OPERATIONS

Lending Activities

The Bank is authorized under the Agreement to make, participate in, or guarantee loans to the governments of its member countries, to any of their agencies or political subdivisions and to public or private enterprises operating within such countries, as well as to international or regional entities concerned with economic development in the region. The Bank may provide financing to such borrowers to cover foreign exchange expenditures incurred in any project and may also provide local currencies in certain cases. The rate of interest, commitment fee and other charges related to a loan or guarantee are determined by the Bank as may be appropriate for the particular financing. Loan repayments are required to be made in the currency of the loan or, at the option of the borrower, in gold or convertible currency. Except in special circumstances, the Bank requires that proceeds of its loans be used by the borrower only for procurement of goods and services produced in member countries. The Bank supervises the disbursement of its loans to assure that the proceeds are applied only against project expenditures as incurred. It generally insists 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.

In evaluating the projects that it proposes to finance, the Bank considers such factors as their economic, technical, and financial feasibility; their effect on the general activity of the country concerned; their contribution to the removal of economic obstacles; the capacity of the borrowing country to service additional external debt; the effect on domestic savings; 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 elsewhere on terms and conditions that the Bank considers reasonable.

Ordinary Operations and Special Operations

The Bank's lending operations are divided into two major categories, ordinary and special. Ordinary operations are those financed from the Bank's ordinary capital resources and are intended to cover project expenditures under terms and conditions comparable to those that might be required by other similar lenders. The first loan of the Bank, to the Industrial Finance Corporation of Thailand, guaranteed by the Government of Thailand, was signed January 25, 1968. The Bank at present has under active consideration a number of other loan applications.

Special operations, on the other hand, are financed from the Bank's Special Funds and are designed to assist projects of high development priority which require loans of longer maturities, longer deferred commencement of repayment, and lower interest rates than those established for ordinary operations. The Bank may accept special contributions for these purposes or allocate up to 10% of its "paid-in" capital as Special Funds. The allocation of such funds, however, is conditional upon authorization by two-thirds of the total number of Governors. The Board of Governors has not, as yet, taken action on this provision. The Agreement stipulates that Special Funds of the Bank must be held, used, invested, or otherwise disposed of entirely separate from the ordinary capital resources of the Bank.

Technical Assistance

The Bank is authorized to meet requests from member countries for technical assistance in such fields as the preparation, financing and execution of development plans; the evaluation of specific development projects and programs; and the creation of new institutions serving agriculture, industry and public administration, among others. Recipients of technical assistance may be governments or any of the other entities authorized to receive Bank loans.

The technical assistance extended by the Bank may be either on a grant or a loan basis. The Agreement limits the funds available for technical assistance of a non-reimbursable nature to the