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ASIAN DEVELOPMENT BANK

ANNUAL REPORT FOR 1967

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ASIAN DEVELOPMENT BANK

ANNUAL REPORT FOR 1967

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ASIAN DEVELOPMENT BANK
Manila

26 February, 1968

My dear Mr. Chairman:

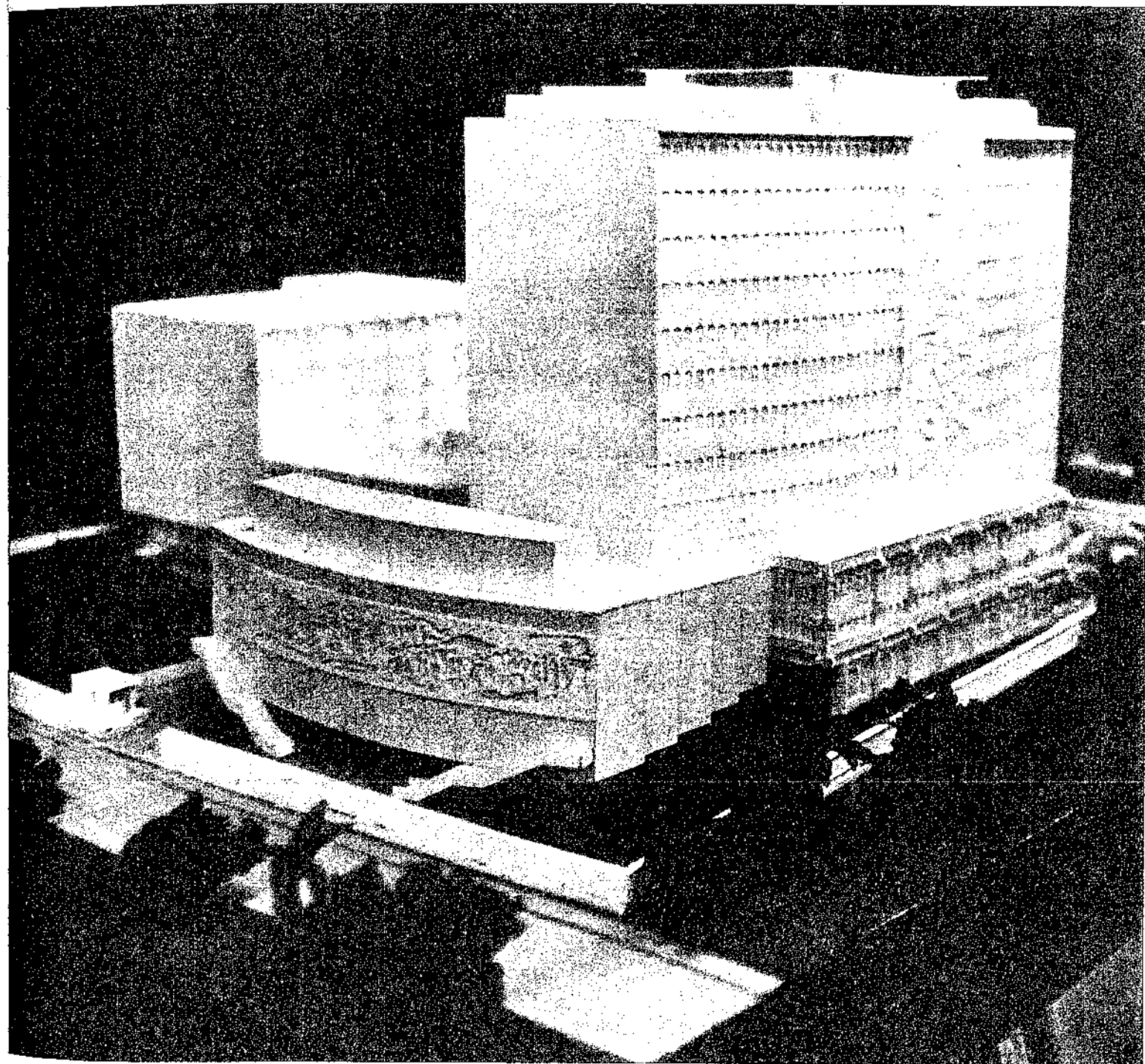
I enclose the Annual Report of the Asian Development Bank for 1967 which the Board of Directors, acting pursuant to Section 2 of Article 39 of the Articles of Agreement of the Bank, and in accordance with Section 13 of the By-Laws, has requested me to submit to the Board of Governors.

Sincerely yours,

Takeshi Watanabe

Takeshi Watanabe
President

Honourable Eduardo Z. Romualdez
Chairman
Board of Governors
Asian Development Bank



A model of the proposed headquarters for the Bank which is being erected by the Philippine Government on Roxas Boulevard, Greater Manila (see Page 10).

HISTORICAL BACKGROUND

THE First Ministerial Conference on Asian Economic Cooperation held under the auspices of the Economic Commission for Asia and the Far East (ECAFE) in Manila in December 1963, passed a resolution endorsing a proposal to establish a Regional Development Bank for Asia. The ECAFE, in turn, set up a Working Group of experts to report on this resolution and the report submitted by the Group was circulated to governments of member countries of the ECAFE.

At its twenty-first session in Wellington in March 1965, the ECAFE set up a Consultative Committee which, in the course of the year, visited various member countries of the ECAFE and other interested nations in order to elicit their respective views on the establishment of the Bank. The Committee also prepared a draft of an Agreement Establishing the Asian Development Bank* which, after review by a meeting of officials representing potential participants in the Bank, was adopted at the ECAFE's Second Ministerial Conference on Asian Economic Cooperation held in Manila in November/December 1965.

After the adoption of the text, the Agreement was signed in Manila at a Conference of Plenipotentiaries of thirty-one countries

that followed immediately after the Ministerial Conference and was left open for further signatures in Bangkok until 31 January 1966.

The Agreement entered into force on 22 August 1966 with the ratification or acceptance by fifteen signatories (which included ten regional countries in accordance with the terms of the Agreement) whose initial subscriptions in the aggregate comprised "not less than sixty-five (65) per cent of the authorized capital stock of the Bank".

The Secretary-General of the United Nations acted as the Depository for the Agreement and Trustee for the receipt of payments of the first instalment of subscriptions towards share capital.

At the Manila conferences in 1965, a Committee on Preparatory Arrangements for the Establishment of the Asian Development Bank was formed and entrusted with the task of undertaking the necessary initial steps for action by the Board of Governors at its Inaugural Meeting. The Preparatory Committee functioned until the Inaugural Meeting of the Board of Governors in Tokyo in November 1966.

* Referred to hereinafter as "the Agreement."

PART ONE

INAUGURAL MEETING

IN accordance with Article 66 of the Agreement Establishing the Asian Development Bank, U Nyun, Executive Secretary of the ECAFE, convened the Inaugural Meeting of the Board of Governors of the Asian Development Bank in Tokyo, Japan, on 24-26 November 1966.

Mr. Takeo Fukuda, Minister of Finance, Government of Japan, was elected Chairman of the Inaugural Meeting. Mr. N. M. Uquaili and Mr. Tan Siew Sin, Governors for Pakistan and Malaysia respectively, were elected Vice-Chairmen. Mr. D. C. Gunese-kera, the Project Manager in charge of the Preparatory Arrangements for the Establishment of the Bank, was appointed Secretary of the Inaugural Meeting.

Additions to Membership and Capital

At the Inaugural Meeting, the Board of Governors considered the application of Indonesia for membership in the Bank and adopted a resolution relating to the terms and conditions of its membership. Having complied with all the terms, Indonesia became the thirty-first member of the Bank on 24 November 1966 and participated in the proceedings of the Inaugural Meeting.

The Board of Governors also approved of

- a. increases in subscription to share capital of Afghanistan to \$4.78 million, of Cambodia to \$3.50 million, of Republic of Vietnam to \$12.00 million, and of Singapore to \$5.00 million; and
- b. an increase in total authorized capital from \$1,000 million to \$1,100 million.

The Board of Governors also considered the application of Switzerland for membership in the Bank. A Resolution was adopted setting out the terms of membership and specifying, as suggested by Switzerland, 31 December 1967 as the date for completion of membership formalities.

Election of President and Directors

Mr. Takeshi Watanabe was unanimously elected President of the Bank at the Inaugural Meeting.

In conformity with Rules for Election of Directors adopted at the Inaugural Meeting, the following ten directors — seven representing regional member countries and three representing non-regional members — were elected on 25 November 1966: Helmut Abramowski, Cornelio Balmaceda, Byung Kyu Chun, Masaru Fukuda, J. M. Garland, B. Kharmawan, Ng Kam Poh, P. V. R. Rao, W. K. Wardroper, and Bernard Zagorin. (Voting groups are listed in the Appendices).

Resolutions of the Board of Governors

The various Resolutions adopted at the Inaugural Meeting together with the action taken thereon are given in the Appendices.

The Summary of Proceedings of the Inaugural Meeting of the Board of Governors has been issued separately.

PART TWO

MEMBERSHIP

DEVELOPMENTS

Switzerland

HAVING complied with the terms of Resolution No. 11 adopted by the Board of Governors at the Inaugural Meeting, Switzerland became on 31 December 1967 the thirty-second member, and the thirteenth non-regional member, with a subscription of \$5 million to the capital stock of the Bank.

The distribution of voting power among the Governors of the Bank as a sequel to the admission of Switzerland as a member is given with the Statement of Subscriptions in the Appendices.

Hong Kong

In the course of the year, the Government of Hong Kong indicated an interest in joining the Bank and took under consideration the various factors that would be involved in membership.

Cambodia

On 18 September 1967, the Bank received a letter from the Royal Government of Cambodia conveying Cambodia's decision to withdraw from membership in the Bank, in accordance with paragraph 1 of Article 41 of the Agreement.

In its reply to the Royal Government of Cambodia on 18 September 1967, the Bank drew attention to the provision under Article 41(2) of the Agreement which provides for a notice period of at least six months for withdrawal to become effective.

PART THREE

ADMINISTRATIVE AND ORGANIZATIONAL ARRANGEMENTS

Opening of the Bank

THE Bank was formally opened for business on 19 December 1966 at its temporary premises in Metropolitan Building, Ayala Avenue, Makati, in the Greater Manila area. The occasion was honoured by the participation of President Ferdinand E. Marcos of the Republic of the Philippines and Mrs. Imelda Romualdez Marcos.

Organizational Structure

The organizational structure of the Bank comprises a Board of Governors, a Board of Directors, a President, one or more Vice Pres-

idents and such other officers and staff as may be considered necessary.

Board of Governors

Each member of the Bank appoints one Governor and one Alternate Governor. The list of Governors and Alternates together with the changes in office, as notified to the Bank, appears in the Appendices.

Board of Directors

The term of office of the Directors elected at the Inaugural Meeting commenced on 10 December 1966 and continues until the next election at the Second Annual Meeting. The composition of the Board of Directors at the end of 1967 is given in the Appendices.

Of the ten Directors elected at the Inaugural Meeting, nine continued to hold office through 1967; Dr. Ng Kam Poh (representing Malaysia, New Zealand, Singapore, Thailand and Western Samoa) resigned on 30 April 1967 and, in his place, Mr. Lim Taik Choon was elected Director. During 1967 there was a number of changes in respect of Alternate Directors. These changes are listed in the Appendices.

The Board of Directors met on four days during 1966 and on 36 days (including five informal sessions) during 1967, an average of 3 meetings a month.

The deliberations of the Board, in the first half of the year, were inevitably concerned mainly with organizational aspects. Decisions were taken, inter alia, on

- Rules of Procedure of the Board of Directors

- Organization of the Bank

- Annual and Other Leave for the Staff

- Members of the Bank and Official

- Holidays of the Bank

- Dependency Allowance and Education

- Grants

- Staff Retirement Plan: Basic Policy Issues

- Medical and Health Insurance Schemes

Workmen's Compensation, Personal
Accident, Group Life Insurance
Schemes
Staff Travel and Settlement
Bank Seal and Flag
Separation Policy
Travel Document
Staff Regulations
Administrative Budgets

The Board, in the second half of the year, concentrated more on the operational and financial aspects of the Bank. Among subjects discussed by the Board in this sphere, either on a tentative or conclusive basis, were:

Asian Agricultural Survey
Guidelines for Investment of Bank Funds
Not Currently Needed in Operations
Guidelines on Ordinary Operations
Technical Assistance Contribution from
United States
Indonesia's Technical Assistance Request
Establishment of Account Relationship
with Bank for International Settlements
Relations with International Organizations
Guidelines for Procurement under Bank
Loans
Uses of Consultants by the Bank and Its
Borrowers
Prerequisites to Marketing of Bank
Bonds
Draft Loan Regulations and Form of Loan
Agreement and Guarantee Agreement
Interim Arrangements for Cooperative
Action with the Food and Agriculture
Organization
Technical Assistance Contributions

The Board of Directors, acting under the provisions of Articles 31(iii) and 39(2) and Section 15 of the By-Laws, selected Messrs. Haskins & Sells, a well-known United States firm of independent auditors, as outside auditors of the Bank for a period of five years.

After reviewing over 1,700 entries submitted by competitors from among member countries, the Board adopted an emblem for

the Bank, a facsimile of which is published on the cover page of this Report.¹ The same 'motif' has been adopted in the seal and in the flag of the Bank.

