

STRICTLY CONFIDENTIAL

Bubley

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

- - -

SEVENTY-FIRST SPECIAL MEETING

of

EXECUTIVE DIRECTORS

- - -

Board Room  
International Bank Building  
Washington, D. C.  
Wednesday, June 2, 1954

The meeting was convened at 10:05 a.m., Mr. Eugene R.  
Black, President, presiding.

- - -

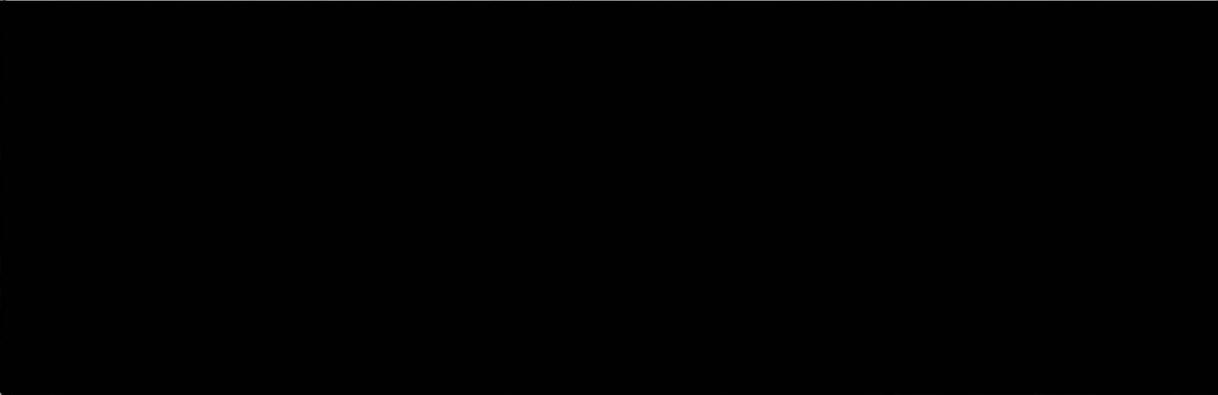
C O N T E N T S

Agenda Item

Page



International Finance Corporation ..... 24



\* \* \*

CONFIDENTIAL  
INTERNATIONAL FINANCE CORPORATION  
WASHINGTON, D.C.

THE CHAIRMAN: [REDACTED]

The next item of business is a report which has been drafted for transmittal to the United Nations on the proposal for an International Finance Corporation. I think the report speaks for itself, and while there is no capital presently available to justify the creation of this corporation, we thought it advisable, in view of the terms of the resolution, to include some analyses of some of the issues that have been

raised when we discussed this matter.

You will note that the report makes it clear that this is a report by the Management of the Bank. However, we thought the transmittal letter should be amended by the addition of a paragraph which would read as follows:

"The attached Report has been prepared by the Management of the Bank and, in authorizing its transmittal, the Executive Directors are not expressing any opinion on behalf of the Governments they represent with respect to the policy issues discussed in Section II of the Report."

Now, I understand that Mr. Shoaib has requested a week's delay, or a delay to study this report. I don't know what he wants to study.

MR. SHOAI B: Mr. Chairman, may I make my position clear. For some reason or other, I got this report for the first time when I came back, and the first time I saw the report was about six in the afternoon yesterday. I just haven't had a chance to even look at it. That was the reason I tried to get you to delay it. I haven't even read the report. I haven't had time to glance at it. I didn't feel that I could act on it.

THE CHAIRMAN: Well, Mr. Demuth, how big a hurry are you in on this thing?

MR. DEMUTH: Mr. Chairman, unfortunately we are late on this already. Under the rules of the Council, it was due on

the 18th of May.

MR. SHOAIB: May I suggest that having been late by about fourteen days, it might be later by five or six days. As long as you're late --

MR. DEMUTH: The only difficulty with that is that it has to be translated into a number of languages by the UN Secretariat and distributed to the various governments.

THE CHAIRMAN: Can't you read it this afternoon?

MR. SHOAIB: Mr. Chairman, we have a party going at 1:00 o'clock at the Embassy of Pakistan, and then we have the loan signing at 4:30. In the meantime, Mr. Garner is out for my blood. If it can be done later, Mr. Chairman --

SIR EDMUND HALL-PATCH: Mr. Chairman, couldn't we leave it like this, that if my Pakistani colleague has any objection to the report after he has read it, he will then notify you, and unless he has an objection the report can be considered as approved without coming back to the Board again.

THE CHAIRMAN: Will that be all right?

MR. SHOAIB: Yes.

