

stage of many of the developing countries makes it impossible for them to adhere to the terms of conventional loan agreements. Particularly in the crucial area of agricultural and infrastructure loans, the repayment schedule and interest rate structure of the hard loan category are apt to be self-defeating. If the Bank is to effectively promote all facets of economic development in the ECA-FE region, it must be equipped to extend soft loans in those cases where they are the only practical and realistic solution. It is also clear that the Charter's limitation on soft loans to 10 per cent of the Bank's total paid-in capital will not be sufficient to satisfy the need. We therefore, will actively seek Special Funds contributions from member and non-member countries alike."

My original view has been confirmed on my recent visits to Asian regional members where interest in Special Funds for agricultural development in particular has been widespread. It would appear that in some of our member countries it may not be suitable for the Bank to extend much beyond technical assistance until it has Special Fund resources.

I also stated at that same Inaugural Meeting, in accepting office as President of the Bank, that my prime aim in these early years will be to build a credit-worthy lending institution capable on its own of raising funds for Asian development in the capital markets of the world. I do not believe, however, that the availability to the Bank in the near future of supplementary resources for financing projects on more liberal terms would in any way conflict with this aim. The Inter-American Development Bank's credit worthiness has not been adversely affected by its acceptance of Special Funds at an early point in its development. The Special Funds of course, would be entirely separate from our Ordinary Funds. I would regard it as essential to require the same degree of carefulness in testing the soundness of projects financed from Special Funds as applies to projects financed from the Bank's ordinary capital resources. Furthermore, each specific use of any Special Fund that the Bank may have should be supported by the same type of staff studies and recommendations as would be required for the ordinary operations of the Bank.

I am happy to announce to you that at the most recent meeting of our Board of Directors, the Board accepted in principle the idea of Special Agricultural Funds to be administered by the Asian Development Bank. We at the Bank hope that following our meet-