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THE WORLD BANK

Washington, D.C.

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LIAISON - IBRD/IMF



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Liaison - International Bank for Reconstruction and Development (IBRD) / International Monetary Fund (IMF) - Correspondence - Volume 1

The World Bank Group  
**Archives**

RETURN TO  
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39



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889

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FOR FURTHER CORRESPONDENCE SEE:  
1966 - 1968.

RECORDS MANAGEMENT SECTION  
February 1969



*Revision 1HF*

## OFFICE MEMORANDUM

TO: Files

DATE: December 22, 1965

FROM: Andrew M. Kamarck *AMK*SUBJECT: Collaboration in Fund Staff Papers

Mr. Horsefield, the Editor of the Fund, came to see me again on December 8, 1965. We spoke about the possibility of Bank staff collaboration in the Fund Staff Papers. I told Mr. Horsefield that I thought there is no reason for us not to cooperate in allowing Bank economists to contribute papers for publication to Fund Staff Papers; as a matter of fact, this had been done at various times in the past. I saw no reason why it could not continue. As far as having Bank participation in the Editorial Committee on the Fund Staff Papers, I did not think this made sense since the publication would still be "Fund Staff Papers". However, if the Fund Staff Papers became a joint publication, the situation might be quite different. Mr. Horsefield said that he was not, of course, authorized to make this sort of agreement and that he would have to check before he could discuss such an idea.

In the meantime, he said that if he gets any papers from the Bank he would like to have somebody in the Bank with whom he could check to make sure that it did not go against Bank policy. I suggested that he use Mr. Latimer as his contact and Mr. Latimer would see that he got the requisite clearance.

cc: Mr. Latimer  
Mr. Friedman  
Mr. Hoffman

AMK/vhw



Talk to MLH

Mr Demuth:

I would say  
this except that  
I would like to know  
why they deleted SAC TAD  
in TP 7. I suppose we  
do not object to inserting  
"training activities."

MICHAEL L. HOFFMAN



# Office Memorandum

TO : Mr. Demuth

FROM : Frank A. Southard, Jr. *FS*

SUBJECT : Joint Statement on Fund/Bank Collaboration

DATE: December 17, 1965

I am sending to you herewith a copy of the draft joint statement on Fund/Bank collaboration on which a few changes have been made following discussion in the Fund Staff Committee.

The principal changes are in paragraphs 2 and 4. As for paragraph 2, the more we reflected on the effort in the earlier draft to specify the matters which are of "primary concern to each institution", the less we liked the result. You will note that the new draft abandons any effort at specification, but retains the idea. As for paragraph 4, we had some difficulty in distinguishing between making our reports available to the Bank management and staff and making them available to the Bank's Executive Board. We suspect that the former is the more important in actual practice, and it would be covered by the reference to "existing procedures". The next sentence would involve, in the Fund, action by our Executive Board.

I should be glad to discuss this draft with you at your convenience. I am going to be away from Washington from December 23 through January 4. Possibly we could meet in your office or mine at 3:00 p.m., December 21, if you feel that a meeting is necessary to discuss some points.

cc: Mr. Hoffman  
Mr. Hebbard



December 16, 1965

DRAFT OF A JOINT STATEMENT ON FUND/BANK COLLABORATION  
TO BE TRANSMITTED TO THE RESPECTIVE BOARDS  
BY THE MANAGING DIRECTOR AND PRESIDENT

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Introduction

The Fund and the Bank have cooperated closely on a large number of matters, and the need for close collaboration can be expected to increase. With expanding knowledge of and experience with members, each institution will have more interest in the implications which its work might have for the work of the other. Proposals for improving collaboration between the Fund and the Bank are therefore timely. The objective--besides the obvious advantages to be achieved by avoiding duplication of work, both within the two institutions and on the part of member governments in their dealings with the Bank and the Fund--should be to ensure that member countries are receiving advice which is broadly based and consistent.

Basis for Collaboration

We have therefore reviewed the basis for collaboration and have considered ways in which collaboration may be extended.

1. Existing instructions call for the two staffs to maintain a close and continuous contact at all levels. These contacts are designed to provide the opportunity to exchange (a) information of a factual nature; (b) plans for sending missions; and (c) views on countries. The objective is to achieve consistency of information and viewpoint at the staff level. Extensive day-to-day cooperation is already in effect between the area departments, and arrangements are being initiated to invite Fund area economists from time to time to meetings of the Bank Economic Committee when countries or regions in which they are interested are to be reviewed.



2. Each institution will continue in its reports to take account of matters which are of primary concern to the other institution. The staff of each institution attempts to the maximum degree to obtain basic information on these matters from the other institution so as to minimize duplication of requests to the member, and in dealing with these matters, each institution will seek to avoid making or implying evaluations inconsistent with what is acceptable to the other in discussions with member countries or in documents which will reach them.

#### Methods of Collaboration in the Field

3. Each institution will be receptive to a request from the other to have a staff member(s) accompany a mission as observer(s), provided that the member country concerned agrees. The observer would attend sessions with officials of the member country, subject to determination by the chief of mission, to whom he would be responsible during the mission. The observer would be free to establish other contacts independently of the mission relating to matters of special interest to his own institution. He would not share any responsibility for the preparation or content of the mission report. It is recognized that, in view of the close and frequent contacts maintained by both institutions with their members, it is not likely that either will frequently request attachment of an observer to a mission initiated by the other, but where the arrangement would result in significant advantage it will be encouraged.

4. In some cases it may prove appropriate and desirable, subject to the agreement of the country concerned, to have parallel missions of both institutions in the same country at the same time. In such cases, each mission would collaborate with the other, to the maximum extent feasible. They would participate in joint sessions with officials of the member country



wherever this seemed useful, although it is recognized that much of the time each mission would have to have separate sessions with the government officials particularly concerned with matters covered by its terms of reference. The report of each mission would be prepared within its own institution and when completed would be made available to the other institution under existing procedures. Any further distribution would be made only with the consent of the originating institution. In appropriate instances, in lieu of a parallel mission, an existing report may be made available to the other institution in accordance with the same procedures. Either institution may reserve the right to indicate that some or all of the contents of its report should be treated as confidential.

5. In lieu of parallel missions, on occasion a staff member(s) of one institution may accompany a mission initiated by the other institution to work on agreed sections of the terms of reference of the mission. The day-to-day activities of such staff member(s) would be subject to the broad needs of the mission as determined by its chief. But the sections prepared by such staff member(s) would be dealt with in the same way as the report of a parallel mission as set out in paragraph 4.

6. In cases where an essentially technical contribution is expected, it may prove desirable and feasible, to make arrangements for one or more staff members of one institution to be more completely integrated into a mission of the other institution. In such cases, the seconded staff member would be responsible to the head of the mission and his work would not be subject to review by his own institution. He would, however, be free to discuss his work with other staff members of his institution and the mission report and pertinent documents would be made available to the officers and



staff of both institutions before being issued in final form. ~~The~~  
~~administrative~~ arrangements for collaboration of this kind would be worked  
out in advance, on a case-by-case basis.

#### Future Collaboration

7. We intend to keep under review the implementation of the broad principles set forth above in order to assure the maximum practicable co-operation. In specific areas of growing importance, such as the conduct of consultative groups, the problems related to indebtedness of developing countries, and training activities, procedures for coordinated action are currently under discussion and work in this direction will be continued.

VNCITAD?

2



INTERNATIONAL MONETARY FUND  
WASHINGTON, D. C. 20431

*Bank - Fund*  
*DDF*

CABLE ADDRESS  
INTERFUND

December 13, 1965

MEMORANDUM

TO: Mr. Mendels  
FROM: Roman L. Horne  
SUBJECT: Exchange of Information on Staff Travel

This memorandum, together with yours of December 8, 1965, and mine of November 12, 1965, may, I think, be considered as completing the arrangements for the exchange of information on staff travel.

On receipt of your memorandum, I have issued instructions for regular delivery to you, beginning January 1, 1966, of the semi-annual and monthly memoranda on travel referred to in our notes.

We would similarly appreciate receiving 40 copies of the Bank documents mentioned in your memorandum of December 8, 1965. These can be delivered directly to the Documents Officer, Records Division, Secretary's Department, Room 211.

*RH*



## OFFICE MEMORANDUM

*250 file  
Bank Fund  
Coop.*

TO: Mr. Roman L. Horns

DATE: December 8, 1965

FROM: M. M. Mendels

SUBJECT: Exchange of Information on Staff Travel

In reply to your memorandum of November 12, the Bank is prepared, beginning January 1, 1966, to send to the Fund on a reciprocal basis a forecast of Bank missions every two months covering the following six months. This bi-monthly report will contain:

- (1) all missions of an economic nature, such as missions to study the economy, to review the current economic situation, or to study a development program, and
- (2) operational or reconnaissance missions which are intended to consider possible overall Bank/IDA lending programs in the country concerned.

Project appraisal and end-use supervisory missions and routine visits of loan officers will not be included.

As in the Fund, the forecast of missions is a staff working document, which may be distributed only to Senior Officers and Department Heads of the Fund. Please let me know the number of copies needed and to whom they should be delivered.

Forty copies of the Fund documents, the semi-annual "Schedule of Official Staff Travel" and the monthly memorandum on "Current and Anticipated Travel", sent to me, will fulfill Bank/IFC needs.

If you have any questions or suggestions about this proposal, please let me know.

*M. M. M.*

cc: Mr. Knapp  
Mr. Wilson  
Mr. Friedman  
Mr. Cope  
Mr. Hoffman ✓

MMM:HGH:DDF/Lmm

Israel Collection

## OFFICE MEMORANDUM

*Mr. Hoffman*  
*[Signature]*

TO: Mr. R. H. Demuth

DATE: December 3, 1965  
*[Signature]*FROM: Andrew M. Kamarck *AMK*SUBJECT: Fund/Bank Collaboration

I don't know whether the draft joint statement on Bank/Fund collaboration is still open for changes but, in any case, for any future use and your information on these matters:

Our "fiscal" work mostly covers a field which is different from the "fiscal" work of the Fund. Our "fiscal" work is oriented towards the problems of the public investment sector; this includes making a comprehensive analysis of this sector's expenditures as well as of its financing. The Fund is more concerned with regular Ministry of Finance problems, including budgetary techniques, methods of handling funds, etc.

In addition to being in close contact with the Fund people in this field, some of the other collaboration in the general economic work is: The Fund with its one commodities expert works closely with our commodities group; Mr. Goor and our programmers work closely with the model-builders and programmers of the Fund, the external debt work of the Fund relies on our data; we have just reached an agreement with the Fund that we will collect and process the data for both institutions on public issues and private placements of foreign bonds and equities in the major capital markets. The Fund will cooperate in solving any problems involved and assist in establishing categories and definitions.

cc: Mr. Friedman  
Mr. Hoffman

AMK/vhw



Mr. R. H. Demuth

November 26, 1965

G. M. Wilson ((Signed) G. M. Wilson

Fund/Bank Collaboration

I notice that your draft is strictly confined to "countries". I imagine that this is deliberate but it is a pity that it does not extend further into the field of economic studies e.g. debt, compensatory financing. Why do we not co-operate in these fields too?

GMWilson/mh

Mr. J. Burke Knapp

November 26, 1965

S. R. Cope *S.R.C.*

Fund/Bank Collaboration

*Nov. 24/65*

I enclose a memorandum from Dick Demuth together with the draft joint statement attached to it. The statement is vague enough to be innocuous and leaves the staff of both institutions reasonably free to act in accordance with the needs of particular situations.

SR Cope: mmr

IBRD



## OFFICE MEMORANDUM

NOV 24 REC'D

TO: Members of the President's Council

FROM: Richard H. Demuth

SUBJECT: Fund/Bank Collaboration

DATE: November 24, 1965

The attached draft of a joint statement on Fund/Bank Collaboration to be transmitted to the respective Boards has emerged from discussions between Messrs. Southard and Thorson on the Fund side and Mr. Hoffman and myself for the Bank. It is based essentially on the Fund's proposals which were attached to the memorandum which Mr. Southard sent to Mr. Knapp on June 28, 1965. I think the present draft represents a modest first step toward formalizing some arrangements which may have a certain value in themselves and which may help prepare the climate for more substantial moves in the future. Mr. Southard is now proceeding to discuss this paper with appropriate people in the Fund staff and with Mr. Schweitzer. I have promised to do the same in the Bank.

I would hope that, since this is a joint document, changes would be suggested from our side only if matters of real substance are involved.

cc: Mr. Knapp/Mr. Cope  
Mr. Wilson  
Mr. Aldewereld  
Mr. Broches  
Mr. Friedman

*Heeger*  
*Southard*  
*Hoffman*  
*Thorson*  
*Demuth*  
*Knapp*  
*Cope*  
*Wilson*  
*Aldewereld*  
*Broches*  
*Friedman*

*Approved by*  
*G.D.W.*  
*12/13/65*

November 24, 1965

DRAFT OF A JOINT STATEMENT ON FUND/BANK COLLABORATION  
TO BE TRANSMITTED TO THE RESPECTIVE BOARDS  
BY THE MANAGING DIRECTOR AND PRESIDENT

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We have therefore reviewed the basis for collaboration and have considered ways in which collaboration may be extended.

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2. Bank reports will continue to take account of fiscal, <sup>and</sup> monetary ~~and financial~~ matters, just as Fund reports take account of production in the various sectors of the economy and development plans. The staff of each institution, however, attempts to the maximum degree to obtain basic information on these matters from the other institution--so as to minimize



duplication of requests to the member. Also, in dealing with such matters, each institution will seek to avoid making or implying evaluations inconsistent with what is acceptable to the other in discussions with member countries or in documents which will reach them.

#### Methods of Collaboration in the Field

3. Each institution will be receptive to a request from the other to have a staff member(s) accompany a specific field mission as observer(s), provided that the member country concerned agrees. The observer would attend sessions with officials of the member country, subject to determination by the chief of mission, to whom he would be responsible during the mission. The observer would be free to establish other contacts independently of the mission relating to matters of special interest to his own institution. He would not share any responsibility for preparation of the mission report. It is recognized that, in view of the close and frequent contacts maintained by both institutions with their members, it is not likely that either will frequently request attachment of an observer to a mission initiated by the other, but where the arrangement would result in significant economies it will be encouraged.

4. In some cases it may prove appropriate and desirable, subject to the agreement of the country concerned, to have parallel missions of both institutions in the same country at the same time. In such cases, each mission would collaborate with the other, to the maximum extent feasible. They would participate in joint sessions with officials of the member country wherever this seemed useful, although it is recognized that much of the time each mission would have to have separate sessions with the government officials particularly concerned with matters covered by its terms of reference.

The report of each mission would be processed within its own institution in the normal way and then would be made available to the other institution. *Each institution may;*  
~~The Fund~~, however, ~~may~~ reserve the right to indicate that some or all of its findings should be withheld from any ~~bank~~ *(of the other institution)* report, particularly if the report is intended for publication.

5. In lieu of parallel missions, on occasion a staff member(s) of one institution may accompany a mission initiated by the other institution to work on agreed sections of the terms of reference of the mission. The day-to-day activities of such staff member(s) would be subject to the broad needs of the mission as determined by its chief. But the sections prepared by such staff member(s) would be dealt with in the same way as the report of a parallel mission as set out in paragraph 4.

6. In some cases, it may prove desirable and feasible--particularly where an essentially technical contribution is expected--to make arrangements for one or more staff members of one institution to be more completely integrated into a mission of the other institution. In such cases, the seconded staff member would be responsible to the head of the mission and his work would not be subject to review by his own institution. He would, however, be free to discuss his work with other staff members of his institution and the mission report and pertinent documents would be made available to the officers and staff of both institutions before being issued in final form. The administrative arrangements for collaboration of this kind would be worked out in advance, on a case-by-case basis.



