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INTERNATIONAL

BANK

FOR RECONSTRUCTION

AND DEVELOPMENT

FOURTH ANNUAL REPORT

1948 - 1949



# FOURTH ANNUAL REPORT

TO THE BOARD OF GOVERNORS

*1948 - 1949*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT



WASHINGTON, D. C.



**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

*September 13, 1949*

*My dear Mr. Chairman:*

In accordance with Section 10 of the By-Laws of the International Bank for Reconstruction and Development, I have been authorized by the Executive Directors to submit to the Board of Governors this Fourth Annual Report of the Bank. The report includes financial statements as of June 30, 1949, based on an audit of the accounts of the Bank made pursuant to Section 19 of the By-Laws. It also incorporates, pursuant to Section 19 of the By-Laws, an administrative budget for the fiscal year ending June 30, 1950.

While the financial statements cover the fiscal year ended June 30, 1949, the remainder of the report reflects the activities of the Bank for the period from September 1, 1948, to August 20, 1949.

*Sincerely yours,*

A handwritten signature in cursive script that reads "Eugene R. Black". The signature is written in dark ink and is positioned above the printed name and title.

EUGENE R. BLACK,  
*President.*

*Chairman, Board of Governors,*  
International Bank for Reconstruction and Development.

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## INTRODUCTION

THIS FOURTH ANNUAL REPORT of the International Bank for Reconstruction and Development describes the work of the Bank during the period from September 1, 1948 to August 20, 1949. During this period, the Bank granted eight loans, aggregating \$191,600,000, for productive projects in Belgium, Brazil, Colombia, Finland, India, Mexico and The Netherlands. These loans, however, give only a partial indication of the extent of the Bank's activities. As the report shows, additional projects in about 20 member countries are under active study and investigation. Discussions are likewise proceeding with a number of other countries to determine how the Bank can help most constructively in the solution of their problems. And there has been a substantial expansion of the amount of technical assistance of various kinds furnished by the Bank to its member nations at their request.

The Bank's bonds have had a very satisfactory market record. As a result of legislative or administrative action in over 40 states, the bonds are now eligible investments for most institutional investors in the United States and there is at present a substantial unsatisfied demand for the bonds. Congressional authorization has been obtained for national banks in the United States to deal in the Bank's bonds and for the Bank to sell its own bonds or bonds guaranteed by it without registration with the United States Securities and Exchange Commission. The Bank has also had a satisfactory earnings record which has enabled it to make a promising start in building up reserves.

The Bank cannot and should not be expected to provide the answer to all or even a major part of the world's financial ills. It is beyond both the purpose and the power of the Bank, for example, to cure the "dollar shortage," or to assure the maintenance of full employment throughout the world, or to satisfy short-term budgetary and balance of payments requirements. While the operations of the Bank do contribute in some measure to the solution of these general problems, its essential objective is narrower and more precise; its basic mission is to assist its member countries to raise production levels and living standards by helping to finance long-term productive projects, by providing technical advice and by stimulating international investment from other sources. That is a broad enough field of activity for all the resources, vigor and imagination which the Bank can possibly bring to bear. As shown by the record of activities set forth in this report, the Bank has already made a substantial contribution in this field and the groundwork has been laid for increasingly significant action in the future.



# ROLE OF THE BANK

## ECONOMIC DEVELOPMENT

An outstanding feature of the year under review has been the increased attention given to the problem of economic development, not only by the Bank but also by other international organizations and national governments, and in business and financial circles as well.

From the standpoint of the underdeveloped countries, the need to expand production and thereby to raise living standards is obvious. But the problem has direct and important implications for the more advanced nations as well. This is not only because the general conditions of poverty in the underdeveloped areas have created political and social tensions which, if unrelieved, may have serious and widespread consequences. It is also because full employment and effective utilization of the resources of the more developed countries depend largely upon a continually expanding world trade; increased production in the underdeveloped areas is one of the principal means to this end.

These considerations were mentioned by the President of the United States when, in his inaugural address on January 20, 1949, he announced that the United States intended to adopt, as a fourth major point in its foreign policy, a new program of assistance for the underdeveloped areas. This program, which the President stated was to be carried out to the fullest extent practicable through international channels, has become popularly known as "Point IV." As of the date of this report the full implications of the Point IV program, and the precise method of its implementation, are not yet entirely clear. From the standpoint of the Bank, however, the program is of vital interest, for, to the extent that the

program succeeds in expanding the technical and financial resources available to the underdeveloped countries, it will assist and strengthen the Bank in carrying out its development responsibilities.

The Bank's basic objectives in this field are essentially the same as those of the Point IV program. For an understanding of the common task of economic development, therefore, it may be useful to set forth briefly some of the general conclusions which the Bank has reached as a result of its activities in this field.

### *Nature of the Problem*

Both the need for development and the potentialities of development are plainly revealed by a single set of statistics. According to estimates prepared by the Statistical Office of the United Nations, average income per head in the United States in 1947 was over \$1400, and in another 14 countries ranged between \$400 and \$900. In the same year, in 25 other nations and most of the Non-Self-Governing Territories, containing together substantially more than half the world's population, average income was less, and sometimes much less, than \$100 per person. The size of this gap indicates not only the urgency of raising standards of living in the underdeveloped countries, but also the great possibilities which exist for doing so, for the economic advances that have already been made in the more developed countries are a tangible demonstration of what can be achieved if capital and modern techniques are applied effectively to develop natural resources and increase the productivity of labor.

Through the Bank and other international organizations, as well as through na-

tional agencies, substantial technical and financial assistance has already been made available to the underdeveloped countries and efforts along these lines are being intensified. For such assistance to be of maximum use, however, the problems of development must be properly set forth. There is no quick and easy way to raise production levels and living standards; indeed, to raise hopes of a spectacular transformation may only invite disillusionment and failure.

The Bank is convinced that, through its loans and its efforts to stimulate the flow of capital from other sources, it can help substantially to speed the rate of development. But it must be emphasized that it is only the amount of productive investment which takes place, and not the mere availability of money, which is important. Money alone is no solution; in fact, loans for unproductive purposes or for projects which are poorly planned or executed can be a positive detriment. Perhaps the most striking single lesson which the Bank has learned in the course of its operations is how limited is the capacity of the underdeveloped countries to absorb capital quickly for really productive purposes.

There are many reasons why development is necessarily a gradual process. Of fundamental importance is the low level of education and health prevailing in most underdeveloped countries. Without intelligent, skilled and vigorous manpower, the economic progress of any country is likely to be slow, however amply it may be endowed with natural resources and however substantial the assistance of foreign capital. Yet to improve educational and health standards in many of the less developed countries is a time-consuming and laborious undertaking. Technical assistance in these fields has been and can increasingly be of great importance. Without requiring any

large expenditure of money, technical help in such matters as training teachers and doctors, establishing and operating schools of many different kinds, improving sanitary and public health facilities and eradicating such wide-spread and debilitating diseases as malaria, can do as much, in the long run, as any other single factor towards creating the conditions necessary for accelerated economic progress, particularly in the under-populated countries.

A second important set of limiting factors is political in character. In some underdeveloped countries, frequent changes in government result in economic and financial insecurity and prevent the consistency of policy and continuity of administration that are so important for development. The level of competence in public administration is also frequently unsatisfactory. Moreover, any government, however good, is apt to be forced by political necessity to put more emphasis on short-run objectives which promise immediate advantage than on the long-run development of the country, particularly since that normally entails some sacrifice of immediate benefits and may adversely affect important local interests. Certainly no amount of external aid, technical or financial, can replace the essential will and determination on the part of the government of the country concerned to adopt the often difficult and politically unpopular economic and financial measures necessary to create a favorable environment for development.

Mention must also be made of the difficulties arising from the social structure of many of the underdeveloped nations where there are wide extremes of wealth and poverty. In such cases, strong vested interests often resist any changes which would alter their position. In particular, the maintenance in a number of countries

of inefficient and oppressive systems of land tenure militates against increase in agricultural output and improvement in the general standard of living. On the other hand, attempts to reorganize the social order often go to the other extreme and result in policies and measures which make productive investment so hazardous as to frighten away both local and foreign capital. The problem of making necessary adjustments in traditional social relationships without destroying the stability essential for development is one which requires exceptional understanding and leadership on the part of the governing authorities.

Development is also hampered by the limited resources of domestic capital available in most underdeveloped countries. External expenditures are only a part, and usually a minor part, of the cost of a development project; the remainder must normally be derived from sources within the country concerned. The insufficiency of domestic capital for this purpose in most underdeveloped countries is partly a reflection of their low levels of national income, which leave little margin for savings over consumption requirements, but in part it results also from inadequate machinery and incentives for encouraging the productive investment of such savings as do exist.

These difficulties intensify a problem already inherently complex. In the best of circumstances, development is not something which can be sketched on a drawing-board and then translated into reality simply through the provision of finance. If proof of this be needed, it is supplied by the numerous reports which have been compiled during recent years suggesting large-scale development schemes for various areas of the world, most of which are now gathering dust on library shelves. If money were all that was required to bring those projects to fruition, the Bank's primary task would

have been the relatively simple one of allocating its resources among various claimant schemes. In point of fact, however, the principal limitation upon Bank financing in the development field has not been lack of money but lack of well-prepared and well-planned projects ready for immediate execution.

The explanation lies in the gap which exists between the concept of development potentialities, on the one hand, and the formulation of practical propositions designed for the realization of those potentialities, on the other. Before the usual development project can be brought to the point where money can usefully be employed, its technical feasibility must be established, if necessary through detailed engineering studies, market surveys must be made, the availability and cost of the necessary equipment must be ascertained and the economic validity of the project in the light of estimated cost and benefit must be demonstrated. Comparison must also be made between the expected economic advantages of this particular project and of other proposed projects which might have to be postponed or abandoned if this one be undertaken. Finally, an organization must be created to carry out the project and competent management must be obtained.

All of these steps take time. But expansion of productive facilities in even the most highly industrialized nations is a painstaking, lengthy operation, requiring the most careful and detailed planning. In the underdeveloped areas, the task is still more difficult both because there is less technical and administrative skill available and because data of all kinds, technical and economic, are frequently fragmentary and unreliable. To take only one example, the need for hydro-electric power and irrigation will in many countries take

some years to satisfy simply for lack of geological and hydrological information.

The existence of these practical obstacles to development does not detract in any way from the validity and importance of the Bank's task. Rather, their existence emphasizes the need for prompt and vigorous action to overcome them and at the same time indicates the directions in which such action is likely to be most fruitful. The major effort must clearly be made by the underdeveloped countries themselves; indeed, many of the problems which have been mentioned can be solved only at the national level. But external assistance, both technical and financial, can be a powerful accelerating force. That is the basic premise underlying the Bank's activities in the development field.

#### *Technical Assistance*

A substantial number of requests have been received by the Bank from its member countries for technical advice and assistance of various kinds. The increasing importance of this aspect of the Bank's activities has resulted in part from a growing recognition by the Bank that, if its loans are to be sound and productive, it must aid its underdeveloped member countries to analyze their development problems and potentialities, to formulate practical investment programs adapted to their particular needs and to mobilize their resources and otherwise strengthen their financial position. Equally, however, it has resulted from an increased realization by the Bank's members that the Bank is in a particularly good position to help them. This is so not only because the Bank can be objective in its approach but also because it maintains a continuing close relationship with its members and, as they themselves move forward in the solution of their development prob-

lems, can in appropriate cases supplement their efforts with financial help.

Several underdeveloped countries have requested the Bank to make a general survey of their development needs, potentialities and problems to provide the basis for a long-term investment program and to indicate what changes, if any, in existing administrative and financial mechanisms and economic and financial policies are necessary to carry it out. A Bank mission is now engaged in making such a study in Colombia. The mission is headed by Dr. Lauchlin Currie, a distinguished economist and former administrative assistant to Presidents Roosevelt and Truman. It includes members of the Bank staff, a member of the staff of the International Monetary Fund, experts nominated for the mission by the Food and Agriculture Organization of the United Nations and by the World Health Organization, and other outside technicians specially employed for the mission. On the basis of the mission's survey, the Bank hopes to be able to make specific recommendations to the Colombian Government which will contribute to the formulation and execution of a constructive development plan. The mission is regarded by the Bank as simply the first step in a long-range program of cooperation with Colombia. The Bank has indicated to Colombia that, provided appropriate domestic measures are adopted to carry out the Bank's recommendations, the Bank will stand ready to provide continuing technical advice and to consider sympathetically the financing of appropriate development projects.

The cost of this mission is being shared by the Bank and the Colombian Government and this arrangement is expected to be the normal pattern. If this type of assistance proves to be as valuable as is expected, similar missions will be sent to other coun-

tries which request such aid and are in a position to use it effectively.

The actual process of working out development policies and programs and obtaining their general acceptance usually involves political as well as technical considerations. The basic issues must therefore be decided by the governing authorities in the country itself. But assistance by the Bank can frequently bring to bear the experience of other countries in dealing with similar problems and may sometimes help to accelerate decisions or to reconcile conflicting local interests.

In addition to helping its member countries in these broad fields of analysis and advice, the Bank has been called upon to provide technical assistance in connection with more specific development problems. Some requests have been received, for example, for the advice of experts to help in preparing plans for various industrial, agricultural or utility projects. In a few such cases, the Bank has been able to provide the advice requested through its own technical staff or by obtaining a special consultant from some other agency; normally, however, the Bank prefers to assist in obtaining qualified independent experts for employment directly by the country concerned.

More frequently the Bank is asked by its members for help in devising and putting into effect measures to strengthen their financial position. Such assistance is furnished in various ways—through advice given by the Bank's permanent staff in the regular performance of their duties, by means of special missions, by employing individual experts to assist specific member countries with particular problems, and by suggesting qualified economic or technical advisers to be employed directly by the countries concerned. In providing technical assistance of this kind, the Bank works

closely with the International Monetary Fund.

In order to be in a position to employ or recommend qualified technicians, the Bank has started to build up rosters of experts in various fields. The Bank hopes to be increasingly useful to its members in helping them obtain suitable technical personnel.

In assessing the importance of these activities of the Bank and the significance of the technical assistance aspects of the Point IV program in general, certain observations based upon the Bank's experience may be of value.

In the first place, for technical assistance to be effective, more is required than competence on the part of those providing the assistance. There must be as well a sincere desire on the part of the recipient country to secure the advice and a sufficient continuity of contact to provide some assurance that recommendations once accepted will be carried out. While external technical assistance can be of tremendous help in making more effective the efforts of those within the country who are seeking to speed the pace of its development, the most carefully drawn plans of foreign experts will be of little value in the absence of local enterprise and initiative.