THE CHAIRMAN: Then we'll wait until we hear from you -- and do it as soon as you can.

MR. HOPPENOT: Mr. Chairman, I have no very strong opinion one way or the other, and I must confess that I did not consult my government on that paper, which does not prevent me from approving the position taken in that paper, but I wonder

if, maybe not in this case but some other case, it would not prove embarrassing for this Board as a Board, and maybe for the Executive Directors, to allude to the fact that the Executive Directors express an opinion or don't express an opinion on behalf of the governments they represent.

My general feeling would be that we act as a body and when we present ourselves to the outside world it is as such, without referring to the instructions that we may or may not have received from our governments, and which, in fact, are not foreseen in any of the articles or by-laws that govern our debates.

I would like to have your opinion on that. As for myself, I don't in the least request to be quoted as expressing or not expressing an opinion on behalf of my government. It is something that is between my government and myself, but has not to be quoted.

THE CHAIRMAN: Well, Mr. Hoppenot, on April 29, 1952, a letter was sent to Trygve Lie enclosing a report made by the Bank on the proposal for an International Finance Corporation, and, at the request of the Board of Directors, we were asked to insert this paragraph:

"You will, of course, appreciate that in authorizing transmittal of the attached report the Executive Directors are not expressing any opinion on the merits of the proposal or any opinion on behalf of the Governments they represent."

This was done at the request of the Board. We have no objection, as far as the Management is concerned, to having the Board approve this memorandum. But this was done at the request of the Board.

MR. BURY: Well, Mr. President, I have some doubts about whether it was a particularly good decision that we made at that time. It is a difficult problem, because in one sense, if the Bank puts out a document the Bank does it as an institution, and to talk to outside bodies as if the Bank consists of a number of different parts among which there is very little coordination does come oddly to some people, particularly in governmental circles, because an official sends a report and it is a governmental report in a sense, but they wouldn't attach to that a remark that the ministers were in no way responsible for this or that.

Now, we certainly made this decision and what you have just done is in line with it, but I don't know, really, whether we decided very wisely.

THE CHAIRMAN: As far as we are concerned, we are perfectly agreeable to leaving this out. We did it before because we were asked to. We would be delighted to leave it out.

MR. BURY: I don't think it would be very serious anyhow if the report did come before the Economic and Social Council from the Bank as such and governmental delegates expressed

disagreement with it. I don't think anyone would really regard that seriously.

SIR EDMUND HALL-PATCH: Well, Mr. Chairman, I think it is important that in a case of this sort where the report of the Bank is going to an inter-governmental organization, where governmental representatives are going to speak, we should not here attempt to<sup>o</sup> prejudice or take any action which might prejudice anything that any government may wish to say on the Economic and Social Council. I think that was the point of this passage in your letter of April 29, 1952.

I would feel rather hesitant, myself, of expressing any views here which might be construed as the formal approval by the governments concerned of this report, which is, in effect, to be considered and decided upon by the Economic and Social Council. There are other factors than the purely financial issues here with which we are dealing.

MR. HOPPENOT: I may very well have approved that first thing and have thought about it after. Suppose that instead of saying, "The Executive Directors are not expressing any opinion on the merits or any opinion on behalf of the governments," you said, "The Executive Directors are expressing their opinion on the merits of the proposal and their opinion on behalf of the governments they represent." Do you feel that the Bank's paper could go out with a wording saying that this Board expresses an opinion on behalf of the governments we

represent?

That might open the way to minority reports. The Board has acted that way as a majority, and now two or three individuals or collective members of the Board <sup>may</sup> file a minority report. In other words, do we act as a board or do we act as a consensus of government?

MR. OVERBY: Mr. Chairman.

THE CHAIRMAN: Yes, Mr. Overby.

MR. OVERBY: I think we could have a long constitutional discussion if we wanted to, but in this particular case I would think that consistency might be in order, and I should think we might follow the general outline of what you have read off, which is along the lines of the previous thing. I think we could discuss the constitutional question for a long time.

THE CHAIRMAN: Would you like to say this, "The attached Report has been prepared by the Management of the Bank. In authorizing its transmittal, the Executive Directors are not expressing any opinion on behalf of the Governments they represent as this will be done at the meeting of the Economic and Social Council."

Do you want to do that?

MR. HOPPENOT: What I would find perfectly in keeping would be to stop with "the proposal," say, "We are expressing no opinion on the merits of the proposal," and what happens

between our governments and ourselves is nobody's business, to put it very simply. In other words, I don't see any reason why we should involve our governments.