Future Collaboration

7. We intend to keep under review the implementation of the broad principles set forth above in order to assure the maximum practicable cooperation. In specific areas, such as the conduct of consultative groups, the surveillance of indebtedness of developing countries, and participation in UNCTAD matters, procedures for coordinated action are under discussion and work in this direction will be continued.

*economic analysis*

*holding separate units into common ones...*

## OFFICE MEMORANDUM

TO: Files

DATE: November 23, 1965

FROM: Michael L. Hoffman *W.H.H.*

SUBJECT: Fund/Bank Collaboration

I told Mr. Southard today that we were going to accept all his changes in the draft Joint Statement on Fund/Bank Collaboration except the deletion of the arrangement for Fund area economists to be invited to certain meetings of the Bank Economic Committee. I said we agreed this was not an "important" step, but we would like to leave it in deleting the word "important." Mr. Southard agreed to this.

I told him that Mr. Demuth would now undertake to circulate this draft statement to the President's Council which was all the clearance that would be required in the Bank. He said that he would circulate it to the Department Heads concerned in the Fund and to Mr. Schweitzer. As Mr. Schweitzer is away at the present time, there may be some delay. I told him that Mr. Woods was also away and said we were in no great hurry. We agreed that in any event we would fix a common date for sending the document to the two Boards when all necessary internal clearances had been secured.

MLHoffman/pnn





# Office Memorandum

TO : Mr. Demuth

FROM : Frank A. Southard, Jr. *FS*

SUBJECT : Draft of Joint Statement on Fund/Bank Collaboration

DATE: November 22, 1965

I am sending to you herewith a slight revision of your draft of a joint statement. In order that you might see more quickly what changes I have proposed, I am also returning your original draft with my changes indicated on it.

I hope you can regard these changes as minor in character. For example, the deletion of the reference to the Bank Economic Committee was prompted by my feeling that it was not a very important step.

No one has seen either your draft or this revision in the Fund except Hebbard, Thorson and myself. If you are satisfied to use it as a basis for further discussion within the Bank, I would like to be advised so that I can show it to the appropriate people in the Fund. This would need to be done before it was sent to our Executive Board at a later time. Of course, if you have points to discuss I will be available at your convenience.

cc: Mr. Thorson  
Mr. Hebbard

November 24, 1965

DRAFT OF A JOINT STATEMENT ON FUND/BANK COLLABORATION  
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2. Bank reports will continue to take account of fiscal, monetary and financial matters, just as Fund reports take account of production in the various sectors of the economy and development plans. The staff of each institution, however, attempts to the maximum degree to obtain basic information on these matters from the other institution--so as to minimize



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The report of each mission would be processed within its own institution in the normal way and then would be made available to the other institution. The Fund, however, may reserve the right to indicate that some or all of its findings should be withheld from any Bank report, particularly if the report is intended for publication.

5. In lieu of parallel missions, on occasion a staff member(s) of one institution may accompany a mission initiated by the other institution to work on agreed sections of the terms of reference of the mission. The day-to-day activities of such staff member(s) would be subject to the broad needs of the mission as determined by its chief. But the sections prepared by such staff member(s) would be dealt with in the same way as the report of a parallel mission as set out in paragraph 4.

6. In some cases, it may prove desirable and feasible--particularly where an essentially technical contribution is expected--to make arrangements for one or more staff members of one institution to be more completely integrated into a mission of the other institution. In such cases, the seconded staff member would be responsible to the head of the mission and his work would not be subject to review by his own institution. He would, however, be free to discuss his work with other staff members of his institution and the mission report and pertinent documents would be made available to the officers and staff of both institutions before being issued in final form. The administrative arrangements for collaboration of this kind would be worked out in advance, on a case-by-case basis.





# Office Memorandum

TO : Mr. Demuth

DATE: October 27, 1965

FROM : Frank A. Southard, Jr.

SUBJECT : Merging of Sections of the Paper on "Fund/Bank Collaboration"

In the course of our discussion at lunch today you said you would like to see what could be done to merge sections 3(a) and 3(b) of the draft paper on Fund/Bank collaboration. I suggest that this might be done by adding to the end of 3(a) the following language:

"In lieu of a parallel mission, on occasion a Fund staff member (or members) might be added to a Bank mission to work on agreed sections of the terms of reference of the mission. The section prepared by the Fund staff member would be dealt with in the same way as the report of a parallel mission."

I believe it would be advisable to retain that much of the sense of paragraph 3(b) which would otherwise be deleted. We can't be sure just how our collaboration is going to evolve in the future and this technique might turn out to be useful. Also, if we are going to try to redraft the whole memorandum in terms of Fund and Bank, then all of these techniques of collaboration will need to be rephrased so as to make them apply as nearly as possible to both institutions.

cc: Mr. Thorson  
Mr. Hebbard  
Mr. Hoffman

SSM/M/65-33  
August 23, 1965

Senior Staff Meeting

August 18, 1965, 9:30 a.m.

BANK-FUND COOPERATION

3. Apropos of the arrangements for Bank-Fund cooperation described by Mr. Cargill in connection with Ceylon, the Chairman said that he had received from Mr. Southard a paper prepared by the IMF staff and containing proposals for Bank-Fund cooperation, with a request for the Bank's reactions. However, this paper was disappointing in that it dealt only with a narrow range of subjects, particularly the question of cooperation on field missions, and Mr. Woods had asked Mr. Friedman and Mr. Demuth to prepare an alternative paper for discussion with the IMF which would deal more fundamentally with the problems of Bank-Fund cooperation.



Mr. Frank A. Southard

July 7, 1965

J. Burke Knapp

Fund/Bank Collaboration

✓  
Referring to your memo of June 28 on the above subject, I have passed to a number of my colleagues the memo of June 24 which you attached. We would like to have the opportunity of preparing an alternative draft which would deal with some further possible areas of collaboration between the Bank and the Fund.

In view of the pressure of work here at the moment it may take us a little while to produce such a paper, but I shall be in touch with you again on the subject as soon as possible.

cc: President's Council

JBK:ism

P. P. - 13RD/HMF

Mr. George D. Woods

June 28, 1965

J. Burke Knapp

Fund/Bank Collaboration

June 24/65

Mr. Southard has sent to me the attached draft memorandum prepared by the Fund staff on the subject of collaboration between the Fund and the Bank. After reviewing this paper with us they plan to present it to their Executive Directors.

I should like to raise this paper for discussion at the Council Meeting on Thursday morning, July 1.

Attachment

cc: Members of the President's Council





2 - B/IMF

# Office Memorandum

TO : Mr. Knapp

FROM : Frank A. Southard, Jr. *JS*

SUBJECT : Fund/Bank Collaboration

DATE: June 28, 1965

*June 24*

In accordance with our telephone conversation of today, I am sending you herewith six copies of the draft Fund statement on Fund/Bank collaboration, which I should be glad to discuss with you and your colleagues informally at your convenience.

Mr. Richard H. Demuth

June 25, 1965

David L. Gordon

IBRD/IMF Cooperation in Country Studies and Coordination Arrangements

1. Recent changes in emphasis of Bank/IDA policy and operations -- for example, our work on UNCTAD and similar studies, intensive program review missions, coordination measures -- have the dual consequence, among others, of adding greatly to the economic work of the Bank staff and of enlarging the number and importance of the points where our operating concerns touch or overlap those of the IMF. At the same time, the Fund's work has been evolving in a somewhat similar way.

2. It seems timely, therefore, to consider whether and how our two institutions might cooperate more closely with a view to

(a) reducing duplication, both to cut our respective workloads and to avoid burdening our member countries with repetitious requests for information;

(b) reconciling, insofar as possible, the data and criteria on which are based the actions or recommendations of the two agencies in their respective fields.

The potential range of such collaboration is wide and varied. Some of the possibilities are mentioned in the following paragraphs; they are not intended as definite proposals but as a basis for study and discussion in the Bank and with the Fund.

Consultative Groups

3. The need for closer cooperation is most evident, perhaps in connection with the Bank's expanding CG relationships. One of their main purposes is to influence and assist the developing country in question to improve its economic performance; and many of the key tests of performance -- e.g., exchange, credit and fiscal policies -- are partly, if not primarily, IMF responsibilities. Thus it is important that the Fund's assessments and instruments be brought to bear fully. In the past, however, its role in consortia and CGs has not gone much beyond routine attendance at meetings and rather conventional warnings against inflation; it has taken little or no part in preparation or follow-up of these meetings.

4. The extent and character of IMF participation in CG meetings would necessarily vary for different countries and situations. Sometimes the critical need is for the developing country to take remedial credit and fiscal measures and obtain short-term financing before a longer range investment program can usefully be considered; in such cases, by agreement between the Bank and the Fund, the latter might take the lead in presenting



an agreed evaluation and recommendations to the CG members. More usually, the Bank would probably continue to make the main presentation and lead the discussion, but might still rely on the Fund for an authoritative commentary on certain aspects of the country's current financial situation and policies -- the monetary and credit picture, the balance of payments, etc. In any event, it seems clear that the two institutions should consult fully in advance of a CG meeting, if possible to agree on conclusions and recommendations or, if their respective evaluations or emphases turn out to be substantially different, to try to ensure that the issues are set clearly before the CG.

#### Economic Missions

5. Both Bank and Fund, in their operations, rely heavily on periodic economic missions, whose functions include reviewing the programs and economic policies of member governments, considering the needs and conditions for financing, discussing relevant policy issues with governments, and providing the basis for financing judgments or decisions at Bank or IMF headquarters. There appears to be considerable duplication in the work of these missions as regards collection of statistical and factual information. In large part, the data required for Bank and for IMF purposes are essentially similar, although the resulting reports may have quite different conclusions or emphases. There would seem to be a good case, in the abstract, for the two institutions joining forces for the collection and initial processing of these data -- in order to reduce their own workload, to lessen correspondingly the burden of work for technicians in the member country's Finance Ministry or Central Bank, and to help ensure consistency of definitions and presentation.

6. This proposal may, however, raise some operational problems:

(a) The compilation of economic data on developing countries is seldom a routine process. Apparent discrepancies and anomalies may need to be probed, and the significance of certain figures or trends discussed with not only the statistical technicians but also the policy makers of the government. Such discussions may bring out non-statistical information or indications which can help to illumine the policy deliberations of the Bank or the Fund, or may present opportunities for their informally advising or influencing the government. In other words, for both institutions the fact-gathering function has been an integral part of their process of consultation with member governments; this would no longer be true if fact-gathering were to become a mere technical exercise undertaken on behalf of the two agencies jointly. On the other hand, if the essential data were available in well-organized form in advance of a mission, whether of the Bank or of the Fund, the members of that mission would be no less able, and in general should be better able, to pursue their substantive investigations and discussions in well-considered fashion.

(b) The timing of missions may present a more serious problem. In those cases where a mission is occasioned by a specific proposed drawing from the Fund or credit from the Bank/IDA, the two



institutions would probably be operating on different time schedules. Fund operations are more likely to be of an urgent character; and their assessment of the situation, consultations with the government, the recommendation of the staff and formal action by the Executive Directors are usually compressed into a very short period. The Bank usually makes loan decisions at a more leisurely pace. But both institutions, especially the Bank, are seeking increasingly to conduct their operations in the context of a continuing relationship with individual member countries, in which economic assessments and consultations are undertaken at fairly regular intervals; sometimes this relationship is formalized in a CG. In those countries where both the Fund and Bank operations follow such a regular pattern, they should be able progressively to coordinate the timing of missions so that the preparatory work could be done for both agencies at once. This would not mean, however, that the substantive (consultative or negotiating, as distinct from essentially fact-gathering) missions of the two agencies would be mounted simultaneously; in fact the differing pace of their operations would normally require a different lead time for the fact-gathering phase. The special "crash" operation, which should increasingly be the exception, might still require an ad hoc mission -- which, however, would benefit from the background of a regular series of prior assessments and discussions.

7. Undoubtedly there would be other difficulties also; and definition of the form and content of reports, so as to meet the requirements of both agencies, would not be easy. Nevertheless, the advantages of arranging preparation of the factual -- statistical and descriptive -- portions of country economic reports under the two agencies' joint auspices, for their common use, would seem to be sufficient to justify further exploration of the specific possibilities and problems involved.

#### Consultations and Definition of Agency Policy

8. The system of annual Article XIV consultations, which has been so important a feature of IMF activities, has no precise parallel in the operations of the Bank. The Bank does review a member country's development program and related economic policies from time to time, but these reviews have not responded to any special requirement of the Articles of Agreement, nor conformed to any fixed schedule; their timing and terms of reference have generally been decided ad hoc. Broader Bank sponsorship of CGs may, however, lead to some standardization of the pattern; and consultations with a member country that is the object of a CG would usually cover some of the same ground as the periodic IMF consultations. Here again the need for the two agencies to coordinate their information and positions seems clear.

9. It seems neither possible nor desirable to try to combine IMF consultations with those that the Bank may consider necessary in fulfillment of its CG responsibilities. Each agency has its own jurisdiction, and its special concerns and relationships, which it will wish to pursue in its own way. But full interchange of information and views between the two agencies, on the premises and the results of their consultations with particular member countries, is increasingly necessary to enable them to define their



positions as consistently and assert their influence as effectively as possible. In fact, such a pattern of interchange and close collaboration seems to be evolving in relation to countries with which the Bank and the Fund are both deeply concerned -- e.g., Brazil, Ceylon, Colombia, India, Morocco, Pakistan, Turkey.

10. The role of the EDs in the definition of institutional policies and positions differs considerably as between the Bank and the Fund. The latter stresses "the principle that staff assessments and advice generally require the approval of the Fund Executive Board to acquire final validity." The Bank staff has more discretion, and the Board is not usually involved to any great extent in over-all assessments of country situations and policies. However, a general discussion like that by the Bank's Board on Brazil last month, while it is not likely to be duplicated for very many countries, may prove a useful way to seek a wider consensus than the "donors' club" represented in a CG, on the line to be taken with regard to certain particularly important and interesting countries. Where such a discussion does appear useful, it should presumably precede a formal CG meeting. The fact that the Bank's EDs would also have the benefit of any recent Fund assessment of the country situation -- and in several cases also serve as EDs in the Fund -- would help to give additional depth and perspective to their deliberations.

#### Resident Missions and Advisers

11. It has been suggested that joint designation of a Resident Representative by the Bank and the Fund, in certain countries where both are deeply and continuously involved, would be valuable both as a symbol and to make the implementation of a coordinated policy more effective. Certainly this should not be excluded. But the difficulties of properly defining lines of authority and terms of reference for such joint representation would be enormous -- especially for regional representation covering a number of countries, the approach currently being emphasized by the Bank. It would seem best to postpone the experiment of joint field representation until we have had more experience with Bank/Fund collaboration involving a less formal commitment. There should be considerable scope, however, for cooperation between Bank and Fund representatives in the same country or region -- through exchange of information, frequent consultation on matters of mutual interest, agreed division of labor in the collection of data or preparation of economic reports for CG or other purposes, etc. The instructions given by the Bank and IMF, respectively, to their representatives should encourage such cooperation.

12. Joint advisory missions also involve considerable problems of organization and direction. It will generally be simpler for the two agencies to agree, through informal consultation, on a division of advisory responsibility and to recruit and instruct advisers separately. Again, however, care should be taken to assure that advisers whom they respectively assign to deal with related fields will keep in the closest touch. The Fund seems somewhat more amenable than it has in the past to the idea of attaching a Fund staff member to, and even integrating him



into, a Bank mission (see the draft memo of June 24); and the possibilities of associating Fund experts in fiscal and monetary questions with Bank advisory missions having broader terms of reference might be explored on a selective basis.

