

project implementation procedures as the Bank applies to its own ordinary capital operations. The majority of the detailed terms and conditions of particular loans, therefore, will be identical to ordinary capital loans, including requirements for borrower performance, self-help, end use supervision of funds, and the like.

G. SPECIAL FUNDS AND THE U.S. BALANCE OF PAYMENTS

In all of its activities, the National Advisory Council is deeply concerned with the effect of U.S. policies and programs on the U.S. balance-of-payments situation. With respect to the present proposal, the Council is able to state that there are no grounds for concern over an adverse effect on our balance of payments. The Articles of Agreement of the Bank permit contributing countries to make special fund contributions available on any terms and conditions agreed to by the Bank and not inconsistent with its purposes. This complete flexibility with respect to special funds includes the right of a contributing country to tie the use of its contributions to procurement of its own goods and services. The Management of the Bank is already aware that it is the intention of the United States to make its contributions to special funds available for capital financing and technical assistance only in the form of U.S. goods and services. It is, further, the U.S. intention that its contributions be used only for foreign exchange costs of the projects or programs financed; that is, none of the U.S. contribution would be used to finance local costs. These costs would be met instead by borrower contributions, use of local currency subscriptions to the Bank by the country involved or by local funds from other sources. It can fairly be assumed that the projects financed by special funds would not have been undertaken in the absence of such financing, so that there is a high degree of assurance that the U.S. goods and services financed out of our contribution are additional to normal U.S. exports to Asian countries.

On the basis of these factors, the Council concludes that the operational use of U.S. contributions to Asian Bank special funds will be fully compatible with the balance-of-payments policies of the United States.

H. TECHNICAL ASSISTANCE

It has already become apparent that the Management of the Asian Development Bank attaches great importance to the Bank's role as a provider of nonreimbursable technical assistance to member countries (in addition to any technical assistance that may be provided on a loan basis). The Bank foresees financial needs to cover the costs of feasibility studies that would identify projects for later capital financing, of technical assistance in the preparation of project proposals that are already at the financing stage and of technical assistance to regional institutions engaged in training, research, and demonstration activities in key economic sectors. Certain resources are already available to the Bank for financing technical assistance. These include current net earnings on ordinary operations and the use of up to 2 percent of its paid-in capital during the first 5 years of its existence.

Net earnings available for financing technical assistance are likely to be very small in the immediate future, however, and there is doubt as to the desirability of the Bank's drawing down its capital for