President

The President undertook during the course of 1967 a series of visits to member countries "to gain a more comprehensive understanding of the prevailing economic climate in each country...to provide an ear for each nation's views on the Bank and to secure competent personnel for the Bank".² Inclusive of journeys to Australia, New Zealand and Western Samoa in the latter part of 1966, the President visited eighteen regional members and thirteen non-regional members (including Switzerland) by the end of 1967. He met leaders of government and of the business and financial community, reported on the progress in the Bank's organizational structure, and explained his general views on the potential role of the Bank. At the same time, the President was able to secure useful information on the prevailing economic situation and the development programs and problems of developing member countries.

These exchanges of views with leaders of the developing nations have proved extremely helpful. All displayed a keen awareness of the sacrifices and hardships involved in the process of economic development and of the importance of self-help. During these rounds of discussions, frequent references were made to the growing emphasis on agricultural development and there was an appreciation that industrialization and agricultural development should no longer be regarded as two distinct alternatives for developing nations but as mutually consistent and complementary in any well-ordered plan for economic progress.

In his visits to the non-regional countries,

¹ The winning entry was submitted by Mr. Kuo Chiu-Tseng of the Republic of China, who received an award of \$1,000.

² From President Watanabe's speech at Inaugural Meeting.

the President was impressed by the gestures of goodwill and support for the Bank as well as the high expectations that were held out by leaders within Government and in business. The Bank was generally considered as being potentially capable of making a substantial impact on development in the region, both because of its predominantly Asian composition and its proximity to the field of action. These visits were also utilized to acquaint leaders in developed countries with the thoughts and aspirations of the developing member countries and with the emerging need for further support. In addition, they provided an opportunity for certain countries to inform the President about their views regarding additional measures of support to the Bank.

Vice President

Pursuant to Article 35(1) of the Agreement, the Board of Directors, at its first meeting on 17 December 1966, acting on the recommendation of the President, appointed Mr. C. S. Krishna Moorthi as Vice President of the Bank for a period of five years.

Organization

The President was authorized by the Board of Governors to make such arrangements as were necessary for the conduct of business during the period immediately before and after the opening of the Bank on 19 December 1966. Accordingly, the President set up a tentative organization and made initial appointments of officers and staff on 24 November 1966 in preparation for the opening of the Bank.

On 21 December 1966, the Board of Directors considered and approved the proposed basic organizational structure of the Bank; in the light of experience gained, the Board of Directors in December 1967 approved certain marginal amplifications of their earlier decision. The basic organization

of the Bank was to be reviewed again by the Board of Directors early in 1968.

The Bank has been organized into the following Departments/Offices:

- Office of the Secretary
- Office of the General Counsel
- Operations Department
- Economic and Technical Assistance Department
- Administration Department
- Office of the Treasurer
- Information Office
- Internal Auditor

A chart of the organization is given in the Appendices.

Staff Recruitment

As at the end of 1967, the Bank had a total staff of 187 (excluding the President and Vice President) of which 55 were professional and the remainder non-professional personnel. To keep in step with the necessary growth and intensification of loan and technical assistance activities, additional staff of both categories will be recruited in the course of 1968; it is expected that the total number of staff by the end of the year will reach approximately 270.

Heads of the Departments/Offices joined the Bank as follows:

Secretary	24 November 1966
Director of Administration	24 November 1966
General Counsel	16 February 1967
Director of Economic & Technical Assistance	20 March 1967
Director of Operations	20 April 1967
Chief Information Officer	18 May 1967
Treasurer	20 June 1967
Internal Auditor	26 September 1967

In the recruitment of staff, the Bank has been guided by the paramount importance of securing the highest standards of efficiency and technical competence while paying due regard to the recruitment of personnel on as wide a regional geographical basis as possible. Staff members have been recruited from 20 countries, comprising 14 regional countries and 6 non-regional countries. The general salary levels of the Bank, as approved by the Board of Directors in January 1967, take into account the prevailing local and international rates and the need to attract and retain a competent corps of local and international staff with the required experience and expertise.

Members of the staff are encouraged as a matter of policy to make their careers in the Bank. However, it is appreciated that flexibility in the implementation of recruitment policy is needed because the circumstances of many regional developing member countries are such that they would not be able to spare the services of competent, qualified and experienced personnel for lengthy or indefinite periods. For its non-professional staff, the Bank has drawn largely on local resources.

Staff Regulations

The Staff Regulations of the Bank, covering the broad basic personnel policies, were adopted by the Board of Directors on 21 December 1966. They are submitted separately for review by the Board of Governors.

Staff Benefits

Group medical insurance and medical retainer schemes have been adopted together with workmen's compensation and personal accident protection schemes. Life insurance participation has been encouraged by means of a Bank-subsidized group life insurance scheme. Schemes for Dependency Allowance and Education Grants have also been introduced.

A Retirement Plan for the staff of the Bank is under consideration and is expected to be finalized early in 1968. In the meantime, 7 per cent of the pay of each staff member is deducted and credited into a separate account and a contribution from the Bank amounting to 14 per cent of the total staff payroll is set aside pending the adoption of a Retirement Plan.

Participation in all these staff schemes is open to Directors and their Alternates.

Development of Library

Of critical importance to the effectiveness of any international development institution is a complete and up-to-date collection of reference material. The efforts of the Bank to establish such a collection were considerably strengthened by donations of books on economic development by the World Bank, by similar gifts by the Governments of Australia and Japan and by the provision by the FAO of reference material on agriculture. Another source of help for the Library came from the Technical Assistance contribution of the United States to cover a set of UN Treaty Series consisting of 510 volumes as well as several books and periodicals on subjects of special interest to the Bank. The United Kingdom also agreed to make available a sum of money for the Bank to purchase reference material. The supply of material from the ECAFE as well as from other international institutions has been prompt and generous. This material, together with the Bank's own purchases, provides a modest but good start in building up an adequate library.

Administrative Budget

At the Inaugural Meeting, the Board of Governors authorized the President to spend up to the equivalent of US\$400,000 to meet the administrative expenses of the Bank for the interim period from 24 November 1966 until the budget for 1967 was approved. The actual expenditure during the period from

24 November to 31 December 1966 was \$101,431.

As required by Section 15 of the By-Laws, the President submitted to the Board of Directors the Administrative Budget of the Bank for the first financial year of operation (beginning 1 January 1967) providing for an expenditure of \$3,051,900. This budget was approved on 14 February 1967.

The Board of Directors carried out a mid-year review of the Budget in August 1967 in the light of the experience gained during the first half of the year and approved certain transfers between categories, leaving the total provision for expenditure unchanged.

In order to provide funds for the Bank's first program of technical assistance, authorized for Indonesia in August 1967, the Board of Directors approved a supplementary budget of \$38,200. The total Administrative Budget for 1967, taking into account this supplementary provision, was \$3,090,100.

The Administrative Budget for the financial year 1968 providing for expenditure amounting to \$5,901,800 was approved by the Board of Directors in December 1967. This represents an increase of \$2,811,700 over the 1967 budget. The main reasons for the increased expenditure estimates are:—

- a. the fact that many normal items of expenditure (including salaries) were not applicable in full during the year 1967;
- b. expansion of staff, particularly in the Departments of Operations and of Economic and Technical Assistance; and
- c. projected intensification of operational functions, including technical assistance activities, in 1968.

The estimated income for 1968 is \$6,300,000, which, after allowing for budgeted expenditure of \$5,901,800, would leave a budgeted surplus of \$398,200.

A detailed report on the Administrative

Budget is submitted separately to the Board of Governors.

Philippine Government Coordinating Committee

The Philippine Coordinating Committee, a committee of the Philippine Government to coordinate its responsibilities in relation to the Bank, was set up by Executive Order of the President of the Philippines on 15 December 1966. The Committee's functions cover such matters as arrangements for providing furnished temporary offices for the Bank and the preparation of plans for a furnished permanent building; advisory work in connection with legislation pertaining to the Bank; and liaison and assistance to the Bank in such matters as may require action by the Government of the Philippines.

The Committee, which is headed by Mr. Cornelio Balmaceda, who is also a member of the Board of Directors of the Bank, has extended the maximum cooperation to the Bank at all times. It has provided the Bank with its furnished temporary premises and has met the requirements of additional space as they have arisen; but for its sustained interest and help, the task of the Bank in securing the necessary facilities throughout the first year of its existence would have proved much more formidable.

Headquarters Building

The Government of the Philippines has reserved, according to the provisions of Republic Act No. 4649 of 9 June 1966, a plot of land on Roxas Boulevard in the Greater Manila area, for the construction of the permanent headquarters of the Bank. The Government has commenced construction activities and current expectations are that the building will be ready by the latter part of 1969. The building has been designed to meet the normal staff and other requirements of the Bank over the first ten years of its operations. Within the same plot of

land and connected with the proposed Bank building are also to be located the offices of the United Nations organizations in Manila. A Committee of the Board of Directors advised on the planning of accommodation in the proposed building and, on lines indicated by the Committee and approved by the Board of Directors, the Bank communicated its views to the Philippine Government.

Headquarters Agreement

A Headquarters Agreement between the Government of the Philippines and the Asian Development Bank was entered into in Manila on 22 December 1966, subject to ratification by the former in accordance with its constitutional processes. Pending ratification, the contents were substantially given effect to by an ad interim Exchange of Letters. The Agreement was duly ratified by the President of the Philippines and came into force on 27 July 1967. Its text has been published in the Summary of Proceedings of the Inaugural Meeting.

Travel Document

At the Inaugural Meeting, the Board of Governors adopted a resolution urging the members of the Bank to take all appropriate steps to facilitate the travel of Bank personnel to and from and within their territories for the purposes of the business of the Bank.

Although no major problems have been encountered by Bank personnel in travelling in member countries, certain minor difficulties have arisen, most of them associated with the issue of visas. Arrangements were therefore made towards the end of the year to issue to Bank personnel a "Travel Document" which would assist in their identification and would indicate by reference to relevant provisions of Chapter VIII of the Agreement the immunities and privileges to which they would be entitled in the course of official travel in member countries.

Visitors to the Bank

An indication of the interest taken in the Bank is the number of visitors received in the course of the year. The Prime Minister of Japan and the Deputy Prime Minister of Malaysia included a visit to the Bank during their official visits to the Philippines. Representatives of Governments (including Governors and Alternate Governors), bankers, industrialists and many others visited the Bank. In addition, international trade missions and goodwill missions touring Asia made it a point to call in at the Bank.

PART FOUR

FINANCES OF THE BANK

A. Ordinary Operations

Capital Subscriptions

THE Articles of Agreement provide for an authorized capital of the Bank of \$1,000 million of which \$500 million is paid-in and \$500 million is callable. At the Inaugural Meeting, the Board of Governors authorized an increase in the capital stock to \$1,100 million. At the time of the Inaugural Meeting, the capital subscriptions amounted to \$965 million. With the entry of Switzerland, the capital subscriptions stand at \$970 million.

The Articles of Agreement require that half the paid-in capital should be paid in gold or convertible currency and the balance in the currency of the member, the payments being due in five equal annual instalments. Two instalments have so far been paid towards the capital subscriptions.

The payments made are shown in the following table:

**PAYMENTS BY MEMBER COUNTRIES
TOWARDS CAPITAL SUBSCRIPTION
(in Thousand US Dollars)**

	First Instalment			Second Instalment	
	Under Art. 6.2(a)	Under Art. 6.2(b)		Under Art. 6.2(a)	Under
	Convert- ible Currency	Convert- ible Currency	Incon- vertible Currency	Convert- ible Currency	Convert- ible Currency
Regional Members					
Afghanistan	239		239	239	
Australia	4,250	4,250		4,250	4,250
Cambodia	175		175		
Ceylon	426		426	426	
China	800		800	800	
India	4,650		4,650	4,650	
Indonesia	1,250		1,250	1,250	
Japan	10,000	10,000		10,000	10,000
Korea	1,500		1,500	1,500	
Laos	21		21	21	
Malaysia	1,000		1,000	1,000	
Nepal	108		108	108	
New Zealand	1,128		1,128	1,128	
Pakistan	1,600		1,600	1,600	
Philippines	1,750		1,750	1,750	
Rep. of Viet-Nam	600		600	600	
Singapore	250		250	250	
Thailand	1,000		1,000	1,000	
Western Samoa	3		3	3	
Non-Regional Members					
Austria	250	250		250	250
Belgium	250	250		250	250
Canada	1,250	1,250		1,250	1,250
Denmark	250	250		250	250
Finland	250		250	250	
Germany	1,700	1,700		1,700	1,700
Italy	1,000	1,000		1,000	1,000
Netherlands	550	550		550	550
Norway	250	250		250	250
Sweden	250	250		250	250
Switzerland	250	250			
United Kingdom	1,500	1,500		1,500	1,500
United States	10,000	10,000		10,000	10,000
TOTAL	48,500	31,750	16,750	48,075	31,500

Afghanistan has paid in advance the third instalment due in 1968; this payment is not included in this Table.
Cambodia has given notice of withdrawal from the Bank (see Page 6).

IMF Art. VIII Currencies and Swiss Francs have been treated as "Convertible Currencies" for purposes of this Table.
Switzerland became a member and paid its first instalment in December 1967 in US Dollars.