#### Financing Operations

13. The primary function of both Bank and Fund, to which all the activities discussed in the preceding paragraphs are ancillary, is the provision of financial resources to meet the international payment and investment needs of member countries. Increasingly, for many developing countries, current financing and investment requirements tend to merge into a single problem. The distinction between Fund and Bank facilities and procedures remains, but is narrowing somewhat. For example: IDA, under the UK-Swedish proposal or something similar, may be called upon to pick up where the Fund's special compensatory financing facility leaves off; and their respective criteria and conditions would have to be carefully coordinated. Again, I understand that the Fund is now prepared to consider two-year standbys, which would help to bridge the gap between short- and long-term financing. The CG framework, for some countries, will provide a means by which both agencies can take account of and attempt to influence the provision of financing through bilateral channels.

#### Research and Training

14. The opportunities and advantages of cooperative research activity are beyond my sphere of competence, but they should be quite substantial. The ultimate prospect -- utopian at present but perhaps conceivable in the longer run -- might be a joint Economics Department. A practical possibility, that would run up against less formidable vested interests, would be a merger of the Fund's Institute with our own EDI.

#### Conclusions

15. In summary, the following points seem to emerge:

(a) There can be no clear-cut separation between the concerns of the Bank and those of the Fund; indeed, their areas of overlap are expanding.

(b) Neither can expect to dictate the policy decisions or operations of the other; e.g., if the performance of a country for which the Bank has sponsored a CG, with the Fund as a participant, should appear unsatisfactory to the Fund, the latter could not insist that the Bank refuse to lend or that it recommend such a refusal to other members of the CG -- nor could the Bank insist that the Fund commit itself to take, or not to take, any particular line of action vis-a-vis a member country. But the two agencies should fully exchange views about their respective attitudes and recommendations toward particular countries, whether a CG framework exists or not. The views of each agency should carry major weight with the other; if they are not accepted, the reason should be clear and cogent.



(c) The possibilities of joint collection of data, and joint research and training programs, offer considerable promise and should be actively explored. In other areas of mutual concern less formal consultation and cooperation are probably more feasible.

DLGordon/pnn  
IBRD/IDA



INTERNATIONAL MONETARY FUND  
WASHINGTON 25, D.C.

DEPUTY MANAGING DIRECTOR

CABLE ADDRESS  
INTERFUND

June 24, 1965

MEMORANDUM

To: Heads of Departments  
From: Frank A. Southard, Jr. *FS*  
Subject: Fund/Bank Collaboration

There is attached hereto the version of the draft on Fund/Bank collaboration which takes account of all suggestions received by Mr. Hebbard on the basis of the draft which was circulated on June 17.

I shall shortly send copies of this draft to Bank officials on an informal basis and elicit their comments preparatory to submitting the draft to the Executive Board.

cc: Mr. Schweitzer  
Mr. Mladek  
Mr. Hebbard  
Mr. Horsefield  
Mr. Williams  
Mr. Reid  
Mr. Coleby



June 24, 1965

Draft Fund Statement on Fund/Bank Collaboration

Introduction

The Fund and Bank have always cooperated closely on a large number of matters. This has followed from the fact that they are both concerned with the efforts of member countries to achieve and maintain satisfactory economic growth, and to increase living standards, under satisfactory financial conditions.

The need for close collaboration can be expected to increase. With expanding knowledge of and experience with members, each institution will have more interest in the implications which the work of each agency might have for the work of the other. This has been recognized by both institutions, for example, in connection with problems of debt burdens connected with suppliers' credits, and it has been agreed to cooperate closely in this field.

Proposals for improving collaboration between the Fund and the Bank are therefore timely. The objective--besides the obvious advantages of economy to be achieved by avoiding duplication of work--should be to ensure that member countries are receiving advice which is broadly based and consistent.

Basis for Collaboration

The following suggestions are made with these mutual interests in view:

1. There should be a close and continuous contact between the staffs of the two institutions. These contacts should provide the opportunity to exchange (a) information of a factual nature; (b) plans for sending missions; and (c) views on countries. The objective should be to achieve consistency of information and viewpoint at the staff level.

2. It would be expected that Bank reports would continue to deal appropriately with fiscal, monetary and financial matters, just as Fund reports deal with production in the various sectors of the economy and with development plans. Each institution would, however, attempt to the maximum degree to obtain basic information on these matters from the other institution--so as to minimize duplication of requests to the member. Also, in dealing with such matters, each would refrain from making or implying evaluations inconsistent with what is acceptable to the other in discussions with member countries or in documents which will reach them.

3. The methods of implementing these broad principles should be under continuous review by both agencies to perfect arrangements designed to improve the effectiveness of the coordination. In specific areas, such as the conduct of consultative groups, the surveillance of indebtedness of developing countries, and participation in UNCTAD matters, procedures for coordinated action are under discussion and work in this direction should be continued.

#### Methods of Collaboration in the Field

1. In addition to exchanging information and views with the Bank at headquarters as set forth above, the Fund would be receptive to requests for Bank staff members to accompany selected Fund missions as observers. The member would be informed about the cooperation, and its consent would be obtained. The Bank staff member would attend sessions with officials of the member country subject to determination by the chief of mission to whom he would be responsible. He would, of course, also be free to establish other contacts independently of the Fund mission relating to matters of special interest to the Bank. He would not share any responsibility for preparation of the report of the mission.



2. Similarly, arrangements for having one or more Fund staff members join a Bank mission as observers, or otherwise, can be envisaged. It is likely that Fund requests for observers on Bank missions would be infrequent; the Fund's contacts with members are numerous, and with those having difficult problems in the Fund's field they are often almost continuous. Accordingly it would appear that the need to update factual information would only occasionally seem to require adding a Fund observer to a Bank mission.

3. Where the situation calls for something more than gathering facts--i.e., where evaluations and advice to the member are likely to be involved--the Fund would, in working out ways to collaborate with the Bank, need to exercise care to maintain the principle that staff assessments and advice generally require the approval of the Fund Executive Board to acquire final validity. Bearing this in mind, three different approaches to collaboration in the field extending beyond arrangements for observers suggest themselves, depending on the circumstances, as outlined below.

(a) The Fund would be willing, when a new Fund review was needed, to send a parallel mission to the member country at the same time as a Bank mission. The following procedures are suggested. The Fund would obtain approval of the member country and would indicate both to the member and to the Bank what the terms of reference of the Fund mission would be. The Fund mission would collaborate with the Bank mission, participating in joint sessions in the member country wherever this seemed useful. But it would be expected that much of the time the Fund mission would have separate sessions, especially with central bank and treasury officials. The Fund mission would prepare its own report which in most cases would be sent to the Executive Board of the Fund for information or for approval when

appropriate. It would then be made available to the Bank for use in the preparation of a Bank report. The Fund might reserve the right to indicate that some or all of its findings should be withheld from the Bank report, particularly if that report is intended for publication.

(b) The second possible approach would be a variant of the parallel mission concept. A Fund staff member (or members) would accompany a Bank mission, and his day-to-day activities would be subject to the broad needs of the mission as determined by its chief. Arrangements would be made, however, for him to have direct contact with the Fund if necessary, and to receive guidance from the Fund. His report would deal with agreed sections of the terms of reference of the Bank mission, and would be treated in the manner set forth above in connection with parallel missions.

(c) Finally, it may prove to be possible--particularly where an essentially technical contribution is expected from the Fund--to make arrangements for a Fund staff member to be more completely integrated into a Bank mission. The administrative arrangements and understandings would be worked out in advance, on a case-by-case basis. The Fund staff member would be responsible to the head of the Bank mission, and his work would not be subject to review by the Fund. He should, however, be free to discuss his work with other Fund staff members, and the mission report and pertinent documents should be made available to the Fund management and staff before issued in final form. The Fund Executive Board would be informed of any intention to second a Fund staff member to a Bank mission.



## OFFICE MEMORANDUM

TO: Mr. R.H. Demuth

DATE: May 20, 1965

FROM: G.M. Wilson *G.M.W.*

SUBJECT: The Creation of Additional International Liquidity in the Fund

I attach a copy of a note from Mr. Southard, together with a copy of the Memorandum referred to therein.

Attachments (2)

cc: Members of President's Council

COPY

TO : Mr. Geoffrey Wilson

May 19, 1965

FROM : Frank A. Southard, Jr.

SUBJECT: The Creation of Additional International Liquidity in the Fund

I am sending to you herewith six copies of a memorandum recently prepared in the Fund on the above subject, which will be discussed very informally in the Board of the Fund on June 9. We do not anticipate any early action on any matters in it.

You may note that the possibility of Fund "investment" through IBRD/IDA is dealt with on pages 10-11. Some of us discussed this very informally with you a few weeks ago at a luncheon.

If you and any of your colleagues would like to go over any aspects of this paper with us -- either at an informal meeting or lunch -- please let me know.



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INTERNATIONAL MONETARY FUND

Research and Statistics Department

The Creation of Additional International Liquidity in the Fund--  
An Appraisal of Alternative Techniques

Prepared by J. J. Polak

May 17, 1965

I. Introduction

Although the general increase in Fund quotas has not yet gone into effect, it appears desirable to consider at this time alternative possibilities on the wider issue of increasing international liquidity in general. A quota increase is only a partial answer to the concern about a possible inadequacy of international liquidity. True, it provides a substantial increase in the amount of "conditional liquidity" that is available to members. But this alone has never been considered to be a full answer to the problem. The Report of the Ten, last summer, though dealing with the whole spectrum of international liquidity, singled out as a separate issue the question of increasing countries' "reserve assets." The increase in quotas by itself will do little if anything to increase the amount of such reserves: though gold tranche positions will increase and though such positions are now widely accepted as reserve assets, the increase in such positions that will accompany the increase in quotas will be offset by the transfer of gold in subscriptions from national reserves to the Fund.<sup>1/</sup> In the Fund's 1964 Annual Report, the Executive Directors indicated that they would give further study to the potential further contribution by the Fund toward the supply of unconditional liquidity. At about the same time as the liquidity reports of the Fund and the Ten appeared, UNCTAD also adopted resolutions on liquidity and on compensatory financing.

Methods whereby the amount of world reserves can be influenced and, if necessary, expanded, have been discussed very actively in recent months both within the Group of Ten and in other international bodies, and a large number of proposals are being examined.<sup>2/</sup> Greater urgency has been imparted to these discussions by the recent measures by the United States aimed at limiting the international supply of U.S. dollars and by renewed tendencies towards an increase in private gold hoarding. There is a widespread feeling that although it is not urgent to add to existing

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<sup>1/</sup> Mitigation of the impact of gold subscription payments on the reserves of reserve centers through offsetting Fund transactions merely prevents the initial decline in world reserves that would otherwise follow the quota increase.

<sup>2/</sup> A number of technical papers have been prepared by the Fund staff over the last eighteen months. A listing of these is given in the Annex.



- 2 -

world reserves, it is of importance that countries reach agreement on the manner in which the international monetary system should develop further, including the method by which additional reserves would be created as needed.

## II. Two Ways in Which Reserves Originate

As an introduction to the areas of action that may be envisaged, it may be useful to distinguish two broad ways in which reserves originate. Reserves may come into being either (1) in association with balance of payments surpluses ("earned reserves"), or (2) without any net international financing being involved in their creation. Of course, reserves once created by either route, then pass from country to country as a result of balance of payments surpluses and deficits.

(1) We may note four examples of earned reserves, three of which refer to the present, the fourth to one of the possible developments to which this paper is addressed:

- (a) accumulation of gold;
- (b) accumulation of reserves in the form of United States dollars (or other reserve currencies);
- (c) accumulation of reserves in the form of reserve positions in the Fund (gold tranche positions plus GAB claims) as a result of ordinary Fund drawings by other countries;
- (d) accumulation of similar positions in the Fund in association with certain other Fund operations, for example the acquisition by the Fund of claims on the IBRD.

In all these cases the reserves are accumulated as balance of payments surpluses by the surplus countries.<sup>1/</sup> This is in contrast to what happens in the second type of reserve creation.

(2) Reserves may be created through an exchange of claims or through the granting of lines of credit, either between countries directly, between countries through the intermediary of an international organization, or between a country and an international organization. Here again, it is possible to give a number of examples both outside and inside the Fund:

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<sup>1/</sup> They do not necessarily reflect balance of payments deficits on the part of other countries. The net increase in gold holdings is not matched by corresponding deficits, nor is IBRD borrowing to finance development. Regular Fund transactions clearly reflect deficit situations. The increase in currency liabilities of the United States is now regarded as a component of the U.S. payments deficit; but it was not so regarded in the years of the "dollar shortage" and that was probably the correct view at the time.



- (a) the simplest example is the bilateral swap transaction under which two countries write up equivalent claims on each other as part of their reserves;
- (b) the Collective Reserve Unit is of the same general family; it has been described as a "multi-lateral swap";
- (c) similar effects can be obtained within the mechanism of the Fund by two different techniques:
  - (i) by a decision to raise the extent to which members can have virtually automatic access to the Fund's resources; or
  - (ii) by the Fund borrowing currencies from member countries in the form of loan claims or deposits and investing these same currencies in the same countries.

While both types of techniques create "reserves," there are important differences between them. One difference is that it may be easier to make new arrangements for the creation of additional reserves if these are not associated with a payments surplus; that applies both outside of the Fund, where very large swaps have been agreed in a matter of days, and in the Fund, where reserve creation by increasing the range of automatic access to the Fund's resources could be achieved without amendment to the Articles. Beyond these technical considerations there are questions related to the accompanying effects arising from alternative methods of reserve creation and the corresponding creation of members' liabilities that will require further analysis.

It will require a good deal of further exploration to judge which of the basic methods will prove the more satisfactory; and perhaps it will be found that the use of a combination of techniques would produce the most acceptable results. In the two sections that follow both are discussed in terms of solutions that would fit into the framework of the Fund. First, in Section III, we discuss the technique mentioned under 2(c)(i), which consists in raising the extent of automatism of access. Thereafter, in Section IV, we analyze both techniques that involve the establishment of additional claims on the Fund and the investment of the resources so obtained. This Section therefore includes a discussion both of the technique mentioned under 2(c)(ii) (in Section IV.A) and that mentioned under (1)(d) (in Section IV.B) which, although there are important economic differences between them, have many technical aspects in common.



This is not to suggest that these proposals exhaust the possibilities of liquidity creation in general, or of liquidity creation through the Fund. It would appear, however, that most, if not all other possibilities, at least within the Fund, would fall into line as variants of present drawings plus the approaches discussed below.

It is perhaps necessary to mention here one subject that falls somewhat outside of the scope of this paper. It has been suggested that the Fund could reduce its gold stock, and increase that of its members, by making gold investments, by accepting gold certificates in lieu of gold subscriptions, etc. There are important legal differences among various techniques that could be considered in this general area, but they appear all to aim at the same economic objective, which is to limit the extent of the Fund's stock of physical gold and thereby to raise the amount of gold available to members, without reducing members' positions in the Fund. This is a subject worth exploring, but given the size of the Fund's gold holdings, it is not likely to provide a large contribution to the creation of international reserves over the longer run.

### III. Reserve Creation by Extension of Quasi-Automatic Drawing Facilities in the Fund

The simplest way of raising members' reserve positions in the Fund by a decision on drawing policies would be to raise the ratio of currency holdings to quota up to which members can draw under the gold tranche provisions, from the present 100 per cent to some higher number, e.g., 105 per cent after one year, 110 per cent after two years, etc.<sup>1/</sup>

In that simple form, however, the proposal does not take adequate account of either the full characteristics of the Fund mechanism or important differences between members.

