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Folder ID:	30151425
Series:	Liaison with external organizations
Dates:	04/26/1946 – 07/14/1952
Fonds:	Records of the Office of External Relations
ISAD Reference Code:	WB IBRD/IDA EXT-08
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Liaison UN. Economic & Social Council
1948-52

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Liaison - United Nations - Economic and Social Council - 1948 / 1952 - Correspondence
Volume 1

469-2-03 box 18

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1953-58

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Liaison - U.N. EC[illegible] Supplement Annual Report

July 14, 1952

Dr. A. G. Ardalan
Ambassador and Permanent Representative
of Iran at the United Nations
United Nations
New York 17, New York

Dear Mr. Ambassador:

I wish to acknowledge receipt of your letter of June 25, 1952 with which you were kind enough to send me a copy of the statement you made before the Economic and Social Council while the report of the International Bank was under discussion.

I am very grateful for the enclosure which I will study with a great deal of care.

Sincerely yours,

(Signed) Eugene R. Black

Eugene R. Black

E.Lopez-Herrarte:ep

x Iran

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM - 1. Office of the Presid[redacted]

2. Office of the Vice President

FORM No. 89
(7.50)

Date July 3

TO-	Name	Room No.
1	Dr. Lopez	
2		
3		
4		

FOR-

	Action		Initialing
	Approval	✓	Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

Mr. Black

IRANIAN DELEGATION TO THE UNITED NATIONS
350 Fifth Avenue
New York, N. Y.

June 25, 1952

My dear President:

In pursuance with your request, I take pleasure in sending you inclosed copy of the statements I had the honor to make before the Economic and Social Council when the International Bank's Report was discussed.

I am convinced that the passages which more particularly concern my country will not fail to hold your attention with the objectivity you are known to possess.

Please accept, ...

(S) DR. A. G. ARDALAN
Ambassador and Permanent Representative
of Iran at the U.N.

Mr. Eugene R. Black
The International Bank for Reconstruction
and Development
Washington, D.C.

IRANIAN DELEGATION TO THE UNITED NATIONS
EMPIRE STATE BUILDING, ROOM 6310
350 FIFTH AVENUE
NEW YORK 1, N. Y.

le 25 juin 1952

Mon cher Président,

Faisant suite à votre aimable demande, je m'empresse de vous adresser sous ce pli, une copie des déclarations que j'ai eu l'honneur d'adresser au Conseil Economique et Social, lors de la discussion sur le rapport de la Banque internationale.

Je suis persuadé que les passages qui conçernent tout particulièrement mon pays ne manqueront pas de retenir votre attention, avec toute l'objectivité que je lui connais.

Veuillez agréer, mon cher Président, l'expression de ma très haute considération.

Dr. A. G. Ardalan
Ambassadeur et Répresentant
Permanent de l'Iran auprès
Des Nations Unies

Monsieur Eugene R. Black
La Banque Internationale pour
la Reconstruction et le Développement
Washinton, D.C.

JUN 27 REC'D

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Mr. President, the Sixth Annual Report of the International Bank and the report on its principal operations for the period July 1, 1951--March 31, 1952 have been carefully studied by my delegation.

These reports, containing a survey of world economic conditions, a list of the loans granted to various countries and details on assistance given to member States and in particular to underdeveloped countries with a view to preparing general economic development programs, deserve great interest and are of undoubted usefulness. According to the Sixth Annual Report, the International Bank during its past fiscal year has granted 21 loans to 11 countries in the aggregate amount of $297 million. The Supplementary Report mentions 14 additional loans totalling $213 million. From the beginning of the Bank's loan operations, that is, since May 1947 to the end of the period under study, the total sum of the loans granted amounts to $1,326 million.

The procedure followed by the International Bank when a loan application comes before it, to mention only two of its stages, namely, a thorough study of all the material resources of the would-be borrower and the establishment of a priority for the projects to be carried out is a very important development factor for the countries seeking the loan. This well considered and thoughtful policy should prevent the waste or wrong use of national and international funds which in these days are so rare and so highly valued. This policy would compel the countries to follow closely economic principles in carrying out their plan of action.

The practice followed by the International Bank, resulting from fruitful experience, forms an important imovation, sure in its efficacity and rich in results, in the annals of credit institutions. The missions composed of experts

who study on-the-spot all aspects of development programs, the seminars of the Bank where national experts and Bank technicians exchange ideas on common problems and reach pertinent conclusions, the experts who make observations on-the-spot of the execution of plans for economic readjustment are all steps toward the systematic progress of the countries and especially of the less advanced countries which have not get completely familiarized themselves with modern development procedures.

The Mediterranean professional training center at Ankara, Turkey, which operated from October to December 1951 for the purpose of familiarizing the officials of participating countires with the methods of working out agricultural development programs seems incontestably useful and we heartily desire to see measures of this sort taken for the benefit of other regions and other countries to a constantly greater extent.

The assistance that the Bank renders to other credit institutions so that they, in turn, may help private borrowers is still another of the Bank's useful and important actions toward encouraging private enterprise in the direction of better productivity and toward inviting confident investment of the national savings in the domestic economy.

In recent years another enterprising action of the Bank has, very fortunately, found favorable receptionand its marketing policy has been fully successful in such countries as the United States of America, Great Britain, Canada and Switzerland. According to the supplementary report, the total amount of bonds outstanding is equivalent to $450 million (US), of which $400 million is denominated in U.S. dollars, and the remainder in sterling, Swiss francs and Canadian dollars.

These operations, which, combined with the sale of portfolio obligations, amount to more than $40 million--an indication of the development of the Bank's field of activity--have considerably increased its

lending power, which in the past was limited to the amount available for that purpose. We are happy to note that the main purpose of the International Bank, that is, the ever-increasing creation of credit facilities for the Member countries, particularly the underdeveloped countries, is at last finding the germs of realization in the credit policy now practiced by its management.

Nevertheless, with the assets we have briefly mentioned, the International Bank has not, in our opinion, been able to meet its fundamental obligations to the extent desired, even though we recognize the fact that the International Bank's financial power is not of sufficient proportion to respond to every appeal for funds. In the analysis and interpretation of its Articles of Agreement, the Bank showed great restraint and its field of activity was astonishingly limited. Very fortunately, however, we have witnessed an evolution of this concept in recent years, and a slow, salutary transition.

But the goal is far from being attained, and, as the representative of an underdeveloped country in imperative need of financial assistance to carry out its development plans, I feel it my duty to make a few comments.

In examining the list of the borrowing countries and studying the detailed statistics of the assistance furnished by the Bank for economic development, one is struck by the fact that nearly 2/3 of the loans have gone to developed and industrial countries.

Since the countries of Western Europe have now reorganized their war-ravaged economies and the necessary reconstruction has been completed, since, according to the Bank's own report, the level of production in these recipient countries has increased to the point where the Bank expects them to play their part also in supplying capital to the underdeveloped areas of

the world, since, consequently, the reasons for the priority observed in the past have ceased to exist, it is justifiable to expect a change in the Bank's attitude toward assistance to the underdeveloped areas.

The Bank's report mentions four recently published documents of special importance on world economy in which the prevailing thought is that of taking greater interest than formerly in the underdeveloped countries. It adds, moreover, that the defense efforts of the United States of America and of Western Europe are inseparable from economic assistance to the underdevelopd countries and that all are part of a single whole. The report recognizes elsewhere that countries that have made little progress in carrying out their development programs inevitably need the Bank's financial aid.

The Bank's responsibilities are great and highly important. The more experience and knowledge the Bank acquires, the better it can evaluate the vastness of its work and the size of its responsibilities. For the poverty, indigence and backwardness of the majority of the countries that constitute the organs of the world body would assuredly, in the long run, affect the other organs, however strong and healthy the latter may be. To examine these painful and ailing organs, to treat them with adequate remedies, to assist the underdeveloped countries, is to maintain the economic and social health of the advanced countries. Only when this gigantic difference of progress between the two groups of countries disappears and the standard of living of their inhabitants becomes more similar, only then will there be any assurance that great steps have been taken toward the economic and social development of mankind. While awaiting that glittering prospect, we shall merely record the figures constantly brought to the attention of this council, we note sadly that the breach, instead of

growing smaller, is daily increasing and thus it is impossible for comfort and prosperity to reign among men.

Mr. President, the Bank has devoted one part of its reports to the projects for which the financial assistance of that institution has been required; a short comment on this subject, on the part that particularly concerns my country, appears to me to be desirable.

The Bank, in sending several missions to Iran to study the plans drawn up for our economic development, has manifestly shown a real interest in our problems and aspirations. For that we can only be sincerely grateful to it.

The last Bank mission to Iran arrived around February 1951. After long discussions five projects, namely the equipment of the port of Khorramshahr on the Persian Gulf, a sawmill in the north, a cement plant, the construction of the Karadj dam near Teheran, and the creation of an industrial credit bank, held the attention of the mission and the agreement was reached. To carry out these projects an amount of between 19 and 21 million dollars had been provided for. The usefulness and the productivity of these projects was recognized and the principle of granting the loan was accepted. The Iranian Government hoped that after long years of study and the sending of several missions of experts, and since the loan had been accepted in principle, the financial side of the question would raise no difficulty. But unfortunately this loan was not disbursed, the projects are awaiting execution and a certain discouragement has replaced the earlier optimism. Here I prefer to report the Bank's conclusion concerning its activities in Iran; it says, among other things, that "events in Iran since the month of March 1951 have obliged the Bank to wait until the situation becomes sufficiently clear to permit it to proceed to a resettlement of Iran's position." Apparently the reason for

this attitude lies in the nationalization of our petroleum industry and the temporary stoppage of the income from the operation. It is, in a way, regrettable that the oil question should be linked with economic development plans which were expressly recognized as productive. Perhaps it was thought that in the past the oil income had played a vital role in the Iranian economy and that without that income the Iranian economy would not be in a position to meet its obligations in case of such small assistance. It was implied that in any case the granting of loans to Iran would be subordinated to the settlement of the oil question, a question that in itself is regarded as settled definitively by the Iranian Government.

The more sensitive we are to the particular interest that the Bank showed in sending different missions to study the plans the Iranian Government had drawn up, with the collaboration of outstanding foreign technicians and a material contribution of nearly a million dollars, the more this recent attitude of the Bank, which has just been concretely expressed in the conclusion of its report on Iran, saddens us and causes us deep regret.

Mr. President, for the sake of greater clarity, I shall ask your permission to extend my remarks a little moreon this question; if I am making too great a demand on the time and patience of the honorable delegates and of the Council, I sincerely apologize.

Before World War II, that is, between 1931 and 1941, the income from oil was all placed in a special account opened in London and did not in any way figure in the general budget of the State. Thus, not a penny of that income appeared in the column for State receipts, or was used to finance economic development programs.

I am convinced that with the studies and investigations that the Bank has undertaken on the economic situation of Iran it has been able to

ascertain that the greatest economic expansion of my country had been achieved during that period. And that masterly work was the admiration of world economic circles. To review these achievements very rapidly in a few sentences, I shall say that 25,000 km. of roads, 4 textile mills, 5 chemical products plants, 8 sugar refineries, a large tobacco and cigarette factory, 7 silos, electric power-houses, numerous secondary plants, and especially the Trans-Iranian railroad linking the Persian Gulf with the Caspian Sea, which in the opinion of experts is a masterpiece of engineering and boldness and which cost several million dollars, were all constructed in that short period. And it was in that same era, especially, that the industrialization of Iran was really launched. All that, without any foreign or internal debt and without a penny of income from the oil which, as I said, was kept in a special account in London to finance the purchase of armament.

The economic reconstruction of Iran and the carrying out of its development projects have therefore had no connection whatever with the income from the oil and the wish to set up a correlation between those two factors, as the Bank's report desires, is, in our mind, without valid foundation.

Iran's productivity and production capacity, considering its moral and intellectual potential today, its eager and enlightened youth, its ever-growing contact with the world of science and culture, the caravan of its children who, having exhausted the latest data of modern technology return in a steady stream to the mother country, assuredly cannot be compared today with what they were twenty years ago when so many important achievements were started.

The present economic difficulties of Iran should not, therefore, be attributed to the temporary stoppage of the oil income, for, as I have just pointed out, my Government was able to lay the basis for the country's industrialization before World War II without having recourse to the oil income. These difficulties are only the disastrous product of the war and they arose as a result of the sacrifices of the Iranian people for the victory of its allies, sacrifices which were solemnly recognized by the three Great Powers at the Teheran Conference and which considerably reduced our economic vitality. And it is just that excessive economic weakening that prevented our gradual recovery and hindered our development in the postwar years. To cite only one example, recourse was had to the circulation of paper money , for the needs of the allied forces stationed in Iran; this wasfollowed by an unprecedented inflation that was still going on some years after the end of hostilities.

Between 1940 and 1943, the amount of notes in circulation rose from 1350 million rials to 7762 million rials and, consequently, the cost of living index rose from 162 in 1940 to 1030 in 1944.

So the Iranian Government, which had urgent need of foreign financial assistance both for the reconstruction of its economic structure disorganized by the war and for its development, has been unable to obtain anything in this respect despite the legitimacy of its cause and its demand.

Mr. President, my Government, in order to compensate for this important source of income has just completely revised its general budget, reestablished it on a balanced basis and by means of a system of commercial compensation agreements with different countries is trying to maintain its international balance of payments and to cope with the reduction in foreign exchange. To show the progress already made in that direction, it will suffice to say that the total trade on compensation basis, which amounted to nearly 1403

million rials in 1950, has risen to 3155 million rials in the eleven months of 1951 and consequently Iranian exports, which amounted to 115,000 tons in 1949 have risen to 189,000 tons in 1950 and to 250,000 tons in 1951, or more than double the 1949 figure.

Mr. President, if I have taken a little more of the Council's time, it was only to show very clearly what the factors were that determined and created the present economic situation of Iran. And I have attempted to describe the measures that appear likely to parry the present state of affairs.

In closing, I hope that the Bank, taking into consideration the views already expressed, aware of its main purpose of reconstruction and development, in which, as I was able to point out at the beginning of this talk, it has made great strides, will consider financial assistance to Iran which has been accepted in principle, solely from the angle of the determination and ardent desire of the people and Government of Iran to carry out their plans of reconstruction and economic development.

The considerations I have expressed in this talk were inspired strictly by an intense desire to see the foundations of that great institution grow ever stronger, its primary purposes be carried out better and better, and the institution become what its creators envisioned--a refuge and center of light in the service of suffering humanity and in that I have no doubt that its distinguished management share my opinion.

Translated by G. Aubé
French
7/2/52

Monsieur le Président, le sixième rapport annuel de la Banque Internationale pour la Reconstruction et le Développement, ainsi que le rapport des principales opérations, pour la période allant du 1er juillet 1951 au 31 mars 1952, ont fait l'objet d'une étude minutieuse de la part de ma Délégation.

Ces rapports, contenant un aperçu de la situation économique mondiale, la liste des prêts consentis aux différents pays et le détail des assistances diverses fournies aux Etats Membres et en particulier aux pays sous-développés en vue d'élaborer des programmes généraux de développement économique, constituent des documents dignes d'un haut intérêt et sont d'une utilité incontestable.

Suivant le sixième rapport annuel, la Banque Internationale a consenti, au cours de l'année fiscale écoulée, 21 prêts aux 11 pays totalisant l'equivalent de 297 millions de dollars. Le rapport complémentaire fait ressortir de son côté 14 prêts supplémentaires totalisant 213 millions de dollars. Depuis la période où la Banque Internationale a commencé ses opérations de prêts, c'est-à-dire depuis le mois de mai 1947 jusqu'à la fin de la période étudiée, le montant total des prêts était de 1326 millions de dollars.

Le processus suivi par la Banque Internationale, quand elle est saisie d'une demande de prêt, pour ne citer seulement que deux de ses phases, à savoir une étude approfondie

de toutes les ressources matérielles du pays récipiendaire et l'établissement d'une priorité dans l'ordre des projets à réaliser, est un facteur éminemment important de développement pour les pays qui s'efforcent ardemment de l'atteindre. Cette politique pondérée et réfléchie préviendrait la dilapidation ou le mauvais emploi des fonds nationaux ou internationaux qui sont devenus de nos jours si rares et si appréciés. Elle obligerait les Etats à suivre étroitement les principes économiques dans l'exécution de leur plan d'action.

La pratique suivie par la Banque Internationale, résultat d'une fructueuse expérience, constitue une sérieuse innovation sûre en efficacité et riche en résultats dans les annales des institutions du crédit. Ces missions composées d'experts qui étudient sur place tous les aspects des programmes de développement, les séminaires de la Banque au sein desquels les experts nationaux et les techniciens de la Banque échangent sur les problèmes mutuels des idées et arrivent aux conclusions pertinentes, ces experts qui vont observer dans les pays et sur le lieu même de l'execution, pour un certain temps, les plans d'aménagement économique, constituent autant de pas vers le progrès systématique de tous les pays et surtout ceux moins avancés qui ne sont pas encore complètement familiarisés avec les procédés modernes de développement.

Le Centre de formation professionnelle méditerranéen d'Ankara, en Turquie, qui a fonctionné d'octobre à decembre 1951,

et qui avait pour objet de familiariser les fonctionnaires des pays participants avec les méthodes d'élaboration des programmes de développement agricole, nous semble d'une utilité incontestable et nous souhaitons chaleureusement que des initiatives de ce genre soient prises au bénéfice d'autres régions et d'autres pays et que son domaine s'étende toujours davantage.

L'assistance que La Banque fournit aux autres institutions de crédit pour que ces dernières puissent à leur tour aider les emprunteurs privés est encore une des actions utiles et importantes de la Banque dans la voie de l'encouragement de l'initiative privée vers une meilleure productivité et de l'invitation de l'épargne nationale à s'engager avec confiance dans l'activité économique interne.

Au cours de ces dernières années, une autre initiative de la Banque Internationale a trouvé, très heureusement, un terrain favorable, et sa politique d'émission d'obligations a remporté un plein succès dans les pays tels que les Etats-Unis d'Amerique, la Grande-Bretagne, le Canada et la Suisse. Suivant le rapport complémentaire, le montant total des obligations non échues représenterait l'équivalent de 450 millions de dollars, sur lesquels 400 millions sont libellés en dollars américains et le solde en sterling, en francs suisses et en dollars canadiens.

Ces opérations, conjuguées avec la vente d'obligations du portefeuille, s'élevant à plus de 40 millions de dollars, qui

montrent le développement du champ d'activité de la Banque, ont accru considérablement son pouvoir de prêt, qui était limité, dans le passé, au montant disponsible pour ce but. Nous sommes heureux de constater que l'objectif principal de la Banque Internationale, qui est la création toujours croissante des facilités de crédit pour les pays Membres et en particulier pour les pays sous-développés, trouve enfin des éléments de sa réalisation dans la politique de crédit suivie actuellement par ses dirigeants.

Néanmoins, avec les actifs que nous avons pu énumérer brièvement, nous pensons que la Banque Internationale n'a pas pu, dans la mesure souhaitée, faire face à ses obligations primordiales, tout en reconnaissant que la puissance financière de la Banque Internationale n'est pas dans la proportion de pouvoir répondre à tous les appels de fonds. Dans l'analyse et l'interprétation de ses statuts, elle était animée d'un sentiment très restreint et ses champs d'action étaient étonamment limités. Mais fort heureusement, nous avons assisté, ces dernières années, à une évolution de cette notion et à une transition lente et salutaire.

Mais le sommet est loin d'être franchi et en tant que représentant d'un pays sous-développé dont l'assistance financière utile à l'exécution de ses programmes de développement se fait impérieusement sentir, je me vois dans l'obligation d'émettre quelques considérations.

En examinant la liste des pays emprunteurs et en étudiant les statistiques détaillées de L'assistance fournie par la Banque

pour le développement économique, on est frappé par le fait que presque les 2/3 des prêts se sont acheminés vers les pays développés et industriels.

Comme, à l'heure présente, les pays de l'Europe Occidentale ont remis en ordre leur économie désorganisée par la guerre et les reconstructions nécessaires ont été achevées, comme, d'après le rapport même de la Banque, le niveau de production de ces pays bénéficiaires s'est à tel point accru que la Banque attend qu'ils devraient égalemeht jouer leur rôle dans l'offre de capitaux aux régions insuffisamment développés du monde et que, par conséquent, les motifs de la priorité qui fut observée dans le passé ont cessé d'exister, on est en droit d'espérer un revirement de l'attitude de la Banque quant à l'assistance aux régions sous-développées.

Le rapport de la Banque mentionne 4 documents d'une importance particulière parus ces derniers temps sur l'économie mondiale et dans lesquels une pensée unanime domine, celle de s'intéresser mieux que par le passé aux pays insuffisamment développés. Il y est ajouté, d'autre part, que les efforts défensifs des Etats-Unis d'Amérique et de l'Europe occidentale sont inséparables de l'assistance économique des pays sous-développés et cet ensemble ne forme qu'un tout. Le rapport reconnaît ailleurs que les pays peu avancés dans le réalisation de leur programme de développement ont inévitablement besoin de l'assistance financière de la Banque.

Les obligations qui incombent à cette dernière sont grandes et lourdes de conséquence. Plus la Banque acquiert de l'expérience et accumule des connaissances, mieux elle peut évaluer l'immensité

de son oeuvre et la grandeur de ses responsabilités. Car la pauvreté, l'indigence et la position arriérée de la majorité des pays qui constituent les organes du corps mondial affecteraient, assurément, à la longue, les autres organes aussi forts et aussi sains que ces derniers puissent être. Examiner ces organes douloureux et souffrants, leur porter des remèdes adéquats, assister les pays insuffisamment développés, c'est maintenir la santé économique et sociale des pays avancés. Le jour où l'on verrait disparaître ce gigantesque décalage entre ces deux groupes de pays et un rapprochement se réaliser quant au niveau d'existence entre les peuples qui les habitent, ce jour là seulement on pourra être assuré que de grands pas ont été franchis vers le développement économique et social de l'humanité. En attendant cette étincelante perspective, nous enregistrerons seulement les chiffres portés constamment à la connaîssance de ce conseil, nous constatons avec douleur que la brèche, au lieu de diminuer, augmente de jour en jour et qu'il est ainsi malheureusement impossible que l'aisance et la prospérite puissent régner parmi les hommes.

Monsieur le Président, la Banque a consacré une partie de ses rapports aux projets pour lesquels l'assistance financière de cette institution a été requise; un court commentaire à ce sujet, pour la partie qui concerne tout spécialement mon pays, me paraît désirable.

La Banque, par l'envoi de plusieurs missions en Iran pour étudier les plans élaborés pour notre développement économique, a manifestement montré un réel intérêt pour nos problèmes et nos

aspirations. Et pour cela, nous ne pouvons que lui être sincèrement reconnaissants.

La dernière mission de la Banque arriva en Iran vers le mois de février 1951. Après de longues discussions, cinq projets, à savoir: l'aménagement du port de Khorramshahr sur le Golfe Persique, une fabrique de scierie au nord, une usine de ciment, la construction du barrage de Karadj, près de Téhéran, et la création d'une banque de crédit industriel, retinrent l'attention de la mission et l'accord fut atteint. Pour l'exécution de ces projets, un montant entre 19 et 21 millions de dollars avait été prévu. L'utilité et la productivité de ces projets furent reconnus et le principe de l'octroi de prêt fut accepté. Le Gouvernement iranien espérait qu'après de longues années d'étude et l'envoi de plusieurs missions d'experts, et alors que le principe de prêt avait été accepté, le côté financier de la question ne rencontrerait aucune difficulté. Mais ce prêt ne fut malheureusement pas déboursé, les projets attendent l'exécution et un certain découragement a fait place à l'optimisme qui s'était manifesté. Ici, je préfère rapporter la conclusion de la Banque concernant ses activités en Iran; elle dit entre autres que: "les événements en Iran depuis le mois de mars 1951 ont obligé la Banque à attendre jusqu'à ce que la situation devienne suffisamment claire pour lui permettre de procéder à un réajustement de la position de l'Iran." Apparemment, la raison de cette attitude réside dans la nationalisation de notre industrie du pétrole et l'arrêt provisoire des

des revenus d'exploitation. Le fait d'avoir relié la question du pétrole aux plans de développément économique dont la productivité fut expressément reconnue est en quelque sorte regrettable. On a peut-être pensé que les revenus du pétrole avaient joué dans le passé, dans l'économie irannienne, un rôle vital et que, privée de ces revenus, l'économie iranienne ne serait pas en mesure de faire face à ses obligations en cas d'une assistance de si faible importance. On a voulu laisser entendre qu'en tout état de cause, l'octròi de prêts à l'Iran serait subordonné au réglement de la question du pétrole, question qui, en soi, est considérée comme définitivement réglée par le gouvernement iranien.

Autant nous sommes sensibles à l'intérêt particulier que la Banque a manifesté en envoyant différentes missions pour étudier les plans que le gouvernement iranien avait élaboré, aved la collaboration d'éminents techniciens étrangers et une contribution matérielle de près d'un million de dollars, autant cette dernière attitude de la Banque, qui vient de trouver une expression concrète dans la conclusion de son rapport sur l'Iran nous attriste et nous plonge dans un profond regret.

Monsieur le Président, pour plus de clarté, je vous demanderai la permission de m'étendre un peu plus sur cette question et si j'abuse du temps et de la patience des honorables délégués et du Conseil, je m'en excuse très sincèrement.

Avant la deuxième guerre mondiale, c'est-à-dire dans la periode entre 1931 et 1941, les revenus du pétrole rentraient entièrement dans un compte spécial ouvert à Londres et ne figuraient sous

aucune forme au budget général de l'Etat. Ainsi, pas un seul penny de ces revenus ne prenait place dans la colonne des recettes de l'Etat, ni ne servait à financer les programmes de développement économique.

Je suis persuadé qu'avec les études et les investigations que la Banque a entreprises sur la situation économique de l'Iran, elle a pu s'assurer que la plus grande extension économique de mon pays s'était réalisée et achevée durant cette période. Et cette oeuvre magistrale a fait l'admiration des milieux économiques mondiaux. Pour passer ces réalisations très sommairement en revue, et en quelques phrases, je dirai que 25.000 Kms' de routes, 4 fabriques de tissage, 5 usines de produits chimiques, 8 raffineries de sucre, une grande fabrique de tabac et de cigarettes, 7 silos, des centrales électriques, nombres d'usines de second ordre et surtout le chemin de fer transiranien, qui relie le Golfe Persique à la Mer Caspienne, lequel, de l'avis des experts, est un chef-d'oeuvre d'art et de hardiesse et dont la construction nécessita plusieurs millions de dollars, furent tous construits pendant cette courte période. Et c'est surtout à cette même époque que le fondement de l'industrialisation de l'Iran fut réellement jeté. Tout cela sans dette extérieure ni intérieure et sans un penny des revenus du pétrole qui, comme je viens de le préciser, étaient conservés dans un compte spécial à Londres pour financer l'achat des armements.

La reconstruction économique de l'Iran et l'éxécution de

ses projets de développement n'ont eu, par conséquent, aucun rapport avec les revenus du pétrole et le fait de vouloir établir une corrélation entre ces deux facteurs, comme désire ~~le faire~~ le faire le rapport de la Banque, est, à notre sens, sans aucun fondement valable.

La productivité et la capacité de production de l'Iran, en considérant son potentiel moral et intellectuel actuel, sa jeunesse ardente et éclairée, son contact toujour plus étendu avec le monde des sciences et de la culture, la caravane de ses enfants qui, après avoir puisé les dernières données de la technologie moderne regagnent en flot continu la mère patrie, est aujourd'hui, assurément sans comparaison avec ce qu'elles ont été il y a vingt ans où tant de réalisations importantes virent le jour.

Il me faut donc pas attribuer les difficultés économiques actuelles de l'Iran à l'arrêt provisoire des revenus du pétrole car, comme je viens de le préciser, mon Gouvernement, avant la deuxième guerre mondiale et sans avoir recours aux revenus du pétrole, a pu jeter les bases de l'industrialisation du pays. Ces difficultés ne sont que les produits néfastes de la guerre et naquirent par suite des sacrifices du peuple iranien pour la victoire de ses alliés, sacrifices qui furent solennellement reconnus par les trois Grands à la Conférence de Téhéran et qui reduisirent considérablement notre vitalité économique. Et c'est précisément cet affaiblissement économique excessif qui empêcha notre redressement progressif et entrava notre développement dans les années d'après guerre. Pour ne citer qu'un example, je dirai que, pour

les besoins quotidiens des forces alliées stationnées en Iran, on eut recours à la circulation du papier-monnaie, suivie d'une inflation sans précédent qui se prolongea encore pendant quelques années après la fin des hostilités.

Dans la période entre 1940 et 1943, le montant des billets en circulation s'éleva de 1350 millions de rials à 7762 millions de rials et, conséquemment, l'indice du coût de la vie monta de 162 en 1940 à 1030 en 1944.

Le Gouvernement iranien donc, qui avait un besoin pressant de l'assistance financière extérieure, aussi bien pour la reconstruction de sa structure économique désorganisée par la guerre que pour son développement, et malgré la légitimité de sa cause et de sa demande, n'a pu rien obtenir jusqu'à présent dans ce sens.

Monsieur le Président, mon Gouvernement, pour compenser cette source importante de revenu, vient de reviser complètement son budget général, l'a rétabli sur une base d'équilibre et, par un système de contrats commerciaux de compensation avec différents pays, essaie de maintenir sa balance internationale de paiement et de faire face à la réduction des devises étrangères. Pour montrer les progrès déjà réalisés dans ce sens, il me suffira de dire que la somme des échanges à base de compensation, qui se montait à près de 1403 millions de rials en 1950 , s'est élevée a 3155 millions de rials dans les onze mois de l'année 1951 et, par voie de conséquence, l'exportation iranienne, qui se montait à 115,000 t. en 1949 a passé à 189,000 t. en 1950 et à 250,000 t. en 1951, c'est-a-dire plus du double de l'année 1949.

Monsieur le Président, si je me suis accordé un peu plus longuement le temps du Conseil, c'était pour montrer très clairement quels étaient les facteurs qui ont déterminé et créé la situation économique actuelle de l'Iran. Et j'ai essayé de décrire les mesures qui nous paraissent susceptibles de parer à l'état actuel des choses.

Je souhaite, en terminant, que la Banque, en prenant en consideration les vues déjà exprimées, consciente de son objectif principal de reconstruction et de développement et dans la voie de laquelle, comme j'ai pu relever au début de cet exposé, de grands pas avaient été franchis, veuille considérer l'assistance financière à l'Iran dont le principe a été accepté, uniquement sous l'angle de la détermination et du désir ardent du peuple et du Gouvernement de l'Iran de réaliser ses plans de reconstruction et de développement économique.

Les considérations que j'ai pu émettre, au cours de cet exposé, étaient strictement inspirées d'un vif désir de voir toujours davantage se fortifier les fondements de cette grande institution internationale, réaliser toujours mieux ses desseins primordiaux et devenir comme ses inspirateurs l'ont imaginé, un refuge et un centre de rayonnement, au service de l'humanité souffrante, et, dans ce sens, je pense sans aucun doute que ses distingués dirigeants partagent mon opinion.

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FOR THE PRESS

Address by Eugene R. Black, President of the
International Bank for Reconstruction and Development
Before the 14th Session of the Economic and Social Council of the
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During the fiscal year covered by the Annual Report, we made 21 loans to 11 different countries, aggregating $297 million. During the subsequent nine months, we made 14 additional loans for projects in 14 different countries, aggregating over $212 million. Our total of loans at March 31 of this year was just over $1.3 billion, for upwards of 250 projects in 26 member nations.

The documents before you give the facts and figures about these loans; they show the variety of purposes for which the loans were made and the objectives they are intended to achieve. But somehow written words seem inadequate to convey the real content of these operations. A loan agreement providing foreign exchange for a 120,000 kilowatt hydroelectric facility in Northern Brazil is likely to be a cold, unimaginative document - but the sight of the great San Francisco river actually being harnessed and a potentially important new industrial area being created where before there was little but tropical wilderness is something quite different - it is something stirring and exciting. And so

today, in telling you about our loans and some of the results they are helping to achieve, I am not going to speak in terms of increasing per capita national incomes or reducing dollar gaps or similar concepts; rather, I shall try to give you some idea of what you would see for yourselves if you visited some of the many places all over the world where the projects which the Bank is helping to finance are taking shape.

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In Brazil, in the area around Rio de Janeiro and Sao Paulo, where much of the country's population and industry are centered, one of the most remarkable civil engineering works in the world has recently been completed - the Paraiba-Pirai Diversion, by which river waters are raised to an elevation of a hundred feet above the level of the river, and then drop a thousand feet onto the enormous turbines of the generating plants.

In Mexico, too, extensive plans for power expansion are being carried out with the aid of Bank funds. The total capacity in 1948 was about 1,000,000 kw but when the projects in the present program are completed in 1955 it will reach 1,850,000 kw, almost double the 1948 capacity. This additional capacity will be used to serve Mexico's expanding industries as well as for irrigation and rural electrification.

These are some of our projects which are already producing tangible results. In addition, of course, there are many others which are in various stages of construction. In the Damodar Valley of India, a program along lines similar to that of the TVA has been started for flood control, irrigation and the generation of power to make possible more effective use of the large natural resources of that region. In Iraq, enormous earthmoving machines, driven by Bedouin tribesmen, are moving more than 40 million tons of earth to form a channel through which the flood-waters of the river Tigris may be diverted from inundating

Baghdad and the fertile farmlands which surround it. And in Thailand, a dam is being built across the Chao Phya river, the main transportation artery of the country, which will permit year-round navigation in an area now having neither roads nor railroads, will make possible the generation of hydroelectric power and, most important of all, will provide irrigation water for over two million acres of rice lands. The foreign exchange cost of this project, which the Bank is financing, amounts to $18 million. The anticipated benefit, from irrigation alone, is an increase in rice production amounting to nearly half a million tons a year, with an estimated foreign exchange value of roughly $50 million.

These examples are only some among many. I want to emphasize that, in the case of almost all of them, Bank funds are providing only a part of the required resources; in virtually every instance, the local currency costs are being financed from domestic sources. And it is local initiative, sometimes aided by technical assistance furnished by the Bank or by other agencies, which is providing the driving force for carrying these projects through.

It is true, of course, that a number of the projects might well have gone ahead even without Bank financing; in many cases, the funds supplied by the Bank have simply released for other uses domestic resources which would otherwise have been applied to the Bank-financed projects. It is for that very reason that we in the Bank have come to emphasize our members' over-all investment programs and not merely the particular projects for which Bank funds are used. Nonetheless, whatever discount one may wish to apply by reason of these factors, the concrete results being achieved through Bank-financed projects remain, for me, a source of real satisfaction. And I am happy to be able to report that, as far as we can now tell, the pace of Bank activity will continue to accelerate during the months which lie ahead.

I want to turn now to the Bank's other main field of endeavor - its technical assistance program. As you know, our principal activity in this field has been

the organization of general survey missions, designed to help member countries formulate long-term development programs. In this activity we have had the help of several other specialized agencies, FAO in particular. Thus far, we have sent out eight such missions - to Colombia, Guatemala, Cuba, Turkey, Iraq, Ceylon, Surinam and Jamaica - and the reports of all of them, except Ceylon and Jamaica, have been transmitted to the governments concerned; the Ceylon mission report will, we expect, be presented in a few weeks. In addition, we have organized two missions jointly with FAO to survey the agricultural sectors of the economies of Uruguay and Chile.

The results achieved through this type of activity are difficult to evaluate; in many cases, the intangible effects, in the sense of a changed approach by the government to its development problems, are more important than any concrete measures which may be adopted on the basis of the mission's recommendations. Yet such evidence as is available points strongly to the conclusion that the work done by these Bank missions is producing results in most of the countries to which they have gone.

In Colombia, for example, the stimulation provided, directly and indirectly, as a consequence of the Bank's general survey mission has already had the following results: A series of measures have been adopted which have succeeded in checking inflation and stabilizing the peso. The functions and powers of the Central Bank have been modified so as to enable it to exercise more effective control over monetary policy. Foreign trade has been liberalized with import licensing eliminated. The system of exchange rates has been overhauled. A far-reaching program has been undertaken to solve the country's serious transportation problem. It provides not only for improved highways but also for a reorganization of the railway system and of civil aviation ground facilities and communications; in each of these fields, the Bank is providing continuing assistance. And a National Board of Economic Planning has been established which, with the aid of an

economic adviser nominated by the Bank, is serving as a focal point for the coordination of the country's whole development effort.

In Guatemala, construction of a highway between Guatemala City and the Atlantic Coast - a project given top priority by the Bank's survey mission - has been begun. A Commission has been appointed to make recommendations for reorganization of the nationalized coffee estates, an essential reform stressed by the Mission. Similarly, in line with proposals of the Mission, the coffee export tax has been increased and technical committees have been appointed to make recommendations on the hydroelectric potentialities of the country and on port facilities on the Atlantic Coast. It may also be significant that several measures which the Mission recommended against have not been pushed since the presentation of the Mission's report.

In Turkey and Iraq, analysis of the most recent development budgets indicates that governmental thinking has been substantially influenced by the investment recommendations of the Bank's missions. The major development effort in Iraq is now being undertaken by the Development Board, to which has been assigned 70% of all oil royalties; the initial creation of this Board was recommended and assisted by Bank technicians.

Particularly gratifying results are being achieved in Nicaragua through a technique which we have been trying there during the last year as a variation from the usual general survey. The Government of Nicaragua asked us in the spring of 1951 to send a comprehensive development mission to that country. After conferences with representatives of the Government, they and we agreed that it might be more useful for the Bank to send one or two members of its staff to Nicaragua to spend about a year in the country working directly with the Government on the formulation of a development program and on the initial steps needed to implement its major features. The Bank accordingly designated a member of its economic staff as Special Representative to Nicaragua and a member of its

engineering staff as his assistant. These men went to Nicaragua last July and have just returned to Bank headquarters. They spent this period working with the Government on a long-range development program, including plans for capital investment, administrative and fiscal improvements, and action to be taken in all the major economic fields. They assisted the Government to arrange for other experts to come to Nicaragua for shorter assignments, under the auspices of the Bank, the Fund, FAO and other organizations, to study agriculture, transportation, fiscal problems, the banking and credit system and the organization of an agricultural and industrial financing institution. The final report of the Special Representative is now being reviewed in the Bank before formal submission to the Government, but a number of concrete steps have already been taken: A National Economic Council to coordinate the development policies and programs of the Government has been brought into effective operation; the Government has undertaken the organization of a National Development Institute to promote the growth of industry and agriculture; a five-year development program has been launched simultaneously with the country's first general development budget; and the Government has undertaken major changes in its fiscal, budgetary, and tariff policies.

Three other activities of the Bank during the past winter merit brief mention. As you doubtless know, late in 1951 the Bank, at the request of Iran and the United Kingdom, offered to assist in working out a temporary arrangement for the resumption of oil operations in Southern Iran under the interim management of the Bank and under conditions appropriate, in the Bank's judgment, to protect the Bank's resources from risks of a kind that are not incident to its usual business. Discussions took place with representatives of all interested parties over a period of several months, but they have now been recessed because of inability to reach agreement on several major points.

You are also probably aware that, during the course of a visit which I paid

to India and Pakistan last February, arrangements were made for engineers from India and Pakistan to study, together with Bank engineers, possible technical measures to increase the supplies of water available from the Indus system of rivers for purposes of economic development. Meetings to undertake this study commenced at Bank headquarters last month and are now in progress. We hope very much that these meetings will serve to advance the solution of this highly important and knotty problem.

Finally, to complete the story on this phase of the Bank's activities, I want to mention the report prepared by the staff of the Bank on the proposal for the establishment, as an affiliate of the Bank, of an International Finance Corporation, empowered to make equity investments and non-guaranteed loans to private enterprises. Since this report is to be considered separately by the Council, I will not elaborate further on the Finance Corporation proposal at this time.

A few words now on the financial results of our operations. During the last fiscal year, our earnings were slightly more than $15 million, and in the first nine months of this fiscal year, they reached almost $12-1/2 million. On March 31, 1952, our reserves totaled about $80 million.

We have thus far been successful in raising, through the issue of bonds, all the funds we have needed for our lending activities. Our bond issues now outstanding represent obligations totaling the equivalent of about $500 million. Most of these bonds were issued in the United States market, but moderate-size issues have also been successfully floated in England, Switzerland and Canada.

One of the seriously limiting factors on the Bank's operations has been the unwillingness of most member countries, because of the financial stringency which they are experiencing, to release any substantial portions of their 18% local currency subscriptions for use in Bank lending. Many borrowing countries have a much greater debt-servicing capacity in sterling or other EPU currencies

than they have in dollars - yet the Bank's available resources, in other than hard currencies, are at present very limited. This situation, unfortunately, is not likely to improve quickly.

Nonetheless, there has been some increase in the Bank's lending in non-dollar currencies. In June 1951, we made our first loan consisting entirely of currencies other than U.S. dollars. This was a power loan to Iceland, for which the United Kingdom, France, Denmark and Norway released portions of their subscriptions. For a later loan to Yugoslavia, also entirely in non-dollar currencies, Belgium, France, Italy, the Netherlands and Denmark made currency releases. And in March of this year the French Government agreed to make available the equivalent of $12 million in French francs as part of a loan to Pakistan for railway rehabilitation. In all, releases during the period from July 1950 through March 1952 amounted to the equivalent of almost $36 million.

The most encouraging development in this connection, however, occurred just last month when the Canadian Government announced its willingness to release for Bank lending the remaining portion of its original 18% subscription, amounting to $41 million. Previous releases by Canada had amounted to $17-1/2 million. Next to the United States, Canada has put the largest amount of capital of any member country at our disposal for loans.

So much for the activities of the Bank. Now, if you will permit me, I would like to say a few words in conclusion about the development effort in general.

The many obstacles to development have often been recited at this Council table. The obstacles are formidable; they should not be under-estimated and they cannot be quickly remedied. But, if I judge correctly, the problems today are being attacked with greater vigor and realism and on a broader front than ever before. Here and there we can see concrete evidence of progress - but, even more important, we can see in many places a new approach to the problems

which I believe will bring cumulative results over the coming years.

In an increasing number of countries, for example, we have witnessed the establishment of much needed central planning and coordinating bodies, of one kind or another, to assure effective use of the resources available. We have seen many new development institutes and financing corporations created to help in mobilizing local capital and in providing long-term financing for productive enterprises, both public and private. An encouraging start has been made in a number of countries on the formulation of long-range development programs and on the adjustment of governmental policies to the needs of such programs. In most of these programs, increasing emphasis is being placed upon the improvement of productivity, particularly in the field of agriculture, and steps are being taken to achieve this objective through the expansion of research and extension facilities. There seems to be a growing recognition, too, of the importance of monetary stability to orderly development and a greater willingness to take the harsh and unpopular measures sometimes necessary to achieve such stability. Educational efforts are being speeded to remedy the lack of skills at all levels - a lack which is perhaps the greatest single obstacle of all. In this field particularly, the international and bilateral technical assistance programs can perform an indispensable service.

What has already been done is, of course, only a start. Two of the most vital problems - land tenure and over-population - have hardly been tackled at all. Yet if the development efforts now being made, and the greater efforts which must continue to be made in the future, can gradually open up productive opportunities to the millions of persons now denied them, the forces of individual initiative and ingenuity which would thereby be released should give a powerful impetus to further progress.

It is the opportunity to advance, each in his own way, which is the significance of freedom to the peoples of the world. And it is the provision of that opportunity which is at once the challenge and the promise of the whole development process.

So far as the International Bank is concerned, we shall continue to do all that we can to assure that this process maintains the momentum it is now beginning to achieve.

ECOSOC
Suppl to 6th Annual Rept.

Mr. Eugene R. Black

June 9, 1952

Richard H. Demuth

Your Appearance before ECOSOC - Possible Questioning on "Special Fund" and on the Angell Report.

In your appearance before ECOSOC to present the Bank's Annual Report, it is not unlikely that you will be asked questions about the proposal for a "Special Fund" to make grants and long-term, low interest rate loans, and also about the Report of the Experts, headed by Professor Angell, on "Measures for International Economic Stability".

I.

If you are asked about the "Special Fund", and particularly whether the Bank could and would be willing to administer such a fund, I think you might make the following points:

(1) The Bank was not consulted by the United Nations Secretariat in connection with the preparation of its paper on this subject. We received the paper only at the beginning of June and consequently are not yet in a position to make any detailed comments about it.

(2) You have previously stated to the Council that, in your opinion, grant funds, effectively used, could serve a very useful purpose -- indeed, in some countries, the pace of development is not likely to accelerate without grant funds. Furthermore, you have previously expressed the position that effective international administration of grant funds would be preferable to administration under national auspices. These are still your views.

(3) You feel strongly that any "Special Fund" set up should be confined to making grants and should not engage in making long-term, low interest rate loans. Such loans serve to impair seriously the integrity of all international obligations and thus, in the long run, they impede rather than facilitate the international flow of capital. As the UN Experts themselves pointed out in their Report on "Measures for the Economic Development of Under-Developed Countries", no purpose would be served by long-term, low-interest bearing loans that could not be equally well served by a combination of grants and real loans.

(4) You would strongly advise against the creation of any "Special Fund" under which grants were allocated more or less automatically in accordance with a fixed set of principles. Whatever safeguards might be written into the charter of such a Fund, it would be highly unlikely that under this system grants would be utilized with maximum effectiveness. Just as in the case of loans, grants should be made for specific purposes, their use should be carefully supervised to assure that those purposes are achieved, and they should be conditioned on reasonable performance

by the recipient countries in taking those domestic measures necessary to assure that monies granted serve effectively to advance development. The more automaticity that is written into the charter, the less likely these objectives are to be achieved.

(5) You are not in a position to state whether the Bank would be willing to administer the grant fund if requested to do so, since this is a matter which must be decided by your Board of Directors. However, the decision would, in your judgment, largely turn on whether the character of the fund was such that, in the opinion of the Bank it could be operated effectively. Certainly, there are advantages in the same institution handling both loan and grant funds, in order to assure that both are used in support of the same development objectives. Amendment of the Articles of Agreement would probably not be necessary in order for the Bank to administer such a fund.

II.

As you probably know, the so-called Angell Report on "Measures for International Economic Stability" consists primarily of recommendations for action by the Bank and the Fund. So far as the Bank is concerned, the proposals are (a) that we should engage in substantially increased lending in times of depression for anti-cyclical purposes, and that to make this possible, a reserve shelf of projects should be worked up and, if necessary, measures should be taken to increase the Bank's resources, and (b) that there should be buffer stock schemes and international commodity agreements which might be financed by the Bank.

The Angell Report is a separate item on the agenda of ECOSOC and I suggest, therefore, that if any questions are asked you about that report, you state that the Bank's views will be made known at the time of the debate on that item. This is the same line which Mr. Rooth took when he appeared before ECOSOC. Mr. Rooth agreed to return to the Council meeting to participate in the discussion of this item, but I do not believe you need make any similar commitment.

A proposed statement to be made at ECOSOC by the Bank's representative at the time of the debate on the Angell Report has been prepared, a draft of which is attached. After clearance within the staff, we plan to circulate the statement to the Executive Directors for their approval.

CC: Messrs. Garner, Sommers
and Rosen.

R. H. D.

Attachment.

RHD:bd

ECOSOC – Suppl to 6th Ann Rpt.

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In Mexico, too, extensive plans for power expansion are being carried out with the aid of Bank funds. The total capacity in 1948 was about 1,000,000 kw but when the projects in the present program are completed in 1955 it will reach 1,850,000 kw, almost double the 1948 capacity. This additional capacity will be used to serve Mexico's expanding industries as well as for irrigation and rural electrification.

These are some of our projects which are already producing tangible results. In addition, of course, there are many others which are in various stages of construction. In the Damodar Valley of India, a program along lines similar to that of the TVA has been started for flood control, irrigation and the generation of power to make possible more effective use of the large natural resources of that region. In Iraq, enormous earthmoving machines, driven by Bedouin tribesmen, are moving more than 40 million tons of earth to form a channel through which the flood-waters of the river Tigris may be diverted from inundating

Baghdad and the fertile farmlands which surround it. And in Thailand, a dam is being built across the Chao Phya river, the main transportation artery of the country, which will permit year-round navigation in an area now having neither roads nor railroads, will make possible the generation of hydroelectric power and, most important of all, will provide irrigation water for over two million acres of rice lands. The foreign exchange cost of this project, which the Bank is financing, amounts to $18 million. The anticipated benefit, from irrigation alone, is an increase in rice production amounting to nearly half a million tons a year, with an estimated foreign exchange value of roughly $50 million.

These examples are only some among many. I want to emphasize that, in the case of almost all of them, Bank funds are providing only a part of the required resources; in virtually every instance, the local currency costs are being financed from domestic sources. And it is local initiative, sometimes aided by technical assistance furnished by the Bank or by other agencies, which is providing the driving force for carrying these projects through.

It is true, of course, that a number of the projects might well have gone ahead even without Bank financing; in many cases, the funds supplied by the Bank have simply released for other uses domestic resources which would otherwise have been applied to the Bank-financed projects. It is for that very reason that we in the Bank have come to emphasize our members' over-all investment programs and not merely the particular projects for which Bank funds are used. Nonetheless, whatever discount one may wish to apply by reason of these factors, the concrete results being achieved through Bank-financed projects remain, for me, a source of real satisfaction. And I am happy to be able to report that, as far as we can now tell, the pace of Bank activity will continue to accelerate during the months which lie ahead.

I want to turn now to the Bank's other main field of endeavor - its technical assistance program. As you know, our principal activity in this field has been

the organization of general survey missions, designed to help member countries formulate long-term development programs. In this activity we have had the help of several other specialized agencies, FAO in particular. Thus far, we have sent out eight such missions - to Colombia, Guatemala, Cuba, Turkey, Iraq, Ceylon, Surinam and Jamaica - and the reports of all of them, except Ceylon and Jamaica, have been transmitted to the governments concerned; the Ceylon mission report will, we expect, be presented in a few weeks. In addition, we have organized two missions jointly with FAO to survey the agricultural sectors of the economies of Uruguay and Chile.

The results achieved through this type of activity are difficult to evaluate; in many cases, the intangible effects, in the sense of a changed approach by the government to its development problems, are more important than any concrete measures which may be adopted on the basis of the mission's recommendations. Yet such evidence as is available points strongly to the conclusion that the work done by these Bank missions is producing results in most of the countries to which they have gone.

In Colombia, for example, the stimulation provided, directly and indirectly, as a consequence of the Bank's general survey mission has already had the following results: A series of measures have been adopted which have succeeded in checking inflation and stabilizing the peso. The functions and powers of the Central Bank have been modified so as to enable it to exercise more effective control over monetary policy. Foreign trade has been liberalized with import licensing eliminated. The system of exchange rates has been overhauled. A far-reaching program has been undertaken to solve the country's serious transportation problem. It provides not only for improved highways but also for a reorganization of the railway system and of civil aviation ground facilities and communications; in each of these fields, the Bank is providing continuing assistance. And a National Board of Economic Planning has been established which, with the aid of an

economic adviser nominated by the Bank, is serving as a focal point for the coordination of the country's whole development effort.