In the second place, although many types of technical assistance can best be provided by national or international agencies—for example, in the fields of health, education, public finance and governmental administration—other types of assistance can be made available effectively only as a concomitant of private investment. In particular, the extent to which an underdeveloped country can take advantage of the technical knowledge and managerial competence of industry in the more advanced countries depends largely on the incentives it is able to provide for the private enter-

prises which have that knowledge and competence to utilize them in practical operation within the country. In this field the scope of useful activity by public agencies is apt to be limited.

A final observation relates to the problem of coordinating technical assistance programs. The importance to economic development of concurrent progress in many different fields emphasizes the necessity for continuing collaboration among all agencies, national or international, which can contribute expert knowledge and experience to the underdeveloped countries. To this end, the Bank has cooperated closely with the United Nations and the other specialized agencies in the formulation of plans for expanded technical assistance activities. It must be emphasized, however, that the types of assistance required are extremely varied in character. To use examples selected at random from the programs of various international organizations, requests have been received for help in such diverse matters as improving financial mechanisms and administrative services, drafting air safety regulations, operating agricultural experimental stations, procuring educational, scientific and technical publications and controlling infectious diseases.

Because the needs are so varied, and are so great in relation to the resources which in the best of circumstances will be available to meet them, the creation of elaborate overhead machinery in an attempt to blueprint a single, integrated program of technical assistance to be provided by all international agencies seems neither realistic nor desirable. Success of the technical assistance effort will in the last analysis depend upon the effectiveness of action taken in a multitude of different concrete situations. This objective will be advanced

through coordination, at the working level, of the efforts of all agencies engaged in related activities. But it will be hindered rather than advanced by attempts to integrate unrelated technical assistance activities within a single all-embracing plan.

#### *Financial Assistance*

It is the policy of the Bank that three basic criteria must be satisfied before a loan can be granted. First, the Bank must be satisfied, on the one hand, that the loan cannot be obtained privately on reasonable terms, and, on the other, that there are reasonable prospects of repayment. This requires an examination of the economic and financial situation and prospects of the borrowing country and, in some cases where unsatisfactory conditions are found to exist, making the loan conditional upon the initiation of remedial action. Second, the loan must be for a sound and productive purpose. In order that the Bank may be satisfied on this score, a loan is granted only after the project or program to be financed is sufficiently worked out to permit detailed appraisal of its merits, both technical and financial. Finally, since the capacity of most countries to service additional foreign debt is at present limited, the Bank must satisfy itself that the object of the loan is of sufficient importance to the economy of the country concerned to warrant incurring a foreign exchange liability to finance it.

In applying these criteria, the Bank has recognized that it is intended to assume greater risks than private investors are either able or willing to assume; indeed, none of the loans which the Bank has made could have been privately financed. However, although the Bank is ready to accept calculated risks, it is willing to do so only when it is convinced that the object of the loan is sound and productive and that the

financing will strengthen the economy of the borrowing country. This policy is based on the premise that, whatever the short-run interests of a particular government may be, in the long run it is a disservice to any country to enable it either to over-borrow or to borrow for ill-conceived or poorly-planned projects.

The implementation of this policy has necessitated, in the case of almost every loan application, an intensive on-the-spot investigation of the economic and financial position and prospects of the applicant country and of the merits of the particular projects proposed for financing. These investigations have proved of substantial value both to the Bank and to the countries concerned. In some cases, they have indicated the desirability of modifying, postponing or abandoning certain projects; in other cases, they have resulted in the suggestion of new projects, either as substitutes for or as supplements to those originally proposed. In many instances, too, they have revealed a need for changes in the financial policies of the government or improvement of its administrative and financial machinery. To undertake investigations of this type, and especially to arrive at a satisfactory solution of the difficulties so frequently uncovered by the investigations, involves the expenditure of much time and effort, but this is inescapable if the Bank's resources are to be wisely and productively used.

The Bank's experience to date indicates that the Bank now has or can readily acquire sufficient resources to help finance all the sound, productive projects in its member countries that will be ready for financing in the next few years, that can appropriately be financed through repayable foreign loans and that cannot attract private capital. This does not mean, of

course, that the resources which the Bank commands are adequate to satisfy all of the world's development needs—far from it. There is a vast difference between the amount of money that can usefully be employed for development at any given time and the amount that would theoretically be needed to exploit all development possibilities. There is a vast difference, too, between the amount of money which can usefully be employed and the amount of additional external debt which the underdeveloped countries can prudently assume. At best, therefore, Bank financing, which imposes an additional burden of external debt, can provide only a part of the foreign capital necessary for development.

In the judgment of the Bank, foreign development financing should preferably be derived mainly from private sources. Over the long run, it is only the sustained flow of private capital that can provide external financial assistance in amounts sufficient to make a significant inroad on the world's development needs. In particular, it is plainly desirable that direct private investments, on mutually fair terms, be the major source of foreign capital for development, in order to avoid an undue burden of fixed charges and, more important, to take advantage of the essential technical and managerial skills which are normally associated with such investments and often are not obtainable in any other way.

At present there are many obstacles to private international investment. Not least important are the conflicting conditions demanded by governments of underdeveloped countries and by prospective investors. It is easy to appreciate the fears of both sides and their consequent desire for security, but it is certainly no remedy for each simply to reiterate the justice of its claims. In point of fact, there is usually so much

common ground of interest that reconciliation of their claims is not too difficult, provided only that it is sought in an atmosphere of mutual trust and confidence. During the last year or two, some progress has been made in this direction. The public pronouncements made in recent months by the leaders of such important nations as Brazil, Chile and India, welcoming the investment of foreign capital in their countries, are significant indications of an improving climate. The Bank, by fostering increased confidence on the part of both investors and the recipient countries, hopes to contribute to this development. Substantial progress may also result from measures being considered to implement the Point IV program, in particular investment treaties, tax revisions and perhaps guarantees against certain risks peculiar to international investment.

It is true that an increased flow of private capital will not satisfy all development financing requirements. Private international investments tend at present to be concentrated in a relatively few countries and industries, particularly the raw material and foodstuff export industries; investments in production for the domestic markets of the underdeveloped countries are less favored. Moreover, there are many projects basic to development—primarily in the fields of education, health, road construction, irrigation and reclamation and the like—which are unsuited to private investment and are yet beyond the present economic capacity of many countries to undertake either from local re-

sources or with funds borrowed from abroad.

The desire of the underdeveloped countries to set the speed of their development faster than their own resources and existing international resources will permit has sometimes led to the suggestion that loans should be made, either by the Bank or by some new agency created for the purpose, at nominal interest rates and repayable over a very long period of time. Such loans, it should be noted, would probably involve a substantial international subsidy and to that extent a disguised grant to the borrower. If the governments of those few countries in a position to provide international subsidies should consider it desirable in certain instances to provide supplementary grants in order to expedite the processes of economic development, it would be the Bank's judgment that such assistance should be rendered as outright grants rather than in some form of "fuzzy" loans which would tend to cast discredit upon the integrity of normal international investments.

In the long run, international capital in any form can provide only a minor part of the capital needed for development. The larger share must come from domestic sources through the increase and productive investment of local savings. The Bank hopes, however, that it can make a substantial contribution to this end by helping to finance projects which will raise the level of production and thereby augment the available resources of the borrowing countries.

## EUROPEAN RECOVERY PROGRAM

Considerable misunderstanding persists as to the impact upon the Bank's activities of the European Recovery Program. It has sometimes been said, for example, that, be-

cause the Bank will necessarily play a secondary role in Europe during the ERP period, the Bank's position as a major instrument of international investment has

been impaired. This type of thinking misconceives the purposes for which the Bank was established.

The Bretton Woods conference was not concerned with providing a solution to the anticipated short-run problems of Europe during what was expected in many quarters to be a brief transitional period after the war, but rather with the creation of permanent agencies which would operate primarily in the post-transitional period. As events have proved, both the magnitude of the short-run difficulties and the length of the period of transition were underestimated at Bretton Woods. But the existence of Europe's extraordinary immediate requirements and the creation of ERP to satisfy them neither impair the validity of the conception underlying the Bank nor threaten the Bank's ability to achieve its objective, for the Bank was designed to meet a long-term need which will remain when the present emergency is over—the need for a continuing organization to promote international investment on a scale sufficient to ensure a balanced development of the world's resources and a general rise in its living standards. ERP does not obviate that long-term need; on the contrary, it is designed to make possible the creation of economic conditions in Europe in which the Bank can play the role for which it was originally intended.

The countries participating in ERP have not had occasion, during the past year, to call upon the Bank to any great extent for financial assistance. This has been due in part to the fact that the immediate problems facing most of those countries have been so pressing that their governments have not been able to give high priority to long-range investment plans. In even greater part, however, it has been because

ERP funds are made available in the form either of grants or of loans on terms more attractive than the Bank can offer, so that the participating countries have naturally preferred ERP to Bank financing. In any event, the requirements of the participating countries have been so large in relation to the Bank's resources that Bank financing could at best have met only a small part of the need.

However, present plans call for termination of ERP by June 30, 1952 and for a gradual reduction in the amount of aid provided between now and then. As these cutbacks occur, it is reasonable to expect that the ERP countries will again look to private investors and to the Bank as the principal sources of foreign capital for their long-term investment projects. Discussions now in progress concerning Bank financing for the development of overseas territories are a first step in this direction, and there are indications that the Bank may soon be called upon to consider other long-range projects designed primarily to increase European production in the post-ERP period.

A description of each of the loans granted during the past year is included in the account which follows of the Bank's activities in its various member countries. The account is necessarily illustrative rather than exhaustive. The Bank has engaged in discussions of one sort or another, with regard to loans or technical assistance, with most of its 48 members; many of the discussions, too, have been confidential in nature. Nevertheless, the descriptions below should serve to indicate the nature and extent of the Bank's activities, the major problems which have arisen in the course of its work and the manner in which it is moving to solve them.

## LOAN ACTIVITIES

### LOANS GRANTED AND LOAN DISCUSSIONS

The following table shows all of the loans granted by the Bank to date:

<i>Date</i>	<i>Member Country Concerned</i>	<i>Borrower (if other than Government)</i>	<i>Principal Amount (in Millions of U. S. Dollars)</i>	<i>Purpose</i>
9 May 47	France	Crédit National	\$250.0	Industrial and transportation equipment, fuel, industrial materials
7 Aug 47	Netherlands	—	\$195.0	Ships, industrial equipment, fuel, feeding grains and cakes, fertilizer, industrial materials
22 Aug 47	Denmark	—	\$ 40.0	Agricultural, textile and chemical equipment, industrial materials
28 Aug 47	Luxembourg	—	\$ 12.0	Steel mill and rolling stock
25 Mar 48	Chile	Corporación de Fomento and Empresa Nacional de Electricidad	\$ 13.5	Hydro-electric and irrigation facilities
25 Mar 48	Chile	Corporación de Fomento	\$ 2.5	Agricultural machinery
15 Jul 48	Netherlands	Nederland Line	\$ 2.0	Purchase of S.S. Raki
15 Jul 48	Netherlands	Nederland Line	\$ 2.0	Purchase of S.S. Roebiah
15 Jul 48	Netherlands	United Netherlands Navigation	\$ 2.0	Purchase of S.S. Almkerk
15 Jul 48	Netherlands	Holland-America Line	\$ 2.0	Purchase of S.S. Alblasserdijk
15 Jul 48	Netherlands	Rotterdam Lloyd	\$ 2.0	Purchase of S.S. Friesland
15 Jul 48	Netherlands	Rotterdam Lloyd	\$ 2.0	Purchase of S.S. Drente
6 Jan 49	Mexico	Nacional Financiera and Comisión Federal de Electricidad	\$ 24.1	Power facilities
6 Jan 49	Mexico	Nacional Financiera and Comisión Federal de Electricidad	\$ 10.0	Power facilities
27 Jan 49	Brazil	Brazilian Traction, Light & Power Co.	\$ 75.0	Power and telephone facilities
1 Mar 49	Belgium	—	\$ 16.0	Two steel mills and a power plant
29 July 49	Netherlands	Herstelbank	\$ 15.0	Industrial modernization and reconstruction
1 Aug 49	Finland	Bank of Finland	\$ 12.5	Power facilities, woodworking industry and limestone production
18 Aug 49	India	—	\$ 34.0	Railroads
19 Aug 49	Colombia	Caja de Crédito Agrario, Industrial y Minero	\$ 5.0	Agricultural machinery
		Total	\$716.6	

### LATIN AMERICA

#### *Mexico*

On January 6, 1949, the Bank made two loans, totalling \$34,100,000, to agencies of the Mexican Government for electric power development in Mexico. The joint borrowers in each case are the Comisión Federal de Electricidad (Federal Electricity Commission), a Mexican Government agency charged with the development of electric power facilities, and Nacional Financiera, an official financing institution whose functions include the negotiation of foreign loans on behalf of the Mexican

Government. Both loans are guaranteed by the Government.

The first loan, of \$24,100,000, was made to finance purchases by the Federal Electricity Commission of equipment and materials necessary for completion of a number of projects in the Commission's 1947-1952 program of construction, comprising new steam and hydro-electric generating stations, transmission lines and distribution systems in various parts of Mexico. The loan is for a term of 25 years and carries an interest rate of 3½%, plus the usual commission charge of 1% per annum.

Amortization payments begin in the fifth year.

The second Mexican loan, of \$10 million, was made to enable Nacional Financiera and the Federal Electricity Commission to finance, by way of a loan of like amount to The Mexican Light and Power Company, Limited, part of the cost of equipment and materials necessary to carry out a program for expansion of the electric generating and distribution facilities of that Company and its subsidiaries. The Company, which is incorporated under Canadian law, is responsible, together with its subsidiaries, for most of the generation and all of the distribution of electric power in Mexico City and the surrounding area, the most densely populated and industrialized portion of the country. The loan, which matures on December 31, 1949, covers only expenditures required prior to that date in connection with the Company's expansion program, although that program is not scheduled for completion until 1953 and the total foreign expenditures required therefor are estimated at \$26,000,000. The loan carries an interest rate of  $3\frac{1}{2}\%$ , plus the usual 1% commission charge. The loan was made through Nacional Financiera and the Federal Electricity Commission, rather than directly to the Company, because under the existing financial structure of the Company any Bank loan would have been subordinate to a substantial prior indebtedness. The terms, amount and nature of the loan are designed to permit the expansion program to go forward pending consummation of a reorganization of the Company's financial structure which is now being undertaken. If the reorganization is satisfactorily completed and if no obstacles arise in connection with the general position of the Company or the Mexican economy, the Bank will be prepared to negotiate a long-term loan to the Company of about

\$26 million, to be used to refund the short-term credit and to finance further costs of the expansion program.

