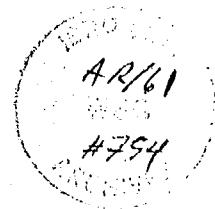


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FIRST ANNUAL MEETING
of the
BOARD OF GOVERNORS
of the
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FIRST ANNUAL REPORT
by the
EXECUTIVE DIRECTORS

Washington, D. C.
September 27, 1946

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT



September 27, 1946

My dear Mr. Chairman:

In accordance with Section 10 of the By-Laws of the International Bank for Reconstruction and Development, I have the honor to submit to the Board of Governors the Annual Report of the Executive Directors, and, in accordance with Section 19 of the By-Laws, a financial statement, based on an audit of the accounts of the Bank, together with a statement on the annual administrative budget.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Eugene Meyer".

Eugene Meyer,
President.

Honorable John W. Snyder,
Chairman, Board of Governors,
International Bank for Reconstruction and Development,
Washington, D. C.

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FIRST ANNUAL REPORT TO THE BOARD OF
GOVERNORS OF THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT

(As of September 20, 1946)

This first annual report of the Executive Directors comes at the threshold of the Bank's operations. During the few months which have passed since the Executive Directors held their first meeting in May, substantial progress has been made in establishing the Bank's structure, securing staff personnel, and developing working procedures and relationships. The policy and operational questions which lie ahead have been examined and preparations have been made to meet them when they arise. As the Board of Governors' meeting convenes, the Bank stands ready to play the important role in reconstruction and development which has been assigned to it by its 38 member Governments.

Establishment of the Bank

Under the By-Laws adopted at Savannah by the Board of Governors, the principal office of the Bank has been established in Washington. In accordance with a resolution adopted by the Board of Governors, the first meeting of the Executive Directors was held on May 7. The Executive Director representing the United States acted as Temporary Chairman and continued so to act until the election of the President.

The seven Executive Directors elected by the Board of Governors at the Savannah meeting took office on May 7, as did four of the appointed Executive Directors. The fifth appointed Executive Director, representing the United Kingdom, served in a temporary capacity until the arrival of the permanent Executive Director for the United Kingdom on May 29. The only subsequent change in the membership of the Executive Directors was caused by the resignation of Mr. Camille Gutt, of Belgium, to become Managing Director of the International Monetary Fund. Mr. Gutt was succeeded as Executive Director by Mr. Hubert Ansiaux, who was elected on June 14 by votes of the Governors representing Belgium, Iceland, Luxembourg and Norway. Ten permanent Alternate Directors have been appointed and two vacancies exist.

A list of the Governors and their Alternates appears as Appendix "A", and a list of the Executive Directors and their Alternates appears as Appendix "B".

Election of the President

On the agenda of the first meeting of the Executive Directors was the election of a President of the Bank, but consideration of this item was postponed until June 4, when Mr. Eugene Meyer was nominated and unanimously elected. Mr. Meyer took office on June 18.

Formal Commencement of Operations and Calls of Capital

The Executive Directors fixed June 25, 1946 as the date upon which the Bank would formally begin operations. The member Governments were advised that such date had been fixed and that, under the Articles of Agreement, the balance of the first 2% of their capital subscriptions, payable in gold or United States dollars, would be due within sixty days. The members also were advised of an additional call of 3% of their capital subscriptions, payable on or before November 25, 1946, in their local currencies. They were notified at the same time that the Bank would make another call, as of September 25, for a further 5% of their subscriptions, payable in their respective currencies, by November 25. This further call has now been authorized. At the time this September 25 call is made, notice will be given of the Bank's intention to make two more calls, each for an additional 5% of the subscriptions payable in the local currencies of the members by February 25, 1947, and May 26, 1947, respectively.

In response to the call for the balance of the first 2% of the capital subscriptions of members, the Bank received \$143,786,883.70* of a total of \$153,400,000. The unpaid amount is accounted for as follows:

(1) Payment of 1/2% of the subscriptions of China, Czechoslovakia, Denmark, Greece, Norway, Poland and Yugoslavia was

*This figure includes the payment of the 1/100 of 1% of the subscription of each member made at the time of its acceptance of the Articles of Agreement, but it does not include that portion (\$1,989,616.30) of the payment of \$1,990,000 due from the Union of South Africa, represented by gold which was reported to have been shipped on August 24, 1946 and to be in transit to the Federal Reserve Bank of New York at the time of the preparation of this report.

postponed for a period of five years under Article II, Section 8 (a) (i) of the Articles of Agreement, which provides for such postponement in the case of a member whose metropolitan territory suffered from enemy occupation or hostilities during the war. These postponements amount to \$5,165,000.

(2) Czechoslovakia and Yugoslavia have requested a postponement with respect to the remaining 1 1/2% of their subscriptions, amounting to \$1,862,500 and \$596,000 respectively, under Article II, Section 8 (a) (ii) of the Articles of Agreement, which provides that an original member which cannot make payment of the 2% of its subscription, payable in gold or United States dollars, because it has not recovered possession of its gold reserves which are still seized or immobilized as a result of the war, may postpone all payment of such 2% until such date as the Bank may decide. These two requests are under consideration by the Executive Directors.

In addition to the amount received by the Bank from payments of 2% of the members' subscriptions, the United States has paid the call for 3% of its subscription, amounting to \$95,250,000, and payments have been made by Chile and Costa Rica of the calls for 3% and 5% of their subscriptions, amounting to \$2,800,000 and \$160,000, respectively. These payments, made in the local currencies of the members, aggregate \$98,210,000 in value, making the total amount received by the Bank to date equivalent to \$241,996,883.70 at the time of payment.

Of the total, \$14,072,258.62 was received in gold, of which \$9,395,758.64 is held by the Federal Reserve Bank of New York and \$4,676,499.98 is held by the Bank of England. A list of the depositories of the Bank, designated by the members, appears in Appendix "C".

Investment of Funds Received by the Bank in Payment of the First 2% of the Subscriptions

The question of the investment of the Bank's funds has been under consideration by the Executive Directors for some time. They have recently authorized the President or the Vice President to invest, at current market prices, in bills, notes and certificates of the United States Treasury, maturing not more than twelve months after the date of purchase, the United States dollars received by the Bank in payment of the first 2% of the Bank's subscribed capital.

The Scope of the Bank's Lending Operations

The purposes of the Bank are clearly set out in Article I of the Articles of Agreement as follows:

"(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.

"(ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

"(iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.

"(iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

"(v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy."

It might have been expected that with the formal commencement of operations on the 25th of June, applications for loans would have been presented to the Bank in large numbers. Nevertheless, the Bank has so far received only two letters from its members requesting loans. It is expected that these letters will soon be followed by properly documented loan applications, and in the meantime preliminary discussions are taking place.

The absence of loan applications may be surprising at first sight. But a little reflection will indicate some of the reasons why applications have not been received in larger numbers.