In Guatemala, construction of a highway between Guatemala City and the Atlantic Coast - a project given top priority by the Bank's survey mission - has been begun. A Commission has been appointed to make recommendations for reorganization of the nationalized coffee estates, an essential reform stressed by the Mission. Similarly, in line with proposals of the Mission, the coffee export tax has been increased and technical committees have been appointed to make recommendations on the hydroelectric potentialities of the country and on port facilities on the Atlantic Coast. It may also be significant that several measures which the Mission recommended against have not been pushed since the presentation of the Mission's report.

In Turkey and Iraq, analysis of the most recent development budgets indicates that governmental thinking has been substantially influenced by the investment recommendations of the Bank's missions. The major development effort in Iraq is now being undertaken by the Development Board, to which has been assigned 70% of all oil royalties; the initial creation of this Board was recommended and assisted by Bank technicians.

Particularly gratifying results are being achieved in Nicaragua through a technique which we have been trying there during the last year as a variation from the usual general survey. The Government of Nicaragua asked us in the spring of 1951 to send a comprehensive development mission to that country. After conferences with representatives of the Government, they and we agreed that it might be more useful for the Bank to send one or two members of its staff to Nicaragua to spend about a year in the country working directly with the Government on the formulation of a development program and on the initial steps needed to implement its major features. The Bank accordingly designated a member of its economic staff as Special Representative to Nicaragua and a member of its

engineering staff as his assistant. These men went to Nicaragua last July and have just returned to Bank headquarters. They spent this period working with the Government on a long-range development program, including plans for capital investment, administrative and fiscal improvements, and action to be taken in all the major economic fields. They assisted the Government to arrange for other experts to come to Nicaragua for shorter assignments, under the auspices of the Bank, the Fund, FAO and other organizations, to study agriculture, transportation, fiscal problems, the banking and credit system and the organization of an agricultural and industrial financing institution. The final report of the Special Representative is now being reviewed in the Bank before formal submission to the Government, but a number of concrete steps have already been taken: A National Economic Council to coordinate the development policies and programs of the Government has been brought into effective operation; the Government has undertaken the organization of a National Development Institute to promote the growth of industry and agriculture; a five-year development program has been launched simultaneously with the country's first general development budget; and the Government has undertaken major changes in its fiscal, budgetary, and tariff policies.

Three other activities of the Bank during the past winter merit brief mention. As you doubtless know, late in 1951 the Bank, at the request of Iran and the United Kingdom, offered to assist in working out a temporary arrangement for the resumption of oil operations in Southern Iran under the interim management of the Bank and under conditions appropriate, in the Bank's judgment, to protect the Bank's resources from risks of a kind that are not incident to its usual business. Discussions took place with representatives of all interested parties over a period of several months, but they have now been recessed because of inability to reach agreement on several major points.

You are also probably aware that, during the course of a visit which I paid

to India and Pakistan last February, arrangements were made for engineers from India and Pakistan to study, together with Bank engineers, possible technical measures to increase the supplies of water available from the Indus system of rivers for purposes of economic development. Meetings to undertake this study commenced at Bank headquarters last month and are now in progress. We hope very much that these meetings will serve to advance the solution of this highly important and knotty problem.

Finally, to complete the story on this phase of the Bank's activities, I want to mention the report prepared by the staff of the Bank on the proposal for the establishment, as an affiliate of the Bank, of an International Finance Corporation, empowered to make equity investments and non-guaranteed loans to private enterprises. Since this report is to be considered separately by the Council, I will not elaborate further on the Finance Corporation proposal at this time.

A few words now on the financial results of our operations. During the last fiscal year, our earnings were slightly more than $15 million, and in the first nine months of this fiscal year, they reached almost $12-1/2 million. On March 31, 1952, our reserves totaled about $80 million.

We have thus far been successful in raising, through the issue of bonds, all the funds we have needed for our lending activities. Our bond issues now outstanding represent obligations totaling the equivalent of about $500 million. Most of these bonds were issued in the United States market, but moderate-size issues have also been successfully floated in England, Switzerland and Canada.

One of the seriously limiting factors on the Bank's operations has been the unwillingness of most member countries, because of the financial stringency which they are experiencing, to release any substantial portions of their 18% local currency subscriptions for use in Bank lending. Many borrowing countries have a much greater debt-servicing capacity in sterling or other EPU currencies

than they have in dollars - yet the Bank's available resources, in other than hard currencies, are at present very limited. This situation, unfortunately, is not likely to improve quickly.

Nonetheless, there has been some increase in the Bank's lending in non-dollar currencies. In June 1951, we made our first loan consisting entirely of currencies other than U.S. dollars. This was a power loan to Iceland, for which the United Kingdom, France, Denmark and Norway released portions of their subscriptions. For a later loan to Yugoslavia, also entirely in non-dollar currencies, Belgium, France, Italy, the Netherlands and Denmark made currency releases. And in March of this year the French Government agreed to make available the equivalent of $12 million in French francs as part of a loan to Pakistan for railway rehabilitation. In all, releases during the period from July 1950 through March 1952 amounted to the equivalent of almost $36 million.

The most encouraging development in this connection, however, occurred just last month when the Canadian Government announced its willingness to release for Bank lending the remaining portion of its original 18% subscription, amounting to $41 million. Previous releases by Canada had amounted to $17-1/2 million. Next to the United States, Canada has put the largest amount of capital of any member country at our disposal for loans.

So much for the activities of the Bank. Now, if you will permit me, I would like to say a few words in conclusion about the development effort in general.

The many obstacles to development have often been recited at this Council table. The obstacles are formidable; they should not be under-estimated and they cannot be quickly remedied. But, if I judge correctly, the problems today are being attacked with greater vigor and realism and on a broader front than ever before. Here and there we can see concrete evidence of progress - but, even more important, we can see in many places a new approach to the problems

which I believe will bring cumulative results over the coming years.

In an increasing number of countries, for example, we have witnessed the establishment of much needed central planning and coordinating bodies, of one kind or another, to assure effective use of the resources available. We have seen many new development institutes and financing corporations created to help in mobilizing local capital and in providing long-term financing for productive enterprises, both public and private. An encouraging start has been made in a number of countries on the formulation of long-range development programs and on the adjustment of governmental policies to the needs of such programs. In most of these programs, increasing emphasis is being placed upon the improvement of productivity, particularly in the field of agriculture, and steps are being taken to achieve this objective through the expansion of research and extension facilities. There seems to be a growing recognition, too, of the importance of monetary stability to orderly development and a greater willingness to take the harsh and unpopular measures sometimes necessary to achieve such stability. Educational efforts are being speeded to remedy the lack of skills at all levels - a lack which is perhaps the greatest single obstacle of all. In this field particularly, the international and bilateral technical assistance programs can perform an indispensable service.

What has already been done is, of course, only a start. Two of the most vital problems - land tenure and over-population - have hardly been tackled at all. Yet if the development efforts now being made, and the greater efforts which must continue to be made in the future, can gradually open up productive opportunities to the millions of persons now denied them, the forces of individual initiative and ingenuity which would thereby be released should give a powerful impetus to further progress.

It is the opportunity to advance, each in his own way, which is the significance of freedom to the peoples of the world. And it is the provision of that opportunity which is at once the challenge and the promise of the whole development process.

So far as the International Bank is concerned, we shall continue to do all that we can to assure that this process maintains the momentum it is now beginning to achieve.

Secretar[illegible] Memorandum No. 784

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

April 29, 1952

FROM: The Secretary

STATEMENT OF PRINCIPAL ACTIVITIES OF THE BANK

There is attached a copy of a statement of principal activities of the Bank from July 1, 1951 through March 31, 1952, which has been forwarded to the United Nations for the use of the Economic and Social Council when it considers the Sixth Annual Report of the Bank.

Distribution:

Executive Directors and Alternates
President
Vice President
Assistant to President
Department Heads

Sec.6-169

April 15, 1952

STATEMENT OF PRINCIPAL ACTIVITIES OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT JULY 1, 1951 - MARCH 31, 1952

This statement supplements the Sixth Annual Report of the International Bank for Reconstruction and Development. It has been prepared for the use of the Economic and Social Council in connection with the Council's consideration of that Report. It summarizes the principal activities of the Bank from July 1, 1951, through March 31, 1952.

GENERAL OPERATIONS

During the period, the Bank made 14 loans amounting to $212,658,000, and made disbursements amounting to $131,575,137. At the end of the period, the total of all Bank loans was $1,326,183,000. Of this, $823,302,266 had been disbursed on March 31, 1952.

The Bank continued to provide its members with technical assistance, especially (1) by advising on the preparation and execution of specific development projects and (2) by helping to prepare general programs for economic development in its member countries and their territories.

AFRICA

Belgian Congo

On September 13, 1951, two loans totaling $70 million were made to help finance the 10 Year Development Plan of the Belgian Congo. One loan ($40 million) was made to the Congo itself with the guarantee of the Kingdom of Belgium; the other ($30 million) was made to the Kingdom of Belgium. Both are for a term of 25 years and carry interest at 4⅓%.* Amortization payments will begin on March 15, 1957.

* The interest rates on the loans mentioned in this statement include a 1% commission which, under the Bank's Articles of Agreement, is allocated to a Special Reserve.

The Congo Plan was put into effect in 1950. It is designed to expand production, increase exports and raise the standard of living. It contemplates expenditures for transport, communications, electric power and water services, and for the improvement of native agriculture, public health and education. Governmental investment under the Plan is estimated at the equivalent of $660 million, and it is expected that private enterprise will invest an approximately equal amount.

The loan of $40 million to the Congo was the first made by the Bank to the overseas territory of a member country. It will help to meet the foreign-exchange costs of capital goods needed for the Plan, and of raw materials and consumer imports needed in the Congo because of higher employment resulting from the Plan. The loan of $30 million to Belgium will help finance imports which Belgium needs as a result of increased production of goods for the Congo. The Belgian Government will make available to the Congo amounts of Belgian or Congolese francs equivalent to the $30 million loan. The rate of disbursement of the loans is being geared to the progress of the Plan in general and more particularly to expenditures for transportation facilities during the two years from July 1, 1951 to June 30, 1953.

British Territories in Africa

In August the Loan Director had discussions at the Colonial Office in London with a view to possible participation by the Bank in the development of Colonial Territories. Bank representatives paid brief visits to Kenya, Northern Rhodesia and Nyasaland in November 1951.

Ethiopia

The Bank made a loan of $5 million in 1950 to help finance a program of road rehabilitation and maintenance to be carried out by an Imperial Highway Authority. The Authority completed its first year of operations in February

1952. By that time, in spite of difficult supply conditions, most of the equipment needed for the program had arrived in Ethiopia and a good start had been made on the rehabilitation of the main roads.

A Bank loan of $2 million was made in 1950 to provide foreign exchange as part of the original working capital of a Development Bank of Ethiopia. The new institution began operations in the spring of 1951. It has now entered into agreements for three loans requiring about $600,000 of foreign exchange from the International Bank loan account. One of these loans is for the import of agricultural machinery, and the other two are to a textile company for mill equipment, spare parts and raw materials. The Development Bank has also made several loans requiring only local currency.

The International Bank made a loan of $1.5 million in February 1951 for the import of telecommunications equipment needed to expand and improve facilities for (1) telephone service in Addis Ababa, (2) interurban service throughout the country, and (3) radio-telephone and radio-telegraph links to other countries. The Bank has begun discussions with the Government regarding the organization of an agency to carry out the loan project and operate the telecommunications system.

Southern Rhodesia

Southern Rhodesia's economy has been expanding rapidly since the end of World War II. In October 1951, a Bank mission went there to study the economic situation and examine the Government's 4-year program for economic development.

On February 27, 1952, the Bank made a loan of $28 million to the Government to aid in carrying out the program by financing the import of some of the equipment needed for the expansion of electric power production and distribution. The loan is guaranteed by the United Kingdom; it is for a term of 25 years and bears interest at 4-3/4%. Amortization payments will begin on November 1, 1956.

The current development plan of the Government covers the four years to March 31, 1955, and envisages public investment equivalent to about $280 million. Private investment related to the program is expected to be of comparable size. Most of the public investment is to be in such basic services as transportation, electricity, communications and water supply. Railways and electric power development will receive the largest amounts; expansion in these services is vitally important in maintaining the country's rate of growth.

The proceeds of the Bank's loan will help finance imported equipment and materials required for power expansion during the last three years of the program. The expansion consists of the installation of about 230,000 kw of new thermal generating capacity, the erection of some 2,000 miles of transmission lines, and the installation of appropriate distributing equipment.

By far the larger part of the equipment to be bought abroad will come from the United Kingdom. Other suppliers will be the Union of South Africa and, to a limited extent, the United States.

The Bank will disburse dollars for purchases in the United Kingdom. These dollars will help offset the drain on the U.K.'s financial resources caused by the large-scale provision of capital - public and private - for Southern Rhodesia's general development program. The program will take U.K. exports that would have earned foreign exchange elsewhere. The U.K., moreover, must import raw materials and other components for manufactures exported to Southern Rhodesia. These factors mean less foreign exchange earned and more foreign exchange spent. The Bank's loan, by being disbursed in dollars for sterling purchases, will make up part of the dollar cost to the U.K. of its support of the Southern Rhodesian program.

A S I A

President's Visit to South and South East Asia

The President of the Bank, accompanied by members of the staff, visited Pakistan, India, Ceylon and Thailand during February and March 1952. He had discussions with officials and private businessmen on development plans and economic conditions in these countries. Wherever possible, he visited development projects being executed under Bank loans, saw the intended sites of future projects, and visited industrial enterprises.

Ceylon

At the request of the Government, the Bank organized a general survey mission to study Ceylon's economic potentialities and make recommendations to assist the Government in drawing up a long-range development program. The mission was composed of 12 members; five were from the Bank's staff, one was provided by the Food and Agriculture Organization of the United Nations, and one was nominated by the World Health Organization. Field work was completed in December, and the report of the mission is now in preparation.

India

A Bank mission visited India during November and December 1951 to examine the planning, financing and execution of the Indian development program. Early in February the findings of the mission were communicated to the Government, and it is expected that the Bank will enter into loan negotiations for selected projects in the program.

Iran

During his visit to Washington in November 1951, the Prime Minister of Iran had broad preliminary discussions with the Vice President of the Bank on the possibility of the Bank's putting forward a proposal under which, as an interim measure, the Bank might assist in restoring oil operations in south Iran.

Upon the invitation of the Prime Minister, a mission consisting of a member of the Bank's staff and an oil consultant arrived in Teheran at the end of December. After talks with the Prime Minister and other Iranian officials, the mission visited the oil properties and returned to Washington in January. They reported that the properties had been carefully looked after and that there were no insuperable technical difficulties standing in the way of resumed operations.

Early in February the Vice President of the Bank, accompanied by three members of the staff and the oil consultant, went to Teheran to discuss further the possibility of effecting the resumption of large-scale oil operations. The mission was not able to reach an agreement with the Iranian Government, and returned to Washington in March.

The present status of the negotiations is that they are recessed, not terminated. The Bank has informed the two member countries concerned, Iran and the United Kingdom, that it stands ready, as in the past, to assist in working out any practicable suggestion which offers a reasonable prospect of success.

Iraq

In 1950 the Bank made a loan to Iraq for a project to prevent the Tigris River from periodically flooding Baghdad and the agricultural area around it. Flood control is to be accomplished by a barrage and sluices which will divert excess water from the Tigris through a channel 33 miles long into a large land depression northwest of Baghdad, known as the Wadi Tharthar. In October 1951, a contract was awarded to a British firm for the construction of the channel, and work on this first phase of the project has now begun.

The report of the Bank's economic survey mission, headed by Mr. Ivar Rooth, now Managing Director of the International Monetary Fund, was presented to the Iraqi Government in February 1952. The mission was impressed by Iraq's potentialities for economic development. Rapidly rising revenues from oil make it

possible for the Government to undertake a large-scale development program over the next few years. Such a program, in the mission's opinion, should put major emphasis on the development of agriculture, both through the extension of irrigation to bring additional land under cultivation and through the improvement of drainage and agricultural techniques to increase the productivity of the land. In the industrial field the mission suggested the expansion of certain existing industries and the creation of new ones, in particular the establishment of a chemical plant which would utilize the natural gas from the Kirkuk oil field to produce fertilizer and other valuable chemical products.

The mission reported that the transport system is generally adequate for present needs. For the future it recommended the standardization of railway gauges in conjunction with a comprehensive program for replacement of track and rolling stock, and also urged that an adequate network of surfaced roads be developed. Throughout its report the mission stressed the importance of educational and health measures to raise working efficiency. The mission outlined a five-year development program. The program calls for a total public expenditure equivalent to approximately $470 million.

Pakistan

Loan negotiations with Pakistan, begun in the spring of 1951, have continued. During the summer of 1951 it was found necessary to revise the list of projects under consideration. In December 1951 Bank representatives visited Karachi to discuss the extent of the Bank's participation in Pakistan's development program. Loan negotiations were thereupon resumed on a new basis.

On March 27, 1952, the Bank made its first loan to Pakistan, for rehabilitating the separate railway systems in the western and eastern parts of the country. The loan is equivalent to $27.2 million, and will be disbursed chiefly

in dollars and French francs. It is for a term of 15 years and carries interest at 4-5/8%. Amortization will begin on August 15, 1954.

The loan will pay for imports of diesel locomotives, locomotive boilers, freight and passenger cars, workshop equipment and cross ties. Improved rail transport is of primary importance to Pakistan's economic development; it should help to stimulate production and to increase exports.

Other projects are still under discussion.

Syria

As mentioned in the Sixth Annual Report, the Bank has advised the Syrian Government that it is prepared to open negotiations on projects for drainage, highway improvement and the development of the Port of Latakia. Some discussions of negotiation procedures were held in September 1951 with the Syrian Governor of the Bank. It is expected that there will be further conversations in the near future.

Thailand

A Bank loan of $18 million was made in 1950 for a project to improve and extend the irrigation of the rice-producing central plain. The Royal Irrigation Department has now completed the design for a barrage on the Chao Phya River which will regulate the flow of water through the river and the canal system on the plain. The Department's engineering consultant, the U.S. Bureau of Reclamation, has approved the plans. A contractor has been engaged for the construction of the barrage, and the award of contracts for equipment is almost completed.

The Bank made a loan of $4.4 million in 1950 to help develop the Port of Bangkok. A channel is to be dredged to permit access of large ships to the Port, and equipment is to be provided for the port terminal. There were delays in the arrival of the dredging equipment, and the work began behind schedule, but it is now fully under way. Orders are being placed for the equipment needed at the

port terminal.

A Bank loan of $3 million was made in 1950 for railway rehabilitation. Most of the loan was intended to finance imports of equipment for the railway workshop at Makkasan. There has been delay in designing the reconstruction of the workshop and in deciding on the type of equipment to be acquired. At the request of the Government, the Bank will send an engineer to Bangkok to consult on these problems.

A U S T R A L I A

A Bank mission visited Australia during February and March to assess the effect on the country's economy of the Bank's loan of $100 million, made in August 1950. The mission also examined Australian development plans and prospects.

The President of the Bank, with members of the staff, visited the Commonwealth in March to get first-hand impressions of the country and its economy.

E U R O P E

Belgium

As mentioned on the first page of this statement, a loan of $30 million was made to the Kingdom of Belgium in September 1951 to assist in the development of the Belgian Congo.

Finland

Final repayment of the $2.3 million timber equipment loan of October 17, 1949 was received as due on September 30, 1951.

A Bank mission visited Finland in November 1951 to review economic developments and to study the country's investment program. On the basis of the mission's findings, the Bank informed the Government that it would consider a further loan to the Bank of Finland, mainly for electric power and the woodworking industries, with possibly a small amount for land clearance, drainage and the

construction of forest roads. Technical discussions with a Finnish delegation which visited Washington have been completed and negotiations are well advanced.

Iceland

In October 1951, the Treasurer of the Bank visited Iceland to advise on the organization and functions of the new investment institution being established along the lines recommended by an earlier Bank mission.

On November 1 the Bank lent £360,000 (equivalent to $1,008,000) to Iceland to increase agricultural production. The loan is for a term of 22 years and bears interest at 4-1/2%. Amortization payments will begin on December 1, 1956. As in the case of the Bank's earlier loan to Iceland (£875,000 for power development), disbursements are expected to be entirely in European currencies.

The Bank's loan will help finance, during 1952, a program aimed at encouraging agriculture. Improved houses and farm buildings are an essential part of this program to bring people back to the farms. The Bank's loan will provide foreign exchange for the import of materials to build or modernize farms and farm buildings and to improve grasslands. These materials will include fencing, cement, steel and lumber. The equivalent of the loan in Icelandic kronur will be lent to farmers by the Agricultural Bank to pay the local costs of these improvements.

Discussions are in progress on a possible Bank loan to aid in the financing of a nitrogenous fertilizer plant to be constructed near Reykjavik.

Italy

On October 10, 1951, the Bank made a loan of $10 million to aid in the development of Southern Italy. The loan, which is guaranteed by the Italian Government, was made to Cassa per il Mezzogiorno, a government agency charged with the administration of the Ten Year Plan for the Economic and Social Advancement of Southern Italy. The loan is for a term of 25 years and bears

interest at 4-1/2%; amortization payments will begin November 1, 1956.

The purpose of Italy's Ten Year Plan is to raise the standard of living in the "depressed areas" of the South by developing the land, employing unused manpower and creating a sound basis for industrialization.

The total cost of the Plan is estimated at the equivalent of $1,600 million. It includes the reclamation and irrigation of coastal areas and river valleys, reforestation of mountain areas, farm improvements, settlement of land distributed under the country's land reform program, construction of aqueducts, construction and rehabilitation of provincial roads, and some development of tourist facilities.

The dollars provided by the Bank's loan will make it possible for Italy to pay for additional dollar imports induced by the greater economic activity and employment resulting during the first year of the Plan. A second feature of the transaction is that the Cassa will use an amount of lire equivalent to the Bank's dollar loan for financing industrial projects supplementary to the Plan.

The Netherlands

On March 20, 1952, the Bank made a loan of $7 million to KLM Royal Dutch Airlines to help finance a program to replace part of its air fleet. The loan is guaranteed by the Netherlands Government and is secured by a mortgage on six planes. It is for a term of 6-1/2 years and bears interest at 4-1/8%.

The Chase National Bank of the City of New York is participating in the loan to the extent of half the total amount. Chase will make available to the International Bank, for disbursement to KLM, up to $3,500,000, for which Chase will receive notes of KLM.

KLM is re-equipping its air fleet in order to meet an expected increase in traffic over the next few years, to maintain its competitive position among international airlines, and to improve its dollar-earning capacity. The program

will cost about $33 million, and involves the purchase in the United States of 23 planes with the necessary spare parts. The Bank's loan will finance about 20% of the total cost. The remainder will be met by KLM out of its own resources.

Turkey

In 1950 the Bank made loans totaling $16.4 million for projects (1) to develop Turkish ports and (2) to provide grain storage facilities at various shipping points throughout the country. Both projects are about a year behind schedule, but are now progressing at an accelerated pace. Construction work has begun on inland storage sheds and silos, and a consultant is being retained to draw up plans and specifications for the three large silos which are to be built at ports. Equipment is being ordered both for constructing storage facilities and for handling grain. Several of the subsoil and engineering studies necessary for the reconstruction and development of Turkish ports have been completed.

In 1950, the International Bank lent the new Industrial Development Bank of Turkey $9 million to provide it with foreign-exchange resources. By February 29, 1952, the new institution had approved loans amounting to 20,877,000 Turkish liras for 39 projects. Two of these loans requiring foreign exchange equivalent to approximately $800,000 have been approved by the International Bank. One is for the establishment of a cotton ginning and oilseed plant; the other is for the modernization of a cotton spinning and weaving mill.

After receiving the report of the Bank's general survey mission in June 1951, the Government established a committee to study the mission's recommendations for a program of economic development. At the close of 1951 the Assistant to the President of the Bank and members of the staff visited Turkey to discuss, in the light of the mission's report, investment plans and the financial and economic policies of the Turkish Government. As a result of these discussions, the Bank informed the Prime Minister at the end of January that it was prepared to continue

its participation in financing Turkey's economic development. The Bank also stated that it was ready to open negotiations for financing a project to construct a dam and related power units on the Seyhan River near Adana. These negotiations began after the arrival of a Turkish delegation in Washington on March 13, 1952.

Yugoslavia

Final repayment of the $2.7 million timber equipment loan of October 17, 1949 was received September 30, 1951, the maturity date.

On October 11, 1951, the Bank lent Yugoslavia the equivalent of $28 million in various currencies for development projects in every major sector of the country's economy. The loan is for a term of 25 years and carries interest at 4-1/2%. Amortization payments will begin on April 15, 1955.

For the purpose of this loan the Governments of Belgium, Denmark, Italy, the Netherlands and the United Kingdom have authorized the use of part of their local-currency subscriptions to the Bank's capital. Additional amounts of European currencies, part of which may be used in this loan, were obtained by the Bank from a sterling bond issue in May 1951 and a Swiss-franc issue in July 1951.

The Bank's loan will provide a small but critical part of the investment which the Yugoslav Government is undertaking in many basic fields: electric power development, coal mining, non-ferrous metallurgy, manufacturing, utilization of forest products, agriculture, fisheries and transportation. Most of the proceeds of the Bank's loan will be used for the expansion and modernization of facilities already in existence or for new projects that are close to completion. The undertakings which the loan is helping to finance are expected to have a prompt and substantial impact on Yugoslavia's production and trade balance.

Because of the unusual number of currencies in the loan, members of the staff went to Europe in November 1951 and had discussions with Belgian, British,

French and German bankers on disbursement procedures to be followed for those portions of the loan being spent in Europe. The staff members also visited Yugoslavia to make arrangements for the Bank to follow the progress of the projects it is helping to finance.

Mediterranean Training Center

A Training Center on Agriculture and Allied Projects was established in Ankara, Turkey, from October to December 1951. The Center was sponsored jointly by Turkey, the United Nations, the Food and Agriculture Organization and the Bank. It was attended by 60 participants: 40 from Turkey and 20 from 10 other Mediterranean countries and territories. The purpose of the Center was to train government officials in appraising and drawing up agricultural development projects. Two members of the Bank's staff served as instructors.

WESTERN HEMISPHERE

Brazil

A Bank mission visited Brazil during July and August 1951 to consult with the State Electric Commission of the State of Rio Grande do Sul and to study its plans for expanding electric power and light service.

The Bank has continued to maintain close contact with the Joint Brazil-United States Economic Development Commission. The Commission, which is engaged in the preparation of an investment program for Brazil, has presented reports on several projects for the Bank's consideration.

In November 1951 the President of the Bank, with members of the Bank's staff, visited Brazil for two weeks to learn at first hand about development problems and plans. The party visited Rio de Janeiro, Sao Paulo, Porto Alegre and Belo Horizonte.

Chile

On October 10, 1951, a loan of $1.3 million was made to the Corporacion de Fomento de la Produccion, a Government agency, with the guarantee of the Government. The loan is for a term of 10 years and carries interest at 4-3/8%. Amortization payments will start on April 1, 1955.

The objective of the loan is to increase the production of food by the discovery and use of new water resources for irrigation. The Bank's loan will be used to finance the foreign-exchange costs of equipment and technical services necessary to determine the amount of underground water in the Rio Elqui Valley and to begin the use of that water. The project is in effect a pilot undertaking; it may point the way to the use of underground water in river valleys of northern Chile.

Bank representatives visited Chile in February 1952 to make a technical investigation of a paper and pulp project which the Bank is considering. They

also continued discussions with two private coal mining companies which have asked the Bank to help finance the modernization of their operating equipment.

The joint Bank-FAO mission completed its field study of agricultural development in Chile and returned to the Bank in September 1951. The mission's final report and recommendations are now in preparation.

Colombia

On November 13, 1951, the Bank made a loan of $2.4 million for electric power development in Colombia. The loan, guaranteed by the Government, was made to the Central Hidroelectrica del Rio Lebrija, Ltda. It is for a term of 20 years and bears interest at 4-1/2%; amortization payments will begin on January 1, 1954.

The loan will be used to finance the major part of the foreign-exchange cost of the Lebrija hydroelectric project. The project provides for the building of a hydroelectric plant, the construction of transmission lines and the enlargement of the present distribution system. The plant will have an installed capacity of 9,500 kva, but is designed for an eventual output of 19,000 kva. Work on the project is already at an advanced stage and is scheduled for completion by May 1953. When completed, the project will relieve the acute power shortage in Bucaramanga, one of the fastest growing cities in Colombia and the center of the tobacco-processing industry.

The Bank has continued to provide a variety of technical assistance to aid the Government in carrying out a long-range development program. An Economic Development Committee, established in 1950 to work out specific recommendations for a development program based on the report of the Bank's general survey mission, completed its work in September 1951. At the request of the Government, several members of the Bank's staff assisted the Committee in its studies. The Government has already carried out a number of the Committee's

recommendations and in August 1951 the Vice President of the Bank visited Colombia to discuss the progress being made.

A representative of the Bank is now in Colombia for consultation with the Government on various aspects of the program. The Bank has made nominations for the post of economic adviser to the Planning Office, which has been created by the Government to coordinate all Government activities involved in the execution of the program. In November 1951 the Bank sent an expert to Colombia to suggest measures for the development of the capital market.

The Bank has under consideration a project for the construction of the Magdalena Valley Railroad which would provide a through rail connection from Buenaventura on the Pacific Coast to Bogota. Since December 1951 consulting engineers engaged jointly by the Bank and the Government have been making a study of the railway system with a view to suggesting measures for administrative and financial reorganization. They have also been making a study of a proposed corporation for the ownership and administration of civil aviation ground and communications facilities in Colombia.

Costa Rica

A Bank mission visited Costa Rica in October 1951 to study the general economic situation and to examine the Government's development plans. The Bank subsequently informed the Government of its willingness in principle to participate in financing a transportation program consisting of railroad, highway and airport projects, and to consider other projects when they were ready. In February 1952 the Government informed the Bank that in view of a substantial budget surplus in 1951 and good revenue prospects for the current year, it would be able to carry forward its immediate development program without external financial assistance.

Cuba

The report of the Bank's general survey mission was presented to the Government in August 1951. In its report the mission expresses the belief that Cuba has ample resources, both human and material, with which to increase its output, broaden its economic base, and create a better standard of living for its people. The report offers a large number of suggestions and recommendations in various fields and urges that the Cubans work out for themselves a long-term strategy for development aimed at the following objectives:

1. To make Cuba less dependent on sugar by promoting new enterprises - not by curtailing sugar production.

2. To expand existing - and create new - industries producing sugar by-products or using sugar as a raw material. This objective deserves a first priority because progress in this direction will make the sugar sector of the economy more stable.

3. To promote vigorously the export of non-sugar products in order to reduce the dependence on exports of sugar. This will help both to raise total income and employment and to stabilize the economy. Among the most promising possibilities for achieving this aim are the promotion of exports of minerals and of various crude and processed foodstuffs.

4. To produce in Cuba, for domestic consumption, a wide range of foodstuffs, raw materials and consumer goods which are now imported.

Dominican Republic

The Government has asked the Bank to provide assistance in making a technical survey of possible hydroelectric development. Staff representatives of the Bank were to arrive in Ciudad Trujillo in mid-April 1952 to discuss these possibilities in the light of the Government's plans for economic development.

Ecuador

The President of Ecuador has sent the Bank technical reports on a project for the construction of a new port for Guayaquil. The Bank is studying the

project and is also considering how it can assist in the economic development of Ecuador.

Guatemala

After receiving the report of the Bank's general survey mission in July 1951, the Government established a Citizens' Committee to study the report and make recommendations for a long-term development program. To assist the Committee and also to advise the Government on fiscal aspects of the development proposed in the report, the Bank stationed a staff member in Guatemala for several months. In November 1951 the Citizens' Committee submitted its findings, which endorsed almost all of the mission's recommendations, to the National Economic Council of the Government. In December the Government announced that it would proceed to include the recommendations of the Committee in its economic program.

Jamaica

A general survey mission, organized by the Bank at the request of the Governor of Jamaica, arrived in Kingston in early March. The group is making a study of the development requirements of Jamaica, particularly in consideration of the island's rapid rate of population growth, and will recommend a long-range program for meeting these requirements. Of the mission of seven, four are members of the Bank's staff; two are agricultural specialists and were selected in cooperation with the FAO, which is helping to pay for them. The mission is expected to be in Jamaica for two or three months.

Mexico

On January 11, 1952, the Bank made a loan of $29.7 million for electric power development in Mexico. The joint borrowers were the Federal Electricity Commission and Nacional Financiera, the financing agency of the Mexican Government, and the loan is guaranteed by the Mexican Government. It is for a term

of 25 years and bears interest at 4-1/2%; amortization payments will begin in 1955.

The projects financed by this loan and by two previous loans made to Mexico for power expansion will provide an additional 700,000 kw of generating capacity by 1955. Total capacity in that year will be 1,850,000 kw, or nearly double the 1,000,000 kw operating before the Bank's first power loan in 1949. Because of the rapid growth of population and industry, this increase will be sufficient only to cover the most essential requirements.

The projects to be financed by the latest loan are two hydroelectric plants, four steam electric stations, and increased distribution facilities. Some of the projects will serve industrial areas, such as Mexico City and Monterrey, where further development is hampered by lack of power; others will help stimulate the development of agriculture and industry in relatively undeveloped regions such as the Yucatan and Lower California.

Three loans, totaling $268,050, have been made under the $10 million industrial line of credit opened by the Bank in October 1950. Two of the loans will finance the import of textile machinery, and the third, the import of machinery for manufacturing kitchen stoves.

Nicaragua

On October 29, 1951, the Bank made a loan of $550,000 to Nicaragua for the construction of a plant for drying and storing grain. The loan is for a term of 10 years and bears interest at 4-3/8%; amortization payments will start on September 15, 1954.

At present, Nicaragua loses a substantial portion of her grain crops through spoilage because of a complete lack of modern facilities for drying and storage. The drying and storage plant to be financed under the Bank's loan will have a capacity of 6,000 tons, and will be situated at Managua, the largest center of grain consumption. Successful operation of the plant

would demonstrate the advantages that could be obtained by the wider establishment of similar facilities: greater stability in the supply and price of grain and grain foods, improvement in the quality of grain marketed for local consumption, and an increase in the quantity and quality of grain available for export.

A Special Representative of the Bank arrived in Nicaragua in July 1951 to work closely with the Government in drawing up a development program and putting it into effect. The Representative has been assisted by a Bank engineer, and has coordinated the work of other experts, enlisted by the Government or by the Bank on the Government's behalf, advising on problems in their special fields. Consultants have included: a representative of the Corporacion de Fomento de la Produccion of Chile, who gave advice on the organization of a development corporation in Nicaragua; a staff member of the Federal Reserve Bank of New York, who prepared recommendations for fiscal reforms; a Food and Agriculture Organization expert, who conducted a survey of agricultural needs; and a member of the Bank's own staff, who made recommendations concerning the development of transportation. In addition, the Bank gave a leave of absence to another member of its staff in December 1951 so that he could serve for approximately two years as Executive Secretary of the National Economic Council.

Panama

The preliminary mission mentioned in the Sixth Annual Report visited Panama in September - October 1951. On the basis of the mission's report, the Bank is now considering what further action it can take to promote the planning and execution of development projects in Panama.

Paraguay

On December 7, 1951, a loan of $5 million was made to Paraguay to help

increase agricultural production. The loan is for a term of nine years and bears interest at 4-3/8%. Amortization payments will begin on May 1, 1954.

The loan will be used to finance imports of farm machinery and supplies, road-building and maintenance equipment, and trucks. Wider distribution of farm implements and supplies should enable farmers to increase acreage under cultivation and to improve yields per acre. Better roads and motorized transport will link isolated producing areas with marketing and supply centers, and should not only reduce losses of perishable goods between farm and market, but should also induce farmers to plant larger crops.

Peru

On January 23, 1952, the Bank made a loan of $2.5 million to Peru for the improvement of the Port of Callao. The loan is for a term of 15 years and bears interest at 4-1/2%. Amortization payments will commence on January 1, 1954. The loan will be used to finance facilities for handling general cargo and for the unloading and storage of bulk grain. These cargoes account for 80 to 85% of the freight moving through the Port; handling them more efficiently will speed up the turn-around time of ships, eliminate losses of grain from spillage and effect savings in foreign exchange. The total cost of the project is estimated at about $4 million.

To assure more efficient operation of the Port, the Government of Peru is setting up an autonomous Port Authority under the direction of an experienced Port Administrator.

Surinam

A general survey mission, organized by the Bank at the request of the Governments of the Netherlands and of Surinam, arrived in Paramaribo at the end of October 1951 for a month's stay. The mission was headed by the Bank's Director of Technical Assistance and Liaison; it included an agricultural

specialist and a consultant on forestry, both provided by the Food and Agriculture Organization, a specialist in industry and power, a transportation specialist, and an economist. The report of the mission is now in preparation.

Uruguay

The report of a joint Bank-FAO mission was presented to the Government in July 1951. The report contains a series of recommendations on measures to stimulate and improve agricultural and livestock production, to reduce costs of production and to improve marketing methods. The mission stresses the need for expanding research, which requires, among other things, the provision of facilities to develop and test new methods for increasing productivity. In addition, the report recommends a program of increased afforestation to protect agricultural and grazing land and to increase domestic fuel and lumber supplies. In the opinion of the mission, there are also wide opportunities for improvement in the transportation, storage and marketing of agricultural products.

The report outlines suggested changes in the organization of public agencies concerned with agriculture. The mission believes these changes are necessary to assure the services needed for successful execution of the recommended production and marketing program. While the mission did not attempt to calculate precisely the amount of capital investment which would be required to carry out its recommendations, it noted that the period of agricultural prosperity then prevailing was a favorable time to undertake important adjustments and improvements.

Training Center and Seminar

A Latin American Training Center on Agriculture and Allied Plans and Projects was established in Santiago, Chile, from October to December 1951. The Center was sponsored jointly by Chile, the United Nations, the Food and Agriculture Organization and the Bank. It was attended by 68 participants from 20 Latin

American countries. The purpose of the Center was to train government officials in drawing up and appraising agricultural development projects. Two members of the Bank's staff served as instructors.

The Bank is preparing to publish the proceedings of a Seminar on Problems of Development Programming which was held from June 20 to 28, 1951, at the Pan American Union in Washington. The Seminar was sponsored by the Bank and the Economic Commission for Latin America, and was attended by 23 economists from 13 Latin American countries. The Seminar was concerned primarily with practical techniques for formulating development programs. Special emphasis was given to methods for measuring the additional resources that become available for investment as national income and savings rise. The group discussed monetary, fiscal and trade policies necessary to foster economic growth. It examined criteria for selecting appropriate fields for government action, and discussed techniques for programming the development of transportation, agriculture, industry and other sectors of economic activity.

FINANCIAL ACTIVITIES AND RESOURCES

EARNINGS, RESERVES AND DISBURSEMENTS

Net earnings of the Bank in the nine months ended March 31, 1952, amounted to approximately $12,400,000, all of which was credited to the General Reserve. In addition the Bank added about $5,500,000 to the Special Reserve during the period. On March 31, 1952, the General Reserve amounted to approximately $54,500,000 and the Special Reserve totaled about $25,500,000.

Disbursements on loans amounted to $131,575,137. On March 31, 1952 the total disbursements aggregated $823,302,266.

SALES OF SECURITIES

New Issues of the Bank's Bonds

Three new bond issues were floated by the Bank in the period under review. The Bank made its first public offering in Canada: an issue of $15 million 4% Canadian dollar bonds due in 1962. A group of 170 Canadian dealers and chartered banks, headed by Dominion Securities Corpn., Limited; A. E. Ames & Co., Limited; and Wood, Gundy & Company, Limited, underwrote the issue and offered it at par to the public on February 5, 1952. The offering was successful. Canadian insurance companies and other institutional investors purchased nearly 50% of the issue; the remainder was purchased by the general public.

On July 3, 1951, bonds of the Bank were also offered publicly for the first time in Switzerland; two previous issues had already been placed privately with institutional investors in that country. The issue consisted of 50 million 3-1/2% Swiss franc bonds due in 1963. It was offered through a group of Swiss banks headed by the Swiss Bank Corporation (Basle), the Credit Suisse (Zurich), and the Union Bank of Switzerland (Zurich). The issue was offered at par, and was substantially oversubscribed.

An issue of $100 million 3-1/4% thirty-year bonds was offered by the Bank in the United States on September 12, 1951. The offering was made at par through a nationwide sponsorship and dealer group managed by First National Bank of Chicago and Halsey, Stuart & Co., Inc.

The total of International Bank issues now outstanding is equivalent to $449,858,586, of which $400 million is denominated in United States dollars and the remainder in sterling, Swiss francs and Canadian dollars.

Sales of Bonds from the Bank's Portfolio

During the period, the Bank sold a total of $1,568,884 of bonds from its loan portfolio without its guarantee. These sales included $200,000 of Canadian dollar bonds of Brazilian Traction, Light & Power Co., Ltd. (U.S. equivalent $182,884); $1,200,000 of bonds of Credit National of France; and $186,000 of bonds of the Grand Duchy of Luxembourg. The Bank also sold $5,942,000 of bonds from its loan portfolio with its unconditional guarantee as follows: $442,000 of bonds of the Corporacion de Fomento de la Produccion of Chile; $1,910,000 of bonds of the Dominion of India; $500,000 of bonds of the Caja de Credito of Colombia; $290,000 of bonds of the Bank of Finland; and $2,800,000 of bonds of Credit National of France.

Total sales by the Bank of the obligations of its borrowers on March 31, 1952, aggregated $40,528,380, of which $4,908,000 have now been retired by the borrowers.

The Market for the Bank's Bonds

Trading in the Bank's bonds reflected unsettled conditions in the securities markets of the United States and other countries. The following table lists the Bank's bonds, the bid and asked prices as of March 31, 1952, and the yield on the bonds based on the asked price:

Bonds	Price Bid	Asked	Yield
3% bonds due 1972	95-1/2	96-1/2	3.24%
2% serial bonds due 1953-62	*	*	2.40% *
3% bonds due 1976	95-1/4	96-1/4	3.23%
3-1/4% bonds due 1981	97-7/8	98	3.36%
3-1/2% sterling loan stock due 1966/71	88	88-1/2	4.39%
3-1/2% Swiss franc bonds due 1963	96-1/4	96-3/4	3.84%
4% Canadian dollar bonds due 1962	99-1/2	99-3/4	4.03%

MEMBERSHIP AND CAPITAL

Sweden and Burma became members of the Bank during the period, increasing the number of member countries to 51. Sweden subscribed to 1,000 capital shares of stock valued at $100 million; Burma subscribed to 150 capital shares of stock valued at $15 million. The subscribed capital of the Bank currently stands at $8,453,500,000.

In August 1951, Japan applied for membership in the Bank.

ORGANIZATION

In October 1951, the Bank announced the establishment of the Department of Technical Assistance and Liaison. Mr. Richard H. Demuth, formerly Assistant to the Vice President of the Bank, was appointed Director of the new unit. The Department is charged with responsibility for coordinating the technical assistance activities of the Bank and for maintaining liaison with the United Nations, its specialized agencies, and other international organizations.

*These bonds are quoted on a yield basis and the quotation represents the average yield for a strip of these bonds including all maturities.

E/C6/SOC

March 20, 1952

Dear Sir:

I wish to acknowledge receipt of and to thank you for your communication of January 21, 1952 informing the International Bank of the fourteenth session of the Economic and Social Council to be held at United Nations Headquarters in New York, beginning Tuesday, May 13, 1952.

I am pleased to inform you that the representatives of the International Bank at the fourteenth session of the Economic and Social Council will be Mr. Eugene R. Black, President of the Bank, and Messrs. Richard H. Demuth and Enrique Lopez-Herrarte. Furthermore, I wish to inform you that during the course of the sessions of the Council members of the staff of the Bank will attend meetings of particular interest to them.

Sincerely yours,

R. L. Garner

Mr. Trygve Lie
Secretary-General
The United Nations
New York, N. Y.

cc: Central Files

ELopezHerrarte:tf

JAN 22 1952

UNITED NATIONS NATIONS UNIES

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FILE NO.: ECA 55/03

The Secretary-General of the United Nations presents his compliments to the President of the International Bank for Reconstruction and Development and has the honour to state that the fourteenth session of the Economic and Social Council will open at 11 a.m. on Tuesday, 13 May 1952, at United Nations Headquarters, New York. A copy of the provisional agenda (document E/2163) is enclosed.

returned by E.L.H.

The Secretary-General has the honour to request that the names of representatives who will attend the forthcoming session of the Council may be communicated to him as soon as possible.

21 January 1952

ECOSOC

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FOR THE PRESS

Press Release No. 237

Address by Eugene R. Black, President of
The International Bank for Reconstruction and Development
Before the Economic and Social Council of the United Nations
at Santiago, Chile

NOT TO BE RELEASED UNTIL TIME OF DELIVERY, NOW ESTIMATED
TO BE THE AFTERNOON OF MONDAY, MARCH 5, 1951 OR
THE MORNING OF TUESDAY, MARCH 6, 1951

Mr. Chairman, Delegates to the Council:

I am glad to be able to say to you here today that the 12 months since we last met together have been an active and successful period for the International Bank. I want to summarize quite briefly our achievements during that period, and then to discuss more fully with you some of the special problems that aggression in Korea now forces us to consider in connection with the task of raising productivity and living standards. It is equally important to describe some of the basic lessons which the Bank has been learning about this task. For these lessons must be widely applied if men are to win that "larger freedom" of which the Charter speaks, and which today more vividly than ever is the goal of the United Nations and of your Council.

The documents you have before you -- our Fifth Annual Report and a supplemental statement bringing that Report up to date -- show what the Bank is doing to enlarge the freedom of men. It is helping to engage them in productive work; to put at their disposal such essentials as more power, better transport, and machinery for developing the land; and in general is providing them with tools which can magnify both the results and the rewards of their labor.

Since I met with you at Lake Success, the Bank has lent a third of a billion dollars for productive projects in its member countries. During the year, we made our first loans in Africa, the Near East, southeast Asia and Australia. Our

total commitments now come to more than a billion dollars, of which almost two-thirds has been paid out, for more than two-score undertakings in 20 nations. In short, the Bank has become one of the major sources of investment in economic development all over the world.

The Bank is functioning effectively as a pool of both governmental and private resources. More than half of our member countries, as compared to only five when I last talked to you, have consented to our use of some or all of their local-currency subscriptions to the Bank's capital. While the sums are not yet large, I hope and expect that our progress in this respect will continue.

We have been able to facilitate the participation of risk capital in economic development. In 1950 for the first time, portions of our loans were transferred into private hands without our guarantee, by the sale of bonds we had received from borrowers. A feature of one of our most recent loans was the simultaneous action taken by American banks to provide financing to the borrower for purposes related to that loan.

I want to emphasize here today that the Bank does not now face any difficulty in raising sufficient funds of its own to support its future lending activities. The bonds of the International Bank are well established in the American securities market. They are gaining additional acceptance abroad. Two important European stock exchanges, during the year, have been opened to our American issues: the Paris Bourse to direct trading, the Amsterdam Exchange to trading in certificates issued on the basis of our bonds held by Dutch banks. Banking institutions in a number of Latin American countries have now been authorized to purchase our bonds.

In the past year, we again went outside the United States to raise new money, through a second issue of our securities floated in Switzerland for Swiss francs. At the present time, we are making tentative plans to enter the Canadian market some time this year.

The major market for our bonds, of course, still lies in the United States.

As you know, we have just made a highly successful offering of U.S. dollar bonds. The requests of investors for these bonds, substantially exceeded the amount offered. American market leaders have cordially received the news that from now on, the International Bank expects to be selling its securities regularly as its lending operations require.

Barring unforeseen eventualities, I think both the Bank and its borrowers may rely on a continuous flow of funds from private investors, in the United States and elsewhere.

Events in Korea, however, suddenly confront us with the fact that availability of funds no longer means, as it would have meant a few months ago, that the supplies and equipment needed for development will smoothly be forthcoming as well. The armament efforts now proceeding in many parts of the world are pre-empting materials, machinery and manpower which otherwise could be used to create more wealth and higher standards of living.

This effect, serious in itself, may become still more serious if it is allowed to lead into uncontrolled inflation. Many of the underdeveloped countries today find that their foreign-exchange earnings have increased substantially as a result of the rise in the prices of foodstuffs and raw materials which they produce. But unless these countries undertake appropriate measures such as taxation, their changed international position will cause internal inflation. The result of that inflation would be to dissipate increased earnings without achieving any beneficial investment in development.

Inflation is no less a problem for the industrial countries of the world. In their case, inflation would eat up supplies; it would make it impossible for these countries to satisfy domestic demands for consumption on a reasonable basis, and would cripple efforts to increase or continue exports of capital and consumer goods to underdeveloped countries.

In industrial nations, I think we need a wise and confident perspective on this process of economic development. Two points here seem to me to be worth underlining. First, continuing support for higher living standards in less developed nations is vital to the preservation of peace. Poverty and despair, we all know, are a continual threat to peace; they both invite and abet aggression. Second, I want to point out that the resources available for economic development, even in the present situation, may still be substantial.

Let us remember that the industrialized nations of the world have tremendous vitality. This quality cannot be measured, but we would do well not to underestimate its effect.

In 1940, who could have foreseen the marvels of production that the United States of America would be accomplishing in 1945? Four short years ago, who would have dared predict that the war-torn countries of western Europe would, today in 1951, be exceeding every significant prewar index of production? Who would have ventured to foretell that the physical volume of international trade, so quickly after the war, would grow to unprecedented size? Yet all these things have happened. We have come close to proving the proposition of the great statesman who said, "There is in fact no limit to the benefit which human beings may bestow upon one another by the highest exercise of their diligence and skill."

Compared to the industrial world's capacity for production, the amounts of materials and equipment that can usefully be employed, for the present, in the basic development of the less developed countries are small. In terms of the volume of goods needed, the heavy demands of armament and the modest requirements of development do not deserve to be mentioned in the same breath.

I want to press on you again, however, the view that development is an urgent task. We cannot build a stable world out of nations whose populations are engaged in a tooth-and-nail struggle merely to keep themselves alive. We can achieve stability only when men are loyal to the social order in which they live, and when

that order provides an equitable sharing of rewards, so that men can live as neighbors rather than as rivals for an insufficient share of the world's goods.

It is imperative for all of us to help provide the means for men to create a better tomorrow for themselves and for their children. It is imperative to help build a common stake in the future which will lead to new unity and new vigor among the nations which share the same ideals about the dignity of man. This can be a great contribution to peace today. Carried on continuously and constructively, it can be an even greater force for peace and stability in years to come.

