned and from DMCs generally, while those from Australia, Denmark, New Zealand, Pakistan and United Kingdom were tied to the procurement of goods and/or services from the donor country concerned. The total amounts of fully, substantially or conditionally untied contributions represented 59.7 per cent of all contributions made during the year.

As of 31 December 1978, total contributions to the Fund amounted to \$39.8 million, of which \$18.3 million had been utilized by the Bank.

TECHNICAL ASSISTANCE SPECIAL FUND (US Dollar Equivalent)¹

Contributor	Total Contributions	Amount Utilized ²
Australia	1,216,906	1,195,794
Austria	144,273	40,745
Bangladesh	24,559	—
Belgium	751,740	295,688
Canada	1,535,760	849,765
China, Republic of	200,000	159,416
Denmark	1,854,949	758,111
Finland	117,268	101,568
Germany, Federal Republic of	480,408	480,408
Hong Kong	100,000	92,160
India	493,364	371,692
Italy	150,241	4,000
Japan	25,887,276	9,120,256
Korea, Republic of	300,000	168,600
Netherlands	792,633	726,394
New Zealand	720,327	331,572
Norway	299,107	18,057
Pakistan	255,780	54,673
Sri Lanka, Democratic Socialist Republic of	6,309	6,309
Sweden	463,277	65,259
Switzerland	603,060	337,258
United Kingdom	2,106,941	1,906,067
United States	1,250,000	1,250,000
TOTAL	39,793,158	18,308,786

1 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 rate used by the Bank on 31 December 1978.

2 Net of income earned, \$3,181,349.



MEMBERSHIP AND ADMINISTRATION

Members

THE MEMBERSHIP of the Republic of Maldives, whose application for admission was approved by the Board of Governors in 1977, became effective on 14 February 1978, bringing the total membership of the Bank to 43 countries.

Board of Governors

The Eleventh Annual Meeting of the Board of Governors was held in Vienna from 24 to 26 April 1978. At that meeting, the Governor for Papua New Guinea was elected Chairman of the Board of Governors, and the Governors for the Netherlands and Bangladesh were elected Vice-Chairmen, to hold office until the close of the Twelfth Annual Meeting. A list of Governors and Alternate Governors as at the end of 1978, with notations of changes during the year, appears in Appendix 6.

The resolutions adopted by the Board of Governors in 1978, including those adopted at the Eleventh Annual Meeting, are listed in Appendix 3.

Board of Directors

The Board of Directors held 53 formal meetings in 1978. In pursuance of its responsibility for the general direction and oversight of the Bank's activities, the Board, *inter alia*, during 1978:

- Approved 90 proposals for loans and technical assistance grants,¹ as well as the introduction of program lending.
- Approved new operational policy guidelines for mineral sector projects in DMCs and reviewed lending prospects in the forestry sector.
- Reviewed the general financial policies of the Bank and set new lending rates from 1 January and 1 April.
- Reviewed the investment guidelines of the Bank.
- Approved borrowings in Deutsche Marks, Swiss Francs and Japanese Yen, totalling the equivalent of \$320.1 million and the roll-over of \$70 million in Two-Year Bonds.
- Reviewed Bank operations in South Pacific DMCs.
- Reviewed the uses of consultants by the Bank and its borrowers.

¹ Excludes technical assistance grants approved under the President's delegation.

FLOT project as part of an irrigation scheme in Fiji, assisted by the Bank through the Fiji Development Bank and co-financed by the Food and Agriculture Organization.

- Approved arrangements for cooperation with the European Economic Community (EEC) under EEC's 1977 Budget and finalized an agreement for cooperation with the International Fund for Agricultural Development (IFAD) for submission to the Board of Governors.
- Approved the Administrative Budget for 1979.

A list of Directors and Alternate Directors and their voting groups, as of the end of 1978, with notations of changes during the year, appears in Appendix 7.

Audit Committee of the Board

The Audit Committee of the Board was established in June 1977 by decision of the Board of Directors. It consists of three Executive Directors, appointed by the President in consultation with the Board, normally for a term of two years. Mr. M. R. Khan (Chairman), Mr. C. A. Coorey and Mr. Stanley Fryer were appointed on 4 August 1977 to serve until 31 May 1979. Mr. E. A. Oestreicher succeeded Mr. Stanley Fryer in July 1978. Other Directors also frequently participate in the deliberations of the Committee.

Under its terms of reference, the Committee reviews and reports to the Board of Directors on the following matters: (a) selection of outside auditors; (b) scope of the outside auditors' work and reports; (c) audited financial statements and the outside auditors' opinions thereon; (d) the outside auditors' recommendations/evaluation of internal controls in the Bank; and (e) the adequacy and efficiency of internal audit and post evaluation activities.

The Committee held nine formal meetings and submitted five reports during 1978.

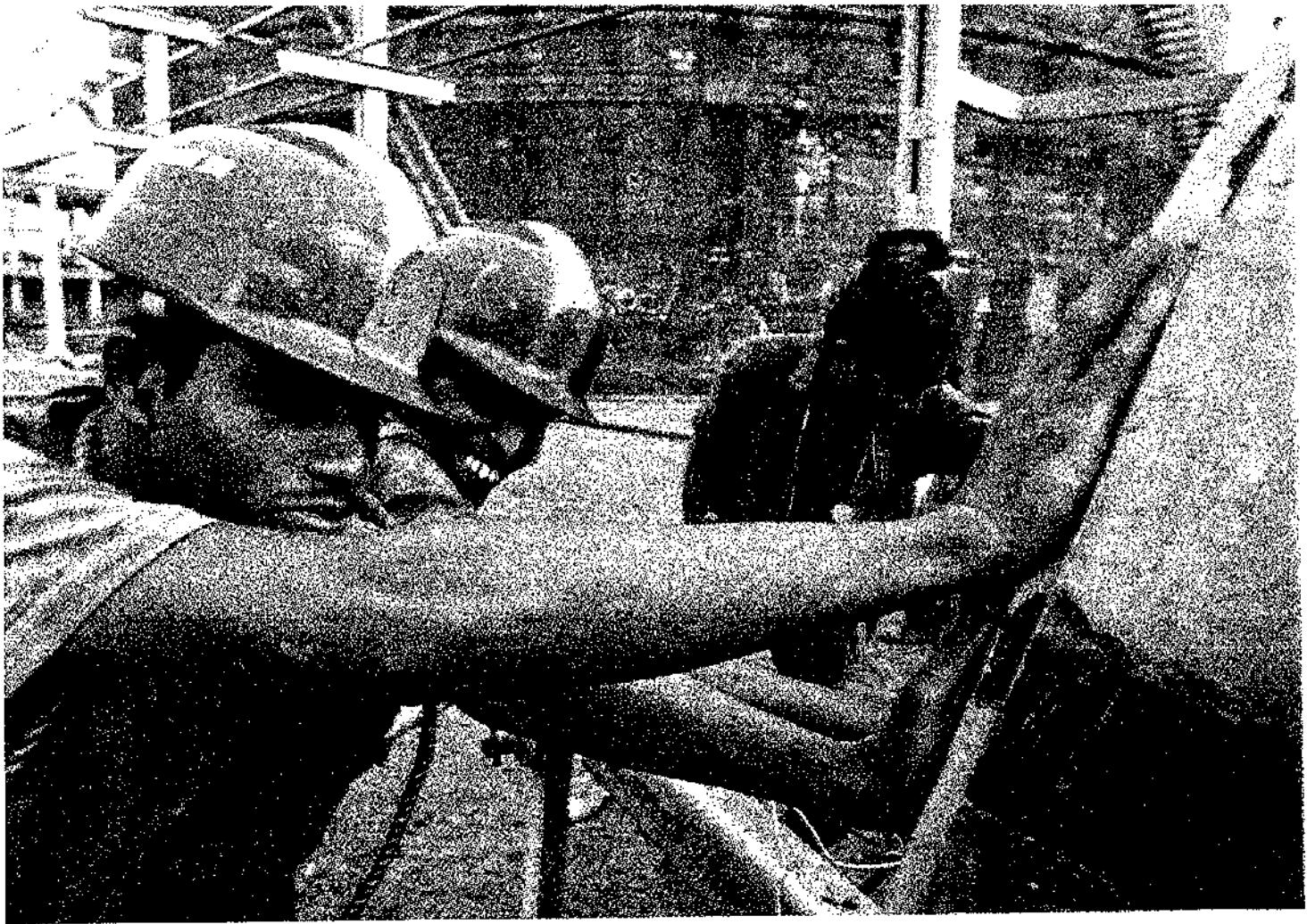
Vice-Presidents

On 1 April 1978, Mr. A. T. Bambawale assumed office as a Vice-President of the Bank, having served since 21 November 1977 as Special Adviser to the President.

On 2 March 1978, on the recommendation of the President, the Board of Directors decided that the Bank should have two Vice-Presidents from 1 April 1978 and appointed Mr. S. Stanley Katz as the second Vice-President. Mr. Katz assumed office on 1 April 1978, having served since 20 March 1978 as Special Adviser to the President.

Organization

The Bank reorganized its operational functions with effect from 1 August 1978, with the purpose of dealing more



CONSTRUCTION workers at the Urea Fertilizer Project in Colombo, Sri Lanka. The Project is financed by the Bank and other co-financiers.

effectively with its expanding activities in line with the projected growth in the volume and scope of the Bank's lending and technical assistance programs, its increasing involvement in inter-agency cooperation, and the need for more attention to be given to expediting the implementation and completion of projects. The reorganization was also intended to provide for more effective policy formulation and review in the Bank in future.

A Development Policy Office was created to strengthen the Bank's capability in policy formulation and review, and to identify new directions and approaches to the Bank's activities, while the Operations Department was redesignated the Country Department.

Projects Departments I and II were reorganized into three departments, namely, Agriculture and Rural Development Department, Infrastructure Department, and Industry and Development Banks Department. Additionally, a Central Projects Services Office was established.

These changes were aimed at increasing the Bank's capacity to handle new and ongoing loan projects and technical assistance activities, as well as to give greater attention to project supervision and loan administration. They were also designed to provide better sectoral and sub-sectoral coverage within the three departments.

In addition to these changes, the Post-Evaluation Unit, which had previously been part of the Economic Office, was converted into a separate Post-Evaluation Office, with

the function of carrying out independent post-evaluations of Bank projects and reporting directly thereon to the President of the Bank.

In November, it was also decided to reorganize the Bank's administrative functions with effect from 1 January 1979. This reorganization divided the former Administration Department into the Budget, Personnel and Management Systems Department and the Office of Administrative Services. This division was designed to rationalize and regroup related administrative activities into smaller and more effective organizational units with better spans of control, aimed at providing more effective support to the operational and other areas of the Bank.

Internal Audit

In 1977, the Office of the Internal Auditor (OIA) was strengthened by re-defining the role, powers and reporting arrangements of the Internal Auditor, and increasing the staff of the Office. These changes became fully effective during 1978.

The principal responsibilities of the OIA are (1) to conduct internal audits to determine whether the accounts and records of the Bank conform with established policies and procedures and accounting principles; (2) to evaluate the effectiveness of internal accounting, financial and operating controls; (3) to review the extent of compliance with established policies and regulations; (4) to determine

that Bank assets are adequately protected and safeguarded; and (5) to report to Management and departments and offices its findings, conclusions and recommendations on any matter relating to its responsibilities.

On 1 March 1978, the OIA was re-organized into (a) a "Regular Audits Section" and (b) a "Special Audits Section". The regular audits are of the "financial audit" type, whereas the "Special Audits Section" engages in in-depth examinations of particular areas and activities of the Bank's financial administration in general.

The Internal Auditor has free access to all records and information in the Bank, and reports directly to the President.

Computerization

Consultants engaged to study the Bank's electronic data processing requirements have identified various Bank activities that are suitable for in-house computerization and have recommended a plan for the acquisition and installation of necessary equipment and the implementation of computerized systems.

Following a review of these recommendations, a Computer Services Unit was established, with responsibility for consulting with and assisting user-departments and offices on computer applications and other matters concerning computerization of the Bank's activities.

Building Safety Survey

Following a detailed safety survey of the existing Headquarters building complex by a team of consultants, various measures for the renovation and improvement of safety conditions in the building were recommended. These were approved by the Board, and consultants were engaged to undertake the preparation of detailed design specifications and cost estimates, and to recommend a program of action for their implementation. This work commenced in September 1978.

Office Accommodation

Pursuant to the Second Supplementary Agreement to the Headquarters Agreement between the Philippine Government and the Bank, some office units were transferred to the building complex of the Central Bank of the Philippines in July 1978. To accommodate the continuing growth of staff, the Bank has rented additional office space in the vicinity of the Headquarters complex.

Further action on the proposal to construct a new office building as an Annex to the Headquarters of the Bank was held in abeyance pending receipt of the report of the consultants regarding renovation of the existing building complex.

Staff

On 31 December 1978 the Bank's staff had reached a total of 874, from 33 member countries. Of these, 334 belonged to the professional staff category and 540 were supporting staff. During the year, 66 new professional staff were appointed and 36 terminated their employment with the Bank. The changes in supporting staff consisted of 91 new appointments and 50 resignations.

The annual review of staff salaries and benefits was conducted in the latter half of the year and the Board of Directors approved a general salary increase of 5.5 per cent for professional staff and 6 per cent for supporting staff, both effective from 1 August. Some changes in staff benefits were also approved, consisting of a revision in travel grants



ENGINEERING class in a university in the Philippines. The Bank-assisted Engineering Education Project in the country is aimed at improving the quality of engineering schools and insuring the future availability of skilled engineering manpower.

for dependent children being educated outside the duty station, an increase in the settlement allowance provided to new expatriate members to assist them in settling in Manila, and the introduction of emergency travel provisions to assist staff to meet travel costs in the event of the death away from the duty station of a parent or child. The continuation of the rental subsidy scheme for another year was approved, subject to review before 30 September 1979.

To improve the wage and salary administration of the supporting staff in future, a program of position classification was initiated during the year and will be completed in 1979.

Supplementary Budget for 1978 and Budget for 1979

On 14 December 1978, a Supplementary Budget for Internal Administrative Expenses for 1978 amounting to \$285,000 was approved by the Board of Directors, mainly to provide for the costs of the general salary increase and improved benefits approved during the year, as well as expected cost overruns connected with the Annual Meeting in Vienna and the additional office accommodation required by the Bank. This revised the original Budget¹ from \$25,957,000 to \$26,242,000. Actual administrative expenses for 1978 totalled \$26,213,721, representing 99.9 per cent utilization of the revised Budget.

The approved Budget for 1979 is summarized in Appendix 2. It provides for Internal Administrative Expenses in 1979 amounting to \$32,604,000 representing an increase of 24 per cent on actual expenditures in 1978. This increase is largely due to the organizational changes instituted in

1. See Budget for 1978 in Annual Report 1977.

1978, which envisage the strengthening of staff in certain areas to be phased in over a two-to-three-year period. It is also due to greater staff requirements related to the new directions in which the Bank is expecting to move in future, such as social infrastructure, mineral development, forestry and small-scale industries and to the increased emphasis to be given in such areas as project supervision and loan administration and post-evaluation. These are in addition to the normal increases in staff required for continued growth in the Bank's loan, technical assistance and other activities and related business travel and consultants' services. The budget increase also takes into account the full-year effect of the salary increases and improved benefits approved in 1978, as well as the general price increases anticipated in 1979.

It was recognized that with the expected higher level of administrative expenses, additional efforts were necessary to improve efficiency and exercise economy.

On 14 December 1978, the Board of Directors approved an increase of \$207,800 in Commitments for Services to

Member Countries. This revised the original Budget¹ for such Commitments in 1978 from \$6,900,000 to \$7,107,800. Actual Commitments approved in 1978 were \$7,017,517, representing 98.7 per cent of the revised Budget, while actual disbursements were \$3,741,475 (including \$2,654,492 financed from the Technical Assistance Special Fund), representing 78.7 per cent of the Budget amount of \$4,756,100.

The Board of Directors also approved the 1979 Budget for Services to Member Countries, consisting of new commitments and disbursements in 1979 amounting to \$7,700,000 and \$5,762,000, representing increases of 9.7 per cent and 54 per cent over actual commitments and disbursements in 1978, respectively. The disbursements are expected to increase substantially in 1979 mainly due to the impact of the larger number of projects approved in 1978.