When the tide of war ebbs, the physical devastation and other physical changes caused by the war are there for all to see. What is not so obvious are changes in economic and social structure as well as the destruction of administrative systems and of the necessary mechanisms of commerce and industry. On the one hand, this makes it more difficult to devise plans for a long-run reconstruction of the countries concerned; on the other hand, it leads inevitably to whole peoples having to preoccupy themselves with the mechanics of avoiding starvation. It is not surprising, then, that there has been in so many countries a period during which relief on a large scale has been necessary before there could be any thought of preparing major programs of reconstruction. In this sphere UNRRA provided magnificent assistance and prevented serious disasters. But the period of relief must come to an end, and it is vital that well articulated and productive programs of reconstruction and development should be ready against that time. Such programs are the raw material of the Bank's business. The Bank is equipped now to consider applications for loans to cover such programs and to investigate them with reasonable dispatch. Indeed, the Bank is prepared to consider furnishing technical assistance in the preparation of loan applications. The Articles of Agreement of the Bank prescribe the standards which it must apply in the consideration of such applications. It is obvious, therefore, that in order to avoid unnecessary delay in the consideration of applications for loans, they must be supported by adequate data which will enable the Bank to determine whether or not they conform to the prescribed standards.

Organization of the Executive Directors

By action of the Executive Directors, the respective functions and duties of the Executive Directors and the officers of the Bank have been determined and the pattern of the Bank's operations has been outlined.

Matters of policy determination are the responsibility of the Executive Directors, while operational, administrative, and organizational questions are the responsibility of the President, subject to the general direction and control of the Executive Directors. The President is the presiding officer of the Executive Directors and is entitled to a deciding vote in the case of an equal division.

The Executive Directors are constantly available for consultation with the administration of the Bank. Formal meetings of the Executive Directors are held frequently, and they also meet with the senior members of the staff for informal discussions concerning the Bank's operations.

The Executive Directors established a number of committees even before the selection of the President, and valuable discussions on various aspects of the Bank's structure and work took place in the early months of the Bank's existence. In the sphere of policy the deliberations of the Executive Directors have been carried to the point where provisional conclusions now need to be checked and developed by reference to specific and detailed loan applications.

The committees of the Bank have been consolidated into standing committees on membership, financial policy, interpretation, information and liaison. These committees are composed solely of Executive Directors, but the President has designated members of the staff to meet with each of them. The membership of the existing standing committees appears in Appendix "D". The Bank and the Fund have also agreed that there shall be a joint standing committee to consider matters of common concern to the two institutions. *Ad hoc* committees have been and will be established from time to time to consider and make recommendations to the Executive Directors on specific matters referred to them.

Rules of procedure defining and regulating meetings of the Executive Directors, the agenda for meetings, voting, committees, minutes, notices, publicity and amendments, have been adopted by the Executive Directors. The text of these rules of procedure is being submitted separately to the Board of Governors for review pursuant to Section 16 of the By-Laws of the Bank.

Proposed Amendments to the By-Laws of the Bank

Certain amendments to the By-Laws of the Bank will be proposed to the Board of Governors for their approval. These are being submitted separately for consideration.

Organization of Bank's Staff

Although the organizational pattern of the staff must necessarily remain to a large extent flexible in the present formative stage of the Bank's development, the following offices and departments have been established on a tentative basis to carry on the work of the Bank:

Office of the President
Office of the Secretary
Office of the Treasurer
Legal Department
Loan Department
Research Department
Personnel Office
Office Services

(1) *Office of the President*.—In addition to the President, this Office consists of the Vice President and two Assistants to the President. The Vice President is Mr. Harold D. Smith, formerly Director of the Bureau of the Budget of the United States Government.

(2) *Office of the Secretary*.—Mr. Morton M. Mendels, of Canada, has been appointed Secretary of the Bank. In addition to his duties as such staff member, he acts as Secretary of the Executive Directors and of the Board of Governors. He is also responsible for providing secretariat service for the committees of the Executive Directors.

Prior to the appointment of Mr. Mendels, Mr. John S. Hooker, of Chevy Chase, Maryland, acted for several months as Temporary Secretary.

(3) *Office of the Treasurer*.—Mr. D. Crena de Jongh, of the Netherlands, now an Alternate Executive Director, has been appointed Treasurer.

The Bank was fortunate in receiving the temporary assistance during July and August of representatives of the Board of Governors of the Federal Reserve System of the United States, who developed, in conjunction with members of the Bank's staff, a chart of accounts for the Bank.

(4) *Legal Department*.—This Department is headed by the General Counsel, Mr. Chester A. McLain, of New York, who is responsible for the legal staff of the Bank.

(5) *Loan Department.*—Pending the appointment of a permanent Loan Director, Mr. J. W. Beyen, of the Netherlands, has been acting as Temporary Loan Director in addition to his duties as Executive Director.

For the time being, it is contemplated that the engineering and technical staff of the Loan Department will be kept to a minimum and that, to the maximum extent practicable, the technical services required by the Bank will be secured on a consulting basis. To this end, discussions have been held with various technical groups for the purpose of enabling the Bank to be in a position to call upon technical experts in the United States and elsewhere to advise on loan applications which may be presented.

(6) *Research Department.*—The Research Department is responsible for economic, statistical and other research required in connection with the operations of the Bank. Mr. Leonard B. Rist, of France, formerly an Alternate Executive Director, has been appointed Research Director.

Discussions have been conducted with the research departments of the International Monetary Fund and of the United Nations with the view of arranging for cooperation in the exchange of statistical and other information and research services. As a result it is hoped to keep the research staff of the Bank confined to a small group of highly qualified economists and statisticians.

(7) *Personnel Office.*—The Personnel Office is responsible for personnel matters in connection with the Bank's staff. Mr. William Howell, of Washington, D. C., formerly Personnel Director of UNRRA, is serving as Acting Director of Personnel.

(8) *Office Services.*—Office Services is responsible for all supply, space, housekeeping, transportation and similar administrative services.

The Bank has been fortunate in receiving, during the past few months, the assistance of representatives of the Bureau of the Budget of the United States Government in connection with the development of its administrative procedures.

Recruitment Policies

Pending the receipt of loan applications, the Bank has not attempted to build up its organization beyond its needs, but the

Bank is in a position to assemble additional personnel as soon as it is required.

In recruiting the Bank's staff, two principles have been consistently followed: first, that appointees shall have a high order of competence; and second, that the staff be recruited with due regard to geographical representation.

The success of the Bank's operations depends to a large extent on the character of its personnel, and it is believed that the policy of careful selection will, in the long run, pay large dividends in the form of efficient and sound operation. Where necessary, positions have been filled on a temporary basis pending permanent appointments. By care in the selection of competent personnel and by the use of expert consultants in connection with special problems as they arise, the regular staff will be smaller than otherwise would be necessary, with resulting benefits in both efficiency and economy.

Procedure on Loan Applications

The Executive Directors and the staff have been engaged in continuous study of the loan policies to be pursued by the Bank. These studies have necessarily been preliminary in nature, since development of definitive policies in substantial detail can only be intelligently undertaken in the light of loan applications which shall be received.

The Executive Directors have agreed as to the method of handling loan applications. The procedure will consist of three stages.

After preliminary conversations with the applicant, the President will bring the application before the Executive Directors, so that they may decide whether the Bank should proceed with the negotiations. If the Executive Directors determine that the Bank should continue the negotiations, they will authorize the President so to proceed and a Loan Committee will be appointed *ad hoc* for the study of the particular application in accordance with the Articles of Agreement.