Total of 1st & 2nd Instalments

Art. 6.2(b)	Under Art. 6.2(a)		Under Art. 6.2(b)	
	Convert-ible Currency	Convert-ible Currency	Incon-vertible Currency	Incon-vertible Currency
239	478		478	
	8,500	8,500		
	175		175	
426	852		852	
800	1,600		1,600	
4,650	9,300		9,300	
1,250	2,500		2,500	
	20,000	20,000		
1,500	3,000		3,000	
21	42		42	
1,000	2,000		2,000	
108	216		216	
1,128	2,256		2,256	
1,600	3,200		3,200	
1,750	3,500		3,500	
600	1,200		1,200	
250	500		500	
1,000	2,000		2,000	
3	6		6	
	500	500		
	500	500		
	2,500	2,500		
	500	500		
250	500		500	
	3,400	3,400		
	2,000	2,000		
	1,100	1,100		
	500	500		
	500	500		
	250	250		
	3,000	3,000		
	20,000	20,000		
<u>16,575</u>	<u>96,575</u>	<u>63,250</u>	<u>33,325</u>	

Certain members have generously made their local currency payments in a manner that has augmented the Bank's resources available for investment.

The Federal Republic of Germany paid both portions of its first and second instalments in cash; the payment was in US dollars for the first instalment and in Deutsche Mark for the second instalment; Austria, Italy and Norway paid the local currency portion of both instalments in cash. On joining the Bank Switzerland paid both portions of its first instalment in US dollars.

Investment of Bank Funds

In investing its funds not immediately required for operations, the Bank has been guided by considerations of security, liquidity and yield, subject to the requirements of Article 24 of the Agreement.

The Board of Directors, in adopting a Resolution on Investment Policy on 10 March 1967, decided:

"1. That the President, or the officers of the Bank designated by him, hereby be authorized in the name and on behalf of the Bank (a) to invest all or any part of the Bank's holdings of the currency of any country (except currencies derived from the local currency portion of the subscriptions of members paid in under paragraph 2(b) of Article 6 of the Articles of Agreement of the Bank) not needed in its operations by the purchase from time to time at current market prices at the time of purchase, of bonds, notes and other obligations of such country or guaranteed by such country, payable in such currency and maturing not more than 3 years after the date of purchase thereof; or by the deposit in time accounts with commercial banks maturing within 2 years; and (b) from time to time to sell at current market prices at the time of sale any or all such obligations which shall be held by the Bank; or to withdraw from time to time such time deposits which shall be held by the Bank.

2. That the President, or the officers of the Bank designated by him, be authorized in the name and on behalf of the Bank to execute any and all such documents and to do any and all such acts and things as he or any of the designated officers shall deem necessary or proper in order to carry fully into effect the purpose of the foregoing resolution.

3. That the authorization given above be reviewed by the Board within one year."

By a later Resolution dated 12 December 1967, the Board authorized an account relationship with the Bank for International Settlements, under which the funds placed with the BIS should not exceed the equivalent of US\$5 million.

Of the investments made by the Bank as at the end of 1967, 53.4 per cent was held in Government Paper and Treasury Bills and 46.6 per cent in Time Deposits with commercial banks. In arranging deposits with commercial banks, the Bank has attempted to initiate relationships that would serve in due course to promote the Bank's role as an international financial institution and to encourage the commercial banks to take more interest in the future activities of the Bank.

The Bank's holdings of convertible currencies, as at the end of 1967, in Government Paper, Treasury Bills, Time Deposits and Certificates of Deposit, and working balances, were as follows:

	US Dollar (Million) Equivalents
US Dollars	55.45
Japanese Yen	20.36
Pound Sterling	12.45
Australian Dollars	8.46
Deutsche Mark	3.40
Italian Lira	2.00
Austrian Schillings	0.50
Norwegian Kroner	0.50

Rates of interest and yields on long-term bonds rose significantly in the third quarter of 1966; but from November 1966 until April 1967 there was a reversal of this trend. From May, however, there was another shift in the opposite direction, particularly in the U.S. market, and by September the upward movement had been clearly re-established. In November the par value of the pound sterling and some other currencies was changed and, simultaneously, the Bank Rate in the United Kingdom and discount rates in United States, Canada and certain other countries were raised, although not in uniform measure.

Income and Expenditure

This rise in money market rates, which reached the highest levels in half a century, has brought a significant income increase over the initial expectations of the Bank as reflected in the original Administrative Budget for 1967 presented to the Board of Directors in February 1967 and the mid-year Review in August 1967. At the same time, administrative expenses turned out to be lower than originally estimated, thereby augmenting net income.

Under the provisions of Article 24.5 and within the authorized Administrative Budget for 1967, the Bank utilized, for administrative expenses, from its local currency holdings the equivalent of US\$308,583.

The Bank's gross income and expenditure for the period 24 November 1966 to 31 December 1967 amounted to \$4,551,566 and US\$2,453,095 respectively; the resulting net income amounting to US\$2,098,471 is available for allocation by the Board of Governors, in accordance with the provisions of Article 40.1.

Revaluation of Members' Currencies

During the course of 1967, there were reductions in the par values or foreign exchange values of the currencies of the following members: Ceylon, Denmark, Finland, In-

onesia, Nepal, New Zealand and the United Kingdom.

Amounts receivable on account of such reductions were paid by Denmark and Indonesia during the year 1967; arrangements have been made with the other members for payment of the balance.

Preliminary Arrangements for Borrowings

The Bank is authorized under Article 21(ii) to resort to borrowings in order to augment its ordinary resources. As a first step in this direction the Bank initiated in 1967 the necessary work preparatory to possible borrowings in the United States. The preparatory work involved in securing the requisite qualification for the Bank's bonds in the various states in the United States is a detailed and complicated process, calling for legislation in many states and administrative rulings in others. The experience of other international institutions that have floated bonds in the United States indicated the need for the early appointment of managing underwriters for future US dollar bond issues to be made by the Bank in the United States; accordingly, in September 1967, the Bank announced the appointment of Kuhn, Loeb & Co., and The First Boston Corporation as its managing underwriters for US dollar bond issues in the United States. In due course, preparatory steps, as necessary, will have to be considered for the Bank's bond issues in European and other markets.

B. Technical Assistance Contributions—Consolidated Account

In May 1967 the Government of the United States offered to the Bank up to \$250,000 for technical assistance purposes; the Board of Directors approved the acceptance of this offer as outlined in the relevant exchange of letters dated 23 June 1967.

In August the Bank was informed of the willingness of the Government of Canada to

contribute to the Bank Canadian \$600,000 by way of technical assistance; of this sum, Canadian \$100,000 would be given in grants for individual experts or training programs and Canadian \$500,000 in the form of 50-year interest-free development loans to finance pre-investment feasibility studies in the identification and preparation of suitable projects through contracts with professional Canadian firms.

During 1967 the Government of the United Kingdom informed the Bank that if the latter needed help in the field of technical assistance and made an approach to them with specific requests, the United Kingdom Government would help with technical assistance in the form of feasibility surveys, individual experts, etc.

Taking these offers into account, the Board of Directors, in December 1967, authorized the establishment of a consolidated account in respect of resources available for Technical Assistance under Article 19(ii). The relevant Resolution states:

"1. That the Bank establish a consolidated account for the administration of resources available under Article 19(ii) of the Charter to provide technical advice and assistance serving the purpose and coming within the functions of the Bank; and

2. That, as and when the Rules and Regulations governing the administration and use of Special Funds are adopted, such Rules and Regulations shall apply to the administration of this consolidated account."

Details of the utilization of the Technical Assistance Contributions thus made available are given on Pages 21-22. As at the end of December 1967 utilization of these contributions amounted to the equivalent of US\$34,098.

PART FIVE

REVIEW OF ACTIVITIES

THE Departments primarily concerned with the Bank's activities in developing member countries are those of Operations and of Economic and Technical Assistance. During the year, the first and major task was to set up a nucleus of staff in each Department and to make a start on the delineation of an operational strategy that could facilitate and maximize the Bank's potential in assisting developing member countries. In assembling the core of the operational staff, two criteria had to be kept in view: it was not merely necessary to recruit personnel with the required general professional background of development economics, but also to recruit specialist professionals in keeping with the pace at which operational requirements emerged. Thus it was mid-1967 before the two Departments had recruited the basic complement of staff, which was further strengthened in the remaining months of the year.

The stage was thus set for the Bank to undertake the first series of reconnaissance missions to developing member countries composed of staff drawn from both Departments. While these visits are envisaged on a regular basis to all potential borrowing countries, the first reconnaissance missions covered Afghanistan, Ceylon, China, Indonesia, Korea, Laos,* Malaysia, Nepal, the Philippines, Singapore, Thailand, Viet-Nam and Western Samoa.* The main objectives of these missions were to establish the first contacts between the Bank's operational staff and the authorities in charge of the major sectors of economic development in the countries concerned; to try and understand the development strategy, needs, progress and prospects of each country visited; to derive an understanding of the relative priorities and of the possible loan proposals that might, sooner or later, be presented to the Bank; and to review the areas where the Bank could render technical assistance.

In practice, both the countries visited and the Bank have found such missions a useful prelude to the dialogue that needs to be fostered and sustained between each developing member country and the Bank. The missions obtained indications from the authorities concerned regarding the various types of projects under consideration or preparation which might be presented to the Bank in due course either for technical assistance (in conducting feasibility studies and other preparatory work) or for project financing or, in certain cases, for both. It was evident to those taking part in these missions that, as relationships developed between the Bank and the countries visited, an increasing number of proposals for project financing and technical assistance would be forthcoming.

As regards loan applications, apart from a number of enquiries of an extremely tentative nature, twelve loan proposals were received during the year; by the end of the year, detailed appraisal had been completed in respect of one application and recommendations thereon were submitted to the Board in December 1967 for consideration and decision in January 1968.* As for other applications, substantive discussions were in progress relating to various aspects of the proposed projects. As processing work on these applications is intensified, it is expected that, during 1968, there will be a substantial increase in activities relating to lending. The need for the establishment, towards this end, of close contacts between the Bank and the developing member countries is fully appreciated and has been taken into account in the provisions for staffing and travel made in the Administrative Budget for 1968.

Guidelines to be followed by the Bank on various aspects of lending operations were considered by the Board of Directors. In enunciating viewpoints to be borne in mind

* Visits to these two countries took place early in 1968.

* A loan equivalent to U.S. \$5 million to Industrial Finance Corporation of Thailand was authorized by the Board of Directors on 23 January 1968 and the loan documents were executed at the Bank on 25 January 1968.

in the assessment of loan proposals, the Board of Directors recognized that, at the present stage, policies should be framed to maximize quickly the Bank's potential usefulness to member countries. Account would naturally have to be taken, in course of time, of changes in the needs of developing countries, of experiences in adaptation of lending techniques and of the activities in this region of other development institutions; and the Bank would have to be responsive to the particular circumstances of the various countries. It was also appreciated that with regard to intra-regional cooperation, there were opportunities as well as complexities in a regionalized approach to financing operations but that the financing of national development projects may in itself promote, in due course, the economic growth of the region as a whole.

One of the main arguments for the establishment of regional development banks has been that such institutions, by their very proximity to the field of action, should be in an advantageous position to appraise realistically the rationale underlying economic choices regarding priorities made by potential borrowers, as well as to make useful suggestions in this respect to developing member countries. It is important for the Bank to make it clear that, in considering proposals for financing, it will be guided not by an a priori emphasis on one or the other sectors of economic activity, but by considerations relevant to a rational choice as between different investment opportunities; it would follow that, over a period, the range of the Bank's activities in the different economic sectors would become substantially diversified.

The problem of interest rates to be charged on the Bank's ordinary loans was considered by the Board of Directors and, in the present context of high interest rates throughout the world, it was recognized that this was a matter that would require constant

review. The Bank, as a potential borrower of funds in international capital markets, must take into account the money market situation in fixing its own interest charges; at the same time, in carrying out its role as a development lender it must try to keep costs to borrowers down to the minimum possible. The Bank will keep these elements in mind so that, from time to time, interest rates will be determined on a basis that prejudices neither the Bank's approach to world capital markets nor its ability to assist developing member countries.

During the year under review, drafts of standard loan regulations, loan agreement and guarantee agreement were prepared and submitted to the Board of Directors. Within the requirements of the Articles these take into account the pattern of such instruments as have been used by other international lending agencies and have become familiar to developing member countries. It has also been borne in mind that the Bank as a regional institution must present potential borrowers with documents which show an understanding of the region's past experience with development loans and which clearly demonstrate a sense of mutual agreement.

The Bank's policy on procurement was considered by the Board of Directors and a set of guidelines designed to reflect the Bank's current thinking on procurement was submitted for its approval.* The Board of Directors also considered a set of guidelines on the use of consultants by the Bank and its borrowers.* Brochures incorporating these two sets of guidelines for the use of interested parties are under preparation.

The appropriate blend of technical assistance activities and project financing within the overall range of the Bank's operations is something that will have to be determined in the light of experience; it is

* Final approval was given by the Board of Directors in February 1968.

also obviously an equation that will have to be varied from country to country and from time to time. Judging from the observations made by the Bank's reconnaissance missions in 1967, it is evident that the role of the Bank as a source of technical assistance is considered by the countries visited of no less importance than its activities in the field of project financing.

The Bank's services in the field of technical assistance available to developing member countries are expected to include project identification and preparation, sectoral development studies, policy formulation and institution building. The capacity of the Bank to respond to such requests will depend to a large extent not only on the quality of its own staff but also on the extent and competence of outside expert help that the Bank is able to muster. The Bank has already collected and compiled a certain amount of information on the various categories and levels of expertise that can be obtained both within and without the region from consultant firms and other professional experts.

