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- 50.01 Whole Series

ISAD(G) Reference Code: WB IBRD/IDA EXC-11-50S

Digitized: 10/05/2015

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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

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ASIAN DEVELOPMENT BANK



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Liaison Files - Asian Development Bank - Correspondence - Volume 1

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# BASIC INFORMATION

ASIAN DEVELOPMENT BANK

DEPARTMENT OF STATE

Washington, D.C. 20520

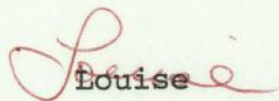
November 8, 1972

Dear Blanche:

I hope this will do the trick. You should know, however, that since this list of members came out, the Kingdom of Tonga became a regional member effective March 29, 1972, with a subscription of \$60,000.

Henry Bardach who provided the booklet was so pleased about your new job and wanted to be sure that I gave you his best regards.

As ever,

  
Louise

*PREFACE*

This brochure deals with the history and structure of the Asian Development Bank and the objectives, functions, management and capitalization of the Bank.

The brochure also provides information which may be of particular use to prospective applicants for loans and technical assistance.

March 1972



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## GENERAL FEATURES

The Asian Development Bank is an international development finance institution established for the purpose of lending funds, promoting investment and providing technical assistance to developing member countries, and, generally, for fostering economic growth and cooperation in the Asian region.

The Bank has two important features. First, it is an Asian bank, conceived by the United Nations Economic Commission for Asia and the Far East (ECAFE); it is located in the ECAFE region; about 62 per cent of its capital is subscribed by 22 countries within the region; the President and eight of the 12 Directors come from the region.

Secondly, unlike certain regional financial institutions, the membership of the Bank extends beyond the region; many countries outside Asia have contributed to the Bank's capital and are represented on the Board of Directors and professional staff of the Bank.

## HISTORICAL BACKGROUND

The idea of promoting a regional development bank for Asia emerged from discussions at ECAFE's First Ministerial Conference on Asian Economic Cooperation held in Manila



in December 1963. This initiative was taken up by a working group of experts, whose findings were submitted to the ECAFE session in Wellington in March 1965, and, in turn, led to the formation of a Consultative Committee. That Committee drafted the Agreement Establishing the Asian Development Bank (referred to as the Charter), which was subsequently adopted at the Second Ministerial Conference on Asian Economic Cooperation held in Manila in November-December 1965.

Although the Charter was formally signed on 4 December of that year, it was left open for additional signatures until 31 January 1966 by which time 31 countries had signed the document. On 22 August 1966, the Charter took effect with the ratification or acceptance by 15 of the 31 signatories, and by 30 September of that year, 30 nations had satisfied the conditions for membership and remitted the first installment of their paid-in capital subscription.

Preliminary arrangements for the Bank's establishment were undertaken by a Preparatory Committee, formed in December 1965; the Committee's efforts culminated in the Inaugural Meeting of the Bank's Board of Governors in Tokyo, 24-26 November 1966. At that meeting, Indonesia became the thirty-first member of the Bank.\*

The Bank was formally opened for business on 19 December 1966.

## LOCATION OF OFFICES

The offices of the Asian Development Bank are temporarily located in the Metropolitan, Amalgamated, Oledan, Rufino and Prudential buildings on Ayala Avenue, Makati, a suburb of Manila, in the province of Rizal, Philippines.

A permanent headquarters for the Bank is being erected by the Philippine Government on Roxas Boulevard, Greater Manila.

\*Switzerland became a member of the Bank in 1967; Hong Kong in 1969; Fiji and France in 1970; and the Territory of Papua and New Guinea in 1971.

## Postal Address:

Asian Development Bank  
Commercial Center  
P. O. Box 126  
Makati, Rizal D-708  
Philippines

## Telephone Numbers:

Metropolitan Building	— 88-87-81
Amalgamated Building	— 88-90-61
Oledan Building	— 89-18-06
Rufino Building	— 88-13-96
Prudential Building	— 86-29-61

## Cable Address:

ASIANBANK, Manila

## Telex Numbers:

Eastern Extension	—3587
RCA Global Communications	—7222094
ITT Globe Mackay	—7425071

## Office of the Financial Advisor:

Glarnischstrasse 30  
8002 Zurich, Switzerland

## RANGE OF FUNCTIONS

The Bank has the following functions and objectives:

1. To promote investment in the ECAFE region of public and private capital for development purposes;
2. To utilize the available resources for financing development, giving priority to those regional and sub-regional as well as national projects and programs which will contribute most effectively to the harmonious economic growth of the region as a whole, and having special regard to the needs of the smaller or less developed member countries in the region;



3. To meet requests from members in the region to assist them in the coordination of their development policies and plans with a view to achieving better utilization of their resources, making their economies more complementary, and promoting the orderly expansion of their foreign trade, in particular, intra-regional trade;

4. To provide technical assistance for the preparation, financing and execution of development projects and programs, including the formulation of specific project proposals;

5. To cooperate with the United Nations, its organs and subsidiary bodies including, in particular, ECAFE, and with public international organizations and other international institutions, as well as national entities whether public or private, which are concerned with the investment of development funds in the region, and to interest such institutions and entities in new opportunities for investment and assistance; and

6. To undertake such other activities and provide such other services as may advance the purposes for which the Bank was established.

## MEMBERSHIP

Membership in the Bank is open to:

- (i) Members and associate members of ECAFE; and
- (ii) Other regional countries and non-regional developed countries which are members of the United Nations or any of its specialized agencies.

Admission to membership in the Bank may be obtained upon the affirmative vote of two-thirds of the total number of Governors representing not less than three-fourths of the total voting power of the members. (*List of regional and non-regional members and their respective capital subscriptions, page 22*)

## FINANCIAL RESOURCES

The financial resources of the Bank consist of: (1) Ordinary Capital Resources comprising mainly subscribed capital and borrowings, and (2) Special Funds that may be established or accepted by the Bank.

### Ordinary Capital Resources

The Bank has an authorized capital of \$1,100 million, of which \$1,005.38 million has been subscribed. Of the subscribed capital, one-half is in the form of "paid-in" capital and the other half remains as "callable" capital to serve as security for the obligations of the Bank. The "callable" capital constitutes, in effect, a guarantee of the Bank's securities and will thus facilitate the Bank's borrowing of funds in the capital markets of the world.

The "paid-in" portion is normally to be paid in five equal, annual installments; one-half of each installment must be paid in gold or convertible currency and the other half may be paid in local currency. The Bank may also accept non-interest bearing demand notes in lieu of the amount payable in local currency, provided such currency is not needed by the Bank for the conduct of its operations.\*

The courses open to the Bank to augment its ordinary capital resources are as follows:

1. INCREASE IN CAPITAL: The Board of Governors, subject to a two-thirds vote, may increase the authorized capital.\*\*
2. BORROWINGS: The Bank may sell bonds in the

\*As of 29 February 1972, the capital paid by member countries amounted to \$493.34 million, of which \$415.74 million was in convertible currencies.

\*\*On 30 November 1971, the Board of Governors adopted a resolution to increase the authorized capital of the Bank from \$1,100 million to \$2,750 million. The increase in capital becomes effective upon 100,000 new shares being subscribed by 30 September 1972. The paid-in portion of the newly subscribed capital is payable in three equal annual instalments in 1973, 1974 and 1975.



international money markets with the consent of the governments concerned.\*

## Special Funds

The Bank Charter provides for the establishment of another kind of resources in the form of "Special Funds". The Bank may accept contributions to Special Funds which it may administer on terms agreed upon with the donors, as long as the purposes are consistent with the Bank's objectives and functions.\*\*

The Bank may also earmark up to 10 per cent of its "paid-in" capital as Special Funds. The allocation of such funds from the paid-in capital requires a vote of two-thirds of the total number of Governors, representing at least three-fourths of the total voting power of the members.

At the Bank's Second and Fourth Annual Meetings, the Board of Governors set aside, within the percentage prescribed by the Charter, the sums of \$14.57 million and \$9.94 million, respectively, from the Bank's capital for concessional lending.

Following the adoption of the "Special Funds Rules and Regulations" by the Board of Directors, the Bank has established Consolidated Special Funds including an Agricultural Special Fund, a Multi-Purpose Special Fund and a Technical Assistance Special Fund.

The Charter stipulates that the Special Funds of the Bank must be held, used, invested or otherwise disposed of entirely separate from the ordinary capital resources of the Bank.

\*As of 29 February 1972, the Bank had raised the equivalent of \$160 million by means of public issues in Austria, Belgium, the Federal Republic of Germany, Japan, Switzerland and the United States and a private issue placed in 12 regional member countries.

\*\*As of 29 February 1972, eighteen member countries (Australia, Austria, Belgium, Canada, Ceylon, Republic of China, Denmark, Finland, Federal Republic of Germany, India, Japan, Republic of Korea, Netherlands, New Zealand, Pakistan, Switzerland, United Kingdom and United States) had contributed or formally pledged to contribute to one or more of the Bank's Special Funds.

## LENDING ACTIVITIES

The Bank's lending activities are divided into two major categories: ordinary operations and special operations.

Ordinary operations are those financed from the ordinary capital resources of the Bank and are normally intended to cover part of the financing requirements of specific projects in so far as the Bank can make the required currencies available from its resources.

Special operations are those financed from the Special Funds resources of the Bank. The Charter contemplates assistance for projects of high development priority and justifying loans of longer maturities, longer grace periods and lower interest rates than those established for ordinary operations.

The Bank may make or participate in direct loans to governments of its developing member countries, to any of their agencies, instrumentalities or political sub-divisions and to both public and private entities and enterprises operating within such countries as well as to international or regional agencies or entities concerned with economic development in the region.

The Bank does not, however, finance any undertaking in the territory of a member if that member objects to such financing.

The Bank's operations provide principally for the financing of specific projects — whether forming part of national, sub-regional or regional development programs — in such fields as industry, agriculture, public utilities and transportation and communications. This listing does not necessarily exclude proposals in other sectors which are in conformity with the Bank's purposes and come within its functions.

Specific development projects whose individual financing requirements are not, in the opinion of the Bank, large



enough to warrant the direct supervision of the Bank, may be financed through loans, or guarantees of loans, to national development banks or other suitable entities.

The Bank may also make or participate in loans to facilitate pre-investment and feasibility studies and project preparation.

The Bank may also guarantee, whether as primary or secondary obligor, in whole or in part, loans for economic development participated in by the Bank.

### **Modes of Financing**

In making direct loans or participating in them, the Bank may provide financing in the following ways:

1. By furnishing the borrower with currencies, other than local currency, which are necessary to meet the foreign exchange costs of the project; or
2. By providing financing to meet local expenditures on the project concerned, where it can do so by supplying local currency without selling any of its holdings in gold or convertible currencies. In special cases when, in the opinion of the Bank, the project causes or is likely to cause undue loss or strain on the balance of payments of the member in whose territory the project is to be carried out, the financing granted by the Bank to meet local expenditures may be provided in currencies other than that of such member; in such cases, the amount of financing granted by the Bank for this purpose shall not exceed a reasonable portion of the total local expenditures incurred by the borrower.

### **Interest and Other Charges**

In making or guaranteeing a loan, the rate of interest and other charges shall be such as are in the opinion of the

Bank appropriate for the loan concerned. The interest charged by the Bank on its loans, inclusive of a commission in ordinary operations and a service fee in special operations, is computed on the amount of outstanding loan. The Bank levies a commitment fee on the undisbursed amount of each loan in ordinary operations.

All loan repayments shall ordinarily be made in the currency loaned. Amortization and grace periods shall be such as are in the opinion of the Bank appropriate for the loan concerned.

### **Project Evaluation**

In evaluating the projects that it proposes to finance, the Bank has regard to aspects such as their economic, technical, and financial feasibility; their effect on the general activity of the country concerned; their contribution to the removal of economic bottlenecks; the capacity of the borrowing country to service additional external debt; the introduction of new technologies to raise productivity; and the expansion of employment opportunities.

In considering an application for a loan or guarantee, the Bank pays due regard to the ability of the borrower to obtain financing or facilities elsewhere on terms and conditions that the Bank considers reasonable.

### **General Conditions**

The Bank generally requires that borrowers seek competitive bids from potential suppliers, that engineering plans and specifications be drawn up independent of the suppliers, and, if appropriate, that independent consulting engineers be retained by borrowers.

Except in special circumstances, the Bank requires that the proceeds of loans, investments or other financing by the



Bank be used only for procurement in member countries of goods and services produced in member countries.

In cases where the recipient of loans or guarantees of loans is not itself a member government, the Bank may, where necessary, require the guarantee of the member government or another acceptable entity.

In case of a direct loan made by the Bank, the borrower is permitted to draw on the loan only to meet expenditures in connection with the project as they are actually incurred.

## Loan Applications

The Bank has no special application form for loans or guarantees as no standard form can be universally applicable to the various types of projects the Bank will be called upon to consider. Prospective borrowers should address preliminary inquiries to the Bank. On the basis of these inquiries, the Bank will decide what additional information is required.

In processing an application for a loan or guarantee, the Bank deals only with the applicant or authorized representative, not with intermediaries.

Basic information which the Bank requires in writing in order to study applications includes:

1. Brief history of business and principal activities of the proposed borrower in case of applications from entities other than national governments.

In addition, applications from public entities should specify the applicant agency's financial and legal relationship to its government; and applications from private entities, the names of holding or subsidiary or associate companies, if any, along with their interest in or ownership relation to the borrower concerned.

2. A general description of the project.

3. A plan of operations for the activity including information, where appropriate, on:

kind and amount of products and services;  
type and source of raw materials;

availability of transportation and other essential utilities;

manufacturing process and equipment;

procurement arrangements; and

management plans.

4. Feasibility studies, pre-investment surveys and any other information which will help to establish the economic and technical feasibility of the project. If all pertinent data are not available, the applicant should inform the Bank of any plans for obtaining the additional information.

5. The total estimated cost of the project broken down into principal items and including separate listing of local and foreign exchange costs and the basis of cost estimates including details of contingencies.

6. The size of the loan required from the Bank, full details of the specific purposes for which the loan is sought, the proposed repayment schedule, and the amount and terms of the balance of total financing needed including the applicant's own contribution.

7. Details and results of efforts, if any, made to obtain financing or facilities elsewhere.

8. Financial reports, when pertinent, for the previous three years of operation, including balance sheets and profit and loss statements, should be attached.

9. Estimates of financial results and cash flow includ-



ing the annual income, expenditures and profits anticipated in the first three years of operation or until the first year of full operation is reached, whichever is later.

10. Estimates, by main products or classes of products, of the volume and value of sales for each year until the project is expected to be in normal operation together with bases of these estimates, details of system of distribution, long term sales contracts, if any, and other marketing arrangements.

### Loan Approvals

The Bank made its first loan from the Ordinary Capital Resources in January 1968 and the first loan from the Special Funds Resources in June 1969.

Projects financed so far by Bank loans both from Ordinary and Special Funds Resources cover a variety of development activities including the construction of highways, processing of agricultural products and development of fishery fleets, industrial plants, water and power supply, ports, airports, multi-purpose development schemes, irrigation, small and medium industries through national development banks and other intermediary institutions, education and telecommunications.\*

\*As of 29 February 1972, the Bank had approved in all 86 loans in a total amount of \$643.16 million for 82 projects in 17 developing member countries. Of these, 28 were concessional loans for a total amount of \$107.21 million.

## TECHNICAL ASSISTANCE

The Bank is authorized by its Charter to meet requests from members in the region to assist them in the coordination of their development policies and plans with a view to achieving better utilization of their resources, making their economies more complementary, and promoting the orderly expansion of their foreign trade; to provide technical assistance for the preparation, financing and execution of development projects and programs, including the formulation of specific project proposals; and finally it may in more general terms provide technical advice and assistance which serve its purpose and come within its function.

Under these provisions the Bank may provide technical assistance to its regional member countries, their subsidiary entities, or private entities within their countries. It may also supply assistance to international or regional institutions where appropriate.

