city. It is my belief that, in many instances, sound advice is a far more welcome and valuable antidote than hard cash. Consequently, I plan to propose the establishment of a department within the Bank which will devote a considerable amount of time and energy to this area of activity.

According to the Charter, the funds available for services which are, by nature, non-reimbursable, is limited to two per cent of the paid-in capital, for the first five years of operation. This will obviously leave us far short of the amount required to satisfy the need. However, we are in a position to organize missions, jointly, with other international organizations, to perform this vital function. For example, the Food and Agricultural Organization (FAO) has already offered to make itself available to the Bank for such joint efforts.

The second phase of our operation pertains to loans. The Bank has considerable leeway with respect to the formulation of its lending policy. The description of the Bank's financing function in the Charter is quite broad in scope, and will enable us to cope effectively with a wide range of situations. In pursuit of this goal, I am reluctant to formulate any rigid loan policy, which would needlessly restrict the Bank's flexibility.

There is only one basic policy to which I firmly adhere; namely, to insure that each loan conforms to the principles of sound-banking. We will endorse only those projects which are conceived within the framework of valid economic precepts. This is the only way to establish the good credit of the Bank, and to thereby assure the continuous flow of funds through our organization.

Regarding the size of each loan, it is important to bear in mind three factors: (1) only one half of the subscribed capital will actually be paid-in, (2) the amount paid-in is to be remitted in five equal annual installments, and (3) of that amount, half may be paid in local currency, which is not always readily convertible into freely lendable funds. The result of these conditions is that, for the first year of operations, the Bank will have at its disposal for lending purposes, somewhere in the neighborhood of U.S.$65 or $70 million.

Out of this amount, I would like to meet the demands of as many member countries as possible. This makes it inevitable that the size of each loan be limited to a reasonable amount. If, on the other hand, the amount of the loan is too small, the comparatively high servicing cost would make it uneconomical for the Bank. This fact, however, does not preclude the possibility of channeling some portion of our funds through existing national development banks.

90-614 O—68——11