These loans are the outcome of negotiations which began, in April 1947, with the application by Mexico for a large loan for a series of hydro-electric, irrigation, oil pipeline, railway, port and highway projects. Several of these projects, however, were in too early a stage of planning for the Bank to be able to give them immediate consideration. Furthermore, the application presupposed extensive Bank financing of local currency as well as foreign exchange costs, a course which would have imposed an undue burden of foreign debt on Mexico. As simultaneous financing of the local currency costs of the whole program from internal Mexican sources would have been beyond the capacity of the economy, a determination of the relative priority of the projects had to be made. In the fall of 1947, therefore, a Bank representative was sent to Mexico to gather additional information and to assist the Government in framing a revised application.

It became clear that the electric power projects had a special claim on the Bank's attention, since they were not only at a more advanced stage of study and planning than other parts of the program, but were also fundamental to the progress of that program. It was therefore agreed between the Bank and the Government that the power projects should be given priority. In May 1948 and the following months, technical advisers of the Bank paid a number of visits to Mexico to study the plans of the Federal Electricity Commission and The Mexican Light and Power Company, which they found well-adapted to meet Mexico's requirements, and to determine, in agreement with the Government, which projects were most urgently needed.

It was also necessary for the Bank to evaluate Mexico's general economic position and her ability to sustain the burden of additional foreign indebtedness, and for this purpose a mission headed by the Economic Director was sent to Mexico in August 1948. The Mexican economy expanded rapidly during the war, but difficulties encountered in the post-war period came to a head with the suspension of a fixed parity for the peso in July 1948. A rapid increase of population made necessary a high rate of capital formation, in the face of inadequate private savings and a fairly rigid pattern of external trade. Mexican governments had consequently tended to finance extensive agricultural, industrial and public utility programs by inflationary means which, in turn, had reacted adversely on the balance of payments.

In October 1948, however, the Mexican Minister of Finance announced his Government's intention to balance the budget, to limit public works, to maintain credit restrictions, and to fix a new parity for the peso in consultation with the International Monetary Fund. The peso exchange rate remained stable during the latter part of 1948, and the 1949 budget involved no inflationary expedients. Moreover, after a long period of unsettled relations with foreign investors, Mexico had made efforts in recent years to reestablish her external credit and to attract foreign capital. The Bank therefore concluded that, while investment in Mexico was not free from risks, the situation was such as to justify the financing requested.

Since the loans were granted, there has been a further depreciation of the peso and a fall in New York metal prices which adversely affects export prospects. However, production has increased, prices and wages have remained fairly stable, the trade deficit has been sharply reduced, the volume

of money and credit has been kept under control and, in June 1949, the peso was stabilized. On the other hand, Mexico's foreign debt remains high, the inflow of external private capital is still insufficient, and serious problems of domestic finance and foreign payments remain. Extensive further development of the country's oil resources still awaits adequate prosecution. Although the difficulties are appreciated, it would appear that one course which might bring about a quick transformation of Mexico's economic situation would be the conclusion of appropriate arrangements for oil exploration and production, of a type which has proved successful in other countries.

### *Brazil*

On January 27, 1949, the Bank lent \$75 million to the Brazilian Traction, Light and Power Company, Ltd., a Canadian corporation, to finance most of the foreign exchange costs of a four- to five-year program of expansion for the hydroelectric power and telephone facilities of the Company's Brazilian subsidiaries. These subsidiaries operate in the Rio de Janeiro and Sao Paulo areas, the most densely populated and industrialized parts of Brazil. The program provides for expansion of the presently overloaded power generating and distribution equipment by more than 50% and necessary additions to the facilities supplying water for power purposes. Local telephone services will also be increased by about 40%, and long distance traffic capacity will be expanded. These projects will substantially reduce the deficiencies in power supply and communications which have been important obstacles to Brazil's development and are in accordance with the objectives set by the Government's comprehensive five-year "Salte" plan.

The loan is for a term of 25 years and carries an interest rate of  $3\frac{1}{2}\%$ , plus the usual 1% commission charge. Amortization will begin in 1953. The loan is guaranteed by the Government of Brazil.

Brazilian Traction first made application for a loan of \$100 million on May 1, 1947. The company's plans had to be extensively revised, however, to take account of a sharp rise in the cost of equipment and of local labor, and the revised application, presented at the end of 1947, reduced the requested amount to \$75 million by postponing a part of the hydro-electric construction to a later date and eliminating proposed expenditures for gas, water and tramway facilities.

Meanwhile the Bank undertook a study of Brazil's economic position. As in other Latin American countries, the wartime accumulation of foreign exchange and subsequent deficit financing by the Government had led to internal credit expansion and consequent acute inflation of prices. In the post-war years, the increased need to rely on the dollar area for essential raw materials and capital goods, together with the inconvertibility of holdings of certain currencies, resulted in a shortage of dollars which may continue for some time, despite the fact that over-all foreign exchange receipts and payments have been nearly balanced. The Government has, however, made efforts to restrict imports, to stimulate exports and to arrest inflation. In July 1948, the par value of the cruzeiro was fixed in consultation with the International Monetary Fund.

A considerable delay in concluding the loan negotiations resulted from the need for extensive discussions between the Bank and the Government to agree on the form of guarantee to be extended by Brazil, in accordance with the Bank's Articles of

Agreement, and from delays in the introduction and passage of necessary enabling legislation in the Brazilian Congress.

The Bank continues to have an active interest in the realization of Brazil's potentialities for development. A number of additional projects have been brought to the Bank's attention by various interests in Brazil. They cover a variety of proposed undertakings in many different parts of the country. Only a few, however, have so far received support from the Brazilian Government. The most important of these is a project for the hydro-electric development of the Sao Francisco River in the Brazilian Northeast, which calls for an initial development of 120,000 kilowatts at what is potentially one of the two largest sources of hydro power in South America. An engineer engaged by the Bank for the purpose is now in Brazil making a survey of power demand in connection with this project.

No final order of priority for development has been established by Brazil. All the projects favored so far have related to hydro-electric power which, according to the conclusions reached by the Joint Brazil-U. S. Technical Commission, is one of the prime needs of the country. The expected approval by the Brazilian Congress of the Government's "Salte" plan, however, should provide a general framework and guide for future development.

#### *Chile*

Two loans for projects in Chile—\$13.5 million for hydro-electric development and \$2.5 million for the purchase of agricultural machinery — were authorized in March 1948 and are described in the Third Annual Report. This authorization was subject to the guarantee of the loans by the Chilean Government, which was given on

March 23, 1949, after the passage of the necessary legislation.

During its early consideration of the Chilean application, the Bank drew the attention of the Government to the existence of certain conditions which, in the Bank's view, were likely to impair the efficacy of a loan and to deter the resumption of international investment in Chile. The Chilean Government moved promptly to rectify these conditions. Measures were taken to balance the national budget, to improve Chile's foreign exchange controls and to check the decline in the country's gold and foreign exchange reserves. Agreements were reached with committees representing foreign bondholders for settlement of the external debt, which had been in partial default since 1931.

The improvement in Chile's economic position during 1948 was encouraging. The value of exports increased by 19%, while imports were held at the 1947 level; international payments were about in balance. The budget showed a surplus of some 10%, and the rate of inflation was slowed down. Major advances were registered in both industrial and agricultural output and substantial progress was made in agricultural mechanization and in the expansion of industrial facilities. These advances should help to mitigate the effects upon the Chilean economy of the recent sharp decline in copper prices.

### *Colombia*

On August 19, 1949, the Bank made a loan of \$5,000,000 to the Caja de Crédito Agrario, Industrial y Minero, an autonomous development bank in which the Colombian Government holds the major interest, to finance the importation of agricultural machinery. The loan is guaranteed by the Government. It is for a term

of seven years, with amortization to begin on May 15, 1952. Interest is at the rate of 2½% plus the usual 1% commission.

Additional mechanization of agriculture in Colombia will make possible increased yields on lands already cultivated and will permit new lands to be brought into production. Thus it will help to raise the country's nutritional standards and tend to reduce the need for food imports which must be paid for largely in hard currency. The Colombian Government has assured the Bank that it will continue to provide sufficient foreign exchange to finance the maintenance and replacement of agricultural machinery already in the country, so that the equipment to be purchased with the proceeds of the Bank's loan will represent a net addition to the equipment presently available.

This loan is the first outcome of discussions initiated on an informal basis in July 1948 by Colombian representatives in Washington. In the same month the Bank sent a mission to Colombia to acquaint itself generally with the country's economic situation and problems. The mission's conclusions, which were communicated to the Colombian Government, stressed the importance of balancing the national budget and of action to comply with recommendations of the International Monetary Fund with respect to reorganization of the country's foreign exchange controls and establishment of a new par value for its currency. Legislation designed to accomplish these ends and authorizing the Government to guarantee Bank loans has been enacted.

In December 1948, a second Bank mission was sent to Colombia to study specific projects proposed by the Colombian Government. The loan described above has been granted for one of these projects, and negotiations for a loan to finance another are in progress.

The Bank also suggested to the Government the desirability of a comprehensive survey of Colombia's economic resources and needs, with a view to indicating the most promising lines of development, the principal obstacles in the way, and the means by which they might be surmounted. The Government agreed with this suggestion and, at its request, the Bank organized a special mission for this purpose. This mission, which is described in more detail in an earlier section of this report, is now in Colombia; the Vice President of the Bank joined the mission during its first general discussions with the Government. On the basis of the mission's findings, the Bank expects to be able to make recommendations to the Colombian Government designed to help it in formulating a long-term program of development and the economic and financial measures necessary to carry it out. It is hoped that the mission's findings will also serve to indicate the directions, financial and otherwise, in which the Bank can best assist in the further development of Colombia.

### *Ecuador*

During the visit of the President of the Bank to Ecuador in April 1948, the Government outlined a proposed development program comprising farm mechanization, irrigation and cement projects. A Bank mission visited Ecuador in July 1948 to make a general economic survey and a preliminary examination of the projects, but further discussions on the basis of its findings were interrupted by the election of a new government.

At the invitation of the new President of Ecuador another mission visited the country in April 1949, for consultation on projects under consideration by the Government. These projects are still in an early

and tentative stage. Discussions were therefore concerned mainly with determining the order of priority of the projects from the point of view of economic importance and suitability for Bank financing, and with arrangements for further technical appraisal and planning.

There is agreement between the Government and the Bank that improvement of Ecuador's agricultural output should be given special emphasis at the present time. It has also been agreed that, in view of Ecuador's balance of payments position, attention ought to be concentrated primarily on projects which would directly earn or save foreign exchange. After studying the report of the mission, the Bank informed the Government that it would be willing to consider granting financial assistance to Ecuador, initially on a modest scale, and that two projects appeared to qualify for Bank financing provided that detailed studies and proposals proved satisfactory: the first to establish a mechanized farm service unit to help in reducing the cost of agricultural production, especially rice; and the second to provide equipment for constructing new irrigation works. A third project, a scheme for the propagation and distribution of high-yield cacao strains resistant to the diseases which have long handicapped the country's cacao production, also appeared to the Bank to be of special importance to Ecuador. Although, as the Government had pointed out, this scheme would not necessarily call for external financing, the Bank expressed its willingness to assist the Government in obtaining expert technical advice and to consider any case for its financing that detailed proposals might reveal. In addition, at the request of the Government, the Bank has sent an expert to Ecuador to make a study of the rehabilitation needs of Ecuador's textile industry.

The Bank received the news of the severe earthquake of August 5 with deep sympathy. It is still too soon for the Bank to be able to assess the precise economic implications of the disaster and its bearing on the Government's development plans and on the Bank's approach.

### *Uruguay*

A representative of the Uruguayan Government, in September 1948, presented to the Bank an application for a loan to cover various development projects, including power, telephones, railways, ports and certain private undertakings. In October-November 1948, a mission headed by the Bank's Loan Director visited Uruguay to study the country's economic and financial situation and to investigate the proposed projects. The mission recommended that active consideration be given first to a loan for expansion of electric power and telephone facilities. A second mission in February-March 1949, which included consulting engineers on power and telephones, investigated the financial and technical aspects of the proposed projects in more detail. Negotiations are now in progress.

Development in Uruguay is already well advanced in comparison with that in most other countries in Latin America. Average income per head is roughly the same as that in Western Europe, and the groundwork has been laid for further economic progress. Difficulties exist, however, as a result of the world-wide dollar shortage. Although Uruguay's over-all balance of payments deficits in recent years have been manageable, hard currency receipts have been insufficient to permit capital imports from the dollar area on the desired scale. The proposed Bank loan is designed to help overcome these difficulties by enabling Uruguay to purchase equipment needed to expand

and improve its power and communication facilities.

### *Costa Rica*

A Bank mission visited Costa Rica in September 1948 and gathered information on the economy of the country and on various projects selected by the Government for possible Bank financing.

After a subsequent visit to Costa Rica by the President of the Bank in December 1948, the Bank informed the Government that, in its opinion, the financing of projects in Costa Rica could be most fruitful if certain economic, financial and administrative measures were adopted to strengthen the country's economy. It suggested that these ends might be advanced by the appointment of an economic and financial adviser who would recommend policy and coordinate the work of experts in specific fields. In the meantime the Bank agreed to cooperate with Costa Rica in elaborating certain selected projects. The Costa Rican Government agreed fully with the Bank's views and recommendations and requested the Bank's assistance in the selection of an adviser.

In June 1949, the Bank was informed that there had been a change in the program of the present Government and of the President-Elect, and that a detailed proposal for a new integrated agricultural project, to include some of the projects which had previously been put forward individually, would be presented to the Bank in the near future. This proposal is now awaited.