It was recognized from the outset that in order to enable the Bank to function effectively, both in rendering technical and financial assistance and in evaluating advice given by outside experts, there would need to be developed within the Bank a capacity to collect and maintain current statistical information and to analyze, through systematic research, the economic circumstances of member countries. With regard to the collection and compilation of statistics, a start was made in the context of the Asian Agricultural Survey (see next column) undertaken by the Bank for which relevant statistical information was gathered and tabulated. Statistical series of the sixteen regional developing member countries were prepared on the most important agricultural indicators such as area, production and yield of major crops, land area, irrigation, prices, production and consumption of commercial

fertilizers, livestock, the calorie, fat and protein contents of national average food supplies, and trade summaries. In the context of the Survey, Bank staff undertook the processing of growth curves and other regression models through computer programs. Although this has been a helpful start in the application of quantitative and statistical techniques, it has become evident that the Bank must equip itself to expand and extend this work over the coming years.

Another proposal concerning the collection of statistical data* involves collaboration with the World Bank in studies relating to the external public debt position and prospects of developing member countries, a field in which the World Bank has developed considerable expertise. The proposal would enable the two institutions to consult and collaborate with each other in respect of the method of collection, processing and analysis of country data. The arrangement would avoid costly duplication of this important work, would make available to the Bank the expertise of the World Bank staff and would give valuable opportunities for training.

The Board of Directors has emphasized that while utilizing studies and analyses made available by other international institutions to the fullest possible extent, it is important that the inferences to be drawn or the value judgments to be derived must be those of the Bank itself. In those areas where lacunae exist in analysis of certain economic problems relevant to the region, a start has been made on research activity oriented towards the particular role contemplated for the Bank in the region.

Asian Agricultural Survey

The main theme of economic programming in the developing countries of the region in the past decade has been the diversification of their economies by industrial de-

* Approved by the Board of Directors in January 1968.

development and by the strengthening of the infrastructure to facilitate further economic growth. Although agriculture has by no means been neglected, this traditional mainstay of developing economies has not always attracted policy planning and investment in a measure commensurate with its importance. A reflection of this situation has been the fact that the major transformations in the sphere of agriculture that have occurred elsewhere are only just beginning in most of the developing countries. Another result of the comparatively static situation in agriculture has been the fact that with rising populations, and with the increased purchasing power that economic development has released in its wake, economic imbalances in developing countries have been accentuated.

The problem of food supplies has in particular become a matter of major concern in the region as elsewhere; this problem has been rendered more acute, on the one hand, by the diminution in the surpluses available from countries where agriculture has been modernized and developed along commercial lines, and, on the other, by the need in developing countries to promote nutritional standards to desirable levels. Further, in societies with static agricultural production but with rising consumption standards and population, balance of payments difficulties tend to be aggravated by the need to import foodgrains and by the failure of export-oriented agriculture to keep pace with the need to improve export earnings. As a result of these factors, the acceleration of agricultural development through higher production and diversification of crops has assumed a new dimension of importance and urgency.

The process of agricultural development, however, is a complex problem; it involves the re-education of substantial numbers of farmers in improved methods of cultivation and in optimizing the technical inputs neces-

sary to raise agriculture to higher levels of productivity; it involves the setting up of extension services and of credit mechanisms to help the farmer; it involves technological research since lessons learnt outside the tropics may not automatically apply to the region; it involves the promotion of agriculture-oriented industry and of infrastructure such as roads and irrigation; finally and not the least, it involves the frequent review and revision of policies so as to keep before the farmer the necessary incentives to invest more in his lands and to increase and diversify production. In terms of over-all investment, it may call for reconsideration of priorities as between various investment opportunities in agriculture itself or between agriculture and industry. Apart from these considerations, agricultural development calls for a sustained effort over a period of time if it is to have any discernible impact on the agricultural productivity in a country.

It was essentially the stress laid on agricultural development by responsible authorities of developing member countries of the Bank, and a recognition of the complexities in this sector, that led the Bank to institute a regional survey of agriculture — the Asian Agricultural Survey. The main purpose was to facilitate the future operational role of the Bank in the sphere of agriculture through a study of the key problems of agriculture in the region and by recommending, for consideration by the Board of Directors, courses of action appropriate for the Bank in promoting agricultural development. The Survey was also designed to formulate the background against which potential contributors could appraise the need for contributions to Special Funds for agricultural development proposed for the Bank. The project involved a study of the recent past trends, current situation and programs of development, problem areas for short-term and long-range development and strategies and priorities for the formulation

of programs for productivity improvement and resources development. The Survey also covered agriculturally-related industries.

In principle, all developing member countries of the Bank came under the purview of the Survey. Taking into account the limitations of time and manpower, as well as studies and surveys previously undertaken by other international or national agencies, the Survey field studies covered: (a) a general regional review embracing all developing member countries, and (b) more intensive observations and studies on the principal typical problems of the region.

The Survey was organized at two levels: (a) a Consultative Committee, and (b) a Technical and Economic Survey Team. The composition of these two groups is given in the Appendices. A good deal of groundwork, including the preparation of a number of background papers and briefing data, was done by the staff of the Bank before the convening of the first meeting of the Consultative Committee in the second week of July.

The Consultative Committee, which consisted of eleven internationally known agricultural experts and economists, met 11-14 July at the Bank to advise on the scope and content as well as the methods and procedures of the Survey.

The Committee proposed three specific objectives of the Survey:

First, it should provide the Bank with a suitable framework for its future operations by equipping it with a good understanding of the needs, problems and opportunities confronting the agricultural sector in the Asian region. It should also serve as a basis for follow-up work by the Bank in developing regional member countries.

Secondly, it should serve to inform the world at large and donor countries in particular of both the urgency and the promise of agricultural development in Asia. It should cite concrete opportunities at the

same time as it identifies problems; point to the possibilities of high returns on capital; and prescribe the specific manner in which advances in agriculture could improve, if not transform, the overall situation in individual countries.

Thirdly, it should benefit regional member countries on the one hand, from the wide range of expertise represented in the Survey Team and from the broad views they would express on priorities and problems in agricultural development, and on the other, through identification of the type of investment opportunities which are particularly promising from the point of view of external financing.

The operational task of the Survey was assigned to the Technical and Economic Survey Team consisting of 18 experts in various fields of agriculture.

The Survey Team was assigned the task of preparing two reports:

1) A Regional Review Report which would contain observations on current situations, problem areas and strategies and priorities for accelerating agricultural development in Asia, with emphasis on short-term measures for introducing major breakthroughs for achieving output expansion and productivity improvements in agriculture, particularly in the food production sector.

2) Supplementary Reports which would contain more intensive observations and studies of problems and strategies in agricultural development and suggestions on possible fields or types of programs in which the Bank could possibly take an interest.

After a week's orientation at the Bank in July, the members of the Survey Team visited fifteen regional developing member countries and Japan for periods of one to three weeks in each country over the latter half of 1967. The Survey Team's reports together

with the observations of the Consultative Committee (scheduled to reconvene in February 1968) were expected to be available in March 1968.

Regional Transport Survey

Late in December 1967, the Bank received a request from the Government of Malaysia to undertake a Regional Transport Survey which would, inter alia, study the needs of transport development in the Southeast Asian sub-region, determine the directions in which future transport development should take place, and make recommendations on an investment program, based on economic priorities of projects. The request made by the Government of Malaysia arose from a Conference held in Kuala Lumpur in September 1967 where representatives of Brunei, Indonesia, Laos, Malaysia, Philippines, Republic of Viet-Nam, Singapore and Thailand agreed on the formulation of the request to the Bank. The Conference and the communication from the Government of Malaysia also made reference to the establishment of Special Funds. The request made by the Government of Malaysia was due to be considered by the Board of Directors early in 1968.*

Technical Assistance Mission to Indonesia

The Government of Indonesia, which is implementing a program of rehabilitation and stabilization, made a request to the Bank for technical assistance in devising measures to improve food production and food availability during the current stabilization period.

After discussions with Indonesian authorities, the following framework for the program of the proposed technical assistance mission was agreed upon:

- (a) A review of the present situation relating to the current production and mar-

keting situation in regard to food crops and, in so far as it was relevant, to other agricultural crops;

- (b) Identification of the bottlenecks and constraints that had an adverse effect on maximizing the contribution of agriculture, especially of food crops, to the current stabilization-rehabilitation program;

- (c) Recommendations on the methods by which the identified bottlenecks and constraints could be tackled by governmental action proposed and implemented during the stabilization-rehabilitation period;

- (d) Recommendations on preliminary action that might be taken during the stabilization-rehabilitation period for tackling such bottlenecks and constraints as were inherently incapable of solution within the relevant period but which, nevertheless, needed an immediate start on corrective measures; and

- (e) An assessment of the resource-allocation necessary within the capacity of the Indonesian economy and budget to provide for (c) above and facilitate a start on (d).

It was also agreed that the Mission would include in its reports any suggestions it might have for specific projects that might be undertaken in Indonesia in this context.

The Mission commenced work in October 1967 with completion of its assignment scheduled for early January 1968 at which time its report and recommendations would be submitted to the Indonesian Government.*

Utilization of Technical Assistance Contributions

As already indicated under Part IV "Finances of the Bank: (B) Technical Assistance Contributions — Consolidated Account",

* In February 1968, the Board of Directors authorized the undertaking of work to evolve the framework and terms of the Regional Transport Survey.

* The Mission's report was sent to the Government of Indonesia on 22 January 1968.

three member countries have made offers to the Bank of certain facilities for the extension of technical assistance.

So far, the U.S. and the U.K. offers have been utilized in the provision of experts for the Technical Assistance Mission to Indonesia, for the provision of expertise to develop certain internal procedures in the Bank and for the enlargement of the Library. Proposals have been under consideration for technical assistance and for project appraisal work which, as and when approved by the Board of Directors, would enable a quicker pace of utilization of these offers.

The basic procedure of the Bank in the context of engaging experts has been firstly to attempt to locate (if necessary in consultation with other international bodies) the expertise needed for a particular task, and then, in light of such information, to examine the extent to which the offers of technical assistance facilities made by member countries could be utilized. It has already become clear that the provision of ancillary resources of this type will be a source of great support to the Bank and to its developing member countries in project identification and preparation, project appraisal, project implementation and provision of technical assistance for sectoral analyses such as improvement of food production.

PART SIX

RELATIONS WITH OTHER INTERNATIONAL ORGANIZATIONS

THE Board of Governors, at its Inaugural Meeting, passed a resolution requesting that:

"The Board of Directors make recom-

mendations to the Board of Governors concerning such schemes for cooperation with other international organizations as the Board of Directors deems appropriate and necessary for the conduct of the Bank's operations."

Realizing the importance of making effective use where circumstances permit of the experience and knowledge already accumulated of the region and its needs, the Bank has actively sought and fostered contacts with other international institutions; the following paragraphs review the relationships that have been established or are evolving in this regard.

United Nations Headquarters Organizations and Regional Commissions

The Secretary-General and the staff of the United Nations Headquarters were most helpful in the various stages leading to the establishment of the Bank and the interest and goodwill thus displayed by them towards the Bank have continued. During their visits to New York, the President and the Vice President called on both the Secretary-General and his Chef de Cabinet to apprise them of the Bank's progress and development.

The Fiscal and Financial Branch of the United Nations Secretariat, among other divisions of the United Nations Headquarters, has maintained informal contacts with the Bank. It has under consideration the sponsoring of various studies of interest to the Bank, such as the role of regional and national development banks in industrial promotion efforts and in the facilitation of expansion of exports from developing countries. These ideas have been explained to the Bank staff and the Bank is to be kept informed of further developments.

United Nations Development Program

The United Nations Development Program

helped to finance the expenses relating to the preparatory work involved in setting up the Bank and the cordial interest and cooperation of the UNDP continue. The UNDP does not normally follow a policy of entering into written general agreements for cooperation with other institutions but prefers to let the relationship evolve on a mutually satisfactory basis.

The UNDP has recently had under consideration methods to improve follow-up on investment potentials of pre-investment projects which it assists. One important step taken by the UNDP, in this regard, is the "referral" to the World Bank and to regional development banks of proposals under consideration for the undertaking of new pre-investment studies. From its inception the Bank has regularly received from the UNDP information about such proposals as are put forward by its members to the UNDP, and the UNDP has expressed the hope that in due course, the Bank will be in a position to offer its comments on such proposals at staff level and without commitment in regard to financing.

The Bank has also received information on projects already undertaken by the UNDP and whenever the Bank has requested, the full results of pre-investment studies in the region are made available by the UNDP.

The UNDP has also expressed the hope that, in appropriate cases, the UNDP and the Bank would cooperate with each other either by consultation or through staff participation in the actual conduct of pre-investment studies.

Economic Commission for Asia and the Far East

The Economic Commission for Asia and the Far East has a unique position so far as the Bank is concerned, mainly because of its record of experience and achievement in this region and its major role in the establishment of the Bank. The ECAFE

has kept the Bank informed of its activities by supplying documentation and by inviting the Bank's participation in seminars and conferences which it sponsors. The President addressed the 23rd Annual Session of the ECAFE in Tokyo in April 1967. Observers from the Bank have attended, to mention a few examples, the 20th Session of the ECAFE Committee on Industry and Natural Resources, the 11th Session of the ECAFE Committee on Trade, the Seminar on Financial Aspects of Trade Expansion and the ECAFE Conference of Asian Planners.