Each Loan Committee will include an expert selected by the member in whose territory the project to be financed is located and one or more members of the technical staff of the Bank.

The Loan Committee will study the proposal and submit a written report to the President with its recommendations con-

cerning the merits of the proposal. The Loan Committee will not participate in the actual negotiations, but it will maintain close touch with the negotiators in order that they may coordinate the negotiations with the findings of the Loan Committee.

Throughout the procedure the Executive Directors will be kept continuously informed about the progress of the negotiations.

The ultimate proposal of the President, together with the accompanying report of the Loan Committee, will be brought before the Executive Directors for their final decision.

Marketing Policies

Preliminary investigation has indicated that most of the funds required by the Bank in addition to its capital must, for the present, be obtained in the United States. Informal discussions have accordingly been held with representatives of leading investment bankers, commercial banks, savings banks and insurance companies in order to familiarize them with the nature of the Bank's operations and to obtain their views.

In most important states, legislative action will be required before the Bank's securities can legally be purchased by insurance companies or savings banks, or by trustees who are limited to investments which are legal for savings banks. Measures have been taken by the United States authorities and by representatives of institutional investors looking toward the introduction of the requisite legislation to permit such purchases, but most of the State legislatures are now in recess and will not meet again until after January 1, 1947. An encouraging first step was taken by the New York State Legislature at its last session, when it authorized savings banks in the State of New York to purchase securities issued or guaranteed by the Bank.

Preliminary study of the marketing possibilities in Canada has also been undertaken, and studies will be made, as circumstances develop, of the possibilities of selling in markets, other than the United States and Canada, securities issued or guaranteed by the Bank.

Cooperation with other International Organizations

The Executive Directors recognize that the Bank must maintain close relations with the International Monetary Fund,

and that cooperation with the Economic and Social Council of the United Nations, as well as with other specialized agencies of the United Nations, is necessary in the light of the problems of mutual concern which arise.

A joint standing committee of the Executive Directors of the Bank with the Executive Directors of the International Monetary Fund is being created to consider matters of common interest. This will serve as a bridge between the two institutions in those respects in which they should complement each other. The Secretaries of the Bank and the Fund have also been charged with the responsibility of informing each other of new subjects of mutual interest to be considered by the Executive Directors of each institution, and they have been authorized to exchange documents pertinent to matters of joint concern. The Chairman of the Executive Directors of each of the two institutions will invite a representative of the other to attend meetings at which matters of common interest are to be discussed, and the two Chairmen will maintain close touch with each other and will propose to the respective Executive Directors additional measures necessary to insure close cooperation.

The Bank has had representatives in attendance at meetings of the Food and Agriculture Organization in Washington during the spring and in Copenhagen during the summer, and a representative from the Bank attended meetings in London of the Sub-Commission of the Economic and Social Council on Economic Reconstruction of Devastated Areas. Observers from the Bank were also in attendance at meetings of the Economic and Social Council during June and September.

Pursuant to the instructions of the Board of Governors at their Savannah meeting, a number of discussions have been held with representatives of the United Nations concerning arrangements for cooperation, particularly with the Economic and Social Council. The Executive Directors have felt that, pending further development of the Bank's activities, it would be premature to attempt to define the exact scope and nature of such cooperation in a written agreement. They believe that the development of practical working relationships will be facilitated rather than delayed by the absence of a formal agreement.

Membership

Recommendations with respect to the admission of countries which have applied for membership in the Bank are being submitted separately to the Board of Governors in accordance with Section 20 of the By-Laws of the Bank.

Interpretations

By Resolution No. 6, adopted on March 18, 1946, the Board of Governors referred to the Executive Directors the request of the Governor for the United States, pursuant to Section 12 of the Bretton Woods Agreement Act, for an interpretation of the Articles of Agreement with regard to the authority of the Bank to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans. As has been set out in a separate report to the Board of Governors, to which reference should be made, the Executive Directors have agreed that such loans are within the authority of the Bank. This separate report appears as Appendix "E".

The Executive Directors have also rendered two other decisions with regard to the interpretation of the Articles of Agreement of the Bank, as follows:

(1) In accordance with Resolution No. 7, adopted by the Board of Governors on March 18, 1946, the Executive Directors, at their meeting on May 9, 1946, decided that, under Article V, Sections 4 (b) (i) and 4 (d) of the Articles of Agreement of the Bank, any member of the Bank, having one of the five largest subscriptions to the capital of the Bank at the date of a regular election of Executive Directors or at any date between regular elections of Executive Directors, shall be entitled to appoint an Executive Director who shall hold office until the next regular election of Executive Directors, without prejudice to the right of a subsequently admitted member of the Bank to appoint an Executive Director if it has one of the five largest subscriptions to the capital of the Bank.

(2) At their meeting on June 20, 1946, the Executive Directors decided that, under Article IV, Section 2 (a) of the Articles of Agreement, the United States does not have power to control the use of United States dollars paid to the Bank in lieu of gold pursuant to Article II, Section 7 (i) of the Articles of Agreement.

Advisory Council

Recommendations in respect of the Advisory Council are being submitted separately to the Board of Governors in accordance with Resolution No. 5 of the Board of Governors.

Financial Statement

The accounts of the Bank have been audited as of June 30, 1946, by Price, Waterhouse & Co. in accordance with Resolution No. 19 adopted by the Board of Directors on September 10, 1946. The Auditors' Report appears as Appendix "F". Financial statements, as of August 31, 1946, prepared by Office of the Treasurer of the Bank, appear as Appendix "G".

Summary information relating to the Bank's financial condition as of August 31, 1946, is given below.

Total assets were \$385,157,513.64. Gold amounted to \$14,072,258.62, of which \$9,395,758.64 was held by the Federal Reserve Bank of New York and \$4,676,499.98 by the Bank of England. Deposits with banks totalled \$227,729,955.32, of which \$224,730,887.11 was on deposit with the Federal Reserve Bank of New York and \$39,068.21 with the American Security and Trust Co., Washington, D. C. The account at the American Security and Trust Company is used for the payment of the Bank's operating expenses. \$2,960,000, the U. S. dollar equivalent at exchange rates in effect at the date of deposit, was in the Central Banks of Chile and Costa Rica. These deposits in Chile and Costa Rica represent payments of the 3% stock subscription call made as of June 25, 1946 and due on or before November 25, 1946, and the 5% call made as of September 25, 1946, also due on or before November 25, 1946.

Calls on subscriptions to capital stock outstanding as of August 31, 1946 amounted to \$143,353,116.30, including outstanding balances of \$9,613,116.30 on the 2% call payable on or before August 24, 1946, and of \$133,740,000 on the 3% call payable on or before November 25, 1946. The subscription calls and payments thereon are discussed in detail in the section of this Report entitled "Formal Commencement of Operations and Calls of Capital".

Miscellaneous assets of \$2,183.40 include travel and other advances and service deposits.

Total liabilities of \$1,939,676.77 include accounts payable of \$73,948.35, a reserve of \$15,728.42 for estimated liability for income taxes on salaries paid through August 31, 1946, and deferred credits of \$1,850,000, the last item representing the advance payments by Chile and Costa Rica of the 5% stock subscription call which was not actually made until after August 31, 1946.