### *El Salvador*

The Government of El Salvador has for some time had in mind a project for the hydro-electric development of the Rio Lempa and had set up a Hydro-electric

Executive Commission for the Rio Lempa as the agency responsible for carrying out the project. The possibility of an application for a loan to finance this project was first mentioned to the Bank in 1947, and the subject was again raised during a visit by the President of the Bank to El Salvador in November 1948. In March 1949, the Commission informed the Bank that plans for the project were sufficiently advanced to justify technical examination with a view to possible Bank financing, and the Bank accordingly sent a mission to El Salvador to make studies of the project and of the general economic situation. After consideration of the report of this mission, the Bank advised the Commission that it was prepared to enter into immediate negotiations. These negotiations are expected to commence shortly. At the request of the Salvadorean Government the Bank also arranged for the services of an expert on agricultural credit, borrowed from the United States Farm Credit Administration, to advise on problems connected with the operations of the Mortgage Bank of El Salvador. His report and recommendations have been transmitted to the Mortgage Bank.

#### *Other Latin American Countries*

A Bank mission was sent to Bolivia and Peru, at the request of those countries, in March-April 1948. Its conclusions have been communicated to the two Governments. In each case the Bank emphasized that a necessary prerequisite of any loans would be a willingness on the Government's part to adopt certain measures to strengthen the country's financial position. In addition, at the request of Peru, the Bank obtained the services of an irrigation expert from FAO to assist in reviewing Peru's irrigation program and working out plans for the Piura Valley irrigation project.

The President of the Bank visited Guatemala in November 1948. Thereafter, in March 1949, the Guatemalan Development Institute requested assistance from the Bank in arranging for experts to study and elaborate projects for irrigation, mining and electric power development. The Bank felt that before large expenditures were incurred by Guatemala for intensive studies of this kind, it would be advisable for a survey of development possibilities to be carried out and an order of priority determined. This view was conveyed to the Development Institute and the Central Bank during a visit by members of the Bank's staff in June 1949.

At the request of the Government of Paraguay the Bank sent a mission to make a general economic survey of that country. It concluded that promising possibilities for development exist in several fields. A report of this mission was presented to the Paraguayan Government.

At the request of the Minister of Finance of Venezuela, the Bank sent a mission to that country in September 1948, to review with the Development Corporation and other agencies of the Venezuelan Government the country's economic situation and development plans. No loan has been requested by Venezuela.

During the course of a trip throughout the Central American and Caribbean area in November-December 1948, the President of the Bank visited the Dominican Republic, Honduras, Nicaragua and Panama. A general review of the economic position and potentialities of each of these countries has been made and there have been preliminary discussions concerning projects proposed for Bank financing. The President also visited Cuba in February 1949, and at that time and on the occasion of a subsequent visit by Bank representatives,

discussions took place with officials of the Cuban Government as to how the Bank might best assist in promoting the further development of the country's economy.

## EUROPE

### *Belgium*

On March 1, 1949, the Bank made a loan of \$16 million to the Kingdom of Belgium, for the purpose of providing United States dollars for imports of equipment for the construction of two steel mills and a power plant in the industrial district of Liège. The loan is for a term of 20 years and carries an interest rate of 3¼%, plus the usual 1% commission charge. Amortization payments will start in the fifth year.

The proceeds of this loan will be allocated as follows:

a) \$4.5 million to the Compagnie des Fers Blancs et Tôles à Froid (Ferblatil)—a subsidiary of the largest Belgian steel producer, S. A. John Cockerill—to import equipment for the construction of a cold rolling and tin plating mill;

b) \$5.8 million to Société Anonyme d'Ougrée-Marihayé, the second largest steel works in Belgium, to import equipment for a blooming mill; and

d) \$5.7 million to Union des Centrales Electriques de Liège-Namur-Luxembourg (Linalux), a cooperative company engaged in transmission and distribution of power, having among its members the leading mining and manufacturing enterprises of the Liège Basin, for imports of equipment to erect a power generating plant.

These projects will help to modernize and expand two of Belgium's key industries and thereby will contribute to an increase in the country's productivity. Although Belgium's post-war economic recovery has

been rapid, the maintenance of its position depends upon the continued reequipment of its industries so that it can lower export prices. This loan accords with the Bank's policy of supplementing ERP by helping to finance projects, in addition to those financed by ECA, which will permanently expand or modernize Europe's productive capacity in cases where reasonable prospects of repayment exist.

The Bank has kept in close touch with economic and financial developments in Belgium and has consulted with the Government concerning its general investment program in order that the Bank might be familiar with these matters should it appear necessary and appropriate at some later stage for the Bank to finance additional Belgian projects.

### *Finland*

On August 1, 1949, a loan of \$12.5 million was made to the Bank of Finland, guaranteed by the Finnish Government. The purposes of the loan, and the approximate amounts to be used for each purpose, are as follows:

a) completion of the electric power program	\$2,000,000
b) modernizing and improving the efficiency of the woodworking industries	10,000,000
c) increasing production of limestone powder for agriculture	350,000
d) to be allocated	150,000

The term of the loan is 15 years. The rate of interest is 3%, plus the usual 1% commission. Amortization payments will begin on February 1, 1953, after the scheduled end of reparations deliveries.

Finland became a member of the Bank on January 14, 1948, and in February of that year the Government indicated its intention of applying for a loan. A substantial list of projects was submitted, including projects in agriculture, the woodworking industries, electric power, the railroads, the cement and limestone industry, the merchant marine and ports and harbors. A Bank mission was sent to Finland in October-November 1948, to appraise the country's economic situation and examine the projects.

In considering Finland's application the Bank had to face several difficult questions. There were, first, certain internal and external political risks which, because of their direct economic implications, could not be ignored by the Bank. Following the election of July 1948, a coalition government had been replaced by one composed solely of representatives of a single party, which depended for its parliamentary majority on support from other major parties representing widely divergent views. Furthermore, Finland's geographic position inevitably involved her in the uncertain international situation.

A further problem arose from Finland's reparations to the U.S.S.R., nominally amounting to \$300 million but actually representing more than twice as much at present prices. The residual reparations obligation, as of July 1, 1948, was halved by the Soviet Union but reparations deliveries will still continue to be a heavy burden on the Finnish economy until the fall of 1952.

On the other hand, by sacrifice and self-discipline Finland has discharged three-quarters of her reparations obligations in four years. Her economy has recovered rapidly from the effects of the war; exports—mainly timber, pulp, paper and board—have reached 70% of pre-war volume. The

new Government has achieved substantial internal financial stability. Finally, Finland's debt record has been excellent and, viewed against the background of her foreign trade and favorable balance of payments prospects, the foreign debt is not excessive. The Bank also considered the fact that the deficiency of timber and wood products in Europe is being made up by dollar imports from the Western Hemisphere, and that development of production in Europe will contribute to reducing the size of Europe's dollar deficit.

In the choice of specific projects to be financed by the loan, the Bank gave primary consideration to their immediate contribution to increasing Finland's production and exports and reducing production costs. The electric power part of the loan will help to finance a program of development already in progress and scheduled for completion by 1951. Power shortages have been causing winter stoppages in important branches of the Finnish woodworking industries. In those industries themselves, the Bank's loan, supplementing an earlier loan of \$10 million from the Export-Import Bank, will finance extensive modernization; such modernization is essential if efficiency is to be increased and Finland is to maintain her competitive position in a period of declining world prices. Increased production of limestone powder for agriculture is considered perhaps the most important single step in raising agricultural output.

### *The Netherlands*

On July 29, 1949, the Bank made a loan of \$15 million to the Finance Corporation for National Reconstruction (*Herstelbank*), guaranteed by the Netherlands Government. The loan is for a 15-year period, with amortization payments to begin

at the end of three years. Interest is at 3%, plus the usual 1% commission.

The *Herstelbank* will make the proceeds of the loan available to 24 Dutch corporations in various industries to finance part of their requirements for imports of equipment from hard currency areas required for reconstruction or modernization of plant. Nearly \$9.5 million of the loan will be expended for requirements in the chemical and textile industries, and the remainder will be divided among the glass, cement, pharmaceutical, metallurgical, engineering, electrical and paper industries. The loan will complement financing obtained from other sources. The *Herstelbank* has estimated that the increased production made possible by this financing will enable exports to be increased and imports to be reduced substantially, and that much of this benefit will accrue in hard currencies, principally Belgian francs.

The economic position of the Netherlands is a difficult one. Its readjustment to a sounder basis (especially the elimination of the dollar deficit in the balance of payments) may require drastic action by the Netherlands authorities and further demands for sacrifices on the part of the Dutch people.

#### *Czechoslovakia*

In July 1946, the Czechoslovak Government applied for a general reconstruction loan of \$350 million. The Bank requested further information concerning the purposes of the proposed loan and the general economic condition of the country. In January 1948, the Government presented to the Bank a revised application for a smaller loan to finance a group of selected projects. Subsequently, in May 1948, Bank representatives visited Czechoslovakia to study conditions on the spot. No active loan negotiations have, however, been undertaken,

except in connection with the timber loan referred to below.

#### *Italy*

In August 1947, the Italian Government applied for a loan to be used for the general requirements of the Italian economy. A Bank mission was sent to Italy about a month later to make a general survey of the economic picture. In January 1948, the Bank suggested that it would be desirable for Italy to reframe its application in terms of specific projects. A second mission was sent to Italy in April 1948, at the Government's request, to assist the latter in the selection of projects. Since that time Italy's most urgent needs have been financed through ERP funds and, therefore, discussions of an immediate Bank loan have not been actively pursued. There has, however, been some preliminary investigation of the possibility of Bank assistance in financing the Government's development program for Southern Italy, together with the financing of some other development plans.

#### *Norway*

In January 1948, representatives of the Norwegian Government approached the Bank with regard to possible financing of its shipbuilding program. In subsequent discussions the indicated purpose of the loan was changed to that of refinancing short-term credits for ships already purchased in the United States. The Bank undertook general studies of the Norwegian economy and of the merits of the proposed project as a basis for considering a loan. In the fall of 1948, however, the Norwegian Government indicated that it did not desire to pursue this loan request but might wish at some later date to submit a new proposal. Suggestions for financing some pri-

vate projects in Norway, advanced from non-governmental sources, have been referred to the Norwegian Government for determination as to whether it wishes to sponsor them.

### *Poland*

The Polish Government first approached the Bank in the Autumn of 1946 for a \$600 million loan to finance its plans for the development of the Polish economy. After a series of discussions with the Bank, the Polish representatives in the Spring of 1947 applied for a smaller loan to be devoted to coal mining and related industries. The Bank then sent a fact-finding mission to Poland to study both the Polish economy and the projects for which the Government had requested financing. Negotiations thereafter took place in Washington concerning a possible loan for development of the coal mining industry, but no agreement was reached on the terms, and negotiations were suspended in the late Spring of 1948. There have been no significant developments since that time.

### *Turkey*

On March 30, 1948, representatives of the Turkish Government approached the Bank to discuss a possible loan to help finance Turkey's 1948-52 development program. After a preliminary analysis of this program and exploratory talks with the Turkish representatives, a Bank mission visited Turkey in January-March 1949, to appraise the general situation and to examine and help select projects which might be suitable for Bank financing. The Vice President of the Bank also visited Turkey in March and joined the mission in general policy discussions with the Government. The Government thereafter submitted a formal application to the Bank for a loan to finance a number of varied projects.

The Bank is strongly impressed with the opportunities for economic development in Turkey, although recognizing the current difficulties. At present, Turkey's exports are small in relation to her import needs, and, in her balance of payments, she is in substantial current account deficit with the sterling area. She has already contracted a considerable external debt, in both sterling and dollars, which involves relatively heavy annual service charges. It is, moreover, uncertain how much additional dollar debt will be assumed under ERP. Military expenditures impose a heavy burden on the Turkish economy, and, for as long as the Turkish Government considers them necessary, will continue to absorb resources which, in other circumstances, could be devoted to development purposes. Moreover, obstacles to the growth and efficient operation of private enterprise have inhibited the development of Turkey's economy in certain fields. The Government has been giving active consideration to these problems and to the initiation of remedial measures where possible.

The Bank has indicated its desire to give every possible aid in working out long-range solutions to Turkish problems. The Government has requested assistance from the Bank in making a broad survey of Turkey's resources, in preparing a general plan for their development, and in devising and carrying out measures to strengthen Turkey's fiscal and administrative structure and to foster private enterprise. The Bank has agreed to furnish this assistance and is actively engaged in the selection of suitable personnel. Meanwhile, the Bank is proceeding with a review of the following specific projects in Turkey: grain storage facilities; the Seyhan Dam for irrigation, flood control and electric power; and port construction and improvement works. Technical specialists will visit Turkey in

September to make a detailed evaluation of these projects.

### *Yugoslavia*

On December 26, 1947, the Yugoslav Government addressed a letter to the Bank requesting a loan of \$500 million for the purpose of land improvement and the general reconstruction and development of roads and rail communications, mines and electric power facilities. No supporting material was supplied, but the Government indicated that additional data would be forthcoming. In subsequent informal discussions, extending over a considerable period, the Bank took the position that the economic situation and prospects of Yugoslavia did not justify a loan of the size requested. It suggested, however, that it would welcome designation by the Government of priority projects to be considered as objects for a smaller loan.

In May and June 1949, discussions were renewed by the Yugoslav Government, which submitted detailed information with respect to projects for the importation of agricultural and irrigation machinery, transportation equipment, and equipment for the mining, metallurgical and a number of smaller industries. General data on the country's economic position were also furnished.

The Bank is currently engaged in a study of the economy of Yugoslavia, and a mission is now in that country to obtain additional information as a basis for consideration of a loan of moderate size. In addition to an examination of Yugoslavia's general economic and financial position, the mission, aided by technical specialists, will examine the specific projects which appear to be most urgent and productive.

### *Timber Project*

An international timber conference was held in Czechoslovakia early in 1947 to

consider what steps could be taken to meet the serious current and prospective shortage of timber in Europe. Thereafter, the problem was considered at various meetings of a special Timber Committee of the United Nations Economic Commission for Europe, on which both timber importing and exporting countries were represented, and of various working groups of the Western European timber importing countries. It was concluded by the Timber Committee that production and exports of sawn softwood and pitprops could be substantially increased if equipment could be obtained from Western Europe and the United States by five timber exporting countries, Austria, Czechoslovakia, Finland, Poland and Yugoslavia.

After extensive discussions, a working party of the timber importing countries, at a meeting in May 1948, advanced a proposal for Bank financing which, though since modified in important respects, provided the basic patterns for the loans now being discussed. This proposal was developed at further meetings of the Timber Committee in Geneva in June and September 1948. Representatives of the Bank participated in those meetings and remained in Europe for a period of about three months in order to assist in working out practical arrangements for the project. Since then the Bank has continued to work in close cooperation with representatives of the importing and exporting countries and the Timber Committee.