It follows from what I have said, I think, that the industrialized nations both can and should put support for economic development high among the urgent tasks they now have to perform. Some of this support may be relatively easy to give. There is still room to increase agricultural output considerably, and the underdeveloped countries can use food; wheat for workers is one of the basic fuels of economic progress. I do not mean to belittle the difficulties which certainly will arise in supplying critical industrial items. I do not mean to imply, either, that economic development can proceed without diversion of goods from other purposes in both industrial and underdeveloped countries. But I do, most emphatically, mean that dealing with these difficulties is worth all the diligence and skill we can apply.

The less developed countries, under present circumstances, have more than ever an obligation to select development projects of really fundamental importance to their economies. More than ever, they must forebear from pressing plans which may represent premature ambitions rather than urgent necessities. More than ever these countries should insure that the administration of development projects will bring them at least equivalent value for every unit of money spent. These are standards which should apply in any event; but now they are absolutely indispensable.

I spoke a few moments ago about the basic lessons which the Bank has been

learning about economic development. Prominent among them, I think, is the necessity of realizing that development is not merely a supplemental activity in the country which undertakes it. It grows out of and represents a country's whole way of living. To this way of living, a country must first look if it is to achieve economic progress.

Idleness and inefficiency, corruption and unstable government, can be heavier drags on progress than lack of capital; in themselves, they are likely to be among the root causes of a lack of capital. Tax systems that burden the poor more heavily than the prosperous, fiscal policies which encourage inflation, investments which are made for political rather than economic reasons, may all cripple an advance toward a higher standard of living. Indeed, they may cause that standard to fall.

In one way or another, the most necessary requisite for development may be reform. It may be the kind of reform which costs hardly any money at all. Or it may be the kind of reform which, although costly and difficult, can proceed without external assistance.

Of all the reforms which we have seen to be desirable, reform of land tenure is probably the most important, because the whole basis of development is the land. The achievement, throughout the less developed countries, of a wide system of independent holdings -- acreage of efficient size unencumbered by heavy debt -- would release energy and initiative on an unprecedented scale. It would be one of the longest steps we possibly could take in the direction of greater production, higher living standards and growing social stability.

However we look at it, we cannot escape the fundamental fact that the economic development of a country is primarily the responsibility of that country itself. Economic development is not something which can be imported from abroad. It must, at bottom, be won internally by acceptance of responsibility, hard work, and sacrifice.

Once these factors begin to appear, external capital may be used effectively. Without this capital, many of the less developed countries would be unable to accelerate their progress. But with it, they may be able to accomplish feats, in little more than a decade, that otherwise would take a generation to bring about.

Some countries have sufficient resources and credit to enable them to carry out development on the basis of borrowing from abroad. I think we should frankly face the fact that others do not; they cannot adequately accelerate the rate of their development if the only capital which they receive is in the form of loans which they have a reasonable prospect of repaying.

It has sometimes been suggested that this problem should be met by providing capital in the form of very long-term low interest rate loans. Such loans can, of course, only be made by governments. Because such loans, in form, appear to provide for a tangible quid pro quo which can be written down as an asset, it may be easier to secure legislative approval for them than for outright grants. But the very fact that these loans are made on especially easy terms and are still called loans should make us suspicious. Although easier terms reduce the element of risk, they do not come near to eliminating it. In the end, although some loans will turn out well and will be repaid, others will bring in their train, first, severe strain on the economy of the borrower and, finally, default. When this happens, there is likely to be ill will, rational and irrational, on both sides. The lender will resent the default on a loan made in good faith. The borrower will resent the years lost in abortive struggle to maintain payment on a debt, which he probably regarded in the first instance more as a promise of prosperity than as a serious financial obligation. The effect of such defaults is to destroy credit generally and to wither the integrity of all orthodox lending. In my opinion, when a country has a choice between making grants or quasi-loans of this kind, it pays in the long run to choose grants.

Let us suppose, now, that both external capital and the proper internal environment are available in an underdeveloped country. There still remains the need

to see that the available resources are efficiently applied to the problem of development. Since these resources will at best be limited, careful planning is necessary to obtain the best results. If development is undertaken haphazardly it stands little chance of success. It is a long-range process, which should rest on investment programs designed for several years ahead. At any given stage in the program, development projects must be chosen judiciously and in a proper relationship to one another; for example, there is no use in increasing production if the necessary facilities for transportation and distribution are not ready at the same time.

The International Bank has constantly urged the underdeveloped countries to draw up sound programs of investment, properly bedded in the right kinds of economic and fiscal policy. We have sent missions to some of these countries, to take inventory, so to speak, of the whole nation's resources and needs. I believe these missions will help our member countries to plan development efficiently, and will help to obtain widespread, non-partisan public support for sound economic advances that would not otherwise occur.

But if there is a need for programming on the inside of an underdeveloped country, there is also a growing need for coordination on the outside. Today, there is a bewildering multiplicity of channels through which the underdeveloped nations are being provided or offered external aid. Some of the assisting countries are proceeding on a purely national basis. Others are acting through a variety of instruments, both national and international, without much integration among them. The very multitude of voices, perhaps urging inconsistent or even contradictory policies, sometimes makes it difficult to induce developing nations to take some of the painful and unpopular decisions that are often essential to their further progress.

International agencies, I have no hesitation in saying, seem to me to offer potentially the most efficient avenue of approach. International action may

frequently be more effective than national action in inducing the less developed nations to adopt necessary, but politically difficult domestic measures. International organizations cannot, in truth, be charged with invading national sovereignty, with economic exploitation, or with political discrimination among different countries. Finally, these agencies seem to me to provide the best -- and probably the only -- way of directing the resources of national contributors toward the same common purpose.

It is easy enough to state these advantages as a matter of theory. To put them to work, however, is a different thing. A decision to enlarge the role of international agencies would involve judgments of great importance and difficulty on the part of those assisting nations that now tend to act independently. Yet I think there would be great benefit if these nations were to assign international organizations the key role in planning and coordination -- whatever the sources of financial or other assistance involved.

The problem can be resolved to some degree, I think, if the United Nations and the specialized agencies themselves take a stronger lead in working with member countries on development and related problems. But they will not be given leadership, and their leadership will not be accepted, merely because it is logical for them to lead. They must establish their place through achievement and concrete action. This is the challenge facing the International Bank and other specialized agencies of the United Nations today -- to show, by doing, that they deserve to be given key responsibility.

As I hope I indicated to you at the beginning of these remarks, the Bank is taking up this challenge in good spirit and considerable confidence. The charter written for the Bank at Bretton Woods six years ago has proved to be a wise and flexible document. The Bank has been able to operate vigorously under circumstances much more difficult than those originally foreseen for it. Today the Bank and its member countries have much to gain by stoutly pursuing the objectives set forth at Bretton Woods, and that is what the Bank, for its part, proposes to do.

Liaison - United Nations Economic & Soc. Council

UNITED NATIONS NATIONS UNIES

NEW YORK

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FILE NO.: SOA 317/1/01(2)

29 January 1951

Dear Mr. Black,

I am directed by the Secretary-General to acknowledge the receipt of your letter of 10 January 1951 concerning possible methods of co-operation between the International Bank for Reconstruction and Development and the Commission on Human Rights with regard to economic, social and cultural rights.

I am making arrangements to have your communication circulated to the Economic and Social Council at its twelfth session.

Yours sincerely,

A. Tsiang

Acting Assistant Secretary-General
Department of Social Affairs

Mr. Eugene R. Black,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

JAN 30 3 40 PM 1951

FORM NO. 75
(7-48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date 1-30

TO-	Name	Room No.
1	Mr Demuth	1013
2		
3		
4		

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

FROM- GENERAL FILES AND CORRESPONDENCE,
Archives Division

LIAISON, UN, ECOSOC

FILE COPY

January 10, 1951

Ref: SOA 317/1/01(2)

Mr. Henri Laugier
Assistant Secretary-General
Department of Social Affairs
United Nations
New York 17, N. Y.

Dear Sir:

Thank you for your letter of January 3 enclosing the General Assembly Resolution concerning the draft Informational Covenant on Human Rights, and asking for any views the International Bank might wish to express as to how the Bank might cooperate in this project with the Commission on Human Rights. I am writing this note to tell you that the Bank does not at the present time, have any comments to make on this matter.

Sincerely yours,

Richard H. Demuth
Assistant to the Vice President

NBP:cl

UNITED NATIONS NATIONS UNIES

NEW YORK

CABLE ADDRESS · UNATIONS NEWYORK · ADRESSE TELEGRAPHIQUE

FILE NO.: SOA 317/1/01(2) 3 January 1951

Dear Mr. Black,

..... I enclose herewith a copy of the resolution concerning the draft International Covenant on Human Rights and Measures of Implementation: Future Work of the Commission on Human Rights (document A/1620), adopted by the General Assembly on 4 December 1950 and wish to draw attention to sub-paragraph (d) of Section E of that resolution in which the General Assembly "requests the Economic and Sccial Council to give consideration, at its twelfth session, to the methods by which the specialized agencies might co-operate with the Commission on Human Rights with regard to economic, social and cultural rights".

The twelfth session of the Economic and Social Council is scheduled to meet at Santiago, Chile, on 20 February 1951. It has

Mr. Eugene R. Black,
President,
International Bank for Reconstruction
and Development,
1818 H Street N.W.,
Washington 6, D.C.

occurred to me that it would assist the Council in its consideration of this matter if its members were acquainted as soon as possible with the views of the interested specialized agencies. I am wondering therefore whether you would care to communicate to the Council, through the Secretary-General, the views of your Organization regarding possible methods of co-operation.

Yours sincerely,

Assistant Secretary-General
Department of Social Affairs

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

JAN 5 8 55 AM 1951

UNITED NATIONS

GENERAL ASSEMBLY

GENERAL

A/1620
5 December 1950

ORIGINAL: ENGLISH

Fifth session
Agenda item 63

DRAFT INTERNATIONAL COVENANT ON HUMAN RIGHTS AND MEASURES OF IMPLEMENTATION: FUTURE WORK OF THE COMMISSION ON HUMAN RIGHTS

Resolution adopted by the General Assembly at its 317th plenary meeting on 4 December 1950

(adopted on the report of the Third Committee (A/1559))

The General Assembly,

Appreciating the priority which, in accordance with General Assembly resolution 217 (III), the Commission on Human Rights during its 1949 and 1950 sessions gave to the preparation of a draft International Covenant on Human Rights and measures for its implementation,

Noting the decision of the Economic and Social Council at its eleventh session to transmit the draft Covenant together with the relevant documentation and records of the discussion in the Council to the General Assembly at its fifth session for consideration with a view to reaching policy decisions on the points listed in Economic and Social Council resolution 303 (XI),

Considering it essential that the Covenant should include provisions rendering it obligatory for States to promote the implementation of the human rights and fundamental freedoms proclaimed in the Covenant and to take the necessary steps, including legislation, to guarantee to everyone the real opportunity of enjoying those rights and freedoms,

Having considered the draft Covenant prepared by the Commission on Human Rights, particularly with reference to certain basic policies,

A.

1. Commends the Commission on Human Rights for the important work it has thus far accomplished;

/2. Calls upon

2. Calls upon the Economic and Social Council to request the Commission on Human Rights to continue to give priority in its work to the completion of the draft Covenant and measures for its implementation in order that the General Assembly may have before it at its sixth session the revised draft of this Covenant;

B.

3. Considers:

(a) That the list of rights in the first eighteen articles of the draft Covenant does not contain certain of the most elementary rights;

(b) That the present wording of some of the first eighteen articles of the draft Covenant should be improved in order to protect more effectively the rights to which they refer;

(c) That in the drafting of the Covenant account should be taken of the Principles and Purposes of the Charter of the United Nations and that these Principles and Purposes should be consistently applied and assiduously protected;

4. Calls upon the Economic and Social Council to request the Commission on Human Rights to take into consideration in its work of revision of the draft Covenant:

(i) The views expressed during the discussion of the draft Covenant at the fifth session of the General Assembly and at the eleventh session of the Economic and Social Council, including those relating to articles 13 and 14 of the draft Covenant and, with a view to the addition in the draft Covenant of other rights, those relating to the rights set forth by the Union of Soviet Socialist Republics in document A/C.3/L.96 and Yugoslavia in document A/C.3/L.92;

(ii) The view, expressed during the discussion of the draft Covenant at the fifth session of the General Assembly and at the eleventh session of the Economic and Social Council, that it is desirable to define the rights set forth in the Covenant and the limitations thereto with the greatest possible precision;

/C.

C.

5. Calls upon the Economic and Social Council to request the Commission on Human Rights to study a federal State article and to prepare, for the consideration of the General Assembly at its sixth session, recommendations which will have as their purpose the securing of the maximum extension of the Covenant to the constituent units of federal States, and the meeting of the constitutional problems of federal states;

D.

6. Calls upon the Economic and Social Council to request the Commission on Human Rights to study ways and means which would ensure the right of peoples and nations to self-determination, and to prepare recommendations for consideration by the General Assembly at its sixth session;

E.

Whereas the Covenant should be drawn up in the spirit and based on the principles of the Universal Declaration of Human Rights,

Whereas the Universal Declaration regards man as a person, to whom civic and political freedoms as well as economic, social and cultural rights indubitably belong,

Whereas the enjoyment of civic and political freedoms and of economic, social and cultural rights are interconnected and interdependent,

Whereas, when deprived of economic, social and cultural rights, man does not represent the human person whom the Universal Declaration regards as the ideal of the free man,

7. (a) Decides to include in the Covenant economic, social and cultural rights and an explicit recognition of equality of men and women in related rights, as set forth in the Charter of the United Nations;

(b) Calls upon the Economic and Social Council to request the Commission on Human Rights, in accordance with the spirit of the Universal Declaration to include in the draft Covenant a clear expression of economic, social and cultural rights in a manner which relates them to the civic and political freedoms proclaimed by the draft Covenant;

(c) Calls upon the Economic and Social Council to request the Commission

on Human Rights to take such steps as are necessary to obtain the co-operation of other organs of the United Nations and of the specialized agencies in the consideration of such rights;

(d) Requests the Economic and Social Council to consider, at its twelfth session, the methods by which the specialized agencies might co-operate with the Commission on Human Rights with regard to economic, social and cultural rights;

F.

8. Calls upon the Economic and Social Council to request the Commission on Human Rights to proceed with the consideration of provisions, to be inserted in the draft Covenant or in separate protocols, for the receipt and examination of petitions from individuals and organizations with respect to alleged violations of the Covenant; and to take into consideration in its studies of questions relating to petitions and implementation the proposals presented by Chile A/C.3/L.81), Ethiopia and France (A/C.3/L.78), Israel (A/C.3/L.91/Rev.1 and A/C.3/L.91/Rev.1/Corr.1) and Uruguay (A/C.3/L.93);

G.

9. Calls upon the Economic and Social Council to request the Commission on Human Rights to report to the Economic and Social Council at its thirteenth session concerning the above matters;

H.

10. Requests the Secretary-General to invite Member States to submit by 15 February 1951, their views concerning the draft Covenant as revised by the Commission on Human Rights at its sixth session, in order that the Commission may have such views before it during its further consideration of the draft Covenant at its seventh session.

FORM NO. 57
(5-48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

JAN 22 REC'D

TO: Mr. Eugene R. Black

DATE: January 22, 1951

FROM: Richard H. Demuth

SUBJECT: ECOSOC Statement.

It has been the usual practice for the President of the Bank to make a statement when opening the discussion of the Bank's Annual Report at the ECOSOC meeting. As I told you on Friday morning, I believe you should take the opportunity of the Santiago meeting of ECOSOC to make an important statement of the Bank's philosophy with respect to economic development. I also think we should make arrangements to assure that this statement receives wide-spread publicity here and abroad.

I would suggest the following general outline for the speech:

Part I. A brief summary of the accomplishments of the Bank to date, with particular reference to the last year. In this part of the speech, I would point out specifically that you believe that the Bank is in a position to raise all the money that it may need for its operations.

Part II. The effect of the present mobilization period on economic development. In this part, I would stress the fact that encouragement of development is part of the global defense effort against totalitarian agression. I think reference should be made to the fact that the availability of equipment may be the limiting factor, rather than the availability of money, and to the consequent necessity for assuring that those projects which get the equipment are really of a priority nature. I would also point out, as you did in the Chicago speech, that provision of food and other consumer goods may, in many cases, be as important a contribution to development as the provision of capital equipment.

Part III. The problem of development. This is the part that should, I believe, be the major portion of the speech. I would suggest that you make the following five points:

(1) Development depends primarily upon action taken by the underdeveloped countries themselves. In this section, I would refer to such matters as reform of land tenure systems, fiscal policy and the like.

(2) Need for external capital. In this section, I would talk about the need not only for loans but, in some cases, for grants as well, and perhaps knock down the "fuzzy" loan concept again. I would also stress that, if external capital is to be used effectively, it must be used as encouragement to (i.e. conditioned on) domestic action of the type already referred to.

(3) The need for programming. In this section, I would talk about the value of development programs, including both domestic action and the use of external capital, and mention the kind of help that the Bank has given through its general survey missions.

(4) The importance that negotiations with the government concerning its program should be centralized so that there are not several agencies giving conflicting advice and perhaps imposing different kinds of conditions on external aid.

(5) The desirability that international agencies take the lead in working with member countries on their development problems. In this section, I would first point out that, in principle, it is preferable to have international agencies operate in this sphere, rather than national agencies. I would go on to say, however, that leadership cannot be claimed as a matter of principle, but must be won as a matter of achievement. I would add that this represents a challenge to the Bank and to the other United Nations agencies to show by their accomplishments that they are deserving to be entrusted with leadership in this field.

R. H. D.

RHD:bd

EXPOSICION HECHA POR EL SR. J. BURKE KNAPP, REPRESENTANTE DEL BANCO INTERNACIONAL DE RECONSTRUCCION Y FOMENTO, EN LA 385a SESION DEL CONSEJO ECONOMICO Y SOCIAL EL 12 DE JULIO DE 1950

Señor Presidente y Señores Miembros del Consejo,

Es un gran privilegio para mí el participar en las discusiones del Consejo en calidad de representante del Banco Internacional de Reconstrucción y Fomento. Es un privilegio especial el hablar sobre una materia tal como el desarrollo económico, ese problema tan importante y enojoso, al que debe darse solución, tanto en la mente como en el corazón de todos nosotros.

Este asunto se encuentra situado precisamente en la órbita de las actividades del Banco Internacional. Es uno de los temas al cual hemos consagrado mucho estudio y en el cual estimamos haber adquirido una extensa experiencia práctica. Nuestros éxitos en dicha materia han sido modestos hasta ahora, pero creemos haber logrado algún resultado, así como que la experiencia que hemos adquirido hasta ahora dirige nuestros pasos hacia la obtención de más fructíferos resultados en dicho campo.

Hemos estudiado cuidadosamente los dos informes sometidos a la consideración de Vdes. Dichos informes han sido preparados por expertos de extraordinaria competencia. Esto trae como resultado que queda poco por añadir a muchas de las materias de que tratan. En otras palabras, el Banco ha venido siguiendo orientaciones casi paralelas. En lo que se refiere a normas de conducta, me siento algo renuente a hablar en nombre del Banco. El Banco es un organismo intergubernamental cooperativo. Somos responsables

ante nuestros Gobiernos Miembros, que en groso modo son los mismos que están representados ante esta mesa. Por consiguiente, estimamos que para tratar algunos de los puntos principales del informe debemos acudir a nuestros Gobiernos Miembros y recibir sus directivas. Sin embargo, en lo que se refiere a los principios generales relativos al financiamiento del desarrollo económico, espero poder reflejarles las opiniones a que el Banco ha llegado, y que surgieron de la experiencia adquirida en la práctica de nuestras operaciones. También espero poder esclarecer algunas de las cuestiones relativas a las directivas y precedimientos del Banco, a que se refirieron algunas delegaciones en los debates efectuados hasta ahora.

Debo poner en claro que no es mi intención hacer a nombre del Banco ninguna declaración sobre puntos de política bancaria. Se me ha autorizado a venir aqui y a hablar por el Banco, como lo he dicho anteriormente, para reflejar nuestro modo de pensar sobre estos problemas y tratar de aportar una contribución constructiva a los debates. En cuanto se refiere al desenvolvimiento de nuestra política bancaria, preferimos dejar que las cuestiones de política se trasluzcan a través de nuestros actos, más bien que hacer pronunciamientos por escrito. Nuestra política bancaria refleja las deliberaciones de un cerebro colectivo, por decirlo así, en la administración del Banco y en su Junta de Directores. Un cerebro colectivo, si es activo, está constantemente funcionando y en un estado de evolución. Será pues mi proposito tratar de describir el estado de evolución alcanzado hasta ahora por el Banco.

Séame permitido, en primer lugar, tratar de la cuestión de los programas generales de fomento, de préstamos para el fomento general, a diferencia de los préstamos para proyectos específicos. Este tema parece

todavía hallarse rodeado por mucha incomprensión y tal vez de confusión en los términos.

Una de las ideas que se puede tener al utilizar la expresión "Préstamos para el Fomento General" sería la extensión de los préstamos para fines indeterminados, la extensión de una serie de créditos abiertos al prestatario y aplicables en una época futura a propositos y proyectos no definidos aún. Estoy perfectamente en conocimiento de que esto no es lo que tenían presente los expertos que redactaron el Informe sobre el Empleo Total, porque ellos dicen muy claramente que desean que el Banco investigue el programa que le fué sometido para su financiamiento y observe su ejecución. Sin embargo, esta idea muy genérica de préstamos para el fomento general parace haberse hallado presente en algunas mentes, y debo decir que el Banco duda mucho que sea prudente abrir créditos a las solicitudes de préstamos para proyectos sin definir y que habrían de desarrollarse en el futuro. Después de todo, un programa para el fomento general no es sino un agregado de proyectos particulares; tenemos con los prestatarios un común interés en formular, por anticipado, los programas sobre la base de un conocimiento concreto del uso a que se destina el dinero. Nuestro interés común con el beneficiario del préstamo es asegurarnos de que se utilicen los fondos de la mejor manera, y a fin de juzgar cuál es la mejor manera, debemos a nuestro sentir tener de antemano una idea racionalmente concreta y específica sobre la manera en que los fondos serán utilizados.

También desearía llevar la atención del Consejo hacia el hecho de las grandes pérdidas de intereses sobre el dinero prestado, que resultarían si se efectuaran anticipos para fines generales aún no definidos, y si transcurriese un largo período de tiempo antes de que se llegase a una

decisión acerca de la utilización específica a la cual dichos fondos se hubiesen de destinar.

Si al mencionar préstamos para el fomento general nos referimos a efectuar préstamos para un grupo de proyectos simultáneamente, diré que esto el Banco ya lo hace, y en verdad desearía hacerlo en casos mas numerosos. Nuestra dificultad, como lo indicaré después más extensamente, proviene de que ordinariamente no se nos someten programas en condiciones tales que permitan ser analizados e investigados. Las más de las veces nos hallamos ante proyectos aislados. La realidad es que, si aguardarámos los programas, aquellos proyectos que ya están listos para su financiamiento y ejecución deberían esperar el desarrollo de programas más amplios. En efecto, nuestro propósito es el de seleccionar y examinar los proyectos más urgentes y, en general, más productivos para tratarlos con prioridad.

Otra posible interpretación que queda de la frase "Préstamos para el Fomento General" es la de amoldar la definición en lo que se refiere al alcance de la contribución financiera del Banco a un proyecto particular; es decir, si debería el Banco financiar unicamente las costas directas en divisas extranjeras a ser utilizadas para el proyecto, o si debería extender sus actividades al financiamiento de los efectos de la situación del cambio extranjero sobre la balanza de pagos del país que realiza la inversión, los cuales efectos pueden atribuirse indirectamente a tal inversión.

Tendré de nuevo la ocasión de referirme a este concepto de "efectos indirectos", y desearía definirlo aun cuando dicho concepto aparezca completamente claro ante vosotros todos, y sea uno de los que son tratados especialmente en el informe de la Subcomisión sobre Desarrollo Económico. La actividad en las inversiones en un país puede dar lugar,

además de los gastos directos en divisas extranjeras, a efectos indirectos sobre la balanza de pagos, bien sea hacia un aumento de las importaciones o hacia una disminución de las exportaciones. Las importaciones pueden tender a aumentar, debido a la desviación dada a la mano de obra y a otros recursos en el país interesado en el proyecto, es decir, utilizar las inversiones en favor del consumo en lugar de la producción. Si han de mantenerse los niveles de consumo, muy bien puede tener que aumentarse el programa de importaciones. Por otra parte, la misma desviación de recursos hacia las inversiones puede ser causa de una pérdida de actividad productiva en las industrias para la exportación y por lo mismo dar lugar a efectos indirectos sobre la balanza de pagos.

Este problema de financiar los efectos indirectos sobre la balanza de pagos es, como lo explicaré, en gran parte idéntico al problema de financiamiento en moneda local del cual hemos oído hablar mucho en las discusiones que aquí han tenido lugar. Los prestamos del Banco en moneda del país no involucrarían normalmente que al efectuar el Banco un préstamo a un País Miembro utilizase para ellos sus haberes en moneda de dicho país. Como Vdes. saben, el Banco suele conservar una variedad de divisas nacionales, que provienen de las subscripciones de los Gobiernos de todos los Países Miembros. No obstante, raramente, y tal vez jamás, tendría algun sentido económico o sería en verdad ventajoso para un País Miembro el que éste pidiera al Banco un empréstito en divisas que de ese pais tuviese.

Los préstamos en moneda local significan, por consiguiente, un anticipo en divisas extranjeras que han de ser convertidas en moneda nacional para hacer frente a parte de los desembolsos que para un proyecto hayan de efectuarse en dicha moneda nacional.

Ahora bien, séame permitido explicar la relación que existe entre este procedimiento y el efecto indirecto sobre la balanza de pagos. En términos de técnica financiera, existen dos maneras de que el Banco pudiera hacer una contribución en esta materia. Supongamos que se emprenda un proyecto cuyo financiamiento esté a cargo del Banco en lo que respecta a los desembolsos directos en divisas extranjeras destinadas al capital en equipos y suministros para dicho proyecto. En este caso, el Banco puede hacer un empréstito adicional en divisas extranjeras a fin de cubrir una parte de los efectos en la balanza de pagos en el país interesado, que pudiera surgir indirectamente a resultas de la realización de la inversión, destinando el prestatario el equivalente en moneda nacional, proveniente de la venta de aquellas divisas extranjeras, para hacer frente a una parte de los gastos de la inversión en moneda local. Como lo indicó el delegado de Chile, éste es el concepto en que se inspira la resolución presentada por la delegación chilena [1/] y ofrece por lo menos una semejanza con el procedimiento de su contraparte: el Programa de Reconstrucción Europea. Una manera alternativa de tratar el problema consistiría en que el Banco financiara una parte de los gastos en moneda nacional del proyecto, adquiriendo dicha moneda nacional por medio de divisas extranjeras y dejando al país prestatario dedicar dicho "equivalente en divisas extranjeras" para hacer frente a los efectos en su balanza de pagos ocasionados por la inversión. Este es el otro procedimiento sobre el cual está basada la resolución presentada por la Subcomisión sobre desarrollo económico. [2/]

Desde el punto de vista económico ambos procedimientos se reducen a lo mismo. Son simplemente dos diferentes técnicas financieras. En

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1/ (E/1759)
2/ (E/CN.1/80)
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uno y otro caso, el papel esencial desempeñado por el Banco consistiría en proveer recursos adicionales de afuera como suplemento a los recursos internos del país para la ejecución de su programa de inversiones. En realidad se podría hallar la medida de esta contribución en la cantidad de mercancías adicionales que se importa. En términos de finanzas, se podría calificar a dicha contribución como un suplemento a los ahorros nacionales para satisfacer una parte de los desembolsos interiores en moneda nacional sobre el proyecto de inversión. No obstante, el concepto de los suplementos a los ahorros locales puede conducir a errores; probablemente, sería mejor pensar en términos de que el Banco suplementa los recursos existentes en el país para fines de inversión y consumo. La falta de ahorros, de la que tanto oímos hablar, refleja simplemente un consumo excesivo en relación con la producción, o tal vez sería más equitativo decir, en el caso de países insuficientemente desarrollados, una falta de productividad y un margen demasiado estrecho de producción para satisfacer las necesidades del consumo.

En la actualidad, el Banco tiene, según su Carta, el poder de emprender operaciones de esta clase "en circunstancias excepcionales". ¿Por qué han tomado esta disposición los autores de la Carta? — Creemos que el ejemplo de este término se justifica claramente. La capacidad prestataria de todo país — su capacidad de pagar deudas exteriores — es limitada, y, eventualmente, los recursos totales del Banco representan una cantidad limitada. Por consiguiente, en la medida de lo posible, los Países Miembros deberían reservar esa capacidad prestataria para hacer frente a aquellas partes de sus proyectos de desarrollo que directa e indispensablemente han de pagarse con divisas extranjeras. Pensamos que nuestros Países Miembros deberían tratar, por todos los medios a su disposición, de hacer frente a

sus gastos interiores, y de hacer frente a los efectos indirectos sobre su balanza de pagos, por medio de medidas de carácter interno. De esta manera podrán evitar incurrir en gravosas deudas exteriores para esos gastos eludibles en divisas extranjeras. Una de las consecuencias de reservar fondos para los desembolsos directos es que dentro de los límites de la capacidad prestataria de un país, éste podrá llevar a cabo un más amplio programa de desarrollo.

Estas medidas interiores son ahora, en su mayor parte, cuestiones de política interna fiscal y monetaria. Esto equivale a hacer uso de armas contra la inflación con las cuales nos hemos familiarizado en varios contextos. Según se ha indicado frecuentemente en el curso de los debates, la inflación es un problema periódico y crónico en los países insuficientemente desarrollados; significa una política de impuestos adecuada; significa una fiscalización adecuada de los gastos públicos por el Gobierno; significa el control sobre los créditos e inversiones de la economía privada. Puede también significar, en relación con los problemas exteriores, una directa intervención en la balanza de pagos. Existe un verdadero peligro en considerar a los déficits en la balanza de pagos como siendo predestinados. Suelen reflejar frecuentemente políticas económicas y financieras nacionales inadecuadas. Ninguna cantidad de asistencia venida del exterior puede remediar la falta de una acción resuelta por parte de un Gobierno en la administración de los asuntos exteriores de su propio país. Frecuentemente, se le presentó al Banco la ocasión de cooperar con sus Países Miembros y de asesorarlos sobre estas amplias normas políticas de carácter económico y financiero adecuadas a sus programas de desarrollo. Estos problemas son bien comprendidos; lo que importa realmente es que los Gobiernos interesados

se muestren resueltos a seguir el rumbo de una sana administración monetaria interna. En la ausencia de dicha acción, y a menos que la situación justifique una asistencia exterior para prestar ayuda en la solución del problema, el único recurso que queda es la inflación. Estoy convencido que no es necesario exponer ante este Grupo los efectos perniciosos de la inflación, la mala orientación dada a las inversiones, las desigualdades de los ingresos y los sufrimientos y el desperdicio que la inflación trae consigo.

El Banco desea también ayudar a sus Países Miembros en la creación y movilización de fuentes de capital local con fines a inversiones, y considera a esta tarea como una de las mayores contribuciones que puede realizar para lograr el desarrollo económico. Naturalmente, el método varía de país a país, pero yo desearía darles a Vdes. por lo menos dos ejemplos recientes de la actividad del Banco que ilustrarán de manera muy concreta lo que puede hacerse a fin de suplementar la asistencia externa del Banco por medio de la movilización de los recursos financieros internos.

El Banco concedió recientemente un préstamo a la Republica de El Salvador para un importante proyecto de Planta Hidroeléctrica que esperamos marcará un paso muy importante en el desarrollo económico de dicho país. La contribución del exterior se elevó a unos doce millones de dólares, y el problema fué el de reunir el equivalente de seis millones en moneda local a fin de cubrir los desembolsos en moneda nacional para dicho proyecto. Se nos dijo que no había posibilidad de reunir dicha suma en la República de El Salvador. Esta república, como la mayor parte de otros países insuficientemente desarrollados, no dispone de un mercado de capitales organizado. Propusimos, pues, la posibilidad de organizar un instituto para que administrase el proyecto de planta hidroeléctrica , y de encargar

a dicho instituto una emisión de bonos. No existía ningún precedente de esa índole en El Salvador. Casi no había bonos en el país; la gente no estaba acostumbrada a guardar su dinero en esta forma. Sin embargo, enviamos a El Salvador al Director de nuestro Departamento de Colocación de Títulos, que se ocupa de poner en circulación nuestros bonos en los Estados Unidos y que trabajó muy íntimamente con las personas del lugar durante cierto período de tiempo. A consecuencia de esto, se organizó una emisión de bonos; a los pocos días fué ofrecida dicha emisión en subscripción pública, que dentro de las 24 horas resultó ser un éxito abrumador. El Salvador encontró en su propio mercado de capitales la suma necesaria para suplementar la ayuda externa del Banco.

Otro ejemplo, tal vez aún más interesante, lo constituye una arriesgada operación en que el Banco se halla envuelto en Turquía. Turquía es un país que ha alcanzado ya un grado considerable de desarrollo industrial, pero este se halla principalmente en manos del Gobierno. No existe allí ningún mercado de capitales, ni se dispone de fondos para llevar a cabo en dicho país un desarrollo industrial en pequeña escala y de carácter general. A l propio tiempo se ha venido reconociendo más y más la necesidad de fomentar el desarrollo industrial por medio de empresas privadas.

El Gobierno de Turquía nos invitó a tratar de hallar una solución al problema del desarrollo del mercado de capitales turcos, y enviamos un representante en Turquía con dicho propósito. Pasó allí un tiempo considerable (estas cosas no se hacen fácilmente), trabajando con banqueros privados y representantes gubernamentales y de intereses comerciales privados en Turquía. A resultas de sus recomendaciones, se acaba de crear un Banco Industrial turco. El capital en acciones de este Banco ha sido suscrito por un sindicato de banqueros privados esperando que cuando dicho

instituto comience a funcionar podrán transferirse dichas acciones al público en general. Este instituto ha recibido garantías de que el Banco Central de Turquía le anticipará una suma equivalente a los fondos reunidos por la emisión del capital en acciones. Y, finalmente, el Banco Internacional está preparado a suministrar a dicho instituto préstamos exteriores en suplemento de sus recursos en liras turcas.

Las funciones de este cuerpo consistenprincipalmente en suministrar capitales a nuevas empresas o en incrementar las empresas en el pequeño sector industrial de Turquía. Está autorizado a hacer préstamos, a prestar su ayuda por medio de participaciones compensadas (equity participation), o en algunos casos, a emprender por su propia cuenta operaciones de ensayo. Se espera que este banco estará integrado por un personal técnico capaz de aconsejar a las empresas turcas sobre los problemas técnicos de sus negocios, incluso no solamente los problemas industriales sino también sobre los problemas de financiamiento y organización. Observaremos con el mayor interés el desarrollo de este instituto. Podría considerarse en si como una operación de ensayo para demostrar lo que se puede hacer con el fin de que salgan los fondos privados, tanto mediante suscripciones al capital del banco como, y a continuación, por medio de la creación de empresas que el banco ayudará a financiar.

Ahora bien, no obstante todas las medidas que pueden y deberían tomarse a fin de mobilizar efectivamente los recursos internos (y esto es una materia a la que, con razón, la Subcomisión atribuye una importancia muy grande) pueden presentarse casos en que no sería de un todo económicamente inadecuado que el Banco cubriera, por medio de divisas extranjeras, una parte de los gastos de un proyecto pagadero en moneda nacional, e

incidentemente una parte de los efectos indirectos de dicho proyecto sobre la balanza de pagos del país. El Banco no ha adoptado ninguna política bancaria general que le impida emprender dichas operaciones, aunque se inclina a conceder préstamos de esta clase solamente en las siguientes circunstancias:

a) Si el país dispone de suficiente credito para poder contraer obligaciones en divisas extranjeras para financiar los gastos en moneda nacional.

b) Si el proyecto que ha de financiarse es de tal urgencia que la capacidad del país para contraer empréstitos exteriores pudiera mejor utilizarse en el financiamiento de un proyecto determinado en lugar de financiar los gastos directos en divisas extranjeras de otros posibles proyectos.

c) Si los gastos en moneda nacional del proyecto no pueden satisfacerse razonablemente por medio de los recursos nacionales disponibles y

d) Si queda demostrado que el proyecto da origen a requerimientos indirectos de divisas extranjeras, debido a pérdidas en el potencial de exportaciones, o a que se necesiten aumentar lasimportaciones tanto de materias primas como de bienes esenciales de consumo que se requieren para evitar que la inversion ejerza una indebida influencia inflacionaria sobre la economía.

Debería también entenderse que en todos los casos, el Banco contaría con que el país prestatario encontrase entre sus propios recursos una parte importante de los fondos en moneda nacional necesaria para hacerle frente a los gastos nacionales.

Desearía llamar la atencion al hecho de que esta exposición ha sido formulada en terminos del financiamiento de los gastos en moneda nacional y contando con que la contraparte en divisas extranjeras serviría para cubrir los efectos indirectos sobre la balanza de pagos. Por diversas razones de orden práctico nos inclinamos a considerar que este procedimiento de financiación es el más adecuado.

También deseo dejar aclarado que sólo podemos proceder así de acuerdo con los términos de nuestra Carta, o sea, únicamente en ocasiones excepcionales. No estimamos que en virtud de nuestra Carta, o sobre la base de un analisis racional del problema se pueda recurrir a este procedimiento en forma regular y generalizada.

Vds. notarían que la presente discusion ha venido desarrollándose en términos del financiamiento de proyectos específicos. Pero el Banco ha tenido siempre una amplia visión de lo que es un proyecto. No participamos de la tendencia hacia lo "monumental", según la cual un proyecto debe elevarse muy alto en el horizonte y ser únicamente una obra global. En la India, por ejemplo, hemos prestado ayuda en el financiamiento de la reconstrucción general del sistema ferroviario de ese país; esto consistía en proveer material rodante adicional para todo el sistema indio. Consideramos a esto como un proyecto. Hemos concedido un préstamo a Colombia para la compra de maquinaria agrícola que ha venido distribuyéndose a través de la economía agrícola de Colombia. Esto lo hemos considerado como un proyecto.

Es más, al evaluar la justificación económica de los proyectos, sentimos la necesidad de adoptar una visión amplia de los efectos del proyecto sobre la economía del país. El informe de la Subcomisión sobre Desarrollo Económico ha recalcado que la utilidad social o productibilidad de un proyecto no ha de juzgarse meramente desde un punto de vista comercial, y que existían inversiones no-lucrativas que producían directa o indirectamente efectos sobre la economía de un país que deberían ser elegibles para financiamiento extranjero. El Banco está de acuerdo con este punto de vista y ha tenido la oportunidad de expresarlo así ante la Subcomisión. El Banco estima que las operaciones que sean de carácter comercial han de llevarse a cabo mediante procedimientos comerciales; que la administración económica es esencial en todo proyecto; y que las organizaciones creadas para llevar a cabo los proyectos deben, en el interés de la nación en cuestión, ser lo más eficaces posible. El Banco no cree, sin embargo, que debe limitar su ayuda financiera a un proyecto o a un programa, que por su naturaleza, pueda amortizarse por sí mismo mediante una vía comercial ordinaria.

De allí que no aceptamos en su totalidad las categorías establecidas en el informe de la Sub omisión sobre Desarrollo Económico, es decir aquellas categorías de proyectos que dicha Subcomisión clasifició segun la fuente de financiación internacional adecuada.

En primer lugar, la Subcomisión presenta una lista de los proyectos industriales de carácter general y propios para ser financiados por medios privados. No hay duda de que esto sea correcto como exposición general. De buenas a primeras, parece natural que el capital de empresas privadas lleve a cabo operaciones de carácter industrial. Pero

no nos consideramos excluídos de participar en actividades de este genero, particularmente si lo hacemos en cooperación con empresas privadas. La segunda categoria que figura en el informe de la Subcomisión se refiere a los llamados proyectos económicos de interés general: energía, transportes, comunicaciones, desarrollo agrícola, desecación e irrigación de tierras, etc. En algunos puntos del informe, la Subcomisión parece tener dudas acerca de si son adecuados para el Banco Internacional, pero en otro punto reconoce que se acercan mucho a la índole de nuestras presentes actividades. El Banco reconoce que proyectos de recursos básicos como éstos deben ser amillarados en términos de su productividad económica a largo plazo, tomando en cuenta la contribución que aportarán a un desarrollo subsecuente de la economía. Dentro de este cuadro, nos consideramos como muy en nuestra casa en el campo de los proyectos económicos de interés general, luego venimos a los proyectos sociales de interés general, tales como sanidad, enseñanza, viviendas, aprendizaje, etc. Tampoco desearíamos vernos excluídos de este campo de actividades. Podemos concebir proyectos que persigan estos fines y que sean suficientemente productivos como para justificar una intervención de los recursos del Banco, especialmente si se enlazan con otros tipos de operaciones que presenten carácteres económicos más acusados. De hecho, aun cuando el Banco se abstuviera enteramente de financiar proyectos sociales de interés general, no debe necesariamente sacarse la conclusion de que dichos proyectos no puedan llevarse a cabo. El punto es simplemente que si el Banco aporta una contribución suficiente en los campos de las categorías 1 y 2 mencionadas en el

informe de la Subcomisión el país interesado muy bien pudiera estar en condiciones de llevar a cabo con sus propios recursos los programas conjuntos que figuran en la categoría 3.

Séame permitido añadir una palabra con respecto a la rentabilidad de ciertos proyectos. En virtud de su Carta, el Banco debe conceder préstamos bien sea a los gobiernos o mediante la garantía de los gobiernos nacionales. Por consiguiente, nuestra garantía respecto a todo préstamo consiste en que recibimos en prenda el crédito nacional del país prestatario. Por otra parte, naturalmente, no queremos financiar ningún proyecto de préstamo, que dependa de la garantía de un gobierno, en el cual el prestatario resulte ser insolvente y nos obligue a recurrir a dicha garantía. En efecto, el Banco ha pedido algunas veces a los gobiernos miembros presentar los proyectos sometidos a nosotros en forma tal de que puedan amortizarse por si mismos, y creo que esto ha dado lugar a algunas interpretaciones erróneas. Permítanme explicarles porque hemos procedido de ésta manera: Si por ejemplo se nos sometiera un proyecto para el desarrollo portuario de un país - hablo puramente de un modo hipotético - y que se propusiera que dicho desarrollo portuario se confiara a un comite mixto del Ministerio de Transportes, del Ministerio de Hacienda y del Ministerio de Economía Nacional, bien pudieramos mostrar preferencia por la creación de un Instituto Portuario, simplemente con el objeto de asegurar la realización efectiva del proyecto. Una vez alcanzada ésta fase, puede surgir la cuestión del financiamiento; y tal vez propondriamos que se estableciera dicho Instituto en calidad de organismo financiero autónomo, devengando sus ingresos del proyecto de desarrollo

portuario bajo la forma de derechos de puerto. Ahora bién, cuando hacemos una sugestión de ésta índole, no es porque de una manera general concibamos de antemano que los proyectos deben de amortizarse por si mismos. Mas bien pensamos que, si el país interesado es el tipo de los insuficientemente desarrollos, tendrá ya ante si un grave problema presupuestario, y se afanará en la busca de nuevas fuentes de ingresos para cubrir su presupuesto. Mediante el cobro de derechos de puerto tasados de acuerdo con los beneficios obtenidos por los que utilizan el puerto (una forma muy convencional de financiamento) dicho país dispondrá de una de esas nuevas fuentes de ingresos. Después de todo, el problema es simplemente de carácter fiscal; la cuestión es si los beneficiarios del proyecto deberían pagar por su utilización o si todo el gravamen del financiamiento (todavía estoy refiriéndome a las finanzas internas) debería recaer sobre el presupuesto nacional. Cuando la situación del presupuesto nacional lo permita, y cuando hubiere buenas razones de carácter práctico y social para no imponer las costas del proyecto a cargo de los que, en definitiva,han de ser los beneficiarios, el Banco no insiste en una doctrina según la cual los proyectos deben poder amortizarse de por si directamente en moneda del país.

Del mismo modo, al juzgar cual es la capacidad del país prestatario en pagar su deuda exterior, y al evaluar la contribución aportada por el proyecto en dicho sentido, el Banco no tiene un punto de vista mezquino. En realidad, el Banco <u>debe</u> tomar en consideración no solamente los efectos indirectos a largo plazo del proyecto sobre la balanza de pagos del país, sino también las perspectivas más

genéricas relativas a la posición del país en lo referente a sus pagos al exterior. La Subcomisión sobre Desarrollo Económico ha indicado que cuando la posición de la balanza general de pagos de un país está bien asegurada, pueda no ser necesario exigir que un proyecto contribuya, aún indirectamente, a mejorar la situación de los pagos al exterior. Desgraciadamente, lo mismo puede decirse del caso inverso. Si las perspectivas relativas a la balanza de pagos de un país son muy desfavorables, puede suceder que el Banco no pueda tomar en consideración alguna solicitud de préstamo aún cuando el proyecto específico en cuestión demuestre poder producir exportaciones suficientes para hacer frente al servicio del préstamo. La cuestión que el Banco debe siempre tener presente es si el servicio de sus préstamos, junto con los compromisos de pagar otras deudas, impondrían indebidamente una pesada carga a las disponibilidades totales en divisas extranjeras que el país interesado tiene en perspectiva.

La disposición explícita según la cual el Banco debe conceder préstamos, bien sea a los gobiernos miembros o mediante la garantía de estos, ha facilitado nuestros esfuerzos en establecer prioridades entre diferentes proyectos, asi como en coordinar dichos proyectos. Debería tenerse presente que, aun cuando un gran número de proyectos en un país dado puedan parecer bastante solidos en cuanto a su rentabilidad en moneda nacional, ellos pueden en su conjunto exceder la capacidad del país en financiar inversiones, bien sea por medio de sus recursos nacionales o del total de los empréstitos exteriores que pueda razonablemente contraer. De allí que resulte imperativo

establecer prioridades, principiando con los proyectos mas productivos económicamente, cuya productividad debe medirse en los términos generales que mencioné anteriormente.

Un problema que presenta aun mayores dificultades desde el punto de vista técnico es el de fijar un tipo de interdependencia entre los proyectos de inversiones, a fin de que lo que se lleve a cabo en una dirección sea compensado por aquellas inversiones complementarias que, solas, pueden asegurar la eficacia económica del conjunto. Un ejemplo manifiesto de esto es que no se puede sacar ningún provecho de poner tierras en cultivo mediante un sistema de irrigación, mientras no se haya logrado al mismo tiempo asegurarles facilidades de transporte para llevar las cosechas al mercado. Tampoco tiene ninguna utilidad el suministrar energía eléctrica a una región mientras no se tenga la seguridad de que habrá un desarrollo agrícola o fomento industrial adecuados en la región de que se trata.

Todo esto significa que lo que se necesita es un programa global de inversiones y (ahora llego a la etapa final y más dificil de todas) un programa calculado para un periodo de cierto número de años teniendo en cuenta a los recursos disponibles. Tal programa debe realizarse por etapas, ya sea por limitaciones físicas como financieras. El iniciar pronto los proyectos mas productivos significa el establecimiento de rentas nacionales, aumento en la capacidad de impuestos y una situación en la balanza de pagos, que servirán de base a nuevas actividades de fomento. Pero, para dar un buen comienzo al programa, es de importancia fundamental el poseer por lo menos una noción general de lo que ha de ser el programa de desarrollo global.

Ahora bién, ésta tarea de desenvolver programas globales de desarrollo es extremadamente dificil. El Banco trata siempre de prestar toda posible ayuda en este respecto, y el hacerlo así forma parte de nuestra vida diaria. Para citar el caso mas sencillo, cuando recibimos una solicitud de préstamo, nuestra primera idea es la de trasladarnos al lugar y examinar el problema en el terreno mismo, hablar con las gentes de allí, averiguar hasta que punto preciso han llegado en sus estudios. Cuando procedemos de esta manera, una de nuestras primeras preguntas es: ¿A que punto han llegado Vdes. en lo que se refiere a las normas de desarrollo económico que Vdes. desean aplicar? ¿De que manera cuadra este proyecto particular en su programa general? Con frecuencia encontramos que no se ha dado suficiente atención al problema, y que se nos pide una ayuda adicional. Hemos enviado un número de misiones especiales, compuestas de pocas personas, que permanecen en el lugar durante un corto lapso de tiempo, tan solo para iniciar los trabajos de acuerdo con dichas normas en colaboración con los departamentos o organismos oficiales del gobierno del país miembro interesado, y a fin de estimular esa manera de pensar y la obtención de esa clase de conocimientos e información. O bién, en algunas ocasiones hemos organizado misiones más importantes de asistencia técnica a países miembros para preparar sus programas de desarrollo. El principal esfuerzo realizado por nosotros hasta la fecha en este campo, ha sido la misión que mandamos a Colombia, que fué organizada hace poco mas de un año bajo la dirección del Dr. Lauchlin Currie, un economista bien conocido en los Estados Unidos. Ésta misión se componía de unos doce o catorce economistas y expertos

especializados en distintas materias y de diferentes nacionalidades. Este grupo de trabajo pasó unos seis meses en Colombia, y cuando regresó, gastó unos seis meses más en la preparación de su informe. En realidad, estimaron que era necesario volver dos o tres veces a Colombia para llenar lagunas que no había logrado cubrir enteramente durante su primera visita. Este esfuerzo ha tenido un carácter de experimento, pero espero que se comprobará su grán utilidad. Esperamos que se publicará su informe, y cuando losea, recomiendo a los miembros de este grupo que lo estudien detenidamente como una muestra del esfuerzo que ha de hacerse en todo país al examinar la situación de sus recursos en conjunto, y desarrollar un programa lógico, coherente y productivo de inversiones. El programa ampliado de asistencia técnica de las Naciones Unidas ha de dar un impulso substancial a esta clase de trabajos, y esperamos que se sacarán de este grandes provechos. Pero todo este asesoramiento y toda esta asistencia serían malgastados a menos que los países miembros dispongan ellos mismos de una organización central que reciba la información, asimile el asesoramiento, y lo aplique y lleve a cabo. Lo que se necesita es una vigorosa organización nacional constituida por elementos responsables, unificados e imparciales. Con mucha frecuencia hemos notado que ha faltado este elemento. Merced a los esfuerzos de los países mismos, mediante la cooperación del Banco Internacional y mediante otras fuentes, tales como el Programa de Asistencia Técnica, esperamos que los programas y proyectos serán presentados en una forma considerablemente mejorada. No cabe duda que el mayor obstáculo que se opone a los progresos del Banco en la actualidad lo constituye la falta de un trabajo preparatorio adecuado por parte de nuestros

países miembros. La solución de este problema requerirá, a nuestro juicio, una ardúa y larga labor para todos nosotros.