1 See Budget for 1978 in Annual Report 1977.

STATISTICAL ANNEX

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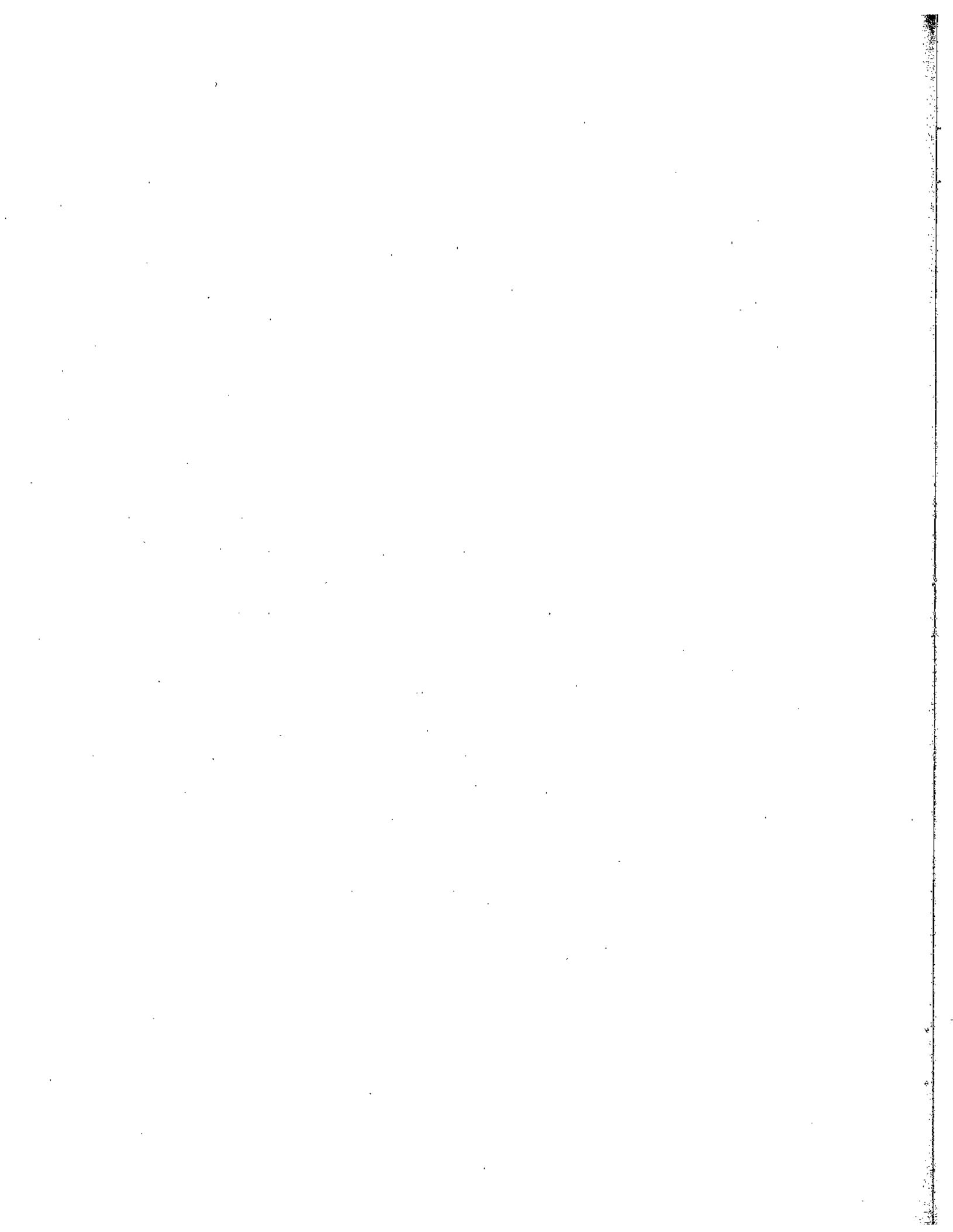


TABLE I
ESTIMATED RATE OF REAL GROWTH, 1976-1978 AND PER CAPITA GNP OF SELECTED DMCs, 1977

Country	Rate of Real Growth ¹ (%)				Per Capita GNP ⁴ In Current \$
	1970-1975 (1)	1976 (2)	1977 (3)	1978 (4)	
Bangladesh ²	-0.8	13.3	1.7	8.0	90
Burma ³	3.1	5.9	6.5	6.7	140
China, Rep. of	7.7	11.8	8.4	12.6	1,180
Fiji	7.2	2.7	4.3	3.0	1,230
Hong Kong	6.1	16.7	11.4	10.0	2,590
India ³	2.6	1.6	7.2	3.5	150
Indonesia	5.9	6.9	7.5	7.5	300
Korea, Rep. of	10.0	13.0	10.3	12.1	810
Malaysia	8.0	10.8	7.8	7.4	930
Nepal ²	2.8	4.4	3.2	...	110
Pakistan ²	3.8	3.7	1.4	6.5	190
Papua New Guinea	4.9	1.6	5.5	...	480
Philippines	6.5	7.6	6.2	5.8	450
Singapore	9.0	7.3	8.1	8.6	2,890
Sri Lanka	2.8	3.0	4.4	5.7	200
Thailand	6.5	8.4	6.9	8.7	410

¹ denotes data not available.

² Column (1) shows the average annual rate of GNP growth.

Columns (2), (3) and (4) show rates of growth in GDP.

Column (1) shows preliminary estimates.

³ Refers to fiscal years 1 July to 30 June for Bangladesh and Pakistan, and 16 July to 16 July for Nepal.

⁴ The fiscal year of Burma and India ends on 31 March. For purposes of the data given in this table, their fiscal year April 1976 to March 1977 is treated as 1976. The same is true of subsequent years.

⁴ World Bank Atlas Methodology, 1975-77 basic period.

Sources: World Bank Atlas 1977 and IBRD for columns (1) and (5); National sources for columns (2), (3) and (4).

TABLE 2
RICE (PADDY) PRODUCTION IN SELECTED DMCs: 1975-1978¹
(Thousand metric tons)

Country	1975	1978	1977	1978 ²	Annual Growth Rate (%)		
					1976	1977	1978 ²
Bangladesh	16,930	19,143	17,628	19,441	13.1	-7.9	10.3
Burma	9,062	9,172	9,489	10,346	1.2	3.5	9.0
China, Rep. of	3,043	3,560	3,476	3,486	17.0	-2.4	0.3
India	73,352	63,052	79,094	79,000	-14.0	25.4	-0.1
Indonesia	22,330	23,301	23,347	26,042	4.3	0.2	11.5
Korea, Rep. of	6,485	7,249	8,340	8,080	11.8	15.1	-3.1
Malaysia	1,995	2,023	1,939	1,559	1.4	-4.2	-19.6
Nepal	2,605	2,386	2,282	2,400	-8.4	-4.4	5.2
Pakistan	3,926	4,106	4,403	4,550	4.8	7.2	3.3
Philippines	5,660	6,160	6,456	6,895	8.8	4.8	6.8
Sri Lanka	1,154	1,253	1,706	1,979	8.6	36.2	16.0
Thailand	15,300	15,068	13,210	16,086	-1.5	-12.3	21.8
Viet Nam, Soc. Rep. of	12,000	10,800	11,250	11,000	-10.0	4.2	-2.2
Other DMCs	2,879	3,137	3,139	3,214	9.0	0.1	2.4
T O T A L	176,721	170,410	185,759	194,078	-3.6	9.0	4.5

1 Data refer to the calendar year in which the whole harvest or bulk of harvest takes place.

2 Preliminary estimates.

Sources: Food and Agriculture Organization, January 1979, and country sources.

TABLE 3
WHEAT AND MAIZE PRODUCTION IN SELECTED DMCs: 1975-1978¹
 (Thousand metric tons)

Country	1975	1976	1977	1978 ²	Annual Growth Rate (%)		
					1976	1977	1978 ²
WHEAT							
Afghanistan	2,850	2,936	2,652	2,830	3.0	+9.7	8.7
Bangladesh	117	218	259	375	-86.3	-18.8	44.8
Burma	63	56	75	94	-11.1	33.9	25.3
India	24,104	28,846	29,010	31,328	19.7	10.6	8.0
Korea, Rep. of	97	82	45	36	-15.5	-45.1	-20.0
Nepal	331	388	362	401	17.2	-6.7	10.8
Pakistan	7,673	8,690	8,941	8,289	13.3	-2.9	-7.3
TOTAL	35,235	41,216	41,344	43,363	17.0	0.3	4.9
MAIZE							
Afghanistan	780	800	817	800	2.6	-2.1	-2.1
India	7,256	6,361	5,947	6,000	-12.3	-6.5	0.9
Indonesia	2,903	2,572	3,030	2,500	11.4	17.8	-17.5
Nepal	827	748	798	740	-9.6	-6.7	-7.3
Pakistan	802	764	821	830	-4.7	7.5	1.1
Philippines	2,568	2,767	2,843	2,855	7.7	-2.7	0.4
Thailand	2,863	2,675	1,677	3,030	-8.6	37.3	78.9
Other DMCs	736	768	742	810	4.3	-3.4	9.2
TOTAL	18,735	17,455	18,675	17,585	-6.8	-4.5	-5.3

1. Data refer to the calendar year in which the whole harvest or bulk of harvest takes place.

2. Preliminary estimates.

Sources: Food and Agriculture Organization, November 1978, and country sources.

TABLE 4
INTERNATIONAL TOURIST ARRIVALS AND RECEIPTS OF SELECTED DMCs: 1975-1978

Country	Tourist Arrivals ¹ ('000)				Tourist Receipts ² (\$ Million)			
	1975	1976	1977	1978 ³	1975	1976	1977	1978 ³
Afghanistan	91.1	91.0	117.1	90.0	11.5	30.0	38.0	35.0
Bangladesh	63.8	37.4	45.3	50.0	1.7	2.1	2.8	3.7
Burma	16.5	18.6	22.1	21.9	1.5	1.6	2.0	1.9
China, Rep. of	853.1	1,008.1	110.2	1,271.0	359.4	466.1	527.5	600.0
Cook Islands	9.3	9.9	14.6	16.8	2.2	2.3	4.2	4.8
Fiji	161.7	168.7	173.0	184.0	83.8	84.4	87.2	100.0
Hong Kong	1,300.8	1,560.0	1,755.7	2,055.0	602.4	792.8	869.8	1,090.0
India	465.3	534.0	640.4	748.0	124.4	251.1	323.8	402.8
Indonesia	366.5	401.2	486.8	538.9	32.8	40.7	41.3	...
Korea, Rep. of	632.8	834.2	949.7	1,079.3	140.6	275.0	370.0	408.3
Malaysia ⁴	1,183.0	1,224.8	1,289.0	...	143.2	136.9	160.9	...
Nepal	92.4	105.1	129.3	156.0	9.7	15.2	19.5	27.4
Pakistan	172.0	197.3	220.4	291.0	33.3	40.6	60.5	84.0
Papua New Guinea	16.4	14.5	15.1	11.9	12.2	11.1	11.5	9.1
Philippines	502.2	615.2	730.1	859.4	155.2	235.2	300.8	355.3
Singapore	1,169.3	1,320.6	1,506.7	1,831.7	264.4	282.7	299.6	523.5
Solomon Islands	6.9	7.1	7.4	...	1.8	1.7	1.6	...
Sri Lanka	103.2	119.0	153.7	192.0	22.3	28.2	40.0	47.5
Thailand	1,180.1	1,098.4	1,220.7	1,400.0	219.9	195.6	225.8	296.3
Tonga	52.6	43.6	39.3	66.0	4.9	4.5	4.1	4.5
Western Samoa	11.7	14.1	15.5	10.8	4.6	3.3	4.0	2.8
TOTAL (Reporting)	8,450.7	9,422.8	9,642.1	10,873.7	2,231.8	2,901.1	3,394.9	3,996.9

... denotes data not available.

1 Refers to visitors staying at least 24 hours or making at least one overnight stay in the country visited and the purpose of whose journey can be classified under leisure, business, family, mission and meeting.

2 Defined as receipts of a country in the form of consumption expenditure, i.e. payments for goods and services made by foreign tourists out of foreign resources.

3 Preliminary estimates.

4 Peninsular only. Excluding Singaporeans who came by road via Johore Causeway.

Sources: World Tourism Organization and country sources.

TABLE 6
CHANGES IN CONSUMER PRICES IN SELECTED DMCs: 1975-1978¹
(Per cent)

Country	1975	1976	1977	1978 ²
Afghanistan	10.0	1.9	-9.7	9.4
Bangladesh	24.2	-9.6	10.4	13.5
Burma	31.6	22.4	-1.1	-6.1
China, Rep. of ³	5.2	2.5	7.0	5.7
Cook Islands	15.6	23.0	20.5	11.7
Fiji ³	13.1	11.4	7.0	6.1
Gilbert Islands	9.4	11.6	11.7	11.0
Hong Kong	0.5	3.4	5.8	5.9
India ³	5.6	-7.8	-8.4	2.5
Indonesia	19.0	19.8	11.0	8.1
Korea, Rep. of	26.3	15.3	10.1	14.4
Malaysia	4.6	2.6	-4.7	-4.9
Nepal	11.2	-1.3	7.7	6.6
Pakistan ³	20.9	7.2	10.1	6.3
Papua-New Guinea	10.2	7.7	4.5	3.0
Philippines	8.1	6.2	7.9	7.6
Singapore	2.6	-1.9	3.2	4.8
Solomon Islands	10.1	4.3	8.4	12.7
Sri Lanka	6.7	1.2	1.2	12.1
Thailand	4.1	4.9	8.4	9.7
Tonga ³	10.1	7.1	17.6	9.5
Western Samoa ³	8.8	5.0	14.7	2.1
Weighted Average (Excl. India) ⁴	13.7	8.4	8.3	8.2
Weighted Average (Incl. India) ⁴	10.7	2.5	8.3	6.2

1 Unless otherwise indicated, data refer to changes in consumer prices in capital city of the DMC.

2 Preliminary estimates.

3 Data refer to whole country or average of all cities.

4 Weights are proportional to GNP in U.S. dollars in 1978.

Sources: International Monetary Fund and country sources.

TABLE 6
BALANCE OF TRADE OF DMCs: 1975-1978
 (\$ Million)

Country	Exports (f.o.b.)			
	1975	1976	1977	1978 ¹
MORE INDUSTRIALIZED DMCs				
China, Republic of	5,302	8,156	9,348	12,705
Hong Kong	6,039	8,474	9,617	11,507
Korea, Republic of	5,081	7,715	10,047	12,711
Singapore	5,678	6,691	8,406	10,068
Sub-Total	22,100	31,036	37,418	46,991
OTHER DMCs				
Afghanistan	217	291	306	311
Bangladesh	307	401	476	530
Burma	171	241	226	242
Cook Islands	3	3	3	3
Fiji	173	136	178	215
Gilbert Islands	36	22	20	24
Indonesia	5,029	6,479	7,933	7,732
Lao People's Democratic Republic	3	6	7	...
Malaysia	3,831	5,295	6,081	7,159
Maldives	1	1	2	2
Nepal	99	99	81	86
Pakistan	1,049	1,163	1,171	1,442
Papua New Guinea	475	592	722	777
Philippines	2,294	2,574	3,151	3,215
Solomon Islands	15	24	33	28
Sri Lanka	566	570	754	846
Thailand	2,208	2,980	3,490	4,052
Tonga	7	4	7	6
Viet Nam, Socialist Republic of	203	288	446	...
Western Samoa	7	7	15	11
Sub-Total	16,694	21,176	25,102	26,881
India	4,355	5,369	5,989	6,311
Total	43,149	57,581	68,509	79,983

... denotes data not available.

1 Preliminary estimates.

Sources: IMF, International Financial Statistics, February 1979, and country sources.

Imports (c.i.f.)

Balance of Trade

1975	1976	1977	1978 ¹	1975	1976	1977	1978 ¹
5,960	7,609	8,522	11,022	-658	547	826	1,683
6,776	8,828	10,446	13,459	-787	354	-829	-1,952
7,274	8,774	10,811	14,972	-2,193	1,059	-784	-2,261
8,133	9,070	10,471	12,968	-2,455	-2,379	-2,065	-2,900
28,143	34,281	40,250	52,421	-6,043	-3,245	-2,832	-5,430
231	261	328	379	-14	30	-22	-68
1,432	940	1,191	1,279	-1,125	-539	-715	-749
170	194	308	307	-1	47	-82	-65
13	13	17	17	-10	-10	-14	-14
269	264	306	353	-96	-128	-128	-138
12	12	11	15	24	10	9	9
4,598	5,206	6,674	7,606	-431	1,273	1,259	126
42	46	58	...	-39	-40	-51	...
3,554	3,828	4,547	5,968	-277	1,467	1,534	1,191
3	2	4	5	-2	-1	-2	-3
171	163	169	226	-72	-64	-88	-140
2,151	2,128	2,447	3,275	-1,102	-965	1,276	-1,833
586	529	674	655	-91	-63	-48	122
3,776	3,953	4,270	4,997	-1,482	-1,379	-1,119	-1,782
29	26	29	30	-14	-2	-4	-2
753	579	696	939	-187	-99	58	-93
3,280	3,572	4,616	5,338	-1,072	-592	-1,126	-1,286
20	16	19	25	-13	-12	-12	-19
1,040	794	945	...	-837	-606	-499	...
37	30	43	50	-30	-23	-28	-39
22,147	22,556	27,352	31,464	-6,453	-1,380	-2,250	-4,783
6,176	5,459	6,406	7,361	-1,821	-90	-417	-1,050
56,466	62,296	74,008	91,246	-13,817	-4,715	-5,499	-11,263

TABLE 7
INTERNATIONAL RESERVES AND RATIO OF RESERVES TO IMPORTS OF SELECTED DMCs: 1975-1978

Country	International Reserves ¹ (\$ Million)				Ratio to Imports ² (Months)			
	1975	1976	1977	1978	1975	1976	1977	1978
Afghanistan	124.7	168.8	315.8	433.8	6.5	7.8	11.6	13.7
Bangladesh	148.3	288.9	235.0	316.4	1.2	3.7	2.4	2.6
Burma	141.0	126.4	112.9	107.1	10.0	7.8	4.4	4.2
China, Rep. of	1,169.0	1,607.0	1,447.0	1,515.0	2.4	2.5	2.0	1.6
Fiji	148.6	116.3	147.4	143.8	6.6	5.3	5.8	4.9
Gilbert Islands	41.2	42.9	56.0	72.5	41.2	42.9	60.0	58.8
India	1,373.0	3,074.0	5,184.0	6,582.0	2.7	6.8	10.3	10.7
Indonesia	586.0	1,499.0	2,516.0	2,636.0	1.5	3.5	5.6	5.2
Korea, Rep. of	1,550.1	2,960.5	4,306.8	4,937.1	2.6	4.0	4.8	4.0
Lao People's Democratic Republic	9.4	12.0	5.9	19.2	2.7	3.1	1.2	...
Malaysia	1,524.0	2,472.0	2,858.0	3,330.0	5.1	7.7	7.5	6.7
Nepal	101.1	134.6	147.9	154.0	7.1	9.9	10.5	8.2
Pakistan	406.0	532.0	518.0	486.0	2.3	3.0	2.5	1.8
Papua New Guinea	179.7	257.2	431.4	432.2	3.8	5.8	7.7	7.9
Phillippines	1,358.0	1,640.0	1,524.0	1,832.0	4.3	5.0	4.3	4.4
Singapore	3,006.6	3,363.8	3,857.7	5,269.2	4.4	4.5	4.4	4.9
Sri Lanka	58.0	92.0	292.0	398.0	0.9	1.9	5.0	5.1
Thailand	1,775.0	1,893.0	1,915.0	2,120.0	6.5	6.4	5.0	4.8
Tonga	11.6	12.0	9.8	7.1	7.0	9.0	6.2	3.4
Western Samoa	6.4	5.2	9.1	3.4	2.1	2.1	2.5	0.8
TOTAL	13,717.7	20,297.6	25,888.7	30,794.8	3.4	4.6	5.0	4.7

... denotes data not available.

1 Gold + SDRs + Reserve position in IMF + Foreign exchange holdings; year-end figures unless otherwise specified.

2 Imports c.i.f. from trade statistics are used for computing the ratio.

Sources: IMF, International Financial Statistics, March 1979, and country sources.