The technical assistance of a non-reimbursable nature is charged to the Bank's net income and to any Special Fund resources received by the Bank for this purpose.

### Methods of Operation

Technical Assistance may be provided by the Bank in any of the following forms:

1. Advisory services.
2. Consultants or experts for specific missions on a contract basis, either for short-term missions or for longer-term missions associated with project implementation or assisting an institution.
3. Cooperation with other national or international institutions.



## Fields of Activity

Member governments, governmental entities, private enterprises, and international or regional institutions may request technical assistance from the Bank. The technical assistance operations of the Bank include:

1. Technical assistance in connection with specific loan projects in —

- (a) identifying projects suitable for financing by the Bank or other sources, such as assisting in pre-investment studies;
- (b) preparing and working out projects on which the Bank can take action, such as assisting in the preparation of feasibility studies and appropriate applications for loan financing;
- (c) the implementation of loan projects and in helping in their initial operating period; and
- (d) the follow-up phase of projects, after they have gone into operation.

2. Technical assistance not directly related to specific loan projects —

- (a) Advisory operations — These operations are designed to give advice in specific fields of economic activity, as well as in respect of overall planning of economic development, whether on a regional, sub-regional or national basis.
- (b) Implemental operations — These operations arise out of advice or recommendations previously rendered. Implemental operations may

be carried out separately or in conjunction with advisory operations.

- (c) Educational operations — These operations consist of training activities and the assignment of experts for:

- (i) training activities in the field, such as assistance for the training of technicians of regional developing member countries, in various economic development activities, at regional or national institutes, agencies or organizations;

- (ii) training activities at the Bank, either by providing special training courses to trainees or by assigning trainees for practical work to individual staff officers.

- (d) Institutional operations — These operations entail the provision of financial or advisory assistance or the contribution of expertise for establishing or strengthening research institutions dedicated to the general purposes of economic development or for other specialized economic activities not directly related to the financing of loan projects.

3. Coordinating activities — In addition to the above-mentioned technical assistance operations, the Bank will, if requested, assist in the coordination of various technical assistance operations which have been or are being carried out within the region or within particular countries of the region or which are being planned for the future.



## Financing Technical Assistance

The technical assistance which the Bank extends may be either wholly or partially reimbursable or non-reimbursable.

The Bank does not consider itself bound in any way to finance, in whole or in part, programs or projects for the preparation of which it grants technical assistance.

## Technical Assistance Applications

The Bank has no special form for technical assistance applications. It does welcome preliminary inquiries from prospective applicants. This enables the Bank to assess whether a formal application should be accepted or whether the applicant should seek assistance from other sources.

In order for the Bank to consider a technical assistance application, the applicant should furnish the following information, as pertinent, in writing:

1. Financial and legal relationship to the government if the application is presented on behalf of a public agency.
2. A general description of the activity or project and its background.
3. The type, purpose and justification of the technical assistance requested.
4. An indication of the technical assistance being provided by other institutions in the country connected with the same or similar fields of activity and steps taken to obtain technical assistance from other sources.
5. The applicant's proposals for financing the local costs of the technical assistance.

6. Banking and business references, if the application is submitted by a private firm, and indication of governmental attitude towards the assistance requested.

## Technical Assistance Approvals

Technical assistance activities undertaken by the Bank cover projects in the fields of agriculture, fisheries, infrastructure, development banking and marketing studies.\*

Several loans given by the Bank in the recent past, both from Ordinary Capital and Special Funds Resources, owed their origin to technical assistance activities undertaken by the Bank earlier.

## REGIONAL ACTIVITIES

The Bank recognizes that it has a positive role to play in the promotion of regional cooperation.\*\*

The Asian Agricultural Survey, completed in 1968, was the first regional program undertaken by the Bank. The Survey has provided useful guidelines for the operations of the Bank in the field of agricultural development. The findings of the Survey are being given practical effect through the Bank's lending and technical assistance activities. As a follow-up to the Survey, and the publication of its report, a Regional Seminar on Agriculture was held in Sydney in April 1969.

A policy-oriented Study of Southeast Asia's Economy in the 1970's, sponsored by the Bank at the request of the Fourth Ministerial Conference for Economic Development of Southeast Asia in April 1969, has also been completed.

\*As of 29 February 1972, the Bank had committed about \$8.29 million by way of technical assistance operations and services to 15 developing member countries.

\*\*As of 29 February 1972, the Bank's commitment in respect of regional projects was approximately \$4 million, including the contributions of the United States of up to \$1 million and \$1.14 million from the United Nations Development Programme for the Regional Transport Survey.



The Study examines the key problems of economic development facing Southeast Asian countries in the 1970's. It also makes policy recommendations to meet these problems on a national or regional basis.

The work on the Regional Transport Survey, undertaken by the Bank in response to a request received in December 1967 from certain Southeast Asian countries, is nearing completion. The overall objective of the Survey is to provide a basis for coordinated development of transport in the Southeast Asian region and inquire as to how transport can promote regional economic development and co-operation. The final report is expected to be published in April 1972.

The draft final report will be sent to the participating governments for their comments and advice. The final report is expected to be ready by the end of 1971.

The Fourth Regional Conference of Development Banks of Asia, convened by the Bank in Manila in July 1969, provided a useful opportunity for development banks of the region to exchange information and discuss problems of mutual interest. The Bank was requested by the participants to follow-up or initiate action in several areas of interest to national development banks.

Other regional activities in which the Bank is involved include: Asian Productivity Organization's Third Project Feasibility Study Training Course, Asian Vegetable Research and Development Center, Coconut Industry Study, ECAFE-sponsored Asian Industrial Survey, Law Association for Asia and the Western Pacific Credit and Security Research Project, Panel Meeting on Development Bank Training Facilities, and Study of the Asian Institute for Economic Development and Planning.

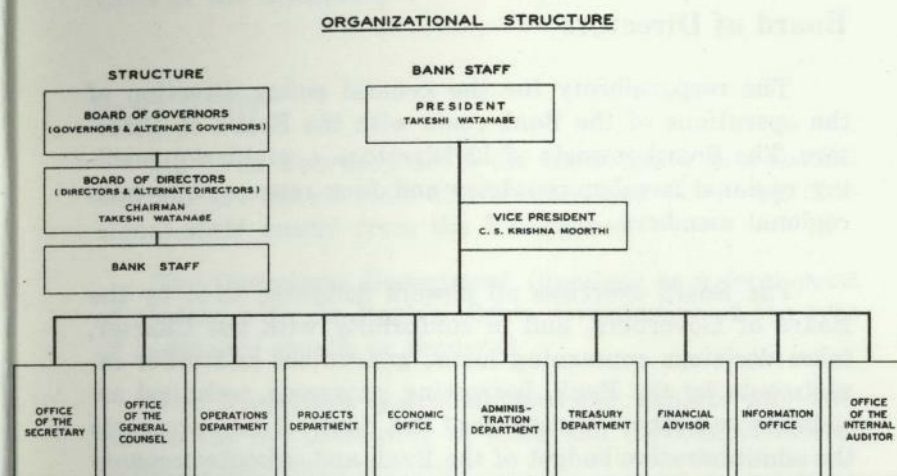
## BOARD APPROVAL

Only the Board of Directors is authorized to take decisions concerning loans, guarantees, borrowing by the Bank, furnishing of technical assistance and other operations of the Bank.

The Bank's acknowledgement of the receipt of an application, its study by Bank officials, or request for additional information, or discussions regarding conditions or guarantees, should not be construed as indicating that the Bank has approved the application. Such approval comes only with the adoption of a resolution to that effect by the Board of Directors of the Bank.

## ORGANIZATIONAL STRUCTURE

The Bank has a Board of Governors, a Board of Directors, a President, a Vice President and other officers and staff.



## Board of Governors

The Board of Governors is the highest policy-making body of the Bank. Each member country nominates one Governor and one Alternate Governor. All the powers of the Bank are vested in the Board of Governors which may delegate its power to the Board of Directors except on certain matters, such as admission of new members, change in the authorized capital stock of the Bank, election of Directors and the President, and amendments of the Charter.



The total voting power of each member country consists of the sum of its basic votes and its proportional votes. The basic votes are made up by the equal distribution among all members of 20 per cent of the aggregate sum of the total voting power of all members. The number of proportional votes is equal to the number of shares that members hold of the Bank's capital stock. In the Board of Governors, each Governor is entitled to cast the number of votes of the country he represents. The Board of Governors is to meet at least once annually. (*List of Governors and Alternate Governors, page 23*)

## Board of Directors

The responsibility for the general policy direction of the operations of the Bank rests with the Board of Directors. The Board consists of 12 Directors — eight representing regional member countries and four representing non-regional members.

The Board exercises all powers delegated to it by the Board of Governors, and in conformity with the Charter, takes decisions concerning loans, guarantees and other investments by the Bank, borrowing programs, technical assistance and other operations of the Bank; it also approves the administrative budget of the Bank and submits accounts pertaining to each financial year for approval by the Board of Governors.

The Directors hold office for a term of two years and may be re-elected. Each Director appoints an Alternate Director.

Each Director is entitled to cast the number of votes that counted towards his election. All matters are to be decided by majority vote, except where expressly provided otherwise in the Charter. (*List of Directors and Alternate Directors, page 26*)

## President

The President, under the direction of the Board of Directors of which he is the Chairman, is responsible for the organization and operation of the Bank. He serves for a five-year term, and may be re-elected.

## Vice President

The Vice President is the deputy of the President in the management and operation of the Bank. In the event of the President being absent or incapacitated, the Vice President exercises the authority and performs the functions of the President.

## Bank Staff

As of 29 February 1972, the Bank had a professional staff of 197 drawn from 32 countries, and 370 non-professional staff mostly from the Philippines.

The Operations Department functions as a focal point of contact with the Bank's clients, irrespective of the type of assistance sought or rendered.

The Projects Department provides experts and specialists for the processing of loans and implementation of technical assistance projects.

The Economic Office handles the functional economic research and statistics work of the Bank, including operationally-oriented studies of problems of the economies of the developing member countries and the general methodology of economic evaluation of Bank projects.

The other departments, offices and/or officers are the Office of the Secretary; the Office of the General Counsel; the Administration Department; the Treasury Department; the Financial Advisor; the Office of the Internal Auditor; and the Information Office. (*List of senior officers, page 27*)



## MEMBERS AND SUBSCRIPTIONS

(as of 29 February 1972)

### Regional Members

	Subscriptions (In Million US\$)
Afghanistan .....	\$ 4.78
Australia .....	85.00
Ceylon .....	8.52
China, Republic of .....	16.00
Fiji .....	1.00
Hong Kong .....	8.00
India .....	93.00
Indonesia .....	25.00
Japan .....	200.00
Khmer Republic .....	3.50
Korea, Republic of .....	30.00
Laos .....	0.42
Malaysia .....	20.00
Nepal .....	2.16
New Zealand .....	22.56
Pakistan .....	32.00
Philippines .....	35.00
Singapore .....	5.00
Territory of Papua and New Guinea .....	1.38
Thailand .....	20.00
Viet-Nam, Republic of .....	12.00
Western Samoa .....	0.06
<b>Total .....</b>	<b>\$625.38</b>

### Non-Regional Members

Austria .....	\$ 5.00
Belgium .....	5.00
Canada .....	25.00
Denmark .....	5.00
Finland .....	5.00
France .....	25.00
Germany, Federal Republic of .....	34.00
Italy .....	20.00
Netherlands .....	11.00
Norway .....	5.00
Sweden .....	5.00
Switzerland .....	30.00
United Kingdom .....	200.00
United States .....	
<b>Total .....</b>	<b>\$ 380.00</b>
<b>GRAND TOTAL .....</b>	<b>\$1,005.38</b>

## GOVERNORS AND ALTERNATES

(as of 29 February 1972)

Country	Governor	Alternate Governor
AFGHANISTAN	ABDUL HAKIM TABIBI Ambassador to India	ABDUL SAMAD KHALILKI President Treasury Department Ministry of Finance
AUSTRALIA	B.M. SNEDDEN Treasurer	R. J. WHITELAW First Assistant Secretary Commonwealth Treasury
AUSTRIA	HANNES ANDROSCH Federal Minister of Finance	WERNER SAUTTER Ambassador to Thailand
BELGIUM	ANDRÉ VLERICK Minister of Finance	M. d'HAENZE Director-General Treasury & Public Debt Administration Ministry of Finance
CANADA	EDGAR JOHN BENSON Minister of Finance	PAUL GERIN-LAJOIE President Canadian International Development Agency
CEYLON	N. M. PERERA Minister of Finance	CHANDANA AELIAN COORAY Acting Secretary to the Treasury Ministry of Finance
CHINA, Republic of	YU KUO-HWA Governor Central Bank of China	WANG SHAO-YU Administrative Vice Minister of Finance
DENMARK	JENS CHRISTENSEN Undersecretary of State for Economic Affairs Ministry of Foreign Affairs	HANS JESPERSEN Head of Department Ministry of Foreign Affairs
FIJI	WESLEY M. BARRETT Minister of Finance	MOSESE QIONIBARAVI Secretary for Finance
FINLAND	PENTTI UUSIVIRTA Head Foreign Trade Department Ministry of Foreign Affairs	EERO ASP Managing Director Finnish Export Credit, Ltd.
FRANCE	V. GISCARD-d'ESTAING Minister of Economy and Finance	JACQUES HIRSCH-GIRIN Financial Counsellor for Asia and the Far East Ministry of Economy and Finance



<u>Country</u>	<u>Governor</u>	<u>Alternate Governor</u>
GERMANY, Federal Republic of	ERHARD EPPLER Federal Minister for Economic Cooperation	JOHANN BAPTIST SCHOELLHORN State Secretary Federal Ministry of Economics
HONG KONG	C. P. HADDON-CAVE Financial Secretary	
INDIA	Y. B. CHAVAN Minister of Finance	I. G. PATEL Secretary to the Government of India Ministry of Finance Department of Economic Affairs
INDONESIA	ALI WARDHANA Minister of Finance	RADIUS PRAWIRO Governor Bank of Indonesia
ITALY	GUIDO CARLI Governor Bank of Italy	GASTONE MICONI Director General Treasury Ministry of the Treasury
JAPAN	MIKIO MIZUTA Minister of Finance	TADASHI SASAKI Governor Bank of Japan
KHMER REPUBLIC	HING KUNTHEL Governor National Bank of Cambodia	MAU SAY Director-General Ministry of Finance
KOREA, Republic of	DUCK WOO NAM Minister of Finance	SUNG WHAN KIM Governor Bank of Korea
LAOS	SISOUK NA CHAMPASSAK Minister of Finance	OULDONG SOUVANNAVONG Governor National Bank of Laos
MALAYSIA	ALI BIN HAJI AHMAD Deputy Minister of Finance	ISMAIL BIN MOHAMMED ALI Governor Bank Negara Malaysia
NEPAL	V. P. LOHANI Minister of Industry and Commerce	BHARAT BAHADUR PRADHAN Secretary Ministry of Transport and Communications
NETHERLANDS	R. J. NELISSEN Minister of Finance	Tj. A. MEURS Ambassador to the Philippines
NEW ZEALAND	R. D. MULDOON Minister of Finance	H. G. LANG Secretary to the Treasury