Ahora bién, estas opiniones que he venido expresando, cuya substancia es la de tratar de dar una impresión de que consideramos los programas de desarrollo con amplitud de miras, no representan — me permito recalcárselo a Vdes. — nada nuevo para el Banco. Estamos acostumbrados a considerar las cosas con amplitud de miras. Y no puedo dejar de comentar que estamos también acostumbrados a que los prestatarios manifiesten sorpresa cuando mostramos interés por otras cosas además del proyecto particular sometido a nuestro exámen. Nos hemos encontrado con prestatarios que nos encontraban demasiado inquisitivos acerca de sus problemas económicos generales, y acerca de su posición y política económicas. Pero creo que en el seno de este grupo se ha venido manifestando un vigoroso apoyo en favor de la opinión de que el desarrollo económico ha de ser considerado en toda su extensión, y que al examinar cualquier operación particular se debe prestar atención a su contenido general.

Ahora bién, al mismo tiempo, sabemos que no podemos aspirar a la perfección en esta materia. No exigimos planes de cinco años para el desarrollo económico de un país insuficientemente desarrollado, que acaba de comenzar a realizar progresos en la ejecución de sus ideas. De abrigar nosotros tales opiniones no habríamos concedido ningún préstamo hasta la fecha. Nuestra filosofia consiste en ser prácticos y pragmáticos, en ir adelante, pero no con demasiada prisa, a fin de no incurrir en despilfarros de los fondos; y cuando digo nosotros, me refiero a que necesitamos proteger a nuestros prestatarios contra toda prodigalidad en la utilización de sus propios recursos, a falta de un concepto claro y

racional acerca del carácter de sus programas de desarrollo económico.

Séame permitido pasar a otro tema, que es la cuestión de la moneda en que se efectúan los préstamos del Banco. El Banco se enfrenta cada vez más ante el problema de reunir las sumas adecuadas en monedas que no pertenecen a la zona-dolar, para atender a sus préstamos. El incremento general en las existencias de mercancías en Europa occidental y, desde la devaluación, la tendencia general de los productos de esa zona en competir cada vez más en el mercado mundial, significan que el desarrollo económico en las regiones insuficientemente desarrolladas debe poder asimilar una creciente y considerable afluencia de mercaderias provenientes de fuentes que no sean los Estados Unidos. Ahora bién, esta afluencia puede financiarse, al menos en parte, en dólares; en efecto, alrededor de una cuarta parte de los préstamos del Banco en dólares han sido invertidos hasta ahora fuera de los Estados Unidos. Esto presenta la ventaja de dar facilidades a los países proveedores, los de Europa occidental que están vendiendo sus mercaderias a cambio de dólares suministrados por el Banco, para encontrar fuentes adicionales de poder adquisitivo en dólares. Pero esto tiene también la desventaja de imponer a los países prestatarios la obligación de pagar en dólares los aprovisionamientos que adquieran en las regiones de divisas débiles. Hemos notado una señalada tendencia entre los prestatarios a procurarse financiamientos en divisas débiles, ya sea por intermedio del Banco, ya sea de otro modo, para dichos aprovisionamientos, y de reservar su capacidad prestataria en dólares para sus compras en los Estados Unidos. Esta imputación de los préstamos en dólares del Banco -- en otras palabras -- a las compras en los Estados Unidos -- refleja más bién la actitud de los

prestatarios que la del Banco. Me parece innecesario decir ante este auditorio que el Banco no impone ninguna clausula obligatoria a los préstamos que concede en dólares, (1) y que su Carta se lo prohibe.

Igualmente, mientras dure la inconvertibilidad de las divisas, surge un verdadero problema en lo que toca a examinar la solvencia de un país prestatario. Los países pueden muy bien haber agotado su solvencia en dólares para préstamos en dólares y disponer, sin embargo, de utilidades en divisas débiles que acertarían claramente su solvencia para hacer frente a compras en regiones de divisas débiles.

El Banco se provee de divisas débiles prestables, procurandoselas por medio de capitales suscritos por los diferentes gobiernos miembros, o por medio de fondos obtenidos en préstamo en los mercados financieros de dichos países. Pero, ambas operaciones requieren, en virtud de las disposiciones de nuestra Carta, el consentimiento del país interesado, y estos consentimientos no han sido otorgados hasta ahora sino con vacilación, debido a que los países temen que la posición de sus balanzas de pagos no les permita efectuar las exportaciones sin compensación implicadas en las exportaciones contra pagos en divisas que se hayan procurado por intermedio del Banco.

Sin embargo, se han realizado algunos progresos recientemente en la obtención de dichos consentimientos, por lo menos en principio, sujetos a consultas entre el Banco y el país miembro al presentarse alguna necesidad específica. Si bién se admite que la posición de la balanza de pagos de la mayor parte de los países de Europa occidental es dificil,

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(1) Esto quiere decir que dentro del Convenio del Banco es imposible limitar el área en donde pueden desembolsarse los fondos provenientes de un préstamo determinado.

una
/cantidad relativamente moderada de sus divisas aportarían un gran alivio al Banco y a sus miembros prestatarios. También habría de notarse que cuando dichos países sufrieran todavía deficits generales en sus balanzas de pagos, puede que estén en situación (y algunos, en verdad, han mostrado estarlo) de mantener la exportación de capitales en cantidades apreciables a regiones insuficientemente desarrolladas.

En Banco estima que tiene que actuar en calidad de incurridor de riesgos en tal corriente de capit les, y está muy deseoso de ensanchar el alcance internacional de sus operaciones en conformidad con las directivas trazadas en Bretton Woods. Además, como resultado de las circunstancias que acabo de describir, cualquier progreso adicional realizado por el Banco en obtener acceso a los suministros en cantidad adecuada de divisas que no sean dólares pueden ser de suma importancia para cimentar la amplitud global de las operaciones prestamistas del Banco.

Finalmente, algunaspalabras con respecto a asegurar la continuidad de las inversiones internacionales y las propuestas del Comité de Expertos en la materia. El Convenio sobre Banco prescribe que este debe "promover un crecimiento equilibrado de largo alcance del comercio internacional y el mantenimiento del equilibrio en las balanzas de pagos" y debería "dirigir sus operaciones con atención debida a los efectos que las inversiones internacionales puedan tener en la situación económica de los territorios de sus miembros". Por consiguiente, tanto su Carta como su propia experiencia inducen al Banco a considerar con simpatía los objetivos perseguidos por los expertos. Se deduce claramente que los países, tanto exportadores como importadores de capitales, tienen interés en evitar fluctuaciones demasiado grandes en las inversiones

internacionales. De hecho, la idea de continuidad se encuentra en la base misma de los conceptos del Banco. Los préstamos otorgados por nosotros durante los primeros años se consideran como un primer paso hacia el inicio de relaciones con sus países miembros, las cuales irán creciendo con los años, a medida que vaya aumentando la capacidad de dichos países en asimilar la ayuda exterior, a medida que la productividad interior vaya desarrollandose, y a medida que vayan mejorando las perspectivas de que se alcance un equilibrio internacional. El carácter flexible de los recursos del Banco le permite, dentro de ciertos limites, fungir de substituto de los inversionistas privados, a falta de estos. De hecho, esto es realmente lo que hemos venido haciendo recientemente frente a un mercado de capitales estadounidense que no ha estado en situación de absorber cantidades suficientemente importantes de emisiones de bonos extranjeros.

Sin embargo, continuidad no es necesariamente sinónima de estabilidad o de rigidez. Las necesidades del exterior de los países importadores de capitales varían de un periodo a otro de acuerdo con sus propias tendencias de desarrollo y su capacidad de emprender nuevas inversiones, de acuerdo con su adaptación progresiva a las nuevas condiciones del mercado y de acuerdo con las variaciones en los precios de sus principales productos de exportación, que contribuyen al mejoramiento o a la deterioración de sus posiciones en las balanzas de pagos y a fluctuaciones en la totalidad de los recursos de que disponen corrientemente. En verdad, si se habían de extender los préstamos en cantidades previamente determinadas durante periodos de tiempo dados, resultaría inevitable, tal vez hasta el momento en que se pudieran establecer una acumulación de

oportunidades de inversión adecuadas (acumulación de la que seguramente no disponemos hoy en día), que la organización prestamista encargada de atender a dicho programa fijo de desarrollo se viera forzada a otorgar créditos sin ponderar adecuadamente la productividad de las inversiones o la capacidad de los recipientes de efectuar los reembolsos. El volumen del flujo de capitales tiene, naturalmente, su importancia, pero contribuye al desarrollo unicamente cuando se utiliza el capital de manera productiva. Existe la implicación en el informe de que el aumento de la capacidad de reembolsar será en cierto modo proporcional al aumento de la cantidad de inversiones. Por los menos, se ha dado muy poca atención al problema del reembolso. Esto no sería el caso si las nuevas inversiones tendieran a sostener o a consolidar un tipo de producción basado en un desequilibrio internacional existente. A la larga, no basta que, en conjunto, los ingresos efectivos del país recipiente se encuentren aumentados, si su posicion externa ha venido haciendose más y más precaria y si los desajustes internacionales existentes se han perpetuado. Es necesario dirigir las inversiones hacia nuevos tipos de producción que moderen en su conjunto las presiones sobre la balanza international de pagos. Para que las inversiones internacionales presten verdáderos servicios, deberían provocar cambios estructurales en la producción, lo cual aportará mejoras tanto a la productividad interna como a la balanza exterior.

Por lo demás, el informe de los expertos ha dedicado gran parte de su atención a los actos y compromisos que hayan de contraer los Gobiernos Miembros, tanto en el campo nacional como en el internacional. Esos actos implican importantes decisiones de política por parte de los

diversos países, y, por consiguiente, el Banco estima que a él no le corresponde discutir muchas de las recomendaciones.

Aún más, el Banco no estima haber sufrido una restricción en el aumento de préstamos para el desarrollo por razón de la limitación de sus recursos. El Banco dispone de amplias cantidades de dinero en efectivo, libre de todo gravamen, y sus recientes operaciones de préstamos demuestran que probablemente no encontrará dificultad alguna en reunir más fondos cuando los necesite. De allí que el Banco se muestra renuente, en estos momentos, a discutir algunas de las proposiciones específicas hechas por los expertos respecto a la organización de los trabajos del Banco, no solamente por deferencia hacia los Gobiernos de los países miembros del Banco, sino también porque los medios de financiamiento de que dispone, y que espera logicamente poder mobilizar, resultan, en la actualidad, adecuados a sus fines.

En síntesis, tales son las consideraciones que el Banco tiene en cuenta al dirigir sus operaciones. En resumidas cuentas, puede decirse que procuramos hacer préstamos para proyectos que aportan la más efectiva contribución al tipo o programa de desarrollo del país prestatario. Creemos que las directivas bosquedas más arriba son suficientemente flexibles como para no imponer ninguna verdadera traba a nuestras actividades. Las limitaciones han surgido de otras fuentes. He mencionado muy claramente el hecho de que el número de proposiciones de empréstitos preparadas concreta y adecuadamente no ha correspondido a lo que esperábamos. También me refería a nuestra esperanza de que las actividades de asistencia técnica, en las cuales el Banco espera aportar su contribución, ayudarán a eliminar dicho obstáculo. Además, debe hacerse referencia a

la capacidad prestataria de los países miembros del Banco como factor limitativo. Las déudas exteriores envuelven gastos de gestión durante un período de años, y la cantidad de tales gastos que cualquier país puede resistir en su balanza de pagos futura tiene límites. Esto es tanto más cierto cuando se trata de déudas en dólares, y esta es una de las razones por que el Banco tiene tanto empeño en que los programas de desarrollo — o los tipos de este — para cuyo financiamiento presta su ayuda, contribuyan a mejorar dentro de un período de tiempo razonable las posibilidades de satisfacer pagos exteriores de sus países prestatarios.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FROM: The Secretary July 31, 1950

SUPPLEMENTARY REMARKS MADE BY MR. J. BURKE KNAPP, REPRESENTATIVE OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AT THE THREE HUNDRED AND EIGHTY-FIFTH MEETING OF THE ECONOMIC AND SOCIAL COUNCIL

Geneva, July 19, 1950

Mr. President, Members of the Council, I am grateful for this further opportunity to address the Council on behalf of the International Bank. In my general statement last week, in accordance with the list of the items on the agenda, I presented the Bank's views with respect to that section of the Experts' Report on full employment which deals with the International Bank. I do not propose to repeat this general statement for the purposes of the present debate, but I should like to offer a few comments on some subjects which have been referred to frequently in the previous discussion.

These subjects are the Bank's policies with respect to "special projects", the matter of "local currency loans" and the question of the commercial nature of the Bank's operations.

Several delegates have expressed the view that the Bank ought to go beyond the financing of "special projects". I must confess, however, that I have not received a very clear idea of

what alternatives are held in mind; perhaps this matter can be further clarified at the committee stage of discussions.

Is it proposed that the Bank should grant general lines of credit for undefined purposes? I have previously commented on the disadvantages of this procedure and I have heard no positive suggestion that this should be done.

Is it that the Bank should finance groups of projects rather than single ones? I have pointed out that we are anxious to do this in appropriate cases, but that we are also anxious to consider priority projects which have reached an advanced stage of preparation, without waiting for associated projects which may come along later.

Is it then only a question of maintaining a broad perspective in considering projects, as has been proposed by the Delegate from India? The Delegate from India called attention to the Bank's recent loan for hydro-electric development in Brazil and expressed some surprise that the Bank had been willing to venture into such a project which would prove economically justifiable only to the extent that it was supplemented by further secondary development. I can assure the Council, however, that this type of loan is characteristic of our operations and that we do not have to justify it as a matter for "exceptional circumstances". In order to illustrate my point, I trust I shall be permitted to read excerpts from the Bank's press releases on the five loans which we have made during the last three months.

(At this point Mr. Knapp read passages from the Bank's press releases, describing the projects financed under the following loans:

The Damodar Valley Project in India;

The long-term loan to Mexlight;

The Paulo Afonso Project in Brazil;

The Flood Control Project in Iraq;

The Port and Grain Storage Projects in Turkey.)

I submit, Mr. President, that these loans, and the language used to describe them, demonstrate that the Bank does not take an unduly narrow view of the economic justification for specific projects.

Is it then the question of whether the Bank should finance, in the case of specific projects, something more than the direct external costs involved--i.e., part of the local currency expenditures on the project, or part of the indirect impact of the project on the balance of payments

of the country concerned? The view has been expressed by several delegates that the Bank ought to engage in such financing, and not only in "exceptional circumstances".

I have previously stated to the Council the reasons why the "exceptional circumstances" clause is justified. My basic argument was that loans from the Bank must be regarded as a scarce resource, and that they should be utilized so far as possible to meet the direct and inescapable foreign exchange requirements of development projects with countries making every possible effort to deal through domestic measures with the local currency financing problem, and with the indirect escapable foreign exchange requirements. Within the limits of available external assistance, this would permit countries to carry out larger development programmes.

But why must loans from the Bank be regarded as a scarce resource? The Delegate from Denmark has attributed me the statement that this was because of the limited total resources of the Bank. I did say that eventually this might prove to be a limitation, but I also emphasized that we do not feel this to be the case today. Rather, I placed primary emphasis upon the limited borrowing capacity of our individual member countries--I also pointed out that this capacity to service external debt was likely to be particularly limited in dollars, as long as currencies remained inconvertible, thus underlining the importance to the Bank and its borrowers of the Bank's obtaining freer access to currencies other than United States dollars.

The Bank believes that it would be no service to a borrower to impose upon him unduly heavy service charges on external debt—at the same time, this would be no service to our other member countries who

assume, under the Bank's articles of agreement, a pro rata share in the risks taken by the Bank on its loans. If any member country should feel that the Bank does not show a sufficient liberality in judging its creditworthiness, we would urge them to consider that the Bank is even-handed in its judgment and is therefore protecting its interest in the judgments which it makes on loans to other countries.

In particular, the interests of a borrowing country would be ill-served if it exhausted its borrowing capacity by incurring external debt to cover expenditures which it might have been able to handle through appropriate domestic measures.

Finally, a word with respect to the "commercial nature" of the Bank's operations. This term has been used frequently in the course of discussions, but to me, at least, it has a certain ambiguity.

If it means that the Bank is engaged in the business of making reimbursable loans, then it is certainly correct. The whole financial structure of the Bank is based upon the assumption that its loans will be repaid with interest.

But, the Bank's lending criteria are not simply commercial, as I have explained in detail. Nor are the financial terms of its loans properly described as "commercial". By definition, the Bank was set up to make loans which the private market could not handle. Our interest rates are, in fact, being brought down as the private investors from whom the Bank obtains the bulk of its funds gain an increasing confidence in our operations. On the basis of our most recent loans, we have reached a pattern of interest rates as follows: 3-3/4 per cent on 15-year loans, 4 per cent on 20-year loans and 4-1/4 per cent on 25-year loans; I desire

to emphasize that these figures include the 1 per cent commission charge which the Bank is requiring by its Articles to make during the first 10 years of its operation in order to build up a reserve against losses. These rates, Mr. President, are very low by comparison with the rates prevailing in the markets of most undeveloped countries. They are very low by comparison with the rates which prevailed in now developed countries during the early period of their economic development; and they are very low by comparison with commercial rates in the United States market on comparable loans. Just by way of illustration, I might say that I recently saw a study on Latin American dollar bonds in the New York market, which shows that the bonds of only three Latin American countries were selling to yield less than 7 per cent; and, of these three, two were rather special cases involving special security provisions.

Mr. President, the Bank is not a commercial institution guided by commercial motives; it is an international cooperative organization dedicated to the welfare of its membership. It is doing the best job it knows how to do, not so much within limitations imposed by particular clauses in its Articles as within limitations imposed by what are frequently stubborn facts in a real world.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

From: The Secretary July 26, 1950

Attached for the information of the Executive Directors are copies of :

a) Statement made by Mr. J. Burke Knapp at the 385th Meeting of the Economic and Social Council at Geneva

b) Statement made by Mr. Isador Lubin, U.S. Representative at the Economic and Social Council.

Distribution

Executive Directors and Alternates
President
Vice President
Department Heads

Sec: 4-256

STATEMENT MADE BY MR. J. BURKE KNAPP, REPRESENTATIVE OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AT THE THREE HUNDRED AND EIGHTY-FIFTH MEETING OF THE ECONOMIC AND SOCIAL COUNCIL

Geneva, 12 July, 1950

Mr. President and Members of the Council, it is a great privilege to participate in the discussions of the Council as a representative of the International Bank for Reconstruction and Development. It is especially a privilege to speak upon a subject such as economic development, that great, vexing, and very challenging problem which makes a genuine appeal to both the minds and the hearts of all of us.

This is a subject very close to the centre of the activity of the International Bank. It is one to which we have given a great deal of study and one in which we may claim to have some extensive practical experience. It is also a subject of very great complexity, as I believe the discussion which has preceded here has sufficiently indicated. Our successes in this field so far have been modest, but we feel that we have had successes and that the experience we have gained thus far has set our feet upon a path of greater accomplishment in this field.

We have studied carefully the two reports which are before you for consideration at the present time. These reports have been prepared by experts of impressive competence. As a result on many of the subjects of which they treat there is little to add. On some others, the thinking in the Bank has been proceeding along very largely parallel lines. On some of the policy matters I find a slight awkwardness in speaking on behalf of the Bank. The Bank is an inter-governmental co-operative agency. We are responsible to our member governments, broadly the same group as is represented at this table. On some major issues in the reports, therefore, we feel that we must look to

our member governments for guidance. However, on some of the general principles with respect to the financing of economic development, I hope to be able to reflect to you some of the judgments which have been reached in the Bank arising out of our experience in practical operations. I also hope to be able to clarify some of the questions regarding the Bank's policies and procedures which have been referred to by various delegations in the debates thus far.

I should make clear that it is not my purpose to make any formal policy declarations on behalf of the Bank. I have been authorised to come here and speak for the Bank, as I said before, to reflect our thinking on these problems and to attempt to make a constructive contribution to the debate. As for the development of our policies, we prefer rather than having paper pronouncements on policy matters to let those become evident through our actions. Our policies reflect the deliverations of a collective mind, so to speak, in the Bank's management and its Board of Directors. A collective mind, if it is active, is constantly at work and in a state of evolution. It will be my purpose to try to describe the stage of evolution reached thus far in the Bank.

May I first address myself to the question of general development programmes, general development loans, as opposed to loans for specific projects. This is a subject which seems still clouded with a great deal of misunderstanding and perhaps confusion of terms.

One concept which one might have in using the expression "general development loan" would be the extension of loans for undefined purposes, the extension of an open line of credit to be employed by the borrower at some future time for purposes and projects yet to be defined. I am quite aware that that is not what was in the minds of the experts who produced the Full Employment Report, because they say quite clearly that they would have the Bank

investigate the programme which was submitted for financing and follow its execution. However, this very broad concept of general development loans seems to have been present in some minds and I should like to say that the Bank doubts very much the wisdom of opening general lines of credit for application to undefined projects yet to be developed in the future. A general development programme is after all only an aggregate of individual projects. We have a common interest with our borrowers in formulating programmes, in advance, in terms of the concrete uses to which the money is to be put. Our common interest with the borrower is to see that the best use is made of the funds, and in order to judge that best use, we feel that we must have beforehand a reasonably concrete and specific idea of how the funds are to be employed.

I would also like to call the attention of the Council to the very serious loss of interest on borrowed money which might arise if advances were made for general purposes still undefined and a long period of time elapsed before a decision were made as to the specific uses to which those funds would be put.

If when speaking of general development loans, we mean making loans for a group of projects simultaneously, the Bank does that and indeed the Bank would like to do more of it. Our difficulty, as I shall point out at some greater length later on, is that we don't ordinarily have programmes submitted to us in a stage which permit of analysis and investigation. More commonly we are confronted with isolated projects. Actually if we awaited programmes, those projects which are ready for financing and execution would have to wait upon the development of the wider programme. Our aim in fact is to select and take the most urgent and most generally productive projects for prior treatment.

A remaining possible interpretation of the phrase "general development loans" is to cast the definition in terms of the scope of the Bank's financial contribution on a particular project; that is to say, whether the Bank should finance only the direct foreign exchange costs attributable to the project, or whether it should also extend its activities to the financing of foreign exchange impacts upon the balance of payments of the country carrying out the investment which are attributable indirectly to the investment.

I shall have occasion to refer again to this concept of "indirect impact" and I should like to define it even though the concept may be quite clear to you all and is one which is discussed especially in the Report of the Sub-Commission on Economic Development. Investment activity in a country may give rise, in addition to the direct foreign exchange costs involved in the projects, to indirect impacts upon the balance of payments, whether in the direction of increased imports or diminished exports. Imports may tend to increase because of the diversion of labour and other domestic resources in the country concerned to the project, i.e. to investment away from production for consumption. If consumption levels are to be maintained there may well be need for an increased import programme. On the other hand the same diversion of resources to the investment may cause a loss of productive activity in export industries and thereby give rise again to an indirect impact upon the balance of payments.

This problem of financing the indirect impacts upon the balance of payments is, as I shall explain, largely identical with the local currency financing problem of which we have heard a great deal in the discussions here. Local currency loans by the International Bank would not ordinarily involve the Bank's lending to a member country out of its holdings of the currency of that member country. The Bank does hold a variety of currencies, as you know, through the subscriptions by member governments of all of the member countries.

Rarely, if ever, however, would it make economic sense or would it indeed be of advantage to the member country to borrow from the Bank the Bank's holding of its own currency.

Local currency loans usually mean therefore the advance of foreign exchange to be converted into local currency to meet some part of the local currency expenditures on a project.

Now let me explain the relation of that procedure to the indirect impact upon the balance of payments. In terms of financial techniques, there are two ways in which the Bank might make a contribution in this field. Let us assume that a project is being undertaken of which the direct foreign exchange expenditure for capital equipment and supplies is being financed by the Bank. The Bank might then provide an additional loan in foreign exchange in order to cover some of the balance of payments impact on the country concerned arising indirectly as a result of the carrying out of the investment, the borrower devoting the "local currency counterpart" from the sale of that foreign exchange to meeting a portion of the local currency expenditure on the investment. As the delegate from Chile has pointed out, this is the concept embodied in the resolution which the Chilean delegation has presented and bears a family likeness at least to the ERP counterpart procedure. An alternative way of handling the problem would be to have the Bank finance some portion of the local currency expenditure on the project, acquiring this local currency with foreign exchange and leaving the borrowing country to devote that "foreign exchange counterpart" to meeting the impacts upon its balance of payments arising out of the investment. This is the alternative technique which underlies the resolution presented by the Sub-commission on Economic Development.

Both of these procedures, in an economic sense, amount to the same thing. They are simply two different financial techniques. In either case, the

essential role of the Bank would be to provide additional resources from outside to supplement the country's domestic resources in carrying out its investment programme. In real terms, one may measure this contribution by the additional goods which are imported. In financial terms, one may speak of it as supplementing domestic savings and meeting a portion of the domestic local currency expenditures on the investment project. However, the concept of supplementing local savings can become misleading; it is probably better to think in terms of the Bank's supplementing the real resources available to the country for investment and consumption purposes. The lack of savings, of which we hear so much, simply reflects too great consumption in relation to output, or perhaps it would be fairer to say, in the case of most under-developed countries, a lack of productivity and too small a margin of production over consumption needs.

Now the Bank has the power under its Charter to undertake operations of this sort "in exceptional circumstances". Why did the authors of the Charter make this provision? We believe there is clear justification for the use of that term. The borrowing capacity of any country - its capacity to service foreign debts - is limited, and eventually the total resources of the Bank are a limited quantity. So far as possible, therefore, that borrowing capacity should be reserved by member countries to cover those direct and inescapable foreign exchange costs of their development projects. We think that our member countries should attempt by all means at their disposal, to meet the internal expenditures, and to meet the indirect impacts upon their balance of payments, through their own domestic measures. They can thus avoid incurring burdensome external debts for those escapable foreign exchange costs. A consequence of reserving funds for the direct expenditures is that within the limits of a country's borrowing capacity it will be able to carry out a larger development programme.

Now these domestic measures are largely a matter of internal fiscal and monetary policies. It means using the weapons of counter-inflation with which we are all familiar in various contexts. As has frequently been pointed out in the debate, inflation is a recurrent and a chronic problem in undeveloped countries. It means appropriate tax policy; it means appropriate expenditure control in the government; it means control over credit and over investment in the private economy. It may also mean, especially in relation to the external problem, direct intervention in the balance of payments. There is a real danger of thinking of balance of payments deficits as something pre-ordained. They are very commonly a reflection of inadequate domestic economic and financial policies. No amount of foreign assistance can remedy lack of resolute action by the government at home to manage its domestic affairs. The Bank frequently has had occasion to co-operate with and advise its member countries on these broad economic and financial policies appropriate to development programmes. These problems are widely understood; what really matters is resolute action by the governments concerned to follow the lines of sound internal monetary management. In the absence of such action, and unless the situation does justify external assistance to help with the problem, the eventual resort is to inflation. I am sure that before this group it is unnecessary to elaborate the harmful effects of inflation, the misdirection of investment, the inequalities of income, the suffering and waste which inflation carries in its train.

The Bank also desires to assist its member countries to create and mobilise sources of local capital for investment purposes, and considers this task one of the major contributions which it can make to the process of economic development. The method does, of course, vary from country to country, but I would like to give you at least two recent examples from the Bank's activity which will illustrate in this very concrete way the kinds of

things which can be done to supplement the Bank's external assistance with the mobilization of internal financial resources.

The Bank made a loan recently to El Salvador for a very large hydro-electro-project which we hope will prove a major landmark in that country's economic development. The external costs amounted to about $12 million and there was a problem of raising the equivalent of $6 million in local currency for purposes of covering domestic expenditures on this project. We were told that there was no possibility of raising that money in El Salvador. El Salvador, like most undeveloped countries, has no organized capital market. We suggested the possibility of organising an authority to administer this hydro-electric project, and of having that authority issue bonds. For El Salvador that was unprecedented. There were almost no bonds in the country; people weren't accustomed to hold their money in that form. However, we sent to El Salvador the Director of our Marketing Division, who is concerned with the flotation of our bonds in the United States and who worked very closely over a period of some time with the local people. As a consequence, a bond issue was organised, only within the last few days it has been offered for public subscription, and it was an overwhelming success within 24 hours. El Salvador has found from its local capital market the amount required to supplement the Bank's external assistance.

Another instance which perhaps is even more interesting is a venture with which the Bank is engaged in Turkey. Turkey is a country which has had a considerable industrial development but very largely in the hands of the government. There has been no private enterprise, there has been no capital market, there have been no funds available for carrying out small and general industrial development in the country. At the same time, there has been increasing recognition of the need for promoting industrial development by private enterprise.

We were invited by the Turkish Government to try to formulate some answer to the problem of developing the Turkish capital market, and we sent a representative to Turkey for the purpose. He spent a very considerable time, (these things don't come easily) working with the private banking people, government representatives, and private business interests in Turkey. As a result of his recommendations, a Turkish Industrial Bank has now been established. The share capital in this Bank has been subscribed by a syndicate of private bankers with the hope that after the institution commences operations these shares can be passed on to the general public. This institution has been assured an advance from the Central Bank of Turkey in an amount matching the funds raised through the issuance of share capital. And finally the International Bank is prepared to provide this institution with external loans to supplement its Turkish lira resources.

The function of this body is primarily to provide capital to new enterprises or expanding enterprises in the small industrial field in Turkey. It is authorised to make loans, to assist by way of equity participation, or in some instances to engage in pilot operations on its own account. It is expected that this bank will be equipped with a technical staff able to advise Turkish entrepreneurs with respect to the technical problems of their business, including not only the industrial problems but also the financial and organisational questions. We shall watch the development of this institution with the greatest interest. It may be regarded itself as a pilot operation to show what can be done to evoke private funds both through subscriptions to the capital of the bank and subsequently through the launching of enterprises which the bank will help to finance.

Well, despite all the measures that can and should be taken to mobilize effectively internal resources (and this is a matter to which the Sub-Commission, rightly attaches very great importance) cases may arise in which it would not be economically inappropriate for the Bank to cover with foreign exchange part of the local currency costs of a project, and incidentally part of the indirect impact of that project upon the country's balance of payments. The Bank has no general policy preventing its engaging in such operations, although its inclination would be to make loans of this sort only in the following circumstances:

a) If the country is sufficiently creditworthy to be able to undertake a foreign exchange obligation in order to finance local currency costs.

b) If the project being financed is of such economic urgency that the country's ability to undertake foreign borrowing is better utilized in financing this project rather than in financing the direct foreign exchange costs of alternative projects.

c) If the local currency costs of the project cannot reasonably be met out of available domestic resources and

d) If the project demonstrably gives rise to indirect foreign exchange requirements arising from the loss of export potential or the need for increased imports of either raw material or essential consumption goods which are needed to prevent the investment from having an undue inflationary effect upon the economy.

It should also be understood that in all cases the Bank would expect the borrowing country to find out of its own resources some substantial part of the local currency funds required to meet the domestic expenditures.

I would like to call attention to the fact that this statement has been formulated in terms of financing local currency costs, and having the foreign exchange counterpart used to cover the indirect impact on the balance of payments. For a number of practical reasons we are inclined to consider that financial technique more suitable.

I should also like to make clear that this is a procedure which we could follow only under the terms of our Charter, that is to say, in exceptional circumstances. We do not feel that under our Charter, or on the basis of a reasoned analysis of the problem this is a procedure which should be resorted to regularly and generally.

This discussion, you will note, has continued to run in terms of financing specific projects. But the Bank has always taken a broad view of what is a project. We are not committed to the "monument" school of thought, that a project must loom great on the horizon and be a large single construction work. In India, for example, we helped to finance the general rehabilitation of the Indian railway system; that was a matter of providing additional rolling stock for the whole Indian system. We regarded that as a project. We have made a loan to Colombia for the purchase of agricultural machinery which is being distributed throughout the agricultural economy of Colombia. That was regarded as a project.

More important, in considering the economic justification for projects, we feel the <u>necessity</u> for taking a broad view of the effect of the project upon the country's economy. The report of the Sub-Commission on Economic Development has stressed that the social usefulness or productivity of a project is not to be judged merely from a commercial standpoint, and that there were non-revenue creating investments which had a direct or indirect effect on a country's

economy which should be eligible for foreign finance. The Bank agrees with this viewpoint and has had the opportunity so to express itself to the Sub-Commission. The Bank does feel that operations which are commercial in nature should clearly be carried out on commercial lines; that economic administration is essential in any project; and that the organisation which are created to carry out the projects must in the interest of the nation concerned be as efficient as possible. The Bank does not feel, however, that it should limit its financial assistance to a project or programme which by their nature are self-liquidating in the ordinary commercial sense.

Hence, we don't quite accept the categories which were set forth in the report of the Sub-Commission on Economic Development, those categories of projects which they classified according to the suitable source of international finance. They first list general industrial projects being suitable for private finance. This is no doubt correct as a general statement. Primarily one would look to private enterprise capital to carry out industrial operations. But we do not regard ourselves as precluded from participating in such activities, particularly if jointly with private enterprise. The second category in the Sub Commission's report is the so-called economic overhead projects: power, transportation, communications, agricultural development, land reclamation and irrigation and so on. At some points in the report, they seem to doubt whether these are suitable for the International Bank, although at one point they acknowledge that they are very close to the heart of our present activities. The Bank recognizes that basic resource projects like these must be assessed in terms of their long-range economic productivity, taking into account the contribution they will make to a secondary development of the economy. Within this framework, we regard ourselves as very much at

home in the field of economic overhead projects. Then we come to the social overhead projects, health, education, housing, labour training, and so on. Here again we would not like to feel excluded from the field. We can conceive of projects coming up along these lines which would be sufficiently productive to justify resort to the Bank's resources, especially if they are linked to other types of operations having a more clearly economic nature. In fact even if the Bank wholly abstained from financing social overhead projects, the conclusion need not necessarily be drawn that such projects cannot be carried out. The point is simply that if the Bank makes a sufficient contribution in the fields of categories 1 and 2 in the Sub Commission's report, the country concerned may well be able to afford to carry out with its own resources the associated programmes in category 3.

May I add a word regarding the revenue-producing character of projects. The Bank under its Charter must lend either to governments or under the guarantee of national governments. Our eventual security, therefore, on any loan is a pledge of the national credit of the borrowing country. On the other hand, we naturally do not want to set up a loan project under a government guarantee in which the primary borrower will prove insolvent and we shall have to have resort to the guarantee. Indeed the Bank has sometimes urged member governments to put projects which they have submitted to us on a self-liquidating basis, and I think that has given rise to some misconception. Let me explain why we have done this: If for example we were submitted a project for development of a country's ports - I speak purely hypothetically - and it were proposed that that port development be entrusted to a joint committee of the Ministry of Transportation, the Ministry of Finance and the Ministry of Economics, we might well express our preference for the creation of a Port Authority, our purpose being

simply to ensure the effective execution of the project. Having reached that stage, the question of finance might arise; and we might well propose that this Authority should be set up as an autonomous financial agency, deriving revenues from this port development project in the form of port fees. Now, when we make a suggestion like that, it is not because of any general preconception that projects must be self-liquidating. It is rather that, if the country concerned is a characteristic undeveloped country, it is already having a severe budgetary problem, it is seeking new sources of budgetary revenues, and here lies one ready at hand, i.e. charging port fees in accordance with the benefits derived by the users of the port - a conventional form of financing. The question, after all, is simply one of the incidence of taxation; the question is whether the beneficiaries of the project should pay for its use or whether the burden of finance - I am still speaking of internal finance - should fall upon the general budget. If the general budgetary situation permits, and if there are good reasons of a practical or social nature for not imposing the costs of the project upon the ultimate beneficiaries, the Bank does not insist upon a doctrinaire policy that the project must be directly self-liquidating in local currency.

Similarly, in judging the borrowing country's capacity to service external debt, and in assessing the contribution of the project in this direction, the Bank does not take a narrow view. In fact, it must give consideration not only to the long-term indirect effects of the project upon the country's balance of payments, but also to the more general prospects for the country's external payments position. The Sub Commission on Economic Development has pointed out that if a country's general balance of payments position is well assured, it might not be necessary to require

that a project contribute, even indirectly, to the improvement of the external payments position. Unfortunately, the converse is also true. If a country's balance of payments prospects are very poor, the Bank might not be able to entertain a loan application even if the particular project concerned would demonstrably produce exports sufficient to meet the service on the loan. The question which the Bank must always consider is whether the service on its loans, together with other debt service requirements, would put an undue burden upon the prospective total exchange availabilities of the country concerned.

The explicit requirement that the Bank must lend either to member governments or on their guarantee has facilitated our efforts to assure consideration of priorities among different projects, and of the co-ordination among such projects. It should be kept in mind that although a great number of projects in a given country might seem sound enough in terms of their yield in local currency, they may in the aggregate exceed the country's capacity to finance investment, whether from its domestic resources or from the amount of external borrowing which it can reasonably undertake. Hence it is imperative to establish priorities - to commence with the most economically productive projects, measuring productivity in the broad terms which I have mentioned before.

A problem which is technically even more difficult is to develop a pattern of interdependence among the investment projects so that what is carried on in one direction is matched by those necessary complementary investments which alone can ensure the economic effectiveness of the whole. An obvious example is that there is no use in bringing new land under cultivation through an irrigation system unless at the same time transportation facilities are provided to bring the crops to market; or there is no

use in providing power resources for an area without some assurance that there will be an adequate development of agricultural or industrial activity in the area.

All this means that what is needed is an integrated investment programme and (I come now to the final and most difficult stage of all) a programme timed over a space of years in accordance with the available resources. Such a programme must be carried out by stages, whether because of physical or financial limitations. An early start on the most productive projects means building up a national income, a taxable capacity, a balance of payments position, which will sustain further development activity. But to start the programme off on the right foot, it is critically important to have at least a general sense of what the general development programme is to be.

Now this task of developing integrated development programmes is an extremely challenging one. The Bank seeks to provide every assistance along this line, and it is a part of our daily life to do so. To take the simplest case, when we receive a loan application our first thought is to get out into the field and see the problem on the spot, talk to the people there, find out just what stage their thinking has reached. When we do that, one of our first questions is: What stage have you reached in your general thinking as to the lines of economic development along which you wish to proceed? How does this particular project fit into your general programme? We frequently find that not sufficient attention has been given to that problem, and further assistance is requested. We have sent a number of special missions with a few people for a short period of time, just to start the work along these lines within the government departments or agencies in the member country concerned and to stimulate that kind of thinking and

the production of that kind of intelligence and information. Or on occasion we have undertaken major technical assistance missions to member countries for working out development programmes. Our principal effort to date in that field has been a mission to Colombia, which was organised something over a year ago, under the chairmanship of Dr. Lauchlin Currie, a well known economist in the United States. This mission included about twelve or fourteen economists and specialized experts in different fields and of different nationalities. This group spent about six months in Colombia, and when they returned, they spent another six months writing their report. As a matter of fact, they found two or three return visits to Colombia were necessary to fill in gaps which they had failed to cover during their first visit. This effort has been experimental, but we hope it will prove very useful. We expect the report to be published, and when it is, I do commend it to the attention of the members of this group as the kind of effort that we think must be made in a country to assess its total resources position and to develop a logical, integrated, and productive investment programme. The expanded technical assistance programme through the United Nations should provide a substantial impulse for this kind of work, and we expect a great deal from it. But all of this external advice and assistance will be wasted unless the member countries themselves have an effective organization to receive the information, absorb the advice, and to implement it and carry it out. What is needed is a vigorous national organization entrusted to responsible, unified, and objective hands. Too often we have found this element lacking. Through the efforts of the countries themselves, through co-operation and assistance from the International Bank, and through other sources such as the Technical Assistance Programme, we hope to see a greatly improved presentation of

programmes and of projects. There is no doubt that the single greatest obstacle to the Bank's advance at the present time is the inadequate character of the preparatory work in our member countries. The solution to this problem will require, in our judgment, long and arduous work by us all.

Now, these views which I have been expressing, the substance of which is to try to give an impression that we do take a broad view of development programmes, is, I urge upon you, nothing new in the Bank. We are accustomed to taking a broad view. And I cannot refrain from commenting that we are also accustomed to borrowers expressing surprise when we evidence interest in things other than the particular project which is submitted for review. We have had borrowers who felt that we were most unduly inquisitive about their general economic problems, and about their general economic position and policies. But I do feel that within this group there has been indicated strong support for the view that one must consider economic development in the broad, and that in judging any particular operation one must see it in its general context.

Now, at the same time, we know we cannot be perfectionists in this field. We are not demanding five-year blue-prints for the economic development of an undeveloped country which is just beginning to make progress on carrying out its ideas. Had we held such views we should never have made a loan to date. Our philosophy is to be practical and pragmatic, to move forward, but not too quickly, not so fast that we shall make wasteful expenditures of funds; and when I say we, I mean that we want to protect our borrowers from making wasteful expenditures of their resources in the absence of a reasonably clear concept as to the nature of their economic development programme.

May I turn now to another subject, which is the question of the currencies in which the Bank loans are made. The Bank is now increasingly

encountering the problem of raising adequate non-dollar currencies for its lending purposes. The generally increased supply of goods in Western Europe and, since devaluation, the general tendency for Western European goods to be more competitive in world markets, means that economic development in the undeveloped areas should be able to absorb a greatly increased flow of goods from sources other than the United States. Now this flow can be financed, at least in some part, in dollars; in fact about a quarter of the Bank's dollar loans thus far have actually been spent outside the United States. This has the advantage of enabling the supplying countries, the Western European countries who are selling goods against dollars supplied by the Bank, to find an additional source of dollar earning power. But it also has the disadvantage of imposing a dollar obligation on the borrowing country to finance its procurement requirements in soft currency areas. We have noted a distinct tendency by borrowers to seek soft currency finance, through the Bank or otherwise, for such procurement, and to reserve their borrowing capacity in dollars for purchases in the United States. Such tying of the Bank's dollar loans, in other words, to purchases in the United States has been much more a reflection of the attitude of borrowers than of that of the Bank. I think it is unnecessary for me to say to this company, that the Bank does not make tied dollar loans and that it is forbidden by its Charter to do so.

Also, as long as currencies are inconvertible, a real problem arises in assessing the credit-worthiness of a borrowing country. Countries may well have exhausted their credit-worthiness in dollars for dollar loans, and yet have soft currency earnings which would clearly establish their credit-worthiness for advances in soft currencies to meet purchases in soft currency areas.

The Bank's supply of lendable soft currencies, is obtained from capital subscriptions by the various member governments, or through funds borrowed in the financial markets of those countries. But both operations require the consent, under our Charter, of the country concerned, and these consents have been given, thus far, rather hesitantly, because countries fear that their balance of payments position will not permit them to undertake the unrequited exports which are involved in exporting against payment in currencies provided by them through the Bank.

Some progress has been made recently, however, in obtaining such consents at least in principle, subject to consultation between the Bank and the member country when specific needs arise. While the balance of payments position of most Western European countries is admittedly difficult, relatively moderate amounts of their currencies would be a great help to the Bank and to its borrowing members. It should also be noted that even if such countries may still have overall balance of payments deficits, they may be able (indeed, some have shown that they are able) to maintain substantial capital exports in the direction of undeveloped areas.

The Bank believes that it has a real role to play, as risk-taker in such capital flows, and is very desirous of expanding the international scope of its operations along the lines which were envisaged for it at Bretton Woods. Furthermore, as a result of the circumstances I have just described, additional progress by the Bank in obtaining access to adequate supplies of non-dollar currencies may be of great importance in establishing the general magnitude of the Bank's lending operations.

Finally, a few words with respect to assuring the continuity of international investment and the proposals of the Committee of Experts on that subject. The Bank's Articles of Agreement prescribe that it should endeavour to "promote the long-run balanced growth of international trade

and the maintenance of equilibrium in the balance of payments" and should "conduct its operations with due regard to the effect of international investment on business conditions in the territories of its members." Both by its Charter, therefore, and from its experience, the Bank is sympathetic with the objectives sought by the experts. Avoiding large fluctuations in international investment is clearly in the interest of both capital exporting and capital importing countries. In fact, the idea of continuity is at the basis of the Bank's conceptions. The loans granted by us during the first years are considered as the first step in a relationship with its member countries which will grow with the years, as their capacity to absorb foreign assistance grows, as their internal productivity develops, and as their prospects for attaining international equilibrium improve. The flexible nature of the Bank's resources gives it the means, within limits, to substitute for private investment when this is lacking. In fact, this is really what we have been doing recently in the face of a U.S. capital market which has not been ready to absorb significant amounts of foreign bond issues.

Continuity, however, is not necessarily synonymous with stability or rigidity. The foreign needs of the capital importing countries vary from period to period according to their own trends of development and their capacity to undertake new investments, according to their progressive adaptation to new market conditions, and according to the variations in the prices of their main export products, which may make for improvement or deterioration in their balance of payments position and for changes in the overall resources currently available to them. Indeed, if loans had to be extended in pre-determined amounts during given periods of time, it would be inevitable, until, perhaps, such time as there could be built

up a backlog of suitable investment opportunities, which we certainly do not have today, that the lending agency charged with carrying out this fixed programme of development would be compelled to extend credit without adequate appraisal of the productivity of the investments, or of the capacity of the recipients to make repayment. The volume of capital flow is, of course, important, but it contributes to development only if the capital is productively used. The implication exists in the report that the increase in the capacity to repay will somehow be proportionate to the increase in the amount of investments. At least, the problem of repayment was given very little attention. This would not be the case if the new investments tended to support or consolidate a pattern of production based upon an existing international disequilibrium. In the long-run, it is not enough that, in the aggregate, the real income of the recipient countries should be increased, if their external position has become more and more precarious and if the existing international maladjustments have been perpetuated. It is necessary to direct investment toward new patterns of production, which in the aggregate will moderate the strains upon the international balance of payments. If international investments are to be of real service, they should serve to bring about structural changes in production which will improve both internal productivity and external balance.

For the rest, the report of the experts is concerned very largely with actions and commitments to be undertaken by its Member Governments, both in the national and the international field. These actions imply major policy decisions on the part of the various countries and the Bank accordingly feels that many of the recommendations cannot properly be discussed by it.

Furthermore, the Bank does not feel that it has been limited in the expansion of developmental loans by the inadequacy of its resources.

It has ample uncommitted cash on hand and its recent borrowing operations have shown that it will probably encounter no difficulty in raising more funds when the need arises. Hence the Bank's reluctance, at the present stage, to discuss some of the specific proposals made by the experts regarding the organization of the Bank's work, arises not only because it feels it should defer to the Governments of the Bank's member countries, but also because the means of financing which it has at its disposal and which it can reasonably expect to mobilize appear at present adequate for its purposes.

Such, in brief, are the considerations which the Bank keeps in mind in conducting its operations. In short, it can be said that we seek to lend on projects which will make the most effective contribution to the development pattern or programme of the borrowing country. We believe the policies outlined above are sufficiently flexible to impose no real limitation on our activity. The limitations have arisen from different sources. I have already made mention of the fact that the number of concrete and adequately prepared loan proposals has not been what we would have hoped, and also of our hope that the technical assistance activities, to which the Bank hopes to make its contribution will help to remove this obstacle. Reference should also be made to the borrowing capacity of the Bank's member countries as a limiting factor. Foreign indebtedness involves service charges for a period of years and the amount of such service which the prospective balance of payments of any country can bear is limited. This is all the more true when dollar indebtedness is concerned, and this is one of the reasons why the Bank is so anxious that the development programmes or patterns which it assists in financing should contribute to improving within a reasonable period the external payments position of its borrowing countries.

Statement made by Mr. Isadore Lubin, U.S. Representative at. E.C.O.S.O.C. on financing economic development in ECOSOC plenary today.

"Mr. President:

"In listening to the delegates who have so far spoken, I have been impressed by the large measure of consensus which has been reached in the Council on the subject of financing economic development. This is an important fact since it shows that we can, by frank discussion and careful analysis, develop a common understanding of our problems and thus lay a solid foundation for action. How far we have advanced in this respect is also shown by the report of the fourth mission of the subcommission on economic development which is before us. The work of this subcommission is, in a way, a barometer of the ups and downs which we have experienced in our efforts to reconcile differences in points-of-view and to arrive at workable concepts. The report of the subcommission is an able analysis, in which the main elements of the problem of financing economic development are presented with clarity and in a perspective of commendable realism.

"I might describe what we have so far achieved by saying that the Council has elucidated the basic elements of the problem and the essential nature of the process.

"Those who may have thought of economic development as something that could be injected into an area from the outside by a financial or technical hypodermic process, have, I believe, been brought to a full realization that the process requires primarily internal effort and organization. In the forefront of this domestic effort is the need for improving internal banking and credit organization, stimulating local savings and channeling them to productive investment.

"On the other hand, those who may have thought that underdeveloped areas need merely to tug firmly at their own bootstraps in order to lift themselves into higher levels of economic activity, are now, I am sure, convinced that capital from foreign sources can play a vital part in achieving this result.

"We all recognize that the underdeveloped countries need foreign capital -- both private and public -- to facilitate and accelerate their developmental process, and that it is desirable and necessary to expand the international flow of capital for this purpose.

"I think that we are pretty generally agreed now that private capital is of particular importance in furthering economic development since it carries with it technical know-how and a capacity for speedy action.

"Our concensus

"Our consensus on the need for assuring investors of fair and equitable treatment and of the generally accepted principle that foreign investment should not be used as a basis for interference in the domestic affairs of a recipient country or the wasteful exploitation of its material resources is an important landmark in international economic understanding.

"Equally important is our recognition of the need and importance of public and government lending operations -- particularly because of their catalytic effects upon private investments -- whether carried on by national or international financial organizations.

"In agreeing on these general points, we also accept the implications that both the more and the less advanced countries of the world have a common interest in promoting production and economic growth.

"These propositions may seem simple to us now, but all of us who have taken part in the debates of the commissions and of the Council know how much time and labor it took to hammer them out. We may thus register with some satisfaction the work done and the results achieved.

"In moving forward from here toward practical achievement in economic development, there is another point of agreement which provides us with a sound basis for action. This is our common support of the Technical Assistance Program through which we can achieve the second lap of progress toward our goal.

"In the expanded program of technical assistance it should be possible to cooperate in developing those local measures necessary to capital accumulation in underdeveloped areas and to channeling savings into productive enterprises.

"One of the major tasks before the Council is to try to analyze the conditions and factors which may affect the pace and scope of economic development in the near future. These are questions for further examination and analysis by the Secretariat and by special groups of experts. I should like, however, to illustrate the nature of the problem by brief reference to two themes which run like a thread through the pages of the report of the subcommission on economic development and which, in my opinion, go to the heart of the problem.

"One of these themes is related to the rate at which different countries may and can develop their resources in an efficient and rational way. While not explicitly, at least by implication, it might appear that some members of the subcommission on economic development as well as others have assumed that the rate of economic growth can be fixed almost at will and that the only limitation on such growth is the amount of foreign capital a country

can obtain.

can obtain. There even appears to be the further assumption on the part of some few that development can take place almost overnight. Such views are an understandable expression of the justifiable impatience of the less developed countries with the present low standards of living of their people. We know, however, that great speed, even if it were always possible, is not always compatible with the best use of resources and with lasting improvement.