It is believed that the pattern of cooperation so far followed is broadly identical with the relationship that exists between the other U.N. regional economic commissions and the regional development banks in Latin America and Africa. Although there are no formal agreements between the regional commission and the regional bank in those areas, in practice, there is rather close awareness on the part of each organization of the activities of the other through exchange of information, delegation of participants to conferences and contacts between officials. The Bank intends to sustain this pattern of cooperation with the ECAFE.

International Financial Institutions

World Bank Group

Cooperation with the World Bank dates from the time when the various preparatory committees were engaged in drafting the Agreement Establishing the Bank, the By-Laws and other rules. On the occasion of the Inaugural Meeting the World Bank donated to the Bank a collection of books to serve as a nucleus for a library. Since then, the Bank has received from the World Bank advice on particular problems from time to time and there has also been a regular exchange of information.

During discussions on the scope of cooperation between the World Bank Group and

the Bank, it was agreed that inter-institutional relationships be allowed to evolve in the light of experience and needs rather than be developed within the framework of a general agreement.

The World Bank has invited the Bank to participate as an observer in meetings of Consortia and Consultative Groups relating to countries that are members of the Bank. It is evident that such participation has proved beneficial to the Bank's understanding of the development needs and aid prospects of these countries.

The World Bank has offered training facilities in its Economic Development Institute for staff members that the Bank may decide to depute. It has also given facilities for concrete working level visits by individual staff members in such areas as administrative and treasury procedures and legal matters. The Bank has also been able to obtain experts from the World Bank for specific projects such as the preparation of staff retirement plans and accounting procedures.

In the field of special studies undertaken by the Economic Department of the World Bank, there is opportunity for consultation and, in due course, specialization within the two institutions. The Bank's Department of Economic and Technical Assistance is in close contact with the Economic Department of the World Bank and as discussed earlier, arrangements have been made for cooperation in the study of the external public debt position in member countries.

International Monetary Fund

As in the case of the World Bank, the International Monetary Fund has agreed, when so requested, to accept staff members on training courses run by the IMF Institute. Procedures have been devised and practices developed for consultation between the two institutions as required in the Agreement. By participating in exchange of information on matters of mutual interest and through

periodic visits to the Bank by personnel travelling in this area, the IMF has kept the Bank in touch with developments in the region as they concern the IMF.

Regional Development Banks

During the preparatory phase of work in the establishment of the Bank, the Inter-American Development Bank made available an expert to help the Consultative Committee and the Preparatory Committee and after the opening of the Bank, the IDB has extended help whenever it has been sought. A considerable volume of documentation relating to the activities of the IDB and its basic policies has been made available. It is felt that continued and intimate contact with the IDB will be of value in view of that institution's experience with development problems as seen from the perspective of a regional bank. Its record in the administration of trust funds is also of relevance to the Bank.

The African Development Bank has only recently commenced operations. During the visit of the Vice President to Abidjan to attend the Annual Meeting of the African Development Bank, there was keen interest displayed in the Asian Agricultural Survey and in other aspects of the Bank's work. While the circumstances faced by the African Development Bank and the Bank may differ, the experience of each Bank is likely to be of some use to the other and it is clearly desirable to maintain the fullest contact.

Other Institutions

Food and Agricultural Organization

The Food and Agriculture Organization is one of the organizations in the United Nations family with which the Bank has had almost continuous contact and consultation. At the Bank's request, the FAO made available experts for both the Consultative Committee and the Technical and Economic Survey Team of the Asian Agricultural

Survey. It has also provided experts for missions sponsored by the Bank to visit member countries and has freely given its advice on technical matters when sought by the Bank. The Bank has sent representatives to several meetings of the FAO.

The FAO has entered into an agreement for cooperative programming of work with the World Bank and with the Inter-American Development Bank. In considering similar arrangements with the FAO, the Bank felt it premature to enter into a general long-term agreement with that organization while the results of the Asian Agricultural Survey were still pending and while the Bank was still in the initial phases of establishing its own policies regarding agricultural development. Also, the financial dimensions of the Bank's potential role in agriculture are yet not clear. For these reasons, both the FAO and the Bank have agreed that what is needed is some form of interim cooperation by which the FAO could provide expertise and technicians to participate in Bank missions as well as to assist member countries in the identification of such projects as the Bank may be interested in. With this aim in view, a proposal for cooperation is being submitted separately to the Board of Governors.

United Nations Industrial Development Organization

Officials of the United Nations Industrial Development Organization have visited the Bank to discuss methods of collaboration with the Bank. There is an area of considerable potential for a cooperative relationship to evolve and the Bank intends to keep in contact with the UNIDO in this respect.

Asian Institute for Economic Development and Planning

Subsequent to visits to the Bank by the

Director of the Asian Institute for Economic Development and Planning, possible relationships between the two institutions are being studied.

Colombo Plan

As an organization devoted to the cause of economic development in Asia, the Colombo Plan has much in common with the Bank. An observer from the Bank attended the Annual Meeting of the Colombo Plan Consultative Committee held in Rangoon in November-December 1967. The Bank proposes to work out a pattern of close cooperation with the activities of the Colombo Plan in the field of technical assistance through the Colombo Plan Bureau in Colombo.

Regional Conference of Development Banks in Asia

The Third Regional Conference of Development Banks in Asia which was held between September 13 and 15, 1966 in Tokyo discussed, inter alia, the significance of the establishment of the Bank from the point of view of development banks in the regional countries. Among other points, there was a suggestion that the Bank could provide a lead by convening conferences of the development banks of Asia. This and other aspects of potential relationships with development banks in the region are being studied.

German Foundation for Developing Countries

The Bank was represented by observers at the International Conference on Cooperation in the Field of Integrated Projects held by the German Foundation for Developing Countries (Deutsche Stiftung fuer Entwicklungslaender) in Berlin. The Bank also participated in a Seminar on Forestry organised by the Foundation in Manila.

PART SEVEN

MOBILIZATION OF SPECIAL FUNDS

ARTICLE 19 of the Agreement authorizes the Bank, *inter alia*, to accept the administration of Special Funds designed to serve the purposes and come within the functions of the Bank, such Special Funds being useable in any manner and on any terms and conditions not inconsistent with the purposes of the Bank and with the agreement relating to such Funds. The Article also empowers the Governors by a special vote to set aside not more than 10 per cent of the unimpaired paid-in capital paid by members under Article 6(2) for the establishment of one or more Special Funds, such Funds to be used to guarantee or make loans of high development priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those relevant to the Bank's ordinary operations.

During the Inaugural Meeting in Tokyo, statements made by a number of Governors reflected the need for the Bank to be given the means to make loans on easier terms than in the case of ordinary operations. These views were based on an assessment of the limited debt servicing capacity of many potential borrowers in the region. During the visits undertaken by the President to member countries, it was repeatedly pointed out to him that economic development involved the stepping up of imports far more rapidly than could be envisaged for exports; that financing of the capital gap on conventional terms of international lending would limit the possibilities of economic growth; that a further complicating element was the instability of export earnings of primary producing countries; and that in the vital sectors of agriculture and infra-structure development there was clear need for concessional lending. It was also pointed out that the total quantum of development finance available was out of keeping with the amount needed to fulfill the objectives of the United Nations Development Decade and that in certain aspects the conditions of aid were hardening.

In December 1966, following the Inaugural Meeting, the Conference on Agricultural Development in Southeast Asia was convened in Tokyo. This Conference discussed the strategy of agricultural development as a major factor in the acceleration of economic growth in developing countries. The importance of sound selection of projects as well as of making external finance available on concessional terms was stressed. The Conference decided to request the Bank to consider the establishment of Special Funds for financing agricultural development projects in Southeast Asia. This request was formally transmitted to the Bank on 30 January 1967 by the Government of Japan.

The Board of Directors considered the issues involved in a series of meetings. The importance and urgency of agricultural development in the region was recognized, and the Board accepted in principle the idea of Special Funds for agriculture under the administration of the Bank. In regard to the geographical coverage of the proposed Funds, the Board felt that it would be undesirable to restrict the Bank's use of Special Funds to certain member countries. In coming to this conclusion the Board recognized that the view of donor countries as to any special emphasis should be taken into account. These views were accordingly reflected in a statement which the President of the Bank made on 27 April 1967 at the Second Ministerial Conference for the Economic Development of Southeast Asia held in Manila.

As indicated by the Board, the needs of agriculture in the developing areas of the region had to be studied carefully from the point of view of the employment of both ordinary and Special Funds resources. This objective was dovetailed into the scheme for the Asian Agricultural Survey to which reference has already been made (see Pages 18-21). The report of the Survey, ex-

pected to be available in the latter half of March 1968, should be of very great value in the appraisal of the use of Special Funds for the development of agriculture.

It is already evident that among the projects which the Bank would be called upon to consider for Special Fund financing, agricultural projects and agriculture-oriented projects would be substantial in number. The capacity of the Bank to respond to this need would be considerably enhanced by an early constitution of Special Funds; moreover, the existence of such Funds would enable the Board of Directors to consider the deployment of the ordinary capital resources of the Bank in the appropriate perspective.

In this connection, it is relevant to note that the Governments of Japan, the United States, Canada and the Netherlands have already indicated to the Bank that proposals are under consideration relating to the provision in the course of 1968 of Special Funds to augment the resources of the Bank. Some of the other developed member countries visited by the President during 1967 showed keen interest in the evolution of thinking in the Bank on this subject.

The Board of Directors has given further consideration to matters relating to the constitution of Special Funds. It was recognized that while giving due emphasis to agricultural development, there may yet be situations where potential donors might wish to contribute Special Funds for other purposes, or for general deployment to promote economic development. It was also recognized that any framework evolved by the Board would have to be flexible enough to cover circumstances and considerations that might differ from one donor country to another.

Accordingly, the Board made an initial examination of a proposal for a framework of rules and regulations covering Special Funds of the Bank.

In the light of the support already indicated by certain developed member countries, the foregoing factors will no doubt be given due weight during consideration of the possibility of early contributions to Special Funds.

At the same time, it has to be recognized that a global shortage of development financing exists and that there is keen competition for funds. Because of the spirit of understanding displayed by the more affluent countries, this competition is not entirely determined on the basis of financial return to lenders; the constructive efforts that have in the past made concessional financing possible are evidence that capital exporting countries realize the need to share a portion of their prosperity with the less fortunate countries. This policy on the part of capital exporting countries can only be sustained over a period of time if the aid thus made available is properly used by developing countries to produce tangible evidence of growth.

Self-help measures by developing countries are therefore important not only in themselves but also for continuing to attract such concessional financing.

The Asian Development Bank can be a major vehicle for the sustained and effective deployment of resources and the responsible approach that the Bank has taken in facing the problems of the region should surely establish its entitlement to some priority of access to the limited world resources available for development.

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FINANCIAL STATEMENTS

Ordinary Operations

APPENDIX I

BALANCE SHEET

Expressed in United

ASSETS		
CASH IN BANKS (Notes B and C) - Member currencies (See Appendix III)		\$ 3,109,202
INVESTMENTS:		
Government or government-guaranteed obligations — amortized cost (face amount, \$55,257,866) (See Appendix IV)	\$ 54,949,311	
Time deposits and certificates of deposit (See Appendix IV)	47,561,981	
	102,511,292	
Accrued interest	1,275,702	103,786,994
DEMAND OBLIGATIONS OF MEMBERS (Notes B and C): Non-negotiable, non-interest-bearing obligations in member currencies (See Appendix III)		86,593,284
OTHER AMOUNTS RECEIVABLE FROM MEMBERS:		
Subscription instalment (Note C)	350,000	
Amount required to maintain value of currency holdings (Note D)	2,322,472	2,672,472
OTHER ASSETS		126,273
STAFF RETIREMENT PLAN — Cash on deposit, segregated and held in trust (Note E)		69,652
TOTAL		\$196,357,877

The accompanying notes to financial statements

DECEMBER 31, 1967

States Dollars (Note A)

LIABILITIES AND CAPITAL

LIABILITIES:

Accounts Payable	\$	57,710	
Accrual for Bank's contribution to Staff Retirement Plan (Note E)		145,538	
Other liabilities		8,506	\$ 211,754

STAFF RETIREMENT PLAN — Participants' contribution and accumulated income (Note E)			69,652
---	--	--	--------

CAPITAL (Note C):

Capital stock (See Appendix V):

Authorized — 55,000 "paid-in" shares and 55,000 "callable"
shares of \$10,000 par value each:

Subscribed (97,000 shares)	970,000,000
Less callable shares subscribed (48,500 shares)	485,000,000

Paid-in shares subscribed (48,500 shares)	485,000,000
Less subscription instalments not due	291,500,000

Subscription instalments matured	193,500,000
Advance payment on subscription	478,000

Net income (to be allocated by the Board of Governors)	2,098,471	196,076,471
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TOTAL		<u>\$196,357,877</u>
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Appendix VI) are an integral part of this statement.