Capital stock of \$383,500,000 represents the 2% call of \$153,-400,000 and the 3% call of \$230,100,000.

The deficit of \$282,163.13 is the total of the operating expenses of the Bank to August 31, 1946.

The accounting system that has been established will reflect at all times the various member currencies held by the Bank, as well as the sources of the funds.

Statement on Administrative Budget

Paragraph 4 of Resolution No. 2, adopted by the Board of Governors on March 16, 1946, authorized the Temporary Secretary of the Bank, until permanent procedures should be established, to expend up to \$200,000 to meet salaries and other administrative expenses of the Bank, including transportation expenses of Governors and their Alternates. The Temporary Secretary made disbursements under such authority until July 15, 1946. Thereafter, disbursements were made by the President or Vice President of the Bank. Total disbursements through July 15, 1946 amounted to \$75,703.40.

The expenses of the Bank to August 31, 1946 totaled \$282,163.13, including accrued expenses and provision for estimated liability for income taxes on salaries and expenses of Executive Directors, their Alternates and the staff. Of the total, \$33,086.50 represented expenses of the Governors and their Alternates in attending the meeting at Savannah, Georgia, and \$8,407.73 represented expenses of the Executive Directors and their Alternates in moving to Washington.

At the date of this Report, in addition to the Executive Directors and Alternates, the staff and secretarial force of the Bank totaled 72. Operating expenses, on the basis of the present staff and office space, are accruing at a rate of approximately \$100,000 a month, or at an annual rate of \$1,200,000. However, the Bank

is still in the process of developing its organization and this rate of expenditure will necessarily increase.

Small staffs have been recruited for the offices of the Executive Directors and their Alternates, the offices of the President, the Secretary, the Treasurer, the General Counsel, the Personnel Office and Office Services. The Director of the Loan Department is serving in that capacity on a temporary basis, and the Director of the Research Department only recently assumed the duties of his office. The staffs for these departments will be developed in the light of their requirements. All the operational units will have to be expanded substantially when the Bank begins to make loans and undertake financing.

Consideration is being given to the development of a retirement system and the provision of various provident funds for employees, consistent with actions being taken by other international organizations. These, if adopted and put into effect, will add a further undetermined amount to the cost of operations.

It would not be difficult to develop an administrative budget, based on numerous arbitrary assumptions, which would present a forecast purporting to reflect the anticipated expense of operations of the Bank for a given period. However, the many assumptions which would have to be made would result in figures that could not be accepted as having any foundation in fact. There is no indication as to the number or complexity of the loan applications which will have to be considered, or as to the rapidity with which they will develop. There is no experience on which to estimate the extent of the staff work which will be required, either in Washington or in the field, before loans can be approved. Work-load information is completely lacking, both as to lending and financing activities, and there is no similar public or private financing institution with which comparison can be made. Any assumptions which might be made, at this stage, therefore, would be extremely speculative.

The minimum function of budgetary planning should be to furnish to management an intelligent control over operations. To be useful a budget must be based on anticipations that can be reasonably justified. A budget prepared on any other basis would be useless.

Under existing circumstances, it would not be possible to prepare an estimate of operating costs that would be useful.

However, within a few months sufficient operating experience will have accumulated to justify the development of an adequate budgetary control well in advance of the next fiscal year.

Conclusion

During the three months since its formal commencement of operation, the Bank has attempted to prepare the ground for those tasks of reconstruction and development which will be its responsibility in the years ahead. If we build skillfully and well an international organization to perform those tasks, the Bank will be able to contribute, as the Member Governments of the Bank intended it should, to the structure of a secure peace.

APPENDIX "A"

Governors and Alternates of the International Bank for Reconstruction and Development

<i>Member Government</i>	<i>Governor</i>	<i>Alternate</i>
Belgium	Jean Vauthier	Maurice Frere
Bolivia	Rene Ballivian Cald- eron	Jaime Gutierrez Guerra
Brazil	Francisco Alves dos Santos-Filho	Edgard de Mello
Canada	James L. Ilsley	Graham F. Towers
Chile	Arturo Maschke	Luis Davila
China	O. K. Yui	T. L. Soong
Costa Rica	Julio Pena Morua	Angel Coronas Guar- dia
Cuba	Joaquin E. Meyer	
Czechoslovakia	Alois Kral	Joseph Hanc
Denmark	Carl Valdemar Bramsnæs	Erling Sveinbjörn- sson
Dominican Republic	Jesus Maria Troncoso	Jose Ramon Rodri- guez
Ecuador	Esteban F. Carbo	Sixto E. Duran- Ballen
Egypt	Ahmed Zaki Bey Saad	Ahmed Selim
El Salvador	Federico Vides S.	Manuel Melendez V.
Ethiopia	George A. Blowers	
France	Robert Schuman	Pierre Mendes-France
Greece	Athanase Sbarounis	Nicholas B. Kaskarelis
Guatemala	Manuel Noriega Mo- rales	Leonidas Acevedo

APPENDIX "B"

Executive Directors and Alternates of the International Bank for Reconstruction and Development

Honduras	Julian R. Caceres	Jorge Fidel Duron
Iceland	Magnus Sigurdsson	Thor Thors
India	Sir Chintaman Deshmukh	N. Sundaresan
Iran	A. H. Ebtehaj	Mocharraf Naficy
Iraq	Ali Jawdat	A. M. Gailani
Luxembourg	Pierre Dupong	Hugues Le Gallais
Mexico	Antonio Espinosa de los Monteros	Luciano Wiechers
Netherlands	P. Lieftinck	A. M. de Jong
Nicaragua	Guillermo Sevilla Sacasa	Rafael A. Huezo
Norway	Gunnar Jahn	Ole Colbjoernson
Panama	Joaquin Jose Vallarino	
Paraguay	Harmodio Gonzales	Ruben Benitez
Peru	Carlos Montero Bernales	Jose Barreda Moller
Philippine Republic	Joaquin M. Elizalde	
Poland	Konstanty Dabrowski	Janusz Zoltowski
Union of South Africa	Jan Hendrik Hofmeyr (J. H. Holloway, acting)	M. H. de Kock
United Kingdom	Hugh Dalton	Sir James Grigg
United States	John W. Snyder	William L. Clayton
Uruguay		Hugo Garcia
Yugoslavia	Lavoslav Dolinsek	Ivan Randic

Member Government	Executive Director	Alternate
United States	Emilio G. Collado	John S. Hooker
United Kingdom	Sir James Grigg	Maurice J. Hutton
China	Yuen-Ting Shen	<i>Y. T. Shen</i>
France	Pierre Mendes-France	Guy de Carmoy
India	N. Sundaresan	Jaganadha Vishwanath Joshi <i>D. V. Joshi</i>
Netherlands	J. W. Beyen	D. Crena de Jongh
Union of South Africa	(Netherlands)	(Netherlands)
Belgium		
Norway	Hubert Ansiaux	Thomas Basyn
Luxembourg	(Belgium)	(Belgium)
Iceland		
Brazil		
Chile		
Philippines		
Bolivia	Victor Moller	<i>Victor Moller</i>
Costa Rica	(Chile)	Fernando Illanes (Chile)
Guatemala		
Paraguay		
Panama		
Czechoslovakia		
Poland	Leon Baranski	Alois Kral
Yugoslavia	(Poland)	(Czechoslovakia)
Mexico		
Cuba		
Peru		
Uruguay		
Ecuador		
Dominican Republic	Luis Machado	Aramis Alvarez
El Salvador	(Cuba)	(Cuba)
Honduras		
Nicaragua		
Canada	R. B. Bryce	J. F. Parkinson
Egypt		
Greece		
Iran	Kyriakos Varvaressos	Mocharraf Naficy
Iraq	(Greece)	(Iran)
Ethiopia		