"It is at this point that the real significance of the Technical Assistance Program becomes especially apparent. Technical assistance programs will provide a means for helping countries to assess their resources and possibilities, and to prepare programs and projects for development and for international financing.

"That foundation laying process is not an easy one. The output of a dam for power and irrigation cannot be estimated without adequate water data; its site cannot be located without topographic maps; its economic justification cannot be ascertained without related economic and resource surveys. The determination of its size and shape and location require meticulous work. Knowledge of these are necessary to its financing.

"The question of the rate of development is of special interest in view of the second theme that runs through the report of the subcommission. I refer to the widely current idea that economic development should be consistent with social betterment and with a simultaneous rise in standards of living. This idea represents a new and vital departure in the social thinking of the world. As I read history, I find that economic development in its earlier stages has been in most countries a rather painful process. We all know the deprivations and economic development in its earlier stages has been in most countries a rather painful process. We all know the deprivation and suffering of the mass of the people who were drawn in the mines, factories and workshops in the early days of industrialization and of the degrading social conditions under which the workers had to live.

"It is inspiring to think that we have reached a point in history when newly developing countries want to avoid the painful social implications of industrialization and to provide their people with both machines and butter at the same time.

"May I emphasize, Mr. Chairman, that the interest of my government in the economic development of other countries represents its concern with the general improvement of economic and social conditions everywhere. Such improvement, we believe, is the only sound basis for the attainment of desirable economic, financial and social policies, which are basic to maintaining conditions under which free governments can survive, unrest decreased and war banished.

My Government

My government has had a tangible interest in economic development and its willingness to cooperate with other countries in advancing their economic programs and policies is, I believe, sufficiently well-known as not to require comment. It would perhaps not be inappropriate, however, to summarize here very briefly a few of the facts about the assistance which the United States has given through loans and credits for economic development in the underdeveloped countries, and to indicate what the prospects may be in the future.

"I wish to make it quite clear that the interest of the United States in the economic development of other countries is not a matter of exhortation or persuasion, but of performance. Our interest has been shown in the past by the large amount which has been invested directly and indirectly by the government and by the private investors of the United States in the economic development of the underdeveloped countries. This investment has taken place in three ways:

(1) Direct loans and credits by agencies of the United States, (2) the loan of funds supplied by the United States Government and investors through the International Bank, and (3) loans and direct investments made by American nationals.

"Since July 1, 1945, the Export-Import Bank has extended credits for economic development amounting to about nine hundred million dollars. About two-thirds of this amount went for development loans to Latin American and Asiatic countries. These were loans for every significant developmentsprojects, such as electric power and transmission facilities, agricultural development, production of metals and minerals and some other development work. These amounts do not include certain reconstruction loans and loans for the purchase of raw materials extended to various of these countries.

"Shortly after the inauguration of the International Bank, the Government of the United States agreed to permit the bank to loan the entire amount of the United States subscription. A few other countries have permitted the bank to utilize their contribution to its capital. The use in the latter instances has been limited to certain special conditions, while the United States contribution can be used without any restrictions placed upon it by the United States Government itself. Steps have also been taken to amend the banking and securities laws of the United States to facilitate the sale of the bank's securities. Of the bank's outstanding loans of eight hundred sixteen million dollars, three hundred thirty-two million represent loans to underdeveloped nations, virtually all of which were made in the last two years.

"The United States Government has wholeheartedly supported this trend in the bank's affairs and believes that the resources of the bank should be used for making as many loans for development projects as can be economically and efficiently used.

efficiently used.

"I submit that with the present large amount of the bank's unused lending capacity, it is premature at this time to discuss its enlargement. In this same connection, may I refer to the recommendation made by the experts in their full employment report to the effect that the activities of the bank be enlarged. It is my opinion that the scope and manner of increasing international capital resources available for development should be determined only after we have had further experience with the actual financing of developmental loans. If it appears at some future time, as a result of a large increase in the number of development projects the resources of the bank are inadequate, consideration can be given to increasing its lending capacity.

"It is natural that the United States, with an economy based on private enterprise, should attribute great importance to the loans and investments made by its private citizens which it believes represents the most desirable form of international investment. It is not necessary to repeat here what the representative of the United States has said in the past at the meetings of this Council about the proper climate and conditions of investment which are essential to attract the savings of private individuals and investments by corporations.

"Obviously, it is hazardous to predict what the rate of out-flow of private capital will be in the future. The expanded flow of private investment, as has been so well recognized by the subcommission, depends upon the development of a climate favorable to such investment. Investment and related types of treaties can contribute to the creation of such a climate.

"Recognizing what has already been done, there is still the question of what the possibilities may be for the future. The Export-Import Bank has a total lending authority of three and one-half billion dollars. Of this amount, over two and one-half billion dollars is represented by loans, or commitments of which more than a third are to under-developed countries. As these loans are repaid, the bank has automatic additional lending power available to it. At the present moment its uncommitted lending authority is in excess of eight hundred million dollars. This sum is available, among other things, for suitable projects presented to the Export-Import Bank by underdeveloped countries.

"National and international governmental lending institutions are far from having utilized their lending capacity to the full. The International Bank has borrowed on the American market the amounts which it expected it could lend within a reasonably short period and it can continue

to borrow

to borrow on quite favorable terms, the amounts which can reasonably be expected to be required for lending purposes for some years to come. Thus, no one can seriously expect that the bank will have any difficulty in borrowing funds in the American market until it exceeds the amount of the United States capital subscription to its stock. In practice this means that the bank is in a position to borrow at least two and one quarter billion dollars more. Moreover, it is encouraging to see that other countries have given the bank permission to utilize their capital subscription and the bank has been able to make a start in selling its securities in several countries outside the dollar area.

"In short it does not seem that the bank's loans are at this time limited by the amounts of its capital or by the amount which it has been able to borrow from private investors.

"In conclusion, Mr. President, may I repeat what I said at the beginning: It appears to me that we have made considerable progress in reaching a common understanding (#) I shall take the occasion to discuss various other aspects of the report of the subcommission as well as of the report of the group of experts on full employment.

"I am confident that through our further consideration of this subject and through continued international cooperation the progress of economic development throughout the world will be accelerated."

(#) Apparent omission. Repetition has been requested.

FORM NO. 75
(7-48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date 8/11/50

TO-	Name	Room No.
1	Mr. Crena de Iongh	1201
2		
3		
4		

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

For your information, there is attached copies of further statements which I made to the Economic Committee of the Economic and Social Council on July 26 and 27 respectively. The statement for July 26 is more or less verbatim (dictated after the event). The statement on July 27 is from the summary record.

FROM- J. Burke Knapp

E/CN.5/SR.
COPY

STATEMENT MADE BY MR. J. BURKE KNAPP, REPRESENTATIVE OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT BEFORE THE ECONOMIC COMMITTEE OF THE ECONOMIC AND SOCIAL COUNCIL

Geneva, 26 July 1950

Mr. President and Members of the Council, with respect to the Bank's views on the recommendations put forward in the experts' report I have little of significance to add to the statement which I made on this subject in the previous session. However, it might be useful for me to summarise briefly the views which I then expressed.

The Bank is very much interested in maintaining continuity in its operations and we seek to establish a relationship with each of our borrowers which will lead to continuing cooperation in the future. That is not to say, however, that we believe in trying to create an artificial rigidity in the volume of international investments. As I emphasized, we feel that the qualitative character of our investments may be more important than their quantity. We believe that it is an essential point to assure that international investment is directed along the most productive lines.

I also emphasized that at the present time the number of concrete and well prepared proposals which have been presented to the Bank for loans on productive projects is distinctly limited. Especially under these circumstances it would appear that if the Bank were committed to invest large sums of money according to a fixed time schedule the result could only be that inadequate attention would be given to the soundness of the loan project or to the creditworthiness of the borrowing countries. I should like to quote from my previous statement the view of the Bank that "the means of financing which it has at its disposal and which it could reasonably expect to mobilise appear at present adequate for its purposes".

With respect to the experts' proposals as to commitments by governments and the creation of new international machinery, I should like to repeat that on such matters the Bank did not consider it feasible to express its own view. We are after all an international organisation with a Board of Directors and a Board of Governors, representing broadly the same governments as are represented here. In such fundamental policy matters we feel that we must look to our member governments for guidance.

Mr. President, a question was raised this morning as to the interpretation of the Bank's Articles of Agreement. The Honourable delegate from India suggested that the Bank could make loans for economic development only to the less developed countries, making reference to the language of Article I (i). You questioned this interpretation, and I should like to give support to your view. Article I (i) states that the Bank's purposes should include, in addition to reconsideration and reconversion, "the encouragement of the development of productive facilities and resources in less developed countries". But the list of purposes set forth in this clause is not exhaustive, and the Bank is more enterprising than to confine itself to this list, especially since we are authorised under various other Articles to make loans for development projects without qualification as to the state of development of the borrowing member's economy. Among the other purposes of the Bank listed in Section (iii) of Article I is "to promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members (i.e. any members), thereby assisting in raising productivity, the standard of living, and conditions of labour in their territories."

Finally, Mr. President, this last passage which I have quoted suggests to me one or two comments on the relation between the Bank's investment programme and the restoration of international equilibrium. This latter subject has been referred to very frequently today and is among the Bank's long-term objectives.

In the first place we seek to direct investment toward the most productive channels, and in judging productivity we bear very much in mind the need for promoting a pattern of production in the world which will be conducive to the re-establishment of international equilibrium. I should like to express my agreement with the remarks on this subject made by the delegate from Chile. Such a consideration not only is in the broad interest of the world economy - it also serves the narrower interests of the Bank and its borrowers. A great many of our loans have been made to countries suffering from serious balance of payments problems. If the projects which we finance help to improve the borrowing countries' balance of payments they help to minimise the burden upon the borrower of servicing the loan and help to reassure the Bank as to the borrowers credit-worthiness.

May I express agreement with the delegate from Brazil when he urges that we must envisage a "dynamic equilibrium" in which there will be constant changes in the world's pattern of production in accordance with changing demands and changing capacities of the various countries. The task of carrying out investments to conform to changing patterns of equilibrium is a never-ending one.

In another broader sense the investments which we make and the additional investment activity thus made possible in our member countries should facilitate the attainment of international equilibrium. As has been noted by a number of speakers, moving toward this equilibrium will necessarily involve readjustments by most, if not all of the world's trading nations. These adjustments will be more or less painful depending upon whether they are made within a general

framework of an expanding or a stagnant (or contracting) world economy. To the extent that by promoting investment activity the Bank can make a contribution to expanding production, employment and economic activity, it will be helping to create a general environment which will ease the process of readjustment.

SUMMARY RECORD OF STATEMENT MADE BY MR. J. BURKE KNAPP, REPRESENTATIVE OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, BEFORE THE ECONOMIC COMMITTEE OF THE ECONOMIC AND SOCIAL COUNCIL, GENEVA, 27 JULY 1950

Mr. KNAPP (International Bank for Reconstruction and Development) wished to refer to the three draft resolutions before the Committee and to the various problems which had arisen in connection with them.

Referring to local currency financing as mentioned in resolution 3 of the Sub-Commission on Economic Development, he pointed out that two or three representatives had called attention to the statement endorsed in that resolution that "there was no direct logical connection between the immediate expenditures in local and foreign currencies on the one hand and the desirable proportion of foreign and domestic financing on the other." As he had explained in a previous statement, there was a reasonable pragmatic connection, not in arithmetical terms, but in general terms, but the Bank would not disagree with the statement in its strict sense, namely, that there was no "direct logical" connection between the two concepts.

He felt that one way of stating the issue before the Committee was: whether there was, on the other hand, as had been suggested in some quarters, a direct and logical connection between the total expenditures on a project and the amount of external finance necessary to carry it out. He thought there had been a suggestion that when a new project was undertaken, it followed as a matter of course that the balance of payments deficit would be increased if the foreign exchange impact was considered, or that domestic savings would have to be supplemented if the local currency expenditure side of the picture was considered, and that therefore the total amount of money required should be obtained from abroad. That type of view seemed to him as open to challenge as the view that there was a direct logical connection between foreign exchange expenditure and the amount of desirable foreign financing.

As he had said before, it would be a great mistake to think of balance of payments deficits induced by development programmes as something pre-ordained against which it was not within the power of a country to defend

itself. Equally, in the case of local currency expenditure, it would be a mistake to think the amount of domestic savings available was something outside the control of the country concerned. That was particularly true if one was thinking not only of private but also of public savings.

He emphasized that the Bank felt that it was in the interests of its member countries to make the maximum effort to utilise their own resources to deal with those impacts, whether on the balances of payments or on the domestic balance between savings and investment, and to conserve their foreign exchange borrowing capacity (or their repayment capacity) for the direct and inescapable costs of their development programme. The Bank did not wish to be confronted with a situation in which a country had exhausted its borrowing capacity in covering those indirect expenses by borrowing abroad, at a time when it could have raised the necessary funds by domestic measures. Such a situation would mean that its level of development would of necessity be more limited than might otherwise have been possible.

The Chilean representative had stated that the Bank stimulated inflation in member countries and had quoted a very high authority for that statement. He felt, however, that that statement was somewhat unfair, since, as the Indian representative had reminded the Committee, the Bank by assisting in financing development had assisted in the expansion of production, and it was generally recognized that the best way to combat an inflationary tendency was increased production. Moreover, if one took the case of a project which would have been carried out by the country concerned had the Bank not intervened, then the Bank's intervention would quite clearly be deflationary. The one case in which the Chilean representative's argument might apply would be in the case of a country which undertook a development programme with the Bank's help which it would not otherwise have undertaken, and then the Bank's

contribution failed to correspond to the total expenditure involved, so that the country would be left with a domestic problem to deal with. He would concede that, in that limited sense, it might be justifiable to speak of the Bank stimulating an inflationary tendency in a member country.

One of the devices for combating inflationary tendencies was for a country to import more, and if it was necessary to secure credit in order to do so, then to import on credit. But that was only one device, and there were a number of alternative devices, none of which involved the cost to which he had referred, namely, using up scarce resources which might be badly needed at a future date for financing inescapable foreign exchange costs.

As to the relation between the subject matter of the Chilean draft resolution (E/1757) and that of the Sub-Commission's draft resolution 3 (E/CN.1/80), he repeated what he had said at a plenary meeting, namely, that there were two financial techniques for handling the indirect impact problem. There was the technique at the basis of the Sub-Commission's draft - to look at the problem in terms of financing local currency expenditures. Under that technique the Bank acquired the local currencies with foreign exchange and financed part of the local currency expenditure in the project. In that way, the foreign exchange was made available to the monetary authorities of the countries concerned to import the consumer or other goods required to combat inflationary tendencies. The Chilean draft resolution was based upon the alternative technique under which foreign exchange was provided to meet part of the indirect impact on a country's balance of payments, and the local currency counterpart utilized on the development project; under the first arrangement, local currency expenditure was financed and the foreign exchange counterpart used to meet the indirect impact.

Referring to the suggestions made in the Chilean draft resolution, he could conceive a case in which it would be perfectly appropriate for the Bank

to finance imports with the borrowing country using the local currency proceeds for another investment, although such a case scarcely needed to be the subject of a resolution. For example, if an under-developed country wished to import agricultural machinery and that machinery was to be sold to farmers and would yield a local currency counterpart, and at the same time another project was being carried out, such as a power project, totally divorced from the first, there was no reason why the Bank should not finance the external costs of the power project at the same time as it financed independently the importation of agricultural machinery for stimulating agricultural production. And if the Bank did those two things at the same time, the country might well use the local currency counterpart from the sale of agricultural machinery to finance some of the local currency costs of the power project. But that would be entirely for the country concerned itself to decide. Aside from that rather special case, the Bank did not see any merit in the approach suggested in the Chilean draft resolution. The Bank would prefer as a matter of financial technique to handle the problem in the way suggested by the Sub-Commission's resolution.

Referring to paragraph 6 of the Chilean draft resolution, he emphasized that projects of the type enumerated in sub-paragraphs 1 to 3 of that paragraph were already being financed by the Bank. It had made several loans to help modernise and expand agricultural production, and had also made loans for the purchase of machinery, for power projects, and for flood control. A loan had recently been made to the Netherlands to finance investment in consumer good industries. He was unable to cite an example in which the Bank had advanced a loan in connection with technical training institutions, but the amounts involved were relatively small, and countries were accustomed to handling such projects out of their own resources. If, however, it was

demonstrated that investments in connection with such institutions were wise and among the most productive investments, the Bank would not exclude that type of operation.

Referring to paragraph 9 of the United Kingdom draft resolution (E/L.67) he felt that it might have been drafted at a time when there was less understanding of what kind of considerations the Bank applied when looking into its loan projects and at a country's investment programmes. He suggested that the Bank's present policies and practices made such a recommendation unnecessary.

He then referred to the statement made by the representative of France, in which the latter had implied that the Bank had abandoned the "exceptional circumstances" clause. The French representative had asked specifically whether a country which complied with the list of qualifications contained in the statement on local currency loans made by the Bank's representative before the Council might nevertheless be refused a loan by the Bank on grounds of "exceptional circumstances." That was a hypothetical question, but it was the Bank's opinion that the list of qualifications could certainly not be met generally and universally, and that a loan which would fit that definition would come up only exceptionally. Only if this were not true would the Bank have a problem with its Articles of Agreement.

Referring to the remarks of the Indian representative he did not think any of the draft resolutions before the Committee asked the Bank to depart from its standards of making sure that there was every reasonable prospect of the repayment of each loan it made.

The CHAIRMAN, referring to paragraph 6 of the Chilean draft resolution felt that there was a misunderstanding on sub-paragraphs 1 to 3. The Chilean representative had endeavoured to link those items up with general long-term projects and would explain why he had done so.

Mr. SCHNAKE-VERGARA (Chile) said that he certainly realised that the Bank had undertaken important measures for the financing of economic development and that for some time past it had even extended its activities in that field. Nevertheless, he considered that it should change its methods and deal with the problem of economic development as a whole. That comment was addressed both to the Bank and to the governments concerned.

The problem would not be solved by providing the countries concerned with the capital required for the execution of a single project only. Under-developed countries must be able to combine several different projects in order to achieve a balanced development.

He had not charged the Bank with following an inflationary policy, but had simply said that its partial, long-term projects frequently had inflationary consequences.

After repeating the views he had expressed in his previous statement, he explained that items 1, 2 and 3 of paragraph 6 of his text were in no way intended as instructions to the Bank; the text was only meant to draw the Bank's attention to the need for considering the total requirements of under-developed countries. The Bank should not confine itself to the functions of a mere commercial bank. It must go further and try to understand the problems as a whole and analyse the effect of the schemes submitted to it. The Bank must take the initiative in helping member governments to formulate useful projects, and not confine itself simply to accepting or rejecting projects submitted to it. Obviously, foreign credits granted to an under-developed country should not be used to obtain national currency, but such credits were necessary to enable the governments concerned to apply available national currency to the projects that were most advantageous from the point of view of economic development.

FORM NO. 57
(5-48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

U.N. Ecosoc

OFFICE MEMORANDUM

JUL 20 REC'D

TO: Mr. Eugene R. Black DATE: July 19, 1950

FROM: Richard H. Demuth

SUBJECT: ECOSOC MEETING.

1. Attached is a copy of a cable received from Messrs. Knapp and Lopez-Herrarte which we discussed this noon.

2. Pursuant to your request, I talked to Mr. Knapp on the telephone this afternoon and gave him the following instructions:

(a) Basically, he is to use his own judgment as to the tactics to follow.

(b) He should not make a public fight against any of the proposed resolutions, although he is authorized to express opposition behind the scenes.

(c) If he is asked to make a statement or feels that he should make a statement, he should emphasize that the Bank's Articles of Agreement, as presently interpreted by the Bank, are believed to be sound, both with respect to the specific project and local currency provisions. Not only do they not need changing, but it would, as a practical matter, be an extremely difficult and time-consuming process to change them.

(d) He should oppose any resolution which directs a special experts committee "to act in consultation with the Bank" on modifications of existing international arrangements. While he is to state that the Bank would be glad to assist any such committee and to exchange views, the Bank does not believe that the committee should be expressly directed to act in consultation with the Bank.

3. Mr. Knapp advised that, since sending the attached cable, the debate in the plenary session of the Council had finished. It ended with a long statement by Mr. Kaldor attacking the Fund and Mr. Gutt in strong terms, with simply mild references to the Bank.

4. An additional resolution was proposed in the Council by Chile to the effect that the present Technical Assistance Committee of the Council should be changed into an economic development committee which would make a continuing study of development problems and particularly the financing of development. Lopez-Herrarte believes that the Chilean resolution has strong support from many of the underdeveloped countries, but that it is opposed by the United States and the United Kingdom. He does not believe that the underdeveloped countries will press it in the face of that opposition.

5. The situation is now very confused, with a large number of different resolutions on the table and with the positions of the major powers very far apart. All of the resolutions will be considered by the Economic Committee during the course of next week, and prior to that time the major

powers will attempt to sit down and narrow the issues. Knapp feels, and Rist and I agree, that he has to stay over in Geneva until the end of next week in view of his earlier commitment that he would be ready to answer questions about the Bank in the Economic Committee. Knapp presently expects that he will come back to Washington the weekend of July 29th.

6. Knapp further advised that he had not yet heard from Rene Charron about the Turkish Industrial Bank job, although he had expected to hear last evening; he will try to get in touch with Charron again promptly.

R. H. D.

RHD:hd

CC: Messrs. Garner, Iliff, Rist, Crena de Iongh and Sommers.

COPY

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

I N C O M I N G W I R E

DATE OF WIRE: JULY 18, 1950. ACTION COPY TO MR. DEMUTH

TO: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT INFORMATION COPY TO MR. RIST

FROM: GENEVE

TEXT: PLENARY DEBATE FULL EMPLOYMENT GIVING RENEWED ATTENTION EXPERTS PROPOSALS BANK EXPECTED FINISH TOMORROW SO FAR NO SEVERE CRITICISM BANK AND GENERAL APPRECIATION OUR STATEMENT BUT MOST UNDEVELOPED COUNTRIES SPEAK ONLY TOMORROW EXPERTS PROPOSALS CLEARLY DOOMED FOR PRESENT NOTABLY BY DEFINITE U.S. REJECTION BUT COUNCIL FEELING TOWARD METHODS CONTINUING STUDY ONE COMMON FEATURE ALL APPROACHES (US. UK. CANADIAN RESOLUTIONS) IS APPOINTMENT NEW EXPERTS COMMITTEE ON UNDEREMPLOYMENT UNDEVELOPED COUNTRIES WHILE SUCH WOULD INESCAPABLY CONSIDER INTERNATIONAL FINANCING ECONOMIC DEVELOPMENT BELIEVE WE CANT EFFECTIVELY OPPOSE FOR REST US RESOLUTION PROPOSES CONTINUING STUDY EXPERTS REPORT AND ASSOCIATED QUESTIONS BY ECONOMIC EMPLOYMENT COMMISSION WITH VIEW RECOMMENDATIONS TO COUNCIL CMA AND CANADIAN RESOLUTION HAS INNOCUOUS EXHORTATIONS. HOWEVER BRITISH STATEMENT TODAY URGED EARLY ACTION ALONG LINES PROPOSED BY EXPERTS CMA THOUGH WITHOUT COMMITMENT DETAILS CMA AND THEIR RESOLUTION VERY MUCH STRONGER. IT PROPOSES 1. GENERAL U.N. CONFERENCE TO AGREE ON GOVERNMENTS MAINTAINING SUPPLY THEIR CURRENCY TO OUTSIDE WORLD THROUGH IMPORTS OR LENDING IN CASE OF CYCLICAL DECLINE: 2. CONFERENCE OF HIGHLY DEVELOPED COUNTRIES TO AGREE ON MAINTAINING HIGH REGULAR FLOW DEVELOPMENT CAPITAL AND TO CONSIDER IMPLEMENTATION THROUGH EXISTING OR NEW AGENCIES (COMMENT: GAITSKELL STATEMENT TODAY SAID INDIVIDUAL GOVERNMENTS WOULD PROBABLY WANT DISTRIBUTE NONCOMMERCIAL AID THEMSELVES SINCE COULD OPERATE MORE EFFECTIVELY AND QUICKLY THAN INTERNATIONAL ORGANIZATION). 3. SPECIAL EXPERT COMMITTEE CMA

ACTING IN CONSULTATION WITH BANK AND FUND CMA TO ADVISE GOVERNMENTS REGARDING NECESSARY MODIFICATION EXISTING INTERNATIONAL ARRANGEMENTS TO GIVE EFFECT AGREEMENTS UNDER 1. AND 2. AND 4. COUNCIL RECOMMENDATION TO BANKS MEMBER GOVERNMENTS TO CONSIDER WITHIN FRAME WORK THAT BODY BROADENING CRITERIA ORDINARY BANK LENDING. PRESUME U.S. WILL OPPOSE AT LEAST 1. 2. AND 3. PLEASE INSTRUCT HOW WE SHOULD REACT TO RESOLUTIONS RECOMMENDING BANKS MEMBER GOVERNMENTS TAKE ACTION THROUGH BANKS ORGÀNS POINT MAY GET SIMILAR RESOLUTIONS PROPOSING SPECIFIC AMENDMENT BANKS ARTICLES CMA ESPECIALLY ON LOCAL CURRENCY CMA SPECIFIC PROJECTS. FURTHER CMA UNLESS INSTRUCTED OTHERWISE CMA SHALL OPPOSE ANY EXPERT COMMITTEE ACTING (IN CONSULTATION WITH BANK) WHILE EXPRESSING OUR DESIRE BE HELPFUL AS IN CASE LATE SUBCOMMISSION.

KNAPP LOPEZ HERRARTE

LIAISON : ECOSOC

FILE COPY

Re: ECA 170/02 June 6, 1950

Mr. Hugh Gosschalk
Economic Stability and Development
Division
United Nations
Lake Success, New York

Dear Mr. Gosschalk:

In reply to your letter of May 29, 1950, and in accordance with our telephone conversation of today, I am sending you herewith revised paragraphs 3 and 18 of your draft paper on technical assistance for the paper on economic development which you are preparing for the Economic and Social Council. I would like to call to your attention that we have eliminated the last sentence of paragraph 4 on the Turkish mission and brought it forward to the middle of paragraph 3.

Sincerely yours,

Enrique Lopez-Herrarte

enclosure

Paragraph 3.

Several comprehensive missions composed of a number of experts in different fields and designed to give governments over-all advice on their economic development problems have recently been sent to under-developed countries or are being planned. Among these is the United Nations mission which went to Bolivia on 21 April 1950. This mission which is headed by Dr. H.L. Keenleyside, the Canadian Deputy Minister of Resources and Development and was organized in collaboration with ILO, FAO and UNESCO, includes experts on public finance, mining, transport, electric power, labour legislation and social welfare, education, agriculture, irrigation and forestry. Another example is the mission organized by the International Bank which studied the over-all economy of Colombia from July to November 1949. This mission, which included a member of the staff of the IMF and experts nominated by WHO and FAO, was headed by Mr. Lauchlin Currie; it had the task of assessing Colombia's economic potentialities and making recommendations designed to enable Colombia to formulate a long term development program for the various sectors of its economy. Besides the mission to Colombia, the International Bank has organized and sent, somewhat comparable over-all economic survey missions to Turkey and Guatemala; the FAO nominated an agricultural specialist for each of these missions and WHO nominated a public health expert for the Turkish mission. The fommer is headed by Mr. James M. Barker and the latter by Dr. George E. Britnell. The mission to Turkey will undertake a broad survey of the Turkish economy with a view to outlining a general pattern for the country's economic progress and to proposing specific action that will contribute to that end. The mission to Guatemala, of a somewhat more restricted character, will make a survey of the development potentialities of the country and

will recommend measures to facilitate their realization. The International Bank is also about to send a similar economic survey mission to Cuba. An example of a comprehensive mission at the planning stage is the United Nations mission to Afghanistan. A small group of experts paid a preliminary visit to Afghanistan in March 1950. It is expected that the mission proper will be sent in June and will consist among others of an economist, an expert in public administration and various experts in agriculture, animal husbandry, and petroleum. The mission is being organized in collaboration with FAO.

Paragraph 18

The primary function of the International Bank is to make loans to finance productive projects (see Chapter II). The Bank sends a great many missions to under-developed countries in connexion with the study of loan applications. Bank technicians, examing particular projects presented for financing, are often able to suggest desirable modifications and improvements. Similarly, in the course of studying the economic situation of the prospective borrower, it is frequently possible for Bank representatives to offer constructive suggestions as to governmental policies or programs designed to accelerate the pace of development. In addition, and quite apart from its loan operations, the Bank has in several cases (i.e. Colombia, Turkey, Guatemala and Cuba referred to in paragraph 3, above) organized, at the request of a member government, a comprehensive economic survey mission for advising on development problems. The Bank has also, upon request, sent individual experts to advise on particular subjects. For example, the Bank sent an expert to Turkey to aid the Turkish Government in setting up an Industrial Bank which it is hoped will be of assistance

in the development of private industry in that country. At the request of the government of El Salvador, the Bank sent its Director of Marketing to that country to assist local banking officials in the preparation and floating of a local bond issue necessary for the local financing of the Rio Lempa hydroelectric project, the foreign exchange costs of which are being financed by a Bank loan. Further, the Bank has nominated several experts to act as economic and financial advisers to member governments desiring that type of assistance. At the request of the Government of Ecuador it also sent a technician to that country to study its textile industry.

U.N. ECONOMIC DEVEL.

FILE COPY

Re: ECA 170/02 June 1, 1950

Mr. Hugh Gosschalk
Economic Stability and Development
Division
United Nations
Lake Success, New York

Dear Mr. Gosschalk:

I wish to refer to your letter of May 11, 1950, in which you sent us your draft on lending by the International Bank to be used in connection with the paper that you are writing for the Eleventh Session of the Economic and Social Council on the measures devised by the United Nations and the Specialized Agencies to promote economic development.

We have taken the liberty of re-writing the paper on lending by the International Bank and we suggest that, if possible, you use the enclosed text.

I received yesterday your draft on technical assistance and will send that back to you in the next few days.

Sincerely yours,

Enrique Lopez-Herrarte

ELH:cl
enclosure

LENDING BY THE INTERNATIONAL BANK

1. Loans from the International Bank are one of the important sources to which under-developed countries can look for assistance in financing their development.

2. Up to the end of April, 1950, the Bank had made loans amounting to the equivalent of $788.6 million. Contractual repayments of principal amounted to $1.9 million; $6.4 million had been cancelled; and $57 million was not yet effective. Of the total of $723.3 outstanding and effective on April 30, 1950, $602.9 had been disbursed of which $4.8 million was spent in Asia and Africa, $33.1 million in Canada, $52.7 million in Latin America, $65.7 in Europe and the balance of $446.6 million in the United States.

3. Of the $788.6 million lent up to April 30, 1950, $540.0 million consisted of reconstruction and development loans to Western European countries mainly for general purposes and contracted for the most part in 1947. The balance of $238.6 million, or 30 per cent of the total, was lent mostly in 1949 in Eastern Europe, Latin America and Asia for projects in the fields of power development, mechanization of agriculture, transport and communications.

4. Discussions regarding possible lending by the Bank were proceeding at the end of April, 1950 with Brazil, Colombia, Ethiopia, Iran, Iraq, Turkey, Uruguay and Yugoslavia.

5. Below is a survey country by country of the loans contracted by countries outside of Western Europe for development purposes.

Chile

Two loans were made to Chile on March 25, 1948. One, a seven-year loan of $2.5 millions, was for the purchase of agricultural machinery so as to increase the mechanization of agriculture. All this money had been spent by April 30, 1950. The other, a twenty-year loan of $13.5 millions, was for the construction

of hydroelectric plants and transmission lines, for the installation of additional generating units in existing plants and for a small amount of irrigation equipment. As of April 30, 1950, some 21 per cent of this loan had been disbursed. Both loans were made to the Chilean Development Corporation (Corporación de Fomento de la Producción) and in the case of the latter, also to its subsidiary Empresa Nacional de Electricidad S.A. (Endesa).

Mexico

Two loans were made to Mexico on 6 January 1949 for electric power development. The first, a 25-year loan of $24.1 millions, was made to finance purchases by the Federal Electricity Commission of equipment and materials necessary for the completion of a number of projects in the commission's 1947-52 programme of construction, comprising new steam and hydro-electric generating stations, transmission lines and distribution systems in various parts of Mexico. The second, a one-year loan of $10 millions was made to finance part of the cost of equipment and materials necessary to carry out a four-year programme for expansion of the electric generating and distribution facilities of the Mexican Light and Power Company, Limited, and its subsidiaries, which are the source of most electric power available in Mexico City and the surrounding area. In granting this loan which was designed to allow the expansion programme to go forward, the Bank indicated it would consider a further loan following a satisfactory re-organization of the company's financial structure. Both loans were made jointly to the Federal Electricity Commission and the Nacional Financiera. By April 30, 1950, 26 per cent of the first and 49 per cent of the second loan had been disbursed.

On April 28, 1950, upon completion of the Company's reorganization, the Bank granted Mexico a 25-year loan of $26 million of which $10 million was to refund the one-year loan of $10 million and $16 million to finance additional

materials and equipment needed by the Mexican Light and Power Company to whom the loan was made. Total lending to Mexico to the end of April 1950, therefore, amounted to $50.1 millions.

Brazil

On 27 January 1949, the Bank made to Brazil, a 25-year loan of $75 millions, the largest to date of its loans to under-developed countries. The loan was for the purpose of financing most of the foreign exchange costs of a four to five-year program of expansion of the hydro-electric power and telephone facilities of subsidiaries of the Brazilian Traction, Light and Power Co., Ltd. in the Rio de Janeiro and Sao Paulo areas. 43% of the loan or $32.5 million, had been disbursed by April 30, 1950 of which the equivalent of U.S. $3.1 million is repayable in Canadian dollars, the equivalent of U.S. $1.1 million in pounds sterling, the equivalent of U.S. $0.1 million in Swiss francs, and the balance in U.S. dollars.

Finland

On August 1st, 1949, the Bank granted to Finland a 15-year loan of $12.5 millions. The Loan was made to the Bank of Finland to be relent to Finnish companies for the following purposes:

a) completion of electric power programme ..... $ 2,000,000

b) modernizing and improving efficiency in the wood-working industry $10,000,000

c) increased production of limestone powder for agriculture ..... $ 350,000

d) to be allocated ..... $ 150,000

12% of this loan had been disbursed as of April 30, 1950. The Bank has also made a Timber Equipment loan to Finland, details of which are described separately below.

India

On August 18, 1949, the Bank granted India a 15-year loan of U.S. $34 millions to finance the purchase of railway locomotives, boilers and locomotive spare parts. 78% of this loan had been disbursed by April 30, 1950, of which the equivalent of U.S. $6.6 million is repayable in Canadian dollars.

On 29 September 1949, the Bank made to India, a seven-year loan of $10 millions for land reclamation, $8,750,000 to be spent on 345 heavy tractors, ancillary equipment and spare parts to be used to clear some 3 million acres of land of a weed known as kans grass and $1,250,000 to be spent on similar equipment for a pilot project for clearing about 100,000 acres of jungle in the United Provinces. 29 per cent of this loan had been disbursed as of April 30, 1950.

On 18 April 1950, the Bank granted India a 20-year loan of $18.5 millions for the further development of the Damodar Valley Corporation for the purchase in the U.S. and Canada of equipment for what will be India's largest thermal electric plant, construction equipment for a dam and equipment for transmission lines and sub-stations. This loan brought the total of the Bank's lending to India to $62.5 million.

Colombia

On August 19, 1949, the Bank granted to Colombia, a seven-year loan of $5 millions to finance the import of agricultural machinery. As of April 30, 1950, 34 percent of this loan had been disbursed.

El Salvador

On 14 December 1949, the Bank signed a loan agreement with El Salvador in respect of a 25-year loan of $12,545,000, to finance imports of materials

and equipment needed for the construction of a dam and hydroelectric plant on the Rio Lempa. Implementation of the agreement awaits ratification of the Government Guarantee by the legislature of El Salvador.

Timber Equipment Loans to Finland and Yugoslavia

On 17 October 1949, the Bank granted Finland and Yugoslavia two-year loans of $2.3 and $2.7 millions respectively, for the purchase of timber producing equipment. These loans were two of a series of loans considered in connection with a Timber Equipment Project developed by the FAO, ECE, and the Bank with a view to alleviating shortages of timber in Europe. The salient features of the plan were:

a) Timber exporting countries in Europe would obtain lumbering and sawmill equipment from European and American suppliers, dollar purchases being financed by loan from the Bank;

b) Timber exporting countries in receipt of loans would agree to export specified quantities of timber at reasonable market prices;

c) Timber importing countries would enter into Timber Payments Agreements with the borrowing timber exporting countries under which the former would pay dollars to the Bank for a sufficient part of the timber imported by them to ensure repayment of the loans.

It had originally been contemplated that similar loans would be made to Austria, Czechoslovakia and Poland, but Austria and Poland did not request such loans and Czechoslovakia withdrew its application in view of difficulties encountered in working out a Timber Payments agreement. Finland entered into Timber Payments Agreements with Belgium, Denmark and the U.K. and Yugoslavia with the U.K., Netherlands, France and Italy. As of April 30, 1950, Finland had disbursed 1 per cent of the loan, Yugoslavia, 80 per cent.

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK

TELEPHONE: FIELDSTONE 7-1100

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REFERENCE: ECA 170/02 ~~20/4/04~~

May 11th, 1950

Mr. Richard H. Demuth
Assistant to the Vice President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D. C.

Dear Mr. Demuth:

I have been given the job of preparing for the Eleventh Session of the Council a review of the measures devised by the U. N. and Specialized Agencies to promote economic development, as required of the Secretariat by resolutions 179 (VIII) and 268 (X) of the Economic and Social Council. As the Council will already have before it the "Catalogue of the Economic and Social Projects" as well as the annual reports of the specialized agencies and various other documents, I am trying to bring out the salient features of important measures devised by the U.N. and Specialized Agencies during the year ended approximately at the time of writing.

Important measures devised appear to fall under two heads -- finance, i.e. lending by the International Bank, and technical assistance and other activities. I have started by writing a first draft on lending by the International Bank on the basis of published material and I am sending it to you herewith. I would be grateful if you would let me have any observations as soon as possible, in particular as to anything that might be said about current discussions regarding possible future lending by the bank, if only the names of the countries with which discussions are proceeding.

I have not yet written on technical assistance either the Bank's or anybody else's. However, I can find rather little about the Bank's Technical Assistance in the press releases and other published papers and I wonder whether you might wish to let me have any other material that might be available on technical assistance rendered by the Bank during the year ended approximately at the time of writing.

Yours sincerely,

Hugh Gosschalk

Hugh Gosschalk
Economic Stability and Development Division

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U. N. Economic & Social Council

FILE COPY

May 1, 1950

Mr. A. D. K. Owen
Assistant Secretary-General
in charge of Economic Affairs
United Nations
Lake Success, New York

Dear Mr. Owen:

I wish to reply to your letter of April 17 informing the Bank of the revised arrangements adopted by the Economic and Social Council for consultation with non-governmental organizations.

With reference to the Bank, I wish to inform you that your assumption is correct. The Bank has not entered into consultative status or similar relationships with any non-governmental organization, nor is it contemplating any such step.

Sincerely yours,

R. L. Garner

ELH:cl

Documents filed
Economic & Soc. Council

&

Specialized Agencies

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK

TELEPHONE: FIELDSTONE 7-1100

CABLE ADDRESS • UNATIONS NEWYORK • ADRESSE TELEGRAPHIQUE

REFERENCE:

17 April 1950

Sir,

1. On 27 February 1950 the Economic and Social Council adopted revised arrangements for consultation with non-governmental organizations (resolution 288 (X), document E/1646). These arrangements provide for full consultative relations with non-governmental organizations granted consultative status in categories A or B by the Council (former category C was abolished). In addition, these revised arrangements provide for a form of relationship for ad hoc consultation in cases where the full consultative relationship would be inappropriate, and for this purpose establish a register of organizations to be kept by the Secretary-General. In this latter connection your attention is drawn to paragraph 17 of resolution 288 B (X), which reads, in part, as follows:

"17. Other organizations which have a significant contribution to make to the work of the Council may be entered by the Secretary-General in a register established for the purpose. The register shall include:

.....

(b) International organizations in consultative status or similar relationship with a specialized agency which have not been granted consultative status in categories A or B; .....".

2. It is assumed from correspondence in connection with the Secretary-General's memorandum on consultative relationships between specialized agencies and non-governmental organizations (document E/C.2/238) that the Bank has not entered into consultative status or similar relationship with any non-governmental organization. I would appreciate it if you would confirm that there are at present no entries to the register to be made in virtue of the above provision.

Mr. Eugene R. Black,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.
Washington 6, D.C.

for U.N. Specialized Agencies

3. The revised arrangements contain a number of provisions designed to facilitate the channelling of business addressed to the Council or to its Commissions, which appears to be more appropriate to a specialized agency, to that agency. In this connection your attention is drawn particularly to the passages in paragraphs 12 and 9 of the Report of the Council Committee on Non-Governmental Organizations (document E/1619) on which the revised arrangements were based, and also to the following provisions in the arrangements adopted by the Council relating to the submission of proposed agenda items or written statements by non-governmental organizations (paragraphs 23 (b) and (c), 26, 29 (b) and (c) and 36 (c) of resolution 288 B (X). If a non-governmental organization makes such a submission to a specialized agency in consequence of the operation of these provisions, it would of course be for the agency concerned to deal with it in accordance with its own rules and practices. I would also be grateful if you would inform us of actions or decisions eventually taken in regard to any such business.

4. For convenience of reference, you will find attached a list of those organizations which are already in consultative status with the Economic and Social Council or which have been placed on the register.

I have the honour to be,

Sir,

Your obedient servant,

A.D.K. Owen
Assistant Secretary-General
in charge of Economic Affairs

Enclosures: E/1619
E/1646
E/1652
E/1653
List of non-governmental organizations with status or on the register.

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Your obedient servant,

A.D.K. Owen
Assistant Secretary-General
in charge of Economic Affairs

Enclosures: E/1819
E/1846
E/1852
E/1856

List of non-governmental organizations with status or on the register.

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FOR THE PRESS — FOR IMMEDIATE RELEASE

Press Release No. 172 — February 16, 1950

STATEMENT OF MR. EUGENE R. BLACK, PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
BEFORE THE ECONOMIC AND SOCIAL COUNCIL
AT LAKE SUCCESS, N.Y., ON FEBRUARY 16, 1950

I am very happy to be with you here today and to be permitted to participate in your discussion of the Bank's Fourth Annual Report. I regard this debate as valuable for at least two reasons: first, because it enables us to get the benefit of your views and opinions about the way the Bank's business is being conducted; and second, because it provides us with the opportunity of discussing with you some of the problems connected with our operations, some of the reasons behind the policies we have established, and some of our plans for the future.

The activities of the Bank over the past year are set forth in considerable detail in our annual report and in the supplemental statement to that report which you have before you. I will not repeat what is written in those documents. I do wish, however, to underline a few essential features of the Bank's operations -- particularly in the field of economic development -- which may provide a useful background for the Committee's discussions.

First, I would like to point out briefly the scope of the Bank's lending activities. During the three and a half years of our active life, the Bank has made 24 loans for projects in 13 different countries, aggregating about $750 million. Most of these loans have necessarily been in dollars -- unfortunately we haven't had other currencies to lend except in quite small amounts -- but the dollars have been expended in many different countries. Of the total disbursements of $567 million made on Bank loans up to December 31, 1949, about $5 million was spent in Asia and Africa, $27 million in Canada, $51 million in Latin America, and $63 million in Europe, in addition to the approximately $420 million spent in the United States.

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Our first loans, in 1947, were, as you know, for purposes of European reconstruction. But since the beginning of 1948, our principal business has been the making of development loans. During the last two years we have made loans for electric power development in Chile, Mexico, Brazil, Belgium, Finland and El Salvador; for agricultural machinery in Chile, Colombia and India; for timber production in Yugoslavia and Finland, and for the woodworking industry in Finland; for railway reconstruction in India; and for shipping in the Netherlands. That list covers a broad field, both geographically and functionally.

As a matter of fact, the actual variety of the Bank's loans is considerably greater than is indicated by the listing I have given. Take, for example, the loans for agricultural machinery. The Indian loan was made for very heavy tractors and auxiliary equipment needed to clear a large area of weed-infested land. In Chile and Colombia, on the other hand, the machinery was of a much more general character, part of which was sold to individual farmers and part put into equipment pools, where it could be rented by small farmers. As for the electric power projects, they range all the way from a central power station, using low-grade coal, in the heart of industrial Belgium, to a hydroelectric project in tropical and agricultural El Salvador.

Surprisingly few people appreciate the amount of work which has necessarily gone into the making of these loans. It is easy enough to open up a line of credit for a country -- but it is only the productive use of credit, not its mere existence, which helps a country to develop. In fact, the grant of credits which are unproductively used may be more of a detriment than a benefit. Before we agree to make a loan, therefore, we try to make a very careful examination as to: <u>first</u>, the borrowing country's capacity

to service additional foreign indebtedness: second, the priority of the type of project or projects for which Bank financing is requested; and third, the financial and technical merits of the particular projects presented to the Bank. That means, generally that we have to make a pretty thorough appraisal of the economy of the borrowing country, as well as of the specific enterprises which the country wishes to undertake.

Examinations of this type take time -- but in my judgment it is time well spent. I emphasize that, not only from the standpoint of protecting the Bank's resources, but, even more important, from the standpoint of assuring effective utilization of our members' resources. If we can help our members to concentrate on the most urgent and productive projects -- to do the first things first and to start only those things that they can carry through -- the false steps saved and the waste eliminated may be worth far more than the financial assistance we can provide.

The same is true of the technical examination of particular projects. The advice of our engineers as to matters which to us, as laymen, may seem details -- the height of a dam, the location of a power station, the appropriate type of tractor -- may mean the difference between an efficient, profitable operation and one which is faulty and ineffective. This kind of work by our engineers is "technical assistance" in its most intensely practical form. But it is equally an indispensable part of our lending operations, assuming always that the Bank's function is not just to make money available, but is rather to make possible sound and productive development.

The Bank's responsibilities were well summed up at Bretton Woods by Lord Keynes in words which I have quoted before, but which bear repetition. He said that the Bank's money "will be expended only for proper purposes

and in proper ways, after due enquiry by experts and technicians, so that there will be safeguards against squandering and waste and extravagance, which were not present with many of the ill-fated loans made between the wars." There, simply put, you have the case for the marriage of technical and financial assistance. It is the thesis which the Bank has always tried to follow.

There are, I know, those who decry the Bank's insistence on high lending standards and suggest that, because those standards restrain to some extent the international flow of capital, they should be discarded. This idea springs largely, I believe, from a preoccupation with the current disequilibrium in international accounts. However, the present need to balance these accounts by large transfers of capital should not, I suggest, be allowed to obscure the need to remove the basic causes of this disequilibrium and to create a sound and lasting basis for productive international investment.

Recently we have seen advocated an extension of the Bank's functions so that it can make loans for "general development purposes." I am not at all clear what that means. As I have already noted, the Bank has made a number of loans for power projects and has several more under active consideration. Some of them are of a multi-purpose character, including facilities for irrigation or flood-control. These projects certainly seem to me projects for general development purposes, if anything is. But perhaps a loan for general development purposes really means a loan for a purpose or purposes unknown. If that is the case, I think the making of such a loan would, in general, be bad lending practice. And even a grant on this basis might, in my judgment, be a bad grant.

Nevertheless, it is true -- regrettably true -- that the amount of loans made by the Bank has so far been limited. The principal reason for this, as we point out in our report, has not been the lack of money but the lack of well-prepared and well-planned projects ready for immediate execution. I hope, however, that no one will get the idea that we at the Bank are at all

content with this situation. On the contrary, it has often given us a feeling of considerable frustration; it's only human that we should want the satisfaction which would come from being able to make a much larger volume of loans. But for the Bank to lower its standards to achieve this end would, in my judgment, be a disservice to our members and would impair our ultimate effectiveness.

I do have high hopes, however, that the existing obstacles to a greater volume of Bank financing will, over the next few years, be progressively removed as a result of the technical assistance which is being provided to many underdeveloped countries by the Bank itself, as well as by other international agencies. I don't want to take the time to review in detail all the varied types of technical aid which the Bank has been called upon to provide, but I do want to stress that its scope is continuously widening. To give but a few illustrations, we have, upon request, sent irrigation experts to Peru and Iraq, a textile expert to Ecuador, an agricultural financing expert to El Salvador, a consultant on the financing of private enterprise to Turkey and an electrical and a railway engineer to India. We are also planning to send technicians to several of our member countries to help them in the development of a local securities market. In each case, it has been our effort to tailor our help to fit the needs of the particular country concerned. We have tried to avoid establishing too many ground-rules; in this still experimental field, we have preferred the pragmatic to the dogmatic approach.

Perhaps the most significant development in the Bank's technical assistance activities over the past year was the organization, at the request of the Government of Colombia, of a rather comprehensive economic survey mission, designed to help the Colombian Government to formulate a long-term development program for the country, and to make recommendations with respect

to administrative measures and economic and financial policies essential to the success of the program. This mission, which was headed by Dr. Lauchlin Currie, has not yet completed its report so that I am not in a position to discuss with you the substance of the recommendations to be made. But I do want to say that, in my judgment, the provision of this type of assistance is a logical step in the development of the partnership relationship which the Bank has sought to establish with its member countries. We have already received requests to send somewhat similar survey missions to several other countries and are even now in the process of organizing such missions for Turkey and Guatemala.

We will have to wait for some years, I believe, before we can know with any certainty the real value of this type of work. We all know that the report of a mission, however brilliant it may be as an intellectual exercise, is only of real use as its recommendations are adopted and put into practice. Nonetheless, in my judgment, there are grounds for being optimistic about the effects of a mission such as ours to Colombia -- both because of the continuing relationship which exists between the Bank and the member country concerned, and because, if the country does its share in carrying out the mission's recommendations, the Bank is in a position to supplement its efforts with financial aid.

I would like to conclude this statement by reiterating what we have already said in the introduction to our annual report -- that the Bank cannot and should not be expected to provide the answer to all or even a major part of the world's financial ills. It is beyond both the purpose and the power of the Bank, for example, to cure the "dollar shortage", or to assure the maintenance of full employment throughout the world, or to satisfy short-term budgetary and balance of payments requirements. Although our operations do

contribute to the solution of these problems, our essential objective is narrower and more precise — to help raise production levels and living standards through financing long-term productive projects, providing technical advice and stimulating international investment from other sources. That, I think, is a broad enough field of activity for all the resources, vigor and imagination which the Bank can possibly bring to bear. I believe that the documents before you demonstrate that we have already made a substantial contribution in this field and I am confident that, as the seeds of our past work bear fruit, the Bank's contribution will become increasingly significant.