TABLE 8
EXTERNAL PUBLIC DEBT AND DEBT SERVICE RATIO OF SELECTED DMCs: 1975-1977
 (\$ Million)

Country	Debt Outstanding ¹			Service Payments ²			Debt Service Ratio (%) ³		
	1975	1976	1977	1975	1976	1977	1975	1976	1977
Afghanistan ⁴	802.3	911.3	1,058.6	23.2	26.8	37.5	9.5	7.3	12.3 ⁵
Bangladesh	1,615.3	1,945.5	2,292.0	70.0	64.9	66.0	17.9	13.4	11.7
Burma ⁴	278.8	306.3	499.5	33.5	32.7	32.2	17.8	16.3	12.9
China, Rep. of	1,635.6	2,229.8	2,612.2	241.0	312.5	471.4	3.9	3.5	4.3
Fiji	49.2	57.0	79.4	4.5	5.8	7.4	1.6	2.3	2.3
Hong Kong	21.1	61.7	163.5	2.4	4.5	9.4	0.04 ⁵	0.05 ⁵	0.10 ⁵
India ⁴	12,253.9	13,297.7	14,570.0	755.6	754.2	849.0	13.4	12.0	13.3 ⁵
Indonesia	8,112.5	9,917.4	11,408.7	567.1	987.2	1,299.4	8.1	11.2	11.9
Korea, Rep. of	5,453.5	6,658.9	8,472.3	629.4	893.8	1,153.7	10.1	8.9	8.8
Malaysia	1,388.2	1,632.2	2,053.0	148.6	263.6	442.4	3.5	4.3	6.5
Nepal	33.7	44.3	70.5	1.7	1.7	2.2	4.0	2.3	2.7 ⁵
Pakistan	5,095.6	6,001.9	6,761.5	250.0	274.9	315.5	18.4	18.2	21.6 ⁵
Papua New Guinea	276.3	289.1	337.7	20.4	26.7	27.7	4.5	4.8	3.8 ⁵
Philippines	1,360.1	2,115.9	2,985.1	230.4	222.9	267.2	7.3	6.6	6.4
Singapore	545.9	701.6	994.0	54.2	70.4	81.6	0.7	0.8	0.8
Sri Lanka	598.0	702.3	787.0	138.4	126.8	124.0	20.2	20.1	14.6
Thailand	615.5	821.7	1,050.6	73.2	87.7	126.5	2.4	2.4	3.0
Western Samoa	16.3	20.8	25.2	1.1	3.3	1.9	7.0	27.4	12.9 ⁵
TOTAL	40,101.8	47,715.4	56,220.8	3,239.7	4,160.4	5,315.0	6.0	5.5	5.9

1. Disbursed only; data refer to debt outstanding at end of year.

2. Service payments consist of principal and interest payments made in foreign currencies; data refer to transactions during the year.

3. Service payments as percentage of exports of goods and services.

4. Data refer to the fiscal year.

5. Service payments as percentage of merchandise exports.

Note: This table is derived from data collected by the IBRD, which is tabulated on a uniform basis, country by country, but does not necessarily conform in all cases to data on national external debt published elsewhere.

TABLE 9
DOMESTIC SAVINGS, CAPITAL FORMATION AND RESOURCES GAP AS PERCENTAGE OF GDP OF SELECTED DMCs: 1975-1977
 (Per Cent)

Country	Gross Domestic Savings As Percentage of GDP			Gross Capital Formation As Percentage of GDP			Resources Gap As Percentage of GDP ²		
	1975	1976	1977	1975	1976	1977	1975	1976	1977
Bangladesh	2.2	6.9	10.9	7.3	13.0	18.6	5.1	6.1	7.7
Burma	6.7	7.2	7.3	9.9	9.8	14.1	3.2	2.6	6.8
China, Rep. of	25.4	29.6	29.9	29.5	27.5	24.9	4.1	-2.1	5.0
Hong Kong	16.2	23.2	19.5	20.9	20.3	23.5	4.7	-2.9	4.0
India	20.6	23.3	22.4	20.5	21.8	21.3	-0.1	-1.5	-1.1
Korea, Rep. of	18.5	23.2	25.4	29.4	25.7	27.7	10.9	2.5	2.3
Malaysia	20.0	28.4	27.3	21.9	20.2	21.5	1.9	-8.2	-5.8
Pakistan	4.8	8.8	8.2	15.7	19.0	20.2	10.9	10.2	12.0
Papua New Guinea	15.7	16.5	23.0	22.1	17.4	17.7	6.4	0.9	-5.3
Philippines	25.9	24.9	25.0	31.2	30.8	28.9	5.3	5.9	3.9
Singapore	28.8	28.7	28.7	37.7	37.6	33.8	8.9	8.9	5.1
Sri Lanka	11.2	14.3	19.4	16.2	15.9	16.6	5.0	1.6	-2.8
Thailand	23.7	23.2	22.0	26.4	24.2	26.2	2.7	1.0	4.2

¹ At current market prices.

² Minus sign indicates the excess of gross domestic savings over gross capital formation.

Source: "Country's National Accounts."

TABLE 10
NET FLOWS OF RESOURCES TO DMCs: 1975-1977
(\$ Million)

Country	Net Flows From Multilateral Agencies			Net Official Flows From DAC Countries		
	1975	1976	1977	1975	1976	1977
Afghanistan	21.0	29.1	47.3	29.6	32.8	27.6
Bangladesh	308.4	201.4	199.8	704.3	324.4	384.3
Burma	26.6	30.6	45.0	27.8	37.9	54.2
Cambodia	2.3	0.2	0.1	79.7	0.6	0.3
China, Rep. of	2.9	-13.0	-18.4	134.8	81.6	98.4
Cook Islands	0.2	0.4	0.2	5.4	6.5	8.2
Fiji	8.3	8.0	7.8	18.9	23.8	21.6
Gilbert Islands	0.1	0.3	0.2	5.6	3.8	6.1
Hong Kong	1.3	1.5	-2.1	19.9	9.5	-0.4
India	669.2	606.8	500.6	787.0	681.7	434.2
Indonesia	224.0	312.9	290.3	600.2	748.6	516.1
Korea, Rep. of	330.5	416.0	293.1	433.3	324.5	311.4
Lao People's Dem. Rep.	6.3	4.4	3.4	32.6	24.0	26.7
Malaysia	68.8	81.7	98.6	92.2	68.6	92.3
Maldives	1.0	0.9	0.8	2.2	1.8	1.5
Nepal	16.9	20.7	35.7	28.6	29.2	37.4
Pakistan	140.0	162.0	188.6	329.9	371.1	331.2
Papua New Guinea	20.6	13.3	16.3	297.5	220.9	227.0
Philippines	140.2	143.7	149.0	152.7	238.5	200.8
Singapore	22.9	9.9	0.7	26.6	25.4	7.3
Solomon Islands	0.7	1.0	0.8	21.6	18.9	16.1
Sri Lanka	54.2	40.1	52.8	94.2	89.2	118.8
Thailand	85.6	90.3	122.7	73.8	64.5	129.4
Tonga	0.5	1.1	1.8	2.9	3.6	4.9
Viet Nam, Soc. Rep. of	30.5	18.6	47.6	279.9	162.2	200.5
Western Samoa	4.6	4.4	7.8	8.8	7.3	12.1
TOTAL	2,187.5	2,186.3	2,161.9¹	4,290.0	3,598.8	3,268.0

**Net Private Flows
From DAC Countries**

OPEC Assistance

**Total Net Flows
of Resources**

1975	1976	1977	1975	1976	1977	1975	1976	1977
-1.3	0.1	-0.2	21.6	14.7	21.5	79.8	76.6	86.2
9.9	4.8	3.6	61.1	10.9	165.0	1,063.9	541.5	752.7
5.6	3.5	5.8	—	—	—	48.8	72.0	105.0
0.9	0.3	0.0	—	—	—	81.1	1.2	0.4
235.5	82.0	-43.4	—	—	33.8	373.2	150.5	70.4
0.0	0.0	0.0	—	—	—	5.6	6.9	8.4
7.8	8.5	17.5	—	—	—	19.5	40.3	46.9
0.0	0.0	0.0	—	—	—	5.6	4.1	8.3
146.3	279.5	258.8	1.8	0.0	—	169.4	290.5	256.4
33.3	50.2	-48.8	203.7	499.6	113.8	1,693.2	1,838.4	999.7
802.6	1,616.0	57.8	—	28.7	29.3	2,627.0	2,705.2	893.5
312.5	513.2	422.8	—	26.7	48.4	1,076.2	1,280.4	1,075.7
0.0	1.9	0.6	—	—	—	38.8	80.4	30.7
51.4	148.0	-73.8	3.0	4.9	7.5	315.4	298.2	124.6
2.0	0.2	1.2	0.2	2.8	0.1	5.4	5.7	3.6
0.6	0.1	0.2	0.3	0.1	4.5	46.3	49.9	77.8
485.7	12.3	28.3	458.4	840.8	59.1	842.7	1,386.2	607.2
208	47.7	19.1	—	—	—	297.3	281.9	262.4
108.4	691.3	299.2	—	—	—	401.4	1,071.5	619.0
72.8	142.8	154.4	—	—	—	122.3	178.0	162.4
3.3	-0.9	0.0	—	—	—	25.6	19.0	16.9
68.8	-7.3	12.4	63.0	32.0	7.7	147.6	154.1	166.9
30.4	-25.9	6.5	0.0	75.6	0.3	188.7	204.5	258.9
0.0	0.0	0.1	—	—	—	3.4	4.7	6.8
4.7	-0.7	57.1	40.0	6.1	—	755.1 ²	586.1 ²	755.2 ²
0.1	-0.1	2.9	—	—	—	13.4	11.6	22.7
2708.1	3,561.3	1,157.2	853.1	1,542.9	491.0	10,708.7 ³	11,514.4 ³	7,620.1 ^{1,3}

¹Denotes magnitude zero.

²Includes OPEC financed multilateral flows to DMCs of ADB amounting to \$71.4 Mn., no country breakdown is available.

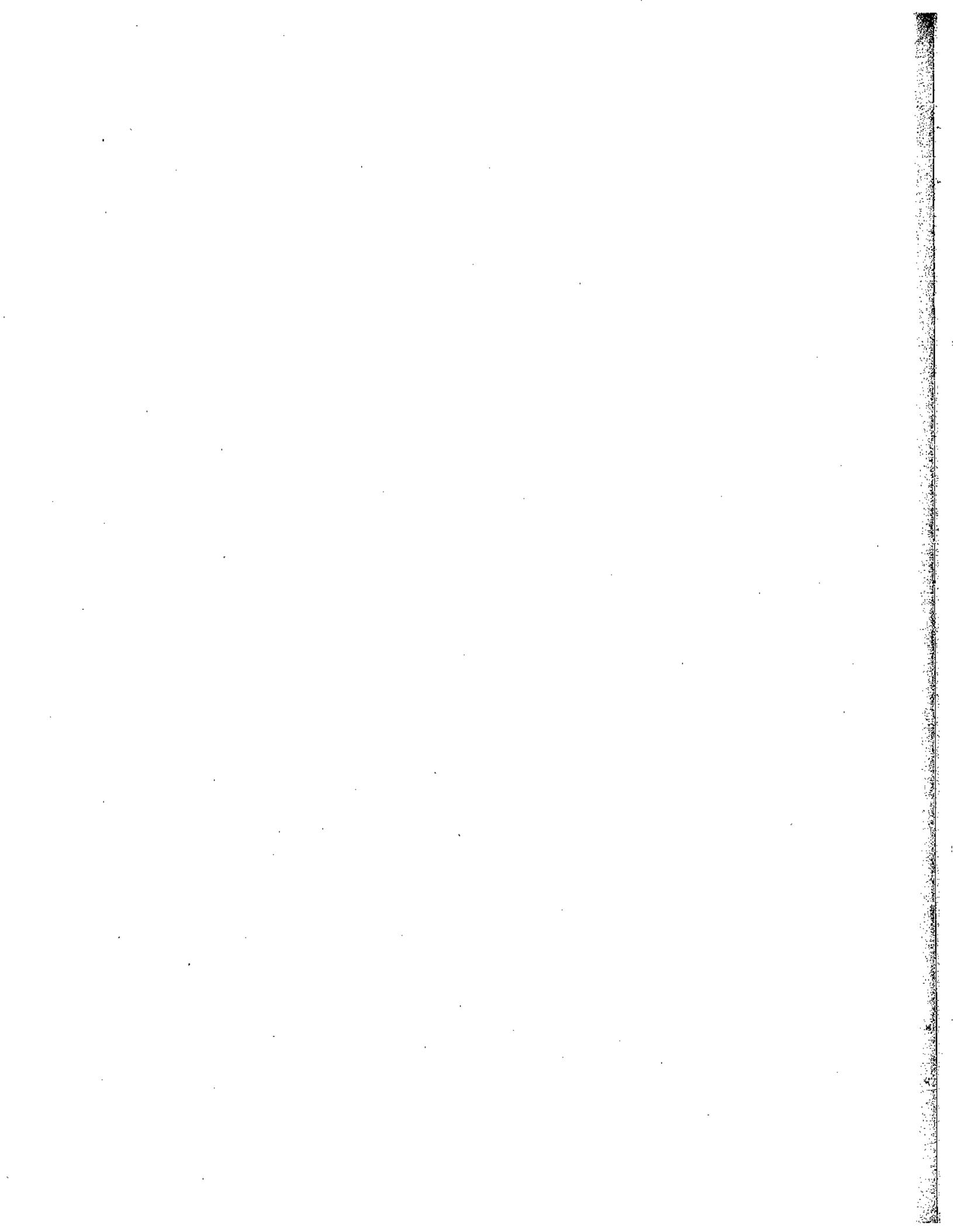
³Includes bilateral flows from Centrally Planned Economies to Soc. Rep. of Viet Nam amounting to \$100 Mn., \$400 Mn., \$450 Mn. for 1975,

1976 and 1977, respectively.

⁴Includes bilateral flows from Centrally Planned Economies to DMCs amounting to \$670 Mn., \$625 Mn., \$550 Mn. for 1975, 1976 and

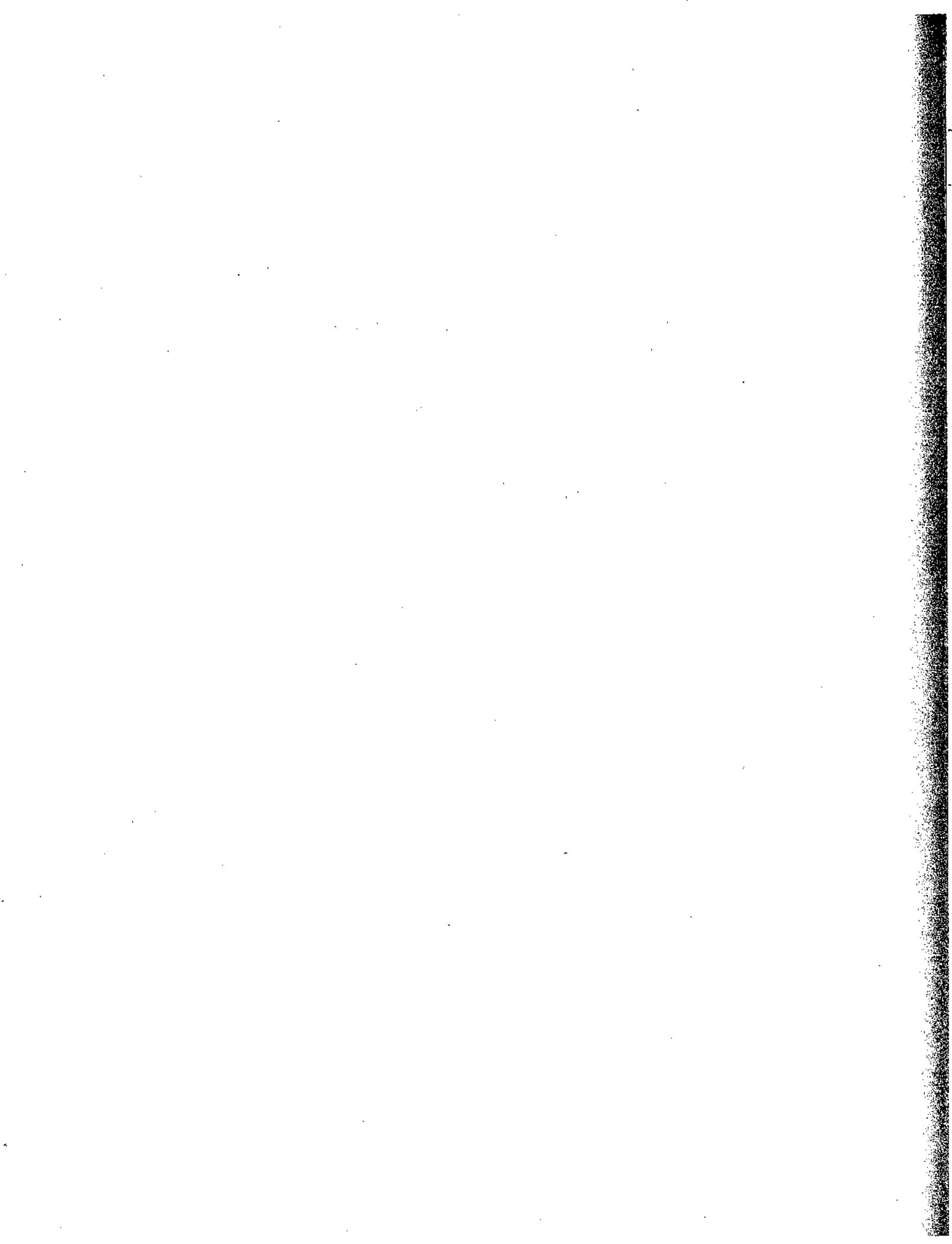
1977, respectively.