APPENDIX "C"

List of Depositories

<i>Member Government</i>	<i>Depository Designated</i>
--------------------------	------------------------------

Canada	Bank of Canada
Chile	Banco Central de Chile
China	Central Bank of China in Shanghai
Costa Rica	Banco Nacional de Costa Rica
El Salvador	Central Reserve Bank of El Salvador
France	Banque de France
Greece	Bank of Greece
India	The Reserve Bank of India
Iran	Bank Melli Iran
Iraq	Rafidain Bank
Mexico	Bank of Mexico
Netherlands	General Treasury of the Department of Finance
Nicaragua	The Emission Department of the National Bank of Nicaragua
Republic of the Philippines	Bureau of the Treasury
Poland	Narodowy Bank Polski
United Kingdom	Bank of England
United States	Federal Reserve Bank of New York

APPENDIX "D"

Membership of Standing Committees

Committee on Financial Policy

Leon Baranski
J. W. Beyen, Chairman
R. B. Bryce
Emilio G. Collado
Sir James Grigg
Luis Machado

Committee on Interpretation

Hubert Ansiaux
Victor Moller
Yuen-Ting Shen
N. Sundaresan
Kyriakos Varvaressos, Chairman

Committee on Membership

Hubert Ansiaux
Leon Baranski
R. B. Bryce
Victor Moller
Yuen-Ting Shen, Chairman

Committee on Liaison

Sir James Grigg, Chairman
Pierre Mendes-France
Victor Moller
N. Sundaresan
Kyriakos Varvaressos

Committee on Information

J. W. Beyen
Emilio G. Collado
Sir James Grigg
Luis Machado
Pierre Mendes-France, Chairman

APPENDIX "E"

Report of the Executive Directors to the Board of Governors on Interpretation of the Articles of Agreement

Pursuant to Resolution No. 6 of the Board of Governors, the Executive Directors have interpreted the Articles of Agreement with respect to the authority of the Bank to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans, by approving the following report of their Committee on Interpretation.

REPORT OF THE COMMITTEE ON INTERPRETATION

Section 12 of The Bretton Woods Agreements Act of the United States of America provides as follows:

The Governor and Executive Director of the Bank appointed by the United States are hereby directed to obtain promptly an official interpretation by the Bank as to its authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans. If the Bank does not interpret its powers to include the making or guaranteeing of such loans, the Governor of the Bank representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

Resolution 6, adopted by the Board of Governors of the Bank on March 18, 1946, provides as follows:

That the Executive Directors of the International Bank for Reconstruction and Development are invited, at the request of the Governor for the United States of America, to interpret the Articles of Agreement, pursuant to Article IX (a), as to the authority of the Bank to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans.

The Executive Directors of the Bank have referred the matter to this Committee.

The Committee, having carefully examined the question in the light of the provisions of the Articles of Agreement of the Bank and of statements and memoranda which have been submitted to the Committee with regard thereto, presents the following report and recommendations to the Executive Directors:

1. The question presented by Section 12 of the Bretton Woods Agreements Act relates to the general purposes for which the Bank is authorized to make or guarantee loans and the scope of the authority of the Bank to make or guarantee loans.

2. Article I of the Articles of Agreement of the Bank sets forth the purposes of the Bank as follows:

(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.

(ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

(iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.

(iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

(v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate postwar years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank shall be guided in all its decisions by the purposes set forth above.

3. The relevant provisions of Article III of the Articles of Agreement of the Bank with regard to the making or guaranteeing of loans by the Bank are as follows:

Section 1. Use of Resources

(a) The resources and the facilities of the Bank shall be used exclusively for the benefit of members with equitable consideration to projects for development and projects for reconstruction alike.

(b) For the purpose of facilitating the restoration and reconstruction of the economy of members whose metropolitan territories have suffered great devastation from enemy occupation or hostilities, the Bank, in determining the conditions and terms of loans made to such members, shall pay special regard to lightening the financial burden and expediting the completion of such restoration and reconstruction.

Section 3. Limitations on guarantees and borrowings of the Bank

The total amount outstanding of guarantees, participations in loans and direct loans made by the Bank shall not be increased at any time, if by such increase the total would exceed one hundred percent of the unimpaired subscribed capital, reserves and surplus of the Bank.

Section 4. Conditions on which the Bank may guarantee or make loans

The Bank may guarantee, participate in, or make loans to any member or any political sub-division thereof and any business, industrial, and agricultural enterprise in the territories of a member, subject to the following conditions:

(i) When the member in whose territories the project is located is not itself the borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank, fully guarantees the repayment of the principal and the payment of interest and other charges on the loan.

(ii) The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower.

(iii) A competent committee, as provided for in Article V, Section 7, has submitted a written report recommending the project after a careful study of the merits of the proposal.

(iv) In the opinion of the Bank the rate of interest and other charges are reasonable and such rate, charges and the

schedule for repayment of principal are appropriate to the project.

(v) In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests both of the particular member in whose territories the project is located and of the members as a whole.

(vi) In guaranteeing a loan made by other investors, the Bank receives suitable compensation for its risk.

(vii) Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.

Section 5. Use of loans guaranteed, participated in or made by the Bank

(a) The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members.

(b) The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.

(c) In the case of loans made by the Bank, it shall open an account in the name of the borrower and the amount of the loan shall be credited to this account in the currency or currencies in which the loan is made. The borrower shall be permitted by the Bank to draw on this account only to meet expenses in connection with the project as they are actually incurred.

4. The expression "loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans," is not defined either in the Bretton Woods Agreements Act or in the above-quoted Resolution No. 6. There is no reason to doubt, however, that loans of the kinds intended to be included in such expression fall within the general purposes for which the Bank is authorized to make or guarantee loans. With regard to any particular loan the only question would be whether or not it complied with the conditions specified in the above-quoted provisions of Article III of the Articles of Agreement of the Bank. Such conditions apply generally to all loans made or guaranteed by the Bank.

Among those conditions is the condition set forth in paragraph (vii) of Section 4 of Article III that "Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development." It is obvious that many of the loans referred to in Section 12 of the Bretton Woods Agreements Act would be "for the purpose of specific projects of reconstruction or development," within the meaning of the above-quoted provision of Section 4 (vii) of Article III of the Articles of Agreement of the Bank. But without at this time attempting to determine what would constitute a specific project of reconstruction or development within the meaning of that Section, it is sufficient to point out that under such Section the Bank is authorized "in special circumstances" to make or guarantee loans other than for purposes of specific projects of reconstruction or development, provided, of course, that such loans come within the general purposes of the Bank as set forth above. It follows, therefore, that, under Article III, Section 4 (vii) of the Articles of Agreement, the Bank, while primarily expected to make or guarantee loans for specific projects of reconstruction and development, does have authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans, even if such loans are not for specific projects of reconstruction or development within the meaning of such Section.