MR. PICK: I would rather agree with Mr. Hoppenot's proposal and leave out that the Executive Directors are not expressing any opinion on behalf of the governments they represent.

THE CHAIRMAN: Does that suit you, to just leave that out, "The Executive Directors are not expressing any opinion on behalf of the Governments they represent," just say they are expressing no opinion on the merits of the proposal?

SIR EDMUND HALL-PATCH: I would be perfectly happy with that. I think there should be an unanimous view on this business. I should be happier to have the other portion of the sentence inserted, but if there is any disagreement about it I think this discussion makes clear where we stand. As far as we are concerned, we shall feel perfectly free to make any criticisms we like in the Economic and Social Council on the whole proposal. That is the one thing I want to make clear. And consequently, I would not like it to be thought that we were acting inconsistently by approving a report for transmittal to the Economic and Social Council and then perhaps getting on our high horse in the Economic and Social Council and saying it is a thoroughly bad one.

THE CHAIRMAN: Yes.

Mr. Kamat.

MR. KAMAT: I should think, Mr. Chairman, that we are here in a dual capacity, and I don't think the other capacity, as representatives of government, can be forgotten. I must say I feel your original formula which was adopted some years ago is the right one. If we are to express any view on the report, then it will be necessary to go through it pretty carefully, and I don't think that would be quite so suitable.

THE CHAIRMAN: Let me make this suggestion. Put this addition to it:

"The attached Report has been prepared by the Management of the Bank and, in authorizing its transmittal, the Executive Directors are not expressing any opinion on the policy issues discussed in Section II of the Report."

We will leave out "on behalf of the Governments," and that will cover it.

As a matter of fact, when you talk about the merits of the proposal, there is no proposal at this time, and I think if you said, "are not expressing any opinion on the policy issues discussed in Section II of the Report," that would cover both cases.

Is that all right with everybody?

MR. HOPPENOT: Yes.

SIR EDMUND HALL-PATCH: Yes. Mr. Chairman, I would like to make a few suggestions if I may. This is a report prepared

by the Management, but I would, with all diffidence, like to submit a proposal which I think might clarify the report to some extent.

THE CHAIRMAN: All right.

SIR EDMUND HALL-PATCH: At the end of Chapter I, it says the countries consulted accepted the idea in principle. I am not sure all of them would. Therefore, I would suggest the addition of the following words at the end of Chapter I might be suitable. The words I would suggest would be:

"...and some of them doubt the soundness of the idea in principle."

THE CHAIRMAN: Yes.

SIR EDMUND HALL-PATCH: Then again, under "(a)" in Chapter II, it seems to me that there have been recent discussions going on which might perhaps provide a way out of some of these difficulties to which you allude there. And in that chapter, in section (a), perhaps mention might be made of the following:

"National development corporations to fulfil functions of a kind similar to those envisaged for IFC can, in some cases, be set up in such a way and under such arrangements as to attract domestic and foreign capital."

We have heard of this Indian Finance Corporation and there may be others. We have got the Turkish Loan Corporation, and so on.

THE CHAIRMAN: You mean local?

SIR EDMUND HALL-PATCH: Local; local.

THE CHAIRMAN: Yes.

SIR EDMUND HALL-PATCH: I just submit that for your consideration.

THE CHAIRMAN: Where would you put that in?

SIR EDMUND HALL-PATCH: At some suitable place in Section (a) of Chapter II.

And finally, the last sentence of "(d)" in Chapter II --

THE CHAIRMAN: Mr. Demuth points out that Section (a) is talking about private capital to finance IFC, so it ought to be somewhere else. This wouldn't have anything to do with that. This is a question of whether or not you could get private capital to go into IFC like you have got private capital to go into CDFC. I am glad to put it in, but maybe it could be put in somewhere else if you would leave it to our discretion.

SIR EDMUND HALL-PATCH: Certainly. Finally, the last sentence of "(d)" in Chapter II. I take it that that sentence is not intended to ignore the fact that numbers are not the really useful index in this matter, and the real point is how much usable funds would be available. Perhaps that point might be covered by the addition of words something on these lines at the end:

"Any such test would, however, have to have regard not

only to the number of subscribing countries, but also to the extent to which the currencies subscribed would be likely to be useful for the purpose of IFC."

I would suggest something of that sort.

THE CHAIRMAN: I think that is understood, but we can put it in.

Are there any other suggestions?

MR. KAMAT: May I raise one question?

THE CHAIRMAN: Yes, Mr. Kamat.