It has become clear in the discussion on international liquidity (e.g., in the Fund's Annual Report and in the Report of the Group of Ten) that this liquidity ought to be seen as a broad range, or spectrum, running all the way from reserve assets in the form of gold and foreign exchange to credit facilities. Indeed, the Fund mechanism itself provides international liquidity over this whole spectrum without a sharp break in the range. Gold tranche positions and GAB claims fall within the reserve concept; they are unconditional (or "quasi-unconditional") liquidity. Drawing facilities in the first credit tranche are liquidity of the conditional type, but the "conditionality" is relatively slight. As a member moves into the higher credit tranches, requests for drawings are subjected to progressively more severe scrutiny, though there are exceptions in connection with drawings under the Decision on Compensatory Financing and in connection with special drawings related to the gold payments for quota increases.

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<sup>1/</sup> For a more detailed discussion, see DM/65/16, "Reserve Creation Through the Fund: Extension of Quasi-Automatic Drawing Facilities Beyond the Gold Tranche" by J. Marcus Fleming.



In view of this structure of the Fund's drawing facilities, a country's liquidity cannot be greatly increased by according gold tranche treatment to some portions of its first credit tranche facilities. In particular, countries following conservative financial policies will ordinarily have unused gold tranche drawing facilities and will expect no difficulty in obtaining drawings in the first credit tranche, if their payments position requires such requests for drawings. They would be little helped by any decision that was limited to giving gold tranche treatment to facilities previously available under first credit tranche rules. To make the decision more effective it would be necessary to include in it also the provision to raise correspondingly the maximum level of holdings (now 125 per cent of quota) to which first credit tranche type facilities apply. Even then a country would sacrifice an equivalent amount of conditional liquidity for the additional unconditional liquidity it acquired; but the amount foregone would in practice lie in the higher credit tranches, an area that would presumably not count heavily in most countries' appraisal of their liquidity availabilities.<sup>1/</sup>

If the new decision applied to all members across the board, it would raise the access to the Fund on gold tranche terms for any country that was not, at the time, using the Fund's resources beyond the new point to which quasi-automatic drawing rights were extended. The other countries would not acquire these additions to their reserve positions in the Fund until they had brought down the Fund's holdings of their currencies into the area of automatism. This has been described as the "self-qualifying" principle: a country's access to additional unconditional liquidity depends on its own action as regards use of the Fund.

One could, alternatively, imagine that the Fund would circumscribe the extension of automatism more narrowly, for example on some such criteria as the following:

- (i) The ease of drawing could be related to countries' record in the Fund--a general principle to which considerable attention was paid in the 1952 Decision on Use of the Fund's Resources.
- (ii) A strengthening of the Fund's liquidity will be required in order to meet the additional drawings as may result from the increased

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<sup>1/</sup> In order to avoid any loss of conditional for unconditional liquidity it would be necessary at the same time to raise also the 200 per cent point and to make appropriate adjustments in connection with compensatory financing and special drawings for quota increases.



drawing facilities; this could be achieved by the creation of special stand-by facilities to lend to the Fund on the part of the countries whose currencies are normally used in Fund drawings. It could, therefore, be made a condition for a country's receiving additional quasi-automatic drawing facilities that it would stand ready to lend to the Fund additional amounts of its currency.

At present there would be a substantial difference between extending automatism across the board as against extending it to some narrower group of members along the lines indicated. About one-fourth of the Fund's total membership have drawings outstanding in the credit tranches, of which perhaps half have been for a considerable period in a position where the Fund's holdings of their currencies exceeded their quotas. These countries would in practice be self-excluded from the benefits of the extension of automatism even if applied across the board. At the other end of the spectrum, there are less than 15 countries whose currencies have frequently been drawn. Between these two groups there are at least two other large groups of countries: those that have been members for a long time and have used the Fund only for brief periods, if at all, although their currencies have never been drawn; and those that have been members too briefly to have built up any particular record in the Fund. The difference between a broader and a more limited application of extended automatism might well shrink considerably in a few years as more countries with strong reserve positions would be drawn upon and a clearer picture of the reserve policies of the new members would become established.

#### Compensatory Financing

It will be noted that, whichever way these matters are handled, they would appear to involve in any event changes with respect to both conditional and unconditional liquidity. There are here certain similarities to, but also very important differences from, the Fund's policy on compensatory financing. That policy has created both an enlargement of drawing rights beyond their normal maximum and a somewhat greater degree of automatism than normally applied beyond the first credit tranche. But the incremental value of these facilities is limited in two respects. First, they apply only to one category of payments difficulties, those arising from an export shortfall. Secondly, their benefit accrues predominantly to those primary producing countries whose policies would not readily qualify them for use of the Fund in the higher tranches; other countries would in any event have little difficulty in using the Fund if their payments position fell victim to an export shortfall that was beyond their control.<sup>1/</sup> For these reasons, whatever may be the merits of enlarging

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<sup>1/</sup> This point parallels the observation made above that countries with unused gold tranche positions would not normally benefit much from a change in policy that raised access to the first credit tranche to gold tranche equivalent.



the compensatory financing facility, action along that line can clearly not be considered as taking care of the general liquidity needs of the totality of the developing countries, or as permitting an approach to the reserves problem that would be limited to a small group of developed countries.

#### Reserve quality of reserve positions in the Fund

In order that reserve creation along the lines of this section would be effective, it would, of course, be necessary for countries to consider as part of their reserves the full amount of their access to the Fund on gold tranche terms, i.e., (a) the amount of drawing facilities available under the present definition of the gold tranche, (b) the amount that would become available on the same terms in the first credit tranche, (c) GAB claims, and (d) any claims on the Fund that would arise under the lines of credit established to provide the Fund with additional resources under this proposal.

The status of the gold tranche as a reserve component has been clarified by the Fund's Decision of August 1964 which facilitated the procedure of gold tranche drawings as a way to emphasize the reserve character of gold tranche positions. It will be a question for consideration whether on this basis the gold tranche provision will prove adequate, after countries have had enough time to become accustomed to this new form of reserves, both up to the 100 per cent point and also (perhaps with somewhat greater difficulty) beyond that point. If it should prove that the reserve characteristics of these Fund positions were not fully adequate for a substantial number of countries, then it might be necessary to see to what extent and how they could be further enhanced.

#### IV. The Creation of Reserves in the Fund in the Form of Additional Fund Liabilities

The second major approach to an increased role of the Fund in the creation of international liquidity proceeds through an enlargement of the balance sheet totals of the Fund: the Fund acquires claims and in order to finance these claims it enhances its liabilities by borrowing in one form or another. From the asset side of the balance sheet, this form of reserve creation can be described as the acquisition by the Fund of special claims (or, a briefer term that may, however, convey a less clear picture of the nature of the operation, as Fund "investment"<sup>1/</sup>); from the liability side, and referring to the form which the additionally created reserves take, it may be described as the creation of loan claims on the Fund.

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<sup>1/</sup> This was the term used in the Fund's 1964 Annual Report, (p. 38). "Investment" is meant here in the sense of the French financial term "placement," without the connotation of purchases of securities in the market, rather than the economic term "investissement."



On a small scale the Fund could also acquire special assets without attracting new resources, viz. by using some of its present holdings of currencies. Since these operations would reduce the Fund's holdings of the currencies used in them they would create additional reserves in the form of gold tranche positions. But the bulk, if not all, of the Fund's holdings of currencies are needed for potential use in the Fund's ordinary transactions; liquidity creation via the "investment" route will, therefore, if it is to proceed on any substantial scale, have to be accompanied by an increase in the Fund's liabilities of an equal amount. Beyond this, it would also be necessary (as above) to make arrangements to supplement the Fund's resources to meet the secondary impact of the primary liquidity creation. These arrangements, rather than the liquidity of the assets acquired by the Fund, would provide the basis on which countries could consider their loan claims on the Fund as liquid assets.<sup>1/</sup>

#### Reserve quality of new Fund liabilities

Inasmuch as the stated purpose of the operation would be to add to world reserves, the liabilities to be created would have to be such as to be suitable for incorporation in countries' reserves. The precise nature of these Fund liabilities (i.e., members' reserve assets) would have to be worked out, but it is clear that they would include at least the following: (i) the facility of the asset to be encashed for useful currency at least as freely as gold tranche positions, or alternatively to be transferred directly to other members <sup>2/</sup>; (ii) a gold value guarantee; (iii) interest at a modest rate reflecting the gold value of the claim. It will be noted that claims under the GAB have these three characteristics.

#### Country distribution of assets to be acquired

The Fund's normal financial activities, executed in the form of drawings, are designed to make financial resources available to members, in appropriate amounts and on appropriate conditions, to meet balance of payments problems. If the Fund used a new facility to acquire special assets for the same purpose of making balance of payments loans, this could hardly fail to confuse and undermine the Fund's drawing policies. It is, therefore, taken as a starting point here that the country distribution of the special assets to be required would not be based on the balance of payments needs of individual countries. The total amount of such assets to be bought by the Fund would of course be decided on general liquidity considerations. Within that total one can envisage two basic principles of distribution.

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<sup>1/</sup> See DM/65/12, "Effect of Various Types of Fund Reserve Creation on Fund Liquidity" by J. Marcus Fleming.

<sup>2/</sup> Encashment represents an indirect transfer: as the encashing country draws currencies from the Fund, the claims on the Fund of the countries whose currencies are drawn increase correspondingly.



A. Acquisition of assets in the countries from which the Fund borrows the additional resources, and in the same amounts.

This is essentially a swap operation between the Fund and the member for the sole purpose of creating liquidity. The member's claim on the Fund will be liquid on the terms indicated above; the matching Fund's claim on the member would not be exercised except in certain unusual circumstances, such as liquidation of the arrangement or reduction of international liquidity. The two opposite claims would presumably carry the same interest rate, which would mean that the member would receive no net interest as a result of the creation of the claim but would pay a net interest if it used its claim. In its nature and in its technique of creation, this operation would, therefore, resemble closely the Collective Reserve Unit.

This technique would also in many respects resemble the technique of reserve creation discussed in Section III, in that it would give the members involved additional claims on the Fund with gold tranche attributes. Introduction of the technique would also pose many of the same problems, for example whether the facility should be extended to all countries or only to a narrower group, and how this group should be defined.

Accordingly, the technique described here and the technique of extended automatism elaborated in Section III can best be seen as alternatives of an essentially similar economic character, whose relative merits should be judged on the basis of a variety of technical considerations. Some of these, mentioned below, appear fairly obvious at this stage; others are likely to become apparent as a result of further analysis:

1. Extended automatism does not require amendment; the acquisition of special assets involved in this technique would do so.

2. Extended automatism would be linked to quotas; the exchange of claims could be allocated by countries on a different principle, or more flexibly.

3. Under extended automatism the initial increase of reserves would occur in the form of gold tranche positions, and lines of credit would have to be provided to the Fund only to the extent that countries might have to accept transfer of the newly created reserve positions in the Fund. Under the swap technique these lines of credit would have to be large enough to include, in addition, the loan claims acquired in the initial swap operation.

4. Reserves of gold tranche character are, when used, subject to interest payment (charges) and repurchase. The liquidity of newly created loan claims on the Fund might be marginally different, such claims would not be subject to the repurchase provisions of the Articles (although positions used up in meeting payments deficits would have to be reconstituted under the lines of credit as reserves recovered), and they would involve a loss of interest received in case of use.



5. As discussed in Section III, extended automatism would involve a loss of conditional liquidity in the higher tranches; since the exchange of claims would be superimposed on the existing structure of Fund drawing rights, it would involve no such offset.

B. Acquisition of assets in some countries using the currencies borrowed from other countries.<sup>1/</sup>

The Fund could borrow resources from countries with reserves large enough to be able to afford substantial reserve positions in the Fund and use these resources to finance the acquisition of assets in other countries. Under this arrangement additional reserve positions in the Fund would broadly accrue to the countries whose currencies are widely used in drawings or the Category I countries in IDA. Insofar as the Fund would acquire assets in developing countries, it might be the most practical approach under this arrangement for the Fund to acquire the liabilities of an international investment agency, such as the IBRD, whose operations, while related to countries' need for capital, are not based on balance of payments deficits.

If the Fund were to borrow amounts in a variety of currencies from certain countries and turn these over to the IBRD for use in its operations, the resulting aggregate increase in reserves would equal the amount made available to the Fund by lending countries; but reserves would accrue to individual supplier countries as a result of the additional exports they developed, and independently of the amounts of their currency used in the operations.<sup>2/</sup>

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<sup>1/</sup> The possibility of investment in all countries using the currencies of some countries is, in fact, a combination of A and B.

<sup>2/</sup> This would happen as a result of four currency flows, which could take place simultaneously: (i) from lenders to the Fund, (ii) from the Fund to the IBRD, (iii) from the IBRD to borrowing countries, (iv) from the latter to countries supplying development goods. It should be noted that if one takes these flows separately, it is, under present Fund arrangements, the second one that creates the increase in gross world reserves. The first one raises a country's loan claims or deposits in the Fund; but it increases at the same time the Fund's holdings of the country's currency and thus reduces its gold tranche position correspondingly. The second flow removes the increase in Fund holdings and thus brings about an increase in the lending country's reserves. This increase in gross reserves is, however, matched by a currency liability to the IBRD, or, as a result of the third flow, to the countries in which the IBRD invests. Finally, in the fourth stage, the currency liabilities will be extinguished in total as the developing countries buy additional goods from the developed countries. For an individual supplying country whose additional exports are less than the amount of its currency liability that was created by flow (ii), only part of that currency liability will be cancelled by increased exports; the remainder will be cancelled as other supplying countries, whose additional exports exceed the amount of their currency invested by the Fund, convert into a major reserve currency or into gold the excess earned by them in the form of currency balances.



It should be noted that when the IBRD finances the same amount of investment by borrowing in the capital markets, aggregate reserves do not increase. Supplying countries earn the same additional amounts from exports, but lending countries (presumably roughly the same group) enter in their balance of payments an offsetting debit item (equal for all countries combined) on account of the purchase of IBRD bonds. The reserves of individual countries increase or decrease depending on the difference between each country's additional exports and its purchase of IBRD bonds. In other words, the increase in world reserves under the arrangement discussed is attributable to the monetization of the IBRD liabilities via the Fund, rather than to the IBRD investment operation itself.

Annex

- DM/63/63    Role of the International Monetary Fund in the Provision of International Liquidity, by J. Marcus Fleming (Staff Papers, Volume XI, No. 2, July 1964)
- DM/64/16    The Management of International Liquidity, by O. L. Altman (Staff Papers, Volume XI, No. 2, July 1964)
- DM/64/19    International Reserve Units Compared with Gold Tranche Positions in the Fund, by Research and Statistics Department
- DM/64/39    Reserve Creation Through the International Monetary Fund, by Research and Statistics Department
- DM/64/61    Reserve Creation Through Fund Investment and Through Composite Reserve Unit Schemes, by Research and Statistics Department
- DM/64/68    Technical Aspects of Reserve Creation Through Fund Investment, by J. Marcus Fleming
- DM/64/72    The Evolving International Monetary Mechanism--The Report of the International Monetary Fund, by J. J. Polak
- DM/65/12    Effect of Various Types of Fund Reserve Creation on Fund Liquidity, by J. Marcus Fleming
- DM/65/16    Reserve Creation Through the Fund: Extension of Quasi-Automatic Drawing Facilities Beyond the Gold Tranche, by J. Marcus Fleming



ROUTING SLIP

Date

Nov. 9, 1964

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. ~~Cope~~

651

Spoken to Woods  
on this Nov 10 64

*[Signature]*

Action

Note and File

Approval

Note and Return

Comment

Prepare Reply

Full Report

Previous Papers

Information

Recommendation

Initial

Signature

Remarks

Please tell me about "unfortunate experience"  
referred to in footnote--verbally.

GDW

11/7

Mr. Cope - As you know, Mr. Woods will be  
back Tuesday morning.

B. Schmitt

11/9

Fr

Form No. 75  
(2-60)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

ROUTING SLIP

Date

November 6, 1964

NAME

ROOM NO.