In brief, the following are the principal aspects of the proposals considered by the Bank: The Bank would make loans to the timber exporting countries of amounts necessary to finance the dollar purchases of equipment (approximately \$8,000,000 in the aggregate); the Western European equipment would be obtained by other agreements between the countries involved;

the timber exporting countries would agree to export at reasonable market prices increased quantities of timber, provided the necessary equipment could be obtained, and the Western European timber importing countries would enter into Timber Payments Agreements with the borrowers under which the importing countries would pay dollars to the Bank for a sufficient part of the timber to be imported by them to assure repayment of the loans.

The project has been approached as an experiment in the cooperative development of East-West trade in Europe. The proposed multilateral arrangements, however, have been difficult to work out and problems arising in connection with the proposed Timber Payments Agreements have not yet been resolved. Certain of the timber importing countries had indicated their willingness to enter into such Agreements provided that dollars obtained under the European Recovery Program could be used for that purpose. It now appears, however, that this will not be possible. Those countries are now considering whether or not to proceed with such Agreements on a different basis. In other respects, negotiations for these loans have reached an advanced stage with Yugoslavia, Finland and Czechoslovakia. Poland, in November 1948, advised the Timber Committee that it could obtain from Western Europe all the equipment it would need and would not require Bank financing for this purpose.

## ASIA, AFRICA AND THE MIDDLE EAST

### *Egypt*

In December 1948, the Government of Egypt submitted informally to the Bank a project for irrigating about 250,000 acres in Qena Province. With presently available water from the Nile already substantially utilized for irrigation purposes, the aim of

this project is to tap subsoil water with deep-well pumps. Its foreign exchange cost is estimated at the equivalent of \$23 million. In subsequent discussions with Egyptian representatives it was agreed that the Bank would send a mission to study the country's financial and economic situation and to consider the Government's plans for economic development, especially the Qena project, and that a formal loan application might best await the outcome of this survey.

The Vice President and his party included Egypt in their tour of the Middle East early in 1949, and a special mission, including an irrigation consultant, visited the country shortly thereafter. They made certain suggestions with regard to the substance and administrative coordination of Egypt's long-term development program, which are being considered by the Government in reviewing its plans. Meanwhile, the Bank is giving active consideration to a loan to finance the dollar import requirements of the initial stage of the Qena project.

### *India*

On August 18, 1949, the Bank granted a loan of \$34 million to the Government of India to finance the purchase of locomotives, boilers and locomotive spare parts. The loan is for a term of 15 years, with amortization payments to begin in August 1950. The interest rate is 3% plus the usual 1% commission.

The Indian rail transport system has suffered since the war from a serious shortage of locomotives, as a result of inadequate wartime replacements and the longer hauls necessitated by partition. This has impeded the distribution of goods within the country and the movement of export products. Acquisition of the equipment to be financed by the Bank loan will help sub-

stantially to ameliorate this situation. The Indian Government has recently taken administrative and operational measures to increase the efficiency of the railways.

This railway loan is the initial outcome of discussions with the Government of India extending over several months. In December 1948, the Government invited the Bank to send a mission to survey economic conditions and obtain first-hand information on the need for external assistance in the development of Indian resources. A mission headed by the Bank's Assistant Loan Director, and including a railway consultant, visited India in January-March 1949; it travelled widely and studied the major aspects of the Indian economy. Officials of the Government furnished valuable information and assistance to the mission and discussions between the Bank representatives and the Government regarding the latter's policies were frank and constructive.

In addition, the Bank is giving active consideration to proposals by the Government of India for increasing crop yields and expanding the area of arable land through reclamation and irrigation works, and for the multi-purpose development of water resources.

In view of the serious effects of the deficit in domestic food production, which keeps India's standards of nutrition and health at a low level and necessitates costly imports of food from abroad, measures for expanding agricultural output are clearly of prime importance. Two large-scale reclamation projects were proposed by the Government for Bank consideration—clearance of one and one-half million acres of jungle and reclamation of four million weed-infested acres. The Bank is currently engaged in discussions with the Government with regard to a possible loan for the purchase of machinery for the weed clear-

ance scheme and is making further investigations of the other project.

Harnessing of India's water resources would serve not only to increase the supply of cheap electric power, which is a basic requisite for expanding India's industrial output, but also to irrigate large areas of agricultural land and to reduce flood damage. The Bank mission examined two of these large multi-purpose schemes—the Bokaro thermal electric plant in the Damodar River Valley in Bihar, and power facilities in the northern part of East Punjab. Discussions of a loan for the first stage of the Bokaro project are expected to begin shortly.

These proposed agricultural and power schemes would require large amounts of local financing. At present, the rate of savings in India is low. But the Government, aware of the threat to its development plans inherent in this situation, is preparing plans for the reduction of unproductive expenditures and is taking measures to create conditions which would enhance savings and channel them into investment. A gradual increase in the rate of capital formation may be expected.

India has repaid almost all debt obligations to the United Kingdom (which was virtually her only creditor) and has accumulated considerable balances of sterling. However, an adverse balance on current account has developed over the past three years, as a result of exceptionally heavy imports needed to satisfy accumulated demands, for new capital developments and to make up the large shortage in the domestic food supply. This unfavorable balance is likely to continue for a time, but there are grounds for optimism with respect to the long-term prospects. The extent of India's success in eliminating the shortage of food production, in increasing the volume of her exports in the pursuit of

sound financial and development policies, and in finding a satisfactory and lasting basis for economic cooperation with Pakistan will be of major importance in the realization of these prospects.

### *Iran*

In October 1946, the Government of Iran informed the Bank of its intention to apply for loans for the coordinated development and modernization of agriculture, industry and transport. The Bank indicated its willingness to engage in preliminary discussions regarding the program and asked for further data on Iran's economic position.

Initial investigations by the Bank's staff showed a need for careful analysis of the appropriateness, relative priority and interrelationships of the various projects included in the Iranian program. In August 1948, Iran requested the Bank to advise in the selection of a number of foreign experts in various fields to assist the Supreme Planning Board in working out better integrated plans. In reply the Bank suggested the selection of a coordinating consultant to pull together the work of the various experts needed, and that from the standpoint of continuity over a period of years an established organization might be preferable to an individual adviser for this purpose. The Government accepted this suggestion and named Overseas Consultants, Inc., a consortium of outstanding engineering firms, to study Iran's Seven-Year Plan and to make recommendations as to its implementation.

In March 1949, the Vice President visited Iran to survey the general situation. He arrived at the conclusion that Iran's resources and foreign exchange position were such as to provide grounds for considerable optimism about the country's development potentialities, provided that the

development program is administered effectively and sound economic policies are followed. Accordingly, the Bank has agreed to study the possibility of participating, initially on a modest scale, in financing some of the development projects recommended by Overseas Consultants, Inc., for early execution.

In June, a Bank mission made a short visit to Teheran to observe the progress made in establishing the necessary administrative machinery to carry out the Plan. On its return, the Bank suggested to Iran that, with the completion of the OCI overall report, a definitive schedule of projects for the first years of the Plan should be prepared with the help of OCI, for study by the Bank.

### *Iraq*

The Government of Iraq made an informal approach to the Bank in May 1947, and in October of that year submitted economic and financial data about the country. At the same time, representatives of the Government informed the Bank that Iraq was considering the early establishment of a Development Board, which would have responsibility for coordinating the plans for various projects into an integrated development program. In reply the Bank agreed that early discussions would be desirable regarding projects which might be suitable for Bank financing and expressed its willingness to make staff members available from time to time, at Iraq's request, for consultation with the proposed Development Board.

The Bank's representative in the Middle East visited Iraq in December 1948 and January 1949. He was presented with a request for a loan to cover the foreign exchange requirements of a number of development projects which it was proposed to carry out over a four-year period. The

funds requested were to be used for flood control and irrigation projects, a silo project, railways and roads. In April 1949, staff members of the Bank visited Iraq for general discussions with officials of the Government. The latter were informed that if the public finances were put on a sound basis and an appropriately constituted Development Board established to coordinate and execute the development program, the Bank was prepared to give early consideration to a loan for flood control projects.

A Bank mission, including an engineering adviser, was sent to Iraq in June of this year to initiate an economic survey of the country, investigate the technical status of the flood control plans, and advise the Government in a general way on the establishment of the Development Board. During the course of the mission's visit, discussions also took place with regard to the financial requirements for the further development of the country's railroad system. The report of the mission is now under study.

#### *The Lebanon*

In April 1948, a representative of the Government of the Lebanon made preliminary inquiries concerning a loan to finance a series of agricultural projects. The projects included irrigation works, purchase of farm machinery, construction of grain handling facilities and an agricultural training program.

At the invitation of the Government a Bank mission, including an agricultural specialist loaned by FAO for the purpose, visited the Lebanon in September 1948 to survey its economic position, particularly its ability to absorb and service a foreign loan. A member of the Bank's staff visited the Lebanon again in April 1949, for the purpose of making a new appraisal of the

situation in view of changes in the political picture in the Levant and in the light of newly acquired data on the Lebanese economy. After analysis of the findings of these two missions, the Bank informed the Lebanese Government that, subject to the submission of satisfactory projects, preferably in the field of agriculture, the Bank would be willing to consider opening negotiations promptly for a loan of modest size.

#### *The Philippines*

The Philippine Republic was the first country in Asia to enter into close working relations with the Bank. In November 1947, the Government informed the Bank that it wished to discuss the financing of its reconstruction and development program; and the following January, on the invitation of the Government, the Bank sent a fact-finding mission to make a general survey. The mission's conclusions pointed out that the factors which had produced a favorable foreign exchange position in the Philippines were temporary, and stressed the need to conserve foreign exchange, restrict inflationary local financing, take measures to lessen the impact of the expected reduction in dollar receipts, and secure technical aid in the planning of specific development projects.

In July 1948, in response to a suggestion from the Bank, further talks were held in Washington with a Philippine technical and economic mission. These discussions covered almost every important aspect of the country's development program and its economic and financial problems. In August 1948, the Government submitted a formal application for a loan to cover the external costs of several hydro-electric projects and a chemical fertilizer plant to be established in connection with one of the power projects. In November, the Secre-

tary of Finance informed the Bank by letter of the Government's intention to proceed rapidly to put into effect the economic and financial measures which had been recommended by the Joint Philippine-American Finance Commission. The Bank then informed the Government that, in reliance upon these assurances, it was prepared to enter into negotiations for a loan of up to \$15 million towards the foreign exchange costs of two of the hydro-electric projects on the island of Luzon, provided that their technical and economic merits were satisfactorily established. The Bank stated further that it would be prepared to give careful consideration to the financing of additional projects when there had been an adequate opportunity to observe the measure of the Government's success in carrying out the Joint Finance Commission's recommendations, and when the technical preparation of additional projects had been completed.

Further discussions concerning the hydro-electric projects await the submission of the technical project reports and receipt of satisfactory evidence that the economic and financial measures recommended by the Joint Finance Commission are being implemented.

#### *United Kingdom and French Colonies*

In March 1948, a representative of the United Kingdom Colonial Office informally discussed with the Bank the possibility of Bank financing for development operations in British colonies and dependent territories. Some of the policy questions involved in loans for colonial projects were explored in preliminary fashion at that time, and further informal conversations took place in London in July.

On September 28, 1948, the Chairman of the Colonial Development Corporation—a corporation established under the

Overseas Resources Development Act, 1948, and authorized, *inter alia*, to make equity investments in commercial undertakings in the dependent overseas territories of the United Kingdom—wrote to the Bank outlining the Corporation's plans and requesting consideration of a loan to finance the dollar costs of establishing an equipment pool, which would serve a number of CDC projects in various British colonies and dependencies. Discussions ensued in Washington and London to define the form and agree on the terms of a loan and the necessary government guarantee. An initial loan to CDC to assist in financing its equipment needs to the end of 1950 may be negotiated shortly.

The Overseas Food Corporation—another corporation established under the Overseas Resources Development Act, 1948, but independent of and separate from CDC—has also indicated its interest in obtaining a Bank loan to finance the purchase of ground-clearing and agricultural machinery in connection with a project for raising ground nuts in East Africa. Information about the revised OFC program is expected shortly, when a detailed examination of the project will be undertaken.

There have been some informal discussions in Washington and Paris between the Bank and the French authorities, with regard to the possibility of loans for development projects in the French colonies. The French Government has brought a number of projects to the Bank's attention, but active consideration of them has awaited resolution of certain broad policy questions.

#### *Ethiopia*

In February 1948, a representative of the Government of Ethiopia presented informally to the Bank the Government's projected development program, which in-

cluded a wide range of projects, particularly in the field of transportation. The Bank requested certain general economic data to serve as the basis for more detailed discussions. A visit to Ethiopia by the Bank's representative in the Middle East in the Fall of 1948, and the presence in

Washington of an adviser to the Ethiopian Government at the end of the year, provided opportunities for further conversations of a general character, but no loan discussions have yet begun pending receipt of the economic information which the Government has undertaken to compile.

## RESULTS OF OPERATIONS AND USE OF LOAN PROCEEDS

During the fiscal year ended June 30, 1949, the Bank received the full amount due as interest, commission and other charges on its loans; its income from such charges, on an accrual basis, amounted to \$21,669,646. In addition, \$600,000 of the principal of the Dutch shipping loans has been repaid, this being the first and only amortization payment due up to the end of the fiscal year.

As shown in the Statement of Income and Expenses which appears as Appendix B to this report, the Bank's operations for the twelve months ended June 30, 1949, resulted in an excess of income over expenses amounting to \$10,610,247, exclusive of loan commissions credited to the Special Reserve. The total excess of income over expenses for the entire period of the Bank's operations up to June 30, 1949, amounted to \$13,641,094. In addition to this net income, \$4,989,210 was set aside in the Special Reserve during the year ended June 30, 1949; the total amount in the Special Reserve was thereby increased to \$8,074,141.

In accordance with Resolution No. 35 passed by the Board of Governors at the Third Annual Meeting, \$3,030,847, being the net income of the Bank at June 30, 1948 after deducting the June 30, 1947

deficit, was allocated to Surplus. The Executive Directors are recommending to the Board of Governors that the net income for the fiscal year ended June 30, 1949, in the amount of \$10,610,247, also be allocated to Surplus.