MR. KAMAT: At the end of Section I, we stated there is no support found for this corporation from the key countries. I wonder if it could be elaborated a bit, as to the reasons why they are not in a position to support this.

THE CHAIRMAN: I have had some difficulty in finding that out. (Laughter)

MR. KAMAT: I am sure there must have been some discussions between the Management and the officials of these countries, in the course of which something must have emerged. But if it is just left like that, if it is not possible to put it in the report, could it be possible to circulate it to the Executive Directors?

THE CHAIRMAN: As I say, I have had discussions with representatives of several governments on this. I don't know that I know all the reasons why they would not be interested today. I would have some doubt that these governments would

be willing to circulate all the reasons.

I think we can get up a memorandum for the Board giving our impressions of some of these reasons, but before we do that I would like to talk to the governments involved. I don't think it ought to be in this report.

MR. KAMAT: If it is circulated to the Board I would be satisfied.

THE CHAIRMAN: I would be glad to discuss it with the governments.

Is there anything else on this report?

MR. OVERBY: Mr. Chairman, I suspect there will be plenty of opportunity to elaborate the views that are so succinctly expressed here. There are other forums and other places, I think, where these views can be elaborated.

MR. GARNER: Won't that be discussed probably at the Economic and Social Council?

MR. KAMAT: Yes, but the report is coming from the Bank and the Bank's Executive Directors should know what the position is.

THE CHAIRMAN: I will be glad to give the Directors all the information I am allowed to. That is all I can say.

MR. WARREN: Mr. Chairman.

THE CHAIRMAN: Mr. Warren.

MR. WARREN: I have only two small suggestions which the Management may wish to consider. They aren't very important.

I wonder whether in the first paragraph, which summarizes in the last sentence what the Bank has done, the sentence might be redrafted to reflect, perhaps, a little more closely the resolution which gave the job to the Bank, in case anyone in the UN should think you have done less than was asked of you in the resolution. I think that is poorly drafted.

On page 2, you say, "Further studies have not altered the conclusion expressed in the original report." I just wonder whether it wouldn't be well to state the conclusion so the report could read as a document without reference to a previous document.

THE CHAIRMAN: Excuse me. Will you repeat your last point, please.

MR. WARREN: The second point is on page 2, Mr. Black, the first paragraph of Chapter II, where you say that the further studies have not altered the conclusion expressed in the original report. I wonder whether that could be redrafted to say what the conclusion was, so you don't have to read this report with reference to the original one.

THE CHAIRMAN: Well, I think we mention later on that the Management of the Bank thinks this institution is desirable. That was the gist of the report, and we mention that later on in this report.

MR. WARREN: I don't press this, Mr. Black, but it is just that when I read it the immediate question was, "What was

the conclusion?" I happened to know what the conclusion was, but other readers may not.

THE CHAIRMAN: Isn't that in here later on?

MR. DEMUTH: No. The first report was worded in such a balanced fashion you can't pick out any one sentence and say, "This is what it says." We might quote the actual conclusion of that first report in a footnote to this report.

MR. WARREN: I don't press that, but to the lay reader the question immediately arises.

MR. OVERBY: I submit this will probably not be read by the lay readers. This will be read by the interested parties.

MR. DEMUTH: Mr. Warren, on the first point you made, we did fudge a little bit what we were asked to do in that first paragraph because we didn't really give them the whole detailed analysis that was asked for in those resolutions. That is one of the reasons we put the resolutions in back, in case anybody wanted to pick up the point.

MR. WARREN: I imagined there had been some such difficulty. I wondered whether the fudging hadn't been too thorough.

MR. DEMUTH: The only other alternative is to write a lengthy report on hypothetical questions, and I wonder whether that would be a useful thing to do at this point.

THE CHAIRMAN: Well, I think one way you might say we haven't carried out the terms of the resolutions was that one of the things the Economic and Social Council wanted us to do

was to go into a lot of detail in setting up a corporation. Now, we have never seen any sense in setting up a corporation when you haven't got any money, and spending a lot of time giving charter and by-laws and duties, and so forth. That is one of the things we haven't done.

MR. WARREN: Mr. Black, there is certainly no difference in substance between us. I am just wondering, from the point of view of drafting, if the person who drafted the resolution in the UN looks at your first paragraph -- whether the form of words you have chosen is the best to serve your purpose. If you think it is, I certainly have no objection.

THE CHAIRMAN: Well, we said at the time, when this resolution was made, that we didn't think it advisable to go to a lot of trouble in setting up this corporation unless we found interest in getting capital. But we'll take a look at this and we'll see what we can do.

Is there anything else?

(No response.)