Mr. Woods

*to see.*

1220

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

*Mr Cope*  
*Pls Tell me*  
*abt "unfortunate expense"*  
*referred to in footnote -*  
*verbally*  
*sent 11/7*

From

Gerald Alter



## OFFICE MEMORANDUM

TO: Files

DATE: November 5, 1964

FROM: Gerald Alter *GA*SUBJECT: Discussion with Mr. Frank Southard, International  
Monetary Fund

On my initiative, I had a discussion today with Mr. Southard about Bank/Fund cooperation, particularly with reference to cooperation in Brazil and Chile. This meeting was a follow-up on discussions with Jorge Del Canto, Director of the Fund's Western Hemisphere Department. During these discussions I had suggested that the Fund might welcome a Bank observer to sit in on the discussions which Fund missions in Brazil and Chile would be having on economic and financial policies with the Brazilian and Chilean authorities. Mr. Del Canto, after checking with Mr. Southard, had agreed to attaching a Bank observer in Chile, but had reported that Mr. Southard was not in favor of following the same practice in Brazil.

Mr. Southard confirmed that this was his point of view, explaining that he was very interested in Bank/Fund collaboration but that he doubted very much that "we should back into" arrangements which envisaged joint missions. He pointed out the difficulties which arise from the slowness of decisions in the Bank and the different relationships between the Management and the Board. Thus he feels we should adopt a very experimental approach in mission work.

He was perfectly happy to approve an experiment in Chile, where the problems of Fund relationships with the country are not so difficult, but was reluctant to go ahead on the same basis in Brazil, where Fund relationships with the country are very delicate and might be complicated by the presence of a Bank observer.\*

I presented my own case to Mr. Southard for attaching a Bank observer to the Fund mission in Brazil in a cautious manner. I pointed to the practical advantage which would result from our not having to tie up the time of the same Brazilian officials to discuss exactly the same matters which the Fund mission would be discussing with them. On the substantive side, I pointed to the advantages which would accrue to the Bank in having a better background in which to form a judgment about the results to be expected from the stabilization program. From the point of view of the Fund, I pointed out that the mere presence of a Bank observer might give support to the Fund in its negotiations.

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\* During the course of the conversation, Mr. Southard alluded several times to the very unfortunate experience of Bank/Fund collaboration in Portugal, although its relevance to the case under discussion was not clear to me.

Files

- 2 -

November 5, 1964

Mr. Southard did not find my arguments very convincing and I did not push them very far. The meeting ended with assurance from both sides that our missions in Brazil would cooperate very closely together, even if no Bank observer was present at the Fund meetings.

cc. Messrs. Woods  
Knapp  
Friedman  
Cope  
de Vries



## OFFICE MEMORANDUM

TO: Mr. Douglas J. Fontein

DATE: May 21, 1964

FROM: Victor Wouters *VW*

SUBJECT: IMF Reform and IBRD

1. The purpose of this memorandum is to draw your attention to the suggestions made by Mr. P. P. Schweitzer, Managing Director of the IMF, in a speech to the Chamber of Commerce in New York on May 5, 1964. Mr. Schweitzer hinted that three broad changes are being considered in the operation of the Fund with a view to increase international liquidity (re: the attached press item in the New York Times of May 6, 1964). These changes were elaborated in a paper by Mr. Marcus Fleming of the IMF, presented to a seminar held last November in the Fund Board Room. One of the proposed reforms would affect the Bank.

2. The proposal which is of immediate interest to the Bank is the suggestion that the IMF should be allowed to increase its investments of gold, currency subscriptions and borrowed funds (probably including deposits by member countries). The main features of these investments would be (pp. 25 and following of Mr. Fleming's report):

- (i) The IMF would be allowed to invest (lend) the borrower's own currency, other currencies and gold by way of securities.
- (ii) The loans would be protected by a gold value guarantee.
- (iii) The borrowers would be national governments.
- (iv) The securities might be of long as well as of short maturity. Short-term investments would be designed to meet cyclical fluctuations and would usually be made in the industrial countries. Long-term investments (about 20 years) would be deemed appropriate when the objective is (a) to increase the supply of international liquidity; and (b) to stabilize currencies.
- (v) In the latter case (iv (b)), the IMF would invest in the reserve currency country; for example, in order to counteract a significant decline in the holdings of the reserve currency in other countries. The investment would be long-term since the decline might be a permanent one. Other long-term investments (iv (a)) would, insofar as possible, be made in underdeveloped countries, through existing intermediaries such as the IBRD, the IDA, etc.

3. The suggestion to make long-term investments through the intermediary of the Bank or the IDA raises a number of questions, which have not been dealt with by Mr. Fleming! For example:

- (i) Would the Fund apply the same standards of creditworthiness as the Bank? Would it, for example, lend to Turkey when the Bank refuses to do so? Would the Fund be prepared to lend to all countries to which the Bank is lending? Would creditworthiness appraisals require joint Bank-Fund missions?
- (ii) Would Fund lending affect the Bank's lending to industrialized countries? Would the Bank be considering a loan to Italy, for example, if the Fund were now permitted to undertake the proposed investments? Would Fund lending affect the potential of market loans by the Bank? Where would the dividing line be drawn between Bank and Fund operations?
- (iii) Mr. Fleming's report implies that the Fund would decide which countries would be eligible for Bank loans. It is, however, not yet clear whether this would serve the interests of the Fund in the best way. The Fund might, for example, limit itself to investing in Bank bonds. In this way, it would avoid pressure to make loans in proportion to member quotas, and its investments would be safer.
- (iv) How could the Fund lend through the IDA unless the terms of Fund loans are the same as those of IDA credits?
- (v) If the Fund's objective is to increase international liquidity premanently, it might be preferable to make the loans through the IDA rather than through the Bank.
- (vi) Is the gold clause an absolute necessity or could it be replaced by foreign currency loans?
- (vii) How is the Fund going to lend to a country which is unable to produce suitable projects, or which has only a limited number of projects which the Bank is prepared to finance?



(viii) What would be the annual lending rate of the Fund  
and how would it affect the rate of Bank lending?

4. In view of Mr. Schweitzer's speech and the publicity given to these proposals it might be opportune for the Bank to study their merits in detail and subsequently to consider whether this matter should be explored more fully with the Fund.

Attachment

cc: Mr. Thompson

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
PRESS CLIPPING SHEET

| ROUTING LIST      | ROOM | FROM                                                                                                                                                                                                                                                                                                     | COUNTRY     | FILE |
|-------------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------|
| 1.                |      | <b>One of the following MUST BE CHECKED before returning the attached clipping to Research Files:</b><br><br>RETAIN 6 MONTHS <input type="checkbox"/><br><br>RETAIN 1 YEAR <input type="checkbox"/><br><br>RETAIN (SPECIFY) _____ YEARS <input type="checkbox"/><br><br>DISCARD <input type="checkbox"/> | IMF-IBRD    |      |
| 2.                |      |                                                                                                                                                                                                                                                                                                          | SOURCE      |      |
| 3.                |      |                                                                                                                                                                                                                                                                                                          | N.Y. Times  |      |
| 4.                |      |                                                                                                                                                                                                                                                                                                          | DATE        |      |
| 5.                |      |                                                                                                                                                                                                                                                                                                          | May 6, 1964 |      |
| 6. RESEARCH FILES |      |                                                                                                                                                                                                                                                                                                          |             |      |

## SCHWEITZER HINTS A NEW FUND ROLE

**Monetary Chief Indicates  
Sweeping Shifts May Be  
Made in Basic Policy**

### LIQUIDITY NEED NOTED

**Speech Here Acknowledges  
Necessity of Increase in  
Convertible Currencies**

**By PHILIP SHABECOFF**

Pierre-Paul Schweitzer, managing director of the International Monetary Fund, hinted yesterday that sweeping changes were being considered in basic fund policies.

Discussing recent international monetary developments in a speech before the New York Chamber of Commerce, Mr. Schweitzer mentioned several methods by which the fund could help increase world liquidity.

Observers noted that it was the first time Mr. Schweitzer had publicly acknowledged the need for positive action to increase international liquidity since he became head of the fund last year.

International liquidity refers to the availability of gold and convertible currencies to settle international payments that arise, chiefly, from trade and capital movements.

### No Concern Now

Mr. Schweitzer emphasized that there was "no major cause for concern in the present position of the international monetary system."

He added, however, that "I am sure that we will have to make provisions for increasing liquidity in the future through international cooperation." This, he said, could be done through innovations along the lines of policies now being followed instead of through "drastic change."

However, observers said that three of the innovations hinted at by Mr. Schweitzer were of broad significance. These were:

1. An increase in the quotas subscribed to the fund by member nations.
2. An invitation to member countries to make fuller uses of the fund's resources in normal financing operations as well as in times of crisis.
3. The possibility that the fund might accept deposits from member countries and also might make investments on its own initiative.

### No Elaboration

Mr. Schweitzer did not elaborate on any of these points. However, economists and other interested observers were drawing their own conclusions yesterday.

The call for member countries to increase their quotas was regarded as an acknowledgement that action would have to be taken to enable members to exercise their drawing rights.

One observer said that the increased quotas were necessary because the fund was running out of usable dollars and sterling.

The so-called committee of ten of powers that have been studying the liquidity question is said to have been considering an increase of I.M.F. quotas

but has not reached a decision as yet.

The invitation to make fuller use of the fund's resources was interpreted by some observers as an indication of a more liberal fund drawing policy. Member nations on occasion have felt constrained to draw no more than the 25 per cent of their quota represented by their gold contribution.

The implication that the fund might accept deposits from countries with a temporary excess of reserves, such as West Germany, was viewed as a variation on a plan originally proposed by Maxwell Stamp, a Briton.

### How It Would Work

Under the plan, a country making deposits might receive interest-bearing I.M.F. certificates denominated in a number of hard currencies. The rate of interest would be somewhat lower than that obtainable on United States Treasury bills of similar maturity. But presumably the I.M.F. certificates would be guaranteed against devaluation.

Wholly new was the suggestion that the I.M.F., at its own initiative, use such funds for investment, in part in developing countries.

One explanation was that this would answer the criticisms of developing countries that the fund had done little to meet their chronic payments deficiencies.

Another, simply, was that it would give the fund greater operating freedom without requiring the increase of member nation quotas as much as they otherwise might have to be increased.

In the United States, for instance, Congress would not have to be asked to make as large a budget appropriation as it otherwise might. And the United States monetary gold stock would not have to be drained to the same extent.



OFFICE MEMORANDUM

TO: Files

DATE: March 24, 1960

FROM: O. J. McDiarmid *ojm*

SUBJECT: Regular Meeting with IMF

Participants: Messrs. Gunter and Hibbard of the Fund and  
Messrs. Rucinski, Stevenson, Prasad, Folk and McDiarmid  
of the Bank.

1. Sudan. Mr. Hibbard reported on the recent Fund Consultation Mission to the Sudan. Mainly as a result of a record cotton crop (25% above last year) which is expected to yield about £ 50 million of foreign exchange income, the Sudanese balance of payments should be quite favorable in 1960. A rough estimate is that exports plus capital inflow may be £ 73 million in 1960 as compared with £ 49 million in 1958. There has been a considerable relaxation of import controls but there is also need for direct credit controls. The Sudanese estimate of foreign capital available in 1960 was £ 22 million. This includes £ 7 million of drawings on the IBRD railway loan, although the railway people in the Sudan have some doubts as to whether the latter amount will actually be spent. The Fund estimate of net capital imports in 1960 is £ 15-16 million.

The IMF report is expected to be ready towards the end of April. Mr. Brakel should get in touch with Mr. Hibbard.

2. Libya. The Fund has just completed its first Consultation Mission to Libya. The Fund is considering suggesting that someone be sent to Libya to provide some assistance in preparation of monetary statistics. Mr. Hibbard said that the Libyan authorities are very much interested in improving governmental organization and were looking to the IBRD Survey Report in this connection. The Central Bank has recently attempted to carry out more central bank functions. The Fund was somewhat concerned about the problems connected with monetary expansion and felt that some increase in imports might be desirable. Mr. Prasad was inclined to agree although he had some sympathy with the desire of the Libyans not to spend their foreign exchange on nonessentials. There has been a considerable pile-up of unused aid funds in Libya.

3. Iran. The Fund has had no recent contact with Iran. It probably would be prepared to provide some technical help in working out a satisfactory monetary policy, and this certainly would be essential if Iran desired to draw more than \$12.5 million of the unused portion of her gold tranche. There was considerable discussion of the fiscal situation including the fact that the financial situation of the Government was still uncertain despite the rather surprising favorable position in the budget of 1959-60. We are hoping for favorable results of the new banking legislation which Mr. Folk said had been passed and from the Financial Plan.

4. Saudi Arabia. Mr. Gunter is to visit Saudi Arabia in the latter part of April. This will not be an official Fund mission, however. Mr. Rucinski mentioned a plan for a Bank mission to Saudi Arabia.

Mr. Gunter said that the Fund would probably have missions to Lebanon and Jordan during the summer. They were hoping for more favorable results from their consultations in Lebanon following the establishment of the proposed monetary credit board. It was agreed that there would be another meeting in mid-April on Ethiopia and Pakistan.

cc: Messrs. Rucinski, Stevenson, Prasad, Folk, Brakel

OJMcD:mm



# STAFF LOAN COMMITTEE

SLC/M/739

February 5, 1959

Minutes of Staff Loan Committee Meetings held on Friday,  
January 23, 1959 at 11:30 a.m. and on Wednesday,  
January 28, 1959 at 2:30 p.m. in Room 1005

IT-LN 235

CC-NUCLEAR ENERGY

CC-IBRD/DAF LONDON

## 1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. J. Rucinski 1\*/  
Mr. S. R. Cope 1\*/ 2/ 3/  
Mr. O. A. Schmidt  
Mr. M. M. Rosen 2\*/ 3/  
Mr. S. Aldewereld 1\*/ 2/ 3/  
Mr. A. Broches

Mr. L. B. Rist  
Mr. H. W. Riley  
Mr. R. H. Demuth 1\*/ 2\*/ 3/  
Mr. H. Prud'homme 2/ 3/  
Mr. W. M. Gilmartin 1/  
Mr. H. G. A. Woolley, Secretary

## In attendance:

Mr. W. A. B. Iliff 2/ 3/  
Mr. Davidson Sommers 1\*/ 2/ 3/  
Mr. M. M. Mendels 2\*/ 3\*/ 3/  
Mr. M. L. Hoffman 2/ 3/  
Mr. M. L. Lejeune  
Mr. P. J. Squire 1/ 2/ 3\*/  
Mr. E. E. Clark 1/ 2/  
Mr. C. Allardice  
Mr. N. Bass 1/ 2/  
Mr. R. G. Bateson 1/ 2/  
Mr. K. A. Bohr 1/ 2/

Mr. R. W. Cavanaugh 1/ 2/  
Mr. W. Diamond 1/  
Mr. C. Finne 1/ 2/  
Mr. G. A. Hathaway 1\*/ 2/ 3/  
Mr. A. M. Kamarch 3/  
Mr. S. Lipkowitz 1/  
Mr. G. S. Mason 1/ 2/  
Mr. H. N. Scott 1/ 2/  
Mr. A. Wenzell 1/ 2/  
Mr. G. R. Young

1/ First session (Italy).  
2/ Second session (Italy).

3/ Bank/Fund Collaboration.  
\* Part only.

## 2. Italy

The Committee considered Memorandum SLC/O/983 on the proposed loan for the nuclear power project and

AGREED that

- (a) the Cassa should be the borrower;
- (b) the protection, if any, to be extended to SENN by the Government against the exchange risk was a matter for decision by the Italian Government in which the Bank should not intervene;
- (c) SENN should covenant to hold its accumulated reserves in liquid form until such time as the Bank, SENN and the Cassa decided that the amount was more than adequate for this project;

- 2 -

- (d) the Bank should inform the Italian Government, SENN and the Cassa that it would be prepared to begin negotiations for the proposed loan in March or as soon thereafter as they were ready to provide the assurances required in para. 103 of the technical appraisal.