APPENDIX II

STATEMENT OF INCOME AND EXPENSES FROM NOVEMBER 24, 1966* TO DECEMBER 31, 1967 Expressed in United States Dollars (Note A)

INCOME:		
Investment income	\$4,547,533	
Other	4,033	\$4,551,566
EXPENSES:		
Administrative expenses:		
Board of Governors	17,417	
Board of Directors:		
Salaries	364,337	
Benefits	55,634	
Travel	111,701	
Total Board of Directors	531,672	
Staff:		
Salaries	802,324	
Benefits	185,313	
Travel	394,856	
Representation	20,213	
Consultants	148,188	
Total Staff	1,550,894	
Other administrative expenses:		
Supplies and equipment	173,577	
Communications	34,230	
Office occupancy	21,811	
Publications and printing	34,066	
Miscellaneous	46,288	
Total other administrative expenses	309,972	
Total administrative expenses	2,409,955	
Services to member countries	43,140	
Total expenses		2,453,095
NET INCOME (Note C)		\$2,098,471

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

* Date of Inaugural Meeting of the Board of Governors

APPENDIX III

CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS, DECEMBER 31, 1967

Expressed in United States Dollars (Note A)

Members	Unit of Currency	Cash in Banks	Demand Obligations of Members	Total
REGIONAL:				
Afghanistan	Afghani	\$ 711	\$ 717,000 ²	\$ 717,000
Australia	Australian Dollar	711	8,500,000 ³	8,500,711
Cambodia	Riel	175,000 ^{1 & 2}		175,000
Ceylon	Cey. Rupee	6,395	673,974 ²	680,369
China, Republic of	New Taiwan Dollar	6,588	1,590,000 ²	1,596,588
India	Indian Rupee	8,072	9,290,000 ²	9,298,072
Indonesia	Rupiah, New	962,863 ^{1 & 2}	1,513,158 ²	2,476,021
Japan	Yen	11,628	20,000,000	20,011,628
Korea, Republic of	Won	3,865	2,990,000 ²	2,993,865
Laos	Kip	42,000 ^{1 & 2}		42,000
Malaysia	Mal. Dollar	8,721	1,990,200 ²	1,998,921
Nepal	Nepal Rupee	3,282	160,462 ²	163,744
New Zealand	N. Z. Dollar		1,817,208 ³	1,817,208
Pakistan	Pak. Rupee	7,824	3,190,130 ²	3,197,954
Philippines	Philippine Peso	71,754	3,200,000 ²	3,271,754
Singapore	Sing. Dollar	9,291	490,200 ²	499,491
Thailand	Baht	6,069	1,990,000 ²	1,996,069
Viet-Nam, Republic of	Piastre	1,199,820 ^{1 & 2}		1,199,820
Western Samoa	W. S. Dollar	5,998 ^{1 & 2}		5,998
Total Regional		2,529,881	58,112,332	60,642,213
NON-REGIONAL:				
Austria	Austrian Schilling	4,423		4,423
Belgium	Belgian Franc		500,000	500,000
Canada	Canadian Dollar		2,500,000	2,500,000
Denmark	Danish Krone		500,000	500,000
Finland	Finnish Markka		380,952	380,952
Germany, Federal Republic of	Deutsche Mark	6,250		6,250
Italy	Italian Lira	15,968		15,968
Netherlands	Netherlands Guilder		1,100,000	1,100,000
Sweden	Swedish Krona		500,000	500,000
United Kingdom	Pound Sterling	332,468	3,000,000	3,332,468
United States	U. S. Dollar	220,212	20,000,000	20,220,212
Total Non-Regional		579,321	28,480,952	29,060,273
GRAND TOTAL		\$ 3,109,202	\$86,593,284	\$89,702,486

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

¹ May be replaced by demand obligations by members (Notes B & C)

² Restrictions on use may be imposed by members (Note B)

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

APPENDIX IV

SUMMARY OF INVESTMENT

Expressed In Units

Government or Government-Guaranteed Obligations:

Country	Face Amount	Amortized Cost
Japan	\$20,362,500	\$20,344,410
United States	20,278,000	20,126,634
Australia	8,535,520	8,445,183
United Kingdom	5,928,000	5,879,238
Austria	153,846	153,846
Total	<u>\$55,257,866</u>	<u>\$54,949,311</u>

The accompanying notes to financial statement

HELD, DECEMBER 31, 1967

States Dollars (Note A)

Time Deposits and Certificates of Deposit:

Currency	Amount
United States Dollar	\$35,100,000
Pound Sterling	6,240,000
Deutsche Mark	3,393,750
Italian Lira	1,984,000
Norwegian Krone	500,000
Austrian Schilling	344,231
Total	<u>\$47,561,981</u>

(Appendix VI) are an integral part of this statement.

APPENDIX V

Expressed in Thousands of

MEMBERS	SUBSCRIBED		
	Shares	Per Cent of Total	Par Value
REGIONAL:			
Afghanistan	478	0.49	\$ 4,780
Australia	8,500	8.76	85,000
Cambodia	350	0.36	3,500
Ceylon	852	0.88	8,520
China, Republic of	1,600	1.65	16,000
India	9,300	9.59	93,000
Indonesia	2,500	2.57	25,000
Japan	20,000	20.62	200,000
Korea, Republic of	3,000	3.09	30,000
Laos	42	0.04	420
Malaysia	2,000	2.06	20,000
Nepal	216	0.22	2,160
New Zealand	2,256	2.32	22,560
Pakistan	3,200	3.30	32,000
Philippines	3,500	3.61	35,000
Singapore	500	0.52	5,000
Thailand	2,000	2.06	20,000
Viet-Nam, Republic of	1,200	1.24	12,000
Western Samoa	6	0.01	60
Total Regional	61,500	63.39	615,000
NON-REGIONAL:			
Austria	500	0.52	5,000
Belgium	500	0.52	5,000
Canada	2,500	2.57	25,000
Denmark	500	0.52	5,000
Finland	500	0.52	5,000
Germany, Federal Republic of	3,400	3.50	34,000
Italy	2,000	2.06	20,000
Netherlands	1,100	1.13	11,000
Norway	500	0.52	5,000
Sweden	500	0.52	5,000
Switzerland	500	0.52	5,000
United Kingdom	3,000	3.09	30,000
United States	20,000	20.62	200,000
Total Non-Regional	35,500	36.61	355,000
GRAND TOTAL	97,000	100.00	\$970,000

The accompanying notes to financial statements (Appendix VI) are an integral part of this statement

* Excludes advance payment on subscription (Note C)

** Includes subscription instalment not paid (Note C)

VOTING POWER, DECEMBER 31, 1967

United States Dollars (Note A)

Par Value of Callable Shares	PAR VALUE OF PAID-IN SHARES		VOTING POWER	
	Subscription Instalments Not Due	Matured	Number of Votes	Per Cent of Total
\$ 2,390	\$ 1,434	\$ 956*	1,235	1.02
42,500	25,500	17,000	9,257	7.64
1,750	1,050	700**	1,107	0.91
4,260	2,556	1,704	1,609	1.33
8,000	4,800	3,200	2,357	1.94
46,500	27,900	18,600	10,057	8.30
12,500	7,500	5,000	3,257	2.69
100,000	60,000	40,000	20,757	17.12
15,000	9,000	6,000	3,757	3.10
210	126	84	799	0.66
10,000	6,000	4,000	2,757	2.27
1,080	648	432	973	0.80
11,280	6,768	4,512	3,013	2.48
16,000	9,600	6,400	3,957	3.26
17,500	10,500	7,000	4,257	3.51
2,500	1,500	1,000	1,257	1.04
10,000	6,000	4,000	2,757	2.27
6,000	3,600	2,400	1,957	1.61
30	18	12	763	0.63
<u>307,500</u>	<u>184,500</u>	<u>123,000</u>	<u>75,883</u>	<u>62.58</u>
2,500	1,500	1,000	1,257	1.04
2,500	1,500	1,000	1,257	1.04
12,500	7,500	5,000	3,257	2.69
2,500	1,500	1,000	1,257	1.04
2,500	1,500	1,000	1,257	1.04
17,000	10,200	6,800	4,157	3.43
10,000	6,000	4,000	2,757	2.27
5,500	3,300	2,200	1,857	1.53
2,500	1,500	1,000	1,257	1.04
2,500	1,500	1,000	1,257	1.04
2,500	2,000	500	1,257	1.04
15,000	9,000	6,000	3,757	3.10
100,000	60,000	40,000	20,757	17.12
<u>177,500</u>	<u>107,000</u>	<u>70,500</u>	<u>45,341</u>	<u>37.42</u>
<u>\$485,000</u>	<u>\$291,500</u>	<u>\$193,500</u>	<u>121,224</u>	<u>100.00</u>

APPENDIX VI

NOTES TO FINANCIAL STATEMENTS

FROM NOVEMBER 24, 1966* TO DECEMBER 31, 1967

Expressed in United States Dollars (Note A)

NOTE A

Amounts in currencies other than United States dollars have been translated into United States dollars:

(1) In the cases of 23 members, at par values established by these members with the International Monetary Fund;

(2) In the cases of 7 members (the Republic of China, Cambodia, Indonesia, Laos, the Republic of Korea, the Republic of Viet-Nam and Western Samoa) at the rates used by them in making payments of capital subscriptions to the Bank, and determined by the Bank to be the rates appropriate for this purpose.

No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

NOTE B

In accordance with Article 6, paragraph 3, to the extent such currencies are not required by the Bank for the conduct of its operations, non-negotiable, non-interest bearing demand obligations of members may be substituted for cash in banks aggregating \$2,385,681 as explained further in Note C.

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 making payments for goods and services produced and intended for use in its territory, as follows:

The use of cash in banks and demand obligations in the currencies of 16 members aggregating \$30,180,805.

In accordance with Article 24, paragraph 2 (ii), the use by the Bank or by any recipient from the Bank has been restricted by the member to making payments for goods and services produced in its territory, as follows:

The use of demand obligations in the currencies of 2 members aggregating \$10,317,208.

Article 24, paragraph 4, provides that currencies held by the Bank may not be used by the Bank to purchase other currencies of members or non-members except to meet its obligations in the ordinary course of business, or unless the Board of Directors authorizes such purchase by a vote representing at least two-thirds of the total voting power of the members.

NOTE C

The original authorized capital of the Bank was \$1,000,000,000 in terms of United States dollars of the weight and fineness in effect on January 31, 1966. Of the original authorized capital \$500,000,000 was "paid-in" shares and \$500,000,000 was "callable" shares.

In November 1966, the Board of Governors approved an increase of \$100,000,000 in authorized capital of which \$50,000,000 was "paid-in" and \$50,000,000 was "callable", such shares to be available for the admission of new members.

As of December 31, 1967, the subscribed capital was \$970,000,000 of which \$485,000,000 was "paid-in" shares and \$485,000,000 was "callable" shares.

The subscribed "paid-in" capital stock is payable in five equal instalments, each of which is payable 50% in gold or convertible currencies and 50% in the currency of the respective member or in non-negotiable, non-interest-bearing demand obligations, as permitted under the provisions of Article 6, paragraph 3, in lieu of the currency of such member.

Cambodia, Indonesia, Laos, the Republic of Viet-Nam and Western Samoa paid in cash their capital subscription under Article

* Date of Inaugural Meeting of the Board of Governors.

6, paragraph 2(b). These cash payments can be replaced by promissory notes or other demand obligations in accordance with Article 6, paragraph 3.

Cambodia did not pay the second instalment (\$350,000) which was due on August 22, 1967, for the reason mentioned below. All other matured instalments amounting to \$193,500,000 have been paid as of December 31, 1967 and the balance of \$291,500,000 is payable as follows:

- (1) \$289,500,000 in three equal instalments on August 22 in each of the years 1968 through 1970;
- (2) \$2,000,000 in four equal instalments on December 29 in each of the years 1968 through 1971 (representing the subscription of Switzerland, which paid the first instalment on December 29, 1967).

Afghanistan has paid in advance the subscription instalment due on August 22, 1968.

Cambodia notified the Bank on September 18, 1967 of its intention to withdraw from membership in the Bank. Under the provisions of Article 41, paragraph 2, the withdrawal shall not be finally effective, at the earliest, until six months after that date. The repurchase price of a member's shares is based upon the book value of such shares at the date a country ceases to be a member and shall not be paid until six months after that date; accordingly the repurchase price of Cambodia's shares is not determinable at this time.

The callable capital stock is subject to call only as and when required by the Bank to meet its obligations incurred on borrowings

or on guarantees.

Under the provision of Article 40, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members.

Net income for the period November 24, 1966 to December 31, 1966 was approximately \$698,000.

NOTE D

The amount represents payments receivable, for which arrangements have been made, on account of the reductions in the par values or foreign exchange values of the currencies of the following members: Ceylon, Finland, Nepal, New Zealand, and the United Kingdom.

NOTE E

The Board of Directors has authorized the development including necessary actuarial studies, of a staff retirement plan (the Plan). Pending the completion and approval of the Plan, the Bank has withheld seven per cent from the gross salary (exclusive of allowances) of participants and has deposited such amount in savings accounts to be held in trust, together with earnings therefrom, for the Plan. The aggregate amount of these accounts at December 31, 1967 was \$69,652. Pending determination of the required contribution by the Bank, an accrual of \$145,538 is reflected in the financial statements as an estimate of the Bank's contribution applicable to the period from November 24, 1966 to December 31, 1967.