Source: OECD



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Opinion of Independent Auditors

ASIAN DEVELOPMENT BANK

BALANCE

31 December 1978

Expressed in Thousands

ASSETS

	1978	1977
CASH IN BANKS (See Appendix 1-IV) (Note B)	\$ 57,023	\$ 59,514
INVESTMENTS (Note B)		
Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$415,498 — 1978, \$344,675 — 1977)	\$ 412,596	\$ 339,346
Time deposits and certificates of deposit	<u>805,922</u>	<u>669,182</u>
	1,218,518	1,008,528
LOANS (See Appendix 1-V) (Note A)		
Loans approved - \$3,859,013 — 1978, \$3,080,783 — 1977		
Effective loans		
Held by Bank	3,172,837	2,521,403
Agreed to be sold	<u>1,909</u>	<u>3,209</u>
	3,174,746	2,524,612
ACCRUED INCOME		
On investments	39,635	31,964
On loans	<u>32,686</u>	<u>23,680</u>
	72,321	55,644
AMOUNTS RECEIVABLE FROM MEMBERS		
Non-negotiable, non-interest-bearing demand obligations (See Appendix 1-IV) (Notes B and C)	279,319	257,786
Amounts required to maintain value of currency holdings (Note D)	3,836	8,991
Subscription instalments (Note C)	<u>361</u>	<u>253</u>
	283,516	267,029
OTHER ASSETS		
Notional amounts required to maintain value of currency holdings (Note I)	68,139	—
Administration Charge receivable from Special Funds (Note J)	5,864	4,408
Unamortized issuance costs of borrowings (Note A)	13,595	9,190
Miscellaneous	<u>5,028</u>	<u>5,868</u>
	92,626	19,466
SPECIAL RESERVE FUND ASSETS (Note E)	42,482	28,764
TOTAL	\$4,941,232	\$3,963,547

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

ORDINARY CAPITAL RESOURCES

SHEET

and 31 December 1977

United States Dollars (Note A)

LIABILITIES, CAPITAL AND RESERVES

	1978	1977
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-V)		
Held by Bank	\$1,569,952	\$1,321,979
Agreed to be sold	<u>1,909</u>	<u>3,209</u>
	\$1,571,861	\$1,325,188
BORROWINGS		
Principal amounts outstanding (See Appendix 1-VI)	1,609,900	1,204,756
Less — net unamortized discounts and premiums (Note A)	<u>1,884</u>	<u>1,661</u>
	1,608,016	1,203,095
ACCRUED INTEREST ON BORROWINGS	46,258	35,322
AMOUNTS PAYABLE TO MEMBERS		
Amounts required to maintain value of currency holdings (Note D)	4,609	41,722
ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Notional amounts required to maintain value of currency holdings (Note I)	21,923	—
Miscellaneous	<u>5,809</u>	<u>27,732</u>
	27,727	2,727
CAPITAL AND RESERVES		
Capital Stock (See Appendix 1-VII) (Note C)		
Authorized (SDR 7,220,570 — 1978, US dollars of 1966 \$7,220,570 — 1977)		
Subscribed (SDR 6,709,260 — 1978, US dollars of 1966 \$6,770,250 — 1977)	8,740,757	6,960,941
Less — "callable" shares subscribed (SDR 5,362,800 — 1978, US dollars of 1966 \$4,518,730 — 1977)	<u>6,986,603</u>	<u>5,451,170</u>
"Paid-in" shares subscribed (SDR 1,346,460 — 1978, US dollars of 1966 \$1,251,520 — 1977)	1,754,154	1,509,771
Less — subscription instalments not due (SDR 284,647 — 1978, US dollars of 1966 \$324,466 — 1977)	<u>370,704</u>	<u>391,419</u>
Subscription instalments matured (SDR 1,061,913 — 1978, US dollars of 1966 \$927,054 — 1977)	1,383,450	1,118,352
Less — capital set aside and transferred to Special Funds (Note F) (SDR 47,610 — 1978, US dollars of 1966 \$47,610 — 1977)	<u>62,025</u>	<u>57,434</u>
	1,321,425	1,060,918
Advance payments on subscriptions (Note C)	15,695	51,313
Ordinary Reserve (Note G)	196,755	142,157
Special Reserve (Note E)	42,482	28,754
Net income after appropriation of commissions to Special Reserve (Note G)		
For the years ended 31 December 1978 and 31 December 1977	106,399	1,682,756
	72,351	1,355,493
TOTAL	\$4,941,232	\$3,963,547

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

STATEMENT OF INCOME AND EXPENSES

For the Years Ended 31 December 1978 and 31 December 1977

Expressed in Thousands of United States Dollars (Note A)

	1978	1977
INCOME		
From investments	\$96,037	\$ 86,512
From loan operations		
Interest	94,402	65,987
Commissions	13,728	10,093
Commitment charge	8,279	5,238
From other sources	729	787
GROSS INCOME	<u>213,175</u>	<u>168,617</u>
EXPENSES		
Administrative expenses		
Board of Governors	360	62
Board of Directors		
Salaries	936	850
Benefits (Note H)	333	320
Business travel	159	141
Relocation	185	232
Staff services	145	138
Total Board of Directors	<u>1,758</u>	<u>1,681</u>
Staff		
Salaries	11,143	9,792
Benefits (Note H)	4,708	4,015
Relocation	994	545
Consultants	225	378
Total staff	<u>17,070</u>	<u>14,730</u>
Business travel and representation		
Business travel	1,891	1,507
Representation	<u>48</u>	<u>43</u>
Total business travel and representation	<u>1,939</u>	<u>1,550</u>
Other administrative expenses		
Communications	729	578
Office occupancy	1,402	1,214
Library	107	95
Expendable supplies	276	249
Office equipment	294	231
Contractual services	716	616
Insurance	90	52
Miscellaneous	91	67
Special activity	...	19
Total other administrative expenses	<u>3,705</u>	<u>3,121</u>
Total administrative expenses (Forward)	\$24,832	\$21,144

	<u>1978</u>	<u>1977</u>
Total administrative expenses (Forward)	\$ 24,832	\$ 21,144
Deduct Administration Charge (Note J)	10,308	7,090
Net administrative expenses	<u>14,524</u>	<u>14,054</u>
Services to member countries (Note K)		
Project preparation and other loan-related technical assistance	891	359
Project implementation/advisory	8	23
Regional activities	<u>188</u>	<u>788</u>
Total services to member countries	<u>1,087</u>	<u>1,170</u>
Financial expenses		
Interest on borrowings	109,248	88,885
Other financial expenses (Note A)	<u>2,381</u>	<u>2,000</u>
Total financial expenses	<u>111,629</u>	<u>90,885</u>
GROSS EXPENSES	<u>127,240</u>	<u>106,109</u>
INCOME BEFORE NET GAIN FROM CHANGES IN VALUE OF CURRENCIES	<u>85,935</u>	<u>62,508</u>
NET GAIN FROM CHANGES IN VALUE OF CURRENCIES – resulting primarily from translation of currency holdings in excess of maintenance of value ceilings (Notes A and D)	<u>34,192</u>	<u>19,936</u>
NET INCOME	<u>120,127</u>	<u>82,444</u>
APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note E)	<u>(13,728)</u>	<u>(10,093)</u>
NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE (Note G)	<u>\$106,399</u>	<u>\$ 72,351</u>

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1978 and 31 December 1977

Expressed in Thousands of United States Dollars (Note A)

	1978	1977
FUNDS WERE PROVIDED BY		
Operations		
Net income	\$ 120,127	\$ 82,444
Items not requiring or providing funds:		
Accrued interest and other expenses	11,229	5,941
Accrued income including capitalized interest and commitment charges on loans	(34,437)	(22,956)
Administration Charge	(10,308)	(7,090)
Commissions (transferred to Special Reserve Fund Assets)	(13,728)	(10,093)
Other – net	2,061	1,632
Funds provided by operations	<u>74,944</u>	<u>49,878</u>
Increase in undisbursed balance of effective loans	559,350	452,010
Borrowings	350,502	112,249
Increase in borrowings as a result of currency valuations	195,552	101,022
Capital subscriptions	126,988	92,632
Increase in matured capital subscriptions due to substitution of the SDR for the 1966 dollar as unit of value	102,384	—
Demand obligations of members encashed	40,171	46,831
Loans collected	70,542	—
Loans sold	1,300	—
Administration Charge collected	8,852	6,252
Total	<u>1,530,585</u>	<u>924,571</u>
FUNDS WERE UTILIZED FOR		
Increase in effective loans	559,350	452,010
Loans disbursed	277,219	258,395
Increase in loans disbursed and outstanding as a result of currency valuations	180,323	97,548
Demand obligations of members received	55,046	39,935
Bonds purchased for redemption and borrowings redeemed	140,910	92,588
Increase in other assets as a result of currency valuations	11,052	4,659
Net charge to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as unit of value	17,753	—
Increase in capital set aside and transferred to Special Funds due to substitution of the SDR for the 1966 dollar as unit of value	4,591	—
Net maintenance of value adjustments		
Regular	27,745	(38,317)
Notional	46,216	—
Other – net	<u>2,881</u>	<u>5,153</u>
Total	<u>1,323,086</u>	<u>911,971</u>
INCREASE IN CASH IN BANKS AND INVESTMENTS	<u>\$ 207,499</u>	<u>\$ 12,600</u>
INCREASE (DECREASE) IN COMPONENTS OF FUNDS ¹		
Cash in banks	\$ (2,491)	\$ 10,602
Investments	209,990	1,998
TOTAL	<u>\$ 207,499</u>	<u>\$ 12,600</u>

The accompanying notes to financial statements (Appendix 1-VII) are an integral part of this statement.

¹ Special Reserve Funds are not considered as a part of funds.

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

31 December 1978

Expressed in Thousands of United States Dollars (Note A)

Members	Unit of Currency	Cash in Banks	Non-Negotiable Non-Interest-Bearing Demand Obligations
Afghanistan	Afghani	\$ 9	\$ 2,496 ¹
Australia	Australian dollar	949	11,344
Austria	Austrian schilling	173	—
Bangladesh	Bangladesh taka	8	8,294 ¹
Belgium	Belgian franc	104	382
Burma	Kyat	1,339 ¹	3,809 ¹
Cambodia	Riel	47 ¹	172 ¹
Canada	Canadian dollar	56	14,413
China, Republic of	New Taiwan dollar	190	9,254 ¹
Cook Islands	New Zealand dollar	15 ¹	—
Denmark	Danish krone	154	759
Fiji	Fiji dollar	1 ¹	804 ¹
Finland	Finnish markka	206	128
France	French franc	26	3,805
Germany, Federal Republic of	Deutsche mark	126	4,519
Gilbert Islands	Australian dollar	4	28 ¹
Hong Kong	Hong Kong dollar	51 ²	127 ³
India	Indian rupee	10	53,818 ¹
Indonesia	Rupiah	28,282 ¹	2,255 ¹
Italy	Italian lira	34	—
Japan	Yen	1,587	31,093
Korea, Republic of	Won	6,731 ¹	38,075 ¹
Laos	Liberation kip	107 ¹	14 ¹
Malaysia	Malaysian ringgit	54	24,731 ¹
Maldives	Maldivian rupee	12 ¹	—
Nepal	Nepalese rupee	22	1,160 ¹
Netherlands	Netherlands guilder	821	1,707
New Zealand	New Zealand dollar	83 ²	10,848 ³
Norway	Norwegian krone	60	709
Pakistan	Pakistan rupee	4,533 ¹	13,888 ¹
Papua New Guinea	Kina	91	741 ¹
Philippines	Philippine peso	690	8,828 ¹
Singapore	Singapore dollar	35	2,639 ¹
Solomon Islands	Solomon Islands dollar	3	42 ¹
Sri Lanka	Sri Lanka rupee	21	4,838 ¹
Sweden	Swedish krona	35	—
Switzerland	Swiss franc	198	—
Thailand	Baht	6	11,402 ¹
Tonga	Tongan dollar	30 ¹	—
United Kingdom	Pound sterling	1,353	4,287
United States	United States dollar	2,418	10,075
Viet Nam	Dong	6,187 ³	—
Western Samoa	Western Samoan tala	11 ¹	5 ¹
Total Members		56,872	279,319
<hr/>			
Non-Members			
Kuwait	Kuwaiti dinar	35	—
Luxembourg	Luxembourg franc	42	—
Saudi Arabia	Saudi Arabian riyal	74	—
<hr/>		<hr/>	
Total Non-Members		151	—
<hr/>		<hr/>	
TOTAL		\$57,023	\$279,319

The accompanying notes to financial statements (Appendix 1-VIII) are an integral part of this statement.

1 Restrictions on use may be imposed by members (Note B).

2 Restrictions on use have been imposed for \$58 of these amounts.

3 Restrictions on use have been imposed by members (Note B).

ASIAN DEVELOPMENT BANK

SUMMARY STATEMENT

31 December

Expressed in Thousands

Borrower/Guarantor ¹	Principal Amount	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	
				On Loans Held by Bank	For Loans Sold
Bangladesh	\$ 11,400	\$ —	\$ 127	\$ 1,592	\$ —
Burma	6,800	—	—	—	—
China, Republic of	100,390	—	9,252	26,164	2,800
Fiji	22,900	16,200	112	627	—
Hong Kong	31,500	—	4,500	6,375	1,950
Indonesia	573,980	90,010	15,342	562	—
Korea, Republic of	833,700	100,000	16,913	62,911	3,456
Malaysia	426,998	93,140	9,522	15,742	2,140
Nepal	2,000	—	—	947	—
Pakistan	423,070	95,100	29,634	13,612	—
Papua New Guinea	17,700	—	—	—	—
Philippines	701,350	82,000	261	17,458	423
Singapore	143,980	19,000	26,139	16,234	2,830
Sri Lanka	14,135	—	793	3,983	—
Thailand	495,380	143,080	18,661	17,479	1,711
Viet Nam	3,830	—	2,389	25	—
 Adjustments in United States					
dollar equivalents of loans disbursed					
Total	\$3,859,013	\$638,530	\$133,645	\$183,711	\$15,810

The accompanying notes to financial statements (Appendix I-VIII) are an integral part of this statement.

1 Loans other than those made directly to a member or to its central bank have been guaranteed by the member.

2 This amount represents adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

ORDINARY CAPITAL RESOURCES

OF LOANS

1978

United States Dollars (Note A)

Effective Loans		Undisbursed Balance of Effective Loans		Outstanding Balance	
Held by Bank	Agreed to be Sold	Held by Bank	Agreed to be Sold	On Loans Held by Bank	For Loans Sold
\$ 9,681	\$ —	\$ 3,462	\$ —	\$ 6,219	\$ —
6,600	—	1,291	—	5,309	—
62,174	—	—	—	62,174	—
5,961	—	—	—	5,961	—
66,766	1,909	49,390	1,909	17,376	800
468,066	—	426,176	—	41,890	—
650,420	—	251,013	—	399,407	187
306,454	—	120,872	—	185,582	1,074
1,053	—	—	—	1,053	—
284,724	—	122,494	—	162,230	—
17,700	—	15,142	—	2,558	—
601,208	—	418,559	—	182,649	50
79,777	—	22,834	—	56,943	—
9,359	—	247	—	9,112	—
314,449	—	137,022	—	177,427	443
1,516	—	1,450	—	66	—
286,929 ²		286,929 ²			
\$3,172,837	\$1,909	\$1,569,952	\$1,909	\$1,602,885	\$2,554

ASIAN DEVELOPMENT BANK

SUMMARY STATEMENT

31 December 1978

Expressed in Thousands

Currencies Payable	Principal Outstanding at 31 December 1977	Changes During the Year Ended 31 December 1978		
		Borrowings	Repayments and Sinking Fund and Other Purchases	Translation Adjustments
Austrian schillings	\$ 9,420	\$ —	\$ 1,876	\$ 1,209
Belgian francs	10,495	—	817	1,433
Deutsche mark	205,126	49,146	280	39,225
Italian lire	11,270	—	1,210	834
Japanese yen	280,831	138,151	85,663	84,975
Kuwaiti dinars	17,851	—	—	528
Luxembourg francs	11,339	—	1,084	1,531
Netherlands guilders	98,684	—	—	15,587
Saudi Arabian riyals	14,388	—	—	649
Swiss francs	129,826	93,205	—	49,581
United States dollars	415,526	70,000	50,000	—
Principal outstanding at face value	1,204,756	350,502	140,910	195,552
Less: Net unamortized discounts and premiums	1,661	223	—	—
Total	<u>\$1,203,095</u>	<u>\$350,279</u>	<u>\$140,910</u>	<u>\$195,552</u>

MATURITIES OF

	Twelve Months Ending 31 December
1978	—
1979	—
1980	—
1981	—
1982	—
1983	—

	Five Years Ending 31 December
1984-1988/1983-1987	—
1989-1993/1988-1992	—
1994-1998/1993-1997	—

Total

The accompanying notes to financial statements (Appendix I-VIII) are an integral part of this statement.

- 1 The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.
- 2 Subsequent to 31 December 1978, the Bank has entered into an agreement for a public issue in Switzerland of 3½%, 15-Year Swiss Franc Bonds in the principal amount of SwF 100,000,000. Also, the Bank plans, by exercise of its option, to redeem in full the outstanding principal amounting to SwF 31,850,000 of a 7%, 15-year Swiss franc bond issue maturing in 1986.

ORDINARY CAPITAL RESOURCES

OF BORROWINGS

31 December 1977

United States Dollars (Note A)

Principal Outstanding at 31 December 1978	Weighted Average Effective Interest Rates ¹		Due for Redemption
	1978	1977	
\$ 8,753	7.28%	7.28%	1979-1983
11,111	7.36	7.36	1979-1983
293,217	7.27	7.69	1979-1988
10,894	7.22	7.22	1979-1987
418,294	7.43	8.05	1979-1993
18,379	7.50	7.50	1979-1984
11,806	6.64	6.64	1979-1987
114,271	8.42	8.42	1981-1984
15,037	8.00	8.00	1980-1983
272,612 ²	6.03	7.22	1979-1993
435,526	8.02	7.98	1979-1996
 1,609,900	7.39	7.86	
 1,884			
 <u>\$1,608,016</u>			

BORROWINGS OUTSTANDING

1978	1977
\$ -	\$ 95,190
91,328	92,193
205,263	129,755
214,758	201,027
215,776	182,039
174,188	-
 558,528	404,568
135,559	84,484
14,500	15,500
 <u>\$1,609,900</u>	<u>\$1,204,756</u>

STATEMENT OF SUBSCRIPTIONS TO

31 December

Expressed in Thousands of United States Dollars (Note A)

	Shares	SUBSCRIBED			PAR VALUE OF CALLABLE SHARES		
		Per Cent of Total	Par Value SDR	Expressed in Dollars	Subject to Call SDR	Expressed in Dollars	
REGIONAL							
Afghanistan ¹	1,195	0.178	SDR 11,950	\$ 15,568	SDR 8,130	\$ 10,592	
Australia	49,937	7.443	499,370	650,574	402,680	524,607	
Bangladesh	8,812	1.313	88,120	114,802	71,000	92,576	
Burma	4,700	0.701	47,000	61,231	37,900	49,376	
Cambodia ¹	875	0.130	8,750	11,400	5,950	7,752	
China, Republic of	9,400	1.401	94,000	122,462	75,800	98,752	
Cook Islands ¹	10	0.001	100	130	70	91	
Fiji	587	0.087	5,870	7,647	4,730	6,102	
Gilbert Islands ¹	15	0.002	150	195	100	130	
Hong Kong	4,700	0.701	47,000	61,231	37,900	49,376	
India	54,637	8.144	546,370	711,805	440,580	573,983	
Indonesia	47,000	7.005	470,000	612,311	379,000	493,757	
Japan	117,500	17.813	1,175,000	1,530,778	947,500	1,234,393	
Korea, Republic of	43,475	6.480	434,750	566,388	350,580	456,732	
Laos	246	0.037	2,460	3,205	1,980	2,580	
Malaysia	23,500	3.503	235,000	306,166	189,500	246,870	
Maldives	35	0.005	350	456	280	365	
Nepal	1,269	0.189	12,690	16,532	10,230	13,327	
New Zealand	13,254	1.975	132,540	172,672	106,880	139,242	
Pakistan	18,800	2.802	188,000	244,925	151,600	197,503	
Papua New Guinea	810	0.121	8,100	10,553	6,540	8,520	
Philippines	20,562	3.065	205,620	267,880	165,810	216,016	
Singapore	2,937	0.438	29,370	38,263	23,680	30,850	
Solomon Islands	58	0.009	580	755	470	612	
Sri Lanka	5,005	0.746	50,050	65,205	40,360	52,581	
Thailand	11,750	1.751	117,500	153,078	94,750	123,439	
Tonga	35	0.005	350	456	280	366	
Viet Nam	7,050	1.051	70,500	91,847	56,850	74,064	
Western Samoa ¹	25	0.004	250	326	170	222	
Total Regional	448,179	66.800	4,481,790	5,838,831	3,611,360	4,704,844	
NON-REGIONAL							
Austria	2,937	0.438	29,370	38,263	23,680	30,850	
Belgium ¹	1,250	0.186	12,500	16,285	8,500	11,071	
Canada	45,143	6.728	451,430	588,118	364,030	474,250	
Denmark	2,937	0.438	29,370	38,263	23,680	30,850	
Finland	1,175	0.175	11,750	15,308	8,580	11,175	
France	14,687	2.189	146,870	191,341	118,430	154,209	
Germany, Fed. Rep. of	37,384	5.585	373,340	486,383	301,050	392,205	
Italy ¹	5,000	0.745	50,000	65,140	34,000	44,295	
Netherlands	6,462	0.963	64,620	84,186	52,110	67,881	
Norway	2,937	0.438	29,370	38,263	23,680	30,850	
Sweden	1,175	0.175	11,750	15,308	8,580	11,175	
Switzerland	4,037	0.602	40,370	52,594	32,550	42,406	
United Kingdom	17,625	2.627	176,250	229,617	142,130	185,169	
United States ²	80,048	11.931	800,480	1,042,857	610,440	795,275	
Total Non-Regional	222,747	33.200	2,227,470	2,901,926	1,751,440	2,281,759	
TOTAL	670,926	100.000	SDR 6,709,200	\$8,740,757	SDR 5,362,800	\$6,986,600	

The accompanying notes to financial statements (Appendix I-VIII) are an integral part of this statement.