<u>Country</u>	<u>Governor</u>	<u>Alternate Governor</u>
NORWAY	PER KLEPPE Minister of Commerce and Shipping	LARS ONSAGER Ambassador to the Philippines
PAKISTAN	MUBASHIR HASAN Minister of Finance	S. S. IQBAL HOSAIN Secretary Economic Coordination and External Assistance Division
PHILIPPINES	CESAR VIRATA Secretary of Finance	GREGORIO LICAROS Governor Central Bank of the Philippines
SINGAPORE	HON SUI SEN Minister for Finance	GEORGE BOGAARS Permanent Secretary Economic Development Division Ministry of Finance
SWEDEN	LENNART KLACKENBERG Undersecretary of State Ministry for Foreign Affairs	BOERJE BILLNER Head of Department Ministry for Foreign Affairs
SWITZERLAND	EDWIN STOPPER President Board of Directors Swiss National Bank	ALEXANDRE HAY Director-General Swiss National Bank
TERRITORY OF PAPUA AND NEW GUINEA	OALA OALA-RARUA Assistant Ministerial Member for the Treasury	H. P. RITCHIE Treasurer
THAILAND	SERM VINICCHAYAKUL Minister of Finance	SOMMAI HOONTRAKOOL Director Assistant to the Governor Bank of Thailand
UNITED KINGDOM	RICHARD WOOD Minister of Overseas Development	R. H. BELCHER Under Secretary Foreign and Commonwealth Office (Overseas Develop- ment Administration)
UNITED STATES	JOHN B. CONNALLY Secretary of the Treasury	NATHANIEL SAMUELS Deputy Under Secretary of State for Economic Affairs
VIET-NAM, Republic of	LE-QUANG-UYEN Governor National Bank of Viet-Nam	NGUYEN-VAN-DONG Deputy Governor National Bank of Viet-Nam
WESTERN SAMOA	TOFA SIAOSI Minister of Finance	J. WENDT Financial Secretary Treasury



## DIRECTORS AND ALTERNATES

(as of 29 February 1972)

Director	Alternate	Countries Represented*
CORNELIO BALMaceda	K. S. ISLAM	Philippines Pakistan
ENNO CARSTENSEN	A.A.W. LANDYMORE	Federal Republic of Germany United Kingdom Austria
L. J. DOWNEY	R.A. KARTADJOEMENA	Indonesia New Zealand Fiji Western Samoa
YVES-LOUIS FIEVET	ROBERT LEMPEN	France Italy Belgium, Switzerland
TATSUAKI HIRAI	KEIYA NAGAMATSU	Japan
D. S. JOSHI	A.T. BAMBAWALE	India
B. H. KAY	BUU HOAN	Republic of Korea Republic of China Republic of Viet-Nam
POUL H. KRYGER	IAN B. ROBERTSON	Canada Netherlands Denmark, Finland, Norway, Sweden
LEE KENG TUAN	MOHD. YUSOFF RAHIM	Malaysia, Thailand Singapore Nepal
J.C.G. LLOYD	J. M. STAREY	Australia Hong Kong Territory of Papua and New Guinea
WILLIAM TENNEKoon	A.W. HAIDER	Ceylon Afghanistan Khmer Republic Laos
ARTEMUS E. WEATHERBEE	GEORGE R. JACOBS	United States

\* In order of voting strength in each group.

## SENIOR OFFICERS

(as of 29 February 1972)

TAKESHI WATANABE	President
C. S. KRISHNA MOORTHY	Vice President

### Office of the Secretary

DOUGLAS C. GUNSEKERA	Secretary
WILFRED A. VAWDREY	Assistant Secretary

### Office of the General Counsel

LEWIS CARROLL	General Counsel
GRAEME F. REA	Deputy General Counsel
CHUN PYO JHONG	Assistant General Counsel

### Operations Department\*

HOWARD FARRELLY	Director
AKIRA TSUSAKA	Operations Manager
	Concurrently Deputy Director
C.S. VENKAT RAO	Operations Manager
	Concurrently Deputy Director
ROBERT BYRNES	Operations Manager
H. KING HEDINGER	Operations Manager
PATRICK J. KNAPP	Operations Manager
SONG CHIL LEE	Operations Manager
AKIHIKO TAKEUCHI	Operations Manager

### Projects Department\*

SAM-CHUNG HSIEH	Director
KASTURI L. LUTHRA	Project Manager
	Concurrently Deputy Director
YOSHINAO SAKATANI	Project Manager
	Concurrently Deputy Director
HERBERT F. HUENE	Project Manager
WOLF D. KLUBER	Project Manager
MATTI Y. KOSKIMIES	Project Manager
THEODORE C. MESMER	Project Manager
KAZUAKI SUMA	Project Manager

### Economic Office

PERRY CHANG	Chief Economist
BURTON T. O'NEATE	Chief Statistician



## Administration Department\*\*

SHINSAKU KUDO	Director
RAYMOND B. LYON	Deputy Director
F.R.S. WEERERATNE	Deputy Director
GERHARD JANSCHKE	Assistant Director (Personnel)
PYONG WHI MIN	Assistant Director (Administrative Services)

## Treasury Department

S.M.A. KAZMI	Treasurer
KIYOSHI MIZOI	Deputy Treasurer
CHIA-CHING MOK	Chief Accountant

## Financial Advisor

EDGAR PLAN	Financial Advisor
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## Office of the Internal Auditor

CARL J. LEMVIG-FOG	Internal Auditor
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## Information Office

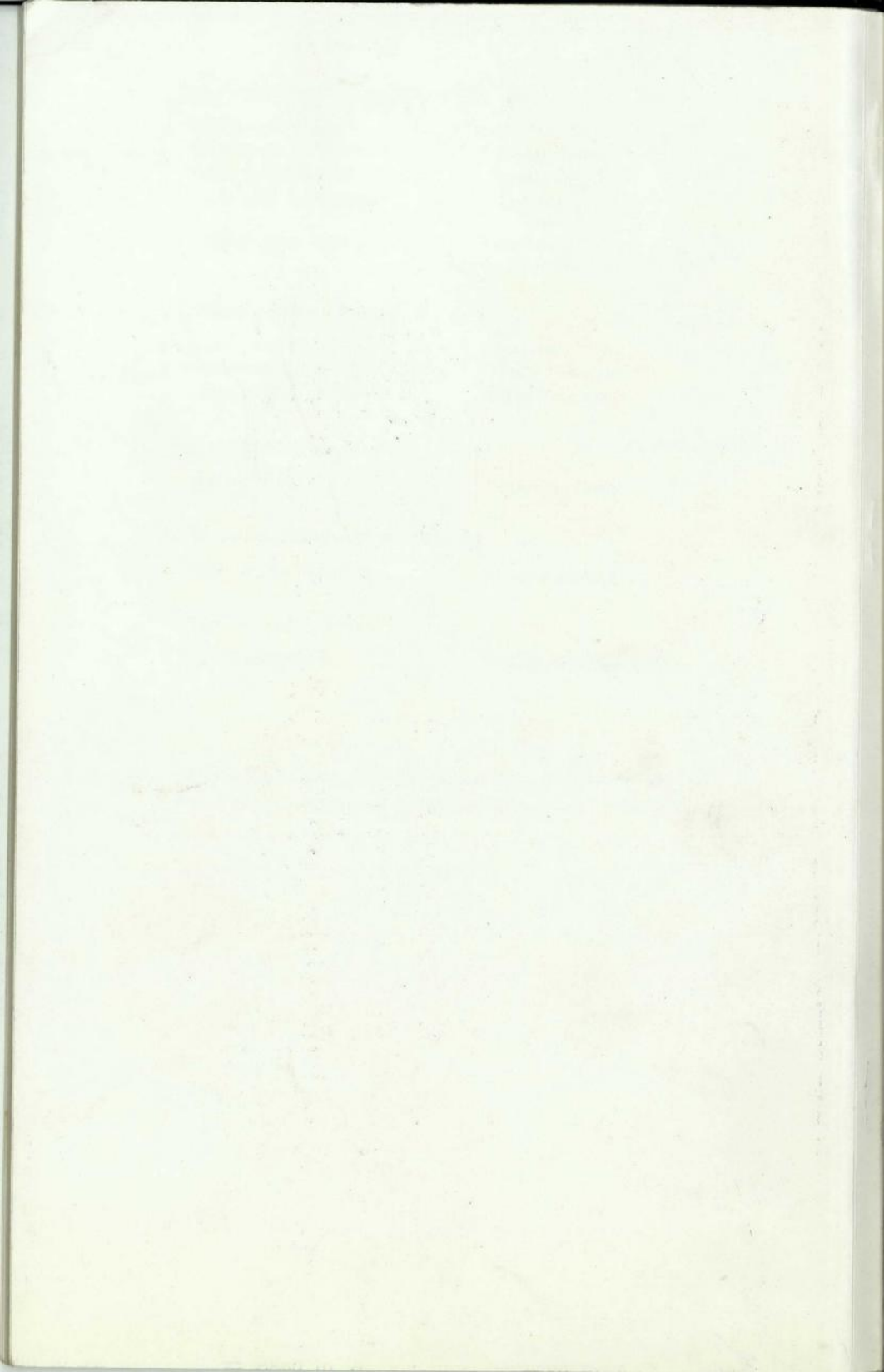
P.S. HARIHARAN	Chief Information Officer
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\*Names of Deputy Directors and Managers are listed in alphabetical order.

\*\*Names of Deputy Directors and Assistant Directors are listed in alphabetical order.





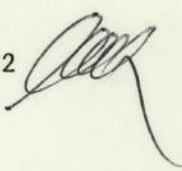


# OFFICE MEMORANDUM

Mr. Conable  
~~Mr. Seidman~~  
Mr. Khanna  
↓  
CP. fig

Date: October 1, 1990

To: Memorandum for the Record

From: Gautam S. Kaji, Director, AS2 

Extension: 81384

Subject: Asian Development Bank

1. Mr. Tarumizu, President, Asian Development Bank, met with Mr. Conable at the Sheraton Hotel on Thursday, September 27, 1990. Messrs. Karaosmanoglu, Kashiwaya, and Stanton and I attended. Below is a brief summary of the main points brought up under the various topics.

## Gulf Crisis

2. In response to Mr. Tarumizu's enquiry, Mr. Conable clarified that the US was trying to coordinate emergency assistance to the front line states. The Bank would supply economic analysis and some technical assistance to this group but control and coordination of this assistance would clearly be guided by a political agenda by an expanded G7 grouping. As far as the impact on other countries is concerned, if the price stays high, the Bank would advocate a special facility from IDA donors and oil exporting states to provide concessional funds which would also be available to affected middle-income countries who would otherwise not be eligible for IDA. Such a special facility would not follow the IDA burden-sharing formula. Pending any decision to create such a facility we were attempting to help by increasing the cost sharing formula under our ongoing projects, advancing disbursements where possible and bringing forward adjustment programs in the context of individual country circumstances and readiness. Mr. Tarumizu noted the information and stated that ADB has an emergency facility but it is directly linked to financing needs arising from natural disasters.

## Asian Development Fund

3. In response to Mr. Conable's query, Mr. Tarumizu stated that on the next ADF replenishment the general response of the donors was positive but timing continued to be an issue. The donors wanted to wait until the annual meetings of ADB in Vancouver. The issue of ADF funds for India and China was still unresolved and hence the magnitude of any replenishment was still not defined. Donors would take on this matter when they met again in January 1991.

## China

4. In response to Mr. Tarumizu's enquiry, Mr. Conable stated that he saw some relaxation, and expected to bring forward a loan a month to the Board, hopefully leading to full normalization in the next fiscal year. Our focus would be on supporting economic reform. Mr. Conable also added that China's status as a Most Favoured Nation was scheduled to be discussed in the



US Congress on Thursday, and if this passes, Treasury might be more relaxed on the China lending issue.

5. Mr. Tarumizu reported that he had sent his Vice President to China to attempt to define the basic human needs concept. Mr. Conable expressed a view that he thought that people had moved away from any tight definition of that concept and while we may still face difficulties on infrastructure projects, people would take a more flexible stance.

#### Viet Nam

6. Mr. Conable expressed the view that while Viet Nam has taken major reform measures, the effort is under-funded and the glacial pace at which progress was being made in normalization of relationships with that country clearly raised the risks of the reform effort going off track and the reformers losing credibility. From our point of view we had to see clearance of the IMF arrears before we could proceed and the formation of a support group was being impeded by the US posture.

#### Private Sector Development

7. Mr. Tarumizu stated that while they had established the Asian Finance and Investment Corporation and a new department in the Bank, there did not appear to be any unanimity of views in the Board on this subject.

#### Environmental Fund

8. Mr. Tarumizu congratulated Mr. Conable on a successful meeting on establishment of the Environmental Fund. Mr. Conable stated that while there was strong support, the US and Japan not being on board has meant that the fund would be set up without any formal burden sharing and would be based on voluntary contributions for the first three years. If the fund was successful and could demonstrate its utility, perhaps the US and Japan would be more supportive. It was expected that concessional funding would be made available to address issues which transcend national boundaries. The willingness of such countries to address such matters would be critically dependent on the concessionality of the funding.

cc: Mr. Conable, Mr. Sandstrom  
Messrs. Qureshi, Karaosmanoglu, Yenai, Abe  
Mrs. Schaeffer  
CD Management Group  
Information Center



## MEETING WITH MR. KIMIMASA TARUMIZU

### PRESIDENT, ASIAN DEVELOPMENT BANK

#### Purpose

This is essentially a courtesy meeting requested by Mr. Tarumizu. You could use it to further enhance the good rapport you have established with him. Since he is the newest of the heads of the three established regional MDBs, he may appreciate your sharing some of your experiences and views on common concerns.

#### SUGGESTED TOPICS

1. Replenishment of the Asian Development Fund (ADF V). Mr. Tarumizu is presiding over a second ADF donors' meeting today. There have been difficulties with the U.S. on the scale and timing of the replenishment as well as on the issue of conditionality. Donors also want a ceiling on use of ADF resources for quick-disbursing policy-based lending.

Ask Mr. Tarumizu what the donors' mood is on these issues now. Also inquire about the chance for India and China to access ADF VI.

2. Lending to China. Inquire where ADB stands now and share your own views and approach to the matter.
3. If he asks about our plans for Vietnam (another topic you had discussed with him in Jomtien), you may indicate our willingness to resume IDA lending provided IMF arrears are cleared and a Fund program is established. Mention that we circulated a Country Economic Report to our Board in June this year.

What is ADB doing?

4. Poverty. As you said in your speech yesterday, we believe poverty reduction should be the prime focus of development assistance. Following up this year's WDR with a policy paper to integrate this further into our operational activities.

Understand that ADB management is preparing a policy paper on Poverty Action Program as requested by ADF donors. What is ADB's thrust?

5. Private Sector Development. ADB recently created a Private Sector Department. The Bank is also grappling with this issue--one of our operational emphases. We already have many activities going on in different parts of the Bank, IFC and MIGA--perhaps more coordination is needed but always difficult to mandate this from the top.

What is ADB planning to do?



1990 ANNUAL MEETINGS BRIEF

ASIAN DEVELOPMENT BANK

September 27, 1990  
3:00-3:30PM

Meeting with: Mr. Kimimasa Tarumizu, ADB President

Issues Likely to be Raised by Mr. Tarumizu

We are not aware of any issues to be raised.

Points for Possible Discussion

1. ADF Replenishment
2. Resumption of ADB Lending to China

Attachment:

Biographical Information



1. Mr. Tarumizu has asked for a courtesy meeting with you. He has not indicated any agenda items. You last met him in March at the World Conference on Education for All in Jomtien, Thailand which the ADB had helped cosponsor.

#### Background

2. Relations between the World Bank and the ADB continue smoothly. As you know, ADB is expanding its initiatives in social sectors and in policy based (sector adjustment) lending. ADB has recently created a Private Sector Department and raised its Policy Development Office to full Director status. The ADB lent \$3.6 billion in 1989. This represented a 15% increase over 1988 and was achieved despite postponement of \$400 million in planned assistance to China. The following are key points you may wish to raise.

#### Replenishment of the Asian Development Fund (ADF V)

3. Proposals for early replenishment of the ADB's soft IDA-type lending window (ADF V) met resistance at the the first Donors' Meeting held at the recent ADB Annual Meetings in New Delhi in May. The US led opposition on the scale and timing of the ADF V Replenishment and also called for clearer positions on ADF VI conditionality. Specifically, ADB management was asked to prepare two policy papers, one on its Poverty Action Program and another on a proposed ceiling for use of ADF resources for policy-based quick disbursing lending. (Donors are concerned that although there is an overall 15% ceiling on ADB policy-based lending, in practice only the soft ADF window is being used for this assistance.)