5. In determining whether or not to make or guarantee any such loan, it is, of course, for the Bank to decide whether or not such loan conforms to the conditions specified in the above-quoted provisions of Article III of the Articles of Agreement of the Bank, and, in the case of a loan which is not for the purpose of a specific project of reconstruction or development, it is for the Bank to decide whether special circumstances exist which justify it in making or guaranteeing such loan.

6. The Committee is, therefore, of opinion that, under the Articles of Agreement, the Bank has authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans, and the Committee recommends that the Executive Directors so decide.

7. If this report shall be approved by the Executive Direc-

tors, the Committee recommends that this report be transmitted to the Board of Governors as the decision of the Executive Directors in accordance with the above-quoted Resolution No. 6 of the Board of Governors.

Committee on Interpretation

[Signed] Kyriakos Varvareos (Chairman)
Hubert Ansiaux
Victor Moller
Yuen-Ting Shen
N. Sundaresan

APPENDIX "F"

Auditors' Report

PRICE, WATERHOUSE & Co.

AMERICAN SECURITY BUILDING

Washington 5, D. C., September 19, 1946

To The Executive Directors,
International Bank for Reconstruction
and Development,
Washington, D. C.

We have examined the accompanying financial statements of the International Bank for Reconstruction and Development as of June 30, 1946. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the accompanying financial statements present fairly the position of the Bank at June 30, 1946, and the results of its transactions from December 27, 1945 (the date when the Articles of Agreement establishing the Bank entered into force), to June 30, 1946, in conformity with generally accepted accounting principles.

Price, Waterhouse & Co.

Exhibit A

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

***Statement of Members' Subscriptions to Capital Stock and
Balances Due on Calls—June 30, 1946***

(Expressed in U. S. Dollars)

Member Country	Subscription		Amounts called to June 30, 1946	Amounts received to June 30, 1946	Balances receivable at June 30, 1946		
	Shares	Amount			Total	Due Aug. 24, 1946	Due Nov. 25, 1946
Belgium	2,250	\$225,000,000	\$11,250,000	\$22,500	\$11,227,500	\$4,477,500	\$6,750,000
Bolivia	70	7,000,000	350,000	700	349,300	139,300	210,000
Brazil	1,050	105,000,000	5,250,000	10,500	5,239,500	2,089,500	3,150,000
Canada	3,250	325,000,000	16,250,000	32,500	16,217,500	6,467,500	9,750,000
Chile	350	35,000,000	1,750,000	3,500	1,746,500	696,500	1,050,000
China	6,000	600,000,000	30,000,000	60,000	29,940,000	11,940,000	18,000,000
Costa Rica	20	2,000,000	100,000	200	99,800	39,800	60,000
Cuba	350	35,000,000	1,750,000	3,500	1,746,500	696,500	1,050,000
Czechoslovakia	1,250	125,000,000	6,250,000	12,500	6,237,500	2,487,500	3,750,000
Denmark	680	68,000,000	3,400,000	6,800	3,393,200	1,353,200	2,040,000
Dominican Republic	20	2,000,000	100,000	200	99,800	39,800	60,000
Ecuador	32	3,200,000	160,000	320	159,680	63,680	96,000
Egypt	400	40,000,000	2,000,000	4,000	1,996,000	796,000	1,200,000
El Salvador	10	1,000,000	50,000	100	49,900	19,900	30,000
Ethiopia	30	3,000,000	150,000	300	149,700	59,700	90,000
France	4,500	450,000,000	22,500,000	45,000	22,455,000	8,955,000	13,500,000
Greece	250	25,000,000	1,250,000	2,500	1,247,500	497,500	750,000
Guatemala	20	2,000,000	100,000	200	99,800	39,800	60,000
Honduras	10	1,000,000	50,000	100	49,900	19,900	30,000
Iceland	10	1,000,000	50,000	100	49,900	19,900	30,000
India	4,000	400,000,000	20,000,000	40,000	19,960,000	7,960,000	12,000,000
Iran	240	24,000,000	1,200,000	2,400	1,197,600	477,600	720,000
Iraq	60	6,000,000	300,000	600	299,400	119,400	180,000
Luxembourg	100	10,000,000	500,000	1,000	499,000	199,000	300,000
Mexico	650	65,000,000	3,250,000	6,500	3,243,500	1,293,500	1,950,000
Netherlands	2,750	275,000,000	13,750,000	27,500	13,722,500	5,472,500	8,250,000
Nicaragua	8	800,000	40,000	80	39,920	15,920	24,000
Norway	500	50,000,000	2,500,000	5,000	2,495,000	995,000	1,500,000

Exhibit A (cont.)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

*Statement of Members' Subscriptions to Capital Stock and
Balances due on Calls
June 30, 1946*

(Expressed in U. S. Dollars)

Member Country	Subscription		Amounts called to June 30 1946	Amounts received to June 30 1946	Balances Receivable at June 30, 1946		
	Shares	Amount			Total	Due Aug. 24 1946	Due Nov. 25 1946
Panama.....	2	200,000	10,000	20	9,980	3,980	6,000
Paraguay.....	8	800,000	40,000	80	39,920	15,920	24,000
Peru.....	175	17,500,000	875,000	1,750	873,250	348,250	525,000
Philippines....	150	15,000,000	750,000	1,500	748,500	298,500	450,000
Poland.....	1,250	125,000,000	6,250,000	12,500	6,237,500	2,487,500	3,750,000
Union of South Africa.....	1,000	100,000,000	5,000,000	10,000	4,990,000	1,990,000	3,000,000
United Kingdom....	13,000	1,300,000,000	65,000,000	130,000	64,870,000	25,870,000	39,000,000
United States of America.....	31,750	\$3,175,000,000	\$158,750,000	\$158,750,000			
Uruguay.....	105	10,500,000	525,000	1,050	523,950	208,950	315,000
Yugoslavia....	400	40,000,000	2,000,000	4,000	1,996,000	796,000	1,200,000
Totals.....	76,700	\$7,670,000,000	\$383,500,000	\$159,199,500	\$224,300,500	\$89,450,500	\$134,850,000

Notes:

(A) The amounts of subscriptions called to June 30, 1946 comprised—

One one-hundredth of one percent, payable by members at the time of signing the Articles of Agreement.....	\$ 767,000
Balance of the first two percent, payable on or before August 24, 1946	152,633,000
Three percent, payable on or before November 25, 1946	230,100,000
Total, as above.....	\$383,500,000

(B) In August 1946, the Executive Directors authorized deferment until June 25, 1951 of amounts equal to one-half of one percent of subscriptions with respect to calls payable by certain members, as follows: China \$3,000,000; Czechoslovakia \$625,000; Denmark \$340,000; Greece \$125,000; Norway \$250,000; Poland \$625,000; Yugoslavia \$200,000; (total \$5,165,000).