### 3. Nuclear Operations

The Committee also heard an oral report by Mr. Allardice on the Bank's possible future in this field and

AGREED that

- (a) the Bank's requirement of competitive bidding had appeared to be of value to the SENN project; and
- (b) decisions on the general technique to be followed by the Bank in future operations of this type should be made on an ad hoc basis after projects had been presented.

### 4. Bank/Fund Collaboration

The Committee considered Memorandum SLC/O/984 on Bank/Fund collaboration in assisting member countries to design measures for economic stabilization and

AGREED that

the Bank should wait for a specific case before determining the course of action to be followed.

5. The meeting adjourned at 1:00 p.m., reconvened at 2:30 p.m. on January 28 and adjourned at 5:00 p.m.



## STAFF LOAN COMMITTEE

SLC/A/740

FROM: Secretary, Staff Loan Committee

January 23, 1959

### NOTICE OF MEETING

A meeting of the Staff Loan Committee will be held on Monday, **DECLASSIFIED**  
January 26, 1959, at 3:00 p.m. in Room 1005

**AUG 25 2025**

### AGENDA

**WBG ARCHIVES**

#### Economic Stabilization

The Committee will consider Memorandum SLC/O/984 on Bank-Fund collaboration in assisting member countries to design measures for economic stabilization, distributed on January 22 (see SLC/A/739/1).

#### DISTRIBUTION

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Directors of Operational Departments  
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Secretary  
Director, Office of Information  
Director, Economic Development Institute  
Special Representative in Europe (Agenda only)

x Spain

Mr. Eugene R. Black

January 8, 1959

J. Burke Knapp

Fund-Bank Relationships on Stabilization Programs

Attached as Annex A is a letter to the Spanish Minister of Finance which has been drafted for your signature.

In this connection, I should like to report to you discussions which we had with the Fund during your absence regarding eventual Fund-Bank collaboration on a Spanish stabilization program. I think that this case raises broader questions of Fund-Bank cooperation in this field.

On December 18 we had a Staff Loan Committee Meeting which reviewed the findings of the Demuth "reconnaissance mission" to Spain and concluded -

- (a) that the Bank should not undertake any significant lending operations in Spain until a stabilization program had been carried through, and
- (b) that we should approach the Fund to try to arrange for some kind of joint Fund-Bank action to help the Spanish Government draw up an appropriate stabilization program.

I thereupon engaged in a series of discussions with Merle Cochran, assisted at times by Messrs. Demuth, Cope, Lejeune and Kamarek. We knew that the Fund was sending a mission to Spain in February to reach agreement between Spain and the Fund on the subjects of the exchange rate for the peseta and Spain's administration of exchange control. Our first suggestion therefore was that the function of this Fund mission be expanded to include advice to Spain on a stabilization program and that a Bank mission be sent concurrently to advise and assist in this process.

From the beginning Mr. Cochran stated his view that, contrary to the findings of our mission, there was no real reason to believe that the present Spanish Government had any serious intention to embark upon a stabilization program. He felt that before the Fund could make any decision on this matter they should send out a mission with a more limited assignment.

We agreed to this after very little discussion. In our next meeting with Mr. Cochran we presented for consideration a draft letter from you to the Spanish Minister of Finance which started out with two paragraphs similar to those in Annex A, but then finished with two paragraphs as shown in Annex B. As you will see, the latter two paragraphs accepted the idea that the



Fund mission would be limited in its functions to routine "Article XIV consultations". At the same time it proposed that, simultaneously with the Fund mission, the Bank would send a mission, not to start working with the Spanish Government on an actual stabilization program but rather to commence studies "in order to be in a position at the appropriate time to provide such help as the [Spanish] Government might wish" in working out a stabilization program.

Mr. Cochran rejected this letter out-of-hand. He was not prepared to go over it point by point, but gave us to understand that, in his opinion, the paragraphs in question would constitute a major intrusion by the Bank into the field of jurisdiction of the Fund. He further indicated that he would very much rather not have a Bank mission of any kind in Spain at the time that the Fund mission was there.

After discussion among ourselves, we finally retreated to the position incorporated in the letter which is before you for signature, in which in effect we defer any further action with regard to Spain or missions to Spain until the Fund mission has returned and reported. In a final meeting which I had with Mr. Cochran, he acquiesced in this version of the letter; he said he would have drafted it differently and I said I would not quote him as having approved it.

I may add that the Demuth-Kamarek mission is much disappointed at our failure to follow up more rapidly; they think the moment is ripe for a stabilization program in Spain and fear that we are letting down those Ministers in the Government who have appealed for our help in setting one up. On the other hand, not all of us in the Bank were fully convinced on the urgency of the matter. In any case, it was perfectly clear that we couldn't undertake to do the job in Spain without the Fund and if they felt that they must make their own appraisal of the situation before committing themselves to action, we could hardly override them.

Assuming that you approve the letter which has been prepared for your signature, I would propose that we hand it to Mr. Aragonés with a few words of explanation to the effect that we do want to be helpful to Spain but that we must concert our efforts with the Fund and that the Fund must be given time to appraise the situation. It now appears that the Fund mission will leave for Spain in mid-February so that not a great deal of time is being lost.

Pending the return of the Fund mission, I think we should address ourselves here to reaching some more solid understanding with the Fund regarding the broader problem of the roles of the two institutions in advising member countries regarding their stabilization programs.

I don't propose to go into this subject at length here. I recall the discussion which you had with Jacobsson just before your departure for London and Cairo, in which you found him very sympathetic to joint Fund-Bank collaboration on stabilization programs. I have to report, however, that there was no evidence of this spirit in our discussions with Cochran. On the contrary, he seemed to be taking the simple position that anything called "general economic surveys" was the Bank's business and anything called "stabilization programs" was the Fund's business. He pointed out to us that the Fund had evidenced its willingness to lend experts to participate in our general economic survey missions; his clear implication seemed to be this would be the appropriate way for the Bank to participate in the Fund's work on stabilization programs.

It seems to me clear that this is not good enough. Unlike general economic surveys, the working out of agreed stabilization programs with member countries has important direct operational consequences. When a country undertakes a stabilization program, both the Bank and the Fund must make their judgments as to whether the program provides an adequate basis for financial assistance. I think it follows that Bank personnel, who are collaborating with a Fund mission in the drawing up of a stabilization program, must have a substantial degree of independence and autonomy rather than simply being attached as experts to the Fund group.

Attachments

c.c. Mr. Iliff  
Mr. Sommers  
Mr. Demuth  
Mr. Cope  
Mr. Rist



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Messrs. Cope, Rosen, Rucinski, Schmidt      DATE: March 26, 1958

FROM: D. Sommers

SUBJECT: Bank-Fund Liaison

This is to remind you that, arising out of the recent talks about Paraguay, the Bank has undertaken to make more effective the informal liaison with the Fund staff at the working level on important operational steps of ours which might affect the Fund's operations. This includes such matters as proposals to restrict a member's right to incur future external debt, to require a member to attempt to renegotiate existing external debts, and to obtain a charge on, or a priority in the allocation of, foreign exchange earnings or resources. In addition there should be included such matters as requests for statements from members about financial and monetary information and communications to members advising them of lending programs or of unwillingness to lend.

The details of this liaison should be worked out by the area department heads. However, it is to be noted that the understanding with the Fund is that this liaison will provide opportunity for consultation before definitive decision by the management of the institution in question and will also cover full information about any changes in the proposed action which are made in the stage of consideration by the Executive Directors.

If we wish to receive adequate information from the Fund staff and thus avoid future incidents of the Paraguay type, it is important that we do our part to make the liaison effective.

I suggest that you discuss this subject fully with your operations officers.

cc: Mr. Rist  
Mr. Demuth  
Mr. Aldewereld  
Mr. Riley  
Mr. Broches  
Mr. Howell  
Mr. Graves  
Mr. Mendels

(Copies given to Messrs. Lefort, Williams, Wheelock, Calika and Kamarek - March 27, 1958.)

|                                                                                |  |                 |
|--------------------------------------------------------------------------------|--|-----------------|
| ROUTING SLIP                                                                   |  | Date            |
|                                                                                |  | 3/27/58         |
| NAME                                                                           |  | ROOM NO.        |
| Miss Georgina                                                                  |  | 210             |
|                                                                                |  |                 |
|                                                                                |  |                 |
|                                                                                |  |                 |
|                                                                                |  |                 |
| Action                                                                         |  | Note and File   |
| Approval                                                                       |  | Note and Return |
| Comment                                                                        |  | Prepare Reply   |
| Full Report                                                                    |  | Previous Papers |
| Information                                                                    |  | Recommendation  |
| Initial                                                                        |  | Signature       |
| Remarks                                                                        |  |                 |
| Please add this<br>to the file you are<br>setting up on Bank-<br>Fund Liaison. |  |                 |
| From                                                                           |  |                 |
| L. Michaels                                                                    |  |                 |



ROUTING SLIP

Date

March 26.

OFFICE OF THE PRESIDENT

NAME

ROOM NO.

Mr. Mendels

*Mr. Johnston.*

*O.K. with me.*

M. M. MENDEL  
Secretary  
1670

Action

Note and File 1958

Approval

Note and Return

Comment

Prepare Reply

Full Report

Previous Papers

Information

Recommendation

Initial

Signature

Remarks

Does this look all right to you?

*Johnston*

D.S.

*Distributed by Mr. Harris  
3/27*

From

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

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FROM: D. Sommers  
SUBJECT: Bank-Fund Liaison

DATE: March 26, 1958

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If we wish to receive adequate information from the Fund staff and thus avoid future incidents of the Paraguay type, it is important that we do our part to make the liaison effective.

I suggest that you discuss this subject fully with your operations officers.

cc: Mr. Rist  
Mr. Demuth  
Mr. Aldewereld  
Mr. Riley  
Mr. Broches  
Mr. Howell  
Mr. Graves  
Mr. Mendels



Mr. Sommers

March 17, 1958

M. M. Mendels

Bank-Fund Relationship following Paraguay Matter

As I informed you, the Executive Directors on March 11 approved the adjustments in the amortization schedule under our Paraguayan Loan Agreement.

As Mr. Cochran and yourself were in agreement on the desirability of having more effective consultative liaison between Bank and Fund, at the working level, you may wish to consider the possibility of sending a memorandum to this effect to the Area Departments. This suggestion is also being considered by Mr. Iliff.

M. M. M.

*Amortization*

## CROSS REFERENCE SHEET

COMMUNICATION: Memo

DATED: March 17, 1958

TO: Mr. Sommers

FROM: Mr. Mendels

FILED UNDER: Policy - Bank Fund Liaison

SUMMARY: Extract

"As I informed you, the Executive Directors on March 11 approved the adjustments in the amortization schedule under our Paraguayan Loan Agreement."



97m7  
L-8/9NF

June 18, 1957

Dear Per:

I have your note indicating your understanding that there has been full contact on the Colombian problem between our two staffs and that you had not been made aware of any divergence of views between the two institutions. May I offer the following comments.

There has indeed been a good deal of close collaboration between our staffs in connection with the current Colombian crisis, including the simultaneous presence of Messrs. Polak and Waterston in Bogota during their recent missions there. On the other hand, this collaboration has had serious limitations in recent days, which is why I suddenly found myself confronted with an impending decision in the Fund of which I had no advance notice. Furthermore, I think you will find that your staff members were fully aware that their opposite numbers in the Bank had made a quite different appraisal of the situation in Colombia and of the measures which would be appropriate to deal with it.

As for the recent lapse in coordination, may I point out to you the following.

On Thursday or Friday of last week Mr. Waterston received from Mr. Polak a Fund staff memorandum (EBS/57/32 Supplement 1) referring to the exchange system in Colombia, together with a letter from Ambassador Urrutia on the same subject. The Fund memorandum states that "the Colombian authorities have indicated that negotiations have been taken in hand to acquire the additional foreign financial resources that are needed", but there is no further reference to or suggestion of a Fund drawing.

Only yesterday (Monday) did our people learn through a casual conversation that your Board was meeting tomorrow (Wednesday) to consider a Colombian proposal for a standby arrangement, and only this afternoon (Tuesday) did any of us see the

Mr. Per Jacobsson  
Managing Director  
International Monetary Fund  
Washington, D.C.

Fund papers prepared for this meeting (EBS/57/35 with Supplement 1). These papers, also dated last Thursday and Friday and obviously immediately relevant to the papers given to Mr. Waterston last week, were not shown to him or indeed even mentioned to him until today.

As for the matter of divergence of views, the members of the Bank staff dealing with Colombia have been and remain deeply skeptical about the adequacy of the measures being undertaken by the Colombian Government to deal with the internal inflationary problem. This opinion, based upon long and intimate acquaintance with the country, has been expressed at considerable length to your people. Furthermore, and even more directly related to the proposed Fund action, our people have long been extremely skeptical about the wisdom of Colombia undertaking new fixed obligations to "fund" its commercial backlog. It is well known to your staff that we have repeatedly advised the Colombian Government against this course of action. I can only express my regret that you were apparently unaware of these views; I would have greatly welcomed an opportunity to discuss them with you personally if I had known that the matter was coming to a head so quickly.

Sincerely yours,

151 Gene

Eugene R. Black

JBKnapp/er





INTERNATIONAL MONETARY FUND  
WASHINGTON

JUN 18 REC'D

MANAGING DIRECTOR

June 18, 1957

Dear Gene:

It worries me naturally when I hear from you that there has not been sufficient contact between the Fund and the Bank in relation to the matter of Colombia. As I promised I would, I have immediately investigated the matter. I hear from Mr. Polak that he has been in almost daily contact, both in Washington and in Bogota, with Mr. Waterston who, I believe, is the IBRD man in charge of Colombia. In fact, Mr. Waterston helped Mr. Polak in drafting certain passages of the staff paper relating to the reduction of government investment expenditure, and he certainly saw the whole of the staff paper last week as well as the letter we received from the Minister of Finance.

Thus I feel that on the staff level there has been full contact. Since I personally was not aware that there was any divergence of views between our two institutions, I saw no reason to trouble you personally.

It has always been my hope that we should have closer co-operation between the Fund and the Bank, and I am sorry to hear that in spite of the almost daily contact at the staff level you feel that in this particular case there has not been a sufficient exchange of views. We might talk more about this when we meet for lunch tomorrow.

Yours,

A handwritten signature in dark ink, appearing to be "Per", written in a cursive style.

Per Jacobsson

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

## OFFICE MEMORANDUM

TO: Files

DATE: April 4, 1957

FROM: J. Burke Knapp *JBK*

SUBJECT: IBRD-IMF Exchange of Reports

Some six weeks ago I called on Merle Cochran to discuss the exchange of reports, particularly country economic reports, between the Fund and the Bank. I made certain proposals to him regarding our own papers and asked him to consider specifically what categories of papers the Fund could give us in exchange. I proposed that this exchange take place through the Mendels-Horne contact.

Despite the fact that I have reminded Merle of this on several occasions in succeeding weeks, I have not yet received any kind of a reply from him except statements that he was very interested in the subject and would get after it as soon as possible. I shall pursue this matter again upon my return from my present trip.

cc -- Mr. Iliff  
      Mr. Sommers  
      Mr. Mendels

JBKnapp/eod



## OFFICE MEMORANDUM

TO: Files

DATE: August 12, 1953

FROM: J. Burke Knapp *JBK*

SUBJECT: Periodic meetings between heads of the Western Hemisphere Departments of the Bank and the Fund

*see by Ballad Corporation*

The recent Iliff-Brenner report on the possibilities of closer collaboration at the staff level between the Fund and the Bank, recommends that periodic meetings be held between the heads of the corresponding departments in the two institutions in order to help coordinate their work programs, avoid duplication, etc. Although the recommendations in this report have not been formally approved and promulgated by the managements of the two institutions, it seemed to me desirable to go ahead and initiate such meetings between the Department of the Western Hemisphere in the Fund and this Department.