4. Mr. Tarumizu will be presiding over a second ADF Donors' meeting to be held in the Shoreham Hotel on the day you will meet with him. He is aware of the difficulties in our recent IDA replenishment. You may wish to inquire as to the mood of ADF Donors concerning size, timing and conditionality in the Replenishment as well as chances for access of India and China to the ADF VI.

#### Resumption of Lending to China

5. The ADB has not approved loans to China since the June 1989 incidents. ADB's China program thus far has been confined to OCR assistance, (interest rate 6.33%) for infrastructure, industry and financial intermediary operations. After the recent visit of ADB's Projects Vice President In Yong Chung to Beijing, Management advised resumption of China lending at the ADB Board. Both the US and Japan EDs were silent and no decision was taken. President Tarumizu concluded by urging Board members to consult with their governments on the issue. You may wish to express your support for resumption of multilateral assistance to China and inquire as to ADB's timetable. (Their fiscal year ends December 31, 1990)



BIOGRAPHICAL INFORMATION

Mr. Kimimasa TARUMIZU, President of the Asian Development Bank (ADB)

Mr. Tarumizu was born March 13, 1930. He is married and has two children. A career civil servant, he graduated from Tokyo University (Law) and joined the Ministry of Finance in 1953. He was Director General of Tokyo Customs, Deputy Director General of the Customs and Tariff Bureau, Minister Extraordinary and Plenipotentiary at the Japanese Embassy in Washington, D.C., the Director General of the Customs and Tariff Bureau, Executive Director of Japan Development Bank and Vice Chairman of the Investment Trusts Association. Mr. Tarumizu also served briefly as Senior Advisor to the Minister of Finance before becoming President of the ADB in November 1989.

Mr. Conable first met Mr. Tarumizu at a courtesy meeting in Washington July 31, 1989, when he was presented by Mr. Fujioka. Messrs. Conable and Tarumizu also met at the March 1990 World Conference on Education For All at Jomtien, Thailand.



THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION  
**OFFICE MEMORANDUM**

ADB

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011

② CP

DATE: February 21, 1990

TO: Mr. Barber B. Conable

THROUGH: Mr. Moeen A. Qureshi

FROM: Attila Karaosmanoglu

EXTENSION: 7-2283

SUBJECT: Your Meeting with Mr. Kimimasa Tarumizu, President  
Asian Development Bank (ADB), Jomtien, Thailand

1. While Mr. Tarumizu, the new ADB President did not indicate any specific agenda in his request for a meeting during the World Conference on Education for All, you should know that relations between the two institutions are very good. Collaboration and cofinancing are developing on new initiatives as the ADB expands the size and scope of its operations and as it focuses on areas of Special Emphasis similar to those of the World Bank. The following are key points you may wish to raise:

World Conference on Education

2. ADB is one of the Cosponsors of the World Education Conference. You may wish to express appreciation to Mr. Tarumizu for ADB's current role and for having organized (and funded) the preceding Regional Education Conferences for South Asia and East Asia which were recently held in Dhaka and Jakarta.

ADB: Recent Developments

3. In 1989, despite its postponement of planned assistance of about \$400m to China, the ADB lent \$3.6 billion, which represented an increase of 15% over 1988 commitments. Main ADB borrowers were Indonesia (\$752m) and Pakistan (\$703m). Lending to the Philippines jumped to \$546m (including \$135m on IDA terms). The ADB India program totalled \$498m last year and is planned to double in 1990. In January 1990, the ADB's OCR lending rate dropped to 6.33%, the lowest ever since the Bank's establishment in 1968.

4. After attending ADB Annual Meetings in Observer status for the past 3 years, Mongolia is expected to shortly join the ADB. (As you know, as yet there has been no formal indication from Ulan-Bator of any interest in either Bank or Fund membership.) The USSR has also attended the past 2 ADB Annual Meetings in Observer status. You may wish to enquire whether any Soviet interest in ADB membership has been expressed.

5. ADB has recently completed several organizational changes in line with the Okita Panel's recommendations for strategic development in the 1990's. These include creation of a Private Sector Department combining many of the functions performed in the World Bank by the Regions, CFSVP and IFC (loans without government guarantee, equity investments, assistance in privatization of state enterprises, financial sector operations, technical assistance, etc.)



6. Also in line with the Okita Panel recommendations, the ADB is giving increased attention to Environment, Human Resource development, Poverty Alleviation and Women in Development.

Country-Specific Matters (China, Vietnam, Bangladesh, India,)

7. It is possible that Mr. Tarumizu may ask about the World Bank position on lending to China. You may wish to state that we have resumed our lending program and look forward to committing about \$1 billion in FY90 with a 50/50 IBRD/IDA blend. You might clarify that Bank operations will not be limited solely to those directed at basic human needs. You may also inquire as to the timing of the ADB's resumption of lending to China.

8. Mr. Tarumizu may also wish to share views on resumption of lending to Vietnam. You should know that the ADB has had a very active program of general economic and sector missions to Vietnam. (IDA's first economic mission's Draft Report on Vietnam will be discussed with the government in April.) It is possible that the timing of ADB's resumption of operations in Vietnam will reflect the strong affirmative pressure now coming from its Part I Pacific Rim shareholders (Japan, Australia, New Zealand.)

9. Since you will be visiting Bangladesh and India, Mr. Tarumizu may also ask your views on economic management in Bangladesh and India as well as IDA's position on the Bangladesh Jamuna Bridge. (These and other operational issues are covered in your Asia Region Briefing Book.)

World Bank/ADB Relations

10. In recent years, factors such as the reorganizations of both the ADB and the World Bank, expansion of ADB lending to China and India, extension of the scope of ADB operations to include policy-based as well as investment operations and emergence of areas of Special Emphasis have all pushed the two institutions towards a much closer and collaborative relationship. Communications have increased and been regularized. Aside from sharing of general and operational information, initiatives are in place for joint development of policies, lending and ESW. Coordination is now managed at Country Department level. Annually, about a half dozen multi-sectoral EDI Asia training activities are cofinanced and often co-directed by the ADB.

11. You may wish to express your support for close coordination between staff and managers in the two institutions and stress the importance of continuing to strengthen these efforts. You may note the encouraging examples of WB/ADB collaboration in Environment (joint guidelines, contacts with donors, conferences and missions on biodiversity), Forestry (TFAP liaison), Women in Development (exchange of guidelines, strategy papers and training materials, the joint 1990 WB/ADB Asian WID Calendar) as well as the programmed series of EDI/ADB Poverty Alleviation seminars for Asia.

Attachment: Biodata

cc: Asia Management Group, K. Ikram, R. de Silva/A. Herbots, P. Annez  
W. Wapenhans/A. El Maaroufi, E. Kopp/M. Penalver-Quesada/R. Kanchuger  
W. Thalwitz, A. Shakow, C. Willoughby/M. Bamberger  
Asia Region Cofinancing Specialists  
Asia Information Center



## BC-ASIA-PRIORITIES

## ADB CHIEF SEES LIMITS TO FOCUS ON SOCIAL LENDING

By Jeremy Clift

MANILA, Feb 22, Reuter - The Asian Development Bank is putting new emphasis on projects to help women, reduce poverty and improve the environment in Asia, but there are limits to this trend, ADB president Kimimasa Tarumizu said.

"The ADB is still a bank, a financial institution, not a charity organisation, you know. So our activities should be bankable. So there might be limitations," he said in an interview. He said projects must be chosen carefully.

Traditionally major financial institutions have given priority to lending for projects with an identifiable economic return, such as major infrastructure schemes.

But a panel of outside experts last year made a series of recommendations about priorities for ADB lending in the 1990s, saying the Bank should give greater emphasis to poverty alleviation, support for the private sector and environmental protection.

The Bank said it would also focus more on education and health, particularly for rural women, and last year established the Asian Finance Corporation to back private sector development.

"The Bank has to adapt to a changing climate," Tarumizu said at his Manila office on Wednesday afternoon.

"Originally the ADB concentrated lending on support for the public sector, but now it is diversified to support the private sector and social infrastructure such as education and sanitation," he said.

But Tarumizu, who became ADB president in November, said it was important that national governments recognised their own responsibilities for social development, and said there must be some national consensus before the ADB could step in with a particular project.

Implying that the ADB did not want to dictate to governments what direction they should take, he said ADB support for privatisation programmes was one situation in which a member country must agree with the underlying objectives.

"On the recipient side, they must have an effort to take care of the needs, to mobilise their resources to tackle bottlenecks, to take care of the basic needs.

I feel these are very national aspects. So through both efforts, through the Bank's efforts and the recipient's efforts, we must go along side by side," said the 59-year-old former Japanese diplomat and finance expert.

The ADB made 11 loans to private sector companies worth 96 million dollars in 1989, up sharply from four loans worth 58 million dollars in 1988.

"We are giving greater support to the private sector, but from the ADB's point of view, our main function is still to promote the public sector," Tarumizu said.

Overall, the ADB increased lending to developing Asian countries to 3.6 billion dollars in 1989 from 3.1 billion in 1988. It has provided 28.6 billion dollars over 23 years.

REUTER JPC AXT MS

Reut03:58 02-22



Attachment 1

BIOGRAPHICAL INFORMATION

Mr. Kimimasa TARUMIZU, President of the Asian Development Bank (ADB)

Mr. Tarumizu was born March 13, 1930. He is married and has two children. A career civil servant, he graduated from Tokyo University (Law) and joined the Ministry of Finance in 1953. He was Director General of Tokyo Customs (1978-1979); Deputy Director General, Customs and Tariff Bureau (1979-1981); Minister Extraordinary and Plenipotentiary, Japanese Embassy, Washington, D.C. (1981-1983; Director General, Customs and Tariff Bureau (1983-1984); and Executive Director, Japan Development Bank (1984-1987). He was also Vice Chairman, Investment Trusts Association from 1987-1989. In 1989 Mr. Tarumizu served briefly as Senior Advisor to the Minister of Finance before becoming President of the ADB in November 1989.

Mr. Conable met Mr. Tarumizu at a courtesy meeting in Washington July 31, 1989, when he was presented by Mr. Fujioka. During the 1989 World Bank Annual Meetings, Mr. Tarumizu also met with Messrs. Qureshi, Karaosmanoglu and Asia Region Directors.

ASIVP  
2/20/90



THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

BARBER B. CONABLE  
President

April 3, 1990

Baron Jean Godeaux  
Chairman  
Working Party on the Measurement  
of the International Capital Flows  
International Monetary Fund  
Washington, D. C. 20431

Dear Jean,

Thank you for keeping me informed of the progress made by the Working Party on the Measurement of International Capital Flows. This is an important area where our data base is in urgent need of improvement, and I am very pleased that you have agreed to chair the Working Party.

As you know, I have directed our experts in the Bank's Policy, Research and External Affairs complex to support the Working Party's efforts as fully as possible. The collaboration between the technical staff of the Working Party and our experts will be facilitated by an early agreement on the nature of the support to be provided.

I am looking forward to learning about your findings as your work progresses.

Sincerely,

*Barber Conable*



ATH

WORLD BANK OTS SYSTEM  
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/03/30

DUE DATE : 90/04/05

LOG NUMBER : 900402003

FROM : Jean Godeaux

SUBJECT : IMF: Informing the formation of a Working Party to study the  
measurement of international capital flows.

OFFICE ASSIGNED TO FOR ACTION : Mr. Thalwitz (D-1202)

ACTION:

\_\_\_\_\_  
APPROVED

\_\_\_\_\_  
PLEASE HANDLE

\_\_\_\_\_  
FOR YOUR INFORMATION

\_\_\_\_\_  
FOR YOUR REVIEW AND RECOMMENDATION

\_\_\_\_\_  
FOR THE FILES

W\_\_\_\_\_  
PLEASE DISCUSS WITH

✓\_\_\_\_\_  
PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE

\_\_\_\_\_  
AS WE DISCUSSED

\_\_\_\_\_  
RETURN TO \_\_\_\_\_

COMMENTS :Note: Please have resp. prepared for Mr. Conable's signature  
on a URGENT turnaround date of April 5th. (M. Haug)

**URGENT**





INTERNATIONAL MONETARY FUND  
WASHINGTON, D. C. 20431

CABLE ADDRESS  
INTERFUND

March 30, 1990

Dear Barber,

As you may know, the Managing Director of the International Monetary Fund has formed a Working Party, under my chairmanship, to study the measurement of international capital flows. This Working Party is assisted by a technical staff working at Fund headquarters. The IMF's Bureau of Statistics is closely involved in this study. In several respects this endeavor represents a follow-up to the similar investigation done for the global current account discrepancy, results of which were published in September, 1987.

The Managing Director has emphasized the importance of this study. The discrepancies in international capital flow accounts must be examined and explained in order to provide the IMF, and others who rely on international capital account information, a more reliable basis for analyzing global and country economic developments. Both the staff of the Fund and the members of the Working Party are conscious of the difficulty of locating and correcting the gaps or inconsistencies between figures reported by individual countries on the great variety of international capital transactions. Therefore, the Working Party will have to ask for the cooperation of statistical offices and national authorities in member countries in tracing out the sources of these problems.

In the near future, and during the course of this project, the Fund will be asking for assistance from your balance of payments compilers, banking, and international debt experts, to explore the relationship between these figures and balance of payments data assembled by national compilers. Experts in international organizations, with their multi-country perspective on financial statistics, are especially well situated to make productive contributions to the task of our Working Party in tracing the global discrepancy. I will keep you informed of the progress made by the Working Party, which is expected to present its final report and the recommendations by the end of 1991.

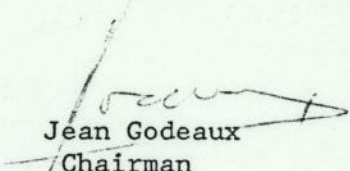
I can assure you that our recommendations will take into account the advice of national authorities and international organizations, and we will give great weight to avoiding undue burdens on institutions responsible for collecting and reporting data in IMF member countries or those working on the international plane. At the same time, I urge you to support our efforts by encouraging your statistical experts to respond to our inquiries as fully as possible.



- 2 -

I am sure that I can rely on your full cooperation in this project and thank you in advance for your assistance.

Sincerely yours,



Jean Godeaux

Chairman

Working Party on the Measurement  
of International Capital Flows

Mr. Barber B. Conable  
President,  
International Bank for Reconstruction  
and Development  
1818 H St. NW  
Washington, DC 20433



Asian Dlyp. Bk. OISD

OJH

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WDIAL  
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-SUBJECT: ADB ANNUAL MEETINGS  
-DRAFTED BY: AHERBOTS:HEA EXT: 75328  
-FILENAME: TLXAMEET  
-AUTHORIZED BY: LORETTA SCHAEFFER, ASST. TO REG. VICE PRES. LS  
-CW AND CC: MR. CHRISTOPHER REDFERN, ACTING CHIEF, AS2CO  
-CC: MESSRS. QURESHI, KARAOSMANOGLU, SISON, PEARCE, KAJI,  
-IKRAM (AS2), CONABLE'S OFFICE  
-----

742 40571 -

-MR. A.B. ADARKAR  
-SECRETARY  
-MR. WILLIAM T.C. HO  
-MANAGER  
-DEVELOPMENT POLICY OFFICER  
-ASIANBANK  
-MANILA, PHILIPPINES  
IBRDTOK  
-INTBAFRAD, TOKYO, JAPAN  
-ATTN: MR. AKIRA IIDA  
IBRDBEI  
-INTBAFRAD, BEIJING, CHINA  
-ATTN: MR. EDWIN R. LIM

BT

WASHINGTON, DC - 17-FEB-89

ADDRESSED TO MR. A.B. ADARKAR WITH INFORMATION COPIES TO MESSRS.  
WILLIAM T.C. HO, AKIRA IIDA AND EDWIN R. LIM.

RE FORTHCOMING ADB ANNUAL MEETING. AAA WE HAVE RECEIVED ADB'S  
INVITATION TO ATTEND ITS ANNUAL MEETING IN BEIJING MAY 4 TO 6,  
1989 AS OBSERVERS. WE ARE PLEASED TO INFORM YOU OF FOLLOWING  
COMPOSITION OF THE WORLD BANK DELEGATION.