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Washington

FOR THE PRESS

FOR RELEASE 12:15 P.M.

Press Release No. 171

February 8, 1950

The International Bank for Reconstruction and Development today released a statement of the principal activities of the International Bank since September 1, 1949, supplementing the Fourth Annual Report of the Bank, which was furnished the United Nations for the use of the Economic and Social Council in connection with its consideration of the Bank's Annual Report.

(Statement attached)

copy in Press Release

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

February 6, 1950

Statement of Principal Activities

Since September 1, 1949

This statement supplementing the Fourth Annual Report of the International Bank for Reconstruction and Development, has been prepared for the use of the Economic and Social Council in connection with its consideration of the Bank's Annual Report. It summarizes the loans granted by the Bank since the issuance of the Fourth Annual Report and its other activities during this period.

LOANS GRANTED

India

On September 29, 1949, the Bank lent $10 million to the Government of India for the improvement of agricultural production. The proceeds of the loan are being used to finance the dollar component of the cost of agricultural equipment and spare parts needed for the reclamation of lands infested with a weed known as kans grass, and for the clearing of jungle lands. The loan was for a term of seven years and carried an interest rate of 2 1/2%, plus commission at the rate of 1%, which, in accordance with the Bank's Articles of Agreement, is allocated to its special reserve fund. Amortization payments, calculated to retire the loan by maturity, will start on June 1, 1952.

$8,750,000 will be devoted to the kans grass project, for the purchase of 345 heavy tractors, ancillary equipment, and spare parts. Out of an area of 10 million acres in Central India which are known to be infested with kans grass, the Government has surveyed 3 million acres which will be reclaimed over a seven-year period with the help of the Bank's loan. The method of reclamation involves deep plowing with heavy tractors, plows, and ancillary equipment. The total capital outlay for reclamation and subsequent cultivation of these lands, the major part of which will be financed by India out of her own rupee and sterling resources, amounts to the equivalent of $24,900,000.

It is expected that substantial quantities of grain from the reclaimed areas will be available to the domestic markets. Because of the high yields from reclaimed land, a total of about 4 million tons is expected to be available to the market, in addition to the farm consumption in the reclaimed

areas, over the seven-year period, and about 1 million tons annually thereafter. This will make a substantial contribution to India's food requirements, which even on the basis of the present low average of grain rations are currently increasing at a rate of one-half million tons per annum through population growth alone.

To meet the need for increasing India's acreage of arable land, the Government has carried out experiments in jungle clearance. The clearance of jungle lands involves removing of trees, elimination of brush, plowing and harrowing. The balance of the Bank's loan, amounting to $1,250,000, will help finance a pilot program for clearing about 100,000 acres of jungle lands in northern India. The loan will finance the dollar cost of heavy tractors, ancillary equipment, and spare parts. The Government of the United Provinces, where jungle lands will be cleared, will meet the costs of the construction of roads, housing and control of malaria, and other incidental expenses, the total of which cannot at this time be determined. This pilot program will enable the Indian Government to gauge the practicability and the cost of large-scale clearance of jungle lands with modern equipment. It will also make some contribution to India's food supply.

Timber Equipment Loan

On October 17, 1949, the Bank lent the Republic of Finland $2,300,000 and the Federal People's Republic of Yugoslavia $2,700,000, for the development of the timber resources of those countries. The loans will be used to finance the purchase of timber-producing equipment. Both loans are for terms of two years and carry interest rates of 2%, plus the usual commission of 1%. Amortization payments begin on June 30, 1950, and are calculated to retire the loans by their maturity, September 30, 1951.

These loans were two of a series of loans considered in connection with a Timber Equipment Project developed by the Food and Agriculture Organization of the United Nations, the Timber Committee of the United Nations Economic Commission for Europe, and the International Bank, with a view to alleviating the current and prospective shortage of timber in Europe by expanding production in certain timber-exporting countries. The project had its origin in the findings by the F.A.O. and the Timber Committee of the E.C.E. that the production and export of timber by the timber-exporting countries could be substantially increased if lumbering and sawmill equipment could be obtained by them from Europe and the United States. Discussions were then held among those agencies, the International Bank, and representatives of the important timber-importing and timber-exporting countries of Europe.

As was stated in the Bank's Fourth Annual Report, these discussions resulted in the formulation of a plan, the salient features of which were as follows: The Bank would make loans to the timber-exporting countries of amounts necessary to finance the dollar purchases of equipment; other timber-producing equipment in approximately the same amount would be obtained from European suppliers without financial assistance from the Bank; the timber-exporting countries would agree to export at reasonable market prices specified quantities of timber; and finally, the principal timber-importing countries of Europe would enter into Timber Payments Agreements with the borrowers under

which these countries would pay dollars to the Bank for a sufficient part of the timber to be imported by them to ensure repayment of the Bank's loans. It had originally been contemplated that similar loans would also be made to Austria, Czechoslovakia and Poland, but Austria and Poland did not request such loans and Czechoslovakia withdrew its application in view of difficulties encountered in working out Timber Payments Agreements.

Finland entered into Timber Payments Agreements with Belgium, Denmark and the United Kingdom and the loan became effective December 16, 1949. Yugoslavia entered into Timber Payments Agreements with the United Kingdom, the Netherlands, France and Italy, and the loan became effective January 24, 1950.

Best available estimates indicate that the machinery to be obtained by Finland and Yugoslavia as a result of the Bank's loans and of purchases from European suppliers will enable those countries to increase their annual production and exports of timber by amounts having a value several times as large as the amounts of the loans. These increased levels should be maintained long after the loans are repaid. The timber-importing countries of Europe will likewise derive substantial benefit, both from the availability of increased supplies of timber needed for the reconstruction and development of their productive facilities, and also from their reduced dependence upon imports of timber from North America, which must be paid for in dollars.

El Salvador

On December 14, 1949, the Bank made a loan of $12,545,000 to the Rio Lempa Hydroelectric Commission to finance imports of materials and equipment required for the construction of a 30,000 KW hydroelectric plant. The loan, which is guaranteed by the Government of El Salvador, is for a term of 25 years and carries an interest rate of 3 1/4%, plus the usual 1% commission charge. Amortization payments begin in 1954.

The Rio Lempa Hydroelectric Commission is a non-profit agency of the Government of El Salvador, created in 1946. Lack of electric power has handicapped the development of El Salvador, and the additional supply generated by the new plant will satisfy a backlog of demand on the part of urban, agricultural and industrial consumers, and provide for some future expansion.

In order to meet the local currency costs of the project, the Rio Lempa Commission plans to make a public issue of colones bonds in El Salvador. The Director of Marketing of the Bank will advise and assist the Commission in the sale of these bonds.

The Loan Agreement will not become effective until the Guarantee Agreement is ratified by an elected Constituent or Legislative Assembly in El Salvador. The present Government is provisional, but elections for a Constituent Assembly are expected to be held this year.

OTHER OPERATIONAL ACTIVITIES

Latin America

Brazil - A Bank mission visited Brazil in October and November 1949 for the purpose of:

1. studying general economic and financial conditions, with special reference to Brazil's capacity to assume additional external debt;

2. considering what priority various proposed development projects should receive;

3. surveying Brazil's government policies for promoting the development of the country's economic resources.

The missions report is now under consideration.

A survey has also been made by a Bank representative of the electric power market in connection with the Paulo Afonso hydro-electric project which is under consideration.

Chile - A Bank mission visited Chile in November and December 1949 for a review of Chile's economic and financial situation, with special reference to certain development projects which have been submitted to the Bank.

Colombia - The large-scale mission under the direction of Dr. Lauchlin Currie, referred to in the Bank's Fourth Annual Report, remained in Colombia from July to November 1949, making a study of the country and its development potentialities. Its reports are in the final stages of preparation.

The Bank is currently considering three hydro-electric projects in Colombia.

Costa-Rica - Bank representatives paid a short visit to Costa Rica in November 1949, for preliminary conversations with the new Government, which had just taken office.

Cuba - The Vice-President of the Bank visited Cuba in November 1949, for informal discussion of development plans. A Bank mission may soon visit Cuba to make a more detailed study.

Ecuador - A study of the textile industry has been completed and is currently under consideration.

Conversations are continuing concerning several projects proposed for Bank financing.

Guatemala - Representatives of the Bank visited Guatemala in mid-November for preliminary exploratory discussions on Guatemala's development program. Guatemala has requested that the Bank organize a mission to study certain aspects of the Guatemalan economy and to assist the Government in formulating its development program.

Mexico - Negotiations have continued towards the granting of a long-term loan of $26 million to the Mexican Light and Power Company, Ltd. The Bank has made the completion of the reorganization of the capital structure of the Company a principal condition of such a loan. A reorganization plan was issued by the Company in December 1949 to its security holders, who will meet to vote on it in February 1950. The maturity of the interim loan of $10 million granted by the Bank in January 1949, originally set at December 31, 1949, has been extended until July 1, 1950 in order to allow time for the reorganization to be completed.

Nicaragua - Bank representatives visited Nicaragua in October 1949, for exploratory discussion of the country's development possibilities.

Uruguay - Negotiations for a loan of approximately $31 million for improvement of electric power and telephone facilities are entering their final stage.

In response to a request by the Government of Uruguay, a representative of the Bank is visiting Uruguay in February 1950 for discussions concerning the loan and Uruguayan technical assistance requirements with respect to certain sectors of her economy.

Europe

Turkey - Technical studies of the grain storage project, the port construction and improvement project and the project for a multi-purpose dam on the Seyhan river are in progress and will be completed shortly.

The Bank has agreed to send a mission to Turkey to help the Turkish Government prepare a coordinated investment program for the development of the Turkish economy as a whole. Preliminary studies for this purpose have been made.

A Bank consultant, who was in Turkey in October and November 1949, investigating the means by which private investment in Turkish industry can be stimulated, has returned to Turkey after consultation with the Bank concerning proposals for this purpose.

Yugoslavia - The mission referred to in the Fourth Annual Report has now returned and the economic, financial, and other data it obtained are being studied. Discussions with representatives of the Yugoslav Government are now under way.

Asia, Africa and Middle East

Egypt - The Egyptian Government has requested that consideration of the Quena project by the Bank be postponed pending further explorations by the Egyptian Government as to the possibility of obtaining the necessary equipment in soft currency areas without financial assistance.

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A Bank mission is visiting India early in 1950 for a further review of its economic and financial position.

Iran - The Bank expects to send a mission to Iran in the spring or early summer of 1950 to examine high priority projects under the country's seven-year development plan.

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Thailand - A Bank mission arrived in Thailand December 29, 1949 for a study of the economic and financial situation of the country and its development program and possibilities.

U.K. Colonies - The Bank and the Colonial Development Corporation have announced that it has not been possible to bring to a successful conclusion the negotiations that had been underway with respect to a loan for the purchase of equipment to be used in development undertakings promoted by the Corporation in the dependent overseas territories of the United Kingdom.

MARKETING OPERATIONS

No borrowing has been necessary since September 1, 1949, for the purpose of raising "new money" to be used in the Bank's lending operations as available funds on hand were adequate to meet its needs during the period. However, a refunding operation was undertaken, in the United States market, which involved calling for redemption the outstanding issue of $100,000,000 Ten Year 2¼% bonds, due July 15, 1957, for payment at 101 and accrued interest on February 17, 1950. A new issue of the Bank's Serial Bonds of 1950, due 1953-1962, in like principal amount, was sold at competitive sale on January 25, 1950. Four syndicates submitted bids for the bonds, with the aggregate number of bidders totalling 393 commercial banks and investment banking firms, located in 33 states and the District of Columbia. The winning group, which was headed by Halsey, Stuart & Co., Inc. and the First

National Bank of Chicago and was composed of 37 commercial banks and 99 investment banking firms, submitted a bid with net interest cost to the Bank of $14,441,000 or 1.9254 per cent. It is calculated that this refunding operation will result in a net interest saving to the Bank of approximately $1,250,000.

The Bank's 3% bonds due in 1972, which were originally offered on July 15, 1947, are presently quoted 103 9/32-11/32 where they yield approximately 2.80% to maturity. It should be noted, however, that these bonds are callable at any time on 45 days notice (the present redemption price being 102½) so that the current selling price is slightly less than 1% above the call price.

The Director of Marketing of the Bank is visiting Switzerland for the purpose of exploring the possibilities of borrowing Swiss francs to be used in connection with certain of the loans that have been approved by the Bank.

The United States has consented to the use of its paid up subscription for lending purposes. Belgium, Canada and Denmark had consented to the use of their currencies totaling the equivalent of $10,125,000 and the United Kingdom had consented to the use of £500,000 at December 31, 1949. The funds which have become available for lending up to December 31, 1949 expressed in round numbers in terms of United States dollars consist of:

20% paid-in portion of United States subscription	$635,000,000
2% portion of subscriptions of other countries paid in gold or dollars	98,555,000
Part of 18% portion of subscription of Belgium, Canada, Denmark and United Kingdom	11,525,000
Proceeds of two bond issues in the United States	250,000,000
Sale of Swiss Franc Bonds to the B.I.S.	4,000,000
Net available funds resulting from operations	20,764,000
	$1,019,844,000

Of this sum, approximately $304 million remains available for lending.

The Bank hopes to obtain further authorizations for the use of some part of the 18% local currency subscriptions of other members, both in order to increase the amount and flexibility of its loanable resources and to strengthen the international character of its operations.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM - 1. Office of the President

2. Office of the Vice President

Date 2-6-50

TO-	Name	Room No.
1	Carse.	311
2		
3		
4		

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

Note: Dup. sent by hand via Gordon Williams, I.M.F.

U.N. Econ. & Social Council

FILE COPY

February 6, 1950

Mr. A. D. K. Owen
Assistant Secretary-General
in charge of Economic Affairs
United Nations
Lake Success, New York

Dear Mr. Owen:

I attach a statement of the principal activities of the International Bank since September 1, 1949 for consideration by the Economic and Social Council in conjunction with the Bank's Fourth Annual Report.

Sincerely yours,

R. L. Garner

enclosure

c c: Dublin Rotaburns (Fuller)

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/
+ 4th Annual Report

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

February 6, 1950

Statement of Principal Activities

Since September 1, 1949

This statement, supplementing the Fourth Annual Report of the International Bank for Reconstruction and Development, has been prepared for the use of the Economic and Social Council in connection with its consideration of the Bank's Annual Report. It summarizes the loans granted by the Bank since the issuance of the Fourth Annual Report and its other activities during this period.

LOANS GRANTED

India

On September 29, 1949, the Bank lent $10 million to the Government of India for the improvement of agricultural production. The proceeds of the loan are being used to finance the dollar component of the cost of agricultural equipment and spare parts needed for the reclamation of lands infested with a weed known as kans grass, and for the clearing of jungle lands. The loan was for a term of seven years and carried an interest rate of 2½%, plus commission at the rate of 1%, which, in accordance with the Bank's Articles of Agreement, is allocated to its special reserve fund. Amortization payments, calculated to retire the loan by maturity, will start on June 1, 1952.

$8,750,000 will be devoted to the kans grass project, for the purchase of 345 heavy tractors, ancillary equipment, and spare parts. Out of an area of 10 million acres in Central India which are known to be infested with kans grass, the Government has surveyed 3 million acres which will be reclaimed over a seven-year period with the help of the Bank's loan. The method of reclamation involves deep plowing with heavy tractors, plows, and ancillary equipment. The total capital outlay for reclamation and subsequent cultivation of these lands, the major part of which will be financed by India out of her own rupee and sterling resources, amounts to the equivalent of $24,900,000.

It is expected that substantial quantities of grain from the reclaimed areas will be available to the domestic markets. Because of the high yields from reclaimed land, a total of about 4 million tons is expected to be available to the market, in addition to the farm consumption in the reclaimed areas, over the seven-year period, and about 1 million tons annually thereafter. This will make a substantial contribution to India's food requirements, which even on the basis of the present low average of grain rations are currently increasing at a rate of one-half million tons per annum through population growth alone.

To meet the need for increasing India's acreage of arable land, the Government has carried out experiments in jungle clearance. The clearance of jungle lands involves removing of trees, elimination of brush, plowing and harrowing. The balance of the Bank's loan, amounting to $1,250,000, will help finance a pilot program for clearing about 100,000 acres of jungle lands in northern India. The loan will finance the dollar cost of heavy tractors, ancillary equipment, and spare parts. The Government of the United Provinces, where jungle lands will be cleared, will meet the costs of the construction of roads, housing and control of malaria, and other incidental expenses, the total of which cannot at this time be determined. This pilot program will enable the Indian Government to gauge the practicability and the cost of large-scale clearance of jungle lands with modern equipment. It will also make some contribution to India's food supply.

Timber Equipment Loan

On October 17, 1949, the Bank lent the Republic of Finland $2,300,000 and the Federal People's Republic of Yugoslavia $2,700,000, for the development of the timber resources of those countries. The loans will be used to finance the purchase of timber-producing equipment. Both loans are for terms of two years and carry interest rates of 2%, plus the usual commission of 1%. Amortization payments begin on June 30, 1950, and are calculated to retire the loans by their maturity, September 30, 1951.

These loans were two of a series of loans considered in connection with a Timber Equipment Project developed by the Food and Agriculture Organization of the United Nations, the Timber Committee of the United Nations Economic Commission for Europe, and the International Bank, with a view to alleviating the current and prospective shortage of timber in Europe by expanding production in certain timber-exporting countries. The project had its origin in the findings by the F.A.O. and the Timber Committee of the E.C.E. that the production and export of timber by the timber-exporting countries could be substantially increased if lumbering and sawmill equipment could be obtained by them from Europe and the United States. Discussions were then held among those agencies, the International Bank, and representatives of the important timber-importing and timber-exporting countries of Europe.

As was stated in the Bank's Fourth Annual Report, these discussions resulted in the formulation of a plan, the salient features of which were as follows: The Bank would make loans to the timber-exporting countries of amounts necessary to finance the dollar purchases of equipment; other timber-producing equipment in approximately the same amount would be obtained from European suppliers without financial assistance from the Bank; the timber-exporting countries would agree to export at reasonable market prices specified quantities of timber; and finally, the principal timber-importing countries of Europe would enter into Timber Payments Agreements with the borrowers under which these countries would pay dollars to the Bank for a sufficient part of the timber to be imported by them to ensure repayment of the Bank's loans. It had originally been contemplated that similar loans would also be made to Austria, Czechoslovakia and Poland, but Austria and Poland did not request such loans and Czechoslovakia withdrew its application in view of difficulties encountered in working out Timber Payments Agreements.

Finland entered into Timber Payments Agreements with Belgium, Denmark and the United Kingdom and the loan became effective December 16, 1949. Yugoslavia entered into Timber Payments Agreements with the United Kingdom, the Netherlands, France and Italy, and the loan became effective January 24, 1950.

Best available estimates indicate that the machinery to be obtained by Finland and Yugoslavia as a result of the Bank's loans and of purchases from European suppliers will enable those countries to increase their annual production and exports of timber by amounts having a value several times as large as the amounts of the loans. These increased levels should be maintained long after the loans are repaid. The timber-importing countries of Europe will likewise derive substantial benefit, both from the availability of increased supplies of timber needed for the reconstruction and development of their productive facilities, and also from their reduced dependence upon imports of timber from North America, which must be paid for in dollars.

El Salvador

On December 14, 1949, the Bank made a loan of $12,545,000 to the Rio Lempa Hydroelectric Commission to finance imports of materials and equipment required for the construction of a 30,000 KW hydroelectric plant. The loan, which is guaranteed by the Government of El Salvador, is for a term of 25 years and carries an interest rate of 3½%, plus the usual 1% commission charge. Amortization payments begin in 1954.

The Rio Lempa Hydroelectric Commission is a non-profit agency of the Government of El Salvador, created in 1946. Lack of electric power has handicapped the development of El Salvador, and the additional supply generated by the new plant will satisfy a backlog of demand on the part of urban, agricultural and industrial consumers, and provide for some future expansion.

In order to meet the local currency costs of the project, the Rio Lempa Commission plans to make a public issue of colones bonds in El Salvador. The Director of Marketing of the Bank will advise and assist the Commission in the sale of these bonds.

The Loan Agreement will not become effective until the Guarantee Agreement is ratified by an elected Constituent or Legislative Assembly in El Salvador. The present Government is provisional, but elections for a Constituent Assembly are expected to be held this year.

OTHER OPERATIONAL ACTIVITIES

Latin America

Brazil - A Bank mission visited Brazil in October and November 1949 for the purpose of:

1. studying general economic and financial conditions, with special reference to Brazil's capacity to assume additional external debt;

2. considering what priority various proposed development projects should receive;

3. surveying Brazil's government policies for promoting the development of the country's economic resources.

The mission's report is now under consideration.

A survey has also been made by a Bank representative of the electric power market in connection with the Paulo Afonso hydro-electric project which is under consideration.

Chile - A Bank mission visited Chile in November and December 1949 for a review of Chile's economic and financial situation, with special reference to certain development projects which have been submitted to the Bank.

Colombia - The large-scale mission under the direction of Dr. Lauchlin Currie, referred to in the Bank's Fourth Annual Report, remained in Colombia from July to November 1949, making a study of the country and its development potentialities. Its reports are in the final stages of preparation.

The Bank is currently considering three hydro-electric projects in Colombia.

Costa Rica - Bank representatives paid a short visit to Costa Rica in November 1949, for preliminary conversations with the new Government, which had just taken office.

Cuba - The Vice-President of the Bank visited Cuba in November 1949, for informal discussion of development plans. A Bank mission may soon visit Cuba to make a more detailed study.

Ecuador - A study of the textile industry has been completed and is currently under consideration.

Conversations are continuing concerning several projects proposed for Bank financing.

Guatemala - Representatives of the Bank visited Guatemala in mid-November for preliminary exploratory discussions on Guatemala's development program. Guatemala has requested that the Bank organize a mission to study certain aspects of the Guatemalan economy and to assist the Government in formulating its development program.

Mexico - Negotiations have continued towards the granting of a long-term loan of $26 million to the Mexican Light and Power Company, Ltd. The Bank has made the completion of the reorganization of the capital structure of the Company a principal condition of such a loan. A reorganization plan was issued by the Company in December 1949 to its security holders, who will meet to vote on it in February 1950. The maturity of the interim loan of $10 million granted by the Bank in January 1949, originally set at December 31, 1949, has been extended until July 1, 1950 in order to allow time for the reorganization to be completed.

Nicaragua - Bank representatives visited Nicaragua in October 1949, for exploratory discussion of the country's development possibilities.

Uruguay - Negotiations for a loan of approximately $31 million for improvement of electric power and telephone facilities are entering their final stage.

In response to a request by the Government of Uruguay, a representative of the Bank is visiting Uruguay in February 1950 for discussions concerning the loan and Uruguayan technical assistance requirements with respect to certain sectors of her economy.

Europe

Turkey - Technical studies of the grain storage project, the port construction and improvement project and the project for a multi-purpose dam on the Seyhan river are in progress and will be completed shortly.

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U. N. Economic & Social Council

January 3, 1950

REFERENCE: HCA 55/02

The Honorable Trygve Lie
Secretary-General
United Nations
Lake Success, New York

Dear Mr. Lie:

I wish to acknowledge receipt of and to thank you for your letter of December 22, 1949 informing the Bank that the tenth session of the Economic and Social Council will open in Lake Success on February 7, 1950.

I hope to attend one or more meetings of the Council myself and I am also designating as Bank representatives to this Session Mr. Richard H. Demuth, Assistant to the Vice-President and Dr. Enrique Lopez-Herrarte, Liaison Officer.

Sincerely yours,

Eugene R. Black

RHD:bd

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK

TELEPHONE: FIELDSTONE 7-1100

CABLE ADDRESS - UNATIONS NEWYORK - ADRESSE TELEGRAPHIQUE

REFERENCE: ECA 55/02

22 December 1949

The Secretary-General of the United Nations presents his compliments to the President of the International Bank for Reconstruction and Development and has the honour to state that the tenth session of the Economic and Social Council will open at 11 a.m. on Tuesday, 7 February 1950, at Lake Success. A copy of the provisional agenda (document E/1570) is enclosed herein.

The Secretary-General has the honour to request that the names of representatives who will attend the forthcoming session of the Council may be communicated to him as soon as possible.

UNITED NATIONS NATIONS UNIES

The President,
The International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D.C.

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DEC 27 10 45 AM 1949

The President,
The International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D.C.

UNITED NATIONS NATIONS UNIES

UNITED NATIONS NATIONS UNIES
LAKE SUCCESS, NEW YORK
TELEPHONE: CIRCLE 7-1100
CABLE ADDRESS - UNATIONS NEWYORK - ADRESSE TELEGRAPHIQUE

REFERENCE: ECA 22\05

55 December 1949

The Secretary-General of the United Nations presents his compliments to the President of the International Bank for Reconstruction and Development and has the honour to state that the twenty-second session of the Economic and Social Council will open at 11 a.m. on Tuesday, 7 February 1950, at Lake Success. A copy of the provisional agenda (document E\1570) is enclosed herein.

The Secretary-General has the honour to request that the names of representatives who will attend the forthcoming session of the Council may be communicated to him as soon as possible.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 25, D. C.

67, rue de Lille, PARIS

18 August 1949

Mr. Richard H. Demuth,
International Bank for
Reconstruction and Development,
Washington 25, D.C.

Dear Dick,

Here I am in Paris sending you the last instalment of the activities of the Council in the last ten days. The going was extremely rough and very hectic. We had night sessions the last seven days and an all day and night session on Sunday, the 14th of August.

My feeling is that although some of the things are perhaps obnoxious we are at complete liberty to join TAB once we have decided what is the best course to follow.

It was pointed out at various meetings that, due to some of the impertinent obligations and duties imposed on TAB and TACOC, the Bank and the Fund most likely would stay out of TAB and continue our co-ordination at ACC level.

There is much to be discussed on this matter and I will wait until I see you to give you not only complete information, but myfeelings on the matter.

I suppose that at the present time you are at Rehobath Beach, but nevertheless I am requesting Miss Ladue to send this to you so that you might enjoy it with your dessert at dinner-time!

I hope that Eunice, the baby and you are enjoying the vacation, and I will see you real soon.

Sincerely,

ACTIVITIES OF THE ECONOMIC AND SOCIAL COUNCIL DURING THE LAST TWO WEEKS OF ITS NINTH SESSION

The last two weeks of the Ninth Session of the Economic and Social Council were devoted almost exclusively to the consideration of a) methods of financing economic development of under-developed areas; and b) technical assistance for under-developed countries.

a) The discussions regarding methods of financing economic development were very lengthy and for a time it was quite evident that it would be impossible to arrive at a satisfactory resolution of the matter. The Indian representative felt that the Sub-commission on Economic Development, at its 3rd Session, had made a positive contribution to the solution of this problem, especially with the memorandum or proposal presented by Dr. Rao for the creation of UNEDA. The Brazilian delegate felt that any resolution on this topic should definitely include suggestions for positive studies by the international agencies interested, of guarantees of transferability, and the possible consideration of the inclusion in loan contracts for development of provisions allowing capital importing countries the right to waive the payment of interest in cases where these income from exports of the borrowing country, had reached a certain load level (closely similar to that contained in the Anglo-American Loan Agreement of December 1945).

After many discussions with the interested delegations the Economic Committee of the Council adopted a resolution requesting the Secretary-General of the United Nations to do the following:

1) a survey of private foreign investments in selected countries, the factors counting in these investments and the existing conditions governing foreign investments. This survey to cover the most important types of ~~loans~~ laws, regulations and economic policies affecting the operations of foreign private capital which are most prevalent in capital-exporting

countries and also in the less-developed nations;

2) methods of increasing domestic savings and of ensuring their most advantageous use for the purpose of economic development.

This study most likely is to include an examination of the various types of financial institutions already existing in the less-developed countries and those which could be most effective in promoting economic development, including fiscal policies which governments may adopt to produce the appropriate volume and use of domestic savings;

3) the effect of economic development on the volume of savings. This study is to include an examination of the direct effects of various types of economic development projects on the volume and rate of savings, in selected under-developed countries;

4) an international clearing house of information on investments. This proposal was endorsed by the Chilean and Brazilian delegations and includes the possibility of establishing an international clearing house of information by which potential investing entities or private investors can be brought together with entities or private persons requiring funds in under-developed countries. In this connection I brought to the attention of the Committee that the Bank, in a modest manner, does a certain amount of this work, as appears from the last paragraph of page 20 of the 3rd Annual Report of the Bank.

At the last minute the Indian delegation, with the assistance of the Lebanese, Polish, U.S.S.R., Byelo-Russian, French, Belgian, Australian and New Zealand delegations, added a rider to this resolution which was finally defeated when the resolution went up to the plenary of the Council for final

consideration. In the meantime the Lebanese and Indian delegations lobbied extremely hard with the Latin-American delegations to join them in the proposal of this rider to the financing resolution over the opposition of the United Kingdom and the United States. Fortunately, and after a conversation with Monsieur Mendes-France, in the final vote it was possible to hold the Latin-Americans and to obtain the votes of France and Belgium to defeat the Indian proposal. This proposal read as follows:-

> "invites the Economic and Employment Commission to give further consideration to the questions whether there are any gaps in the external public financing of economic development of under-developed countries and whether the amplification of the functions and powers of the International Bank or the creation of a new agency would help fill such gaps if they exist".

b) The Council adopted a lengthy resolution on an expanded programme of technical assistance for economic development. The most salient elements of this resolution are the following:

1) It requests the Secretary-General, subject to such decisions as might be taken by the General Assembly, to invite the Administrative Committee on Co-ordination (ACC) to set up a Technical Assistance Board (TAB) which shall consist of the executive heads, or their representatives, of the United Nations and the specialised agencies which participate in the expanded programme of technical assistance.

2) The Council decided to establish, subject to such decisions as may be taken by the General Assembly, a standing Technical Assistance Committee of the Council (TACOC) consisting of the members of the Council, which is authorised to sit while the Council is not in Session, with the following terms of reference:

i) To make for the Council critical examinations of activities

undertaken and results achieved in the expanded programme of technical assistance;

ii) to examine each year's programme presented to it by the TAB and report to the Council concerning it, making such recommendations as it may deem necessary;

iii) to interpret this resolution in cases of conflicts or questions submitted to it by TAB, through its Chairman, and decide any such conflicts or questions;

iv) to receive reports from TAB on progress and implementation of the programme and on disbursements of funds under the expanded programme;

v) to review the working relationships between the participating organisations and the effect of these on the methods of co-ordination in connection with technical assistance programmes, making recommendations when appropriate;

vi) to perform such other relevant functions as the Council may assign to it from time to time.

The Council also recommended to the General Assembly that it authorise the Secretary-General to set up a special account for technical assistance for economic development, to which contributions of countries shall be credited and from which transfers shall be made to the participating organisations exclusively for the expanded technical assistance programme. The Council directs the Secretary-General that he shall allot contributions received during the first fiscal year as follows: 1) the first 10 million dollars in contributions shall automatically be available for distribution to the participating organisations; 2) of the second 10 million dollars of

contributions received, 70% shall be automatically available for distribution to the participating organisations and 30% shall be retained for subsequent allocations; 3) all contributions above 20 million dollars shall be similarly retained.

The monies obtained in accordance with the above procedure shall be transferred by the Secretary-General to the participating organisations in accordance with the following percentages:

United Nations	23%
International Labour Organisation	11%
Food and Agricultural Organisation	29%
UNESCO	14%
EKO	1%
WHO	22%

In the resolution the Council also requests the Secretary-General, subject to such decisions as may be taken by the General Assembly, to call an international technical assistance conference for the purpose of ascertaining the total amount of contributions available for the participating governments for the execution of the technical assistance programme during the first year of its operation, and 2) to give final consent to the proportionate shares of the total amount to be allowed to the various participating organisations.

This conference is to be held if possible during or immediately following the 4th Session of the General Assembly, and the Secretary-General is requested to invite to such conference, with the right to vote, all members of the United Nations, and all other Governments, members of any specialised agency participating in the programme. Likewise the Secretary-General is requested to invite, without the right to vote, the representatives of the specialised agencies.

LIAISON, U.N. E.C.O.SOC

ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMITTEE

Wednesday, 2nd March, 1949

Mr.McCLOY (President of the International Bank for Reconstruction and Development). (Answers and questions put by the Delegate of Poland).

As for the remarks of the Delegate from Poland, I have one or two things to say. I do not mean to quarrel about figures. We have loaned a little more than half a billion dollars, and if that half a billion dollars - or actually 650 million dollars, does not seem very great we still feel that it has been put into strategic situations, strategic in the sense of economic, which will have an impact on the countries which we have financed.

I do not want to suggest how much work is involved before one can organize a bank of this character but I do think I can point to the fact that the Bank is now organized and that it can develop a pace which was quite impossible to develop immediately after its coming into existence.

The Polish Delegate has referred to the Polish loan. I do not think this is the appropriate time or place to discuss the merits of the Polish application. I would like to say that no one deplores more than I that we were not able to be at that moment of service to Poland. I think everyone in the Bank is aware of the significance of Polish recovery and the importance of Poland in connection with the East-West trade of Europe. The conditions that resulted in the failure to consummate a Polish coal loan were unfortunate and, as I say, I deplore them as much as any. We have not by any means written off the possibility of financing Poland in that or in other ventures. Indeed we have offered to make our services available to Poland in other connections.

I cannot refrain from suggesting that when the Polish Delegate made reference to the fact that the conferrees of Bretton Woods would have shuddered had they realized how little money would at this date have been lent by the Bank, I really think that the Bretton Woods conferrees might also have shuddered when they realized

what the world would look like in 1949.

The Polish Delegate also referred to the failure of the Bank - if it is a failure - to finance an aver-all development programme, as he called it. We are very interested in over-all development programmes. I do not know that we have had any programme submitted to us that could be accurately so characterized. We have studied and are prepared to study the full programmes of any country and we are operating in that regard but the fact that we are not at one bite financing any particular programme doesn't mean that we are not making real progress. I think that the individual economic benefits that are being gained, provided they have some significance in the economy of the nation, go to make up what is called an over-all development programme.

Insofar as the Brazilian loan is concerned, I do not believe that it is encumbant upon me to discuss the Brazilian policy which resulted in their feeling that the financing which was done in that case was economically productive to the country. I can say that the staff of the Bank scrutinized the application very carefully, came to the conclusion that the making available of power in a situation where power was desperately needed not only in the metropolitan areas but in small industries and large industries as well as in areas in that area, was definitely related to the development of the country. The Bank, of course, does not do any financing which private financing can undertake and in each case we have to satisfy ourselves by taking of evidence that it is a situation in which private financing cannot operate.

I must say I did not get the connection that the Polish Delegate made between certain of our development loans and warlike purposes. I assure you that we are not making any loans for war or preparation for war.

Again I want to say how much I appreciate tha opportunity to be here and take part in this discussion.

FORM NO. 75
(7.48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

Date 2-24

TO-	Name	Room No.
1	Mr Woodward →	1023
2		
3	Kate	
4		

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

FROM- Com 311

UN - Econ. & Social Council

CABLE ADDRESS: UNATIONS NEW YORK

TELEGRAMME: UNATIONS NEW-YORK

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE: ECA 81/01/DD

21 February 1949

Sir,

I have the honour to acknowledge with thanks the receipt of your letter of 8 February 1949, enclosing a statement of the principal activities of the International Bank for Reconstruction and Development since September 1, 1948, supplementing the Third Annual Report of the Bank, for the use of the Economic and Social Council in connection with its consideration of the Bank's Annual Report and of the problems of economic development of under-developed countries.

I have the honour to be,

Sir,

Your obedient Servant,

David Owen

A.D.K. Owen
Assistant Secretary-General
in charge of Economic Affairs

Mr. John J. McCloy,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D.C.

UNITED NATIONS

NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

ECA 81/01/DD

21 February 1949

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I have the honour to be,

Sir,

Your obedient Servant,

A.D.K. Owen
Assistant Secretary-General
in charge of Economic Affairs

Mr. John J. McCloy,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.
FEB 24 10 AM '49

UN-Economic + Social Council

FILE COPY

February 8, 1949

Dear Mr. Owen:

In response to your letter of January 28, I am sending you a statement of the principal activities of the International Bank for Reconstruction and Development since September 1, 1948, supplementing the Third Annual Report of the Bank, for the use of the Economic and Social Council in connection with its consideration of the Bank's Annual Report and of the problems of economic development of underdeveloped countries.

I hope that this statement will be of value to the Economic and Social Council in its deliberations.

Sincerely yours,

R. L. Garner

Mr. A. D. K. Owen
Assistant Secretary-General
in Charge of Economic Affairs
United Nations
Lake Success, New York

DGordon/cl

ECOSOC

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Washington

FOR THE PRESS

FOR IMMEDIATE RELEASE

Press Release No. 129

February 16, 1949

The International Bank for Reconstruction and Development today released a statement of the principal activities of the International Bank since September 1, 1948, supplementing the Third Annual Report of the Bank, which was requested by the United Nations for the use of the Economic and Social Council in connection with its consideration of the Bank's Annual Report and of the problems of economic development of underdeveloped countries.

(Statement attached)

Copy filed 3d Annual Report

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

February 4, 1949

Statement of Principal Activities

Since September 1, 1948

This statement, supplementing the Third Annual Report of the International Bank for Reconstruction and Development, has been prepared for the use of the Economic and Social Council in connection with its consideration of the Bank's Annual Report and of the problems of economic development of underdeveloped countries. It summarizes the loans granted by the Bank since the issuance of the Third Annual Report and its other activities during this period in the field of economic development and in the marketing of its securities.

LOANS GRANTED

Mexico

On January 6, 1949, the Bank agreed to grant two loans totalling $34,100,000 for electric power development in Mexico. The joint borrowers in each case are the Comision Federal de Electricidad, a Mexican Government agency charged with the development of electric power facilities, and Nacional Financiera, an official financing institution whose functions include the negotiation of foreign loans on behalf of the Mexican Government. Both loans are to be guaranteed by the Mexican Government.

The first loan, in the amount of $24,100,000, is to be used by the Federal Electricity Commission to finance imports of equipment and materials necessary to complete a number of projects included in the Commission's 1947-52 program of construction of new steam and hydroelectric generating stations, transmission lines and distribution systems in various parts of Mexico. The loan is for a term of 25 years, and carries an interest rate of 4½% which includes the commission charge of 1% annually required by the Bank's charter. Amortization payments, calculated to retire the loan by maturity, will begin in the fifth year.

The second loan, in the amount of $10 million, will be re-lent by the borrowers to the Mexican Light and Power Company, Limited. This Company, with its subsidiaries, produces most of the electric power and undertakes all the distribution of electricity in Mexico City and the surrounding area. The loan will finance part of the cost of imports of equipment and materials to be made by the Company in order to carry out a program for the expansion of its electrical generating and distributive facilities in the Mexico City area.

The Mexican Light and Power Company proposes to undertake in 1949 a reorganization of its capital structure. The present loan is designed to permit the expansion program to be carried forward pending the formulation and consummation of a reorganization plan. In view of the anticipated reorganization proceedings, the loan is to be made through the intermediary of the Mexican Government agencies mentioned above, covers only expenditures to be made up to December 31, 1949, and is for a term of one year only, repayment being due on December 31, 1949. The loan

carries an interest rate of 4½%, which includes the usual 1% commission charge. If the reorganization is satisfactorily completed in 1949 and other conditions warrant, the Bank will be prepared to consider the negotiation of a long-term loan for the purpose of financing the remainder of the foreign exchange costs of the Company's program and refunding the short-term credit.

Mexico, faced with a rapid population growth, urgently needs a greater supply of electric power in order to permit and stimulate industrial development and the increase of agricultural production through modern methods of irrigation. Industrial expansion has already been restricted by shortage of power in the more developed areas, while in other areas, where the use of electricity is in the earliest stages, the installation of reliable central sources of supply is expected promptly to create a substantial demand for power for productive uses.

The Federal Electricity Commission has undertaken to supplement, where necessary, the expansion of facilities provided by other electric power enterprises in Mexico, the largest of which is the Mexican Light and Power Company. The projects of the Commission which the Bank is to finance have been coordinated with those of the Mexican Light and Power Company and other enterprises in order to avoid overlapping and to secure a balanced development of the Mexican electric power industry as a whole.

Brazil

On January 27, 1949, the Bank granted a loan of $75 million to the Brazilian Traction, Light & Power Company, Ltd., a Canadian corporation, to assist in financing the expansion of hydro-electric power facilities and telephone installations in Brazil. The loan is guaranteed by the United States of Brazil.

The loan is for a term of 25 years and carries an interest rate of 3½%, plus the 1% annual commission. Amortization of principal will begin on July 1, 1953, and is calculated to retire the loan by maturity.

The Brazilian Traction, Light & Power Company, Ltd. intends to use the loan proceeds to purchase substantial amounts of equipment in the United States, Canada, the United Kingdom and Continental Europe. The Canadian Government has given its approval to the use by the Bank in its loan operations of up to 8 million Canadian dollars from Canada's subscription to the Bank's capital. The Government of the United Kingdom has given its approval to the use of up to £500,000 out of the United Kingdom's subscription to the Bank's capital. It is the intention of the Bank to disburse these amounts in connection with purchases eligible under the loan agreement to be made by the Brazilian Traction in Canada and the United Kingdom respectively.

Brazilian Traction will use the proceeds of the loan to finance substantially all the foreign exchange costs of an expansion program now being undertaken by its Brazilian subsidiaries in the Rio de Janeiro and Sao Paulo areas, the most highly industrialized and thickly populated part of Brazil. The expansion program provides for increases of more than 50% in the presently over-loaded power generating capacity of those areas, involving large-scale additions to transmission and distribution equipment and to water supply facilities for power purposes. In addition, local telephone services will be increased by about 40% and long distance traffic capacity will be expanded to meet the urgent needs for these services. The total cost of the expansion program is estimated at the equivalent of about $182 million during the next 4 to 5 years, of which about $107 million (almost

entirely for local expenditures) is being financed by the Company from its own resources.

Chile

Two Chilean loans, of $13.5 million for hydro-electric development and $2.5 million for the purchase of agricultural machinery, were authorized in March, 1948, and are described in the Third Annual Report. The authorization, however, is subject to guarantee of the loans by the Chilean Government. The Chilean Government has only recently enacted legislation authorizing such a guarantee.

OTHER DEVELOPMENT ACTIVITIES

The Bank's contribution to the economic advancement of its underdeveloped members is not confined to the loans which it has thus far granted. Upon request of its members, the Bank has sent increasing numbers of technical experts, from its own staff or recruited elsewhere, to study the economies of various of the underdeveloped countries, to assist in the formulation of practical development programs adapted to their needs, and to suggest measures for improving their financial stability and credit standing. These studies, and the measures which result from them, help to reinforce the Bank's loans and increase the contribution made by these loans to rapid, balanced development in the countries involved. In addition, they may serve to render the Bank's underdeveloped member countries more attractive to private investors and thus encourage an increased flow of investment from that source.

More specifically, the Bank's activities in connection with the economic development of its underdeveloped member countries, not including the loans granted and those discussions which are still in a confidential stage, may be summarized as follows:

Central America, and the Caribbean

Costa Rica - A mission visited Costa Rica in September 1948 and made a study of the country as a whole and also of specific projects suggested by the Government for possible financing by the Bank.

During December 1948, the President of the Bank visited Costa Rica. Conferences with officials and private citizens confirmed the interest of the Government in the projects previously submitted and current data for evaluation of the overall prospects of the country were obtained. Conversations are now in progress between the Bank and representatives of Costa Rica, with a view to working out a practical program designed to establish favorable conditions for Bank financing.

Dominican Republic - The Republic made its first approach to the Bank in September 1948 and a tentative list of projects involving irrigation, electric power, agricultural equipment, a railroad and port works was submitted. During December 1948, the President of the Bank visited the Republic. The Government has since been informed that the Bank is prepared to send a mission to survey the development possibilities of the country and, if desired, to make available technical assistance where requested. The Bank is now awaiting a memorandum from the Government which will consolidate into one program the various projects and set forth their relative priorities.

El Salvador - The Government has made preliminary inquiries concerning possible Bank financing of a hydro-electric plant on the Rio Lempa, but indicated that no formal application would be made until a national power authority had been established. Legislation creating such an authority was enacted in September 1948, and during the visit of the Bank's President to El Salvador in the latter part of November 1948, the Bank agreed to initiate studies of the Rio Lempa project and to assist the Government in securing technical advice and assistance for various other projects and activities. Since this visit, however, a new Government has been installed, which has not yet confirmed its agreement with the procedure outlined above.

Guatemala - During the latter part of November 1948, the President of the Bank visited Guatemala and conferences were held with various government officials and representatives of private interests on the role the Bank might play in assisting in the development of the country. As yet the Bank has not, however, received any official request for financing from Guatemala.

Honduras - The Government has made preliminary inquiries concering possible Bank financing of a hydro-electric project, and has since sent to the Bank engineering studies and general economic data. During the visit of the President to Honduras in November 1948, general discussions took place with respect to the development potentialities of the country. The new Government of Honduras, which did not take office until January of this year, has been assured of the Bank's interest in the development of the country and its suggestions in this regard have been invited.

Nicaragua - During discussions held between Nicaraguan officials and the President of the Bank in November 1948, the need was stressed for the improvement in agricultural practices and methods, for greater agricultural credits, for hydro-electric development, for food storage and refrigeration facilities, and for the provision of technical assistance in these fields. It was agreed that the Bank would initiate a general study of Nicaragua's economy, finances and development potentialities.

Panama - Discussions during the President's visit to Panama in December 1948 indicated that the country was particularly interested in the expansion and diversification of its agricultural activities, in adequate processing facilities for its beef cattle industry (including abattoirs), and in fisheries. It was agreed that the Bank would initiate studies of the economy, finances, and development potentialities of Panama preparatory to sending a mission to the country as soon as possible.

South America

Bolivia - An exploratory mission was sent to Bolivia in April 1948 to study the economic and financial situation and the development potentialities of the country. Suggestions have been made designed to improve Bolivia's credit standing.

Colombia - As a result of conversations with a Colombian financial mission in Washington and of studies by a Bank mission in Colombia, an agreement has been reached between the IBRD and Colombia concerning the formulation of an economic development program.

A two-phase program is now being worked out:

1. Colombia is in the process of undertaking certain fiscal and monetary reforms. Simultaneously, the IBRD has sent a technical mission to Colombia to complete its investigations of three types of projects. Subject to the successful implementation of the reform program and evidence that certain projects are technically feasible and financially practicable, it is expected that loan negotiations may begin.

2. Later, an IBRD mission will be sent to assist Colombia in the formulation of an overall development program. This mission will also complete a thorough economic study of the country. If favorable conditions for financing are worked out, the IBRD will be interested in discussing additional loans, based upon the results of this mission, for economically desirable projects over a period of time.

Ecuador - An IBRD mission visited Ecuador in July 1948 for the purpose of making an economic study and becoming acquainted with development opportunities. On the basis of the mission's report, the Bank has expressed to the Government its willingness to assist in the preparation and possible financing of appropriate development projects and the formulation of measures of fiscal reform.

Paraguay - An IBRD mission visited Paraguay in September 1948. Although no specific projects are ready for financing, the IBRD considers that development possibilities do exist and is preparing to work with the Paraguayan Government to assist in the formulation of specific bankable projects.

Peru - Two missions have visited Peru, one to make a general survey and the second (consisting of an irrigation expert borrowed from FAO) is at present assisting in the formulation of general irrigation policies and programs as well as of the details of a specific irrigation project.

Uruguay - A mission, headed by the Bank's Loan Director, was sent to Uruguay in December 1948 to study the fiscal and economic situation and to investigate development projects. A second mission is now in Uruguay to make engineering studies of electric power and telephone projects and to discuss with the Uruguayan Government the possible financing of the foreign exchange costs of this program.

Venezuela - An IBRD mission visited Venezuela, at its request, to study the economic situation and the Government's development program. It is hoped that the conclusions from this study can be discussed with representatives of the new Government of Venezuela in the near future.

Europe

Finland - A mission in November 1948 studied the country's economy and various suggested projects. The Bank is now about to enter into negotiations concerning the possible financing of some of these projects.

Timber Equipment Project - The Bank has been represented at meetings of the Timber Subcommission of the U.N. Economic Commission for Europe, at which projects for the financing of timber development in Eastern Europe, for export to Western Europe, have been worked out. The Bank is currently attempting to negotiate loans to Yugoslavia and Finland for this purpose. Czechoslovakia and Austria may also

participate in the program.

Turkey - A mission is at present in Turkey to consider the country's economy and to select projects most suitable for financing.

Near East - Africa

Iran - The Iranian Government requested the Bank to recommend technical experts in various fields to survey development needs and potentialities in Iran. The Bank suggested several firms which might undertake such a survey and one of them, Overseas Consultants, Inc., has been engaged by the Government for this purpose. The Bank may shortly supplement this survey with a mission of its own.

Lebanon - A Bank mission visited Lebanon in September 1948 to study the economy of the country and the fields for which Bank financing might be requested. It is expected that recommendations based on the findings of this mission will be submitted shortly to the Government of Lebanon.

Asia

India - A mission headed by the Assistant Loan Director and including a railroad technician is at present in India studying the country's economy and the possibilities of the Bank financing certain development projects proposed by the Indian Government.

Philippines - A Bank mission visited the Philippines in January-February 1948. Assistance has been given in narrowing the projects down to those most suitable for Bank financing, and certain fiscal and financial reforms have been suggested to the Philippine Government. Negotiations looking towards an initial development loan have been entered into.

General

U.K. Colonies - In response to applications from the Colonial Development Corporation and the Overseas Food Corporation, a Bank representative visited London in December 1948 to discuss loan possibilities with colonial and other officials, and studies have been made of the proposals put forward.

French Colonies - Conversations have been held in connection with possible financing of development projects in French colonies.

MARKETING OPERATIONS

As the Bank's available funds have been adequate to meet its needs, no new public issues of its securities have been made. In January 1949, however, the Bank sold, with its guarantee, an additional $2.2 million of Dutch shipping loan bonds from its portfolio, bringing the total of such bonds sold to $10.3 million out of a total of $12.0 million.

Meanwhile, the market record of the Bank's own bonds, issued in July, 1947, has continued favorable. The bid price quoted on the New York Stock Exchange on February 3, 1949, on the 3% issue maturing in 1972 was 100 and that on the 2¼% issue maturing in 1957 was 99½.