¹ As of 31 December 1978, 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. Such additional shares could be up to 135 percent of each such member's existing subscribed shares.

ORDINARY CAPITAL RESOURCES

CAPITAL STOCK AND VOTING POWER

1978

and in Thousands of Special Drawing Rights

PAR VALUE OF PAID-IN SHARES					VOTING POWER		
Subscriptions Not Due Expressed in SDR		Instalments Matured Expressed in SDR		Number of Votes	Per Cent of Total	Per Cent of Regional/Non-Regional	
		Dollars	Dollars				
SDR	\$	SDR	\$				
—	—	3,820	4,976	5,095	0.608	0.908	
21,517	28,033	75,173	97,934	53,837	6.420	9.592	
3,795	4,944	13,265	17,282	12,712	1.516	2.265	
2,025	2,638	7,075	9,217	8,600	1.026	1.532	
—	—	2,800	3,648	4,775	0.569	0.861	
4,050	5,276	14,150	18,434	13,300	1.586	2.370	
8	10	22	29	3,910	0.466	0.697	
255	332	885	1,153	4,487	0.535	0.799	
—	—	50	65	3,915	0.467	0.697	
2,025	2,638	7,075	9,217	8,600	1.026	1.532	
23,542	30,671	82,248	107,151	58,537	6.980	10.429	
20,250	26,382	70,750	92,172	50,900	6.070	9.069	
50,625	65,954	176,875	230,431	121,400	14.478	21.629	
18,728	24,398	85,442	85,258	47,375	5.649	8.441	
105	137	375	488	4,146	0.494	0.739	
10,125	13,191	35,375	46,086	27,400	3.267	4.882	
52	68	18	23	3,935	0.469	0.701	
548	713	1,912	2,492	5,169	0.616	0.921	
5,708	7,436	19,952	25,994	17,154	2.046	3.056	
8,100	10,553	28,300	36,869	22,700	2.707	4.044	
345	450	1,215	1,583	4,710	0.562	0.839	
8,858	11,539	30,952	40,325	24,462	2.917	4.358	
1,268	1,651	4,422	5,762	6,837	0.815	1.218	
22	29	88	114	3,958	0.472	0.706	
2,152	2,804	7,538	9,820	8,905	1.062	1.587	
5,062	6,596	17,688	23,043	15,650	1.866	2.788	
15	19	55	72	3,935	0.469	0.701	
3,037	3,957	10,613	13,826	10,950	1.306	1.951	
22	28	58	76	3,925	0.468	0.699	
192,239	250,447	678,191	883,540	561,279	66.930	100.000	
1,268	1,651	4,422	5,762	6,837	0.815	2.466	
—	—	4,000	5,211	5,150	0.614	1.857	
29,815	38,842	57,585	75,021	49,043	5.848	17.683	
1,268	1,651	4,422	5,762	6,837	0.815	2.466	
502	655	2,668	3,475	5,075	0.605	1.830	
6,330	8,247	22,110	28,805	18,587	2.216	6.702	
21,998	28,658	50,292	65,520	41,234	4.917	14.867	
		16,000	20,845	8,900	1.061	3.209	
2,782	3,625	9,728	12,673	10,362	1.236	3.736	
1,268	1,651	4,422	5,762	6,837	0.815	2.466	
502	655	2,668	3,475	5,075	0.605	1.830	
2,865	3,733	4,955	6,455	7,937	0.946	2.862	
7,590	9,888	26,530	34,563	21,525	2.567	7.761	
16,120	21,001	173,920	226,581	83,948	10.010	30.268	
92,308	120,257	383,722	499,910	277,347	33.070	100.000	
SDR 284,547	\$370,704	SDR 1,061,913	\$1,383,450	838,626	100.000		

2 As of 31 December 1978, the United States has subscribed to 30,048 shares out of the 67,500 shares to which it is entitled to subscribe under Resolution No. 104 of the Board of Governors.

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1978 and 31 December 1977

NOTE A —

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Unit of Account

The Ordinary Capital Resources 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 1978 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 1978, the SDR was valued at \$1.30279. (See Note C. This note also shows what the value of the Bank's capital stock would be if expressed in terms of \$1.20635 per 1966 dollar.)

(3) Translation of Currencies

Assets and liabilities in currencies other than United States dollars are translated at the applicable rates of exchange at the end of the year, except that unamortized issuance costs of borrowings in such currencies are translated at applicable historical rates.

Except for amortized issuance costs of borrowings which are translated at applicable historical rates, income and expense amounts in currencies other than United States dollars 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 D) and "Notional amounts required to maintain value of currency holdings" (see Note I), are charged or credited to income.

(4) Loans

The Summary Statement of Loans (Appendix 1-V) presents, by country, total approved loans to be financed from Ordinary Capital Resources. Adjustments for loans not yet effective, refundings and cancellations, payments received, loans agreed to be sold and exchange adjustments are made to arrive at effective loans held by the Bank.

(5) Unamortized Discounts, Premiums and Issuance Costs of Borrowings

Unamortized discounts, premiums and issuance costs of borrowings are amortized over the life of each issue in proportion to each of the principal amounts outstanding.

(6) Property, Furniture and Equipment

The headquarters seat of the Bank, including land, building, facilities and fixtures and the initial cost of necessary staff amenities and of related furnishings are provided to the Bank by the Government of the Republic of the Philippines. Furniture and equipment purchased by the Bank are charged to expense when acquired.

(7) Staff Retirement Costs

The Bank absorbs all expenses of administering the Staff Retirement Plan and charges all of its contributions thereto (see Note H) to administrative expenses currently.

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 25 (24-1977) members aggregating \$232,388,000 (\$203,868,000 - 1977).

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 \$11,033,000 (\$11,175,000 - 1977).

NOTE C —

CAPITAL STOCK

The authorized capital stock of the Bank consists of 722,057 shares, of which 670,926 shares have been subscribed by members. Of the subscribed shares, 536,280 are "callable" and 134,646 are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings or on guarantees. The "paid-in" share capital is payable or has been paid in instalments, partly in convertible currencies and partly in the currency of the subscribing member. In accordance with Article 6, paragraph 3 of the Articles, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, where such currency is not required by the Bank for the conduct of its operations.

In the Articles, the Bank's capital stock is defined "in terms of United States dollars of the weight and fineness in effect on

CONTINUED

"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.

It is the opinion of the General Counsel of the Bank 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 \$12,083.50, 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 current 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. As of 31 December 1978, the value of the SDR in terms of the United States dollar was \$1.30279, giving a value for each share of the Bank's capital stock equivalent to \$13,027.90. With effect from 1 July 1978, the IMF has made certain adjustments in the SDR currency basket, and has 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 adjustments

made at the time of the change are such that the value of the revised basket in terms of any currency was exactly the same under both the then existing and the revised valuation.

The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Bank. If the capital stock as of 31 December 1978 had been valued in terms of \$12,083.50 per share, the "callable" capital subscribed would have been \$6,469,414,000 instead of \$6,986,603,000, the "paid-in" capital subscribed would have been \$1,624,302,000 instead of \$1,754,154,000, the total subscribed capital would have been \$8,093,716,000 instead of \$8,740,767,000, and maintenance of value obligations would have been \$39,188,000 payable to members instead of \$45,443,000 receivable from members.

As of 31 December 1978, all matured instalments amounting to \$1,383,450,000 (\$1,118,352,000 - 1977) were received except \$361,000 due from two members (\$253,000 due from a member - 1977). Instalments not due aggregating \$370,704,000 (\$391,419,000 - 1977) are receivable as follows:

	<u>1978</u>	<u>1977</u>
1978	\$ —	\$126,322,000
1979	151,722,000	101,471,000
1980	109,496,000	81,818,000
1981	109,486,000	81,808,000

Some members have made payments in respect of their capital subscription instalments in advance of the due date. Such payments are shown in the balance sheet (under the caption "CAPITAL AND RESERVES") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

NOTE D -

AMOUNTS RECEIVABLE AND AMOUNTS PAYABLE TO MAINTAIN VALUE OF CURRENCY HOLDINGS

These represent the aggregate amounts receivable and the aggregate amounts payable resulting from changes in exchange rates of member currencies from those previously used for the purposes of maintenance of value, under Article 25 and relevant resolutions of the Board of Directors, of the Bank's holdings of certain member currencies (see Notes C and I).

NOTE E -

SPECIAL RESERVE

In accordance with Article 16, paragraph 1, the Bank charges a commission calculated at one per cent per annum on the outstanding amount of loans made by it from the Ordinary Capital Resources. In accordance with Article 17, an amount equivalent to such commissions is appropriated to a Special Reserve. Special Reserve Fund assets consist principally of certificates of deposit.

ASIAN DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1978 and 31 December 1977

NOTE F –

CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(i), the Board of Governors has authorized the setting aside of 10 per cent of the 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 \$62,025,000 as of 31 December 1978 expressed in terms of the SDR on the basis of \$1,30279 per SDR (\$57,434,000 in terms of \$1,20635 per 1966 dollar — see Notes A and C), were allocated and transferred to the Asian Development Fund.

NOTE G –

ORDINARY RESERVE AND NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE

Under the provisions of Article 40, the Board of Governors shall determine annually what part of the net income after appropriation of commissions to Special Reserve (see Note E) shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members. Net income after appropriation of commissions to Special Reserve for the year ended 31 December 1977, namely \$72,351,000, was allocated to the Ordinary Reserve in accordance with the resolution adopted by the Board of Governors at the Eleventh Annual Meeting. Similar allocations had previously been made in respect of net income after appropriation of commissions to Special Reserve for the preceding periods.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Notes A and C) results in a charge of \$17,753,000 to the Ordinary Reserve. This charge represents the \$102,384,000 restatement of the matured capital subscriptions reduced by the \$84,631,000 notional maintenance of value adjustments attributable to the increase in the value of the SDR in relation to the United States dollar, the Bank's unit of account. (See Note I).

NOTE H –

CONTRIBUTIONS TO STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall, as a condition of service, become a participant as of the first day of his service, provided that as of such a date, he shall not have reached his normal retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet.

From December 1974, each participant has contributed 9 1/3 per cent of his remuneration to the Plan, and the Bank has contributed 18 2/3 per cent of the 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

1978, the amount contributed by the Bank was \$2,185,000 (\$1,938,000 — 1977).

NOTE I –

NOTIONAL AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS

Prior to 1 April 1978, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with the provisions of Article 25 of its Articles and relevant resolutions of the Board of Directors. Inasmuch as the valuation of the Bank's capital stock and the basis for 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 1978, consisting of receivables of \$68,139,000 and payables of \$21,923,000, represent (a) the increase of \$84,631,000 in amounts required to maintain the value of currency holdings to the extent of matured capital subscriptions due to the increase in the value of the SDR in relation to the United States dollar, the Bank's unit of account, offset by (b) the net increase of \$38,415,000 in the value of such currency holdings in relation to the United States dollar during the period 1 April 1978 to 31 December 1978.

NOTE J –

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans approved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved. As a result of the change in the formula, the charge for the year ended 31 December 1978 was increased by \$2,351,000.

NOTE K --

TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 December 1978, for technical assistance projects and programs approved by the Bank, were approximately \$12,806,000 (\$10,101,000 — 1977); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over \$150,000 (\$100,000 prior to 31 May 1977) will be converted to the subsequent loan. Under such options, no technical assistance expenditure (\$206,000 — 1977) was charged to loans and credited to income of Ordinary Capital Resources during the year ended 31 December 1978.

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 1978 and 31 December 1977	1 - I
Statement of Income and Expenses for the years ended 31 December 1978 and 31 December 1977	1 - II
Statement of Changes in Financial Position for the years ended 31 December 1978 and 31 December 1977	1 - III
Statement of Cash in Banks and Demand Obligations of Members, 31 December 1978	1 - IV
Summary Statement of Loans, 31 December 1978	1 - V
Summary Statement of Borrowings, 31 December 1978 and 31 December 1977	1 - VI
Statement of Subscriptions to Capital Stock and Voting Power, 31 December 1978	1 - VII
Notes to Financial Statements, 31 December 1978 and 31 December 1977	1 - VIII

Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Asian Development Bank — Ordinary Capital Resources at 31 December 1978 and 31 December 1977 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

23 February 1979

ASIAN DEVELOPMENT BANK

BALANCE

31 December 1978

Expressed in Thousands of

Technical Assistance
Special Fund (Note 3)

<u>ASSETS</u>	<u>1978</u>	<u>1977</u>
CASH IN BANKS	\$ 575	\$ 315
INVESTMENTS		
Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$21,308 – 1978, \$22,456 – 1977)	18,573	13,770
Time deposits	1,273	1,603
LOANS (Note 5)	—	—
Effective loans held by Bank	—	—
ACCRUED INCOME		
On investments	25	33
On loans	—	—
RESOURCES AVAILABLE FOR DRAWING		
Contributed Resources (See Appendix 1-D)	2,407	1,123
OTHER ASSETS	882	475
TOTAL	\$23,735	\$17,319

LIABILITIES, UNEXPENDED BALANCES AND CAPITAL

ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	\$ —	\$ —
ACCOUNTS PAYABLE		
Asian Development Fund	—	—
Others	2,216	1,214
UNEXPENDED BALANCES AND CAPITAL		
Contributed Resources (See Appendix 1-D)	39,793	31,079
Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6)	—	—
Accumulated net income (expense) (See Appendix 1-B)	(18,304)	(14,974)
Contributed Resources	—	—
Accrued Resources (Note 4(b))	—	—
TOTAL	\$23,735	\$17,319

The accompanying notes to financial statements (Appendix 1-I) are an integral part of this statement.

SPECIAL FUNDS RESOURCES

SHEET

and 31 December 1977

United States Dollars (Note 2)

Multi-Purpose Special Fund (Note 4)

Consolidated

<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>
\$ 65	\$.37	\$ 640	\$ 352
2,622	8,452	21,195	22,222
5,548	457	6,821	2,060
591	387	591	387
190	82	215	115
1	1	1	1
—	—	2,407	1,123
—	33	882	508
\$9,017	\$ 9,449	\$32,752	\$26,768
 \$ 89	 \$ 663	 \$ 89	 \$. 663
1,502	596	1,502	596
—	—	2,248	1,214
6,851	7,417	46,644	38,496
305	305	305	305
—	—	(18,304)	(14,974)
270	468	270	468
\$9,017	\$ 9,449	\$32,752	\$26,768

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

STATEMENT OF INCOME AND EXPENSES AND ACCUMULATED NET INCOME (EXPENSE)

For the Years Ended 31 December 1978 and 31 December 1977

Expressed in Thousands of United States Dollars (Note 2)

	Technical Assistance Special Fund (Note 3)		Multi-Purpose Special Fund (Note 4) ^a	
	1978	1977	1978	1977
INCOME				
From investments	\$ 680	\$ 654	\$ 41	\$ 30
From loans				
Interest	—	—	—	27
Service fee	—	—	4	23
From conversion of grants into loans (Note 7)	—	—	205	475
From other sources	1	3	—	—
GROSS INCOME	681	567	250	555
EXPENSES				
Administrative expenses				
Staff — Consultants				
Headquarters	80	167	—	—
Project appraisal and other field missions	1,298	729	—	—
Other administrative expenses				
Administration Charge (Note 6)	—	—	118	187
Depository bank charges	1	1	—	—
Miscellaneous	3	23	—	—
Total	1,382	920	118	187
Services to member countries (Note 7)				
Project preparation missions and other loan-related technical assistance — Consultants	1,725	804	—	—
Project implementation/advisory — Consultants	747	749	—	—
Regional activities — Consultants	182	294	—	—
Total	2,654	1,847	—	—
GROSS EXPENSES	4,036	2,767	118	187
INCOME (EXPENSE) BEFORE NET GAIN FROM CHANGES IN VALUE OF CURRENCIES	(3,356)	(2,210)	132	368
NET GAIN FROM CHANGES IN VALUE OF CURRENCIES — resulting primarily from translation of currency holdings derived from earnings (Note 2)	25	15	138	100
NET INCOME (EXPENSE) FOR THE YEAR	(3,330)	(2,195)	270	468
BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT BEGINNING OF THE YEAR	(14,974)	(12,779)	468	289
TRANSFER TO ASIAN DEVELOPMENT FUND	—	—	(468)	(289)
BALANCE OF ACCUMULATED NET INCOME (EXPENSE) AT END OF THE YEAR	\$ (18,304)	\$ (14,974)	\$270	\$468

The accompanying notes to financial statements (Appendix 1-I) are an integral part of this statement.

a Income and expenses for 1978 pertain to Accrued Resources only while those for 1977 pertained to both Accrued Resources and Contributed Resources. There was no income (expense) in respect of the latter in 1978.

