

Convertible currencies used for ordinary loans would normally cover only the foreign exchange costs of projects. The Bank may also provide local cost financing by use of its local currency holdings, and only in special cases may the Bank use convertible currency for a portion of local costs involved. In addition to its direct loans for particular projects, the Bank could lend to national development banks which would sublend for smaller projects. No loan could be made in a country if the government of the country objects. The guarantee of the government is not required if the loan is not to the government itself. The Bank may, however, if it deems it desirable, require such a guarantee. The Bank must pay due regard to the ability of the borrower to find financing elsewhere on reasonable terms before it approves a loan.

The Articles do not specify any particular types of development projects for emphasis in the Bank's ordinary lending operations. Loans may be extended for the usual infrastructure projects such as roads, ports, power, and the like, for agricultural projects such as irrigation systems and agricultural credit institutions, and for private enterprise activities in manufacturing and service industries. While specific loan terms are not prescribed, the Bank is required in its first 5 years of operation to charge a commission on its ordinary loans of 1 percent, the proceeds of which must be held in a special liquid reserve to meet possible future liabilities of the Bank. Such a special reserve was a feature of the charters of both the World Bank and the Inter-American Development Bank. The subscribed resources of the Bank may be used only for procurement in Bank member countries or, in special circumstances, in a country which permits the Bank to raise a significant amount of capital in its markets.

F. AUTHORITY FOR ASIAN BANK ADMINISTRATION OF SPECIAL FUNDS

From the outset, the Asian Development Bank was designed as a financial institution that would have at its disposal resources for both ordinary operations and special operations. Articles 9 and 10 of the Bank's Articles of Agreement draw the distinction between operations with each of these types of resources and prescribe that the ordinary capital resources and special fund resources "shall at all times and in all respects be held, used, and committed, invested, or otherwise disposed of entirely separate from each other." Article 19 of the Bank's charter, after providing that the Board of Governors may by a special vote set aside not more than 10 percent of the paid in capital of the Bank for special funds purposes, states that the Bank may—

"* * * (ii) accept the administration of special funds which are designed to serve the purpose and come within the functions of the Bank * * * [Such Funds] may be used in any manner and on any terms and conditions not inconsistent with the purpose of the Bank and with the agreement relating to such funds * * *"

It was thus clearly the intention of the drafters of the Bank Articles that the institution be endowed with all necessary powers to accept and administer funds with which to carry on special financing operations.

Administration spokesmen presenting the Asian Development Bank bill to the Congress clearly outlined the great potential of the Bank's special fund powers. In a special report accompanying the President's