REPORT OF THE NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL POLICIES ON SPECIAL FUNDS OF THE ASIAN DEVELOPMENT BANK

I. Summary of Proposals and Recommendations

The United States joined last year with 30 other countries in establishing the Asian Development Bank. That institution is now completing its organizational phase and is well on the way toward full operational status in the financing of economic development among its Asian member nations. The Bank's normal operations are to consist of development financing on conventional terms along the lines proven over time by the World Bank and, on the regional level, by the Inter-American Development Bank. The process of economic development, however, requires the financing of projects that cannot be handled on conventional repayment terms. For such projects, special funds must be made available on terms adapted to the repayment capacity of the borrowing country. This report deals with a proposal that the United States join with other advanced countries in equipping the Asian Development Bank with special funds which it will administer as contemplated under its charter and which will complement its normal loan operations.

The Asian Development Bank is itself one of the first fruits of a new spirit of regional economic cooperation in Asia. Special funds administered by the Asian Development Bank will play a vital role in carrying forward the momentum of economic cooperation already achieved among the Asian countries themselves. Planning for a number of specific forms of such Asian regional cooperation is now in an advanced stage. The Asian Bank has accepted in principle the administration of a fund to speed agricultural development in the region; a comprehensive program for development of the Mekong River Basin is being formulated through the mechanism of the Mekong Committee with assistance of the United Nations; and a plan for a regionally integrated system of transportation and communications in Southeast Asia is being developed by a regional group of the nations involved. Financing of these broad programs—which are primarily focused on Southeast Asia—as well as key individual projects for which multilateral support is forthcoming, would be the main purposes for the special funds now being proposed. Such financing cannot be carried out with the resources made available earlier for the Bank's ordinary operations.

As indicated in his State of the Union message in January 1967, President Johnson is requesting legislative authority for U.S. contributions of up to $200 million for a 4-year period for special funds of the Asian Development Bank. U.S. contributions to such funds would represent a minority of the total, the balance being made up of contributions by other developed countries. Every effort would be made to assure that the U.S. share of total contributions is as modest as possible. Consistent with current policies related to the U.S. balance-