In the absence of Mr. George Luthringer, I have discussed this matter with his deputy, Mr. Jorge del Canto, and we have agreed to set aside the hour of 9:30 a.m. on alternate Tuesdays for the purpose of such joint meetings. We will hold our first meeting on Tuesday, August 18, in my office; those present from this Department will be Mr. Schmidt, Dr. Larsen, and myself.

JBKnapp:ehb

cc: Mr. Iliff, Mr. Schmidt, Dr. Larsen

*Liaison JMF*

# OFFICE MEMORANDUM

TO: FILES

DATE: April 3, 1951

FROM: S. Hartz Rasmussen *SRH*

SUBJECT: I.M.F. Documents

In a conversation with Miss Stark today she informed me that the reason why we have only received relatively few Fund documents for some time is that their release to international organizations has to be authorized by the heads of the departments until final arrangements with the Bank have been reached.

At present authorization for release of the ENA and RES series has not been granted, but only for the FML series.

I told Miss Stark that we are sending her two copies of our unclassified documents, and that the Secretary sends to Mr. Coe one copy of all restricted documents which go to the Board.

Miss Stark said she would write a memorandum explaining this to Mr. Coe, and that she thought that he would probably agree to send us in future all non-confidential Fund documents, that is such documents which do not carry the letter 'X' at the end of their regular symbol.

✓  
X Adm. Ser. Proc. & Dist



# FILE COPY

*Confidential*  
*London; IMF*

Mr. Robert L. Garner

May 21, 1961

Leonard B. Rist

**DECLASSIFIED**

Cooperation with the International Monetary Fund.-

AUG 25 2025

**WBG ARCHIVES**

In relation to recent discussions at the Board concerning our cooperation with the International Monetary Fund, I should like to make the following comments:

1. There is a large degree of cooperation at staff level, mostly in the form of exchange of information and opinion;
2. The amount of work saved to each of us by the proximity of the sister institution amounts to a saving of staff for each other;
3. There are definite limits to the work to be carried on in common;
4. In spite of the fact that for various reasons, including different organizational set up of the two institutions, divergences of views at the management level have made exchange of personnel difficult, there has been no case where differences of policy have created any embarrassment to the two institutions in their relations with their member countries.

## I. - Actual Cooperation Taking Place:

In the Area Group of my Department, contact with the economists of the Fund is a daily occurrence. We do not try to follow closely events in all 49 member countries but concentrate on countries which are active loan applicants or on which we are preparing follow-up reports. At the same time we do want to be able to give a preliminary judgment of the economic position of a country quickly if the country were to become active. Access to the Fund has been of tremendous assistance in this respect. Recently a report was prepared on Greece, even though it was not an active country, in a few days because basic information was available in the Fund. Whenever our staff members have to consider the position of a particular country, their first gesture is to consult not only our files but also their colleagues in the Fund. Conversely, when our staff members have been more recently or more directly concerned with a member country, their colleagues in the Fund will call on them for information and opinions. In the field of general studies and resources, discussions and comments on each other's research work is becoming more frequent. In other words, exchange of material, constant consultation and reciprocal use of reports is continuous and regular.



## FILE COPY

II. - The proximity of the sister institution allows both to dispense with some work: As indicated, the Fund follows every country constantly while we follow only "active" countries. Thanks to their presence we are therefore able to answer specific questions in a minimum period of time, without the need to do independent research, merely by calling on our colleagues next door. Mr. Chang, two days ago, asked for information on the Philippines; Dr. Basch could not answer him out of our files, but had the answer the very same afternoon thanks to the Fund. Conversely, our Fund colleagues rely almost entirely on us for all basic material concerning commodities and the exchange of information in this section has been quite important. Our Transportation section has greatly facilitated the work of their Balance of Payments section. We do not check on their balance of payments data unless we have more recent figures than they have. The list could be expanded almost indefinitely. One of the greatest services they render is the publication of their monthly "International Financial Statistics".

In one particular case, a degree of cooperation was achieved which is rather exceptional, i.e. the publication of the Bulletin called "Direction of International Trade". The Bank (Mr. Goor) has established the methods of computation and revises them currently; the Fund establishes individual cards on the basis of data furnished by the member countries; the Bureau of Labor Statistics does the mechanical tabulation work; the United Nations reproduces this tabulation for monthly publication. The work of the Bureau of Labor Statistics is remunerated by a small money contribution of the Fund and Bank.

A good example of the hidden character of such a reciprocal contribution is the fact that the departure of F.A.O. from Washington has deprived us of a valuable source of information and has increased the work load of the Agricultural section. The disappearance of the Fund from our neighborhood would entail a considerable increase in the amount of work to be performed right in the Bank.

III. - There are definite limits to the amount of work which can be carried out in common. The instances given above clearly demonstrate that there is much more of a division of labor than is usually assumed. It arises either from the history of the institutions, as in the case of statistics and commodities, or from the fact that one institution is better placed than the other to be well informed on one particular country.

There is a basic difference, however, between the pooling of economic information and sharing of the responsibility for preparing reports containing economic judgments and recommendations affecting actual Bank operations. The main difference lies in the fundamental approach: The Fund deals with exchange and balance of payment problems from year to year. It is the immediate future which commands its attention.

The Bank.../



FILE COPY

The Bank on the other hand is preoccupied with problems of at least a decade rather than the current year. The main question which it must endeavor to answer is what will be the economic strength and the credit-worthiness of a country in ten or twenty years from now. Long-term projections are therefore its main concern. If investments are considered, the Fund is concerned with their immediate impact on the balance of payments today and tomorrow. The Bank is more concerned with the effects of the production deriving from such investments on the balance of payments five or ten years from now. In the field of monetary policy, the Fund is concerned with its immediate aspects; we are equally concerned with these aspects but from a different point of view; we must ask ourselves to what extent these policies will be lasting and have enduring effects.

The result is that the emphasis in our reports will be quite different. The Fund has just issued a report on Denmark and we are preparing one on the same country. All the material included in the Fund's report is of some interest to us, but the Fund will not deal with the ability of Denmark to carry her present debt or to incur more, or with the desirability of more or less investment in the various sectors of her economy. These are subjects, however, we expect to cover in a report to our management.

The Bank's relationships with some of its member countries has reached a stage where information is made available, policies are discussed, and guidance is sought to a degree that does not exist in the countries' relationships with the Fund. Where this is true, there is a further limitation on the amount of work that can be carried out in common.

IV. - In spite of jurisdictional difficulties, there has been no important divergences of views on basic matters on economic or monetary policy. This is not the place to comment on the desirability for one institution to borrow members of the staff of the other institution for their routine missions or for survey missions. Questions of jurisdiction and prestige, but more fundamentally, questions pertaining to the freedom of expression of the individual staff member stood in the way of such cooperation. It is remarkable, however, that in effect no contradiction of a serious kind has been found between the attitude of the Fund and Bank with respect to individual countries. In the case of neither Colombia nor Turkey the Fund has taken issues with the substance of our mission's recommendations, no more anyway than individual members of the Bank's staff may have done with the authors of the reports. In the case of Chile, we had even outlined the basis of a combined approach; the fact that it could not be carried out was not due to ill will in either institution but to changes in circumstances.

CONCLUSIONS. - The amount of cooperation and division of labor which has already been achieved is much greater than appears on the surface and that while it is not the object of a daily record, its very existence is in effect

time saving.../

time saving and money saving for both institutions. This does not mean, of course, that all staff members cooperate to all the degree which would be desirable or that we are always informed of all the Funds missions or purposes. With different underlying emphasis and approach in the two institutions and with a basically different Management-Board relationship, common economic reports cannot be prepared which will meet the needs of both Bank and Fund.

lbr/em



CROSS REFERENCE SHEET

COMMUNICATION: Memorandum

DATED: December 11, 1950

TO: Mr. A. S. G. Hoar

FROM: Allan G. B. Fisher

SUMMARY: RE; Staff Papers-

Consideration of possibility of arranging for some kind of collaboration, formal or informal, with the Bank.

FILED UNDER: PUBLIC RELATIONS-AD HOC COMMITTEE

CROSS REFERENCE: LIAISON- I. M. F.

## CROSS REFERENCE SHEET

**COMMUNICATION:** Memo

**DATED:** June 13, 1949

Further correspondence: 6-13-49  
(Memo-deFleurieu and Larsen to  
Schmidt and Smyser)

**TO:** Dr. P. N. Rosenstein-Rodan

**FROM:** Georges deFleurieu and Harold Larsen

**SUMMARY:** Re the joint Bank-IMF Luncheons.

**FILED UNDER:** ORG. -- Economic Dept.

**CROSS REFERENCE:** ORG. -- Loan Dept.

IMF



Mr. Frank Coe, Secretary,  
International Monetary Fund.  
H.M. Mandels.

March 5, 1948.

Exchange of Legal Memoranda

It will be appreciated if you could make appropriate arrangements for furnishing the Bank with two copies of memoranda prepared by your Legal Department in the same way we receive the memoranda of your Research Department.

Initially I have in mind the documents listed in Executive Board Circular No. 151, including the supplements thereto. In addition, to the extent possible, we would like to receive the memoranda as they are currently made available to your Executive Board. Such documents as we receive will be used only on a restricted basis in our Legal Department.

Although the Bank's Legal Department does not have occasion to provide our Executive Board with a great many legal memoranda, we will be glad to furnish you with such memoranda as the Board does receive. In addition, we will canvass the possibility of establishing a procedure for providing you with certain other legal memoranda in cases in which the Fund may have an interest.

It would be understood, of course, that the Bank would not expect to receive legal memoranda relating to highly confidential subjects, such as rate changes, etc., while such matters are pending before the Fund Executive Board.

CC: Mr. Doucet  
Mr. Horne  
Mr. Luxford  
Mr. Luxford

## OFFICE MEMORANDUM

DATE: Nov. 13, 1947

TO: Mr. C. C. Hamilton ✓  
FROM: F. A. Consolo ✓  
SUBJECT: Exchange of Information with the IMF.

With reference to your memorandum of the 7th, paragraph 2, sub-paragraph (b), please inform the Fund that it is the intention of the Loan Department to send Mr. Eric Beecroft of this division on a fact-finding mission to the Philippines. The date of Mr. Beecroft's departure is not as yet definitely settled.

Postponed indefinitely  
(probably till Jan. 1948)  
C



*Mr. Hamilton*  
*Nelson - J. M. L.*

Chiefs of Division and Loan Officers

7th November, 1947

C. C. Hamilton, Assistant to Loan Director

EXCHANGE OF INFORMATION WITH THE INTERNATIONAL MONETARY FUND

1. The International Monetary Fund has undertaken to communicate to the Bank:

- (a) Advice of requests for missions.
- (b) Notification of intention to dispatch missions.
- (c) Information on current requests for exchange.
- (d) Decisions to grant or refuse exchange.
- (e) Weekly statements of operations and financial positions of members.
- (f) Advice of any proposed step to declare a member ineligible to use resources of the Fund.
- (g) Board decisions concerning par values.
- (h) Decisions of the Executive Board regarding exchange restrictions.
- (j) Information concerning balance of payments and monetary position of members.

2. The Bank has undertaken to communicate to the Fund the following:

- (a) Advice of requests for missions.
- (b) Notification of intention to dispatch missions.
- (c) Formal loan applications.
- (d) Draft Loan Agreements as soon as they become the subject of negotiations.
- (e) Factual Reports on Loan Applications.
- (f) Final Loan Agreements.

3. Chiefs of Division and Loan Officers will be kept advised of any information received from the Fund relating to countries with which they deal and they will also be responsible for seeing that the necessary advice or copies of documents are prepared regarding the information which we have undertaken to furnish to the Fund; these advices or documents should be sent to me for dispatch.



GCH mow



## ROUTING SLIP

Date \_\_\_\_\_

| TO- | Name             | Room No. |
|-----|------------------|----------|
| 1   | <i>Mrs. Hoar</i> |          |
| 2   |                  |          |
| 3   |                  |          |
| 4   |                  |          |

FOR-

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

REMARKS

*M. Hamilton*  
 Please arrange for Dept to be  
 aware of our responsibilities  
 in this matter.

FROM-



Mr. Frank Coe

November 5, 1947

H.M. Mendels

Liaison and Exchange of Information - Bank and Fund.

The following will confirm the list of items of current information to be exchanged between the Bank and the Fund, in accordance with our recent conversations.

1. The BANK will communicate to the Fund the following :-
  - a) Advice of requests for missions
  - b) Notification of intention to dispatch missions.
  - c) Formal loan applications
  - d) Draft Loan Agreements as soon as they become the subject of negotiations
  - e) Factual Reports on Loan Applications
  - f) Final Loan Agreements.
2. The FUND will communicate to the Bank :
  - a) Advice of requests for missions
  - b) Notification of intention to dispatch missions.
  - c) Information on current requests for exchange.
  - d) Decisions to grant or refuse exchange.
  - e) Weekly statements of operations and financial positions of members.
  - f) Advice of any proposed step to declare a member ineligible to use resources of the Fund.
  - g) Board decisions concerning par values.
  - h) Decisions of the Executive Board regarding exchange restrictions.
  - j) Information concerning balance of payments and monetary position of members.



The Secretaries of the Bank and Fund will be the channel of exchange of information and it will be the responsibility of the Secretaries to bring the information to the attention of the appropriate officers in the two organizations.

*M. M. M.*

c.c.    Mr. Horne  
         Mr. Doucet  
         Mr. Kwong  
         Miss Walton  
         Mr. Hoar ✓  
         Mr. Hill

Liaison - M.F.

Mr. Frank Geo

November 5, 1947

M.M. Mendels

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- c) Formal loan applications
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- e) Factual Reports on Loan Applications
- f) Final Loan Agreements.

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- a) Advice of requests for missions
- b) Notification of intention to dispatch missions.
- c) Information on current requests for exchange.
- d) Decisions to grant or refuse exchange.
- e) Weekly statements of operations and financial positions of members.
- f) Advice of any proposed step to declare a member ineligible to use resources of the Fund.
- g) Board decisions concerning par values.
- h) Decisions of the Executive Board regarding exchange restrictions.
- j) Information concerning balance of payments and monetary position of members.



The Secretaries of the Bank and Fund will be the channel of exchange of information and it will be the responsibility of the Secretaries to bring the information to the attention of the appropriate officers in the two organizations.

M. M. M.

c.c. Mr. Horne  
Mr. Doucet  
Mr. Kwong  
Miss Walton  
Mr. Hoar  
Mr. Hill ✓

*Liaison - M.F.*

## OFFICE MEMORANDUM

TO: Mr. Walter Hill *U*  
FROM: M.M. Mendels  
SUBJECT: Information on Fund Transactions.

DATE: October 24, 1947

Upon your telephone request, it has been ascertained that prompt information on Fund transactions has not been received by the Secretary's Department from the Fund. Our enquiries show that such information has been forthcoming at various times upon enquiry, and by word of mouth.

I believe it would be possible, in the future, to arrange for such information to be forwarded regularly.

In this connection, you will be interested in the attached document, R.37 (Fund), approved in November, 1946. Paragraphs nine to twelve specify the information which the Fund was to communicate to the Bank.

*M. M. M.*



(Adopted by:

Executive Board of Fund on Nov. 12

Executive Directors of Bank, Nov. 15)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

November 15, 1946.