Additional deferrals have been requested by Czechoslovakia and Yugoslavia with respect to the remainder of the balances due August 24, 1946 from those members, \$1,862,500 and \$596,000, respectively. Action on these two requests was still pending at the date of this report.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

BALANCE SHEET—JUNE 30, 1946

	Expressed in U. S. dollars
ASSETS	
Due from banks (United States currency).....	\$159,136,919
Receivable from members for calls on subscriptions to capital stock:	
Due August 24, 1946.....	\$89,450,500
Due November 25, 1946.....	<u>134,850,000</u>
	\$224,300,500
Other assets	483
	<u>\$383,437,902</u>
LIABILITIES AND CAPITAL	
Accounts payable and accrued expenses.....	63,061
Capital stock:	
Authorized—100,000 shares of \$100,000 par value each.....	<u>\$10,000,000,000</u>
Subscribed but not issued—76,700 shares	\$7,670,000,000
Less—Uncalled portion of sub- scriptions	7,286,500,000
	383,500,000
Deduct:	
Organization and other initial expenses from December 27, 1945 to June 30, 1946.....	125,159
	383,374,841
	<u>\$ 383,437,902</u>

Exhibit C

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

*Statement of Organization and Other Initial Expenses
From December 27, 1945, to June 30, 1946*

	Expressed in U. S. dollars
Salaries and expense allowances of Executive Directors and Alternates	\$26,372
Other salaries—	
Officers	821
Staff	7,478
Provision for reimbursement of income taxes on salaries and expense allowances (estimated).....	3,308
Travel—	
Governors and Alternates.....	33,086
Other	7,364
Rental of office quarters.....	4,772
Stationery and supplies.....	5,262
Postage, telephone, telegraph and cable.....	2,209
Miscellaneous expense	2,410
Office furniture and equipment.....	30,077
	<u>\$126,159</u>

**APPENDIX "G"
Financial Statements as of August 31, 1946**

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

Balance Sheet—August 31, 1946

ASSETS		
GOLD (Valued at \$35 per fine troy ounce)		
Federal Reserve Bank of New York.....	\$9,395,758.64	
Bank of England.....	4,676,499.98	<u>\$14,072,258.62</u>
DUE FROM BANKS		
Member Currency—		
United States:		
Federal Reserve Bank of New York.....	\$224,730,887.11	
American Security and Trust Co., Washington, D. C.....	39,068.21	<u>\$224,769,955.32</u>
Member Currency—		
Other than United States—Note A	<u>2,960,000.00</u>	227,729,955.32
CALLS ON SUBSCRIPTIONS TO CAPITAL STOCK—Note B		
2% Call:		
Payment in process	\$ 1,989,616.30	
Pending requests for deferment	2,458,500.00	
Payments Deferred until June 25, 1951.....	5,165,000.00	<u>\$9,613,116.30</u>
3% Call:		
Payment	<u>133,740,000.00</u>	143,353,116.30
		<u>2,183.40</u>
MISCELLANEOUS ASSETS		
TOTAL ASSETS		
		<u>\$385,157,513.64</u>
LIABILITIES AND CAPITAL		
LIABILITIES		
Accounts payable and accrued expenses	\$73,948.35	
Reserve for estimated liability for income tax on salaries	15,728.42	
Deferred credits—advance payments on stock subscription	<u>1,850,000.00</u>	
		<u>\$1,939,676.77</u>
TOTAL LIABILITIES		
CAPITAL		
Capital Stock \$100,000 par value Authorized 100,000 shares Unsubscribed 23,300 shares Subscribed	\$7,670,000,000.00	
Less: Subscriptions not Called	<u>7,286,500,000.00</u>	\$383,500,000.00
Deduct: Deficit (Exhibit B)	<u>282,163.13</u>	<u>\$383,217,836.87</u>
TOTAL LIABILITIES AND CAPITAL		
		<u>\$385,157,513.64</u>

Note A—Converted to U. S. dollars at rates of exchange in effect
at date of deposit.

Note B—As of June 25, 1946, 2% and 3% capital stock subscription calls were made, payable on or before August 24, 1946 and November 25, 1946, respectively.

Exhibit B

**RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL BANK FOR
Deficit—August 31, 1946**

DEFICIT JUNE 30, 1946

Operating Expenses from the beginning of operations of the Bank (including expenses of the inaugural meeting of the Board of Governors in Savannah, Ga.) **\$125,158.36**

Add:

OPERATING EXPENSES FOR THE PERIOD FROM JULY 1 TO AUGUST 31, 1946

Salaries:	
Executive Director and Alternates	\$ 42,447.72
Officers	15,647.99
Others	25,229.97
Expense Allowance—Executive Directors and Alternates	2,006.46
Provision for Income Taxes on Salaries	12,420.36
Transportation and Moving to Seat of Bank	1,388.52
Travel:	
Executive Directors and Alternates	\$ 70.23
Others	1,103.29
Rental of Office Quarters	1,173.52
Furniture and Equipment	7,546.11
Stationery, Printing and Supplies	37,175.61
Telephone and Telegraph	4,577.05
Cable Charges	285.38
Handling, Shipping and Storage of Gold	3,412.89
Books and Periodicals	52.10
Rental of Equipment	241.11
Repairs, Maintenance and Alterations:	36.50
Rented Quarters	\$ 3,257.36
Furniture and Equipment	45.50
Miscellaneous	60.62
DEFICIT, AUGUST 31, 1946	\$282,163.13

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Statement of Receipts and Disbursements From July 1, 1946 to August 31, 1946

I FUNDS DERIVED FROM 2% CALL ON STOCK SUBSCRIPTIONS

BALANCE JULY 1, 1946	\$63,886,919.33
RECEIPTS	
Payments on call	\$79,837,383.70
Deduct:	
DISBURSEMENTS	
Operating Expenses: (Exhibit B) \$ 157,004.77	
Deduct:	
Expenses Unpaid as of Aug. 31, 1946 75,043.44	
\$ 81,961.33	
Payment of Expenses Unpaid at June 30, 1946 \$ 48,427.76	
Miscellaneous Advances 1,700.00	
BALANCE AUGUST 31, 1946	132,089.09
REPRESENTED BY:	
GOLD:	
Federal Reserve Bank of New York \$ 9,395,758.64	
Bank of England 4,676,499.98	
	\$14,072,258.62
MEMBER CURRENCY	
UNITED STATES	
Federal Reserve Bank of New York Account B \$129,480,887.11	
American Security and Trust Co., Wash., D. C. 39,068.21	
	\$129,519,955.32
	\$143,592,213.94

II FUNDS DERIVED FROM 3% CALL AND ADVANCE PAYMENT ON 5% CALL ON STOCK SUBSCRIPTIONS

BALANCE JULY 1, 1946	\$95,250,000.00
RECEIPTS	
Payments on 3% call	\$1,110,000.00
Advance payment on 5% call	1,850,000.00
BALANCE AUGUST 31, 1946	\$98,210,000.00
REPRESENTED BY:	
Federal Reserve Bank of New York Account A \$ 95,250,000.00	
Currency Depositories of Members other than United States 2,960,000.00	
	\$ 98,210,000.00