To
Asian Development Bank
Manila

We have examined the following financial statements of Asian Development Bank (Ordinary Operations):

Appendix

Balance Sheet, December 31, 1967	I
Statement of Income and Expenses, from November 24, 1966 to December 31, 1967	II
Cash in Banks and Demand Obligations, December 31, 1967	III
Summary of Investments Held, December 31, 1967	IV
Subscriptions to Capital Stock and Voting Power, December 31, 1967	V
Notes to Financial Statements	VI

Our examination was 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, the accompanying financial statements present fairly the financial position of the Bank at December 31, 1967 and the results of its operations from November 24, 1966 to December 31, 1967 in conformity with generally accepted accounting principles consistently applied.

HASKINS & SELLS

New York,
February 8, 1968

FINANCIAL STATEMENTS

Technical Assistance Contributions --

Consolidated Account

APPENDIX A

TECHNICAL ASSISTANCE CONTRIBUTIONS — CONSOLIDATED ACCOUNT (Note 1) COMBINED BALANCE SHEET AND STATEMENT OF TRANSACTIONS

FROM NOVEMBER 24, 1966* TO DECEMBER 31, 1967

Expressed in United States Dollars

ASSETS	United States (Note 2)	United Kingdom (Note 3)	Total
CONTRIBUTION COMMITMENTS:			
Commitments by contributors	\$250,000	\$8,672	\$258,672
Less funds drawn from contributors	76,828		76,828
Balances available to be drawn in accordance with the relevant arrangements	\$173,172	\$8,672	\$181,844
CASH IN BANK:			
Funds drawn from contributors	76,828		76,828
Less disbursements by Bank	25,426		25,426
Balance in bank	51,402		51,402
TOTAL	\$224,574	\$8,672	\$233,246
LIABILITIES AND UNEXPENDED BALANCES			
ACCOUNTS PAYABLE	\$	\$8,672	\$ 8,672
UNEXPENDED BALANCES:			
Contribution commitments	250,000	8,672	258,672
Less expenditures by Bank (including accounts payable)	25,426	8,672	34,098
Balance available for future expenditures by Bank	\$224,574	\$	\$224,574
TOTAL	\$224,574	\$8,672	\$233,246

The accompanying notes (Appendix B) are an integral part of this statement.

* Date of Inaugural Meeting of the Board of Governors

APPENDIX B

NOTES TO COMBINED BALANCE SHEET AND STATEMENT OF TRANSACTIONS

FROM NOVEMBER 24, 1966* TO DECEMBER 31, 1967

Expressed in United States Dollars

NOTE 1

The Board of Directors has established a consolidated account for the administration of resources available under Article 19, paragraph 1 (ii) to provide technical advice and assistance serving the purposes and coming within the functions of the Bank. Pending the adoption of rules and regulations governing the administration and use of Special Funds, the term "Technical Assistance Contributions" is used to designate such resources.

NOTE 2

The United States agreed to make available as a grant, for procurement in the United States, a technical assistance contribution of up to \$250,000. The contribution is

to be made by means of periodic transfer of funds to the Bank as needed, to be utilized for specified kinds of technical assistance obligations incurred by it through December 31, 1968, unless the parties agree to extend this date.

NOTE 3

The United Kingdom declared its willingness to consider requests for contributions to finance technical assistance projects, and under arrangements made on the basis of this declaration authorized the Bank to claim reimbursement of \$8,672 for the cost of a consultant's participation in the Bank's Technical Assistance Mission to Indonesia.

* Date of Inaugural Meeting of the Board of Governors.

OPINION OF INDEPENDENT AUDITORS

To
Asian Development Bank
Manila

We have examined the following financial statements of Asian Development Bank (Technical Assistance Contributions — Consolidated Account):

Combined Balance Sheet and Statement of Transactions from November 24, 1966 to December 31, 1967	Appendix A
Notes to Combined Balance Sheet and Statement of Transactions	B

Our examination was 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, the accompanying financial statements present fairly the financial position of Asian Development Bank (Technical Assistance Contributions — Consolidated Account) at December 31, 1967 and its related transactions from November 24, 1966 to December 31, 1967 in conformity with generally accepted accounting principles consistently applied.

HASKINS & SELLS

New York,
February 8, 1968

APPENDIX 2

ADMINISTRATIVE BUDGET

For the Financial Year 1968

	Financial Year 1968 Budget	Increase Over 1967 Budget
I. BOARD OF GOVERNORS	\$ 46,000	\$ 45,000
II. BOARD OF DIRECTORS	760,000	95,500
Salaries	\$ 450,000	\$ 75,800
Benefits	110,000	19,700
Travel	200,000	—
III. STAFF	3,710,200	1,727,600
Salaries	1,649,000	746,200
Benefits	498,600	240,700
Travel	853,400	245,700
Consultants	675,200	489,000
Representation	34,000	6,000
IV. OTHER ADMINISTRATIVE EXPENSES	649,200	261,100
Fees & Compensation	132,900	(117,400) ¹
Communications	70,600	20,000
Office Occupancy	47,000	2,000
Publications & Printing	113,000	60,000
Expendable Supplies	81,900	(23,200) ¹
Furniture & Equipment	153,700	(26,800) ¹
Miscellaneous	50,100	(11,700) ¹
V. CONTINGENCY	50,000	40,000
Sub-Total (I - V)	\$5,215,400	\$2,169,200
VI. SERVICES TO MEMBER COUNTRIES	\$ 686,400	\$ 642,500
Project Identification		
Missions and other Loan-Related		
Missions	400,400	400,400
Advisory Missions and other		
Technical Assistance Missions	286,000	242,100
TOTAL	\$5,901,800	\$2,811,700

¹ Because of reclassification of budgetary items in the 1968 Budget, the increases indicate those over the corresponding 1967 Budget amounts as rearranged.

APPENDIX 3

RESOLUTIONS OF BOARD OF GOVERNORS AT INAUGURAL MEETING

Resolution Number	Subject	Action Taken
1	Acknowledgment of assistance given by the United Nations, other International Organizations and Member Governments	Implemented.
2	Rules of Procedure of Board of Governors	Current.
3	By-Laws of the Bank	Current.
4	Increases in Subscriptions of Four Regional Members and Admission of Indonesia to Membership of the Bank	Implemented.
5	Interim Administrative Arrangements	Implemented.
6	Procedures for Election of Directors	Directors elected accordingly.
7	Election of President	Implemented.
8	Draft Agreement and Exchange of Notes between the Bank and the Government of the Philippines regarding the Headquarters of the Bank	Implemented.
9	Commencement of Operations of the Bank	The Bank commenced operations in Manila at its temporary headquarters on 19 December 1966.
10	Increase in authorized capital stock	No specific action due.
11	Admission of Switzerland to Membership	Switzerland, having completed all the necessary formalities, became a member of the Bank on 31 December 1967.
12	Invitation to all Members of ECAFE to join the Bank	Letters were sent by the President to the countries concerned in January 1967 (enclosing the text of the Resolution).
13	Cooperation with other International Organizations	Dealt with on Pages 22-25 of this Report.
14	Travel of Bank Personnel	Dealt with on Page 11 of this Report.
15	Establishment of Procedures Committee	Implemented.
16	Date and Place of First Annual Meeting of Board of Governors	First Annual Meeting convened at Manila 4 to 6 April 1968.
17	Election of Chairman and Vice-Chairmen of First Annual Meeting	Implemented.
18	Appreciation	Communicated.

APPENDIX 4

CHANNELS OF COMMUNICATION

Country	Channel	Country	Channel
Afghanistan	Ministry of Planning Kabul	Laos	National Bank of Laos Vientiane
Australia	Secretary Commonwealth Treasury Canberra	Malaysia	Secretary to the Treasury The Treasury Kuala Lumpur
Austria	Bundesministerium fuer Finanzen Wien	Nepal	Secretary Ministry of Finance Kathmandu
Belgium	Minister of Finance Brussels	Netherlands	Ministerie van Financiën The Hague
Cambodia	National Bank of Cambodia Phnom-Penh	New Zealand	Secretary of External Affairs Wellington
Canada	Department of Finance Ottawa	Norway	Royal Ministry of Commerce and Shipping Foreign Exchange Department Oslo
Ceylon	Permanent Secretary to the Ministry of Planning and Economic Affairs Colombo	Pakistan	Ministry of Finance Government of Pakistan Islamabad
China, Republic of	Governor The Central Bank of China Taiwan, Taipei	Philippines	Department of Foreign Affairs Manila
Denmark	Ministry for Foreign Affairs Copenhagen	Singapore	Permanent Secretary (Economic Development) Ministry of Finance Singapore
Finland	Ministry for Foreign Affairs Helsinki	Sweden	Sveriges Riksbank Helgeandsholmen Stockholm
Germany, Federal Republic of	Bundesministerium fuer Wirtschaft Bonn	Switzerland	Département fédéral de l'économie publique Division du Commerce Palais fédéral Berne
India	Secretary to the Government of India Ministry of Finance Department of Economic Affairs New Delhi	Thailand	Ministry of Finance Bangkok
Indonesia	Department of Finance Djakarta	United Kingdom	Ministry of Overseas Development London
Italy	Direzione Generale del Tesoro I.R.F.E. Ministero del Tesoro Rome	United States	Secretary of the Treasury Washington, D.C.
Japan	Minister of Finance Government of Japan c/o Embassy of Japan Manila, Philippines	Viet-Nam, Republic of	Governor National Bank of Viet-Nam Saigon
Korea, Republic of	Governor Bank of Korea Seoul	Western Samoa	Secretary to the Government Government of Western Samoa Apia

APPENDIX 5

OFFICIAL DEPOSITORIES

Country	Depository	Country	Depository
Afghanistan	Da Afghanistan Bank Kabul	Laos	Banque Nationale du Laos Vientiane
Australia	Reserve Bank of Australia Sydney	Malaysia	Bank Negara Malaysia Kuala Lumpur
Austria	Oesterreichische Nationalbank Wien	Nepal	Nepal Rastra Bank Kathmandu
Belgium	National Bank of Belgium Brussels	Netherlands	De Nederlandsche Bank N.V. Amsterdam
Cambodia	Banque Nationale du Cambodge Phnom-Penh	New Zealand	Reserve Bank of New Zealand Wellington
Canada	Bank of Canada Ottawa	Norway	Norges Bank Oslo
Ceylon	Central Bank of Ceylon Colombo	Pakistan	State Bank of Pakistan Karachi
China, Republic of	The Central Bank of China Taiwan, Taipeh	Philippines	Central Bank of the Philippines Manila
Denmark	Danmarks National Bank Copenhagen	Singapore	The Accountant General Accountant General's Department 5th Floor, Fullerton Building Singapore
Finland	Suomen Pankki—Finlands Bank Helsinki	Sweden	Sveriges Riksbank (Bank of Sweden) Stockholm
Germany, Federal Republic of	Deutsche Bundesbank Frankfurt a.M.	Switzerland	Banque Nationale Suisse Zurich
India	Reserve Bank of India Bombay	Thailand	Bank of Thailand Bangkok
Indonesia	Bank Negara Indonesia Djakarta	United Kingdom	Bank of England London
Italy	Banca d'Italia Rome	United States	Federal Reserve Bank of New York New York
Japan	Bank of Japan Tokyo	Viet-Nam, Republic of	Banque Nationale du Viet-Nam Saigon
Korea, Republic of	Bank of Korea Seoul	Western Samoa	Bank of Western Samoa Apia

APPENDIX 6

BOARD OF GOVERNORS

Mr. EDUARDO Z. ROMUALDEZ
(Philippines)
Chairman

Mr. BONG KYUN SUH
(Korea)
Vice-Chairman

Mr. N. WIMALASENA
(Ceylon)
Vice-Chairman

Country	Governor	Alternate
AFGHANISTAN	Dr. Abdul Hakim Tabibi ¹ Ambassador to Japan	Mr. Abdul Wahab Haider Deputy Minister of Planning
AUSTRALIA	The Rt. Hon. William McMahon, M.P. Treasurer	Mr. F. C. Pryor First Assistant Secretary Commonwealth Treasury
AUSTRIA	Mr. Wolfgang Schmitz Federal Minister of Finance	Dr. Rudolf Baumann Ambassador Extraordinary and Plenipotentiary to Thailand
BELGIUM	Mr. Robert Paul Henrion Minister of Finance	Mr. M. D'Haese Director-General Treasury & Public Debt Administration Ministry of Finance
CAMBODIA	Mr. Son Sann, Vice Prime Minister and Governor, National Bank of Cambodia	Mr. Srey Pong Ministry of Finance
CANADA	Mr. Mitchell Sharp Minister of Finance	Mr. M. F. Strong Director-General External Aid Office
CEYLON	Mr. N. Wimalasena Parliamentary Secretary Ministry of Finance	Mr. H. E. Tennekoon Ambassador Extraordinary and Plenipotentiary to Japan
CHINA, Republic of	Mr. Peh-Yuan Hsu Governor, Central Bank of China	Mr. Chun Heng Tu Political Vice Minister Ministry of Finance
DENMARK	Mr. Jens Christensen Ministry of Foreign Affairs	Mr. Torben Busck-Neilsen Ambassador Extraordinary and Plenipotentiary to Japan
FINLAND	Mr. Tankmar Horn ² Head, Commercial Department Foreign Ministry	Mr. Eero Asp Managing Director Finnish Export Credit Ltd.
GERMANY, Federal Republic of	Mr. Hans Juergen Wischniewski ³ Federal Minister for Economic Cooperation	Mr. Fritz Neef ⁴ Under Secretary Federal Ministry of Economics
INDIA	Mr. Morarji R. Desai ⁵ Deputy Prime Minister and Minister of Finance	Dr. I. G. Patel ⁶ Special Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs

¹ Succeeded Dr. Abdul Rahim in August 1967

² Succeeded Mr. Pekka Malinen in September 1967

³ Succeeded Mr. Werner Dollinger in January 1967

⁴ Succeeded Mr. Wolfram Langer in April 1967

⁵ Succeeded Mr. Sachindra Chaudhuri in March 1967

⁶ Succeeded Mr. S. Jagannathan in January 1968

Country	Governor	Alternate
INDONESIA	Dr. Frans Seda Minister of Finance	Mr. Radius Prawiro Governor Bank Indonesia
ITALY	Mr. Guido Carli Governor, Bank of Italy	Mr. Gaetano Stamatì General Manager and Cabinet Head Ministry of Treasury
JAPAN	Mr. Mikio Mizuta Minister of Finance	Mr. Makoto Usami Governor Bank of Japan
KOREA, Republic of	Mr. Bong Kyun Suh Minister of Finance	Mr. Jin Soo Suh ¹ Governor Bank of Korea
LAOS	Mr. Sisouk Na Champassak Minister of Finance	Mr. Nikorn Phankongsy Secretary-General National Bank of Laos
MALAYSIA	Tun Tan Siew Sin Minister of Finance	Mr. Ismael Bin Mohamed Ali Governor Bank Negara Malaysia
NEPAL	Dr. Bhekh Bahadur Thapa ² Secretary of Finance	Mr. Kalyan Bikram Adhikary ³ Acting Secretary Ministry of Commerce and Industry
NETHERLANDS	Prof. Dr. H. J. Witteveen ⁴ Minister of Finance	Mr. G. J. Dissevelt Ambassador Extraordinary and Plenipotentiary to the Philippines
NEW ZEALAND	Mr. R. D. Muldoon ⁵ Minister of Finance	Mr. N. V. Lough Assistant Secretary to the Treasury
NORWAY	Mr. Kaare Willoch Minister of Commerce and Shipping	Mr. Axel Moltke-Hansen ⁶ Ambassador to the Philippines
PAKISTAN	Mr. N. M. Uquaili Minister of Finance	Mr. I. A. Khan, SQA, CSP Secretary Economic Affairs Division Islamabad
PHILIPPINES	Mr. Eduardo Z. Romualdez Secretary of Finance	Mr. Gregorio Licaros Chairman Board of Governors Development Bank of the Philippines
SINGAPORE	Dr. Goh Keng Swee ⁷ Minister of Finance	Mr. Sim Kee Boon ⁸ Permanent Secretary Economic Development Division Ministry of Finance

¹ Succeeded Mr. Se Ryun Kim in December 1967

² Succeeded Mr. Yadav Prasad Pant in November 1967

³ Succeeded Mr. Kumarmani A. Dikshit in November 1967

⁴ Succeeded Prof. Dr. J. Zijlstra in April 1967

⁵ Succeeded Mr. H.R. Lake in May 1967

⁶ Succeeded Mr. Knut Thomessen in April 1967

⁷ Succeeded Mr. Lim Kim San in August 1967

⁸ Succeeded Mr. Hon Sui Sen in January 1968

SWEDEN	Mr. G. Straeng Minister of Finance	Mr. H. Wickman Permanent Under Secretary of Finance
SWITZERLAND*		
THAILAND	Dr. Serm Vinicchayakul Minister of Finance	Mr. Sommai Hoontrakool Director Assistant to the Governor of the Bank of Thailand
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	Mr. Reginald Prentice ¹ M.P., Minister of Overseas Development	Mr. R. H. Belcher Under Secretary Ministry of Overseas Development
UNITED STATES OF AMERICA	Mr. Henry H. Fowler Secretary of the Treasury	Mr. William S. Gaud Administrator Agency for International Development
VIET-NAM, Republic of	Mr. Nguyen Huu Hanh Governor, National Bank of Viet-Nam	Mr. Nguyen Van Dong Deputy Governor National Bank of Viet-Nam
WESTERN SAMOA	Mr. G. F. D. Betham, O.B.E. Minister of Finance	Mr. Karanita Enari Prime Minister's Office

*Not yet appointed.

¹ Succeeded Mr. Arthur Bottomley, O.B.E., M.P. in August 1967

APPENDIX 7

BOARD OF DIRECTORS AND VOTING GROUPS

(As of 31 December 1967)

Director	Alternate	Countries Represented*
Helmut Abramowski	Denis Forthomme	Germany, Federal Republic of Italy Netherlands Austria Belgium
Cornelio Balmaceda	Zahiruddin Ahmed	Philippines Pakistan
Byung Kyu Chun	Buu Hoan	Korea, Republic of China, Republic of Viet-Nam, Republic of
Masaru Fukuda	Shoshi Nakazawa (Temp.)	Japan
J. M. Garland	F. R. Dalrymple	Australia
B. Kharmawan	V. M. Peries	Indonesia Afghanistan Cambodia Ceylon Laos Nepal
Lim Taik Choon ¹	Chanchai Leetavorn	New Zealand Malaysia Thailand Singapore Western Samoa
P. V. R. Rao	J. R. Hiremath ²	India
W. K. Wardroper	R. W. H. du Boulay ³	United Kingdom Canada Denmark Finland Norway Sweden
Bernard Zagorin	Herman H. Barger	United States

* In order of voting strength

¹ Succeeded Ng Kam Poh in May 1967

² Succeeded G. J. Malik in November 1967

³ Succeeded Leslie Minford in September 1967

APPENDIX 8

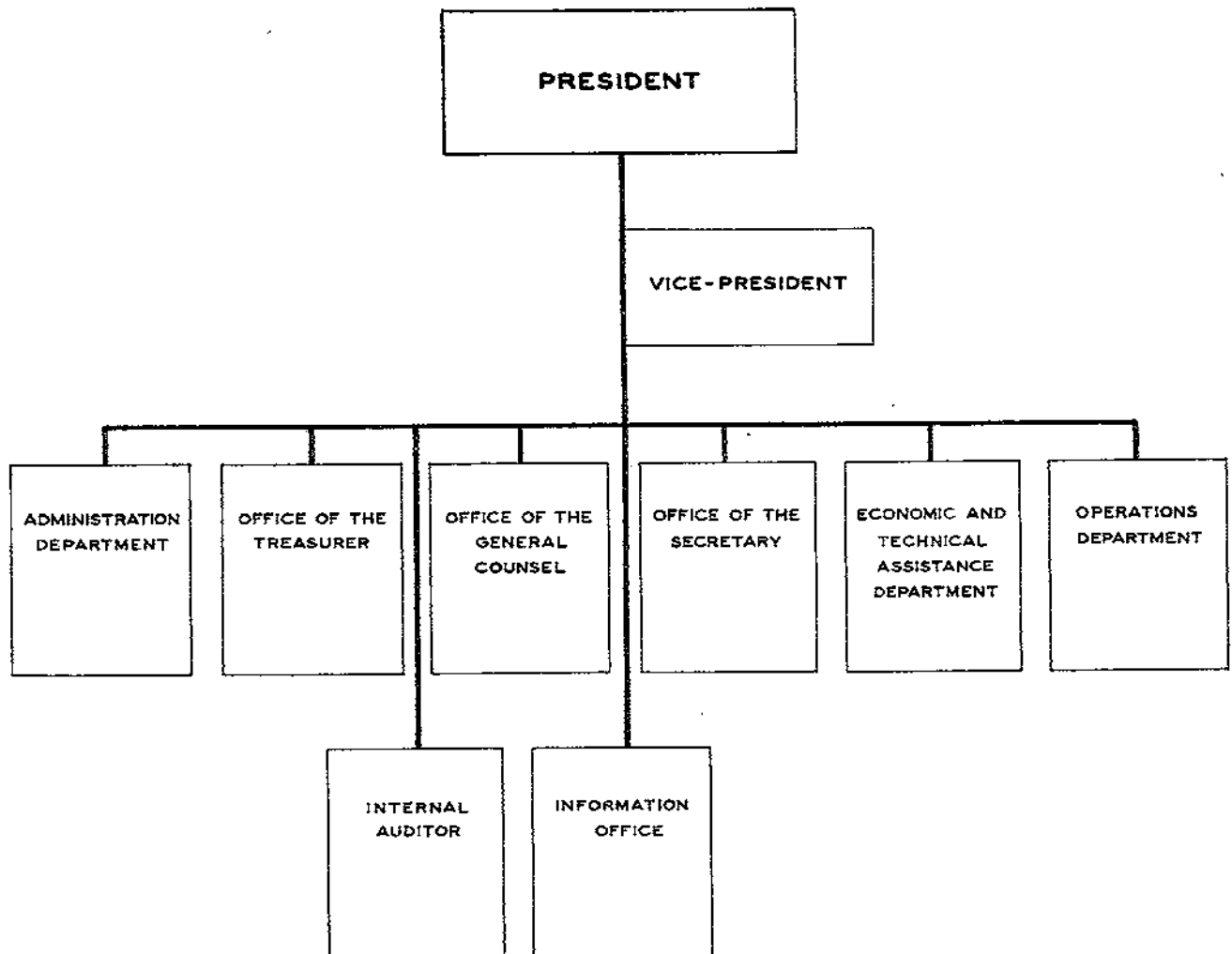
PRINCIPAL OFFICERS

Takeshi Watanabe President
C. S. Krishna Moorthi Vice President

Douglas C. Gunsekera Secretary
Timothy B. Atkeson General Counsel
Howard Farrelly Director, Operations Department
Koji Suzuki Deputy Director
Sam-Chung Hsieh Director, Economic and Technical Assistance Department
George Rosen Deputy Director
Masao Fujioka Director, Administration Department
Raymond B. Lyon Deputy Director
S. M. A. Kazmi Treasurer
Edgar Plan Deputy Treasurer and Financial Adviser
P. S. Hariharan Chief Information Officer
Carl J. Lemvig-Fog Internal Auditor

APPENDIX 9

ORGANIZATION CHART



APPENDIX 10

ASIAN AGRICULTURAL SURVEY

CONSULTATIVE COMMITTEE

Dr. Gamani Corea
Permanent Secretary to the
Ministry of Planning
Ceylon

Mr. E. K. Fisk
Australian National University
Canberra, Australia

Mr. Arthur Gaitskell, C.M.G.
Bicknoller, Taunton
Somerset, England

Mr. M. L. Xujati Kambhu
Deputy Minister
Ministry of National
Development,
Bangkok, Thailand

Professor Kazushi Ohkawa
Economic Research Institute
Hitotsubashi University
Japan

Mr. Takekazu Ogura
President
Asian Economic Affairs
Research Institute
Tokyo, Japan

Mr. Soesilo Prakoso
Deputy Regional Representative
FAO Regional Office
Bangkok, Thailand

Professor T. W. Schultz
Chairman, Department of
Economics
University of Chicago
Chicago, U.S.A.

Dr. T. H. Shen
Chairman, Joint Commission on
Rural Reconstruction
Taipei, China

Dr. D. L. Umali
Undersecretary of the Department
of Agriculture & Natural Re-
sources
Philippines

Professor Dr. Hans Wilbrandt
Georg-August-Universitaet
Goettingen, Germany

Mr. S. Takahashi
International Bank for Reconstruc-
tion and Development
Washington D.C., U.S.A.
(Observer)

TECHNICAL AND ECONOMIC SURVEY TEAM

Dr. Nam Kyu Chun (Team Leader)
Vice President
National Agricultural Coopera-
tive Federation
Seoul, Korea

Dr. W. David Hopper
(Deputy Team Leader)
Agricultural Economist
The Rockefeller Foundation
New Delhi, India

Mr. Chih Chen
Asian Development Bank
Philippines

Dr. Jose A. Eusebio
Department of Animal Husbandry
College of Agriculture
University of the Philippines
Laguna, Philippines

Mr. Toshihiro Kano
Asian Development Bank
Philippines

Mr. Bhakdi Lusanandana
Acting Chief, Technical Division
Rice Department
Ministry of Agriculture
Thailand

Dr. T. Matsushita
Special Assistant to Chief
Fisheries Agency
Government of Japan
Mr. Homma (Alternate to Mr.
Matsushita)
Research Planning Officer
Fisheries Agency
Government of Japan

Dr. P. K. Mukherjee
Chief, Programme Evaluation
Organization
Planning Commission
Government of India

Mr. B. Natapermadi
Asian Development Bank
Philippines

Dr. Shao-er Ong
FAO Regional Agricultural
Officer (Farm Management)
for Asia and the Far East
Bangkok, Thailand

Mr. Kunio Takase
Asian Development Bank
Philippines

Mr. J. Turbang
FAO Regional Forestry Officer
for Asia and the Far East
Bangkok, Thailand

Mr. Dietrich Von Hegel
Chief Conservator of Forestry
Federal Ministry of Agriculture
Germany

Dr. Noboru Yamada
Acting Director
Central Agricultural Experiment
Station Konosu
Ministry of Agriculture and
Forestry
Japan

Mr. Shigeo Yamamoto
Asian Development Bank
Philippines

Dr. Burton Oñate
Asian Development Bank
Philippines

Mr. Pho Ba Quan
Asian Development Bank
Philippines