Total disbursements made on the Bank's loans up to June 30, 1949, amount to the equivalent of \$526,291,014. From June 30 through August 20, further disbursements, amounting to the equivalent of \$11,893,035, were made as follows: Belgian Loan \$4,029,608; Brazilian Loan \$5,878,923; Chilean Agricultural Loan \$450,000; Chilean Hydro-Electric Power Development Loan \$540,572; and Mexican Loans \$993,932, of which \$613,381 was for The Mexican Light and Power Company project and \$380,551 was for the Federal Electricity Commission project.

Supervision of the end use of goods financed out of the proceeds of the Bank's initial loans has proceeded along the lines indicated in the Third Annual Report. Policies and procedures have been established, in cooperation with the borrowers concerned, for the supervision of loans granted for the development of specific projects. Under these arrangements the Bank not only checks all disbursements to see that they accord with the loan agree-

ments, but also receives regular progress reports on the projects which it is financing, so that it may be in a position at all times to compare the progress actually achieved with the estimates on the basis of which the loans were granted.

As in previous years about three-quarters of the total expenditures financed by Bank loans were made in the United States. The geographical distribution of total expenditures financed by the Bank up to June 30, 1949, in round numbers by groups of countries, was as follows:

<i>Area of Expenditure</i>	<i>Amount (in millions of U. S. Dollars)</i>
United States	\$400.4
Canada	14.4
Latin America	51.4
Europe	55.3
Near East	2.5
Africa	2.2
Far East	.1
	<hr/>
Total	\$526.3

## MARKETING ACTIVITIES

### *Additions to Loanable Resources*

Marketing activities during the period covered by this report have involved mainly preparations for future security issues rather than new offerings. Sufficient funds were available throughout the period to meet all loan requirements, and no sales of direct obligations of the Bank were necessary. As of June 30, 1949, current funds on hand available for lending aggregated approximately \$390 million, which appears ample to meet near term needs.

Replenishment of \$19.9 million in funds loaned or committed by the Bank was effected through sales of securities held in the loan portfolio, all of which were sold with the Bank's unconditional guarantee. The balance of \$3.9 million of mortgage notes received by the Bank under its loans to four Dutch shipping companies were sold to several mutual savings banks; this sale completed the disposal of the \$12 million of such notes acquired under those loans, the first \$8.1 million having been sold to a group of commercial and mutual savings banks in August 1948. The Bank also sold, to a leading life insurance company and

four mutual savings banks, \$16 million principal amount of 3% sinking fund bonds of the Kingdom of Belgium received under the Belgian loan; the services of two investment banking firms designated by the Belgian Government were employed to carry out the negotiations involved in this sale. The sale price on both the shipping notes and the Belgian bonds was par and accrued interest.

A total of \$28 million has thus been transferred from the Bank's loan portfolio to private investment accounts through sales of guaranteed obligations. Although the amounts of these portfolio sales to date have been small in comparison with the Bank's public issues, they have provided a test of the market for credits guaranteed by the Bank and have afforded valuable experience in the technique of such offerings. While portfolio sales may continue to be useful as a secondary means of approaching the market in addition to direct borrowing operations, the present expectation of the Bank is that they will not be employed frequently.

In addition to the sums raised in this manner, there have been encouraging,

though moderate, additions to the Bank's loanable resources as a result of consents given by member governments to the Bank's use of a part of the 18% portion of their capital subscriptions paid in in local currency. During the past year, Canada consented to use by the Bank in its lending operations of \$8 million, the United Kingdom consented to the use of £500,000 and Denmark consented to the use of 599,876.25 kroner, from this source. It may be hoped that the change from a sellers' to a buyers' market in international trade may facilitate the Bank's efforts to secure additional consents in the future. It is plainly desirable that the non-dollar portion of the Bank's paid-in capital should increasingly become a substantial source of loanable funds in order to reinforce the Bank's international character and to enable it to realize its potentialities more fully.

During the past year the Bank has given further consideration to the possibility of an offering of dollar bonds in one or more countries outside the United States, and of the sale of bonds in currencies other than dollars, although no definite decision has been reached with regard to any particular sale. Any issue sold outside the United States at the present time would be small in amount.

As of June 30, 1949, the Bank had direct and guaranteed obligations outstanding in the principal amount of \$281,355,788. Of this sum \$250 million of direct obligations was payable in dollars as follows: \$100 million Ten Year 2¼% Bonds due July 15, 1957; and \$150 million Twenty-Five Year 3% Bonds due July 15, 1972. In addition, the Bank had outstanding Swiss Francs 17 million of 2½% Swiss Franc Serial Bonds of 1948, due 1953-54. The latter issue was sold in 1948 to the Bank for International Settlements in Basle, which has since dis-

posed of a part of the bonds to two commercial banks located in Switzerland. As mentioned above, guaranteed obligations comprised \$16 million of Belgian bonds and \$11.4 million (net after repayment of \$600,000) of Dutch shipping notes.

#### *Market Record of Bank Obligations*

During the summer of 1948 prices of high-grade bonds in the United States market moved to lower levels and there was considerable uncertainty as to future price trends. Since that time, however, the market has improved notably. During this improvement the Bank's issues have displayed a better-than-average recovery, thereby indicating that the bonds are now considered seasoned securities. The bonds of both issues are widely distributed among established investing institutions, large and small. As a group mutual savings banks hold the largest amount of both of the Bank's dollar issues, and life insurance companies and commercial banks follow in that order. Both issues are selling well above par, with few bonds being offered for sale and a substantial demand remaining unsatisfied.

For the foreseeable future the United States will necessarily continue to be the major source of investment funds for the Bank. In order to establish a broad and sound market in the United States for its bonds, the Bank has carried on an extensive program of information to acquaint investors not only with the character of and security behind its obligations but also with its general policies and operations. Periodic information conferences, held at the Bank's headquarters in Washington, have been attended by more than 400 persons concerned with institutional investment, including representatives of investment banking firms, commercial and savings banks, insurance companies, and state banking

and insurance departments. Members of the Bank's staff have kept in close contact with the investment community through attendance at meetings of financial organizations and visits to financial and investment centers throughout the United States.

### *Legislative Program*

The Third Annual Report described briefly the program undertaken by the Bank to obtain national and state legislation and administrative action in the United States in order to make the Bank's obligations eligible for investment by banks, insurance companies and other institutional investors. This program has been continued during the period covered by this report with gratifying success.

In June 1949, the United States Congress enacted, and the President approved, legislation authorizing national banks and state banks which are members of the Federal Reserve System to deal in and underwrite obligations issued by the Bank, and designating securities issued or fully guaranteed by the Bank as exempted securities under the securities acts of the United States. The Bank expects that this legislation will contribute to a broader market in the United States for its obligations. The Bank appreciates the cooperation and assistance of the United States Government in obtaining enactment of this legislation.

Since the date of the Third Annual Report 11 states, by legislative or administrative action, authorized institutional investment in the Bank's securities. Subject to the qualifications and conditions contained in the various statutes and rulings, the Bank's securities are or soon will be legally authorized investments for institutions as follows:

For all national banks, and for other commercial banks in 45 states and the District of Columbia;

For savings banks in 29 of the 36 states having such institutions, and in the District of Columbia;

For insurance companies in 36 states;

For trust funds in 33 states and the District of Columbia.

There is less occasion for gratification in connection with the efforts of the Bank to have its securities made eligible investments in countries other than the United States. A number of practical problems are involved; for example, it is difficult for the Bank to obtain a clear picture of the status of its obligations under the laws of its various member countries, and even more difficult to obtain current information regarding proposals to amend applicable insurance or banking legislation. Nonetheless the results to date have been less than might reasonably have been anticipated. So far as the Bank has been informed, only four of its member countries, other than the United States, have taken affirmative action to qualify the Bank's securities for investment. In Turkey the Ministry of Finance has registered the Bank's bonds on the Istanbul Stock Exchange, with all the privileges and registration fee exemptions accorded to Turkish state obligations. Australia and Canada have taken action to make the Bank's bonds permissible investments for insurance companies and South Africa has made them eligible for investment by commercial banks.

The Bank attaches great importance to the legal status of its obligations in various markets of the world. A more detailed summary of the present situation and recommendations as to action which might be taken by member countries are the subject of a separate report to the Board of Governors.

## MISCELLANEOUS

### *Management and Organization*

Mr. John J. McCloy resigned as President of the Bank and Chairman of the Executive Directors on May 18, 1949, and his resignation became effective on July 1, 1949. He was succeeded by Mr. Eugene R. Black who had been United States Executive Director of the Bank since March 1947. The Bank wishes to record its deep appreciation of Mr. McCloy's distinguished service and of the great contribution which he made during the crucial formative period of the Bank's operations.

Mr. E. Fleetwood Dunstan resigned as Director of Marketing on December 21, 1948, and was succeeded on April 1, 1949 by Mr. Norman M. Tucker. Mr. Dunstan joined the Bank in April 1947, directed the Bank's initial marketing of securities and assisted in the establishment of a broad investment market for its securities.

On March 1, 1949, Lieutenant General R. A. Wheeler (Ret.), formerly chief of Engineers, United States Army, assumed the position of Engineering Adviser to the Bank. He succeeded Mr. Michael J. Madigan who, serving as a consultant, had directed the Bank's engineering activities since August 1947.

The Bank wishes to acknowledge the loyal and valuable services rendered by Mr. Dunstan and Mr. Madigan.

Mr. Chester A. McLain resigned as General Counsel on August 19, 1949, effective August 31, 1949, to be succeeded by Mr. Davidson Sommers as General Counsel. Mr. Ansel F. Luxford has been appointed Associate General Counsel. The Bank is deeply indebted to Mr. McLain for his exceptional contributions to the success of the Bank during his three years as General Counsel.

The only changes made during the year under review in the Bank's organization and the functions of its several departments have been a transfer of responsibility for budgeting and budgetary control from the Treasurer's Department to the Administration Department and a concentration of the responsibility for the technical analysis of projects in the office of the Engineering Adviser, which is part of the Loan Department.

As of August 20, 1949, the staff of the Bank consisted of 392 regular members of 21 nationalities.

### *Relationship With Other International Organizations*

The Bank continues to maintain close liaison with the International Monetary Fund, with the various organs of the United Nations and with other international organizations on matters of mutual interest.

The agreement between the Bank and the United Nations, which has been in effect since November 15, 1947, continues to prove satisfactory. The Bank is in accord with the conclusion of the Secretary-General of the United Nations, in his report to the Economic and Social Council on the general working of the agreements between the United Nations and the Specialized Agencies, that no changes in the agreement are required.

In addition to attendance at meetings of the United Nations General Assembly, representatives of the Bank have regularly participated in meetings of the Economic and Social Council of the United Nations and its subsidiary bodies, and have prepared studies on subjects of mutual interest for their use. The President of the Bank participated in the meeting of the Economic Committee of the Economic and

Social Council, which discussed the Third Annual Report of the Bank, and in meetings of the Fourth Session of the Economic and Employment Commission. The Bank was also represented at meetings of the two sub-commissions of the Economic and Employment Commission, at meetings of the Economic Commission for Europe and at the second session of the Economic Commission for Latin America. To assist in the work of the Economic Commission for Asia and the Far East, the Bank lent the services of one of its economists to this Commission for several months. At the request of the United Nations, the Bank prepared an analysis of methods of financing the economic development of underdeveloped countries which was presented to the Economic and Social Council at its Ninth Session.

The Bank has continued to participate actively in the work of the Administrative Committee on Coordination (which consists of the Secretary-General of the United Nations and the executive heads of the specialized agencies) and of its various subsidiary committees. The most important task undertaken by the ACC during the past year was the preparation of a report to the Economic and Social Council, at its request, entitled "Technical Assistance for Economic Development." Members of the Bank's staff took an active part in the drafting of those parts of the document relating to the objectives, conditions and administrative arrangements governing the provision of technical assistance through international channels. The Bank also participated in the preparatory work and organization of the International Civil Service Advisory Board and is defraying part of the cost of that Board.

Bank representatives attended meetings in Geneva of the ILO Governing Board and of the Permanent Migration Committee

and sessions of the UNESCO Executive Board in Paris. In addition, the Bank was represented at the FAO Annual Conference in Washington in November 1948, and at the Paris meeting of the FAO Council in June 1949. FAO has been most cooperative with the Bank in supplying technical experts to assist the work of the Bank on agricultural projects in a number of different countries. Mention has already been made of the cooperation received from WHO and the Fund, as well as from FAO, in connection with the Bank's mission to Colombia.

#### *Advisory Council*

On February 15, 1949, the Executive Directors adopted rules for the proceedings of the Advisory Council, which are being submitted for review by the Board of Governors in a separate report. This separate report also covers the Second Annual Meeting of the Council, which was held at the principal office of the Bank from July 18 to July 22, 1949, and makes certain recommendations with regard to the Council.

#### *Training Program*

At the beginning of 1949, the Bank inaugurated a course of training for junior professional and administrative staff, lasting for about one year. The initial phase of the training consists of indoctrination lectures and of short periods of observation in each of the Bank's departments; thereafter each trainee is assigned to one department for a seven- or eight-month period and participates in the regular work of the department.

For the first course under this program, beginning in January 1949, seven persons were selected, one each from the following member countries: Australia, Belgium, Canada, France, Greece, Guatemala and the Netherlands. The Bank is selecting a

similar group of trainees for a second course to begin in 1950.

### *Membership and Subscriptions*

With the admission of Thailand on May 3, 1949, membership in the Bank has been increased from 47 to 48. The Bank's total subscribed capital was thereby increased from \$8,336 million as of August 31, 1948, to \$8,348.5 million as of August 20, 1949. The period in which Liberia may accept membership has been extended by the Executive Directors to September 30, 1949.

### *Financial Statements and Reports*

Attached as Appendices A to G, inclusive, are a Balance Sheet showing the financial position of the Bank as of June 30, 1949, a Comparative Statement of Income and Expenses for the Fiscal Years Ended June 30, 1948 and June 30, 1949, an Opinion of Independent Auditor, and a number of schedules giving further details concerning the assets and liabilities, capital and financial operations of the Bank.

### *Administrative Budget*

There is attached as Appendix H the administrative budget of the Bank for the fiscal year ending June 30, 1950. This budget has been prepared by the President and approved by the Executive Directors in accordance with Section 19 of the By-Laws of the Bank.

The budget as presented represents the best estimate of the management and Executive Directors of the minimum cost of effective administration for the current fiscal year. It is not possible, however, to

foresee all contingencies which may arise. If, therefore, unanticipated conditions develop which necessitate changes in programs, appropriate adjustments in the budget will be required.