MR. ATTILA KARAOSMANOGLU, VICE PRESIDENT, ASIA REGIONAL OFFICE  
(HEAD OF DELEGATION).

MR. AKIRA IIDA, DIRECTOR, TOKYO OFFICE.

MR. EDWIN R. LIM, CHIEF OF MISSION, BEIJING OFFICE.

MR. STANLEY J. PERCH, DEPUTY DIRECTOR, TOKYO OFFICE.

MS. LORETTA SCHAEFFER, ASSISTANT TO THE VICE PRESIDENT, ASIA  
REGIONAL OFFICE.

MR. PASTOR SISON, EXTERNAL AFFAIRS OFFICER, ASIA REGIONAL OFFICE.

MRS. PERCH WILL ACCOMPANY HER HUSBAND.

BLOCK RESERVATIONS HAVE BEEN RESERVED FOR DELEGATION BY OUR  
BEIJING OFFICE AT THE OLYMPIC HOTEL FOR THE PERIOD MAY 1 TO 7.

BBB GRATEFUL YOU SEND US COPY OF ADB ANNUAL REPORT AS WELL AS ADB  
QUARTERLY ECONOMIC REVIEWS FOR THE LAST YEAR REGARDS, LORETTA  
SCHAEFFER, ASSISTANT TO VICE PRESIDENT, ASIA REGIONAL OFFICE,  
INTBAFRAD

Logged into  
2/23/89  
CP




<b>ROUTING SLIP</b>		DATE: September 25, 1988	
②	NAME	ROOM NO.	
	Mr. Conable's Office	15.1 32	
	<del>DATA</del>		
	③ CP - file		
	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		URGENT
REMARKS:			
FROM: Asia Region		ROOM NO.: 11.2 22	EXTENSION: 3304



WORLD BANK  
INTEROFFICE MEMORANDUM

DATE: September 25, 1988

TO: Memorandum for the Record

FROM: Gautam S. Kaji, Director, AS2 SUBJECT: Meeting of the President of the Asian Development Bank,  
Mr. Fujioka

1. Mr. Fujioka met with Mr. Conable on Sunday, September 25. Mrs. Haug and Messrs. Karaosmanoglu and Kaji were present. Mr. Fujioka congratulated Mr. Conable on a very successful year for the Bank in spite of the internal difficulties following reorganization. Mr. Conable responded by congratulating Mr. Fujioka on a very successful year for ADB and the fast growth of the institution. He commented that ADB was probably the only regional development bank which had been so successful. Mr. Fujioka commented that the credit belonged to the region because it was the countries that allowed ADB to operate successfully.

2. Mr. Conable thanked Mr. Fujioka for the excellent cooperation between the two institutions, and in particular, emphasized how much we look to ADB's leadership in the South Pacific area. He added that he saw an even greater need for closer cooperation and coordination with ADB's adjustment lending activities. Mr. Fujioka indicated that his Board, in approving adjustment lending, had set a ceiling of 15% which was up from 7.5% earlier. Country specific issues that were brought up are listed below.

BURMA: Situation still very unclear. ADB has stopped processing the small program loan operation. Obviously an important country which could, with good economic management, become an important member for both the Bank and ADB.

BANGLADESH: Mr. Fujioka enquired, given the catastrophic floods, whether the Bank was planning some form of emergency assistance. Mr. Conable responded that we would clearly need to do something.

LAOS: Mr. Fujioka had recently visited Laos and as a result of his visit, ADB was taking the lead in preparing a financial sector adjustment operation. He clearly identified Laos as a country in which ADB wished to take a lead and also raised comments as to the utility of UNDP-Chaired Round Table meetings in Geneva.

PNG: In reference to Mr. Conable's statement on cooperation and leadership of the ADB in the South Pacific, Mr. Fujioka advised us that PNG wanted ADB to take a leadership role in the context of a Consultative Group. Mr. Karaosmanoglu responded that following the Minister's statement at the ADB Annual Meetings, we had enquired of the PNG authorities whether they wished to review the CG arrangements and were advised that they did not wish to do so but that given ADB's better terms they are likely to borrow more from ADB.



PHILIPPINES: ADB was still quite puzzled by the whole approach on the Marshall Plan and in particular that no consultation had taken place with ADB before newspaper stories on the Marshall Plan were all over Manila. They clearly would wish to have a leadership role in this endeavor and again it is an area where Bank and ADB would need to work out respective roles.

VIET NAM: Mr. Fujioka enquired about the Bank's economic "mission." We advised him that this was essentially a familiarization mission and briefed him about EDI activities. ADB will also be contemplating sending a mission to Viet Nam in the near future and it was agreed that the two institutions need to keep each other informed.

INDONESIA: ADB was preparing a financial sector adjustment operation and it was agreed that both institutions would need to coordinate.

PAKISTAN: In response to Mr. Fujioka's enquiry, Mrs. Haug confirmed that we were working on a financial sector operation. Mr. Fujioka stated that ADB was doing so as well, and it was agreed that both institutions would need to coordinate.

3. In closing, Mr. Conable emphasized that particularly in countries where both institutions were carrying out adjustment lending, the need to ensure complementarity and consistency was critical.

4. The meeting ended with Mr. Fujioka wishing Mr. Conable a very successful Annual Meetings.

cc: Mr. Conable  
Mr. Qureshi  
Mr. Karaosmanoglu  
Mrs. Haug  
Mr. Ikram  
Mr. Kopp  
Asia Region Management Group

GSKaji/jh



Mrs. Haug

WORLD BANK  
INTEROFFICE MEMORANDUM

DATE: September 25, 1968

TO: Memorandum for the Record

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cc: Mr. Conable  
Mr. Qureshi  
Mr. Karaosmanoglu  
Mrs. Haug  
Mr. Ikram  
Mr. Kopp  
Asia Region Management Group

GSKaji/jh



# OFFICE MEMORANDUM

DATE: November 21, 1986

TO: Files

FROM: Attila Sonmez (Chief, AEAPH) *AS.*

EXTENSION: 69200

SUBJECT: Mr. Conable's Meeting with Mr. Fujioka of ADB

1. Mr. Conable met Mr. Fujioka, President of the Asian Development Bank, on September 30, 1986. Present were Messrs. Fujioka from ADB, and Karaosmanoglu, Kaji, Sam and myself from the Bank.

2. After an exchange of compliments on their recent appointment and re-appointment, Messrs. Conable and Fujioka discussed cooperation in the South-Pacific Islands, lending to China and India, and Mrs. Aquino's visit to the U.S.. Mr. Conable expressed his satisfaction about the Bank-ADB collaboration in the small pacific island countries, but Mr. Fujioka hinted to his assessment that not all in the Bank shared this view.<sup>1</sup>

3. Despite their repeated assurances to the contrary, the Chinese informed ADB that they intend to borrow. Mr. Fujioka said ADB may lend about \$360 million for 3 projects, but without any soft money for the year; and this amount may not change much in the future. Both India and China are upset about non-availability of IDA-type resources, but there is not much ADB can do about it. Mr. Fujioka also informed the meeting that they will accommodate both countries without any staff increase in ADB, i.e., by using the existing staff and units.

4. Mr. Conable pointed out that China is reaching out and in this process there is much that we multilateral agencies can help to achieve. He and Mr. Karaosmanoglu offered to help ADB in getting started in China.

5. Mr. Conable also briefed Mr. Fujioka on the meeting he had with President Aquino of the Philippines, and on the proposed economic recovery loan to this country.

Distribution: Messrs. Conable (President), Stern (SVPOP), Karaosmanoglu, Yenel, Calderisi (AENVP), Hopper (ASNVP), Kaji, (AEADR), Sam (EXC), AEAPH Staff

ASonmez/dat

<sup>1</sup>/ In subsequent communication between Messrs. Kaji and Bakley, Country Department Director (ADB), it was clarified that at all levels the relationship was as good as ever, and that Mr. Fujioka's assessment may have been based on past and not current experiences.



1988 ANNUAL MEETING BRIEF

ASIAN DEVELOPMENT BANK

September 25, 1988

Meeting with: Mr. Masao Fujioka, President  
Mr. Kunio Saito, Chief, Development Policy Office

Issues likely to be raised by the Delegation:

We are not aware of any issues to be raised.

Points for Possible Discussion:

1. Coordination on Program Lending
2. Increased Cooperation with Asia Region

Attachments:

1. Excerpt: Mr. M. Narasimham's Speech
2. Highlights from ADB 1987 Annual Report

We expect the meeting with Mr. Fujioka to be mainly of a formal nature. We are not aware of any issues that he is likely to raise with you. However there are a few points of which you should be aware, by way of background to your discussions.

### Background

1. ADB's lending activities are undergoing a considerable expansion, both in terms of quantity, and in the type of operations they are supporting. Lending commitments in 1987 totalled \$2.4 billion, a 22% increase over 1986, and the 1988 program shows planned commitments of \$3.5 billion, representing a further increase of 24%. Of particular significance in 1987 was the ADB's first lending to China, and the decision to permit reaccess to Asia Development Fund resources (ADF) for Indonesia and the Philippines, along with a new, softer, blend for Pakistan and Papua New Guinea (see Annex II). A situation has arisen in many Asia client countries where ADB, with a lending rate a full 100 base points below IBRD's, and a lower commitment fee, is viewed as a more attractive source of funds with a resulting drop in borrowing from the World Bank. This is reinforced by ADB's ADF eligibility policy, and the ability to offer technical assistance grants for studies and project preparation. Given these facts it is important that the World Bank cultivate as much good will as possible, at the highest levels in the ADB. There are two general topics you may wish to discuss with Mr. Fujioka.

2. Coordination in Program Lending. As you are aware, ADB has recently ventured into the area of policy-based lending in support of sectoral adjustment programs: operations have been funded or are under preparation in a number of countries, including Indonesia and the Philippines. With the likelihood of increasing involvement in a broader range of sectors, the need for cooperation and coordination of policy advice has never been greater. In this respect the views of ex-VP Narasimham on policy lending are of interest (Annex I). Clearly a combined approach could strengthen policy dialogue with our member countries; without coordination, the risk of "under-cutting" is great. There have been no great differences of approach to date, but it may be worth stressing the high priority we place on continued cooperation in this area.

3. Increased Cooperation with Asia Region. You may wish to express your pleasure at the considerable progress made, since your last meeting, in increased cooperation between ADB and the Asia Region. Joint initiatives have been taken in the areas of the environment (including work on preparation of joint guidelines), Women in Development, EDI Training and IPA activities, as well as a much improved exchange of information on lending programs and technical assistance. You may wish to thank Mr. Fujioka for the cooperation to date, and express the hope that it can be extended and deepened in the future.



EXCERPT FROM THE FAREWELL ADDRESS  
BY ASIAN DEVELOPMENT BANK VICE-PRESIDENT M. NARASIMHAM  
TO THE BOARD OF DIRECTORS ON 14 JULY 1988

Our program lending policy represents our essaying into the area of policy-based lending limited, however, in our case to sector policies and development. Policy-based lending is the 'in' thing today and is even beginning to assume a theological character. No one can quarrel with the importance of an appropriate policy framework for sectoral development or indeed even for project viability. Policy dialogue and policy conditionality are obviously means to that end but if developing countries voice some apprehension about policy-based lending it is sometimes out of their perception that means are regarded as ends in themselves and often out of genuine reservations about the appropriateness of the policies recommended and sometimes demanded as condition for assistance. The Bank, I believe, has done well in recognizing that there are no absolutes in the economic policy area and that appropriateness is a function both of time and space. The relativity of appropriateness has to do with the diversity of social and economic systems and differences in political philosophy that characterizes our membership and the varying impact of social, economic and even political compulsions that has to be reckoned with in undertaking policy changes. One cannot help noticing also an increasing tendency to set rigid time-bound conditions for effecting policy reforms. The Bank has tried to look at the issue of setting dated covenants in a flexible manner and I would hope it would continue to do so. This is not to condone countries doing too little too late but asking them to do too much too soon has its own pitfalls. We have seen how even developed countries have not been able to agree on an acceptable time frame, for instance, in evolving mutually acceptable agricultural pricing policies. Why should we assume that this task of dismantling rigidities is any the easier in developing countries? If anything, sudden or quick reversals of policies could have potentially destabilizing effects even in a political sense.

## Overview of ADB's Activities in 1987<sup>1</sup>

### ADB Operations

#### 1. Lending

Total ADB lending commitments in 1987 amounted to \$2,438.5 million for 48 projects in 19 "Developing Member Countries" (DMC's). This represents an increase of about 22% over the 1986 level of \$2,004.0 million for the same number of projects. Loans from ordinary capital resources (OCR) grew 8% to \$1,480.9 million, while loans from the Asian Development Fund (ADF) leapt 51% from \$636 million in 1986 to \$957.6 million. This was mainly due to the decision in 1987 to permit Indonesia to borrow ADF funds, combined with a substantial increase in lending to Bangladesh. Nearly 73% (\$1,776.9 million) of total lending was concentrated in four countries - Bangladesh, India, Indonesia and Pakistan. Of significance was the ADB's first lending to the People's Republic of China for two projects totalling \$133 million. ADB lending totals compare with the total World Bank FY87 approved lending to the comparable region of \$7,328.8 million for 65 projects, consisting of \$5,287.4 million IBRD loans for 41 projects and \$2,041.4 million IDA credits for 24 projects.

In addition the ADB approved eight equity operations totalling \$22.8 million plus a \$5 million underwriting commitment for the Asian Development Equity Fund.

#### 2. Sectoral Distribution

The following Table shows the sectoral breakdown of ADB's lending for the past three years, compared to the average for the 1968-87 period. The table shows some significant differences in the 1987 composition compared with 1986, and the long-term average: loans to the transport and communications sector more than quadrupled, while the share of loans to industry and non-fuel metals rose from 5% in 1986 to 26% in 1987. This reflects a sharp rise in DFI operations. Sharp declines in sectoral share were experienced by agriculture and agro-industry (from 41% to 22%), energy (26% to 14%), and social infrastructure (14% to 6%)

#### Percentage Breakdown of Volume of Lending by Sector

	1986	1987	1968-87 ------(%)-----
Agriculture and Agro-Industry	41.16	21.69	30.71
Energy	25.69	13.60	23.90
Industry and Non-Fuel Minerals	5.49	26.47	14.21
Transport and Communications	8.92	32.56	15.30
Social Infrastructure	13.60	5.57	14.96
Multisector	5.14	0.11	0.92
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

1/ This section summarizes key points from the ADB 1987 Annual Report (April 1988) (draft).



3. Technical Assistance

ADB's technical assistance loans and grants totalled \$143 million for 158 projects, of which \$41.8 million was grant financed. This compares with \$128.5 million for 162 projects in 1986. In 1987 nearly half of lending (\$1,127 million) resulted from earlier technical assistance.

4. Disbursements and Resource Transfers

Loan disbursements rose 20% to \$1.23 billion in 1987, with a 31% increase in ADF loan disbursements. However, net transfer of resources fell by 47.5% in 1987 to \$124.5 million. Excluding ADF flows, there was a negative net transfer (as defined by ADB: disbursements less repayments of principal and interest) of \$355.8 million in 1987. Most worrying to ADB have been the negative flows from Fiji, Malaysia, Philippines and Thailand.

5. Cofinancing

A total of 27 ADB projects were cofinanced in 1987, including the first project co-financed with the private sector. This represents a small increase over the 23 projects cofinanced in 1986. Cofinanciers contributed \$498 million (compared to \$492 million in 1986), and ADB \$1,209 million (from \$752 million). Half of cofinancing occurred in the energy, industry and development banking fields. ADB is actively considering a guarantee facility to provide additional resources from private financial institutions to co-finance projects. Official sources provided \$286 million, while \$212 million came from export credit/commercial sources (compared with \$113 million in 1986).