The release of up to 8 million Canadian dollars by Canada and of up to £500,000 by the United Kingdom from their respective 18% local currency subscriptions raises to four the number of countries that have authorized the use for loans of some of their local currency subscription. The others are Belgium, which agreed in August, 1947 to the Bank's use of the equivalent of $2 million in Belgian francs, and the United States, which has made its entire 18% subscription available. The funds which have become available for lending up to the end of 1948, expressed in round numbers in terms of United States dollars, consist of:

20% paid-in portion of United States subscription	$635,000,000
2% portion of subscriptions of other countries paid in in gold or dollars	98,300,000
Part of 18% portion of subscriptions of Belgium, United Kingdom and Canada paid in in local currency	12,000,000
Proceeds of two bond issues in the United States	250,000,000
Sale of Swiss Franc Bonds to the B.I.S.	4,000,000
Net available funds from operations to December 31, 1948	8,100,000
	$1,007,400,000

The Bank hopes to obtain further authorizations for the use of some part of the 18% local currency subscriptions of other members, both in order to increase the amount and flexibility of its loanable resources and to strengthen the international character of its operations.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM - 1. Office of the President

2. Office of the Vice President

Date 2/1/49

TO-	Name	Room No.
1	Mr. McCloy	
2	C & R	310
3		
4		

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information	X	Signature

REMARKS

This was agreed to at Staff meeting. Rosenthal has Owen's letter for purposes of preparing the statement, which will be largely the same as the one you approved the other day. R.H.D.

OFFICE SERVICES 48-171

UN - Econ + Soc. Council

January 31, 1949

Mr. A. D. K. Owen
Assistant Secretary-General
in charge of Economic Affairs
United Nations
Lake Success, New York

Dear Mr. Owen:

I wish to thank you for your letter of January 28th suggesting that the Bank might wish to prepare for the consideration of the Economic and Social Council a statement supplementing the Bank's Third Annual Report and covering its most recent activities in the field of economic development.

I believe your suggestion has merit and I shall have such a statement prepared and sent to you at an early date. I would think that the statement might be used not only in connection with the Council's debate on economic development but also in connection with its debate on the Third Annual Report itself.

Sincerely yours,

(signed) John J. McCloy

John J. McCloy

RHD:bd

CC: Mr. McCloy's files
Mr. Demuth's files
Central Files

UN - Economic + Social Council

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE:

28 January 1949

Dear Mr. McCloy,

You will recall that the Economic and Social Council devoted considerable time at its seventh session to a debate upon the Bank's Report. In its resolution it noted the policy declarations then recently made by yourself and other high officials of the Bank looking toward an extension of the Bank's activities in the field of financing economic development. The records of these discussions were transmitted to you at the request of the Council.

At the third session of the General Assembly in Paris, the Council's resolution on this matter was endorsed by unanimous vote in connection with the General Assembly's resolution on economic development of under-developed countries.

Since your Report, which will be before the eighth session of the Council, could not take account of the views expressed by the Council and the Assembly, it occurs to me that you may wish to consider the desirability of supplementing the printed Report with a statement covering the most recent activities of the Bankto which these resolutions refer. If this were possible it would, I am sure, be a most valuable contribution to the general debate which the Council proposes to hold on the economic development of under-developed countries.

Yours sincerely,

A D K Owen

A.D.K. Owen
Assistant Secretary-General
in charge of Economic Affairs

Mr. John J. McCloy,
President,
International Bank for Reconstruction
and Development,
1818 H Street,
Washington, D.C.

UNITED NATIONS

NATIONS UNIES

LAKE SUCCESS, NEW YORK • PLAZA 7-1100

REFERENCE:

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Yours sincerely,

A.D.K. Owen
Assistant Secretary-General
in charge of Economic Affairs

Mr. John J. McCloy,
President,
International Bank for Reconstruction
and Development,
1818 H Street,
Washington, D.C.

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INTERNATIONAL BANK FOR
RECONST. AND DEVEL.
JAN 31 9 11 AM 1949

Mr. Goodrich told over the phone, 2/3/48, that we were unable to accede to his request.

RHD

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM - 1. Office of the President

2. Office of the Vice President

Date _____

TO-	Name	Room No.
1		
2		
3		
4		

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM - 1. Office of the President

2. Office of the Vice President

Date 11/21

TO-	Name	Room No.
1	Mr. McClay	
2		
3		
4		

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

I agree with your comment - but what shall we do? I don't think we have anyone on our staff who could write the article. We could ask Madigan - Hyland to do it - but that would cost us money. R. H. D.

OFFICE SERVICES 48.121

FORM NO. 58
(5-48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

Columbia University
W. N. Economic & Soc'y
JAN 19 Rec'd Council

TO: Mr. McCloy **DATE:** January 19, 1949

FROM: Richard H. Demuth

SUBJECT:

The letter from Carter Goodrich should be considered in conjunction with the attached letter from the United Nations and my note to the files concerning the UN letter.

I do not feel that we can make a real contribution on the subject we have been asked to write about and I would rather we say nothing than say something inadequate. I suggested to the UN official handling the matter that perhaps someone like Stacy May might be a good person to approach to cover this topic.

May I have your advice?

RHD

R. H. D.

RHD:Bd

I hate to leave this
down — as I agree
we probably cannot
do a good job —
but I am afraid
that we should
do something
+ I see no one else
suggested
for it

Columbia University
in the City of New York
[NEW YORK 27, N. Y.]
FACULTY OF POLITICAL SCIENCE

JAN 18 REC'D

January 17, 1949

The Honorable John J. McCloy, President
International Bank for Reconstruction and Development
1818 H. Street, N. W.
Washington 6, D. C.

Dear Jack:

I am writing you with reference to the note sent you on December 29 by the Secretary General of the United Nations asking the Bank to contribute a paper for the United Nations Scientific Conference on the Conservation and Utilization of Resources. This is the request which I took the liberty of making to you informatlly when you were up here for the Eisenhower Reception.

The meeting for which your help is asked is a session of the full Conference on "Special problems in assessing resources in relation to industrialization plans." Much of it will be devoted to speakers from under-developed countries who will naturally tend to present their own projects rather enthusiastically. By way of corrective, it seems to me particularly important to have presented the viewpoint of a sympathetic but critical outsider. I suggested that the Bank should be asked to do this, not only because what it said would certainly be listened to but also because it seemed to me that you had already struck precisely the right note in the Third Annual Report and particularly in the following sentences from page 17:

> "The importance of working out an over-all development program, to minimize spotty and wasteful investment, has already been emphasized. It appears axiomatic that such a program should be related to and based on the existing natural resources, the country's location, climate, and type of population and the financial and administrative resources available."

This is just the point that needs developing. I very much hope that you will be willing to do it.

With cordial regards,

Sincerely yours,

Carter Goodrich

Carter Goodrich

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

JAN 18 3 44 PM 1949

Form No. 58
(5-48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: FILES DATE: January 11, 1949

FROM: Richard H. Demuth

SUBJECT:

Talked to Mr. Van Tassel of UN Economic Department about this on January 9th. Advised him we were reluctant to undertake study as we had not the experience to state more than generalities. He wants to discuss the matter with Mr. Goodrich, head of Preparatory Committee for Conference -- and will communicate further with me. He requested that we not refuse formally until we hear from him further.

R. H. D.

RHD:bd

CC: Mr. McCloy.

CABLE ADDRESS: UNATIONS NEW YORK

TELEGRAMME: UNATIONS NEW YORK

UNITED NATIONS

NATIONS UNIES

File No. E 0 [illegible]
Name [illegible]
Dept. of Economic Affair
22 DEC 1948
BRANCH REGISTRY

IN REPLY REFER TO

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE ECA 98/2/01/AJVT

29 December 1948

Van Tassel
791

The Secretary-General of the United Nations presents his compliments to the President of the International Bank for Reconstruction and Development and has the honour to invite his assistance in the preparation of the programme for the United Nations Scientific Conference on the Conservation and Utilization of Resources.

The Economic and Social Council has taken note of the Secretary-General's preliminary preparations for the Conference and has decided that it should meet in the United States of America for fifteen working days during the period May-June 1949 (document E/1016). The Preparatory Committee on the Conference has advised the Secretary-General with respect to the programme (document E/Conf. 7/2) and the selection of authors of Conference papers.

The Secretary-General has the honour to draw attention to Plenary Meeting 11 (a) referred to on page four of the Revised Programme of the Conference:

Mr. John J. McCloy,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D.C.

FOR ACTION TO:
[illegible]

DD

Special problems in assessing resources in relation to industrialization plans. (Experience in determining the availability of resources for diversified industrial development; methods of survey; relation to present and potential transportation facilities and markets; relation to improved techniques in agriculture.)

Acting on the advice of the Preparatory Committee, the Secretary-General has the honour to invite the International Bank for Reconstruction and Development to designate a member or members of its Secretariat to prepare a paper of 4,000 words on this subject, to be received not later than 1 May 1949 to permit its translation and reproduction prior to the Conference. He would be grateful if a response to this invitation could be received as soon as possible.

The United Nations will not be responsible for the costs of preparing papers or attending the Conference. The International Bank by assisting in the preparations for this Conference will not assume responsibility, except for its own contributing staff members, for the costs of authors preparing papers or attending the Conference. Invitations to attend the Conference will be issued early next year.

Copies of the Revised Programme and of Notes for Authors (documents E/Conf. 7/Inf. 1 and E/Conf.7/Inf. 1/Add.1) for the use of the International Bank are enclosed herein.

.....

DISPATCHED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

DEC 30 | 16 PM 1948

December 22, 1948

Your reference: ECA 29/01/MG

Dear Mr. Lukac:

Mr. McCloy has passed to me your letter of November 30, in which you ask for the cooperation of the International Bank in preparing a descriptive catalogue of studies in the economic and social fields carried out by the United Nations and the specialized agencies. The Bank is, of course, glad to assist in this project.

The department of the Bank primarily concerned in the preparation of economic studies and reports is the Economic Department under the direction of Mr. L. B. Rist.

I am returning to you herewith the questionnaires and copies of the items which appeared in the last Directory sent by your office direct to the Economic Department on December 1, for completion or amendment. You will see that the names of certain additional studies are suggested for inclusion. Copies of these (where completed) have already been passed to the Department of Economic Affairs of the United Nations for information. It will be appreciated, I am sure, that these studies were prepared for the internal working purposes of the Bank, and only a limited number of copies is available. Requests for these copies should be made to the Secretary of the Bank.

Yours very truly,

M. M. Mendels,
Secretary

Mr. B. Lukac
Acting Assistant Secretary-
General in charge of
Economic Affairs
United Nations
Lake Success, New York

CC: Messrs. Demuth, Wishart

LDouget:DMc

GENERAL FILES
AND CORRESPONDENCE

U.N. - Economic + Social Council

CABLE ADDRESS: UNATIONS NEW YORK

ADRESSE TELEGRAPHIQUE: UNATIONS NEW-YORK

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE: ECA 29/01/MG

30 November 1948

Sir,

You will recall that the Economic and Social Council, by Resolution 128 (VI), requested the Secretary-General to prepare a descriptive catalogue of studies or investigations in the economic and social fields by the United Nations and the specialized agencies. This Catalogue which is now being prepared, will replace the Directory of Economic and Statistical Projects, and will be broader in scope. The first number of the Directory was issued in January 1948, and copies were sent to you at the time of its publication.

In order that it may form the basis for a permanent series and be more valuable for future reference, it is planned that the first issue of the Catalogue will be comprehensive, and will include all social and economic projects undertaken during the life of the United Nations, or since 1 January 1946. Accordingly,

Mr. John J. McCloy,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D. C.

GENERAL FILES
AND CORRESPONDENCE

it is requested that those agencies or departments of the United Nations whose economic and statistical projects were included in the Directory should examine their entries in the January 1948 issue and submit any revisions that may be required to bring the information up to data. Entries in the Directory for which no revisions are received will appear unchanged in the Catalogue. Information regarding all studies which have not appeared in the Directory will be assembled by means of questionnaires.

It is intended that regular annual, quarterly or other periodical publications should be included in the Catalogue. A separate list of such publications will therefore be necessary, showing for each a brief description of its content, frequency of publication and date of first issue.

I also wish to draw your attention to Part IV of the January 1948 issue of the Directory of Economic and Statistical Projects which names the officers of departments and divisions concerned with listed projects, and to ask you to send a similar list for publication in the new Catalogue of Economic and Social Projects. It will be noted that some agencies also included a statement indicating the officer to whom inquiries should be addressed.

A supply of questionnaires and copies of the items which appeared in the last Directory, to be returned with corrections or amendments, are being sent to Mr. deFleurieu.

As the catalogue is scheduled to appear in March 1949, it would be appreciated if the questionnaires and other information could be sent to the Joint Division of Coordination and Liaison not later than 1 January 1949.

I should be very grateful for the cooperation of your organization in this matter.

I have the honour to be,

Sir,

Your obedient Servant,

B. Lukac

B. Lukac
Acting Assistant Secretary-General
in charge of Economic Affairs

RECEIVED
INTERNATIONAL BANK FOR
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U. N. - Economic and Social Council

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LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE: ECA 29/01

1 December 1948

Dear Mr. de Fleurieu:

Enclosed is a copy of a letter to the President of the Bank concerning the Catalogue of Economic and Social Projects to be published in March. Also enclosed is the Bank section of the Directory of Economic and Statistical Projects published in January 1948 upon which, if you wish, you may indicate corrections or revisions to appear in the Catalogue, as well as a supply of questionnaires for reporting studies and projects which have not appeared in the Directory.

We hope that the first issue of the Catalogue will be as complete and useful as possible and that it may include all of the projects and studies of the Bank which are not strictly confidential.

I am most grateful for your assistance in preparing the earlier Directory and shall appreciate your attention to the material for the Catalogue.

Sincerely yours,

Margaret Grant

Margaret Grant
Catalogue of Economic
and Social Projects

Mr. Georges de Fleurieu
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, 6, D.C.

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LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE: ECA 29/01/MG

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COPY

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President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D. C.

Attachment

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I should be very grateful for the cooperation of your organization in this matter.

I have the honour to be,

Sir,

Your obedient Servant,

B. Lukac
Acting Assistant Secretary-General
in charge of Economic Affairs

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DEC 2 5 46 PM 1948

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INTERNATIONAL BANK FOR
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U. N. Economics & Soc. Council
Central File

UNITED NATIONS NATIONS UNIES

Télégrammes : NATIONS, GENEVE
Téléphone : 2 80 00

Palais des Nations
GENEVE

REF. NO

31 August 1948.

Mr. John J. Mc.Cloy,
President,
International Bank for
Reconstruction and Development,
1818 H. Street N.W.,
Washington, D.C.

Dear Sir,

In accordance with Articles II and IV of the Agreement between the United Nations and the Food and Agriculture Organization, and with the Economic and Social Council Resolution No.128 (VI) of 10 March, 1948, the Economic and Social Council at its Seventh Session, at its 224th meeting on 28 August 1948, and at the 36th and 37th meeting of its Economic Committee, had before it the report of the International Bank for Reconstruction and Development. After a substantive debate, the Council adopted the following Resolution (document No.1058):

E

THE ECONOMIC AND SOCIAL COUNCIL

TAKING NOTE of the report presented by the International Bank for Reconstruction and Development, and

APPRECIATING the statements made by high officials of the Bank on recent occasions to the effect that, other sources of financing now being available for a substantial part of reconstruction needs, the Bank is contemplating paying more attention to the problems of development hereafter,

EXPRESSES ITS HOPE that the Bank will take immediate steps to expedite the examination of these problems and to adopt all reasonable measures to facilitate the early realization of development loans, particularly those in areas economically underdeveloped, and

REQUESTS the Secretary-General to transmit to the Bank the records of the discussion which took place at the Seventh Session of the Council on the report.

We are transmitting the summary records of the Council's debate on this subject. We hasten to do this in view of the impending meeting of the Board of Governors of the Bank.

Yours obedient Servant,

David Owen

David Owen
Assistant Secretary-General
in Charge of Economic Affairs.

Enclosures: E/SR.224
E/AC.6/SR.36
E/AC.6/SR.37

Doc. 4 - filed
Central file

UNITED NATIONS NATIONS UNIES

Palais des Nations
GENEVE

Télégrammes : NATIONS, GENEVE
Téléphone : 2 80 00

REF. NO

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David Owen
Assistant Secretary-General
in Charge of Economic Affairs.

Enclosures: E/SR.224
E/AC.6/SR.36
E/AC.6/SR.37

Econ + Social Council

EUROPEAN OFFICE
OF THE UNITED NATIONS

OFFICE EUROPÉEN
DES NATIONS UNIES

Télégrammes : UNATIONS, GENEVE
Téléphone : 2 80 00

REF. No :
(à rappeler dans la réponse)

Palais des Nations
GENÈVE

August 24, 1948

Dear Dick,

I wish to thank you for your kind letter of the 18th instant giving me information on what is going on during my stay in Geneva.

The last few days were quite stormy here while the Economic Committee of the Council was discussing the Report of the Bank. The Committee devoted four full sessions to this question.

After much discussion the Committee rejected the Polish draft resolution sent to you with my letter of the 17th inst. which was not acceptable because it definitely included an unwarranted statement implying political considerations in the management of the Bank. Once that hurdle was overcome, the under-developed countries insisted in putting amendments to a Canadian draft resolution (enclosed herewith) submitted concurrently with the Polish one. A long debate ensued during which some severe proposals were eliminated by my opportune intervention out of chambers, as well as the intervention of other delegations. Notwithstanding the opposition of the representatives of the United States, United Kingdom, Canada, Netherlands, Denmark and France to stick to the Canadian draft resolution, it was impossible to overcome the block of under-developed nations. In consequence, the Committee adopted the resolution which I cabled you yesterday giving in detail the vote on the resolution.

Personally, I think it is a bad resolution, but it was impossible to do anything about it since the block was very firm and arguments to the contrary could not prevail.

After the meeting, Thorpe and Stinebower of the U S. delegation told me that in view of the insinuations made by the under-developed nations against the United States, they would probably vote for the resolution in plenary.

The Council has disposed of the report of ECAFE by approving a resolution recommending it to continue its deliberations and practical measures to the following ends:

"1. To promote and co-ordinate the development of industry in the countries of Asia and the Far East based upon their national resources and needs and designed to raise standards of living in their own countries and region and through trade in the rest of the world;

Mr. Richard H. Demuth,
International Bank for Reconstruction
and Development,
1818 H. Street, N.W.,
WASHINGTON, D.C.

"2. To promote the development of trade between the countries of Asia and the Far East and also between these countries and the countries of other regions;

3. To promote and co-ordinate the development of agriculture by means which will bring about greater, better and more efficient and diversified production with special attention to the particular agrarian conditions in these countries;

4. To increase the total amount of capital, credit, machinery, technical assistance and other resources available for the foregoing purposes from within and outside the region, and to make such capital, credit, machinery, technical assistance and other resources available where they are most needed. "

The resolution also recommends that ECAFE should keep under review the question of the establishment, within ECAFE, of committees or working parties intended to facilitate the accomplishment of its tasks.

It was interesting to note, while the debate was going on in this connection, that the Council rejected several amendments proposed by the U.S.S.R., stressing the necessity for promoting the development of heavy industries in the countries of Asia and the Far East.

The review of ECLA ended today, the Council approving the enclosed resolution.

In view of the fact that my work is almost done, I expect to leave Geneva on Friday, 27th, for Paris to arrange the date of my return from that city to New York. All the airlines are fully booked and I am on the waiting list of all possible lines with the hope of getting on a plane some time next week. I expect to see Tyler in Paris to give him some information on the Council's session which might be of interest to him in connection with the Assembly.

Sincerely yours,

Enrique Lopez-Herrarto

P.S. The Bank's resolution will not be out as a document until Tomorrow. Will mail a copy immediately after it comes out.

UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

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CONSEIL ECONOMIQUE ET SOCIAL

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E/AC.6/W.29
18 August 1948

Original: ENGLISH

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ECONOMIC COMMITTEE

REPORTS OF SPECIALIZED AGENCIES

(Item 27)

draft

REPORT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CANADA: Draft Resolution

THE ECONOMIC AND SOCIAL COUNCIL

NOTES the Report presented by the International Bank for Reconstruction and Development;

REQUESTS the Secretary-General to transmit to the Bank the record of the Council's discussion of this Report.

UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

NATIONS UNIES

CONSEIL ECONOMIQUE ET SOCIAL

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E/978
16 August 1948

ORIGINAL: ENGLISH

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ECONOMIC AND SOCIAL COUNCIL

REPORT OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

(Item 9)

BRAZIL, CHILE, PERU, VENEZUELA: Draft Resolution

The ECONOMIC and SOCIAL COUNCIL

HAVING CONSIDERED the report of the First Session of the Economic Commission for Latin America,

TAKES NOTE with satisfaction of the decisions taken by the Commission at its first session in furtherance of the purposes set forth in its terms of reference;

EXPRESSES ITS SATISFACTION with the arrangements made for the coordination of the Commission's work with the Inter-American Economic and Social Council;

APPROVES the use of Spanish as a third working language of the Commission and the production in Portuguese of the final text of the Commission's report and its Resolutions.

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UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE: ECA/55/02-ep

2 July 1948

Sir,

I am directed by the Secretary-General of the United Nations to acknowledge the receipt of your letter of 29 June 1948 informing him that Dr. Enrique Lopez-Herrarte will represent the International Bank for Reconstruction and Development at the seventh session of the Economic and Social Council.

I have the honour to be,

Sir,

Your obedient Servant,

D. B. Vaughan,
Acting Assistant Secretary-General,
in charge of Conference & General Services.

Mr. John J. McCloy,
President,
International Bank for Reconstruction and
Development,
1818 H Street, N.W.
Washington 6, D.C.

FILE COPY

June 29, 1948

Dear Mr. Lie:

I wish to acknowledge receipt of and thank you for your letter of June 24, transmitting to the Bank a copy of the provisional agenda for the seventh session of the Economic and Social Council commencing July 19 at Geneva.

The Bank will be represented at this meeting by Dr. Enrique Lopez-Herrarte.

Sincerely yours,

John J. McCloy
President

Honorable Trygve Lie
Secretary-General, United Nations
Lake Success
New York

Liaison

R.H.DeMuth/eed

CABLE ADDRESS: UNATIONS NEW YORK

TELEGRAMME: UNATIONS NEW-YORK

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE: ECA 55/04/GD

24 June 1948

The Secretary-General of the United Nations presents his compliments to the President of the International Bank for Reconstruction and Development and has the honour to state that the seventh session of the Economic and Social Council will open on Monday, 19 July 1948, at the Palais des Nations, Geneva. A copy of the provisional agenda is enclosed herein (Document E/830).

The Secretary-General accordingly has the honour to request that the names of the representatives who will attend the meetings of this session of the Council may be communicated to him as soon as possible.

Mr. John J. McCloy,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D.C.

UNITED NATIONS

NATIONS UNIES

LAKE SUCCESS, NEW YORK • TELEPHONE 2-1100

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RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.
JUN 28 8 45 AM 1948

Mr. John J. McCloy,
President,
International Bank for Reconstruction
and Development,
1818 H Street, N.W.,
Washington 6, D.C.

Secretary's Memorandum No. 293

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

November 4, 1947.

United Nations
REPORT OF THE ECONOMIC AND SOCIAL COUNCIL

At the request of the Staff Office, a copy of the report of the Second Committee regarding Chapter II of the Report of the Economic and Social Council is attached for information.

Distribution

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Vice President
General Counsel
Secretary
Treasurer
Loan Director
Research Director
Director of Marketing
Director of Public Relations
Director of Administration
Assistant to the Vice President
Communications and Records
Secretary, International Monetary Fund

United Nations

GENERAL
ASSEMBLY

Nations Unies

ASSEMBLEE
GENERALE

Unrestricted
A/433
29 October 1947
Original: English

CHAPTER II OF THE REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (DOCUMENT A/382)

REPORT OF THE SECOND COMMITTEE

Rapporteur: Mr. J. HANC (Czechoslovakia)

I. TERMS OF REFERENCE

1. In accordance with Rule 12 of the Provisional Rules of Procedure for the General Assembly (document A/71/Rev.1), the Economic and Social Council submitted a report to the second regular session of the General Assembly (document A/382). On 23 September 1947 the General Assembly decided to refer Chapter II of this Report to the Second Committee for its consideration (see documents A/P.V.91 and A/392). This Chapter was the basis of a general debate in the Second Committee. The Summary Records of the statements made during this debate will be found in documents A/C.2/SR.33 to A/C.2/SR.41 inclusive.

II. SYNOPSIS OF DISCUSSION IN THE COMMITTEE

The achievements of the Economic and Social Council

2. Both the general and specific observations made during the general debate were concerned with the organizational and functional aspects of the Economic and Social Council and its subsidiary organs, as well as with the activities of the United Nations in the field of international economic co-operation. In reviewing the achievements of the Economic and Social Council in the last twelve months, most of the thirty-seven representatives who took part in the debate agreed that the Council had performed valuable work as regards its organizational structure and that the Report presented a picture of activity in progress. Some representatives, however, felt that the Council had yet to embark on the solution of the major substantive problems in the economic and social fields. The representative of Czechoslovakia felt that the Council had proved its competence to cope with the problems submitted to it provided that the Member governments gave it their full support. The representative of New Zealand stressed that the Member governments carried serious responsibilities for the success of the Council's work. Other speakers expressed themselves along similar lines.

The representative of Australia said that political differences had held up work in the economic field more than was originally hoped. The representative of New Zealand said that if the political situation did not deteriorate, the Council would safeguard and strengthen the United Nations more than any other factor. Representatives of several countries proposed certain specific measures by which the Council's substantive work could be accelerated and made more effective.

Priorities

3. A number of representatives including those of Belgium, Czechoslovakia, Ecuador, France, India, New Zealand and Pakistan thought that the Economic and Social Council and its Commissions tended to cover too wide a field of activities. The hope was expressed that an effort would be made in the future to cope with the more pressing problems first.

4. The representative of France proposed the establishment of a scale of priorities among the various tasks facing the Council according to their relative importance. The need for assigning priorities was also favoured by several other representatives including those of Brazil, Ecuador, India, and Turkey. The representatives of China and the United States felt that the establishment of priorities was one of the basic judgments which must be left to the Council itself. The representative of the Philippines wished that a system of priorities be not prejudicial to the principle that reconstruction and development should go hand in hand, neither taking priority over the other.

Co-ordination

5. A number of representatives notably those of Argentina, Brazil, Egypt, France, Greece, Mexico, Norway, Philippines, Poland, Sweden, Turkey, and the United Kingdom stressed the need for co-ordination among the various United Nations organs and Specialized Agencies so as to avert the danger of the duplication of efforts, and for reasons of budgetary limitations. Two proposals were submitted on this matter by the representatives of France and Greece. The representative of Canada expressed the view that the primary responsibility for co-ordination rested with each Member government which should speak with consistency in different United Nations organs and organizations. The representative of the United States felt that the existing machinery should be given a fair chance to develop, before the new machinery for co-ordination was contemplated. The representative of France recommended a more precise specification of work of the functional and regional commissions and proposed a corresponding resolution. The representative of Australia suggested that the functional commissions should progressively evolve general principles of international economic co-operation for the guidance of the regional commissions. The representatives of the Union of Soviet Socialist Republics and the United States of America thought that functional and regional commissions must work within the framework of functions determined by the Economic and Social Council, and that it was unnecessary to reconsider the character of the work of these Commissions at this session of the General Assembly.

Economic Surveys

6. The representatives of Australia and Poland emphasized the urgency that the Council undertake a systematic world-wide survey of economic conditions and trends in order to assure timely decisions. Two parallel proposals to that effect were submitted by the two representatives. Several other speakers including those for Egypt, the Netherlands, Peru, Philippines, Turkey and the United Kingdom associated themselves with this view.

Reconstruction and Development

7. Some of the representatives feared that insufficient attention had been paid to the need for international action in the sphere of economic development and that there was a tendency to look upon economic problems of the under-developed regions from the angle of the highly developed countries of Europe and America. The attention of the Committee was drawn to the indivisibility of the problem of the reconstruction of war-devastated areas and the development of under-developed regions. Similar views were expressed by a number of representatives including those of the Argentine, Brazil, Chile, China, Cuba, Ecuador, Egypt, India, Iraq, Lebanon, Liberia, Mexico,

Pakistan, Peru and the Philippines. The representative of the Netherlands believed that there was a certain justification for a more immediate aid to the war-devastated countries since, because of their great share in pre-war international trade, they could play an extremely important part in the recovery of the world economy as a whole. The representative of the Soviet Union stated that the Governments of the United States and of the United Kingdom were, in violation of the Berlin decision regarding Germany, and independently of France, taking decisions on a number of economic questions which touched Germany as a whole. For example, they revised the level of German production, which had earlier been agreed upon by the occupying Powers. The Government of the United States was transforming the Ruhr into a base for carrying out its own plans in Europe.

Regional Economic Commissions

8. Several representatives saw advantages in special regional mechanisms for dealing with economic problems. The creation of a regional economic commission for Latin America was supported by a considerable number of representatives including those of Argentina, Australia, Belgium, Brazil, Chile, Costa Rica, Cuba, Dominican Republic, Ecuador, Egypt, France, India, Iraq, Lebanon, Liberia, Mexico, Peru, Philippines, Poland, Siam, Sweden and Venezuela. The representative of Chile stated that the great majority of the members of the United Nations were in favour of the establishment of an Economic Commission for Latin America, but that he did not propose to move any formal resolution, since he was confident that the procedure established by the Economic and Social Council (see resolution 70(V) of the Economic and Social Council: document E/573) would result in appropriate action. The representative of the Soviet Union stated that the question of the creation of an Economic Commission for the countries of Latin America was not on the agenda of the General Assembly and the inclusion, in the preamble of the resolution regarding the Economic Commission for the Middle East, of a clause approving the creation of the Economic Commission for Latin America was not appropriate.

9. The representative of Egypt, supported by the representative of India, Iraq, Lebanon, Pakistan, Siam and Syria, and the United Kingdom called for a study of the establishment of an economic commission for the Middle East, and made a corresponding proposal.

10. The representative of the Soviet Union stated that it was essential to draw the Non-Self-Governing Territories into the work of the Economic Commission for Asia and the Far East and that the Commission should decide the question concerning the participation of these territories on the basis of the representations made directly by them. He also stated that it was essential to enlarge the membership of the Commission by adding to it the other countries of Asia and the Far East which were Members of the United Nations and which were not members of any of the existing regional economic commissions (document A/C.2/113). Accordingly, the Soviet Union representative submitted a proposal that a recommendation be made to the Economic and Social Council that it reconsider its decision on this question. The representative of the Byelorussian Soviet Socialist Republic associated himself with the views of the representative of the Soviet Union. The representatives of several countries, including those of Egypt, Iraq and Lebanon, felt that it would not be proper to have only one commission to include all the countries of the Far East and of the Middle East. The representative of Turkey stated that he could not vote in favour of the resolution of the Soviet Union, because it automatically excluded Turkey from being represented in the proposed enlarged Economic

Commission for Asia and the Far East. The representatives of the United Kingdom, Netherlands and France stated that the resolution in regard to the Non-Self-Governing Territories presented by the representative of the Soviet Union would be unconstitutional.

European Reconstruction

11. The problem of European reconstruction was discussed in conjunction with the role of the United Nations Economic Commission for Europe, and the Committee of European Economic Co-operation, an agency of sixteen European countries. The representatives of Poland, Yugoslavia, and the Byelorussian Soviet Socialist Republic felt that the Committee of European Economic Co-operation, an agency which had been created in response to a speech by the United States Secretary of State at Harvard, was handling a major matter of international economic policy outside the United Nations, was giving disproportionate importance to the economic reconstruction of Germany, and, in splitting Europe into two groups, was following an unsound economic policy and aggravating the political relations among nations. The representative of the Soviet Union asserted that the significance of the Marshall Plan, which divided Europe into two camps, was economically worthless and politically negative. It had already, in his opinion, made international relations more acute. He observed that the Plan was a weapon of American policy, which aimed to undermine from within the national unity of the democratic countries of Western Europe. He stated that the Marshall Plan was part of the general plan of economic and political expansion of the United States.

12. The representative of Poland stressed that prosperity, like peace, was indivisible, and appealed to Member governments to make use of the United Nations in settling fundamental international economic problems, and not to establish any machinery outside the United Nations for such purposes. He emphasized the necessity that the Member governments implement the economic recommendations of the United Nations and asserted that Hungary, Poland and Yugoslavia had been denied post-UNRRA relief for political reasons. This view was shared by the representatives of Yugoslavia and the Soviet Union.

13. The representative of the Soviet Union considered that the decision to establish direct and independent relations between the Economic Commission for Europe and the Occupation Authorities in Germany, rather than with the Allied Control Council, constituted a violation of the Potsdam agreement.

14. The representative of Czechoslovakia regretted that the Economic Commission for Europe had not so far dealt with substantive problems.

15. The representative of the United Kingdom said that the Paris Conference, which had never been exclusive in character, would have provided a splendid opportunity for all-European collaboration, had it not been for the refusal of certain Governments to co-operate. He added that there was nothing in the Charter to prevent the imaginative and constructive work of international co-operation which arose out of Mr. Marshall's statement. On the contrary, it was a great contribution towards fulfilling the ideals and principles of the United Nations. A number of representatives including those of Canada, France, the Netherlands, the United Kingdom and the United States disagreed with the view that all international economic action should necessarily be taken through the United Nations machinery and regarded the work of the Committee of European Economic Co-operation as a constructive step. The representative of the Netherlands denied that there had been any hidden political motive underlying

Western European co-operation and believed that the Marshall Plan was sound because it attacked the main problem at its core.

16. The representative of the United States stated that no conditions for aid to Europe which were contrary to the Charter had been laid down by his government, and that the only suggestions that had been made by Secretary Marshall were that the initiative should come from Europe, and that the programme should be the product of joint international planning. The representatives of the United Kingdom and the United States also denied that Germany was being given priority in the reconstruction of Europe and stated that the level of German production was considered by them in terms of the economic necessity of the rest of Europe.

17. The representative of Sweden pointed out the temporary character of the Committee of European Economic Co-operation and the desirability that further multilateral action in the field of European economic reconstruction should in principle be taken within the framework of the United Nations. The representative of Norway stated that his country was in favour of the Marshall Plan; he felt that the division of Europe into two economic blocs might have dangerous consequences and appealed for an intergration of efforts for European reconstruction through the Economic Commission for Europe. The representative of Belgium hoped that the plans of the Committee of European Economic Co-operation would not preclude co-operation among all European countries.

18. The representative of Peru stated that the Latin American countries might be unable to export to Western Europe, as visualized by the European Committee of Economic Co-operation unless they themselves received aid and equipment.

Statement by the United Nations Food and Agriculture Organization on World Food Shortage

19. On the invitation of the Chairman of the Second Committee the Director of the United Nations Food and Agriculture Organization addressed the Committee on the serious shortage of food. The Director-General referred to the Report which had been prepared by the FAO at the request of the Secretary-General (document A/C.2/109), and called for a combined operation on a world-wide scale to provide food without consideration of political and idealogical differences.

III. CONSIDERATION BY THE COMMITTEE OF RESOLUTIONS SUBMITTED IN CONNECTION WITH THE GENERAL DEBATE ON CHAPTER II OF THE REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (document A/382)

Consideration of Resolutions

20. The following resolutions were submitted to the Committee: documents A/C.2/107 (Australia), A/C.2/108 (Poland), A/C.2/111 (France), A/C.2/112 (Greece), A/C.2/113 and A/C.2/113/Rev.1 (USSR), A/C.2/114, and A/C.2/114/Rev.1 (Egypt). The Summary Records of the Second Committee's discussion of these resolutions are to be found in documents A/C.2/SR.42 to A/C.2/SR.48 inclusive.

21. The Committee took action on these resolutions as follows:

(a) The Australian draft resolution (document A/C.2/107) and paragraph (a) of the Polish draft resolution (document A/C.2/108), both called for Surveys of World Economic Conditions for consideration by the Economic and Social Council. The Australian resolution proposed that the consideration of current world economic conditions and trends should take place at each regular session of the Council whereas the Polish resolution recommended that such surveys be prepared periodically. After preliminary debate by the Committee, the representatives of Australia and Poland jointly submitted a draft resolution (document A/C.2/116) in substitution for document A/C.2/107 and paragraph (a) of document A/C.2/108. The Soviet Union amendment to delete the words "and at such other intervals as it considers necessary" in paragraph 2 (a) of the draft resolution was rejected by twenty-four votes to thirteen, with nine abstentions. The Soviet Union amendment to delete paragraph 2 (c) of the draft resolution was rejected by twenty-four votes to fifteen, with eleven abstentions. The draft resolution as a whole was adopted unanimously and is appended to this Report. (See Section IV. 1)

(b) The remainder of the Polish draft resolution (document A/C.2/108 except paragraph (a)) called upon Member States to make use of the machinery of the United Nations in settling fundamental international economic problems, advised Member States not to establish for such purposes any machinery outside the United Nations, and suggested provision for reports under Article 64 of the Charter on the implementation of United Nations resolutions by Member Governments. The preamble to the resolution was adopted by seventeen votes to fourteen, with thirteen abstentions. A United States amendment to delete from the first paragraph of the resolution the reference to the use of United Nations machinery in settling fundamental international economic problems was, on a roll call, accepted by thirty-two votes to six, with eleven abstentions (see document A/C.2/SR.42). The first paragraph as amended was then adopted by twenty-six votes to one, with thirteen abstentions. The second paragraph advising Member States not to establish machinery outside the United Nations in settling fundamental international economic problems was rejected by thirty-two votes to six with eleven abstentions. The final paragraph was adopted by twenty-four votes to three, with seventeen abstentions. The resolution as amended was adopted by thirty-six votes to two, with eight abstentions, and is appended to this report (see Section IV.2).

(c) The French and Greek resolutions (documents A/C.2/111 and A/C.2/112) dealt with organizational matters. The French resolution related to the establishment of priorities, co-ordination of the work of the Economic and Social Council with the Specialized Agencies, and more precise definition of the functions of Commissions of the Economic and Social Council. The Greek resolution proposed the establishment of a Standing Co-ordination Committee. Preliminary consideration was given these matters by the Committee and certain amendments were suggested. It was decided, however, that the resolutions required further consideration by the Joint Second and Third Committee. The proposal of the representative of the United Kingdom to that effect was adopted by twenty-five votes to seventeen, with four abstentions, and both resolutions and the suggested amendments were accordingly referred to the Joint Second and Third Committee. (Document A/C.2/SR.44).

(d) The Soviet Union resolution (documents A/C.2/113 and A/C.2/113/Rev.1) aimed in its first part at increasing the membership of the Economic Commission for Asia and the Far East by including all other countries of Asia and the Far East which are members of the United Nations and do not

belong to any other Economic Commission; in its second part the resolution provided that the applications of non-self-governing territories for associate membership of the Commission be lodged directly with the Commission. The first part of the resolution was rejected by twenty-four votes to seven with fourteen abstentions; the second part was, on a roll call, rejected by nineteen votes to thirteen with fourteen abstentions. (Document A/C.2/SR.45).

(e) The Egyptian resolution (document A/C.2/114 and A/C.2/114/Rev.1) contained a proposal to invite the Economic and Social Council to study the factors bearing upon the establishment of an Economic Commission for the Middle East.

The Committee adopted paragraphs 1, 2 and 3 of the resolution (section IV.1) without opposition.

Paragraph 4 constituted an amendment to the Egyptian resolution (document A/C.2/114/Rev.1) moved by the representative of Lebanon. A proposal by the Soviet Union representative to invite an opinion from the Secretariat on the legality of the Lebanese amendment was rejected by twenty-five votes to nine with eleven abstentions. The amendmendment was adopted by twenty-two votes to twenty, with two abstentions. The Soviet Union representative stated that he had not participated in the voting for reasons which are set out below. The representative of Mexico pointed out that several representatives who had voted against the Lebanese amendment had not opposed the establishment of an Economic Commission for Latin America. These representatives who had argued that the amendment was procedurally inappropriate, included those of Australia, Canada, China, Czechoslovakia, France, the United Kingdom and Yugoslavia. (Document A/C.2/SR.47).

A Soviet Union amendment to paragraph 6 to add the words "and also the question of including the countries of the Middle East in the Economic Commission for Asia and the Far East" was rejected by thirty-one votes to seven with eleven abstentions. Paragraph 6 was then approved by forty-two votes to nil, with six abstentions.

The Soviet Union representative stated that he would not participate in the vote on the resolution as a whole. It was illegal, and a violation of the rules of procedure, to introduce into a resolution, dealing with an Economic Commission for the Middle East, an extraneous paragraph tending to imply approval of an Economic Commission for Latin America - a matter which did not appear on the Committee's agenda. The representatives of the Ukrainian and Byelorussian Soviet Socialist Republics stated their agreement with the representative of the Soviet Union.

The resolution as a whole was adopted by forty-two votes to nil, with six abstentions. (See Section IV. 3).

IV. RESOLUTIONS SUBMITTED BY THE SECOND COMMITTEE TO THE GENERAL ASSEMBLY FOR ACTION

The Second Committee, having considered Chapter II of the Report of the Economic and Social Council (document A/382), recommends the adoption by the General Assembly of the following resolutions:

1. REPORTS ON WORLD ECONOMIC CONDITIONS AND TRENDS
THE GENERAL ASSEMBLY,

(1) NOTES WITH APPROVAL that the Economic and Social Council has made arrangements for the initiation of regular reports to the Council on world economic conditions and trends;

(2) RECOMMENDS to the Council

(a) that it consider a survey of current world economic conditions and trends annually, and at such other intervals as it considers necessary, in the light of its responsibility under Article 55 of the Charter to promote the solution of international economic problems, higher standards of living, full employment, and conditions of economic and social progress and development;

(b) that such consideration include an analysis of the major dislocations of needs and supplies in the world economy;

(c) that it make recommendations as to the appropriate measures to be taken by the General Assembly, the Members of the United Nations, and the Specialized Agencies concerned;

(3) REQUESTS the Secretary-General to assist the Council and its subsidiary organs by providing factual surveys and analyses of world economic conditions and trends.

2. IMPLEMENTATION OF ECONOMIC AND SOCIAL RECOMMENDATIONS
THE GENERAL ASSEMBLY,

(1) With a view to the creation of conditions of stability and well-being to the promotion of social progress and better standards of life, taking account of the fact, well established by experience, that prosperity is indivisible and requires the co-operation of all Member States within the framework of the United Nations.

(2) CALLS upon all Member States to carry out all recommendations of the General Assembly passed on economic and social matters.

(3) RECOMMENDS, furthermore, that in fulfilment of Article 64 of the Charter of the United Nations the Secretary-General report annually to the Economic and Social Council and that the latter report to the General Assembly on steps taken by the Member Governments to give effect to the recommendations of the Economic and Social Council as well as to the recommendations made by the General Assembly on matters falling within the Council's competence.

3. STUDY OF FACTORS BEARING UPON THE ESTABLISHMENT OF AN ECONOMIC COMMISSION FOR THE MIDDLE EAST
THE GENERAL ASSEMBLY,

(1) CONSIDERING the interest of the United Nations in problems relating to the economic development of all under-developed regions;

(2) TAKING NOTE of the resolution adopted by the Economic and Social Council during its fifth session requesting the Economic and Employment Commission to study the general problems connected with the establishment of regional commissions as a means to promote the aims and purposes of the United Nations;

(3) TAKING NOTE with satisfaction of the decision by the Council at that session to establish an ad hoc committee for the purpose of studying the factors bearing upon the establishment of an Economic Commission for Latin America;

(4) TAKING NOTE of the general favourable reception given to the proposal for an Economic Commission for Latin America by the Second Committee;

(5) RECOGNIZING that co-operative measures among all the countries of the Middle East can be of practical assistance in raising both the level of economic activity and the standard of life in the Middle East and in strengthening the economic relations of these countries both among themselves and with other countries of the world, and that such measures would be facilitated by close co-operation with the United Nations and its subsidiary organs as well as with regional organizations in the Middle East such as the Arab League;

(6) INVITES the Economic and Social Council to study the factors bearing upon the establishment of an Economic Commission for the Middle East.

V. BUDGETARY IMPLICATIONS OF RESOLUTIONS PASSED

1. The resolution concerning surveys of world economic conditions and trends (Section IV. 1) was the subject of a statement to the Second Committee by the Secretary (document A/C.2/SR.42). In his statement, the Secretary said that the surveys envisaged in the resolution were provided for in the budget estimates before the Fifth Committee (document A/C.5/157), and that there would therefore be no additional budgetary implication.

2. No special budgetary provision is required for the implementation of the resolution concerning annual reports on steps taken by Member Governments to give effect to the recommendations of the Economic and Social Council and of the General Assembly (Section IV. 2).

3. There are no immediate budgetary implications in the resolution inviting the Economic and Social Council to study the factors bearing upon the establishment of an Economic Commission for the Middle East (Section IV. 3). A copy of this resolution, however, has been sent to the Chairman of the Fifth Committee, with the request that the Fifth Committee take such action as it considers appropriate in the light of the decision to be made by the Economic and Social Council with respect to an Economic Commission for the Middle East.

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WESTERN UNION

JOSEPH L. EGAN
PRESIDENT

(55)

SYMBOLS
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NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

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NC378 DL PD=WUX TDN LAKE SUCCESS NY 18 412P
JOHN J MCCLOY, PRESIDENT INTL BANK FOR RECONSTRUCTION AND
DEVELOPMENT=1818 H ST NORTHWEST WASHDC=

414

4 HAVE HONOUR INVITE YOU SEND OBSERVER TO FIRST MEETING COMMITTEE ON INDUSTRIAL CLASSIFICATION SET UP BY ECONOMIC AND SOCIAL COUNCIL AT LAST SESSION TO BE HELD 25 AUGUST ELEVEN A.M. LAKE SUCCESS, NEW YORK. AGENDA AS FOLLOWS (1) TERMS OF REFERENCE AND SCOPE OF WORK OF THE COMMITTEE (2) PROPOSED STANDARD INDUSTRIAL CLASSIFICATION (3) REPORT TO STATISTICAL COMMISSION. RELEVANT DOCUMENTS BEING SENT YOU AIRMAIL. PLEASE ADVISE NAME YOUR OBSERVER=

IVAN KERNO ACTING SECRETARY-GENERAL.

4 25 A.M. 1 2 3.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

AUG 18 7 02 PM 1947

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WESTERN UNION

JOSEPH L. EGAN
PRESIDENT

1220

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NB229 NL PD=WUX TDN LAKESUCCESS NY 15
JOHN J MCCLOY, PRESIDENT INTERNATIONAL BANK= 1947 JUL 15 PM 10 43
RECONSTRUCTION AND DEVELOPMENT=
1818 H ST NORTHWEST WASHDC=

8476 HAVE HONOUR INFORM YOU FOLLOWING FURTHER ITEMS PROPOSED PROVISIONAL AGENDA FIFTH SESSION ECOSOC ADDITIONAL THOSE NOTIFIED MY CABLE 27 JUNE. 1 ELIMINATION TAXES SUBSIDIES TARIFFS WHICH INTERFERE WITH SUPPLYING BY NATURAL AND EFFICIENT PRODUCERS FOOD COMMODITIES ESSENTIAL TO CONSUMING COUNTRIES. PROPOSED BY CUBAN DELEGATION 2 PROTECTION MIGRANT AND IMMIGRANT LABOUR. PROPOSED AMERICAN FEDERATION OF LABOR 3 CONFIRMATION MEMBERS COMMISSIONS 4 APPOINTMENT MEMBERS FILL TEMPORARY VACANCIES PERMANENT CENTRAL OPIUM BOARD 5 TRANSFER CERTAIN ASSETSFROM UNITED NATIONS TO WORLD HEALTH ORGANIZATIONS 6 REPORTS SPECIALIZED AGENCIES. REPORTS WILL BE TRANSMITTED FOR FIFTH SESSION BY ICAO AND UNESCO (INTERIM REPORT) 7 ESTABLISHMENT OF AN ECONOMIC COMMISSION FOR LATIN AMERICA. PROPOSED BY CHILEAN DELEGATION=

ADRIAN PELT ACTING SECRETARY GENERAL.

Economics Council

ECOSOC 27 1 2 3 4 5 6 ICAO UNESCO 7 ALSO 8476.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

JUL 16 8 17 AM 1947

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

ROUTING SLIP

TO-	Name	Room No.
1	Mr. Morton M. Mendels	1006
2		
3		
4		

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

Date— 22/V/47

From— G. de Fleurieu

Office Services 13-12

INTERNATIONAL BANK [illegible]R
RECONSTRUCTION AND DEV[illegible]OPMENT

Miss Walton

Do we include Annual Reports & the projected history?

M. M. MENDELS
Secretary
IBRD

3
28 MAR 1947

LB
1, I think so dont you?
But history must await official V.P. approval I suppose.
2 If you agree, would you please draft a reply to Prestbakmo. Thks 26 Mar

UN Ec + Soc. Council

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. G. de Fleurieu DATE: June 6, 1947

FROM: M. M. Mendels

SUBJECT: Information for an "Index of Work" to be compiled by United Nations.

Attached is completed questionnaire in regard to the only project of the Office of the Secretary which would seem to come within the definition of the required information as outlined in your memorandum of May 22, 1947.

As you know, it is the function of the Secretary to coordinate the Bank's Annual Report. While the substantive material for the Report may be prepared in various other Departments, it is unlikely that such Departments would list the preliminary unapproved, and therefore confidential, material for inclusion in the Index. It was therefore thought expedient that the Report be listed by this Department which coordinates and publishes the final approved document.

M. M. M.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. G. de Fleurieu, Research Department DATE: 3rd June, 1947

FROM: C. C. Pineo, Loan Director

SUBJECT: INDEX OF WORK

With reference to your memorandum of the 22nd May on the above subject, this Department will normally produce studies related to applications for loans rather than studies of general interest. Our work will, therefore, be of the confidential character referred to in the second paragraph of Mr. McCloy's letter to Mr. Owen and we do not anticipate that we shall be able to furnish studies which could be made available for listing in the United Nations Index.

CCP CCH

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. C.C. Hamilton Mr Pineo DATE: 28th May, 1947

FROM: A.S.G. Hoar

SUBJECT: "Index of Work"

I do not wish to be awkward and uncooperative but I am all against the Loan Department getting involved in this index.

To begin with we are under far too great a pressure of work to have our men worried with questionnaires and with an eventual stream of enquiries.

In any case, however, the studies we shall be making will for the most part be working documents of a general nature which will be unsuitable for inclusion in the index; either because of their form, or of the inclusion of confidential material, or from the fact that they will point to conclusions regarding our attitude towards loans.

I think we might conceivably produce an occasional study which might be useful to others, and indeed I think this will become more and more likely as time goes on, but I would prefer to deal with this situation when the time arises. For the moment I agree with you that the Research Department may well be in a position to contribute materially towards this index but that the Loan Department should be left out.

A.S.G. Hoar:vg

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

May 22nd

Mr. de Haviland

I think we should hold this until we are sure that the study will be sufficiently original to submission to UN and Specialized Agencies

WHA.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMEN

ROUTING SLIP

TO-	Name	Room No.
1	Mr. Charles Pineo	410
2		
3	Mr Hamilton	
4	Mr. Hoffer	

FOR-

	Action		Initialing
	Approval		Preparing Reply
	Comment		Previous Papers
	Filing		Noting and Returning
	Full Report		Recommendation
	Information		Signature

REMARKS

I doubt whether we should send in to U.N. our studies (which form the basis for our loan decisions). The Research Dept are in a different position from an operational dept like ourselves, & might reasonably contribute. Will you pl consider? GdF

Date— 22/V/47

From— G. de Fleurieu

Office Services 13-12

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: (Listed below) **DATE:** May 22, 1947

FROM: Mr. G. de Fleurieu

SUBJECT: Information for an "Index of Work" to be compiled by U. N.