ASIAN DEVELOPMENT BANK – SPECIAL FUNDS RESOURCES

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended 31 December 1978 and 31 December 1977

Expressed in Thousands of United States Dollars (Note 2)

	Technical Assistance Special Fund (Note 3)		Multi-Purpose Special Fund (Note 4)		Consolidated	
FUNDS WERE PROVIDED BY						
Operations	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>
Net income (expense)	\$(3,330)	\$(2,195)	\$ 270	\$ 468	\$(3,060)	\$(1,727)
Items not requiring or providing funds:						
Accrued expenses	501	40	—	—	501	40
Accrued income	8	(33)	(108)	(64)	(100)	(97)
Administration Charge	—	—	118	187	118	187
Funds provided by (utilized for) operations	(2,821)	(2,188)	280	591	(2,541)	(1,597)
Contributions drawn	4,483	5,263	—	—	4,483	5,263
Increase (decrease) in contributions drawn as a result of currency revaluations	2,947	1,917	(566)	(626)	2,381	1,291
Loans collected	—	—	—	103	—	103
Loans and other assets transferred to the Asian Development Fund	—	—	468	9,425	468	9,425
Other — net	124	28	471	585	595	613
Total	4,733	5,020	653	10,078	5,386	15,098
FUNDS WERE UTILIZED FOR						
Loans disbursed	—	—	204	144	204	144
Resources transferred to the Asian Development Fund	—	—	468	9,747	468	9,747
Administration Charge paid	—	—	692	—	692	—
Total	—	—	1,364	9,891	1,364	9,891
INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS	<u>\$ 4,733</u>	<u>\$ 5,020</u>	<u>\$ (711)</u>	<u>\$ 187</u>	<u>\$ 4,022</u>	<u>\$ 5,207</u>
INCREASE (DECREASE) IN COMPONENTS OF FUNDS						
Cash in banks	\$ 260	\$ (654)	\$ 28	\$ (236)	\$ 288	\$ (890)
Investments	4,473	5,674	(739)	423	3,734	6,097
TOTAL	\$ 4,733	\$ 5,020	\$ (711)	\$ 187	\$ 4,022	\$ 5,207

The accompanying notes to financial statements (Appendix 1-i) are an integral part of this statement.

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES

STATEMENT OF CONTRIBUTED RESOURCES

31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

	Contributions Committed During 1978	Amounts Committed and Made Available	Amounts Drawn	Resources Available for Drawing
TECHNICAL ASSISTANCE SPECIAL FUND (Note 3)				
Australia	\$ 251	\$ 1,217	\$ 1,217	\$ -
Austria	-	144	144	-
Bangladesh	-	25	25	-
Belgium	-	752	326	427
Canada	-	1,536	1,536	-
China, Republic of	-	200	200	-
Denmark	960	1,855	1,295	560
Finland	-	117	117	-
Germany, Federal Republic of	-	481	481	-
Hong Kong	-	100	100	-
India	-	403	393	100
Italy	2,919	25,887	25,887	-
Japan	150	330	330	-
Korea, Republic of	127	793	651	142
Netherlands	398	729	331	398
New Zealand	199	299	299	-
Norway	70	256	249	7
Pakistan	-	6	6	-
Sri Lanka	-	463	463	-
Sweden	-	603	603	-
Switzerland	610	2,107	1,334	773
United Kingdom	-	1,250	1,250	-
United States	-	-	-	-
Total	5,684	39,793	37,386	2,407
MULTI-PURPOSE SPECIAL FUND (Note 4)				
Canada	-	6,851	6,851	-
TOTAL	\$5,684	\$46,644	\$44,237	\$2,407

The accompanying notes to financial statements (Appendix 1-I) are an integral part of this statement.

ASIAN DEVELOPMENT BANK – SPECIAL FUNDS RESOURCES**STATEMENT OF ACCRUED RESOURCES****For the Years Ended 31 December 1978 and 31 December 1977**

Expressed in Thousands of United States Dollars (Note 2)

	<u>1978</u>	<u>1977</u>
BALANCE AT BEGINNING OF THE YEAR	\$ 468	\$ 289
NET INCOME FOR THE YEAR	270	468
TRANSFER TO ASIAN DEVELOPMENT FUND	(468)	(289)
 BALANCE AT END OF THE YEAR	 \$ 270	 \$ 468

The accompanying notes to financial statements (Appendix 1-I) are an integral part of this statement.

ASIAN DEVELOPMENT BANK

TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in Thousands of

	Australia	Austria	Bangladesh	Belgium	Canada
ASSETS					
CASH IN BANKS	\$ 76	\$ 28	\$ 25	\$ 62	\$ 3
INVESTMENTS					
Government obligations — amortized cost which approximates market (Face amount \$18,674)	—	75	—	—	710
Time deposits	—	—	—	—	—
ACCRUED INCOME					
On investments	—	—	—	—	—
RESOURCES AVAILABLE FOR DRAWING					
Contributed Resources (See Appendix 1-D)	—	—	—	427	—
OTHER ASSETS	26	—	—	1	23
TOTAL	\$ 102	\$ 103	\$ 25	\$ 490	\$ 736
LIABILITIES AND UNEXPENDED BALANCES					
ACCOUNTS PAYABLE	\$ 81	\$ —	\$ —	\$ 34	\$ 50
UNEXPENDED BALANCES					
Contributed Resources (See Appendix 1-D)					
Amounts made available	1,217	144	25	752	1,536
Accumulated net income (expense) (See Appendix 1-B)	(1,196)	(41)	—	(296)	(850)
TOTAL	\$ 102	\$ 103	\$ 25	\$ 490	\$ 736

SPECIAL FUNDS RESOURCES

SPECIAL FUND (Note 3)

SHEET

1978

United States Dollars (Note 2)

CONTINUED

China, Republic of	Denmark	Finland	Germany Federal Republic of	Hong Kong	India	Italy	Forward
\$ 1	\$ 9	\$ 16	\$ —	\$ 8	\$ 85	\$ 9	\$ 322
40	—	—	—	—	27	—	852
	517	—	—	—	—	123	640
—	11	—	—	—	—	14	25
—	560	—	—	—	100	—	1,087
—	—	—	—	—	17	—	67
\$ 41	\$1,097	\$ 16	\$ —	\$ 8	\$ 229	\$ 146	\$2,993
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 108	\$ —	\$ 273
200	1,855	117	481	100	493	150	7,070
(159)	(768)	(101)	(481)	(92)	(372)	(4)	(4,350)
\$ 41	\$1,097	\$ 16	\$ —	\$ 8	\$ 229	\$ 146	\$2,993

ASIAN DEVELOPMENT BANK

TECHNICAL ASSISTANCE

BALANCE

31 December

Expressed in Thousands of

	Forward	Japan	Korea, Republic of	Netherlands	New Zealand
ASSETS					
CASH IN BANKS	\$ 322	\$ 69	\$ 145	\$ 27	\$ -
INVESTMENTS					
Government obligations — amortized cost which approximates market (Face amount \$18,674)	852	17,386	19	-	-
Time deposits	640	-	-	-	-
ACCRUED INCOME					
On investments	25	-	-	-	-
RESOURCES AVAILABLE FOR DRAWING					
Contributed Resources (See Appendix 1-D)	1,087	-	-	142	398
OTHER ASSETS	67	422	-	-	-
TOTAL	\$ 2,993	\$ 17,877	\$ 164	\$ 169	\$ 398
LIABILITIES AND UNEXPENDED BALANCES					
ACCOUNTS PAYABLE	\$ 273	\$ 1,110	\$ 3	\$ 103	\$ -
UNEXPENDED BALANCES					
Contributed Resources (See Appendix 1-D)	7,070	25,887	330	703	729
Amounts made available	(4,350)	(9,120)	(169)	(727)	(331)
Accumulated net income (expense) (See Appendix 1-B)					
TOTAL	\$ 2,993	\$ 17,877	\$ 164	\$ 169	\$ 398

The accompanying notes to financial statements (Appendix 1-I) are an integral part of this statement.

ESPECIAL FUNDS RESOURCES

ESPECIAL FUND (Note 3)

IEET

78

ited States Dollars (Note 2)

Norway	Pakistan	Sri Lanka	Sweden	Switzerland	United Kingdom	United States	Total
\$ 3	\$ 6	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ 576
79 199	188 -	- -	— 434	49 -	- -	- -	18,573 1,273
-	-	-	-	-	-	-	25
-	7	-	-	-	773	-	2,407
-	-	-	5	219	169	-	882
\$ 281	\$ 201	\$ -	\$ 442	\$ 268	\$ 942	\$ -	\$ 23,736
 \$ -	 \$ -	 \$ -	 \$ 14	 \$ 2	 \$ 741	 \$ -	 \$ 2,246
299	266	6	463	603	2,107	1,250	39,793
(18)	(55)	(6)	(35)	(337)	(1,906)	(1,250)	(18,304)
\$ 281	\$ 201	\$ -	\$ 442	\$ 268	\$ 942	\$ -	\$ 23,735

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

TECHNICAL ASSISTANCE SPECIAL FUND

SUMMARY STATEMENT OF EXPENSES

For the Year Ended 31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

TOTAL ADMINISTRATIVE EXPENSES (Forward) \$1,382

SERVICES TO MEMBER COUNTRIES

ADMINISTRATIVE EXPENSES		Project preparation missions and other loan-related technical assistance -- Consultants	
Staff-Consultants		Afghanistan	144
Headquarters	\$ 80	Bangladesh	383
Project appraisal and other field missions		Burma	301
Afghanistan	44	Fiji	70
Bangladesh	284	Indonesia	276
Burma	50	Korea, Republic of	208
Fiji	24	Laos	37
Hong Kong	42	Sri Lanka	81
Indonesia	126	Thailand	225
Korea, Republic of	192	Total	1,725
Laos	36	Project implementation/advisory -- Consultants	
Malaysia	65	Bangladesh	311
Nepal	23	Burma	14
Pakistan	102	Cook Islands	44
Papua New Guinea	38	Indonesia	11
Philippines	85	Nepal	55
Singapore	27	Pakistan	52
Solomon Islands	4	Papua New Guinea	75
Sri Lanka	91	Solomon Islands	63
Thailand	106	Sri Lanka	18
Viet Nam	9	Tonga	94
Western Samoa	10	Western Samoa	10
Total	1,298	Total	747
Other Administrative Expenses	4	Regional activities -- Consultants	182
		TOTAL SERVICES TO MEMBER COUNTRIES	2,654
TOTAL ADMINISTRATIVE EXPENSES (Forward)	\$1,382	GROSS EXPENSES	\$4,036

The accompanying notes to financial statements (Appendix 1-f) are an integral part of this statement.

ASIAN DEVELOPMENT BANK — SPECIAL FUNDS RESOURCES

MULTI-PURPOSE SPECIAL FUND (Note 4)

BALANCE SHEET

31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

	Contributed Resources Canada	Accrued Resources	Eliminations	Total
<u>ASSETS</u>				
CASH IN BANKS	\$ 48	\$ 17		\$ 65
INVESTMENTS				
Government and government guaranteed obligations — amortized cost which approximates market (Face amount \$2,634)	2,622	—		2,622
Time deposits	5,408	140		5,548
LOANS (Note 5)				
Effective loans held by Bank	—	591		591
ACCRUED INCOME				
On investments	189	1		190
On loans	—	1		1
RECEIVABLE FROM ASIAN DEVELOPMENT FUND	1	—	\$(1)	—
TOTAL.	\$8,268	\$750	\$(1)	\$9,017
<u>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</u>				
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	\$ —	\$ 89		\$ 89
PAYABLE TO ASIAN DEVELOPMENT FUND	1,417	86	\$(1) --	1,502
UNEXPENDED BALANCES AND CAPITAL				
Contributed Resources (See Appendix 1-D)				
Amounts made available	6,851	—		6,851
Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6)	—	305		305
Accumulated net income (See Appendix 1-B)	—	270		270
TOTAL.	\$8,268	\$750	\$(1)	\$9,017

The accompanying notes to financial statements (Appendix 1-I) are an integral part of this statement.

ASIAN DEVELOPMENT BANK – SPECIAL FUNDS RESOURCES

NOTES TO FINANCIAL STATEMENTS

31 December 1978 and 31 December 1977

NOTE 1 –

GENERAL

- (a) Since 1967, the Bank has established Special Funds Resources to finance the special operations of the Bank as provided in Article 19 of the Articles of Agreement. Such Special Funds Resources consist of a Technical Assistance Special Fund and a Multi-Purpose Special Fund.
- (b) In 1974, the Asian Development Fund was established. Six contributors elected to have their contributions to the Multi-Purpose Special Fund made after 31 December 1972 credited toward the amount of their contributions to the Asian Development Fund. Accordingly, their contributions were transferred to the Asian Development Fund.
- (c) As a further step to streamline and restructure the Special Funds, transfer to the Asian Development Fund of the resources in the Multi-Purpose Special Fund (with the concurrence of the relevant contributor) was authorized in 1975. Accordingly, since 1 October 1975, all the resources in the Multi-Purpose Special Fund, except a portion of the contribution of Canada, the net income of the Accrued Resources for the year ended 31 December 1978 and other credit have been transferred to the Asian Development Fund.
- (d) Since the Special Funds Rules and Regulations do not apply to the Asian Development Fund, the accompanying financial statements do not include the operations and activities of that Fund.

NOTE 2 –

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Unit of Account

The Special Funds Resources financial statements 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 relating to funds representing the unexpended balances of contributions are offset by increases or decreases in the contribution accounts. Other translation adjustments are charged or credited to income.

(c) Contributions

Amounts contributed by member countries are included in the financial statements as contributions committed from the date contribution agreements are signed and related formalities are completed. As to those member countries which have agreed to consider specific requests for financing, the amounts shown in the financial statements as contributions committed are based on the specific requests approved through 31 December 1978 and 31 December 1977.

NOTE 3 –

TECHNICAL ASSISTANCE SPECIAL FUND

Since 1967, contributions have been made by 23 member countries to be used by the Bank for financing technical assistance activities. In most cases, the initial use of the contributions shall be for the procurement of export services and facilities from the contributing member country. There has been, however, a trend towards liberalization of the procurement

terms. Therefore, some of the contributions are substantially or wholly untied.

NOTE 4 —

MULTI-PURPOSE SPECIAL FUND

- (a) Since 1968, contributions have been made by 14 member countries to be used by the Bank for financing special operations (other than non-reimbursable technical assistance). However, as a result of transfers of contributions to the Asian Development Fund [see Notes 1(b) and 1(c)], a portion of the contribution of Canada is the only contribution remaining in the Multi-Purpose Special Fund at 31 December 1978.
- (b) The term "Accrued Resources" refers to the resources derived from the service fee charged by the Bank in its special operations in accordance with the Special Funds Rules and Regulations for the Bank's administration of the Special Funds Resources and to certain other income derived from Special Funds Resources credited, held and administered by the Bank in the Multi-Purpose Special Fund.

NOTE 5 —

LOANS

Loans approved by the Bank on concessional terms are classified as Special Funds loans. Where necessary and when available, the resources of both the Multi-Purpose Special Fund and the Asian Development Fund may be used either singly or jointly to finance such loans. The amounts shown as "Effective loans held by Bank" at 31 December 1978 represented only the portions of loans outstanding which were disbursed from the resources remaining in the Multi-Purpose Special Fund.

NOTE 6 —

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans approved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those pertaining directly to ordinary operations and special operations) and the number of loans approved. As a result of the change in the formula, the charge for the year ended 31 December 1978 was increased by \$27,000. Upon transfer of the bulk of the resources to the Asian Development Fund [see Notes 1(b) and 1(c)], the Administration Charge Payable to Ordinary Capital Resources applicable to such resources and contributions was also transferred, resulting in a net credit arising from such transfer of the liability.

NOTE 7 —

TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 December 1978, for technical assistance projects and programs approved by the Bank, were approximately \$12,806,000 (\$10,101,000 — 1977); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any balance of amount over \$150,000 (\$100,000 prior to 31 May 1977) will be converted to the subsequent loan. Under such options, technical assistance expenditures of \$205,000 (\$475,000 — 1977) were charged to loans and credited to income of Special Funds Resources during the year ended 31 December 1978.