6. Assistance to Private Sector

Direct loans to the private sector without government guarantee amounted to \$20.5 million in 1987 (\$11.5 million in 1986). Approvals of equity rose to \$22.8 million from \$8.2 million. Cumulative approvals for loans and equity facilities without government guarantee now total \$70 million. In 1987 the ADB sponsored a new \$100 million regional mutual fund to mobilize surplus funds in developed countries for investments in equities in DMCs. ADB subscribed \$5 million and underwrote an additional \$5 million.

7. Lending Rate Policy and Levels

In September 1987, the ADB Board approved significant changes in the lending rate policy: the variable lending rate spread was lowered to 0.4% from 0.5% per annum effective January 1, 1988. The method of



computing commitment fees on loans approved on or after July 1, 1987 was also altered, the change being effectively equivalent to a straight reduction to 0.5% from 0.75% per annum. During the year the ADB rate has lowered to 7.36% from 7.65% on January 1, 1987 and to 7.03% on July 1, 1987. (It was further lowered to 6.59% on January 1, 1988, the lowest rate since the start of ADB operations).

#### 8. ADF Lending Policy

In November 1987, the Board approved a number of important policy changes for the ADF V period (1987-90). These included renewing access to ADF resources to Indonesia and the Philippines, a new ADF/OCR blend policy for Pakistan and Papua New Guinea, and a reduction in ADF maturity to 35 years from 40 years for "blend countries".

#### 9. Program Lending

The ADB Board approved a new program lending instrument in November 1987 designed to meet medium-term sector development needs. The new policy provides quick disbursing funds in support of a distinct sector adjustment program. While ADB has provided program loans in the past this for the first time allows for a sectoral focus: it will be premised upon a mix of policy adjustments, improved investment programs and institutional enhancement to be implemented over a 3 to 5 year period. Total program loans of ADB are subject to a ceiling of 15% of total lending, to be interpreted flexibly on the basis of a three-year moving average. There is no "country-specific" ceiling. Regarding disbursements, retroactive financing is permitted up to 180 days before effectiveness, and the procurement ceiling for ICB (normally \$300,000) has been lifted. The first loan under the new facility was the \$150 million Non-Oil Export Promotion Program Loan to Indonesia approved in December, 1987.

#### 10. Other Policy Initiatives

Environment. ADB has given new emphasis to the problems of sustaining the resource base while promoting development. The Environmental Unit prepares an annual Environmental and Natural Resources Briefing Profile for each member country, which identify major environmental concerns, list concerned agencies, and identify resource related projects for possible Bank funding. Wherever possible NGO's are included in the dialogue concerning environmental issues. The Country Strategy Studies (equivalent of WB CSP's) include coverage of the environment, and in addition, a series of formal in-depth studies have been carried out on selected countries. Major papers have been completed including "Economic Analysis of the Environmental Impacts of Development Projects" and "Handbook on the Use of Pesticides in the Asia/Pacific Region". Regarding NGO's the ADB Board approved a policy framework for cooperation in July 1987. The aim is to benefit from NGO experience in four main areas: rural development, small-scale industries, social infrastructure and environmental protection. In October 1987 they sponsored the Second World NGO Symposium in Nagoya,



Japan, and they are working closely with NGO's on projects in Pakistan and Indonesia.

#### ADB Resources

##### 10. Capitalization and Borrowing

ADB's authorized capital stock amounted to \$22,986.9 million (SDR16,203 million). The subscribed capital stock stood at \$2,769.7 (SDR16,050.1 million). The third general capital increase (GCI III) was virtually fully subscribed by end 1987 (the United States paid its fifth instalment and past shortfall in February of 1988). The special increase in the capital subscriptions (SCIs) for Finland, France, Italy, Netherlands, and Switzerland were fully subscribed in 1987. ADB made only five borrowings in 1987 totalling \$537 million at an average cost of 5.63% per annum (after swaps). A public offering of L50 million was the first in the Euro-sterling market.

##### 11. Asian Development Fund (ADF)

Total ADF resources increased during 1987 by \$2,436 million, to \$10,201 million. ADF V was triggered in May 1987: by end December 1987, ADF V Instruments of Contribution had been received from 14 member countries for a total of \$2,393 million. The first tranches were available to ADB for commitments in 1987, but the second tranches (due for release by January 1, 1988) are on hold pending the necessary appropriation of funds by the United States.

574

ZCZC DIST1677 RCA1528  
EXC  
REF : TCP D.S.

cc: Mr. Botafogo  
Mr. Hopper  
Mr. Karaosmanoglu  
Mr. Sankaran  
Mr. Sonmez

} sent  
5/7

RCA1528  
248423 WORLD BANK V/FTC-126  
07 MAY 1986

MR. A. W. CLAUSEN  
PRESIDENT  
I B R D  
WASHINGTON DC  
UNITED STATES

THANK YOU VERY MUCH FOR YOUR KIND MESSAGE OF CONGRATULATIONS  
ON MY RE-ELECTION. I WARMLY RECIPROCATATE YOUR WISHES FOR  
CONTINUED CLOSE RELATIONSHIP BETWEEN THE WORLD BANK AND THE  
ASIAN DEVELOPMENT BANK. I AM CONFIDENT THAT THIS COLLABORATION  
WILL BE VITAL TO THE DEVELOPMENT OF THE ASIAN AND SOUTH PACIFIC  
REGION.

BEST REGARDS.

MASAO FUJIOKA  
PRESIDENT  
ASIANBANK

248423 WORLD BANK  
23103 ADB PH  
.....

ABOVE VIA PHILCOM FROM 23103 ADB PH

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ALT RTD FROM:EXCM

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*(Handwritten signature)*

RECEIVED

7 PM 1: 37 MAY 1986

RECEIVED



# OFFICE MEMORANDUM

**DATE:** May 5, 1986

**TO:** Mr. A. W. Clausen, President

**THROUGH:** Frank Vogl, Director, IPA *FV*

**EXT.:** 72468

**SUBJECT:** Congratulatory Message to Mr. Masao Fujioka, President,  
Asian Development Bank

Mr. Masao Fujioka has been reelected to a new five year term as President of the Asian Development Bank. Here is a congratulatory message for your signature.

Attachment.

cc: Messrs. Feather, Sonmez, Blinkhorn, Roberts, Sankaran.

SS/vs

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Box!

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OFFICIAL DEPT/DIV  
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MESSAGE NUMBER

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EXC

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START  
2 HERE

MR. MASAO FUJIOKA

PRESIDENT

ASIAN DEVELOPEMT BANK

MANILA, PHILIPPINES

I AM DELIGHTED THAT YOU HAVE BEEN UNANIMOUSLY REELECTED TO A NEW  
FIVE YEAR TERM AS PRESIDENT OF THE ASIAN DEVELOPMENT BANK. THIS  
IS AN EXCELLENT TESTIMONY TO THE DEVELOPMENT WORK THAT ASIAN  
DEVELOPMENT BANK HAS BEEN DOING UNDER YOUR LEADERSHIP. AS  
PARTNERS IN THE GLOBAL ENDEAVOR TO PROMOTE DEVELOPMENT, WE IN THE  
WORLD BANK LOOK FORWARD TO CONTINUED COOPERATION BETWEEN THE TWO  
INSTITUTIONS. LET ME WISH YOU ALL THE BEST IN THE YEARS AHEAD.  
A.W. CLAUSEN.

END  
OF  
TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: <b>TELEX</b>		TELEX NO.: <b>23103 ADB PH</b>	DATE: <b>MAY 5, 1986</b>
SUBJECT:		DRAFTED BY: <b>S. Sankaran:vs/IPA</b>	EXTENSION: <b>73653</b>
✓ CLEARANCES AND COPY DISTRIBUTION: <b>cleared &amp; cc: Mr. Sonmez (AEAPH) cc: Messrs. Botafogo, Hopper, Karaosmanoglu, Cheetham, Kaji, Blinkhorn, Sison (o/r)</b>		AUTHORIZED BY (Name and Signature): <b>A.W. CLAUSEN</b>	
		DEPARTMENT: <b>EXC</b>	
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## OFFICE MEMORANDUM

*Mr Clausen's Office*

DATE October 8, 1985

TO Memorandum for the Record

FROM Gautam S. Kaji 

EXTENSION

SUBJECT ASIAN DEVELOPMENT BANK - Mr. Clausen's Meeting with the Asian Development Bank at the 1985 Annual Meetings

1. Mr. Clausen met with Mr. Masao Fujioka, President of the Asian Development Bank, on Sunday, October 6, 1985 at 4 pm in the Hilton Hotel complex, Seoul, Korea. Those attending the meeting were:

Asian Development Bank

Mr. Masao Fujioka, President  
Mr. S. Mahboob Alam, Chief, Development Policy Office

IBRD

Messrs. Clausen, Karaosmanoglu, Kaji

2. Mr. Clausen opened the meeting by thanking Mr. Fujioka for the very good coordination and cooperation that had been experienced over the past year in the relationships between the two institutions. He in particular expressed his appreciation for our being able to participate in ADB operations in the Pacific Islands. He reaffirmed that this was the meaningful way to proceed in those groups of countries not only from the point of view of the efficiency of resource utilization of the two institutions but equally from the point of view of the limited absorptive capacity of these countries. Mr. Fujioka confirmed ADB's satisfaction with the quality of our cooperation and was particularly happy to note that our respective staffs were in regular and frequent contact both in Manila and in Washington. He went on to comment on ADB's lending performance and noted that their lending totals were lower because of difficulties that they faced particularly in the Philippines, Burma and Korea. Mr. Clausen stated that he could well understand and commiserate with Mr. Fujioka because the Bank had experienced a similar situation with respect to its FY85 Lending Program which as Mr. Fujioka knew had attracted a lot of attention and adverse publicity.

3. Mr. Fujioka then queried Mr. Clausen on the specifics of the much reported U.S. initiatives vis-a-vis the Bank. Mr. Clausen stated that, while the specifics were hard to come by, yet there was no question in his mind that there has been a dramatic shift in the U.S. posture stemming from their recognition that the debt issue facing the Latin American countries cannot be solved purely by short-run stabilization programs. He hoped that both he and Mr. Fujioka would hear more about it when the U.S. authorities spoke in the Development Committee and in the Plenary. Mr. Fujioka confirmed that he sensed a general shift in the U.S. posture vis-a-vis the multilateral institutions. He further reported that in his meeting with Mr. Baker, the U.S. Treasury Secretary had been much more sympathetic to the issue of enlarging ADB's ordinary capital than his predecessor.



October 8, 1985

4. Turning to the issue of policy changes, Mr. Fujioka informed Mr. Clausen that, effective July next year, ADB will also move to a variable rate formula similar to the one the Bank had adopted as it was finding its interest rate to be not very competitive otherwise. Mr. Clausen remarked that we had indeed been wise to move to a variable rate formula and that we expected a further lowering of the Bank's interest rate effective January 1. He also felt that the variable rate approach had allowed the Bank to maintain a reasonably stable lending rate without inflicting sharp variations on our borrowers. We had not only succeeded in lowering our lending rates but had been able to reduce our front-end fee to zero.

5. Mr. Fujioka also informed Mr. Clausen that the negotiations for the replenishment of the ADF had started and he hoped that during the course of the coming year they could be satisfactorily concluded to become effective in 1987. He expected the replenishment to be of the order of about \$4 billion.

6. In response to the query from Mr. Clausen on the issue of India and China, Mr. Fujioka stated that the Indian Government had still not made up its mind as to how much it may wish to borrow from the ADB and that this would be decided in the context of India's new Plan currently under preparation. As regards China's membership, the discussions following the ADB Annual Meeting in Bangkok had still left the issue of Taiwan's name unresolved but he was much more hopeful given the fact that the U.S. State Department had taken a more responsive attitude towards China's entry and was intervening directly with Taiwan to reach a compromise.

7. Finally, Mr. Clausen thanked Mr. Fujioka for ADB's contribution to CGIAR. He went on to inform Mr. Fujioka that the needs for agricultural research worldwide as well as for Asia were great and the Bank, along with other major donors, had constantly kept on increasing our percentage share in the support provided by the donors to CGIAR. Given the fact that the activities of CGIAR-sponsored research institutions had greatly benefited the ADB constituents, he would very much like Mr. Fujioka to reevaluate the level of ADB's contributions to CGIAR. Mr. Fujioka stated that ADB had recently increased the support for IRRI but his Board did not like to provide budgetary support of this nature and it would be difficult for ADB to increase its contribution. Mr. Clausen stated that he realized that the ADB Board would need convincing but given CGIAR's track record and the benefits the members of ADB had already reaped from such efforts he would very much request Mr. Fujioka to reexamine this issue.

#### Action Item

8. CGIAR Secretariat to follow up with ADB with more specific details.

cc: Mr. Clausen's Office

Messrs. Stern, Karaosmanoglu, Hopper, Husain, Farrar, Kirmani  
Philippines Division

GKaji:sap



Oct 6  
4:00

ANNUAL MEETING BRIEF

ASIAN DEVELOPMENT BANK (ADB)

October 6 at 4:00 p.m.

Meeting with: President of ADB (Mr. Masao Fujioka)

Cooperation between the ADB and the Bank has been considerably improved during the past year, with regular exchange of information and more frequent visits between staff of both institutions. Evidently, raising the issue of closer staff-level collaboration at last year's Annual Meeting has proved to be effective. There are no coordination-related issues to be raised during this year's meeting. You should indicate our satisfaction with the improved coordination efforts of the past year, and reiterate the Bank's commitment to support exchange of information and enhanced cooperation between the two institutions in order to achieve common development objectives.

ADB's lending in 1984 reached \$2.2 billion, an 18% increase above the 1983 level. Cofinancing more than trebled to \$1.16 billion from \$309 million in 1983. However, ADB faced significant resource problems during the year with regard to the replenishment of the Asian Development Fund (ADF), its soft-term window. ADB undertook its first pound sterling bond issue and made its first public offering of zero-coupon bonds in the Eurodollar market. ADB also opened a South Pacific Regional Office in Vanuatu during 1984. Two country specific issues relating to the membership of the People's Republic of China and lending to India still remain unresolved. ADB lending during 1985 is likely to fall short of the lending target for the year, and be well below the 1984 level.

1. ADB Resources. ADB's authorized capital stood at \$14,476 million at December 31, 1984. Total subscriptions during 1984 to the third general capital increase (GCI III) by 23 member countries amounted to \$3,282 million, and ADB's subscribed capital stock stood at \$14,058 million at the end of 1984. Contributions to the third replenishment of the Asian Development Fund (ADF IV) from all 21 ADF IV donor countries totalled \$3,214 million by the end of 1984. However, because the U.S. was unable to make available its full contribution due in 1984, linked contributions from other members have been held up. In response to the shortage of ADF resources, a number of ADF loans had to be approved on a conditional basis pending the availability of further resources. During the May 1985 ADB/IBRD Consultation Meeting, Vice President Katz indicated that ADB was considering a move to de-link U.S. contributions to ADF from that of other donor countries in order to avoid burden-sharing problems, but no decision has been taken on this to date.

2. ADB Operations. Total ADB lending during 1984 amounted to \$2,234 million for 47 projects, an 18% increase over the 1983 total of \$1,893 million for 53 projects. Concessional loans (ADF) accounted for \$684 million or about 30% of total lending. This compares with total FY85 World Bank approved lending to the South Asia and East Asia and Pacific Regions (excluding India and China) of \$4,346 million, of which \$677 million, or about 16% were IDA



credits. ADB's Ordinary Capital Resources (OCR) lending grew by 30.3% in 1984, although there was a fall in ADF lending by 2.7%. The increase in OCR lending during the year was attributed to a number of policy changes instituted by ADB in 1983 in the face of resource constraints faced by their borrowers. These measures included the financing of local cost expenditures and interest during construction, and more flexible implementation of multi-year programming. As in past years, agriculture/agroindustry and energy continued to account for the largest share of lending. Technical assistance grants and loans provided \$22.1 million for 109 projects. The current lending rate is 9.65% per annum, fixed at commitment.