III COMBINED FUNDS

BALANCE JULY 1, 1946	\$159,136,919.33
RECEIPTS	
Payments on 2% call on Stock Subscriptions	\$79,837,383.70
Payments on 3% call on Stock Subscriptions	1,110,000.00
Advance payments on 5% call on Stock Subscriptions	1,850,000.00
	\$241,934,303.03
DISBURSEMENTS	
(From Item I above)	132,089.09
BALANCE AUGUST 31, 1946	\$241,802,213.94

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
STATEMENT OF CAPITAL STOCK—AUGUST 31, 1946

SUBSCRIBED AMOUNT	CALLS ON SUBSCRIPTIONS 1/			PAYMENTS ON CALLS 2/		UNPAID BALANCES ON CALLS		
	1/100 of 1%	Balance of 2%	3%	Total	Deferments 3/	2% Call Other 4/	3% Call 1/	TOTAL
Belgium \$225,000,000.	\$ 22,500.	\$ 4,477,500.	\$ 6,750,000.	\$ 11,250,000.	\$ 4,500,000.	\$ -----	\$ 6,750,000.	\$ 6,750,000.
Bolivia 7,000,000.	700.	139,300.	210,000.	350,000.	140,000.	-----	210,000.	210,000.
Brazil 105,000,000.	10,500.	2,089,500.	3,150,000.	5,250,000.	2,100,000.	-----	3,150,000.	3,150,000.
Canada 325,000,000.	32,500.	6,487,500.	9,750,000.	16,250,000.	6,500,000.	-----	9,750,000.	9,750,000.
Chile 35,000,000.	3,500.	696,500.	1,050,000.	1,750,000.	1,750,000.	-----	-----	-----
China 600,000,000.	60,000.	11,940,000.	18,000,000.	30,000,000.	9,000,000.	3,000,000.	18,000,000.	21,000,000.
Costa Rica 2,000,000.	200.	39,800.	60,000.	100,000.	100,000.	-----	-----	-----
Cuba 35,000,000.	3,500.	696,500.	1,050,000.	1,750,000.	700,000.	-----	1,050,000.	1,050,000.
Czechoslovakia 125,000,000.	12,500.	2,487,500.	3,750,000.	6,250,000.	12,500.	625,000.	3,750,000.	6,237,500.
Denmark 68,000,000.	6,800.	1,353,200.	2,040,000.	3,400,000.	1,020,000.	340,000.	2,040,000.	2,380,000.
Dominican Republic 2,000,000.	200.	39,800.	60,000.	100,000.	40,000.	-----	60,000.	60,000.
Ecuador 3,200,000.	320.	63,680.	96,000.	160,000.	64,000.	-----	96,000.	96,000.
Egypt 40,000,000.	4,000.	798,000.	1,200,000.	2,000,000.	800,000.	-----	1,200,000.	1,200,000.
El Salvador 1,000,000.	100.	19,900.	30,000.	50,000.	20,000.	-----	30,000.	30,000.
Ethiopia 3,000,000.	300.	59,700.	90,000.	150,000.	60,000.	-----	90,000.	90,000.
France 450,000,000.	45,000.	8,955,000.	13,500,000.	22,500,000.	9,000,000.	-----	13,500,000.	13,500,000.
Greece 25,000,000.	2,500.	497,500.	750,000.	1,250,000.	375,000.	125,000.	750,000.	875,000.
Guatemala 2,000,000.	200.	39,800.	60,000.	100,000.	40,000.	-----	60,000.	60,000.
Honduras 1,000,000.	100.	19,900.	30,000.	50,000.	20,000.	-----	30,000.	30,000.
Iceland 1,000,000.	100.	19,900.	30,000.	50,000.	20,000.	-----	30,000.	30,000.
India 400,000,000.	40,000.	7,960,000.	12,000,000.	20,000,000.	8,000,000.	-----	12,000,000.	12,000,000.
Iran 24,000,000.	2,400.	477,600.	720,000.	1,200,000.	480,000.	-----	720,000.	720,000.
Iraq 6,000,000.	600.	119,400.	180,000.	300,000.	120,000.	-----	180,000.	180,000.
Luxembourg 10,000,000.	1,000.	199,000.	300,000.	500,000.	200,000.	-----	300,000.	300,000.
Mexico 65,000,000.	6,500.	1,293,500.	1,950,000.	3,250,000.	1,300,000.	-----	1,950,000.	1,950,000.
Netherlands 275,000,000.	27,500.	5,472,500.	8,250,000.	13,750,000.	5,500,000.	-----	8,250,000.	8,250,000.
Nicaragua 800,000.	80.	15,920.	24,000.	40,000.	16,000.	-----	24,000.	24,000.
Norway 50,000,000.	5,000.	995,000.	1,500,000.	2,500,000.	750,000.	250,000.	1,500,000.	1,750,000.
Panama 200,000.	20.	3,980.	6,000.	10,000.	4,000.	-----	6,000.	6,000.
Paraguay 800,000.	80.	15,920.	24,000.	40,000.	16,000.	-----	24,000.	24,000.
Peru 17,500,000.	1,750.	348,250.	525,000.	875,000.	350,000.	-----	525,000.	525,000.
Republic of the Philippines 15,000,000.	1,500.	298,500.	450,000.	750,000.	300,000.	-----	450,000.	450,000.
Poland 125,000,000.	12,500.	2,487,500.	3,750,000.	6,250,000.	1,875,000.	625,000.	3,750,000.	4,375,000.
Union of S. Africa 100,000,000.	10,000.	1,990,000.	3,000,000.	5,000,000.	10,383.70	-----	1,989,616.30	3,000,000.
United Kingdom 1,300,000,000.	130,000.	25,870,000.	39,000,000.	65,000,000.	26,000,000.	-----	39,000,000.	39,000,000.
United States 3,175,000,000.	317,500.	63,182,500.	95,250,000.	158,750,000.	158,750,000.	-----	-----	-----
Uruguay 10,500,000.	1,050.	208,950.	315,000.	525,000.	210,000.	-----	315,000.	315,000.
Yugoslavia 40,000,000.	4,000.	796,000.	1,200,000.	2,000,000.	4,000.	200,000.	596,000.	1,200,000.
	\$7,670,000,000.	\$767,000.	\$152,633,000.	\$230,100,000.	\$383,500,000.	\$240,146,883.70	\$5,165,000.	\$4,448,116.30
								\$133,740,000.
								\$143,353,116.30

1/ 2% of the subscriptions to the capital stock of the Bank was payable in gold or United States dollars, 1/100 of 1% of the subscription being payable at the time the agreement was signed and the balance being payable on or before August 25, 1946. 3% of such subscriptions payable in the currencies of the respective members of the Bank was called, as of June 25, 1946, for payment on or before November 25, 1946.

2/ Balances of the 2% on subscriptions were paid in gold by Belgium, Chile, Ethiopia, Luxembourg, Mexico, Netherlands, Nicaragua and Poland.

3/ Deferments of ½ of 1% of subscriptions granted pursuant to Art. II, Sec. 8(a)(i).

4/ Czechoslovakia and Yugoslavia have requested deferment of the balance of 1½% of their subscriptions pursuant to Art. II, Sec. 8(a)(ii). These requests are still under consideration. The Union of South Africa is reported to have shipped gold on August 24, 1946, in payment of balance.