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 — Special Funds Resources:

	Appendix
Balance Sheet, 31 December 1978 and 31 December 1977	1 - A
Statement of Income and Expenses and Accumulated Net Income (Expense) for the years ended 31 December 1978 and 31 December 1977	1 - B
Statement of Changes in Financial Position for the years ended 31 December 1978 and 31 December 1977	1 - C
Statement of Contributed Resources, 31 December 1978	1 - D
Statement of Accrued Resources for the years ended 31 December 1978 and 31 December 1977	1 - E
Technical Assistance Special Fund Balance Sheet, 31 December 1978	1 - F
Technical Assistance Special Fund Summary Statement of Expenses for the year ended 31 December 1978	1 - G
Multi-Purpose Special Fund Balance Sheet, 31 December 1978	1 - H
Notes to Financial Statements, 31 December 1978 and 31 December 1977	1 - I

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 — Special Funds Resources at 31 December 1978 and 31 December 1977 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

23 February 1979

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

BALANCE SHEET

31 December 1978 and 31 December 1977

Expressed in Thousands of United States Dollars (Note 2)

<u>ASSETS</u>	1978	1977
CASH IN BANKS	\$ 9,570	\$ 11,452
INVESTMENTS		
Government and government guaranteed obligations — amortized cost which approximates market (Face amounts \$128,636 - 1978, \$100,310 - 1977)	\$ 126,473	\$ 99,078
Time deposits and other obligations of banks	163,183	145,840
LOANS (See Appendix 1-4) (Note 4)		
Loans approved — \$ 1,546,993 — 1978, \$1,166,488 — 1977	1,294,682	945,573
Effective loans held by Bank		
ACCRUED INCOME		
On investments	8,155	5,760
On loans	2,762	1,831
NOTES OF CONTRIBUTORS		
Non-negotiable, non-interest-bearing notes	971,445	677,394
ACCOUNTS RECEIVABLE		
Multi-Purpose Special Fund	1,502	596
Others	2,862	4,364
TOTAL	\$2,580,634	\$1,887,659
<u>LIABILITIES, UNEXPENDED BALANCES AND CAPITAL</u>		
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix 1-4)	\$ 740,314	\$ 820,527
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 5)	5,775	3,745
ACCOUNTS PAYABLE	1,226	3,125
<u>UNEXPENDED BALANCES AND CAPITAL</u>		
Resources made available and drawn (See Appendix 1-5)		
Contributed Resources	\$1,709,481	\$1,170,635
Set-Aside Resources (Note 3)	62,025	57,434
Other Resources	4,081	3,613
Total	1,775,587	1,231,682
Advance payment on contribution	5,788	—
Accumulated net income (See Appendix 1-2)	51,944	28,580
TOTAL	\$2,580,634	\$1,887,659

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 1978 and 31 December 1977

Expressed in Thousands of United States Dollars (Note 2)

	<u>1978</u>	<u>1977</u>
INCOME		
From investments	\$21,951	\$17,414
From loans	7,866	4,927
From other sources	224	216
GROSS INCOME	<u>29,841</u>	<u>22,557</u>
EXPENSES		
Administration Charge (Note 5)	10,190	6,903
Depository bank charges	13	5
GROSS EXPENSES	<u>10,203</u>	<u>6,908</u>
INCOME BEFORE NET GAIN FROM CHANGES IN VALUE OF CURRENCIES	19,638	15,649
NET GAIN FROM CHANGES IN VALUE OF CURRENCIES - resulting primarily from translation of currency holdings derived from earnings (Note 2)	3,726	1,846
NET INCOME FOR THE YEAR	<u>23,364</u>	<u>17,295</u>
BALANCE OF ACCUMULATED NET INCOME AT BEGINNING OF THE YEAR	28,580	11,285
BALANCE OF ACCUMULATED NET INCOME AT END OF THE YEAR	<u>\$51,944</u>	<u>\$28,580</u>

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 1978 and 31 December 1977

Expressed in Thousands of United States Dollars (Note 2)

	1978	1977
FUNDS WERE PROVIDED BY		
Operations		
Net income	\$ 23,364	\$ 17,295
Items not requiring or providing funds:		
Accrued income including capitalized interest and service charges on loans	(3,326)	(1,792)
Administration Charge	10,190	6,903
Funds provided by operations	30,228	22,406
Increase in undisbursed balance of effective loans	297,050	198,460
Contributions drawn	352,320	221,458
Increase in contributions drawn as a result of currency revaluations	192,314	113,716
Notes of contributors encashed	131,450	94,891
Loans collected	6,336	2,932
Resources transferred from the Multi-Purpose Special Fund	468	9,747
Increase in Set Aside Resources due to substitution of the SDR for the 1966 dollar as unit of value	4,591	
Total	1,014,757	663,610
FUNDS WERE UTILIZED FOR		
Increase in effective loans	297,050	198,460
Loans disbursed	166,987	83,624
Increase in loans disbursed and outstanding as a result of currency revaluations	68,671	37,409
Notes of contributors received	309,220	179,134
Increase in notes of contributors as a result of currency revaluations	116,281	73,684
Administration Charge paid	8,160	6,252
Loans and other assets transferred from the Multi-Purpose Special Fund	468	9,426
Other - net	5,064	(2,903)
Total	971,901	585,066
INCREASE IN CASH IN BANKS AND INVESTMENTS	<hr/> <hr/>	<hr/> <hr/>
	\$ 42,856	\$ 78,544
INCREASE (DECREASE) IN COMPONENTS OF FUNDS	<hr/> <hr/>	<hr/> <hr/>
Cash in banks	\$ (1,882)	\$(20,863)
Investments	44,738	99,407
TOTAL	<hr/> <hr/>	<hr/> <hr/>
	\$ 42,856	\$ 78,544

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 1978

Expressed in Thousands of United States Dollars (Note 2)

Borrower	Principal Amount ^b	Loans Not Yet Effective	Refundings and Cancellations	Payments Received	Effective Loans Held by Bank	Undisbursed Balance of Effective Loans ^c	Outstanding Balance
Afghanistan	\$ 75,000	\$ —	\$ —	\$ 188	\$ 74,812	\$ 59,783	\$ 15,029
Bangladesh	353,930	90,300	1,153	343	262,134	194,977	67,157
Burma	196,660	7,960	—	—	188,700	113,976	74,724
Cambodia	1,670	—	—	—	1,670	1,027 ^d	643
Gilbert Islands	1,750	—	—	—	1,750	1,234	516
Indonesia	137,280	24,000	3,281	1,368	108,631	19,060	89,571
Korea, Republic of	3,700	—	102	400	3,198	—	3,198
Laos	19,693	8,000	6	516	11,171	3,018	8,153
Malaysia	3,300	—	—	213	3,087	—	3,087
Nepal	148,340	25,000	—	2,703	120,637	91,085	29,552
Pakistan	290,350	86,500	95	1,604	202,151	146,519	56,632
Papua New Guinea	47,940	—	—	1,701	46,239	32,420	13,819
Philippines	29,300	14,000	373	670	14,257	3,140	11,117
Singapore	3,000	—	—	—	3,000	—	3,000
Solomon Islands	9,200	—	—	—	9,200	8,516	684
Sri Lanka	137,105	33,900	6,145	2,135	94,925	44,198	50,727
Thailand	22,100	14,000	—	—	8,100	4,348	3,752
Tonga	3,170	1,500	—	—	1,670	651	1,019
Viet Nam	40,670	20,400	3,745	238	16,287	10,975	5,312
Western Samoa	22,835	4,000	61	162	18,612	6,387	12,225
Adjustments in United States dollar equivalents of loans disbursed					105,042 ^e		105,042 ^e
Portions of loans allocated to the Multi-Purpose Special Fund (Note 4)					(591)		(591)
Total	\$1,546,993	\$329,560	\$14,961	\$12,241	\$1,294,682	\$740,314	\$554,368

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 Where necessary and when available the resources of the Multi-Purpose Special Fund will also be drawn upon to finance these loans (See Note 4).

c Of the undisbursed balance, the Bank has entered into irrevocable commitments to disburse \$4,787.

d Pending consultation with the government concerning its intentions with respect to the project being financed, the Bank has suspended further disbursements of the loan.

e 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.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

STATEMENT OF RESOURCES

31 December 1978

Expressed in Thousands of United States Dollars (Note 2)

	Resources Committed	Amounts Not Yet Made Available	Amounts Made Available and Drawn
CONTRIBUTED RESOURCES			
Australia	\$ 65,730	\$11,692	\$ 54,038
Austria	8,526	-	8,526
Belgium	18,312	-	18,312
Canada	90,830	-	90,830
Denmark	14,660	-	14,660
Finland	3,528	-	3,528
Germany, Federal Republic of	149,528	-	149,528
Italy	38,418	-	38,418
Japan	893,285	-	893,285
Netherlands	39,524	-	39,524
New Zealand	9,526	-	9,526
Norway	10,374	-	10,374
Sweden	9,723	-	9,723
Switzerland	25,399	-	25,399
United Kingdom	73,810	-	73,810
United States	330,000	60,000	270,000
Total	1,781,173	71,692	1,709,481
SET-ASIDE RESOURCES (Note 3)	62,025	-	62,025
OTHER RESOURCES	4,081	-	4,081
TOTAL	\$1,847,279	\$71,692	\$1,775,587

The accompanying notes to financial statements (Appendix 1-6) are an integral part of this statement.

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

31 December 1978 and 31 December 1977

NOTE 1 -

GENERAL

- (a) In April 1973, the Board of Governors authorized the establishment of a new Special Fund to be known as the Asian Development Fund (the Fund). Subsequently, the Board of Governors also authorized initial resource mobilization arrangements for the Fund during the three years ended 31 December 1975 under a two-stage program providing for a total amount equivalent to US\$525,000,000. In April 1974, the Board of Directors adopted Regulations for the administration of the Fund. On 28 June 1974, the Fund was established when Instruments of Contribution were deposited with the Bank by ten contributors with contributions in an aggregate amount exceeding the equivalent of US\$225,000,000, this being the minimum amount required to establish the Fund.
- (b) Six contributors elected to have their contributions to the Multi-Purpose Special Fund made after 31 December 1972 credited toward the amount of their contributions to the Fund. Accordingly, their contributions were transferred to the Fund.
- (c) Three contributors have requested and the Board of Directors has agreed, that the initial use of their contributions in the First Stage, aggregating the equivalent of US\$105,219,000 at 31 December 1978 (US \$105,030,000 - 1977) be restricted to procurement of goods and services from their respective countries.
- (d) On 30 June 1975, the Second Stage of the initial resource mobilization arrangements for the Fund became effective when Instruments of Contribution were deposited with the Bank by 11 contributors with contributions in an aggregate amount exceeding the equivalent of US\$94,000,000, this being the minimum amount required to bring the Second Stage into effect.
- (e) As a further step to streamline and restructure the Special Funds, transfer to the Fund of the resources in the Multi-Purpose Special Fund (with the concurrence of the relevant contributor) was authorized in 1975. Accordingly, since 1 October 1975, the Set-Aside Resources, the contributions of nine contributors, a

portion of the contribution of Canada and the accumulated net income of the Accrued Resources up to 31 December 1977 have been transferred from the Multi-Purpose Special Fund to the Fund.

- (f) In December 1975, the Board of Governors authorized the first replenishment arrangements for the Fund during the three years ending 31 December 1978 under a three-instalment program providing for a total original amount equivalent to US\$830,000,000. On 28 June 1976, the first instalment of the first replenishment arrangements became effective when Instruments of Contribution were deposited with the Bank by eight contributors with contributions in an aggregate amount exceeding the equivalent of US\$175,000,000, this being the minimum amount required to bring the first instalment into effect. The second and third instalments became effective on 14 April 1977 and 13 June 1978, respectively, after payments of the minimum amounts equivalent to US\$185,000,000 for the second instalment and US\$400,000,000 for the third instalment were received.
- (g) In July 1978, the Board of Governors authorized the second replenishment arrangements for the Fund during the four years ending 31 December 1982 under a four-instalment program. The arrangements provide for basic contributions in a total amount equivalent to US\$2,000,000,000. The Board of Governors also authorized the Bank to accept supplementary contributions up to a further amount equivalent to US\$150,000,000. This replenishment shall come into effect on the date when Instruments of Contribution have been deposited with the Bank for unqualified contributions in an aggregate amount equivalent to at least US\$1,000,000,000. As of 31 December 1978, an Instrument of Contribution has been deposited with the Bank for an unqualified contribution equivalent to US\$25,600,000.

NOTE 2 -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Unit of Account

The financial statements of the Fund are expressed in thousands of current United States dollars.

(b) **Translation of Currencies**

Assets, liabilities and unexpanded 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 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 credited or charged to income.

(c) **Contributions**

Amounts contributed by member countries are included in the financial statements as contributions committed from the date contribution agreements are signed and related formalities are completed.

NOTE 3 --

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 were allocated and transferred from the Ordinary Capital Resources to the Fund.

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, Capital Set-Aside 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 Capital Set-Aside has been valued for purposes of the accompanying 1978 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 1978, the SDR was valued at \$1.30279. On this basis, Capital Set-Aside amounted to \$62,025,000. The substitution of the SDR rather than \$1.20635 in current United States dollars for the 1966 dollar does not have a material effect on the financial position or results of operations of the Fund. If the capital stock as of 31 December 1978 had been valued in terms of \$12,063.50 per share Capital Set-Aside would have been \$57,434,000.

NOTE 4 --

LOANS

Loans approved by the Bank on concessional terms are classified as Special Funds loans. Where necessary and when available the resources of both the Multi-Purpose Special Fund and the Fund may be used either singly or jointly to finance such loans. The portions of loans allocated to the Multi Purpose Special Fund, representing disbursements in respect of individual loans made from the resources remaining in that fund, are shown as an adjustment to the Summary Statement of Loans.

NOTE 5 --

ADMINISTRATION CHARGE

An Administration Charge to Special Operations was instituted in 1971. It was based on a formula which took into consideration certain administrative expenses and the number and amount of loans approved. Effective 1 January 1978, the formula was revised to take into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved. As a result of the change in the formula, the charge for the year ended 31 December 1978 was increased by \$2,324,000.

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 Fund:

	Appendix
Balance Sheet, 31 December 1978 and 31 December 1977	1 - 1
Statement of Income and Expenses and Accumulated Net Income for the years ended 31 December 1978 and 31 December 1977	1 - 2
Statement of Changes in Financial Position for the years ended 31 December 1978 and 31 December 1977	1 - 3
Summary Statement of Loans, 31 December 1978	1 - 4
Statement of Resources, 31 December 1978	1 - 5
Notes to Financial Statements, 31 December 1978 and 31 December 1977	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 Fund at 31 December 1978 and 31 December 1977 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

23 February 1979

SUMMARY OF BUDGET FOR 1979
INTERNAL ADMINISTRATIVE EXPENSES

	1978		1979	
	Original Budget	Revised Budget¹	Actual	Budget
I. BOARD OF GOVERNORS	\$ 274,000	\$ 373,000	\$ 359,968	\$ 75,000
II. BOARD OF DIRECTORS	1,699,000	1,758,000	1,757,582	1,967,000
Salaries	910,000	935,700	935,683	1,009,000
Benefits	345,000	333,500	333,380	407,000
Relocation	112,000	185,000	184,858	228,000
Business Travel	188,000	158,500	158,451	170,000
Staff Services	144,000	145,300	145,230	153,000
III. STAFF	18,283,000	18,455,000	18,447,843	22,884,000
Salaries	11,106,000	11,145,000	11,143,255	13,507,000
Benefits	4,667,000	4,712,000	4,708,009	5,736,000
Relocation	890,000	994,000	993,471	1,441,000
Consultants	1,620,000	1,804,000	1,803,108 ²	2,200,000
IV. BUSINESS TRAVEL AND REPRESENTATION	1,853,000	1,940,000	1,939,482	2,605,000
Business Travel	1,803,000	1,891,000	1,890,871	2,550,000
Representation	50,000	49,000	48,611	55,000
V. OTHER ADMINISTRATIVE EXPENSES	3,548,000	3,716,000	3,708,846	4,433,000
Communications	655,000	730,000	728,902	739,000
Office Occupancy	1,325,000	1,402,000	1,401,694	1,848,000
Library	100,000	109,000	107,128	112,000
Expendable Supplies	260,000	277,000	276,177	323,000
Office Equipment	305,000	294,000	293,748	323,000
Contractual Services	700,000	718,000	716,606 ³	885,000
Insurance	120,000	91,000	90,366	118,000
Miscellaneous	83,000	95,000	94,225 ⁴	85,000
VI. GENERAL CONTINGENCY	300,000	—	—	640,000
T O T A L	25,957,000	26,242,000	26,213,721	32,604,000

1 Incorporating the Supplementary Budget. Transfers between items were made at year end without exceeding the total for each budget category.

2 Includes \$1,378,193 from the Technical Assistance Special Fund.

3 Includes \$830 from the Technical Assistance Special Fund.

4 Includes \$2,991 from the Technical Assistance Special Fund.

APPENDIX 2

**SUMMARY OF BUDGET FOR 1979
SERVICES TO MEMBER COUNTRIES**

CONTINUED

Financed from Bank's Own Resources	1978					1979	
	Commitments			Disbursements		Budget	
	Original Budget	Revised Budget ¹	Actual	Original Budget ²	Actual	New Commitments	Disbursements
Project Preparation	\$5,650,000	\$5,168,000	\$4,720,717	\$2,768,100	\$2,615,267 ³	\$5,570,000	\$3,453,000
Advisory and Operational	350,000	1,059,000	1,416,000	1,297,900	755,541 ⁴	900,000	1,484,000
Regional Services	900,000	880,800	880,800	690,100	370,667 ⁵	1,230,000	825,000
TOTAL	\$6,900,000	\$7,107,800	\$7,017,517	\$4,756,100	\$3,741,475	\$7,700,000	\$5,762,000

¹ Incorporating the Supplementary Budget.

² No revision of the Original Budget was made.

³ Includes \$1,724,832 from the Technical Assistance Special Fund.

⁴ Includes \$747,115 from the Technical Assistance Special Fund.

⁵ Includes \$182,545 from the Technical Assistance Special Fund.

