

emphasis, such as that referred to in the preceding section, would be an example of such a stipulation. The Bank could not, of course, accept funds with stipulations so restrictive as to render impossible their effective use or to vitiate the multilateral character of special funds placed under the Bank's administration. Additional techniques, including close consultation between representatives of contributing countries and the Bank Management on a continuing basis, might be desirable so that the Management could assure itself prior to recommending a project for Board action that the project in fact was supported by a consensus of the countries contributing to the special fund involved.

F. TERMS OF SPECIAL FUNDS ASSISTANCE

By definition, special funds are intended to be utilized for financing of projects and programs that are not appropriate for hard loan financing out of the Bank's ordinary capital. All special funds financing is expected to be in some degree concessional; that is, repayable on less than normal banking terms.

The decision on the type or types of terms on which special funds should be made available is one that rests with the Board of Directors of the Bank and will be taken when specific financing proposals are in view. At this time, therefore, it is possible only to cite the general considerations that are expected to enter into the Board's decision. Long maturity periods, extended periods of grace before repayment commences, and low interest charges would be the normal means of reducing the servicing burden on special fund lending. Since special funds are intended to revolve, capital financing would not be extended on a grant basis. In making its judgment on the appropriate financial terms in a member country, the Bank can be expected to take into account the practice of other international lenders and available appraisals of the country's financial situation by the International Monetary Fund.

The nature of the project or program involved and the country or countries in which it is located would also be important factors in determining the terms to be applied. Many of the potential borrowing countries have extremely weak external payment positions and would require very easy repayment terms, similar to those of IDA. Stronger countries might be able to service loans on terms approximating the intermediate concessional terms of AID.

Where projects involve a long-payment period, as in the case of roads, dams, ports, and the like, or where the benefit of the project is to be realized more in social than in economic and financial terms there may be further grounds for easier loan terms based on the nature of the project. The Board of the Bank will have to make judgments in the light of the total information available on the country's external position and on the rate of internal return on the project. In order for the Bank Management to insure that special funds are revolving funds in foreign exchange, it would be necessary for all special fund lending to specify repayment in convertible currency.

The Council wishes to re-emphasize that special funds of the Asian Bank are special with respect only to the regional purposes they support and the easier terms of repayment on which they are made available to borrowers. In all other respects, special funds lending operations will be carried out under the same rigorous project selection criteria and