### *Additional Reports to Board of Governors*

In addition to this Annual Report, the following reports are being submitted for consideration of the Board of Governors at the Fourth Annual Meeting:

- 1) Report on the Allocation of Net Income;
- 2) Report on the Advisory Council;
- 3) Report of the Ad Hoc Committee of the Board of Governors;
- 4) Report on Status of International Bank Obligations for Investment by Institutional Investors in Countries Other than the United States.

### *Appendices*

In addition to the appendices containing the financial statements and reports and the administrative budget of the Bank, to which reference has already been made, there are included in this report, for the information of the Board of Governors, the following appendices:

*Appendix I—Governors and Alternates as of August 20, 1949.*

*Appendix J—Voting Power and Subscriptions of Member Countries as of August 20, 1949.*

*Appendix K—Executive Directors and Alternates and their Voting Power as of August 20, 1949.*

*Appendix L—Principal Officers of the Bank as of August 20, 1949.*



**Balance Sheet—June 30, 1949**EXPRESSED IN UNITED STATES CURRENCY  
(See Notes to Financial Statements)**ASSETS**

<b>Due from Banks and Other Depositories—NOTE A</b>		
Member currency—United States.....	\$ 17,809,756	
Member currency—other than United States.....	117,736,182	\$ 135,545,938
<b>Investment Securities</b>		
United States Government obligations (\$445,553,000 face amount at cost).....	\$ 444,843,550	
Accrued interest .....	1,643,637	446,487,187
<b>Receivable from Members</b>		
Non-negotiable, non-interest-bearing, demand notes— NOTES A and B		
Payable in member currency—United States.....	\$ 40,785,000	
Payable in member currency—other than United States	810,567,203	\$ 851,352,203
Calls on subscriptions to capital stock		
Payment deferred—NOTE C.....	4,915,000	856,267,203
<b>Loans Outstanding Held by Bank—NOTES D and E.....</b>		
<b>Accrued Interest, Commitment and Service Charges on Loans— NOTE E .....</b>		
<b>Miscellaneous Receivables and Other Assets.....</b>		
<b>Special Reserve Fund Assets—NOTE F</b>		
Due from Banks—member currency—United States.....	\$ 9,671	
Investment securities—United States Government obligations (\$6,906,000 face amount at cost).....	6,887,067	
Accrued loan commissions—NOTE E.....	1,177,403	8,074,141
<b>Staff Retirement Plan Assets—NOTE G.....</b>		
<b>Total Assets .....</b>		<b>\$2,073,305,547</b>

**LIABILITIES, RESERVES AND CAPITAL**

<b>Liabilities</b>		
Accounts payable and accrued expenses, including \$3,129,465 bond interest .....		\$ 3,409,690
Undisbursed balance of loans		
On loans held by Bank.....	\$ 107,808,986	
On loans represented by obligations of borrowers sold under guarantee .....	16,000,000	123,808,986
Bonds outstanding		
Payable in United States Dollars—NOTE H		
Ten Year 2¼% Bonds, due July 15, 1957.....	\$ 100,000,000	.
Twenty-Five Year 3% Bonds, due July 15, 1972.....	150,000,000	
Payable in Swiss Francs		
2½% Swiss Franc Serial Bonds of 1948, due 1953-54 (Swiss Francs 17,000,000).....	3,955,788	253,955,788
<b>Special Reserve—NOTE F .....</b>		
<b>Staff Retirement Plan Reserve—NOTE G.....</b>		
<b>Capital</b>		
Capital stock		
Authorized 100,000 shares of \$100,000 par value each		
Subscribed 83,485 shares.....	\$8,348,500,000	
Less—Uncalled portion of subscriptions—NOTE I.....	6,678,800,000	\$1,669,700,000
Excess of income over expenses		
At June 30, 1948.....	\$ 3,030,847	
The twelve months ended June 30, 1949.....	10,610,247	13,641,094
<b>Contingent Liability—Obligations of Borrowers Outstanding Sold under Guarantee—NOTE D..... \$11,400,000</b>		
<b>Total Liabilities, Reserves and Capital.....</b>		<b>\$2,073,305,547</b>

**Comparative Statement of Income and Expenses**  
**For the Fiscal Years Ended June 30, 1948 and June 30, 1949**

EXPRESSED IN UNITED STATES CURRENCY  
(See Notes to Financial Statements)

	July 1 - June 30	
	1947-1948	1948-1949
<b>Income</b>		
Interest earned on investment securities.....	\$ 3,593,623	\$ 4,893,360
Income from loans:		
Interest .....	9,917,304	15,850,003
Commitment charges .....	2,136,027	757,110
Commissions .....	3,051,478	4,989,210
Service charges .....	....	73,323
Other income .....	5,546	4,617
<b>Gross Income</b> .....	<u>\$18,703,978</u>	<u>\$26,567,623</u>
Deduct—Amount equivalent to commission appropriated to Special Reserve (Note F) .....	3,051,478	4,989,210
<b>Gross Income Less Reserve Deduction</b> .....	<u><u>\$15,652,500</u></u>	<u><u>\$21,578,413</u></u>
<b>Expenses</b>		
Administrative expenses:		
Personal services .....	\$ 2,378,403	\$ 2,667,476
Expense allowances—Executive Directors and Alternates.....	6,546	12,504
Fees and compensation.....	107,171	160,542
Representation .....	24,015	31,187
Travel .....	423,966	332,670
Supplies and material.....	65,233	26,884
Rents and utility services.....	377,046	330,151
Communication services .....	88,956	80,030
Furniture and equipment.....	97,962	33,105
Motor vehicles .....	10,522	6,649
Books and library services.....	14,775	63,821
Printing and binding.....	72,866	34,115
Contributions to staff benefits.....	315,784	270,577
Insurance .....	38,292	11,312
Handling and storage of gold.....	25,662	7,046
Other expenses .....	1,683	538
<b>Total Administrative Expenses</b> .....	<u>\$ 4,048,882</u>	<u>\$ 4,068,607</u>
Interest on bonds.....	6,232,963	6,848,895
Bond registration, issuance and other financial expenses.....	1,276,003	50,664
<b>Gross Expenses</b> .....	<u><u>\$11,557,848</u></u>	<u><u>\$10,968,166</u></u>
<b>Excess of Income Over Expenses</b> .....	<u><u>\$ 4,094,652</u></u>	<u><u>\$10,610,247</u></u>

APPENDIX C

**Statement of Loans—June 30, 1949**

EXPRESSED IN UNITED STATES CURRENCY  
(See Notes to Financial Statements)

<i>Borrowers and Guarantors</i>	<i>Dates of Loan Agreements</i>	<i>Maturities</i>	<i>Total Loans Effective Less Repayments</i>	<i>Obligations of Borrowers Sold Under Guarantee</i>	<i>Loans Outstanding Held by Bank</i>	<i>Undisbursed Balances of Loans</i>
<i>Kingdom of Belgium</i>	March 1, 1949	1953-1969	\$ 16,000,000	\$ 16,000,000	....	\$ 16,000,000
<i>Loan Guaranteed by United States of Brazil</i>						
Brazilian Traction	January 27, 1949	1953-1974	75,000,000	....	\$ 75,000,000	60,133,038
<i>Loans Guaranteed by Republic of Chile</i>						
Fomento and Endesa	March 25, 1948	1953-1968	13,500,000	....	13,500,000	13,495,472
Fomento	March 25, 1948	1950-1955	2,500,000	....	2,500,000	1,000,000
<i>Kingdom of Denmark</i>	August 22, 1947	1953-1972	40,000,000	....	40,000,000	....
<i>Loan Guaranteed by Republic of France</i>						
Crédit National	May 9, 1947	1952-1977	250,000,000	....	250,000,000	....
<i>Grand-Duchy of Luxembourg</i>	August 28, 1947	1949-1972	12,000,000	....	12,000,000	2,010,682
<i>Loans Guaranteed by United Mexican States</i>						
Financiera and Comisión	January 6, 1949	1953-1973	24,100,000	....	24,100,000	23,978,201
Financiera and Comisión	January 6, 1949	Dec. 31, 1949	10,000,000	....	10,000,000	7,191,593
<i>Kingdom of The Netherlands</i>	August 7, 1947	1954-1972	191,044,212	....	191,044,212	....
	May 25, 1948	1953-1954	3,955,788	....	3,955,788	....
<i>Loans Guaranteed by Kingdom of The Netherlands</i>						
N.V. Stoomvaart Maatschappij, "Nederland"	July 15, 1948	1949-1958	3,800,000	3,800,000	....	....
N.V. Vereenigde Nederlandsche Scheepvaartmaatschappij	July 15, 1948	1949-1958	1,900,000	1,900,000	....	....
N.V. Nederlandsch-Amerikaansche Stoomvaartmaatschappij, "Holland-Amerika Lijn"	July 15, 1948	1949-1958	1,900,000	1,900,000	....	....
N.V. Rotterdamsche Lloyd	July 15, 1948	1949-1958	3,800,000	3,800,000	....	....
<b>Total—NOTES D and E</b>			<u>\$649,500,000</u>	<u>\$ 27,400,000</u>	<u>\$622,100,000</u>	<u>\$123,808,986</u>

**Statement of Members' Currencies Held by the Bank  
June 30, 1949**

*(See Notes to Financial Statements)*

<i>Name of Member</i>	<i>Unit of Currency</i>	<i>Amount Expressed in Member Currency (Restricted)</i>	<i>Rate of Exchange (Note A)</i>	<i>Total Expressed in United States Dollars</i>
Australia	Pound	111,690	\$ = 0.310174	\$ 360,089
Austria	Schilling	898,200	\$ = 10.00	89,820
Belgium	Franc	14,358,220	\$ = 43.8275	327,608
Bolivia	Boliviano	516,200	\$ = 42.00	12,291
Brazil	Cruzeiro	349,559,587	\$ = 18.50	18,895,113
Canada	Dollar	1,045,214	\$ = 1.00	1,045,214
Chile	Peso	195,181,196	\$ = 31.00	6,296,168
China	Gold Yuan	21,581,589	\$ = 20.00	1,079,079
Colombia	Peso	12,279,397	\$ = 1.949981	6,297,188
Costa Rica	Colon	2,014,650	\$ = 5.615	358,798
Cuba	Peso	62,990	\$ = 1.00	62,990
Czechoslovakia	Koruna	11,095,972	\$ = 50.00	221,919
Denmark	Krone	497,160	\$ = 4.79901	103,596
Dominican Republic	Peso	3,349	\$ = 1.00	3,349
Ecuador	Sucre	7,776,550	\$ = 13.50	575,300
Egypt	Pound	770,590	\$ = 0.241955	3,184,850
El Salvador	Colon	445,880	\$ = 2.50	178,352
Ethiopia	Dollar	1,340,388	\$ = 2.484472	539,506
Finland	Markka	930,018,074	\$ = 136.00	6,838,368
France	Franc	192,010,613	\$ = 214.392	895,605
Greece	Drachma	22,500,000,000	\$ = 5,000.00	4,500,000
Guatemala	Quetzal	356,420	\$ = 1.00	356,420
Honduras	Lempira	3,600	\$ = 2.00	1,800
Iceland	Krona	1,165,263	\$ = 6.48885	179,579
India	Rupee	2,319,825	\$ = 3.30852	701,167
Iran	Rial	1,940,380	\$ = 32.25	60,167
Iraq	Dinar	2,133	\$ = 0.248139	8,597
Italy	Lira	7,287,494,669	\$ = 225.00	32,388,865
Lebanon	Pound	1,772,146	\$ = 2.19148	808,653
Luxembourg	Franc	693,177	\$ = 43.8275	15,816
Mexico	Peso	101,191,492	\$ = 8.65	11,698,438
Netherlands	Guilder	1,215,099	\$ = 2.65285	458,035
Nicaragua	Cordoba	720,000	\$ = 5.00	144,000
Norway	Krone	436,544	\$ = 4.96278	87,964
Panama	Balboa	36,000	\$ = 1.00	36,000
Paraguay	Guarani	773,109	\$ = 3.09	250,197
Peru	Sol	192,549	\$ = 6.50	29,623
Philippine Republic	Peso	2,392,467	\$ = 2.00	1,196,233
Poland	Zloty	21,992,852	\$ = 100.00	219,929
Syria	Pound	25,592	\$ = 2.19148	11,678
Thailand	Baht	22,332,391	\$ = 9.92558	2,249,988
Turkey	Lira	199,825	\$ = 2.80	71,366
Union of South Africa	Pound	44,189	\$ = 0.248139	178,083
United Kingdom	Pound	1,059,603	\$ = 0.248139	4,270,199
United States	Dollar	16,964,177	None	16,964,177
Uruguay	Peso	2,863,418	\$ = 1.5190495	1,885,006
Venezuela	Bolivar	4,568,287	\$ = 3.35	1,363,668
Yugoslavia	Dinar	359,975,397	\$ = 50.00	7,199,508
Restricted Currency (NOTE K).....				\$134,700,359
Unrestricted Currency (All held in United States Dollars).....				845,579
<b>Total (Note J).....</b>				<b>\$135,545,938</b>