RESOLUTIONS OF BOARD OF GOVERNORS DURING 1978

Resolution Number	Subject	Date Adopted
114	Increase in Capital Subscription of Switzerland	1 February
115	Further Measures to Facilitate Commitment and Payment of United States' Contribution to First Replenishment: Amendment of Resolution No. 103	24 February
116	Agreement for Cooperation Between International Fund for Agricultural Development and Asian Development Bank	24 March
117	Financial Statements and Auditors' Reports	26 April
118	Allocation of Net Income	26 April
119	Place and Date of Twelfth Annual Meeting	26 April
120	Extension of Time for Subscription to, and Payment of Instalments Under, Second General Capital Increase	12 May
121	Second Replenishment of the Asian Development Fund	24 July
122	Amendment of Section 7 (B) (a) of the By-Laws (And Compliance with Resolution No. 66)	22 September
123	Decisions Relating to Section 6 of the By-Laws of the Bank	8 December

APPENDIX 4

CHANNELS OF COMMUNICATION

(As of 31 December 1978)

COUNTRY	CHANNEL	COUNTRY	CHANNEL
Afghanistan, Democratic Republic of	Treasury Department Ministry of Finance Kabul cc: Ministry of Planning Kabul	Finland	Ministry for Foreign Affairs Department for International Development Corporation Tehlaankatu 1a SF 00140, Helsinki 14
Australia	Secretary Commonwealth Treasury Canberra, A.C.T.	France	Ministere de l'Economie et des Finances 93, rue de Rivoli 75001 Paris
Austria	Bundesministerium für Finanzen Himmelpfortgasse 4-8 Postfach 2 A-1015 Wien	Germany, Federal Republic of	Bundesministerium für Wirtschaftliche Zusammenarbeit Referat 212 53 Bonn 12 Friedrich-Ebert-Allee 114-116 Postfach 12 03 22
Bangladesh	Ministry of Finance Bangladesh Secretariat Dacca	Gilbert Islands	Financial Secretary Central Government Office P.O. Box 67 Bairiki, Tarawa
Belgium	Ministère des Finances Services des Relations Financières avec l'Etranger 30, avenue des Arts Brussels	Hong Kong	The Financial Secretary Government Secretariat Lower Albert Road Hong Kong
Burma	Ministry of Planning and Finance Rangoon	India	Secretary to the Government of India Ministry of Finance Department of Economic Affairs New Delhi
Cambodia		Indonesia	Ministry of Finance Jalan Lapangan Banteng Timur No. 6 Jakarta
Canada	Department of Finance Ottawa, Ontario Canada K1A OG5	Italy	Ministro del Tesoro D.G. Tesoro — Div. XVI Via XX Settembre Roma
China, Republic of	Governor The Central Bank of China Taipei	Japan	Minister of Finance Tokyo c/o Embassy of Japan Makati, Metro Manila
Cook Islands	Financial Secretary P.O. Box 99 Rarotonga		Minister of Finance Ministry of Finance 3-1-1, Kasumigaseki, Chiyoda-ku Tokyo
Denmark	Ministry of Foreign Affairs Amaliegade 7 DK-1256, Kovenhavn K		
Fiji	Ministry of Finance Suva		

CONTINUED

COUNTRY	CHANNEL	COUNTRY	CHANNEL
Korea, Republic of	Minister of Finance Seoul	Singapore	The Permanent Secretary Ministry of Finance Revenue Division 36th Floor Central Provident Fund Building 79 Robinson Road Singapore 1
Lao People's Democratic Republic	National Bank of Laos Vientiane		
Malaysia	Secretary to the Treasury The Treasury Jalan Raja Kuala Lumpur	Solomon Islands	Ministry of Finance Secretariat Honiara
Maldives	Department of Finance Marine Drive Male	Sri Lanka, Democratic Socialist Republic of	Secretary Ministry of Finance and Planning P.O. Box 500 Colombo 1
Nepal	Secretary Ministry of Finance Babar Mahal Kathmandu	Sweden	Ministry for Foreign Affairs Box 16121 103-23, Stockholm 18
Netherlands	Ministerie van Financien The Hague	Switzerland	Département fédéral de l'économie publique Division du commerce Palais fédéral 3003 Berne
New Zealand	Secretary of Foreign Affairs Ministry of Foreign Affairs Wellington cc: Secretary to the Treasury The Treasury P.O. Box 5010 Wellington	Thailand	Ministry of Finance Bangkok 2
Norway	Dept. of International Economic and Social Development The Royal Ministry of Foreign Affairs 7, Juniplassen 1 Oslo	Tonga	Ministry of Finance Nuku'alofa
Pakistan	Ministry of Finance, Planning and Provincial Coordination Government of Pakistan Islamabad	United Kingdom	Ministry of Overseas Development Eland House, Stag Place London S.W.1.
Papua New Guinea	Secretary for Finance Department of Finance Post Office, Wards Strip Waigani, Port Moresby	United States	Secretary of the Treasury Treasury Department Washington, D.C. 20220 cc: The Secretary National Advisory Council on International Monetary and Financial Policies U.S. Treasury Department Washington, D.C. 20220
Philippines	Ministry of Foreign Affairs Manila	Viet Nam, Socialist Republic of	The State Bank of Viet Nam Hanoi
		Western Samoa	Secretary to the Government Government of Western Samoa Apia

APPENDIX 5

OFFICIAL DEPOSITORYRIES

(As of 31 December 1978)

COUNTRY	DEPOSITORY	COUNTRY	DEPOSITORY
Afghanistan, Democratic Republic of	Da Afghanistan Bank Kabul	Fiji	Central Monetary Authority of Fiji Suva
Australia	Reserve Bank of Australia Sydney	Finland	Soumen Pankki-Flinlands Bank Helsinki
Austria	Oesterreichische Nationalbank Wien	France	Banque de France Paris
Bangladesh	Bangladesh Bank Dacca	Germany, Federal Republic of	Deutsche Bundesbank Frankfurt
Belgium	National Bank of Belgium Brussels	Gilbert Islands	Bank of New South Wales Bairiki, Tarawa
Burma	Union of Burma Bank Rangoon	Hong Kong	Hongkong and Shanghai Banking Corporation Hong Kong
Cambodia	National Bank of Cambodia Phnom-Penh	India	Reserve Bank of India Bombay
Canada	Bank of Canada Ottawa	Indonesia	Bank Indonesia Jakarta
China, Republic of	Central Bank of China Taipei	Italy	Banca d' Italia Roma
Cook Islands	National Bank of New Zealand, Ltd. Rarotonga	Japan	Bank of Japan Tokyo
Denmark	Danmarks National Bank Copenhagen	Korea, Republic of	Bank of Korea Seoul

CONTINUED

COUNTRY	DEPOSITORY	COUNTRY	DEPOSITORY
Lao People's Democratic Rep.	Banque Nationale du Laos Vientiane	Solomon Islands	Australia and New Zealand Banking Group, Ltd. Honiara
Malaysia	Bank Negara Malaysia Kuala Lumpur	Sri Lanka, Democratic Socialist Republic of	Central Bank of Ceylon Colombo
Maldives	Department of Finance Male	Sweden	Sveriges Riksbank (Bank of Sweden) Stockholm
Nepal	Nepal Rastra Bank Kathmandu	Switzerland	Banque Nationale Suisse Zurich
Netherlands	De Nederlandsche Bank N.V. Amsterdam	Thailand	Bank of Thailand Bangkok
New Zealand	Reserve Bank of New Zealand Wellington	Tonga	Accountant-General Treasury Department Nuku'alofa
Norway	Norges Bank Oslo	United Kingdom	Bank of England London
Pakistan	State Bank of Pakistan Karachi	United States	Federal Reserve Bank of New York New York
Papua New Guinea	Bank of Papua New Guinea Port Moresby	Viet Nam, Socialist Republic of	State Bank of Viet Nam Head Office - Hanoi Southern Office - Ho Chi Minh City
Philippines	Central Bank of the Philippines Manila	Western Samoa	Bank of Western Samoa Aplia
Singapore	Monetary Authority of Singapore Singapore		

APPENDIX 6

BOARD OF GOVERNORS

(As of 31 December 1978)

Barry Blyth Holloway (Papua New Guinea) Chairman

F.H.J.J. Andriessen (Netherlands) Vice-Chairman

M. N. Huda (Bangladesh) Vice-Chairman

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Afghanistan, Democratic Republic of	Mehrabuddin Paktiawal ¹ Deputy Finance Minister	Mohd. Naim Askaryat ² President of Treasury Department
Australia	J.W. Howard Treasurer	J.C. Ingram Director Australian Development Assistance Bureau
Austria	Hannes Androsch Federal Minister of Finance	Erich Schmid Ambassador to Indonesia and the Philippines Jakarta
Bangladesh	M.N. Huda Minister of Finance and Planning	S.A. Khair Secretary Ministry of Finance
Belgium	Gaston Geens Minister of Finance	M. D'Haeze Vice-Governor National Bank of Belgium
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	Jean Chretien Minister of Finance	Michel Dupuy President Canadian International Development Agency
China, Republic of	Yu Kuo-Hwa Governor The Central Bank of China	C.M. Wang ³ Vice Minister of Finance
Cook Islands	V.A.K.T. Ingram ⁴ Associate Minister of Finance	W.A. Kingi Financial Secretary
Denmark	Lise Oestergaard Minister without Portfolio	K. Repsdorph Under-Secretary of State for Development Co-operation Ministry of Foreign Affairs

1 Succeeded Zir Gut in June.

2 Appointed in June.

3 Succeeded Albert L. T. Hsu in July.

4 Succeeded Geoffrey Atama Henry in August.

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Fiji	C. A. Stinson Minister of Finance	Winston Thompson ¹ Permanent Secretary for Finance
Finland	Wilhelm Breitenstein ² Director of the Department for International Development Cooperation Ministry for Foreign Affairs	Eero Asp Managing Director Finnish Export Credit, Ltd.
France	Rene Monory ³ Minister for Economy	Jean-Yves Haberer Director of Treasury Ministry of Economy
Germany, Federal Republic of	Rainer Otfegeld ⁴ Federal Minister for Economic Cooperation	Hans-Herbert Weber Ministerialdirektor Federal Ministry of Finance
Gilbert Islands	Tiwau Awira ⁵ Minister for Finance	Roniti Tewaiki ⁶ Minister for Trade and Communications
Hong Kong	C. P. Haddon-Cave Financial Secretary	
India	H. M. Patel Minister of Finance	Manmohan Singh Secretary Ministry of Finance Department of Economic Affairs
Indonesia	All Wardhana Minister of Finance	Rachmat Saleh Governor Bank Indonesia
Italy	Paolo Baffi Governor Bank of Italy	Felice Ruggiero ⁷ Director General Ministry of the Treasury
Japan	Ippei Kaneko ⁸ Minister of Finance	Teiichiro Morinaga Governor Bank of Japan
Korea, Republic of	Woun Gic Kim ⁹ Minister of Finance	Byong Hyun Shin ¹⁰ Governor Bank of Korea
Lao People's Democratic Republic	Bousbong Souvannavong Secretary of State for Finances	
Malaysia	Tengku Razaleigh Hamzah Minister of Finance	Ismail Bin Mohamed Ali Governor Bank Negara Malaysia
Maldives	Amir Abdul Sattar Minister of Fisheries	Adam Maniku ¹¹ Assistant Director Department of Finance
Nepal	B. B. Thapa Minister of Finance and General Administration	Devendra Raj Panday Acting Secretary of Finance Ministry of Finance

¹ Succeeded S. Siwalibau in December⁶ Succeeded Olinda Timontra in August² Succeeded Pekka Malmi in March⁷ Succeeded Silvano Palumbo in January³ Succeeded Robert Boulin in April⁸ Succeeded Tatsuo Mureyama in December⁴ Succeeded Maria Schiel in March⁹ Succeeded Yong Hwan Kim in December⁵ Succeeded Roniti Tewaiki in August¹⁰ Succeeded Sung Whan Kim in May⁶ Succeeded Ahmed Saleem in December¹¹ Succeeded Ahmed Saleem in December

APPENDIX 6

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
Netherlands	F. H. J. J. Andriessen ¹ Minister of Finance	J. De Koning ² Minister for Development Cooperation
New Zealand	R. D. Muldoon Prime Minister and Minister of Finance	N. V. Lough Secretary to the Treasury
Norway	Knut Frydenlund ³ Minister of Foreign Affairs	Thorvald Stoltenberg ⁴ Under Secretary of State Ministry of Foreign Affairs
Pakistan	Ghulam Ishaq Khan ⁵ Minister of Finance and Coordination	Aftab Ahmad Khan Secretary Ministry of Finance and Economic Affairs
Papua New Guinea	Barry Blyth Holloway Minister of Finance	Mekere Morauta Secretary for Finance
Philippines	Cesar Virata Minister of Finance	Gregorio S. Licaros Governor Central Bank of the Philippines
Singapore	Goh Chok Tong ⁶ Minister for Trade and Industry	J. Y. M. Pillay Permanent Secretary Revenue Division Ministry of Finance
Solomon Islands	Benedict Kinika Minister of Finance	Pulepada Ghemu Minister of Foreign Trade, Industry and Labour
Sri Lanka, Democratic Socialist Republic of	Ronnie De Mel Minister of Finance and Planning	W. M. Tilakaratna ⁷ Secretary to the Treasury and Secretary, Ministry of Finance and Planning
Sweden	Thord Palmlund ⁸ Under-Secretary of State Office for International Development Cooperation Ministry for Foreign Affairs	Bo Kjellen 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	Suphat Sutatum Minister of Finance	Chanchai Loctavorn Under-Secretary of State for Finance Ministry of Finance
Tonga	S. Tapa Acting Minister of Finance	Baron Vaea Minister of Labour, Commerce and Industries and Assistant Minister of Finance

1 Succeeded W. F. Dreesenberg in March

2 Succeeded J. P. Pronk in March

3 Succeeded Halvard Bakke in November

4 Succeeded Per Martin Oefberg in November

5 Succeeded A. G. N. Kazi in July

6 Succeeded Hon. Sui Sen in March

7 Succeeded Lal Jayawardena in April

8 Succeeded Hans Blix in November

CONTINUED

COUNTRY	GOVERNOR	ALTERNATE GOVERNOR
United Kingdom	Judith Hart Minister for Overseas Development	A. G. Hurrell ¹ Under-Secretary Ministry of Overseas Development
United States	W. Michael Blumenthal Secretary of the Treasury	Richard N. Cooper Under Secretary of State for Economic Affairs
Viet Nam, Socialist Republic of	Tran Duong Minister Director General The State Bank of Viet Nam	Mai Huu Ich Deputy Chairman Bank for Foreign Trade of Viet Nam
Western Samoa	Vaovasamania R. P. Phillips Minister of Finance	A. L. Hutchison Financial Secretary

¹ Succeeded R. A. Browning in January

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1978)

DIRECTOR	ALTERNATE DIRECTOR	COUNTRIES REPRESENTED ¹
Kalyana Bikram Adhikary (Nepal)	U Hla Maung ² (Burma)	Burma Malaysia Nepal Singapore Thailand
C. A. Coorey (Democratic Socialist Republic of Sri Lanka)	Le Duc Van (Socialist Republic of Viet Nam)	Democratic Republic of Afghanistan Lao People's Democratic Republic Democratic Socialist Republic of Sri Lanka Socialist Republic of Viet Nam
Rosario Bonavoglia ³ (Italy)	J. M. Motloul ⁴ (Belgium)	Belgium France Italy Switzerland
Lester Edmond (United States)	Jon M. Geaserud ⁵ (United States)	United States
Rainer Goerdeler ⁶ (Federal Republic of Germany)	Helmer Luschin (Austria)	Austria Federal Republic of Germany United Kingdom
Harold G. Heinrich (Australia)	Peter H. Hodge ⁷ (Australia)	Australia Gilbert Islands Hong Kong Solomon Islands
R. A. Kartadjoerema (Indonesia)	Cliff F. Sproule (New Zealand)	Cook Islands Fiji Indonesia New Zealand Tonga Western Samoa
Bong H. Kay (Republic of Korea)	William A. Lawrence (Papua New Guinea)	Republic of China Republic of Korea Papua New Guinea
M. R. Khan (Pakistan)	A. Melchor, Jr. (Philippines)	Pakistan Philippines
Ernest A. Oestreicher (Canada)	Karl G. Engstrom (Sweden)	Canada Denmark Finland Netherlands Norway Sweden
Genji Nozaki ⁸ (Japan)	Yoshinori Yorimatsu (Japan)	Japan
Y. T. Shahi (India)	K. Mahmood (Bangladesh)	Bangladesh India

¹ In alphabetical order within each group.² Succeeded Yud Teng Yang (resigned with effect from 7 July) on 18 September.³ Succeeded Francois Dupont (resigned with effect from 31 July) on 1 August.⁴ Succeeded Paul Aenishantlin (resigned with effect from 31 December 1977) on 1 February.⁵ Succeeded James W. Westcott (resigned with effect from 8 October) on 9 October.⁶ Succeeded Stanley Fryer (resigned with effect from 14 July) on 16 July.⁷ Succeeded A. Agalonoff (resigned with effect from 5 December) on 12 December.⁸ Succeeded Haruhisa Segawa (resigned with effect from 31 July) on 1 August.

PRINCIPAL OFFICERS

(As of 31 December 1978)

Tarōichi Yoshida	President
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A. T. Bambawale	Vice-President
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S. Stanley Katz	Vice-President
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OFFICE OF THE SECRETARY

Soesilo Sardadi	Secretary
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Wilfred A. Vawdrey	Deputy Secretary
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OFFICE OF THE GENERAL COUNSEL

Graeme F. Rea	General Counsel
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Chun Pyo Jhong	Deputy General Counsel
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Robert L. Mueller	Special Counsel
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Daud Ilyas	Assistant General Counsel
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COUNTRY DEPARTMENT

(Vacant)	Director
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Akira Tsusaka	Deputy Director and Acting Director
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Song Chil Lee	Deputy Director
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Robert H. Byrnes	Country Manager (Democratic Republic of Afghanistan, Nepal, Pakistan)
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S. Mahboob Alam	Country Manager (Burma, Hong Kong, Maldives, Democratic Socialist Republic of Sri Lanka)
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Zia Noorzoy	Country Manager (Bangladesh, Cambodia, Lao People's Democratic Republic, Socialist Republic of Viet Nam)
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Klaus J.L. Hoffarth	Country Manager (Malaysia, Thailand)
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Patrick J. Knapp	Country Manager (Republic of China, Republic of Korea, Philippines)
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Sayed A. Baha	Country Manager (Indonesia, Singapore)
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Mazhar Ali Khan	Country Manager (Cook Islands, Fiji, Gilbert Islands, Papua New Guinea, Solomon Islands, Tonga, Western Samoa)
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DEVELOPMENT POLICY OFFICE

(Vacant)	Chief
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APPENDIX 8

CONTINUED

AGRICULTURE AND RURAL DEVELOPMENT DEPARTMENT

Sam-Chung Hsieh	Director
Kunio Takase	Deputy Director
S. T. Senewiratne	Manager (General Agriculture)
E. Frank Tacke	Manager (Rural Development and Agricultural Credit)
Po-Chuan Sun	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
(Vacant)	Deputy Director
Mahesan Ganesan	Manager (Airports and Highways)
Kazuo Kudo	Manager (Ports, Railways and Telecommunications)
Keshav C. Sen	Manager (Water Supply)
Ronald S. Skeates	Manager (Social Infrastructure, including Education, Health and Urban Development)

INDUSTRY AND DEVELOPMENT BANKS DEPARTMENT

Jay B. Carter	Director
Joaquin J. Gochoco	Deputy Director
Stephen Y. C. Lau	Manager (Industry and Minerals)
S. N. Vinze	Manager (Power)
Muttathottil K. Titus	Manager (Development Banks I — East Asia, Southeast Asia and South Pacific)
Ferdinando Buffoni	Manager (Development Banks II — South Asia and Indochina, Training Assistance Unit)

CENTRAL PROJECTS SERVICES OFFICE

Wolf D. Kluber	Chief
Erikki I. Juslen	Manager (Consulting Services)

CONTINUED

ADMINISTRATION DEPARTMENT

Isao Kanamoto	Director
Raymond B. Lyon	Deputy Director
Frank R. S. Weeraratne	Deputy Director
Dang Fook Lee	Assistant Director (Budget and Planning)
Pyong Whi Min	Assistant Director (Administrative Services)
C. M. Whiticar	Assistant Director (Personnel)

CONTROLLER'S DEPARTMENT

S. M. A. Kazmi	Controller
Chia Ching Mok	Assistant Controller
Alan L. Pan	Assistant Controller
Eiichi Watanabe	Assistant Controller

TREASURER'S DEPARTMENT

Ulrich Linck	Treasurer
G. Michael Lambert	Deputy Treasurer
M. Ikramullah Khan	Assistant Treasurer
Yukiji Miyazaki	Assistant Treasurer

ECONOMIC OFFICE

(Vacant)	Chief Economist
Kedar N. Kohli	Assistant Chief Economist and Acting Chief Economist
Burton T. Oñate	Chief Statistician

INFORMATION OFFICE

P. S. Hariharan	Chief Information Officer
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OFFICE OF THE INTERNAL AUDITOR

Carl J. Lemvig-Fog	Internal Auditor
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POST-EVALUATION OFFICE

Ernest J. Ettlinger	Chief
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