### 3. Cofinancing

#### ADB Cofinancing, 1984

	<u>Cofinancing Source</u>			<u>Total</u>
	<u>IBRD/IDA</u>	<u>Commercial Banks</u>	<u>Other</u>	
No. of Projects:	5	5	13	23
Amount (\$ mill.):	359	227	577	1163

(i) General. The above table shows that the World Bank Group and commercial banks accounted for a total of \$586 million or 50% of ADB's official cofinancing during 1984 of \$1163 million. The 1984 figures amounted to the largest number and volume of projects cofinanced in ADB's history.

(ii) Pacific Islands. The Bank and ADB have continued to maintain the existing cofinancing arrangements for their operations in the South Pacific islands (whereby ADB takes the lead in project activities and the Bank cofinances the projects and retains prime responsibility for economic and sector work). To date we have cofinanced seven projects with ADB in the lead, in Western Samoa, the Solomon Islands, Vanuatu and Fiji. In the future, we expect to be able to cofinance two or three projects per year in these countries, including a Fiji road upgrading project in FY86, and multi-projects in Solomon Islands, Vanuatu and Western Samoa in FY87. In addition, there is an understanding between both institutions that each may finance appropriate projects independently of the other.

#### Issues Likely to be Raised by the Delegation


4. Policy Changes. The delegation may inquire as to the Bank's experience with new policy initiatives, e.g. variable interest rate borrowing. In general, the ADB is very interested in monitoring the direction of the Bank's policy changes and initiatives.

#### Issues to be Raised by Management

- (i) Replenishment of Concessional Resources (Asian Development Fund)
- (ii) ADB Assistance to the Private Sector
- (iii) Membership of People's Republic of China and Lending to India
- (iv) ADB Regional Offices



5. Replenishment of Concessional Resources (Asian Development Fund). As outlined in paragraph 1, major problems with the ADF IV replenishment and the consequent shortages in concessional resources have jeopardized a number of prospective ADB projects in its poorest member countries. Funding negotiations and other preparations for replenishment of ADF V (inclusive of 1987-90) have begun. ADB management has tentatively proposed an amount of \$5 billion for ADF V to show an inflation-adjusted increase for 1987-90. You may wish to inquire on the status of replenishment of ADF IV and whether ADB may be considering prospective policy changes such as de-linking ADF replenishment of the U.S. and other donor countries. You may also wish to inquire as to the status of preparations for ADF V.

6. ADB Assistance to the Private Sector. In January 1985, the ADB sponsored a conference on privatization policies, methods and procedures. Subsequently, a Board paper on this topic was circulated which concluded that the ADB should increase its efforts in four basic areas: financial and technical assistance to enterprises; assistance in support of policy dialogue with governments; lending in support of financial institutions and capital markets; and support for privatization efforts. To achieve these objectives, the paper recommended an expanded use of existing instruments and policies such as credit lines, sector lending, program lending, equity instruments, guarantee operations and technical assistance, as well as the development of a new lending arrangement such as lending without government guarantee. You may wish to inquire as to whether following Board discussions of the paper, policy changes to support increased assistance to the private sector, e.g., the creation of a separate affiliate along the lines of the Bank's IFC, and lending without government guarantees, have been or will be initiated. The ADB has also indicated interest in IBRD/IDA experience with lending to the private sector. 

7. Membership of the People's Republic of China and Lending to India. In 1983, the PRC applied formally for ADB membership, with a condition that if the application was granted, Taiwan's membership be revoked. Since then, the PRC has accepted the idea of two parties representing China in the ADB, and the current dispute is on whether Taiwan would be called "China, Taiwan" as proposed by Taiwan, or "Taiwan, China" favored by the PRC. To date, no decision has been made on the PRC's application and negotiations appear to be continuing.

8. As for India, it has now been three years since the Indian government announced its intention to borrow from ADB's ordinary funds; however, a sizeable lending program for India continues to face opposition from the U.S. During ADB's Annual Meeting in May 1985, President Fujioka gave no indication as to when the problem of the size of ADB's lending to India would be resolved. You may wish to inquire of ADB's plans for lending to India and the status of membership for China.

9. ADB Regional Offices. For the past two years, the question of regional offices has figured prominently in ADB Annual Meeting discussions. Thus far only a Bangladesh Resident Office and a small South Pacific Regional Office in Vanuatu have been opened despite much discussion on proposed regional or resident offices in Bangkok, Jakarta, and possibly some European capital city. You may wish to inquire about ADB's experience with the current resident/regional offices, and whether it plans to open any additional offices.



DELEGATION/BIOGRAPHICAL SKETCH

The Delegation

Mr. Masao FUJIOKA - President of ADB (observer)

Biographical Sketch

Mr. Fujioka was elected President of ADB for a five-year term in August 1981, and took office November, succeeding Mr. Taroichi Yoshida. Born in Tokyo in 1924, Mr. Fujioka graduated from Tokyo University (Department of Law) in 1947 and joined the Ministry of Finance during the same year. He also studied at the University of Chicago in 1950/51, majoring in Public Finance and Economics. From 1960 to 1964, Mr. Fujioka was an economist with the IMF. In 1966, he assisted the UN Economic Commission for Asia and the Far East in preparatory work for the establishment of ADB. Mr. Fujioka served until 1969 as ADB's Director of Administration, after which he became Director of Japan's official aid agency, OECF. He then successively held the positions of Deputy Director-General (1970-75) and Director-General (1975-1977) of the Japanese International Finance Bureau. From 1977 to 1981, Mr. Fujioka served as Executive Director to the Export-Import Bank of Japan, and concurrently, Executive Director of the Japan International Cooperation Agency. Mr. Fujioka has represented Japan in numerous international conferences, and participated as Temporary Alternate Governor at the IMF/World Bank Annual Meetings in 1975 and 1976, and at ADB's 1977 Annual Meeting.



Oct. 6  
4:30

ASIAN DEVELOPMENT BANK AND THE CGIAR

The ADB has been a very modest supporter of the CGIAR. It has not been a regular contributor and when it does contribute, it is usually for a specific program or activity. Previous attempts to gently pressure the ADB to give more have backfired, particularly when they are seen to emanate from the World Bank. The ADB could be a much more significant contributor, particularly if it played the same role vis-a-vis the system as does the Inter-American Development Bank. For this to happen requires a change of heart by the President and certain key officials below him.

In view of past events, we would suggest that no overt pressure be applied. However, if the opportunity arises you might care to mention that there has recently been a major study on the impact of the CGIAR in Asia and that we understand it will reveal that the system's impact on half a dozen countries in Asia has been very significant indeed.

## OFFICE MEMORANDUM

RI

DATE May 20, 1985

TO Files

FROM Attila Karaosmanoglu, RVP, AEN *AK*

EXTENSION 74503

SUBJECT Eighteenth Annual Meeting of the Board of Governors  
of the Asian Development Bank

1. The Eighteenth Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) was held in Bangkok from April 30 to May 2, 1985. The meeting was chaired by the Governor for Thailand and Finance Minister H.E. Sommai Hoontrakool. Delegates from the 45 member countries attended the meeting. The World Bank delegation consisted of myself, A. Sonmez (AEA), L. Schaeffer (AENVP), R. Cheetham and W. Siebeck (ASADR) and P. Schwartz (IPAPA).

2. The tone of the Annual Meeting was generally controversial with wide disparities in views of Part I and Part II countries. Considerable debate was aroused by a long critical interview on ADB given to the International Herald Tribune by the US Executive Director, in which multinational organizations were accused of insufficient attention to market economics and the efficiency of ADB's project selection and management were questioned. No specific conclusions were reached on the Meeting's three major themes--replenishment of the Asian Development Fund (ADF), entry of China and policies for private sector encouragement. President Fujioka's opening address welcomed Spain, soon to become a member and referred to possibilities for changing the ADB's fixed 10.25 percent lending rate, introduction of preferential domestic procurement procedures, the shortfall in ADF fundings and membership of the People's Republic of China (PCR). Subsequent statements of the Governors raised other issues such as delay in lending to India, need for a Special Capital Increase, opening of resident missions in Asia and Europe, cooperation with the World Bank and other financial institutions, ADB equity investment, privatisation policies, cofinancing, women in development, optimum size of loans and ADB management practices.

Bank Operations

3. In 1984, the ADB approved 47 loans for more than \$2.2 billion, an 18 percent increase over 1983 lending amounts. Loans from ordinary capital resources (OCR) actually increased by 30 percent over 1984 but ADF lending decreased by 2.7 percent. Both average loan size and the number of loans over \$80 million rose significantly. While cofinancing more than trebled (to \$1.1 billion), growth was mainly from official sources of which \$352 million cofinancing with the World Bank accounted for half. ADB lending rose sharply for projects in the energy, transport and communications sectors but declined for social infrastructure and development bank projects. Although OCR loan disbursements had slackened, overall disbursements exceeded \$1 billion with gains mainly due to ADF disbursements. In 1984, the ADB approved over a hundred Technical



Assistance projects for preparation of projects, advisory and operational purposes and regional activities. Borrowings in major capital markets totalled \$972 million and increased the average life of outstanding borrowings to 8.31 years. For the first time, the ADB Annual Report contained data on cumulative procurement by country of procurement. Total procurement of goods, services, civil works and consultants services was dominated by Japan (\$2 billion or 28 percent) followed by the U.S., Germany and U.K. (8,6 and 5 percent respectively). The United States accounted for 25 percent (\$104 million) of total procurement for consulting services. The U.S. which has lagged behind in its contributions to the ADF, secured less than 6 percent of procurement from Special Funds Resources.

#### ADF Shortfall and Prospects

4. With the U.S. in significant arrears in its allocations to the third ADF replenishment (ADF IV), a number of ADF loans had been approved on a conditional basis, pending availability of further resources. Major events took place on the eve of the Annual Meeting as Japan agreed to release \$147 million, the balance of its contribution to ADF IV. Six other donor countries (Australia, Belgium, Denmark, Finland, Norway and Sweden) also released voluntary contributions of about \$46 million, thus enabling resumption of commitments of ADF funds. (The U.S. has yet to pay \$91.2 million for ADF arrears and to release \$130 million for its third contribution this year). While almost all statements of Governors to the Meetings stressed the need for a fourth ADF replenishment (for 1987-1990), some suggested replenishment in SDR's and several, including the U.K. and other Part I delegates, suggested linking the ADF replenishment to completion of a Special Capital Increase. The U.S. statement supported negotiations for ADF V but tied its participation level to ADB adoption of policies aimed at private sector development such as equity placements, increased cofinancing and lending without government guarantees to the private sector. No final decision was taken on ADF V at the Annual Meeting. An ADF meeting is scheduled in Rome in June followed by a second meeting in Tokyo in October.

#### China Membership

5. In their official statements, almost all the Governors backed entry of the People's Republic of China into the ADB. The PCR has now accepted the possibility of membership without expulsion of Taiwan which was formerly a stumbling block to entry. Obstacles still remaining to China's entry into ADB include agreement on the name for Taiwan, choice and precedence of flag(s), voting rights, (whether the PCR should have its own executive director and whether Board seats should be increased to thirteen to accommodate the PCR).

#### Special Capital Increases

6. Support for a Special Capital Increase came from a number of Part I countries including Japan, France, Canada and the Netherlands as well as a general request for reevaluation of shares. The statement by the Governor for Japan stressed Japan's role as major donor to the ADF. Japan and the United States are the two major OCR shareholders, each with 16.8 percent of total shares and equal voting rights.



Lending to India

7. Several delegates expressed surprise that ADB has still not initiated an OCR lending program to India. The statement of the Indian Minister of Finance was remarkable in that it made no reference to this issue.

Resident Missions

8. During 1984, ADB opened a resident mission in Vanuatu for the Pacific Islands. Proposals that ADB open resident offices in Thailand, Indonesia and possibly Pakistan were countered by invitations from Part I countries for ADB to open missions in London, Frankfurt and Paris.

Vietnam and Afghanistan

9. At the 1984 Amsterdam Annual Meeting, the Governors had requested resumption of lending to both Afghanistan and Vietnam. In Bangkok, the Afghanistan and Vietnam delegates emphasized the political nature of their continued exclusion from ADB lending and, in subsequent press statements, Vietnam raised the prospect of suspension of its loan repayments.

Other Items

10. Another unfinished agenda item was domestic preference for suppliers and contractors, which delegates had proposed at the 1984 Amsterdam Annual Meeting. Part II countries expressed disappointment at the slow progress on this issue and referred favorably to World Bank procurement procedures. ADB management has submitted a similar proposal to its Board. ADB will change from fixed to adjustable lending rates. With regard to support for private sector development many governors applauded ADB's Development Round Tables which had discussed privatisation and called for further ADB equity placements in private projects, smaller loan sizes and increased cofinancing. While Part I countries generally supported cofinancing, the statement of the Papua New Guinea Finance Minister emphasized that cofinancing proceed from a request from recipient countries, ensure additionality of cofinanced resources, no increase in project costs and simple procurement and other administrative arrangements. The delegates from Japan, Canada, Italy, the Netherlands and Sri Lanka were among those seeking closer collaboration with the World Bank and other financial institutions. Finally, a number of delegates, including the United States urged more efficient ADB personnel practices. The U.S. called for a significant change in the mix of staff skills over time with emphasis on private sector experience and incentive-oriented personnel compensation.

11. The 19th Annual Meeting of ADB will be held in Manila from April 29th to May 1, 1986. The Governor for Sri Lanka will be its Chairman.



May 20, 1985

cc: Messrs. & Ms. Clausen, Stern, Hopper, Ohuchi, Vibert, Kaji, Kirmani  
Cheetham, Lerdau, Schwartz, Choi, Vorkink, Siebeck,  
Schaeffer.

AEN Division Chiefs  
ASA Division Chiefs  
AEN Information Center

LSchaeffer:bp

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MAY 21 1985  
MAY 21 1985

May 20, 1985

Page 2

cc: Messrs. & Mr. Clausen, Stern, Hopper, Oruch, Vibert, Kaji, Kizmani  
Gheethan, Lardau, Schwartz, Choi, Vorkink, Siebeck,  
Schaffner.

ASN Division Chief  
ASA Division Chief  
ASN Information Center

LSchaffner:py

OFFICE OF THE PRESIDENT

1985 MAY 21 PM 5:25

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## OFFICE MEMORANDUM

*file please*

DATE October 12, 1984

TO Files

FROM Attila Sönmez (Chief, AEAPH) *A. Sönmez*

EXTENSION 72433

SUBJECT Asian Development Bank: Mr. Clausen's Meeting with Mr. Fujioka

1. Mr. Clausen met Mr. Fujioka, President of the Asian Development Bank (ADB) on September 21, 1984. Present were Messrs. Tsusaka and Sakaouchi from ADB, and Messrs. Karaosmanoglu, Kaji, Sönmez (AEA), Cheetham and Siebeck (ASA). The issues covered included the Bank-ADB cooperation, the status of large Asian countries, India and China, in ADB and the Philippines situation.
2. Mr. Clausen opened the meeting by complimenting Mr. Fujioka on a successful year for ADB, which they agreed was a reflection of, and a contribution to the good performance of many of the Asian countries.
3. Messrs. Clausen and Fujioka commented favorably on the Bank-ADB cooperation but Mr. Clausen added that it should be further improved at the staff level, because a failure to do so would confuse our membership and could be counterproductive for all concerned. Mr. Clausen expressed satisfaction with the arrangement whereby the ADB led the lending activities in the Pacific Island countries while the Bank assumed the lead role in economic work. Mr. Fujioka informed the meeting that the ADB opened a three-man mission in Vanuatu last August. The Bank appreciated the services provided by the ADB in these countries where it is costly for the Bank to carry out the full range of lending activities alone. Mr. Clausen pointed out, however, that the Bank would also spend the necessary time on these countries which are entitled to the same services as the other member countries.
4. Referring to India, Mr. Fujioka explained that while they are working on their first loan to India, the ADB is still faced with opposition from the U.S. on the size of their lending program to India. The ADB is now processing a loan for a fertilizer project with financing requirement of which is \$240 million to be cofinanced with three other sources. The ADB hopes to resolve the problem of the size of their lending to India in the next couple of months.
5. China will apply formally for ADB membership once the question of Taiwan's status is resolved. Mr. Fujioka explained that because Taiwan was one of the founding members of ADB it was not possible to apply the same solution as applied when China resumed its membership at the Bank. One possible alternative being considered is the status of "associate membership" for Taiwan.
6. In response to Mr. Fujioka's question as to whether the Bank recruited any staff from China, Mr. Karaosmanoglu said that the Chinese Government agreed to a recruitment mission; some candidates have been identified but so far only one staff member, a young professional, has been hired. Existing Bank staff of Chinese origin are being treated as Chinese



nationals by the Government regardless of residence so long as they are not considered by the Government as having certain political affiliations.