By a letter dated April 23rd addressed to Mr. McCloy, the Secretariat of the U. N., implementing a decision of the Economic and Social Council, has asked for information on the work undertaken by the Bank in the field of economic studies and research. This information will be used to compile a general "Index of Work" covering all Specialized Agencies. It will be assembled by means of questionnaire forms to be issued quarterly.

I have been designated as the person in the Bank primarily responsible for having the questionnaire forms prepared and returned to the U. N. Since work of general interest may be undertaken not only in the Research Department, but also in other Departments as well, I would appreciate it if the titles of such studies, which are fit for U. N. purposes, will be communicated to me, together with names of the competent officers in each Department.

The studies should have the following qualifications:

(a) They should be non-confidential.

(b) They should be studies that are likely to be of credit to the Bank..

(c) They must be of interest to U. N. and Specialized Agencies or of general interest.

Attached is a copy of Mr. McCloy's answer to the U. N. request and a copy of the questionnaire form.

Attachments 2

To: Assistant to the Vice-President (For information)
General Counsel
Treasurer
Secretary
Loan Director
Director of Marketing
Director of Public Relations
Director of Administration

Information in this questionnaire will be compiled in an Index of Work Projects which will include economic and statistical work undertaken by United Nations and Specialized Agencies. The Index will be available, in the first instance, to the Economic and Social Council, its Commissions and Sub-Commissions, to the Specialized Agencies and the UN Secretariat. It is intended to be useful (a) in making known the research resources and materials available and being assembled, facilitating their use and interchange, (b) in planning further work so as to avoid duplication, and (c) in bringing to light situations in which conferences among departments or organizations may be helpful in co-ordinating the work.

Please fill out one questionnaire for each project completed since 1 January 1946, in progress or planned for initiation within three months of reporting date. Include all substantial studies, analyses and surveys that may result in reports, memoranda or working papers, as well as collections of data for working purposes. Do not include routine work such as the preparation of material for the regular publication of periodic bulletins.

The first issue of the Index is to be issued for the June session of the Economic and Employment Commission.

Please return this form not later than 10 May 1947.

UNITED NATIONS DEPARTMENT OF ECONOMIC AFFAIRS

BANK ECONOMIC AND STATISTICAL PROJECTS

Planned[a] in progress or completed[b]

Title of project:

Brief description[c] of project, its nature, origin and purpose:

If this project originated in a specific request (such as a resolution, recommendation or other formal procedure) please explain, and when possible, give document number _____ specific section _____

If this project is described in a working paper, outline, or basic memorandum, please attach a copy, when possible.

Department of BANK concerned _____ Division _____

Person in charge of project _____ _____
name title

_____ _____
office address telephone

Other persons whose names should be listed in connection with this project — Names

Approximate starting date _____ approximate completion date _____

Final results: Collection of data for working purposes?___ available for study?___

Informal memorandum?___ available on application?___

Report?___ title of report _____

Submitted to whom? _____

printed?___ mimeographed?___ restricted?___ available for study?_____

how can it be obtained?_____ approximate pages _____

Other organizations providing information or participating in project

Other information:

Signature of person filling in form _____

Title _____ date _____

(a) Include "planned" projects only when they will be initiated within three months of date of this questionnaire

(b) Include all projects since 1 January 1946

(c) List under "other information" all countries included in this project

Please return this form to Index of Work Projects, Division of Economic Stability and Development, United Nations, Lake Success, New York

May 19, 1947

Mr. David Owen
Assistant Secretary General
in charge of
Economic Affairs
United Nations
New York, N.Y.

Dear Mr. Owen:

With reference to my preceding letter of the 8th of May concerning the publication of an "Index of Work Project", I am glad to add a new title to those already submitted to you. You will please find attached the relevant questionnaire form duly completed.

Yours sincerely,

John J. McCloy
President

Attachment 1

G deFleuriau/amr
19 May 1947

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

19-5-47.

M' Rist

1) M' Wubnig me dit que certains éléments de son travail ont été obtenus sous la condition de n'être pas publiés. Je prépare la lettre à Dunstan et me l'enverrai que si vous êtes d'accord.

2) J'ai préparé une note aux autres départements, sous ma propre signature. ~~Est-ce~~ La procédure correcte ou préférez vous la signer ?

3) M' Allan Fisher me dit que le Fonds n'a envoyé aucune étude jusqu'à présent. M' Dunstan a seulement été désigné comme "correspondant."

G. F.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Mr. R. Demuth (For information) Limited below DATE: May 19, 1947

FROM: Mr. G. de Fleurieu

SUBJECT: Information for an "Index of Work" to be Compiled by U. N.

By a letter dated April 23rd addressed to Mr. McCloy, the Secretariat of the U. N., implementing a decision of the Economic and Social Council, has asked for information on the work undertaken by the Bank in the field of economic studies and research. This information will be used to compile a general "Index of Work" covering all Specialized Agencies. It will be assembled by means of questionnaire forms to be issued quarterly.

I have been designated as the person in the Bank primarily responsible for having the questionnaire forms prepared and returned to the U. N. Since work of general interest may be undertaken not only in the Research Department, but also in other Departments as well, I would appreciate it if the titles of such studies, which are fit for U. N. purposes, will be communicated to me, together with names of the competent officers in each Department.

Attached is a copy of Mr. McCloy's answer to the U. N. request and a copy of the questionnaire form.

Attachments 2

- Assistant to the Vice-President (for information)
- General Counsel
- Secretary
- Treasurer
- Loan Director
- Director of Marketing
- Director of Public Relations
- Director of Administration

1er mai 1947

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

M. de Fleuriau

1. M. Gaud a eu une étude sur le chiffre qui mériterait d'être signalé à l'ONU. Ci-joint une lettre complémentaire à notre précédente pour signature. Demuth avec fiche annexe à ce sujet.

2. Demuth suppose que M. W. renseignez auprès des autres services leur trésorerie respect. pour qu'ils nous fassent études des articles d'être communiqués comme les autres. Une note écrite pour exhiber nouvelle enquête tous les 3 mois.

3. Tardy et Varenne ce que j'aimerais la Fonds a fait.

Bien.

L. Rist

beaucoup d'hommes"

Ça c'est quelque chose !

Il me semble que cela rejoint le point où la distinction beaucoup devient plus que "beaucoup d'hommes"

J'ai vu l'intimité, mais l'accident pourrait que simplement "beaucoup d'hommes"

May 9, 1947

Mr. David Owen
Assistant Secretary General
in charge of Economic Affairs
United Nations
New York, N. Y.

Dear Mr. Owen:

I acknowledge receipt of your letter of April 23rd (ref. 502-8-6-1-1) concerning the publication of an Index of Work Projects. The Bank will be glad to cooperate with the United Nations in this matter and to have the benefit of the information in this Index. You will find attached completed questionnaire forms on the work projects being carried on by the Bank which we feel might be appropriate for inclusion in the Index.

You will no doubt appreciate that, as was pointed out by our representatives at informal meetings with Mr. Weintraub of your office, such part of our work as is of a confidential character cannot be listed in the Index. Since in the initial stages most of the research work was directly connected with individual applications for loans and was therefore of a confidential nature, the number of studies of general interest which we can submit for inclusion in the Index at the present time is unfortunately small. However, we are now in the process of developing our research program for the forthcoming period and I hope, therefore, that we shall have more projects for inclusion in subsequent issues of the Index.

Pursuant to your request I have designated Mr. Georges de Fleurieu of our Research Department as the person in our organisation primarily responsible for having the questionnaire forms prepared and returned to you. If you have any questions with respect to the attached forms or need further information concerning them, you may communicate directly with Mr. de Fleurieu on the matter, but I would prefer that any formal communications on this or other similar matters be addressed directly to me.

Yours sincerely,

R. L. Garner
Vice-President

Economic & Social Council

Mr. A. S. G. Hoar, Ass't Loan Director 9th May, 1947

C. C. Hamilton

SUGGESTED STATEMENT TO BE MADE BY THE BANK OF ITS VIEWS ON "INTERNATIONAL ACTION TO MAINTAIN WORLD FULL EMPLOYMENT"

1. I think that the attached statement is unsatisfactory, not principally because it confines itself (perhaps necessarily) to platitudes, but because it deals with only one-half of the subject - the effect on employment of the disbursement of the loan. The effect of the repayment of the loan (with interest) is equally important, and far more in need of study.

2. I think that the whole subject of the effect of our lending on employment is one on which the Research Department could make a most useful study. Until they have done so and until the Bank has formed some definite views on the subject, it seems to me that it would be better to make no public statement.

CCH mcw

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 6, D. C.

Publications

May 8, 1947

Mr. David Owen
Assistant Secretary General
in charge of
Economic Affairs
United Nations
New York, N.Y.

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Yours sincerely,

Robert L. Garner

~~John J. McCloy,~~
Vice-President.

Attachments 5

COSOC

COPY

May 8, 1947

Mr. David Owen
Assistant Secretary General
in charge of
Economic Affairs
United Nations,
New York, N.Y.

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Yours sincerely,

John G. McCloy
President

Attachments 2

GdeFleurieu/amr
May 8, 1947

Information in this questionnaire will be compiled in an Index of Work Projects which will include economic and statistical work undertaken by United Nations and Specialized Agencies. The Index will be available, in the first instance, to the Economic and Social Council, its Commissions and Sub-Commissions, to the Specialized Agencies and the UN Secretariat. It is intended to be useful (a) in making known the research resources and materials available and being assembled, facilitating their use and interchange, (b) in planning further work so as to avoid duplication, and (c) in bringing to light situations in which conferences among departments or organizations may be helpful in co-ordinating the work.

Please fill out one questionnaire for each project completed since 1 January 1946, in progress or planned for initiation within three months of reporting date. Include all substantial studies, analyses and surveys that may result in reports, memoranda or working papers, as well as collections of data for working purposes. Do not include routine work such as the preparation of material for the regular publication of periodic bulletins.

The first issue of the Index is to be issued for the June session of the Economic and Employment Commission.

Please return this form not later than 10 May 1947.

UNITED NATIONS DEPARTMENT OF ECONOMIC AFFAIRS

BANK ECONOMIC AND STATISTICAL PROJECTS

Planned(a) in progress or completed(b)

Title of project:

Brief description(c) of project, its nature, origin and purpose:

If this project originated in a specific request (such as a resolution, recommendation or other formal procedure) please explain, and when possible, give document number _____ specific section _____

If this project is described in a working paper, outline, or basic memorandum, please attach a copy, when possible.

Department of BANK concerned _____ Division _____

Person in charge of project _____ _____
name title

_____ _____
office address telephone

Other persons whose names should be listed in connection with this project — Names

Approximate starting date _____ approximate completion date _____

Final results: Collection of data for working purposes?___ available for study?___

Informal memorandum?___ available on application?___

Report?___ title of report _____

Submitted to whom? _____

printed?___ mimeographed?___ restricted?___ available for study?_____

how can it be obtained?_____ approximate pages _____

Other organizations providing information or participating in project

Other information:

Signature of person filling in form _____

Title _____ date _____

(a) Include "planned" projects only when they will be initiated within three months of date of this questionnaire

(b) Include all projects since 1 January 1946

(c) List under "other information" all countries included in this project

Please return this form to Index of Work Projects, Division of Economic Stability and Development, United Nations, Lake Success, New York

FILE COPY

Mr. Robert L. Garner May 6th, 1947

Leonard B. Rist

U.N. Economic Employment Commission request for our views on "international action to maintain world full employment".-

With reference to the discussion which took place at the staff meeting on May 6th, I am sending you herewith a memorandum on the subject.

1 encl.

lbr/mlc

Research Department May 5, 1947.

Outline of a Statement to be made by the International Bank in connection with the Request of Mr. Weintraub (April 23, 1947).

The Economic and Employment Commission was requested by the Economic and Social Council to report "as early as practicable regarding the most appropriate form of international action to maintain world full employment and economic stability, taking full account of any views put forward by ... the International Bank."

Mr. Weintraub, in a letter dated April 23, 1947, suggested to the Bank that any statement we may be planning to make in this connection be submitted as early as possible before June 2, 1947, when the Economic and Employment Commission is to meet at Lake Success.

It is clear that it will be to the Bank's interest to attend the meeting of the Economic and Employment Commission where this question will be discussed. It is likely also that the Bank will be called upon to make some kind of a statement at that meeting. An outline of what may be included in such a statement will be found below. If this outline is found agreeable, there does not seem to be any objection to our communicating it in advance to Mr. Weintraub, although it is realized that we shall find it difficult to go beyond clichés on such broad policy matters and that if such a document has to be approved by the Board it might be difficult to secure agreement on it.

The statement would aim at stating the general effects of the Bank's operations rather than discussing the broad problems of economic and social policies implied by the concept of full employment. It could run along the following lines:

1. The Articles of Agreement provide that the purposes of the Bank include "To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes" - "To promote long-range balanced growth of international trade and maintenance of equilibrium of balances of payments by encouraging international investment for the development of productive resources of members" - "To conduct its operations with due regard to the effects of international investment on business conditions in the territories of members".

2. In promoting foreign investment the Bank is apt to bring about the favorable effects which are traditionally ascribed to international investment operations. In other words, the normal result of lending through the Bank should be to foster higher employment of human and material resources in the borrowing countries by creating or developing productive activity. It should provide opportunities for employment and improve productivity on the part of the existing and already employed labor forces.

On the other hand a large part of the Bank's financing will presumably allow for the purchase by the borrowing countries of supplies of foreign origin which they could not otherwise procure. The Bank's operations would therefore result in increased, or at least maintained, demand on supplies to be provided by exporting countries. It will thus tend to develop economic activity in both borrowing and lending and/or supplying countries.

3. The precise definition of the Bank's purposes makes it the duty of the Bank to ensure that loans be made for productive purposes. We will therefore have to inquire, with all due qualification, to what extent the funds lent by it are actually used for developing production and productivity. In so doing the Bank should be able to assist in coordinating reconstruction and development plans with a view to avoiding undue simultaneous expansion of competitive industries. The Bank's operations are thus limited to that field of international movement of capital which can have but beneficial effects upon the balance of payments of the countries concerned, while not creating for them in the future any burden of repayment growing out of relief or the financing of purely consumption needs.

4. It is impossible to say at this stage how far the Bank will be in a position to plan its borrowing and lending operations so as to counteract cyclical trends, but from a broader angle it would seem that it should have a strong stabilizing influence by improving the balance of payments position of its borrowers, by developing their national income, by encouraging the diversification of their productive activity, by allowing for the completion of long-term projects, and finally by maintaining the demand on capital and manufactured goods industries of the exporting countries.

All these factors should presumably exert a favorable influence on international economic stability.

APR 25 1947

258

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE: 502-8-6-1-1

23 April 1947

Sir,

On the basis of an Economic and Employment Commission recommendation to the Economic and Social Council, it has been decided to begin publication of an Index of Work Projects, which will be available to all organizations contributing information on economic and statistical projects. The general scope of the Index was discussed at informal meetings of representatives of the Specialized Agencies at which your representatives, Messrs. DeMuth, de Fleurieu and Rist were present. It is designed to be useful to the Economic and Social Council, its Commissions and Sub-Commissions, to Specialized Agencies and to the United Nations Secretariat:

1. In making known the various research resources and materials available or being assembled, thus facilitating their most effective use and interchange;

2. In planning further research so as to avoid duplication of effort;

3. In bringing to light situations in which conferences or consultations may be found useful among departments or organizations.

In the beginning it is planned to limit the Index to projects of the United Nations, Specialized Agencies and other inter-governmental bodies. The Index will include all projects completed since 1 January 1946, those in progress and those planned to be initiated within three months of each reporting period. The projects to be included are economic and statistical studies or projects. It is proposed that the Index will be issued quarterly, the first issue to be ready for the next session of the Economic and Employment Commission in June 1947.

The information will be assembled principally by means of a simple questionnaire, a copy of which is attached to this letter. The information thus obtained will be prepared by the UN Secretariat for publication in the Index. Attached are several copies of specimen pages of the Index, the first showing the key to symbols and abbreviations, the second indicating the form in which information regarding projects

of the Index, the first showing the key to symbols and abbreviations, the second indicating the form in which information regarding projects will appear, and the third indicating the subject references. These may be of assistance to those completing the questionnaires.

It is clear that the value of the Index to the Specialized Agencies and to United Nations will be in direct ratio to the degree of cooperation in its preparation and will depend on the promptness with which information on new projects is reported and made available for distribution, as well as on the completeness and accuracy of the data.

We are sending you a supply of the questionnaire forms with the request that you will arrange to have them filled in by the proper persons. It might be helpful if you would designate some one person in your organization who would assume primary responsibility for having the forms prepared and returned to us, and with whom we could communicate directly in the future.

We shall appreciate your cooperation in this matter, and we hope that the Index will prove a useful service to the Specialized Agencies and to United Nations.

I have the honour to be,

Sir,

Your obedient Servant,

David Weintraub
For The Assistant Secretary-General
in charge of Economic Affairs

Mr. John J. McCloy
President
International Bank
for Reconstruction and Development
1818 H Street, N.W.
Washington, D. C.

Information in this questionnaire will be compiled in an Index of Work Projects which will include economic and statistical work undertaken by United Nations and Specialized Agencies. The Index will be available, in the first instance, to the Economic and Social Council, its Commissions and Sub-Commissions, to the Specialized Agencies and the UN Secretariat. It is intended to be useful (a) in making known the research resources and materials available and being assembled, facilitating their use and interchange, (b) in planning further work so as to avoid duplication, and (c) in bringing to light situations in which conferences among departments or organizations may be helpful in co-ordinating the work.

Please fill out one questionnaire for each project completed since 1 January 1946, in progress or planned for initiation within three months of reporting date. Include all substantial studies, analyses and surveys that may result in reports, memoranda or working papers, as well as collections of data for working purposes. Do not include routine work such as the preparation of material for the regular publication of periodic bulletins.

The first issue of the Index is to be issued for the June session of the Economic and Employment Commission.

Please return this form not later than 10 May 1947.

E. & S. C.

Draft of Statement on behalf of the Bank to the Economic and Employment Commission of the Economic and Social Council of the United Nations.

On March 28, 1947, the Economic and Social Council of the United Nations adopted a resolution requesting the Economic and Employment Commission to consider and report to the Council regarding the most appropriate form of international action to maintain world full employment and economic stability, taking full account of any views which might be put forward by certain international organizations including the International Bank for Reconstruction and Development.

While the Bank does not, at this time, wish to put forward any specific views with respect to the problem which the Economic and Employment Commission is considering, the Bank believes that it might be helpful to the Commission to have before it a brief statement of the Bank's purposes and its activities in their relation to full employment and economic stability.

The Bank's basic instrument, its Articles of Agreement, includes among the purposes of the Bank the following:

(i) to assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes;

(ii) to promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of

the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories;

(iii) to conduct its operations with due regard to the effect of international investment on business conditions in the territories of members.

The loans which the Bank will make within such purposes will normally tend to increase employment and economic activity in the borrowing countries. They will also tend to increase employment and economic activity in the countries where the proceeds of the loans are spent.

The Bank may make loans only for productive purposes and only when there exist reasonable prospects of repayment. Thus, the Bank is under a duty to inquire whether a loan which it is requested to make, will have beneficial effects upon the borrowing country's economy and particularly on its balance of payments, and to pay due regard to the effect of the loan on business conditions in the territories of its members.

On the other hand, the fact that a loan would favorably affect business conditions in the territories of the borrowing member or of the members generally would not alone justify the Bank in making the loan, if it did not meet the other conditions specified in the Bank's Articles, as, for instance, if the loan did not offer reasonable prospects of repayment.

Since the Bank must obtain a large part of the funds which will be required for its lending operations from the private investment markets, it is not possible now to forecast how far the Bank can plan its borrowing and lending operations so as to counteract cyclical trends. Generally speaking, however, the operations of the Bank should have a stabilizing influence by improving the balance of payments position of its borrowers, by developing their national income, by encouraging the diversification of their productive activity, by assisting in the financing of long-term productive projects, and also by supporting demand for capital goods in the exporting countries.

January 21, 1947

Dear Mr. Lie: Jan 10

In reply to your invitation that the Bank have representatives in attendance at the meetings of the Commissions of the Economic and Social Council and of the Council itself, I am pleased to say that the Bank is most anxious to be represented at those meetings at which matters of interest to the Bank will be discussed.

It is not possible for me at the present time to inform you in detail of the Bank's representation but Mr. John H. Ferguson and Mr. Georges de Fleuriau have been designated to represent the Bank at meetings of the Economic and Employment Commission, and the Bank will advise you further concerning additional representation.

Sincerely yours,

M. M. Mendels

Morton M. Mendels
Secretary

The Honorable
Trygve Lie
Secretary General of the
United Nations
Lake Success, New York

JHF:pjd

on pub meeting before mailed
Mr. Ferguson - Mr. Linsford, Singapore - ?

C & R

INTERNAT. IAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

OFFICE OF THE PRESIDENT

January 16

Sir James Cragg;

It is my understanding that Mr. Lingford, who is going to take Jacobsson Monday to work on the draft charter for ITO, will probably double for the Bank at some of the meetings of ECOSOC & its Commissions.

You will notice, however, from the attached agenda of the Economic & Employment

Commission, which also begins its sessions on Monday, that there are many items of direct interest to the Bank. I imagine we will have to have some one in attendance at nearly all the meetings of this Commission, at least.

How would you suggest we handle this matter at the present time?

John Ferguson

U.N. Econ & Soc Council

UNITED NATIONS • NATIONS UNIES

LAKE SUCCESS, NASSAU COUNTY, NEW YORK

IN REPLY REFER TO:

10 January 1947

Sir,

I have pleasure in inviting the International Bank for Reconstruction and Development to send observers to the next session of the Economic and Social Council which will be held on February 28th at Lake Success, and to the meetings of its Commissions.

A programme of meetings of Commissions scheduled up to 28 February together with copies of the provisional agendas are appended to this letter. I would be glad if you would inform me as soon as possible at which of these meetings your observers will be represented and their names.

I have the honour to be,

Sir,

Your obedient servant,

ADK Owen

A.D.K. Owen
Acting Secretary-General

Ack Jan 21

Mr. Harold D. Smith
Vice-Président of the International
Bank for Reconstruction and Development
1818 H Street, N.W. Washington D.C.

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

JAN 15 8 42 AM 1947

PROGRAMME OF MEETINGS OF THE ECONOMIC AND SOCIAL COUNCIL AND ITS COMMISSIONS

January 20 - February 1	Economic and Employment Commission
" "	Social Commission
January 27 - February 8	Human Rights Commission
" "	Statistical Commission
February 6 - February 19	Population Commission
" "	Transport and Communications Commission
February 10 - February 22	Commission on the Status of Women
February 28 - March 20	ECONOMIC AND SOCIAL COUNCIL (including meetings of the Standing Committees)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 6, D. C.

November 21, 1946

dictated by Sir James Grigg 11/21/46 mgk.

MEMORANDUM FOR MR. SMITH

FROM: Mr. McLain

Re: Resolution of the Economic and Social Council regarding coordination (September 21, 1946).

Referring to your memorandum of November 7, 1946 and to Sir James Grigg's memorandum to you of October 21, 1946 concerning the above-mentioned resolution;

I agree with you and Sir James Grigg that there is very little for the Bank to do about the resolution at this time other than to endeavor informally to find out what is really behind the resolution and what action the Economic and Social Council may expect to take under it.

It would be difficult to support an objection to the terms of the resolution itself. By it the Economic and Social Council undertakes "to consider and make recommendations or decisions, as may be suitable, regarding matters referred to it by the Secretary General from the Committee established under paragraph 2," and also on "matters arising outside the area of the agreements between the United Nations and the specialized agencies which are or may become the subject of" differences among them.

In so far as the Council undertakes to make "recommendations" on such matters, there would seem to be no question as to its power to do

so. Objection might, of course, arise as to the manner in which the power should be exercised. For example, it should not be exercised without proper consultation with the specialized agency concerned. Nevertheless, it cannot be now assumed that the Council will exercise the power improperly.

In so far as the Council undertakes to make "decisions" with regard to such matters, it could, of course, be urged that the Council does not have the power to make any such decision which would be binding on the Bank. But by the terms of the resolution the Council undertakes to make "recommendations or decisions, as may be suitable." It cannot, therefore, now be assumed that the Council would deem it "suitable" to make a decision on a matter on which it does not have power to make a binding decision.

I think that the general subject of the relations between the Bank and the United Nations has been adequately covered in Professor Varvaressos' memorandum to which you refer in your memorandum. Any questions which may arise because of action which the Economic and Social Council may take under the above-mentioned resolution could only be adequately answered when it should be seen what such action was.

C. A. McLain

November 7, 1946

MEMORANDUM

FOR: Mr. McLain

FROM: Mr. Smith

SUBJECT: Resolution of the Economic and Social Council regarding coordination (9/21/46)

I have held the attached memorandum from Sir James as it relates to the digest of the Varvaressos memorandum. I am puzzled as to whether there is anything further we can do, but perhaps you should look at this as Sir James suggests.

Subsequent to this, Sir James felt that the most practical thing was for me to smell out what was back of this on my next trip to New York.

Please return the attached to me for further follow-up.

Attachment.

Sir James Grigg's memorandum to Mr. Smith, Oct. 21, 1946 re "Resolution of the Economic and Social Council Regarding Coordination (21 September 1946)" and copy of this resolution (E/231 8 Oct. 1946).

HDS:ngk

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C.

October 21st, 1946.

Memorandum to: Mr. H. Smith

from: Sir James Grigg

I see this Resolution is dated 21st September and that it wasn't sent out till the 8th October. It seems to me another of Mr. Owen's bits of sharp practice. I don't like it at all but it seems to me to claim the right of decision on matters where we disagree with U.N. or with any other specialised agency. It is the nearest to a claim for absolute power that I have seen for some time. I don't suggest we do anything about it yet but I should like to know how it slipped through without Mr. Rist being warned of it and I should like Mr. McLain to examine the resolution to see exactly how far it can go in the direction of co-ercion. Of course one result of it is bound to be to make us even less willing than before to make an agreement, and I suppose another will be to involve us sooner or later in appearing as an active contestant at U.N. Meetings on individual cases where we refuse to carry out Ecosoc "recommendations or decisions".

In the meantime, can I have a couple of copies of the resolution.

Two copies sent to Sir James 10/22/46.

PJG

PJG*jw P. J. Grigg

INTERNATIONAL BANK F
RECONSTRUCTION AND DEVEL .MENT

Sir James

for your information

Please return.

HDS

United Nations | *Nations Unies*

ECONOMIC AND SOCIAL COUNCIL | **CONSEIL ECONOMIQUE ET SOCIAL**

UNRESTRICTED

E/231
8 October 1946

ORIGINAL: ENGLISH

RESOLUTION OF THE ECONOMIC AND SOCIAL COUNCIL REGARDING CO-ORDINATION (21 September 1946)

THE ECONOMIC AND SOCIAL COUNCIL,

Being desirous of discharging effectively its responsibility under the Charter of the United Nations to co-ordinate the activities of the specialized agencies,

1. Undertakes, after reference if necessary to an appropriate commission or to an ad hoc committee,

(a) to consider and to make recommendations or decisions, as may be suitable, regarding matters referred to it by the Secretary-General from the Committee established under paragraph 2, below and matters arising outside the area of the agreements between the United Nations and the specialized agencies which are or may become the subject of difference of view between the specialized agencies and the United Nations, or between the specialized agencies, or between the specialized agencies and commissions or other subsidiary organs of the Council, and

(b) to make recommendations concerning ways and means of improving relations between these bodies; and

2. Requests the Secretary-General of the United Nations to establish a Standing Committee of Administrative Officers consisting of himself, as chairman, and the corresponding officers of the specialized agencies brought into relationship with the United Nations, for the purpose of taking all appropriate steps, under the leadership of the Secretary-General, to insure the fullest and most effective implementation of the agreements entered into between the United Nations and the specialized agencies.

Liaison U.N.

November 8, 1946

My dear Mr. Lie:

I beg to acknowledge receipt of Mr. Henri Laugier's letter dated October 15th.

In spite of the fact that our research organization is still in an initial stage and is therefore probably not in a position to assist your work to any great extent, I should be glad if the Director of Research of this Bank, Mr. Leonard B. Rist, or any of his assistants, could help you in your difficult task.

I have therefore instructed Mr. Rist to extend to you all possible help within the limits of his present organization.

Sincerely yours,

Eugene Meyer

The Honorable
Trygve Lie,
Secretary General,
United Nations,
Lake Success, N. Y.

dbs

DRAFT

Hon. Trygve Lie
~~Mr. Henri Laugier~~
~~Acting~~ Secretary General
United Nations
Lake Success, N.Y.

... November

My dear Mr. Lie ~~Laugier,~~

Mr Henri Laugier's I beg to acknowledge receipt of ~~your~~ letter dated October 15th.

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I have therefore instructed Mr. Rist to extend to you all possible help within the ~~scope~~ limits of his present ~~abilities.~~ organization.

Yours very truly,

Sir James

Take a look and
then send to Rist
for his reactions.

HDS

UNITED NATIONS NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

EXECUTIVE OFFICE OF THE SECRETARY-GENERAL

REFERENCE:

401-10-4/AER

15 October 1946

Sir,

..... I have the honour to transmit herewith the text of a resolution adopted by the Economic and Social Council on 3 October concerning work to be undertaken by the Secretariat of the United Nations to review the needs for essential imports and related financial assistance after the termination of the United Nations Relief and Rehabilitation Administration programmes.

The Economic and Social Council, in the third paragraph of the resolution, recommends international organizations to provide all possible assistance to the Secretary-General in the performance of this task.

I should be grateful, therefore, if you would be so good as to designate a member of your staff with whom a representative of the Economic Affairs Department of

RECEIVED
INTERNATIONAL BANK FOR
RECONST. AND DEVEL.

OCT 21 8 50 AM 1946

the Secretariat might consult in the course of this work.

I have the honour to be,

Sir,

Your obedient Servant,

Henri Laugier
Acting Secretary-General

Mr. Eugene Meyer,
President,
International Bank for Reconstruction and Development,
1818 H Street, N. W.,
Washington, D. C.

UNITED NATIONS • NATIONS UNIES

RESOLUTION ENDORSING AN UNRRA COUNCIL RESOLUTION

(Adopted by the Economic and Social Council of the United Nations, October 3, 1946.)

THE ECONOMIC AND SOCIAL COUNCIL

1. Strongly endorses the recommendation made by the UNRRA Council at its Fifth Session in August 1946 that the General Assembly of the United Nations should "forthwith establish or designate such agency or agencies as it may deem appropriate whose functions shall include :

(a) a review of the needs in 1947 for financing urgent imports of the basic essentials of life, particularly food supplies for agricultural production, after the termination of UNRRA programmes to the extent that they cannot otherwise be met, and

(b) the making of recommendations as to the financial assistance which might be required to meet such needs as are found to exist as a result of foreign exchange difficulties which cannot be dealt with by existing agencies.

2. Recommends that the General Assembly, in view of the nature and urgency of the problem in certain countries as indicated in the Preliminary Report (E/156, 18 September 1946) of the Temporary Sub-Commission on Economic Reconstruction of

Devastated Areas of the Economic and Employment Commission, take appropriate action as soon as possible in connection with the above mentionned UNRRA Council Resolution.

3. Requests the Secretary-General to undertake immediately the collection and analysis of information relating to the subjects enumerated in paragraph 1 above with a view to the submission of this data to the agency or agencies to be established or designated by the General Assembly, and recommends that other international organizations and governments provide all possible assistance to the Secretary-General in the performance of this task.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C.

HDS October 2nd, 1946

M e m o r a n d u m

39

to : Mr. Harold D. Smith

from : Mr. Leonard B. Rist

Re : Liaison with ECOSOC and UNO.-

I received yesterday the visit of Mr. Chudson, formerly with UNRRA and now an assistant to Mr. Owen especially in charge of international finance problems.

Mr. Chudson is at present one of the UNO Secretariat observers at the Governors meeting. He explained to me that he expected to be more particularly in charge of the relations with the Bank and Fund, although his connections with the heads of departments like Mr. Campion (Statistical Department) and Mr. Perez Guerrero (Liaison Department) seem somewhat uncertain.

The main object of his visit was obviously to draw our attention to the wording of Article V, section 8 (b) which says : "In making decisions on applications for loans or guarantees relating to matters directly within the competence of any international organization of the types specified in the preceding paragraph and participated in primarily by members of the Bank, the Bank shall give consideration to the views and recommendations of such organization."

The organizations in question are apparently the U.N.O. and its special agencies, and from the way this question was put, it appears that the UNO Secretariat expected to be asked to sit in, in some form or other, when we should be considering applications made by countries with which the UNO has already dealt e.g. any of the devastated countries mentioned in the Devastated Areas Report.

I could only reply that I had no inkling of what the practical steps, if any, the Bank might be prepared to take in this connection, but I pointed out that the Bank had been represented when the Report on Devastated Areas has been drafted, that furthermore, a digest of its conclusions was before the President and that therefore the President was now

in a position to "give consideration to the views and recommendations of these organizations". This settles the issue for some time but it is bound to come up again and perhaps not in quite as mild a form.

Mr. Chudson insisted that he considered it his duty to be aware of our policies in order to protect us against any misunderstanding on the part of future drafters of similar reports. Since his aim is not to embarrass us by proposals unacceptable to us, in view of his past and his apparently understanding personality, chances are that by keeping in close relation with him, we might in effect achieve some good results. I, therefore, intend to develop contacts with him as much as possible.

L. Dis.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C.

September 13, 1946

M e m o r a n d u m

to : Mr. Harold D. Smith HDS

from : Mr. Leonard B. Rist

Re : New developments of interest to us at the Economic and Social Council were as follows :

1. Item 4 - Committee of negociation with specialized agencies. This Committee will not meet for quite some time, if at all. Mr. Perez Guerrero told me that the meeting scheduled for saturday was cancelled in view of the uncertainty concerning its agenda.

The French have assured me that they would support the position of the Bank.

2. Terms of reference of the Subcommissions of the Economic Employment Commission. The Committee concerned met yesterday afternoon and discussed a chinese proposal (document E 107) which included the drafting of a "code of "international investments in conjunction with the International Bank". The British, Canadian, American, and somewhat to my surprise, the Greek delegates expressed some concern about this proposal, the Canadian being by far the most outspoken. As a result of a long discussion it was decided that the terms of reference of the Subcommissions would be discussed next week, after all interested countries have submitted new proposals : that means, in fact, putting aside the chinese proposal.

3. The United Kingdom has submitted a proposal concerning the organization of the Subcommissions (Document E 96). In the british view, they should include only experts. I had confirmation from the British that their intention is that they should be no representatives, that is to say "no member of the Subcommissions would have the right to commit the body which appointed them". However this will bring about a long discussion, since the Russians have in the past always held a contrary view.

4. The practical conclusion is that nobody is in a hurry to organize the Subcommissions. Therefore the question may not

be settled before the next session of the Council. Finally the point of view of the Bank will be properly taken care of by the Americans, British, Canadians and French at least.

5. Mr. Perez Guerrero will advise me as soon as discussion on devastated areas and F.A.O. require my presence in New York.

I have arranged with Mr. Perez Guerrero that the Secretariat send to the Research Dept of the International Bank all the papers circulated by them.

L. Rist

LIAISON · U.N.

September 4, 1946

Trygve Lie, Secretary General,
United Nations,
Lake Success, New York

REFERENCE YOUR TELEGRAM INVITING REPRESENTATIVE OF INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TO ATTEND FIRST MEETING OF THIRD SESSION OF ECONOMIC AND SOCIAL COUNCIL IN CAPACITY OF OBSERVER, AM PLEASED TO INFORM YOU THAT HAROLD D. SMITH, VICE PRESIDENT OF BANK, WILL BE OUR REPRESENTATIVE AND LEONARD B. RIST, DIRECTOR OF RESEARCH, WILL BE HIS ALTERNATE. REQUEST YOU MAKE HOTEL RESERVATIONS FOR BOTH COMMENCING EVENING OF SEPTEMBER TENTH AND ADVISE WHERE RESERVATIONS HAVE BEEN MADE

Eugene Meyer, President

Eugene Meyer

Charge: International Bank for Reconstruction and Development

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

JOSEPH L. EGAN
PRESIDENT

1201

SYMBOLS
DL = Day Letter
NL = Night Letter
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1946 AUG 28 PM 9 52

EUGENER MEYER. PRESIDENT INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT=

1818 H ST NORTHWEST WASHDC=

:M835 FIRST MEETING OF THIRD SESSION OF ECONOMIC AND SOCIAL COUNCIL WILL BE HELD 1030 AM 11 SEPTEMBER AT LAKE SUCCESS LONG ISLAND. ON BEHALF OF PRESIDENT OF ECONOMIC AND SOCIAL COUNCIL HAVE HONOUR INVITE REPRESENTATIVE YOUR ORGANIZATION TO ATTEND SESSION IN CAPACITY OF OBSERVER. PLEASE CABLE AT EARLIEST CONVENIENCE NAME YOUR REPRESENTATIVE. HOTEL RESERVATION WILL BE MADE UPON REQUEST=

TRYGVE LIE SECRETARYGENERAL.

1030 AM 11 M835.

Y WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

AGENDA

September 11 Meeting

ECONOMIC AND SOCIAL COUNCIL

1. Adoption of Agenda.
2. International refugee organization.
3. Preliminary report of the sub-commission on reconstruction of devastated areas.
4. Report of the committee on negotiation with specialized agencies.
5. Election of members for the commissions of the Economic and Social Council.
6. Report of Secretary General called for by the assembly resolution on assistance to the Food and Agriculture Organization.
7. Request to the General Assembly for authorization of the Economic and Social Council to request advisory opinions from the International Court of Justice.
8. Transfer to the United Nations of functions and powers previously assigned to the International Narcotics Conference.
9. Report of the Secretary General on the International Health Conference (Setting up of the Health Organization).

10. Transfer to the United Nations of the non-political activities and functions of the League.
11. Report of the Committee on Arrangements for Co-ordination with non-governmental organizations.
12. Report of the Committee on the organization of the Council concerning setting up of a fiscal commission.
13. Report of the Committee on the organization of the Council concerning the setting up of a demographic commission.
14. Report of the Committee on the organization of the Council concerning setting up of a co-ordination commission. (between commissions and specialized agencies) (Coordinating the activities of the specialized agencies with each other and with the Council and its commissions.).
15. The U. K. proposal concerning the question of the assumption by the United Nations of the functions and powers connected with public loans issued with the assistance of the League.
16. The Belgium proposal concerning the loaning of Red Cross workers.
17. Consideration of arrangements with respect to relations between the Economic and Social Council and the Security and Trustees Council.

18. Terms of resolutions of the sub-commissions of the Economic and Employment Commission.

19. U.K. Proposal concerning the ~~kkm~~ composition of sub-commissions and Economic and Employment Commission.

20. Payment of expenses of members of the Commissions.

W. H.

June 26, 1946

Dear Mr. Laves:

I find I have not replied to your letter of June 10 concerning working relations. As you can readily imagine, I have been thrust into my present position with very little warning and, to tell you the truth, I have been immersed in space problems and organization building.

The matters to which you refer are matters which I cannot as yet find time to take up personally.

Sincerely yours,

Eugene Meyer
President

Mr. Walter H. C. Laves,
Bureau of the Budget Advisor
to the U. S. Delagation to the
Economic and Social Council,
250 West 57th Street,
New York 19, N. Y.

JUN 1 1 1946

UNITED STATES DELEGATION TO THE UNITED NATIONS
250 WEST FIFTY-SEVENTH STREET
NEW YORK 19, N. Y.
CIRCLE 6-4400

June 10, 1946

Mr. Eugene Meyer
Washington Post
Washington, D. C.

Dear Mr. Meyer:

I was delighted to learn earlier this week of your election as President of the International Bank for Reconstruction. Knowing of your very real concern for the development of international institutions to meet recurring international problems, I am sure that you will provide the Bank with the kind of leadership it needs and with the broad viewpoint which is so necessary in a specialized international agency.

I would like to take this opportunity to refer to a matter we have discussed on previous occasions, namely the great importance of establishing close working relations between the International Bank and the Economic and Social Council. In the course of the past weeks, I have been disturbed over the tendency already evidenced in the thinking of some members of the Bank's staff that the Bank is to be a wholly independent agency from United Nations. As you may know, some serious questions have already arisen regarding the terms to be included in a proposed agreement between United Nations and the Bank. I recognize, of course, that the Bank and the Fund were established by agreements separate from the Charter of the United Nations. Nevertheless, the Bank is an institution established by the victorious nations at the end of the United Nations' war, and it would be unfortunate in the extreme if these two institutions did not recognize the central leadership of the Economic and Social Council in all matters of United Nations concern in this broad area. I have sat in on the negotiations during the last week between United Nations and the UNESCO, the ILO, and the FAO. I hope that at an early date similar agreements providing for close working relations can be negotiated with the Bank and the Fund.

Very sincerely yours,

Walter H. C. Laves

Walter H. C. Laves
Bureau of the Budget Advisor
to the United States Delegation
to the Economic and Social Council

Copy to Mr Collado
June 13, 46

June 21, 1946

Dear Sir Ramaswami:

I highly appreciate your letter and your friendly expressions concerning my appointment as President of the International Bank for Reconstruction and Development.

While at this time I am just beginning to tackle the preliminary problems of organization, I am sure that at the proper time our organization will be glad to establish contact with the Economic and Social Council of the United Nations for such exchange of views as may be appropriate and helpful to our common purposes.

Sincerely yours,

Eugene Meyer
President

Sir Ramaswami Mudaliar, President,
Economic and Social Council of the United Nations,
Hunter College,
Bronx 63, New York.

MAILING ADDRESS:
BOX 1000, NEW YORK 1, N. Y., U. S. A.

CABLE ADDRESS:
UNO NEW YORK

UNITED NATIONS • NATIONS UNIES

HUNTER COLLEGE, BRONX 63, NEW YORK • MELROSE 5-4701

IN REPLY REFER TO

June 12, 1946

Mr. Eugene Meyer, President
The International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D. C.

Dear Mr. Meyer:

On behalf of the Economic and Social Council of the United Nations, I should like to extend to you sincere congratulations on your recent appointment as President of The International Bank for Reconstruction and Development. I know that my colleagues on the Council share with me a strong conviction that under your experienced and distinguished leadership, the Bank will rapidly fulfill the expectations of those who look upon it as one of the major instruments of world cooperation in the economic and social fields.

The Council is looking forward to establishing constructive relationships between the United Nations and the Bank, which will enable both organizations to work together towards the achievement of their common purposes.

Sincerely yours,

A Ramaswami Mudaliar.

Sir Ramaswami Mudaliar
President of the Economic and Social Council
of the United Nations

May 23, 1946

My dear Mr. Lie:

Thank you for your letter of May 14, 1946 inviting the Bank to send an observer to the forthcoming meetings of the Economic and Social Council beginning May 25, 1946.

This question has been discussed by the Executive Directors of the Bank. They find that at the present moment frequent meetings on urgent problems of organization will prevent any Director from attending the meetings. They have therefore decided to designate Professor Bruins, who is attending as an observer on behalf of the International Monetary Fund, to represent also the International Bank in the same capacity. Professor Bruins has kindly consented to act.

The Directors have studied your agenda and feel that items 6, 8, 13, 14, and 17 would be the ones of particular interest to the Bank. They would greatly appreciate an indication from you as to the date when discussion of these particular items is to take place.

Sincerely yours,

John S. Hooker
Temporary Secretary

The Honorable
Trygve Lie,
Secretary-General,
United Nations,
Hunter College,
New York, New York.

IBRD:db
5/23/46

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IN REPLY REFER TO:

May 14th, 1946.

Dear Mr. Hooker,

I have the honour to inform you that the Second Session of the Economic and Social Council of the United Nations will be held at Hunter College, New York City, beginning 25th May, 1946.

On behalf of the President of the Council I have pleasure in informing you also that a representative of the International Bank for Reconstruction and Development is cordially invited to be present as an observer. It is understood, of course, that any arrangements made in connection with this Session of the Council shall be without prejudice to any permanent arrangements regarding reciprocal representation which may subsequently be negotiated between the Bank and the United Nations. It is hoped that any representative who may attend as an observer will also be available for consultation on any matter concerning which the Council may desire to have the views and opinions of the Bank.

I enclose, for your information, a copy of the Provisional Agenda for the Second Session of the Council. Documents which are in course of preparation for submission to the Council will be communicated to the Bank or to its representative as they become available.

In the event of the Bank desiring to accept this invitation, it will be appreciated if my office could be informed as soon as possible of the name of the representative or representatives who will attend the Session which is expected to continue for approximately three or four weeks. I shall be glad to see that arrangements are then made for extending to such representatives any courtesies and facilities which the Secretariat is able to offer.

Yours sincerely,

Trygve Lie,
Secretary-General.

Mr. John S. Hooker,
Temporary Secretary,
International Bank for Reconstruction
and Development,
Room 1001,
1818 H Street, N.W.,
Washington, D. C.

14 May 1946

PROVISIONAL AGENDA FOR THE SECOND SESSION OF THE

ECONOMIC AND SOCIAL COUNCIL

1. Opening address by the President of the Council

2. Address by the Secretary-General

3. Adoption of the Agenda

4. Consideration of the Report of the Technical Preparatory Committee for the Health Conference (Document E/H/1)
   The Council decided at its last Session that any observations it may wish to make concerning the Report of this Committee would be communicated to the International Health Conference.

5. Report of the Committee on Arrangements for Consultation with Non-Governmental Organizations

6. Report of the Economic and Employment Commission

7. Report of the Temporary Transport and Communications Commission

8. Report of the Statistical Commission

9. Report of the Commission on Human Rights

10. Report of the Temporary Social Commission

11. Consideration of the terms of reference and composition of the Fiscal Commission
    The Council decided at its last Session that this Commission should be established at its Second Session (See Document E/20, Journal No. 11, and Report of the Preparatory Commission - page 39)

12. Consideration of the terms of reference and composition of the Demographic Commission
    The Council decided at its last Session that this Commission should be established at its Second Session (See Document E/20, Journal No. 11, and Report of the Preparatory Commission - page 38)

13. Consideration of the terms of reference and composition of the Coordination Commission
    The Council decided at its last Session that this Commission should be established at its Second Session (See Document E/70, Journal No. 11, and the Report of the Preparatory Commission - page 39)

14. Question of the assumption by the United Nations of the functions and powers connected with public loans issued with the assistance of the League of Nations

15. Report of the Committee on Rules of Procedure
    The Council remanded to the Committee on Rules of Procedure Rules 4 and 5 for further consideration and report (See Document E/12, Journal No. 11, page 105)

16. Consideration of Arrangements for Conferring respectively with representatives of the Security Council and of the Trusteeship Council concerning the methods of cooperation with each of these bodies in dealing with matters of common concern
    Consideration of this item was postponed to the Second Session of the Council.

17. Report of the Committee on Negotiations with Specialized Agencies
    This Committee will negotiate agreements with the Specialized Agencies during the course of the Second Session of the Council. The Report of the Committee would include the text of the agreements so negotiated, which would require Council approval.

18. Report of the Special Committee on Refugees and Displaced Persons

19. Belgian Proposal Concerning the League of Red Cross Societies

20. Other Important Matters

The Reports of the Commissions and of the Committees of the Council will be distributed as soon as they have been adopted. The reports of the Commissions should be available May 20th. The report of the Special Committee on Refugees and Displaced Persons should be available about May 24th. The report of the Committee on Arrangements for Consultation with Non-Governmental Organizations should be distributed about May 25th, provided the Committee has completed its work by that time. The documentation for the Belgian proposal concerning the League of Red Cross Societies will be submitted by the Belgian delegation about May 24th. Documents are being prepared by the Secretariat on items 14 and 16 of the Agenda and will be distributed as soon as completed.

XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXX
Washington 25, D. C.

April 29, 1946.

My dear Mr. Turner:

Thank you for your letter of April 26 inviting a representative of the Bank to be present at the sessions of any Commission or Commissions of the Economic and Social Council in which the Bank may be particularly interested.

If the Bank were in a position to do so at this time I am sure that they would wish to have a representative at your meetings, and I hope that before your meetings draw to a close the Bank can send a representative.

The Executive Directors of the Bank will meet for the first time on May 7 and one of their first tasks will be to elect a President, who has the responsibility under the Articles of Agreement for appointing the officers and staff of the Bank. Included on the agenda of the first meetings is the question of liaison arrangements with the Economic and Social Council which was referred to the Executive Directors by the Board of Governors.

I will let you know as soon as possible after May 7 when the Bank can send a representative to your meetings. In the meantime I would be most grateful to you if you could make available to the Bank copies of such Commission documents as are likely to be of interest to the Bank.

Sincerely yours,

John S. Hooker
Temporary Secretary

Mr. B. R. Turner,
United Nations,
Box 1000,
New York 1, New York.

MAILING ADDRESS:
BOX 1000, NEW YORK 1, N. Y., U. S. A.

CABLE ADDRESS:
UNO NEW YORK

UNITED NATIONS • NATIONS UNIES

HUNTER COLLEGE, BRONX 63, NEW YORK • MELROSE 5-4701

IN REPLY REFER TO:

26 April 1946

Sir:

On behalf of the Assistant Secretary-General in Charge of the Department of Economic Affairs, I have the honour to inform you that the initial meetings of certain Commissions of the Economic and Social Council, as temporarily constituted, including the Economic and Employment Commission and the Statistical Commission, will commence on 29 April, at Hunter College, New York. I am also directed to inform you that a representative of the International Bank for Reconstruction and Development is cordially invited to be present at the sessions of any Commission or Commissions in which the Bank may be particularly interested.

You will appreciate the fact that at the present stage these Commissions are "nuclear" Commissions only, whose members have been appointed in a strictly personal, as distinct from a representative, capacity and that their forthcoming meetings will be primarily concerned with the formulation of recommendations and suggestions as to the composition, terms of reference, etc. of the full Commissions.

Should the International Bank for Reconstruction and Development desire to have a representative or representatives present in New York at any time during the forthcoming series of meetings, which are expected to last until approximately 20 May, we would appreciate being advised accordingly so that arrangements may be made for extending such courtesies and facilities as the Secretariat is able to offer.

In the event of it not being possible for a representative to attend, the Secretariat will be glad to see that copies of such Commission documents, including final reports and recommendations, as are likely to be of interest to the International Bank for Reconstruction and Development are duly forwarded.

I have the honour to be, Sir, your obedient servant,

For the Assistant Secretary-General,

John S. Hooker, Esq.
Secretary, International Bank for
Reconstruction and Development
Room 1001
1818 H Street, N.W.
Washington, D. C.