REPORT OF THE JOINT STANDING COMMITTEE  
ON PROVISIONAL PROCEDURE FOR LIAISON  
BETWEEN FUND AND BANK ON  
FINANCIAL ASSISTANCE TO MEMBERS

1. The Joint Standing Committee of the Fund and Bank, at its meeting on October 25, agreed that Fund and Bank actions are complementary in many respects and that it was essential that a procedure should be quickly prepared in order to ensure that there should be close collaboration on financial assistance to members, with due regard to the respective responsibilities of the two institutions.

2. It was recognized that certain loans by the Bank would have an influence upon the problems and actions of the Fund, and that certain actions of the Fund would have an influence upon the operations of the Bank. Accordingly, it was agreed that the Fund or the Bank would discuss with members matters of direct concern to the other institution, only after due consultation.

3. The following procedure is submitted by the Joint Standing Committee as a provisional plan for carrying out necessary cooperation between Fund and Bank on tasks of mutual interest and concern. This procedure is additional to the interchange of agenda and other documents, as previously agreed.

General

4. On matters of interest or concern to the Bank, the Secretary of the Fund will ascertain whether the Bank wishes to express an opinion, and will arrange for its consideration by the Fund. Similarly, on matters of interest or concern to the Fund, the Secretary of the Bank will ascertain whether the Fund wishes to express an opinion, and will arrange for its consideration by the Bank.

5. Members of the Joint Standing Committee may raise any matter of concern to both institutions at the regular meetings every two weeks or special meetings of the Committee.

Loans of the Bank

6. Loan policies and programs which are being given serious consideration by the Bank will be communicated to the Fund.
7. With respect to individual loans,
  - (a) Applications, statements of intention to apply for loans, etc., will be communicated to the Fund when they are presented to the Bank's Executive Directors, together with any accompanying documents bearing upon the financial and monetary position of the applicant.
  - (b) Decisions by the Executive Directors of the Bank admitting loan applications for negotiation will be communicated to the Fund.
  - (c) Consideration of loans by the Loan Committees of the Bank and negotiations for loans will be assisted by monetary and balance of payments data supplied by the Fund. The reports of the Loan Committees will be given to the Fund.
  - (d) Prior to final action on a loan, the Bank will ascertain whether the Fund wishes to express an opinion on any aspect of the loan of concern to the Fund; and will consider such opinion.
  - (e) The Fund will be informed of all decisions by the Bank on loan applications.
  - (f) The Bank will communicate to the Fund such reports concerning outstanding loans as are deemed to be of special interest to the Fund.
8. The Bank will consult the Fund through the Joint Standing Committee on any question of policy arising in connection with loan applications which involves the short-term financial position of members, their monetary or balance of payments position, or their exchange rate or exchange restrictions.

Actions of the Fund

9. With respect to Fund transactions,
  - (a) The Fund will communicate to the Bank fortnightly statements of the financial positions of members in the Fund's books and will call the attention of the Bank to any unusual proposals or developments concerning Fund transactions.



- (b) The Bank shall be informed of any proposed step to declare a member of the Fund ineligible to use the resources of the Fund.
  - (c) Prior to any final action which alters substantially the ability of members to use the resources of the Fund, the Fund will ascertain whether the Bank wishes to express an opinion on any aspect of concern to the Bank; and will consider such opinion.
10. Decisions of the Fund concerning par values will be communicated to the Bank.
11. With respect to exchange restrictions,
- (a) The Fund will inform the Bank of all proposed actions with respect to the exchange restrictions of members, where such actions are of significant interest to the operations of the Bank.
  - (b) Decisions of the Fund on exchange restrictions will likewise be communicated to the Bank.
12. The Fund will make available to the Bank information concerning the balance of payments and monetary position of members.
13. The Fund will consult the Bank through the Joint Standing Committee on any question of policy arising in connection with its transactions with members which involves the long-term financial position of members of their reconstruction or development program.
14. The Joint Standing Committee discussed the matter of representation at meetings of Executive Directors and concluded that the present procedure whereby the Executive Directors of each institution invite representatives of the other to appropriate meetings should be continued.

Distribution:

Executive Directors and Alternates  
President (4)  
Vice President  
Treasurer  
General Counsel (10)  
Loan Director  
Research Director  
Public Information Director  
Chief of Communications  
Secretary  
Secretary, International Monetary Fund (40)

# FILE COPY

L.M.7

Mr. Garner

6th October 1947

A.S.G. Hoar

## Coordination between IBRD and IMF in Sending Missions to Member Countries.

1. This afternoon I had a word on the above-mentioned subject with Mr. John L. Fisher, the Acting Managing Director of the Fund.

I referred to the invitations which the Bank had received to send representatives to Mexico, Peru, and (informally) Bolivia and to my understanding that the Fund had received invitations to send missions to Peru, Bolivia and Costa Rica.

I said that I was sure that he would agree that it would be unsatisfactory and, possibly, embarrassing for uncoordinated Bank and Fund missions to operate simultaneously in a member country. I therefore thought that we should talk the matter over and endeavor to reach agreement on how to answer these particular invitations and how to arrange our missions.

2. In reply, Fisher showed me a telegram\* which the Fund had just received from Coe saying that the Fund Board had agreed to accept the invitation to Peru and that Gutt wished to discuss the matter with the Bank. In view of this, and of the fact that Fisher is leaving the Fund for good at the end of this week, there was no point to be served in pressing for official conversations at this stage. I agreed that we would stall the Peruvians off until next week.

3. In the meantime, however, Fisher expressed his personal agreement with the following suggestions which I put forward:

- (a) Whenever requests for missions are received by either the Bank or the Fund, the matter should be discussed between them prior to acceptance.
- (b) In cases where the Bank and Fund receive requests for missions simultaneously, such missions should be coordinated. According to where the emphasis for a request for a mission may lie, the mission should be headed by a Bank or a Fund man, who would allocate various phases of the mission's work to qualified Bank and Fund members.
- (c) If either the Bank or the Fund received a request for a mission which did not involve the other institution officially, they should nevertheless consult with the other, with a view to determining whether staff members from the other should be borrowed, either for particular tasks or to report the other institution's point of view.

\*Fisher will see that a copy of his telegram is sent up to the Bank officially.



## OFFICE MEMORANDUM

TO: Mr. A. S. G. Hoar

DATE: September 30, 1947

FROM: Gilbert H. Clee

SUBJECT: Suggestions which might be advanced during Staff Loan Committee Meeting called to discuss coordination between IBRD and IMF in sending missions to member countries.

Statement of Problem

It is understood that the IMF has received invitations to send missions to Peru, Bolivia and Costa Rica.

The IBRD has received invitations to send representatives to Mexico, Peru and (informally) Bolivia.

It is considered that uncoordinated IMF and IBRD missions operating simultaneously in a member country may be unsatisfactory for the following reasons:

- a. Unnecessary duplication of effort may result.
- b. The IBRD and the IMF may arrive at different answers to the same problem. If this happens, it may be embarrassing to the Bank and very confusing to the member government.

Recommendations

It is recommended that a meeting be held with representatives of the IMF in order to endeavor to reach agreement on the following proposals.

- a. If the IBRD and the IMF receive requests for missions simultaneously, such missions should be coordinated. Inasmuch as the member government being studied probably will request a loan, the coordinated mission should be headed up by a representative of the IBRD. Under his direction, various phases of the mission's work can be allocated to qualified Bank and Fund staff members.

If the above suggestion is not accepted, the Bank and Fund should at least agree that each mission will handle a portion of the total work in order to prevent duplication and disagreement. The IMF portion should be confined to money and banking matters.

- b. If only the IBRD receives a request for a mission, arrangements should be made whereby an IMF staff member can be borrowed for the purpose, if such action seems desirable. Conversely, if only the IMF receives such a request, the IMF should be able to borrow a Bank staff member (s) if available.

GHC:mmr

cc: Messrs. W. Hill  
M. Elliott

File

## Ex OFFICE MEMORANDUM

TO: Mr. A. S. G. Hoar

DATE: September 25, 1947

FROM: Gilbert H. Clee

SUBJECT:

Mr. Basch has just informed me that the International Monetary Fund is planning to send missions to the following countries in Latin America:

Peru  
Bolivia  
Costa Rica

It is Mr. Basch's understanding that these countries have requested missions officially.

It is suggested that a meeting be arranged between representatives of the Loan Department and the IMF for the purpose of coordinating any missions that might be sent to Latin American countries. I believe that duplicate missions would not be satisfactory to achieve our objective.

Mr. Garner has just notified me that Mr. McCloy has approved the Bank's mission to Peru. In order that I might arrange a meeting with the representative of Peru, it would be appreciated if Mr. Elliott and myself could meet with you at your earliest convenience to discuss this matter further.

~~the Hoar~~

If you agree, I think the discussion might be broadened to include Bank Fund procedure in other parts of the world.

hll.

GHC:mmr

cc: Mr. Elliott



*Liaison Mr. F.*

Chiefs of Division

September 18, 1947

C. H. Davies

Liaison with Research Department of International Monetary Fund

The meeting that it was intended to hold some weeks back was deferred because of the absence of key Fund officials at the London meeting. It will be held as soon as possible after their return.

In the meantime the attached program of work of the Fund Research Department together with a list of memoranda prepared by it are circulated for information.

Attachments

CHD:dh

*Liaison - June*

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Walter Hill

Sept. 12, 1947

R. F. Skillings

Correction to Notes on Meeting between Members of Staff of Loan  
and Research Departments of the Bank and Representatives of  
Monetary Fund

In the notes as originally circulated (page 4) Mr. Hexner is quoted  
as saying "that the Fund was proceeding on the assumption, in estimating  
the amount of interim aid, that present monetary reserves should not be  
further reduced.

A more correct interpretation of Mr. Hexner's views would be as follows:  
"If studies are made concerning the amounts of interim aid to be given  
to nations, it might be desirable not to start with the assumption that  
nations should use up their presently available monetary reserves  
before being eligible to receive interim aid."

RFS/md

CC: Mr. Rist  
Mr. Hexner  
Mr. Rosen  
Mr. Rucinski  
Mr. Hexner



J. M. F.

## OFFICE MEMORANDUM

TO: Mr. C. C. Hamilton

DATE: August 19, 1947

FROM: A. S. G. Hoar

SUBJECT: Collaboration with Research Department of Monetary Fund

You will find attached the Fund's Research Department's program of work, to which are annexed a list of divisions in the Department and lists of memoranda which they have prepared. For ease of reference, Acheson has prepared a summary of the main memorandum, which is also attached.

I think we should be able to build a very helpful, cooperative relationship with the Fund's Research Department. Many of their activities will run parallel to ours, and I would particularly draw your attention to their "country books." If we set about the matter in the right way, we should be able not only to avoid a great deal of duplication, but to obtain material assistance in the compilation of the records we ourselves will <sup>be</sup> acquire.

With regard to ways and means of achieving this end, I would like you, first of all, to study these papers and then to pass them on to Hill after his return. I would like to have a discussion with you and him soon after my return from my holiday. In the meantime I think there would be no harm in letting the chiefs of division and loan officers see these papers.



OFFICE MEMORANDUM

✓ Mr. A. S. G. Hoar  
TO: Mr. C. C. Hamilton

DATE: August 14, 1947

FROM: W. G. Welk *WGW*

SUBJECT: Cooperation between International Monetary Fund and Loan Department, IBRD

I should like to offer the following suggestions with a view to achieving more effective cooperation between the Research Department of the Monetary Fund and the Loan Department of the IBRD:

1. There should, of course, be close and constant contact between the division chiefs in the two organizations. But, in addition, there would, I think, be an all-round gain in efficiency if the staff members actually working on the same country were to establish and maintain the closest possible cooperation. This could be done by meetings and discussions regarding material and plans of study, by informal luncheons, exchange of rough drafts of reports for comment, and, as far as the confidential nature of some of the Bank's information will allow, the making available of files and of general informational material not included in formal reports.

Such cooperation would, I think, assume particular importance whenever the Bank is undertaking special studies involving detailed research on balance of payments and similar matters in connection with active loan applications. Close cooperation at such times would enable staff members of both organizations to avoid wasteful duplication of effort.

2. If the Fund intends to prepare studies for non-member countries, the Loan Department might use these studies as its main background material for such countries, thus being freer to concentrate, in its own work, on countries which are members of the Bank. For member countries from which no applications are expected in the immediate future, a similar procedure might be followed, especially by Loan Department divisions fully occupied with applications already on hand or in immediate prospect. This would - and should - of course, not preclude the various divisions from pursuing, as the time of their staffs permits, independent studies on all countries for which they are responsible.

3. No doubt some press clipping service exists in the Fund similar to that operated by Mr. Jeal. By dividing up the publications covered by the two press clipping services, each service clipping two copies of the publications assigned to it, one for circulation in the Fund and the other in the Loan Department of the Bank, a greater yield for both organizations would be likely to result.



8-21

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

# ROUTING SLIP

| TO- | Name            | Room No. |
|-----|-----------------|----------|
| 1   | <i>Mr. Haas</i> | 467      |
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**FOR-**

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

**REMARKS**

*Mr. Acheson*

*Please bring up  
next Thursday*

*Go 14/VIII*

Date-

*8/13*

From-

*Chase*

## OFFICE MEMORANDUM

TO: Mr. A. S. G. Hoar

DATE: August 13, 1947

FROM: Gilbert H. Clee

SUBJECT: Suggestions as to cooperation between the Loan Department and the International Monetary Fund and the Research Department of the International Bank.

International Monetary Fund

It is understood that the IMF intends to prepare rather complete economic reports on all member governments. We believe that these reports may be of substantial benefit to us in our own studies, inasmuch as the work which they will do will involve the accumulation of substantial material which we would otherwise have to accumulate.

✓ As we undertake our studies of each government, we would be glad to contact the IMF and obtain from them all reports which they have made relative to that country. We believe, however, that it will be essential for us to analyze these reports carefully, in order to justify the conclusions reached by the IMF in light of our own experience, knowledge, and requirements. If we determine that their conclusions do not agree with ours, we will be glad to meet with them and endeavor to come into agreement after consideration of the detailed material which both of us have accumulated.

Inasmuch as the IMF will make its investigations for reasons different than ours, and inasmuch as the IMF tends to utilize nationals in the preparation of their reports, I do not believe that we can afford to accept at face value the conclusions arrived at by the Fund.

We also would prefer to initiate all action relative to any cooperative venture with the Fund. If we undertake a study of a country, we would prefer to approach them, informing them of the material we have and asking them for any material they have.

Research Department of IBRD

✓ Our arrangements for cooperating with the Research Department are fairly well established. As we undertake a study of a particular country, Mr. Rist is informed. In turn, he designates a member of his staff to cooperate with us. We intend to obtain any information from Research relative the country in which we are interested, and we propose to keep Research informed as to the progress that we are making as our studies and negotiations with any country progress.

It is also hoped that Research will be able to undertake broad continental studies relative to Latin America, which will give us an over-all view of certain problems—such as debt, commodities, flow of trade, etc.



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L.M.F.

Mr. A. S. G. Hoar

August 13, 1947

Gilbert H. Clee

Suggestions as to cooperation between the Loan Department and the International Monetary Fund and the Research Department of the International Bank.

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*YML*

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*Wason J.B. 7.*

Mr. C.C. Hamilton

12 August 1947

L.G. Butcher, Asia-Africa Division

Cooperation with International Monetary Fund

Referring to the meeting this morning in Mr. Hoar's office, I offer the following suggestions:

- (1) That there be an early exchange of information between the Loan Department of the Bank and the Research Department of the Fund on the assignment of work in both organizations.
- (2) That the work program of the Research Department of the Fund be made available to the Loan Department.
- (3) That a complete set of the Fund's Basic Country Statistics be supplied to the Loan Department and maintained in the Loan Department's files.
- (4) That, since some information to be handled may be classified as "Secret", "Confidential" or "Restricted", it would be advisable to standardize the terms themselves, the standardization covering both definitions and authority to classify and declassify.

*LGB*

LGB:jg