7. Regarding the current difficulties in the Philippines, Mr. Karaosmanoglu explained the recent Bank lending operations and for the future affirmed the need for a lending program including a balance between quick disbursing and conventional loans. Mr. Clausen emphasized that while the Philippines needed much short-term support, the long-term development objectives should continue to be kept in mind. This would require that program loans should also be policy-based, as it was the case with an Agricultural Sector Loan approved by the Bank recently. This kind of operations, because of their short-term impact and long-term implications, necessitate a close coordination with the IMF, and between the ADB and the Bank.

Cleared with and cc:

Messrs. Karaosmanoglu (AENVP), Siebeck (ASADR)

cc: Messrs. Clausen (President), Stern (SVPOP) (3), Cheetham (ASADR),  
Kirmani, Blaxall (AEPDR), Kaji (o/r), Linn (AEADR),  
Sönmez (o/r) (AEAPH), Southworth (EXC), Calderisi (AEAIN)  
Cole (AEASE), Dutt (AEASP), Flood (AEAKO), Koch-Weser (AEACH)  
Mesdames. Schaeffer (AENVP), Hamilton (AEAIN)  
Division B

ASönmez/dat

Asian Development Bank

Masao Fujioka, President

M. Sakaguchi, Personal Assistant to the  
President

Akira Tsusaka, Dir. - Industry & Dev.  
Banks

From the Bank

Attila Karaosmanoglu

Gautam Kaji

Russell Cheetham

Wolfgang Siebeck

Attila Sonmez

Teruyuki Ohuchi





0  
OFFICE MEMORANDUM


DATE September 19, 1984

TO Mr. Ernest Stern, Senior Vice President, Operations

FROM Attila Karaosmanoglu, Vice President, AEN *AK*

EXTENSION 74503

SUBJECT ADB Meeting



1. In reviewing the record of the meeting held with Mr. Fujioka last year, we find that he had raised a question regarding the Bank's preparedness to share some of the costs of staffing the ADB Regional Office for the Pacific Islands in Vanuatu. No response was provided at that meeting or subsequently and the issue has not been re-surfaced by ADB management, though they did have an occasion to do so during the meetings with senior Bank staff at the ADB Annual Meetings in Amsterdam this year.

2. As you know, we have agreed with ADB that they will take the lead in lending operations (in all sectors other than education) in the Pacific Island countries while we will have the primary role in carrying out the economic and sector work. If this question is raised again, we obviously cannot refute the principle of cost sharing, but would suggest that the staffs of the two institutions look at the cost of their overall operations and attempt to identify incremental costs incurred by either institution to support the operational activities of the other.

*Right.*  
*RS*  
*9/20/84*



August 24, 1984

ANNUAL MEETINGS BRIEF

ASIAN DEVELOPMENT BANK (ADB)

During 1983, ADB substantially improved its resource position through the Third General Capital Increase (GCI III) and the Third Asian Development Fund Replenishment (ADF IV). ADB also implemented a number of policy changes in response to the problems confronting developing member countries in the face of resource constraints. These included the approval of four Special Assistance loans (similar to World Bank's SAP operations) for about \$60 million, increasing the country ceiling for program lending from 10% to 20% of the anticipated annual lending to a country and increasing the overall ceiling for program lending from 5% to 7.5% of total ADB lending in any one year. (These ceilings compare with the World Bank's current ceilings of 30% and 10%, respectively.) ADB made its first public offering (\$100 million) in the Eurodollar market and its first equity investments (\$3 million) in 1983. Complementary cofinancing, a mechanism for promoting commercial cofinancing, was also undertaken for the first time. Two country specific issues relating to the membership of the People's Republic of China and borrowing by India remain unresolved. Cooperation between ADB and the Bank, although generally good, has been less than satisfactory during the past year (see para 9).

ADB's Resources

1. A Third General Capital Increase of 105% covering the period 1983-87 became effective in May 1983, and the Authorized Capital stock amounted to \$15.5 billion (SDR 14.8 billion). The third replenishment of the Asian Development Fund (\$3.2 billion), which will finance ADB's 1983-86 concessional lending program, became effective in April 1983. Based on the substantive increase in its resource base for this time period, ADB's ordinary lending is programmed to increase by 15% annually to reach \$2.1 billion in 1986. For the period 1984-86, overall ADB lending is expected to exceed \$8 billion, \$5.4 billion in ordinary loan funds and \$2.6 billion in concessional funds similar to IDA.

ADB's Operations

2. Total ADB lending during CY1983 amounted to \$1,893 million for 53 projects (CY1982: \$1,730 million for 56 projects), of which about one-third was concessional lending. This compares with total World Bank (IBRD and IDA) lending to South Asia and Pacific Regions (excluding India and China) of \$3,241 million in FY84. As in past years, agriculture and agro-industry accounted for the largest share of lending (about 34%) followed by energy (24%) and social infrastructure such as water supply, urban development, education and health (22%). Technical Assistance grants and loans provided \$25.3 million for 107 projects. In order to broaden its support for private enterprise, ADB approved its first two equity investments in 1983, one each in Korea (\$1 million) and Pakistan (\$2 million). The current lending rate for ordinary loan funds is 10.25% per annum.



### Cofinancing

3. General. During 1983, 18 of ADB's projects involved cofinancing, amounting to \$309 million. This was a significant decrease from the 1982 level of \$699 million. The decrease was largely attributed to the absence of large-sized projects, particularly in industry and energy, for which cofinancing could be arranged. In 1983, complementary cofinancing with commercial sources was undertaken for the first time and two loans approved, one for Pakistan and the other for Nepal involving \$18 million. Under this new scheme, ADB sold "complementary loans" made in addition to regular loans to a syndicate of commercial banks.

4. Parallel Cofinancing with IBRD. Over the past ten years, ADB has also cofinanced on a parallel basis about \$800 million in Bank-assisted loans to Asian countries. These have involved 2-4 operations yearly, mainly in support of large water and power sector investments. While there was no parallel cofinancing of this type in FY84, we look forward to continued collaboration with ADB on 3-4 large projects during this fiscal year for combined cofinancing of about \$200 million.

### Issues Likely To Be Raised by ADB

5. Pacific Islands. The Bank and ADB have continued to maintain the existing cofinancing arrangements for their operations in the South Pacific islands (whereby ADB takes the lead in project activities and the Bank cofinances the projects and retains prime responsibility for economic and sector work). To date we have cofinanced four projects with ADB in the lead, in Western Samoa, the Solomon Islands, and Vanuatu. Future projects likely to be cofinanced with ADB in the lead include a Solomon Islands roads project in FY85, and an agricultural institution project in Western Samoa, a forestry project in Vanuatu and a development banking project in Fiji, all scheduled for FY86. ADB may indicate their desire to significantly increase their role in the South Pacific. They may note the opening in August 1984 of a four-man regional office in Vanuatu to establish a more effective presence in the region. They may also query how the Bank anticipates handling the numerous smaller Pacific Island countries which, as Kirbati has recently done, may apply for Bank membership. You should indicate our commitment to improving and expanding our cofinancing arrangements in the South Pacific. With regard to the applications of the smaller islands for membership, you should indicate our present policy is to handle each request individually and that these future members would be serviced in line with our current cofinancing arrangements with ADB. However, as the load for additional economic and sector work increases, further work-sharing in this area needs to be discussed.





Issues To Be Raised by Management

6. People's Republic of China. In 1983, China applied formally for ADB membership, with a condition that if the application was granted, Taiwan's membership be revoked. To date, no decision has been made on China's application and negotiations appear to be continuing. You may wish to inquire on the status of the negotiations. (P)

7. India. During ADB's Annual Meeting in May 1983, the Indian Government announced its intention to borrow from ADB's ordinary funds with effect from 1983. The matter was discussed by ADB's management and Board in connection with the latest General Capital Increase. A decision had still not been made on the size of the lending program at the time of ADB's 1984 Annual Meeting. We understand that ADB is now going ahead with a first loan to ICICI (one of our long-time DFC borrowers in India) in the amount of \$100 million. You may wish to inquire of ADB's further plans for lending to India. (P)

8. ADB/IBRD Coordination Meeting. The sixth annual high level (vice president) coordination meeting was held in Amsterdam in April of this year following ADB's Annual Meeting. This year's meeting focused on a review of economic developments and development financing in the Asia Pacific Region and operational approaches and coordination. As in the past, ADB participants used this year's meeting mainly to seek information from the Bank on the agenda topics such as structural adjustment programs, the debt situation, IDA replenishment, operational policies and procedures, etc. During the discussions on operational approaches and coordination, both sides agreed on the need for better cooperation in economic and sector work and better division of labor between ADB and the Bank in respect to lending operations. N.B.

9. At the working level, however, coordination between the two institutions has been less than satisfactory in the recent past, with some conflicts over projects and some duplication in economic and sector work. The operational problems result from fewer projects for financing as countries cut their investment budgets, combined with ADB's current policy to more aggressively expand their lending despite the recessionary economic climate and their lesser insistence on policy conditionalities. You should stress the need to maintain the close coordination and collaboration between the two institutions in achieving development objectives. You should also indicate that the two institutions should refrain from competing, and focus on complementing and ask Mr. Fujioka about his ideas on how we can strengthen the coordination mechanism, particularly for forward planning of projects and joint approaches on policy issues. N.B.





DELEGATION/BIOGRAPHICAL INFORMATION

The Delegation

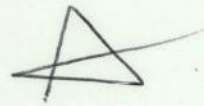
Mr. Masao FUJIOKA - President of ADB

Biographical Sketch

Mr. Fujioka was elected President of ADB for a five-year term in August 1981, and took office in November, succeeding Mr. Taroichi Yoshida. Born in Tokyo in 1924, Mr. Fujioka graduated from Tokyo University (Department of Law) in 1947 and joined the Ministry of Finance during the same year. He also studied at the University of Chicago in 1950/51, majoring in Public Finance and Economics. From 1960 to 1964, Mr. Fujioka was an economist with the IMF. In 1966, he assisted the UN Economic Commission for Asia and the Far East in preparatory work for the establishment of ADB. Mr. Fujioka served until 1969 as ADB's Director of Administration, after which he became Director of Japan's official aid agency, OECF. He then successively held the positions of Deputy Director-General (1970-75) and Director-General (1975-77) of the Japanese International Finance Bureau. From 1977 to 1981, Mr. Fujioka served as Executive Director of the Japan International Cooperation Agency. Mr. Fujioka has represented Japan in numerous international conferences, and participated as Temporary Alternate Governor at the IMF/World Bank Annual Meetings in 1975 and 1976, and at ADB's 1977 Annual Meeting.



## WORLD BANK-ASIAN DEVELOPMENT BANK COORDINATION



### Coordination Meetings

The World Bank and ADB maintain close contact and hold yearly high-level coordination meetings. The sixth such meeting is scheduled on April 28, 1984 in Amsterdam, following the ADB Annual Meeting. The 1982 and 1983 high-level coordination meetings were held in Manila. Overall policy matters of interest to both institutions are discussed at these meetings. Among the subjects dealt with in recent sessions were: (1) the worldwide recession and the effects of tight monetary policies and high interest rates on the Asian countries, (2) the role of the two Banks as catalysts for investment flows and their relations with the private sector, (3) the future of concessional lending, (4) trends in development assistance, and (5) areas of cooperation between the two institutions and coordination of operational activities, such as joint operations in the South Pacific.

In an effort to strengthen its cooperation with regional development banks, the World Bank and ADB have reached an understanding on cofinancing certain projects in countries that are members of both institutions. In several cases, the ADB acted as the lead institution and carried out project appraisal on behalf of the World Bank, taking responsibility for project implementation and supervision. Among development projects to which this cooperation agreement has been applied are: the Chittagong Urea Fertilizer Project in Bangladesh; the Second Western Samoa Agricultural Development Project; a credit to the Development Bank of Solomon Islands; and an Agricultural Extension Training Project in Vanuatu.

### Monitoring of Projects

The Asian Development Bank in 1978 began to incorporate in its loan-project covenants provisions to ensure that information is obtained about a project's flow of benefits. These activities are called Project Benefit Monitoring and Evaluation (PBME). Project benefit monitoring is designed to provide early warning signals and thus helps managers to identify deviations from targets and the causes of these deviations. This identification of problems leads to remedial action. Further action is being taken by ADB to improve PBME. An article on PBME in the May 1983 issue of the ADB quarterly Review notes that this approach has been developed in consultation with the World Bank and the International Fund for Agricultural Development, thus ensuring a uniform and systematic approach to these matters.

A notable feature of the World Bank's work is its system of ensuring that the project is effectively implemented and achieves the objectives for which the loan was made. The borrower is asked to submit periodic reports on the progress of implementation. The World Bank, in turn, regularly sends "supervision" missions to ensure that the funds for the project are spent in the manner agreed upon. After the loan has been fully disbursed, the World Bank evaluates the results of projects. To help disseminate the principal lessons learned from the evaluation system, the Bank has, since 1977, published the Operations Evaluation Department's "Annual Review of Project Performance Audit Results."



### Aid Consortia and Consultative Groups

9 At the request of both donor and recipient governments, the World Bank has continued to take the lead in organizing various aid coordination mechanisms for a number of developing countries that receive assistance from bilateral and multilateral sources. Asian Development Bank representatives have participated in Aid Group meetings organized by the World Bank for countries in the region such as Bangladesh, Burma, the Republic of Korea, Nepal, Pakistan, the Philippines, Sri Lanka and Thailand. ADB has also been represented at the Annual Meetings of the Inter-Governmental Group on Indonesia (IGGI), organized by the Government of the Netherlands.

### Co-financing

Since the World Bank can provide only part of the external resources needed by member countries for their development projects, it encourages and assists borrowers to augment the resources it provides with other external sources of investment finance. This collaborative support is commonly known as cofinancing. The additional funds come from three principal sources:

- Agencies or departments of governments administering bilateral development programs, and multilateral agencies such as regional development banks and funds;
- Export credit agencies, which either lend directly or provide guarantees or insurance to commercial banks extending export credits; and
- Commercial banks.

Between fiscal years 1974 and 1983, official multilateral and bilateral agencies lent \$16.2 billion in association with the World Bank for 682 Bank-assisted projects. During this period, the World Bank and the Asian Development Bank cofinanced 18 operations. The amount cofinanced by ADB totaled \$845.3 million.

The two distinctive characteristics of multilateral development lending institutions, such as the Asian Development Bank is that they were established to give priority to development objectives and that they provide financing on market-related, as well as concessionary terms.

### The World Bank's Economic Development Institute (EDI)

EDI was established in 1955 to provide training for senior officials of developing member countries of the World Bank. The objective of this training is to help the countries improve the management of their economies and increase the efficiency of their investment programs. There has been collaboration between the World Bank and the Asian Development Bank in a number of EDI regional courses in Asia. In 1983, courses on energy/power projects were conducted by EDI in the Philippines with ADB and the National Power Corporation of the Philippines as cooperating agencies. In 1982, the second in a series of regional courses on the organization and financial aspects of power projects was held in Korea in cooperation with ADB and the Korea International Economic Institute. In 1981, a seminar on metropolitan management was jointly sponsored by EDI and the ADB for senior officials from Asian countries.