## APPENDIX E

**Statement of Subscriptions to Capital Stock***(See Notes to Financial Statements)*

Member	Subscriptions		Amounts Paid In (Note A)	
	Shares	Amount (Note L)	United States Dollars	In Currency of Member Other Than United States Dollars
1 Australia	2,000	\$ 200,000,000	\$ 4,000,000	\$ 360,131
2 Austria	500	50,000,000	1,000,000	90,000
3 Belgium	2,250	225,000,000	4,500,000	2,344,422
4 Bolivia	70	7,000,000	140,000	12,600
5 Brazil	1,050	105,000,000	2,100,000	18,900,000
6 Canada	3,250	325,000,000	6,500,000	1,585,000
7 Chile	350	35,000,000	700,000	6,300,000
8 China	6,000	600,000,000	9,000,000	1,080,000
9 Colombia	350	35,000,000	700,000	6,300,000
10 Costa Rica	20	2,000,000	40,000	360,000
11 Cuba	350	35,000,000	700,000	63,000
12 Czechoslovakia	1,250	125,000,000	1,875,000	225,000
13 Denmark	680	68,000,000	1,020,000	122,400
14 Dominican Republic	20	2,000,000	40,000	3,600
15 Ecuador	32	3,200,000	64,000	576,000
16 Egypt	533	53,300,000	1,066,000	3,200,000
17 El Salvador	10	1,000,000	20,000	180,000
18 Ethiopia	30	3,000,000	60,000	540,000
19 Finland	380	38,000,000	760,000	6,840,000
20 France	5,250	525,000,000	10,500,000	979,719
21 Greece	250	25,000,000	375,000	4,500,000
22 Guatemala	20	2,000,000	40,000	360,000
23 Honduras	10	1,000,000	20,000	1,800
24 Iceland	10	1,000,000	20,000	180,000
25 India	4,000	400,000,000	8,000,000	720,383
26 Iran	336	33,600,000	672,000	60,480
27 Iraq	60	6,000,000	120,000	10,800
28 Italy	1,800	180,000,000	3,600,000	32,400,000
29 Lebanon	45	4,500,000	90,000	810,000
30 Luxembourg	100	10,000,000	200,000	18,014
31 Mexico	650	65,000,000	1,300,000	11,700,000
32 Netherlands	2,750	275,000,000	5,500,000	496,098
33 Nicaragua	8	800,000	16,000	144,000
34 Norway	500	50,000,000	1,000,000	90,000
35 Panama	2	200,000	4,000	36,000
36 Paraguay	14	1,400,000	28,000	252,000
37 Peru	175	17,500,000	350,000	31,500
38 Philippine Republic	150	15,000,000	300,000	1,200,000
39 Poland	1,250	125,000,000	1,875,000	225,000
40 Syria	65	6,500,000	130,000	11,700
41 Thailand	125	12,500,000	250,000	2,250,000
42 Turkey	430	43,000,000	860,000	77,400
43 Union of South Africa	1,000	100,000,000	2,000,000	180,000
44 United Kingdom	13,000	1,300,000,000	26,000,000	4,390,750
45 United States	31,750	3,175,000,000	594,215,000	—
46 Uruguay	105	10,500,000	210,000	1,890,000
47 Venezuela	105	10,500,000	210,000	1,365,000
48 Yugoslavia	400	40,000,000	600,000	7,200,000
	<b>83,485</b>	<b>\$8,348,500,000</b>	<b>\$692,770,000</b>	<b>\$120,662,797</b>

## and Voting Power of Members—June 30, 1949

(See Notes to Financial Statements)

Amounts Paid In (Note A)		Amounts Pay- ment of Which is Postponed (Note C)	Subject to Call to Meet Oblig- ations of Bank (Note I)	Number of Votes
\$ 35,639,869		\$ —	\$ 160,000,000	2,250 1
8,910,000		—	40,000,000	750 2
38,155,578		—	180,000,000	2,500 3
1,247,400		—	5,600,000	320 4
—		—	84,000,000	1,300 5
56,915,000		—	260,000,000	3,500 6
—		—	28,000,000	600 7
106,920,000	3,000,000	—	480,000,000	6,250 8
—	—	—	28,000,000	600 9
—	—	—	1,600,000	270 10
6,237,000	—	—	28,000,000	600 11
22,275,000	625,000	—	100,000,000	1,500 12
12,117,600	340,000	—	54,400,000	930 13
356,400	—	—	1,600,000	270 14
—	—	—	2,560,000	282 15
6,394,000	—	—	42,640,000	783 16
—	—	—	800,000	260 17
—	—	—	2,400,000	280 18
—	—	—	30,400,000	630 19
93,520,281	—	—	420,000,000	5,500 20
—	125,000	—	20,000,000	500 21
—	—	—	1,600,000	270 22
178,200	—	—	800,000	260 23
—	—	—	800,000	260 24
71,279,617	—	—	320,000,000	4,250 25
5,987,520	—	—	26,880,000	586 26
1,069,200	—	—	4,800,000	310 27
—	—	—	144,000,000	2,050 28
—	—	—	3,600,000	295 29
1,781,986	—	—	8,000,000	350 30
—	—	—	52,000,000	900 31
49,003,902	—	—	220,000,000	3,000 32
—	—	—	640,000	258 33
8,910,000	—	—	40,000,000	750 34
—	—	—	160,000	252 35
—	—	—	1,120,000	264 36
3,118,500	—	—	14,000,000	425 37
1,500,000	—	—	12,000,000	400 38
22,275,000	625,000	—	100,000,000	1,500 39
1,158,300	—	—	5,200,000	315 40
—	—	—	10,000,000	375 41
7,662,600	—	—	34,400,000	680 42
17,820,000	—	—	80,000,000	1,250 43
229,609,250	—	—	1,040,000,000	13,250 44
40,785,000	—	—	2,540,000,000	32,000 45
—	—	—	8,400,000	355 46
525,000	—	—	8,400,000	355 47
—	200,000	—	32,000,000	650 48
<u>\$851,352,203</u>	<u>\$4,915,000</u>		<u>\$6,678,800,000</u>	<u>95,485</u>

## *Notes to Financial Statements—June 30, 1949*

**NOTE A**

Amounts in currencies other than United States dollars have been translated into United States dollars at the rates used by member countries in making capital payments. In the cases of thirty-nine members these rates are the established par values under the International Monetary Fund Agreement. In the cases of nine members (Austria, China, Finland, France, Greece, Italy, Poland, Thailand and Uruguay), the par values of their currencies have not been so established.

No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

Article II, Section 9, of the Bank Articles of Agreement contains the following provisions with regard to maintenance of value of certain currency holdings of the Bank:

(a) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Bank, depreciated to a significant extent within that member's territories, the member shall pay to the Bank within a reasonable time an additional amount of its own currency sufficient to maintain the value, as of the time of initial subscription, of the amount of the currency of such member which is held by the Bank and derived from currency originally paid in to the Bank by the member under Article II, Section 7(i), from currency referred to in Article IV, Section 2(b), or from any additional currency furnished under the provisions of the present paragraph, and which has not been repurchased by the member for gold or for the currency of any member which is acceptable to the Bank.

(b) Whenever the par value of a member's currency is increased, the Bank

shall return to such member within a reasonable time an amount of that member's currency equal to the increase in the value of the amount of such currency described in (a) above.

(c) The provisions of the preceding paragraphs may be waived by the Bank when a uniform proportionate change in the par values of the currencies of all its members is made by the International Monetary Fund.

**NOTE B**

Demand notes delivered to the Bank in substitution for currency of member, in accordance with Section 12 of Article V.

**NOTE C**

Payments postponed until June 25, 1951, in accordance with the provisions of Article II, Section 8 (a) (i). These amounts are payable in gold or United States dollars.

**NOTE D**

The Bank has sold under its guarantee \$12,000,000 of 2½% serial notes and \$16,000,000 of 3% sinking fund bonds received by the Bank in connection with its loan operations. The notes mature semi-annually in equal installments commencing January 15, 1949 through July 15, 1958. A total of \$600,000 was thus retired on January 15, 1949. The bonds mature March 1, 1969. The sinking fund provisions become operative on or before September 1, 1953, and semi-annually thereafter, in equal aggregate principal amounts of \$500,000. Of the total of \$27,400,000 of obligations outstanding under guarantee, \$16,000,000 is reflected in the balance sheet as a direct liability subject to withdrawal.

**NOTE E**

The principal outstanding on loans disbursed, and the accrued charges for interest, commitment fee, service charge and loan commission are payable in United States dollars except the following amounts for which the dollar equivalent is shown:

	<i>Currency Payable</i>			<i>Total</i>
	<i>Swiss Francs</i>	<i>Belgian Francs</i>	<i>Canadian Dollars</i>	
Principal Outstanding.....	\$3,955,788	\$2,005,835	\$538,179	\$6,499,802
Accrued Interest, Commitment and Service Charges.....	32,141	22,851	826	55,818
Accrued Loan Commissions.....	9,889	7,031	236	17,156
<b>Totals .....</b>	<b>\$3,997,818</b>	<b>\$2,035,717</b>	<b>\$539,241</b>	<b>\$6,572,776</b>

**NOTE F**

The amount of commissions received by the Bank on loans made or guaranteed by it is required under Section 6, Article IV, to be set aside as a special reserve to be kept available for meeting obligations of the Bank created by borrowing or guaranteeing loans. On all loans granted to date the effective rate of commission is 1% per annum.

**NOTE G**

Assets segregated and held in trust for the Staff Retirement Plan.

**NOTE H**

As a sinking fund for the Twenty-Five Year Bonds, the Bank has agreed to purchase and retire or redeem bonds of said issue commencing July 15, 1958, in varying amounts calculated to retire 50% of the total issue by maturity.

**NOTE I**

Subject to call by the Bank only when required to meet the obligations of the Bank created by borrowing or guaranteeing loans.

**NOTE J**

The currencies of the several members and the notes substituted for any part of such currencies are held on deposit with designated depositories in the territories of the respective members.

**NOTE K**

These currencies are derived from the 18% of the subscriptions to the capital stock of the Bank which is payable in the currencies of the respective members. Such 18% may be loaned by the Bank, and funds received by the Bank on account of prin-

cipal of loans made by the Bank out of such currencies may be exchanged for other currencies or reloaned, only with the approval in each case of the member whose currency is involved; provided, however, that, if necessary, after the Bank's subscribed capital is entirely called, such currencies may, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings or to meet the Bank's liabilities with respect to contractual payments on loans guaranteed by it. The United States has approved the use by the Bank in the making of loans of such 18% of the subscription of the United States to the capital stock of the Bank. Similarly, Belgium has approved the use of the Belgian Franc equivalent of \$2,000,000; Canada has approved the use of the Canadian dollar equivalent of \$8,000,000 and the United Kingdom has approved the use of the Sterling equivalent of \$2,015,000. (Article IV, Section 2(a) and (b)).

**NOTE L**

In terms of United States dollars of the weight and fineness in effect on July 1, 1944.

**GENERAL**

The Board of Governors adopted on October 29, 1948, by vote without meeting, a resolution authorizing the admission of Liberia to membership in the Bank, with a subscription of \$500,000. Liberia has until September 30, 1949, to comply with the terms and conditions of said resolution and to accept membership in the Bank.

*Opinion of Independent Auditor*

PRICE, WATERHOUSE & CO.

AMERICAN SECURITY BUILDING  
WASHINGTON 5, D. C.

July 28, 1949

To INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT,  
Washington, D. C.

We have examined the financial statements listed below of International Bank for Reconstruction and Development as of June 30, 1949. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements, with the notes thereto, present fairly the financial position of the Bank at June 30, 1949, expressed in United States currency, and the results of its operations for the twelve months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price, Waterhouse & Co.*

PRICE, WATERHOUSE & CO.

*Financial Statements*

*Covered by the Foregoing Opinion*

Balance Sheet—June 30, 1949	APPENDIX A
Comparative Statement of Income and Expenses for the Fiscal Years Ended June 30, 1948 and June 30, 1949	APPENDIX B
Statement of Loans—June 30, 1949	APPENDIX C
Statement of Members' Currencies Held by the Bank—June 30, 1949	APPENDIX D
Statement of Subscriptions to Capital Stock and Voting Power of Members—June 30, 1949	APPENDIX E
Notes to Financial Statements	APPENDIX F

## *Administrative Budget*

FOR THE FISCAL YEAR ENDING JUNE 30, 1950

There is outlined below the Administrative Budget for the fiscal year ending June 30, 1950, as prepared by the President and approved by the Executive Directors in accordance with Section 19 of the By-Laws. For purposes of comparison there is also outlined below the administrative expenses incurred during the fiscal year ended June 30, 1949.

	<i>1948-1949 Expenses</i>	<i>1949-1950 Budget</i>
Personal Services .....	\$2,377,602	\$2,298,369
Fees and Compensation.....	159,694	181,000
Representation .....	20,739	21,500
Travel .....	243,810	257,300
Supplies and Materials.....	25,531	30,000
Rents and Utility Service.....	327,860	324,000
Communication Services .....	78,733	87,000
Furniture and Equipment.....	31,302	18,000
Motor Vehicles .....	6,486	2,500
Books and Library Services.....	63,821	52,000
Printing and Binding.....	32,638	33,000
Contribution to Staff Benefits.....	270,577	270,000
Insurance .....	11,312	8,000
Handling and Storage of Gold.....	7,046	—
Other Expenses .....	538	—
Contingencies .....	—	100,000
<b>Total .....</b>	<b>\$3,657,689</b>	<b>\$3,682,669</b>
Office of Executive Directors.....	325,336	361,000
Annual Meeting, Board of Governors and Advisory Council.....	85,582	81,700
<b>Total Administrative Expenses....</b>	<b>\$4,068,607</b>	<b>\$4,125,369</b>

In submitting the 1948-1949 Administrative Budget, it was estimated that expenditures, excluding bond registration and issuance expense, would aggregate \$4,676,524. Expenses for this period as shown above amounted to \$4,068,607. In addition \$50,664 was expended during the year in payment of commissions incident to sales of securities from the Bank's portfolio.

No estimate has been made of bond registration and issuance expenditures for the fiscal year ending June 30, 1950. The amount of bonds which may be issued by the Bank during such year is not known. It has been estimated, however, that such expenditures will amount to \$725,000 for each \$100 million of bonds which the Bank may issue. It is also estimated that commissions incident to the sale of securities in the Bank portfolio will amount to \$2,500 for each million dollars of securities which the Bank may sell.

## APPENDIX I

*Governors and Alternates**As of August 20, 1949*

COUNTRY	GOVERNOR	ALTERNATE
AUSTRALIA	J. B. Chifley	N. J. O. Makin
AUSTRIA	Georg Zimmermann	Assen Hartenau
BELGIUM	Gaston Eyskens	Maurice Frere
BOLIVIA	Hector Ormachea Zalles	Jaime Gutierrez Guerra
BRAZIL	Francisco Alves dos Santos-Filho	Octavio Paranagua
CANADA	D. C. Abbott	R. B. Bryce
CHILE	Arturo Maschke	Fernando Illanes
CHINA	Kan Hsu	T. L. Soong
COLOMBIA	Emilio Toro	Diego Mejia
COSTA RICA	Julio Pena	Angel Coronas-Guardia
CUBA	Luis Machado	Joaquin E. Meyer
CZECHOSLOVAKIA	Leopold Chmela	Bohumil Sucharda
DENMARK	Carl Valdemar Bramsnaes	Hakon Jespersen
DOMINICAN REPUBLIC	Jesus Maria Troncoso	A. Alvarez Aybar
ECUADOR	Pedro L. Nunez	Simon Canarte Barbero
EGYPT	Ahmed Zaki Bey Saad	Ahmed Nazmy Abdel Hamid
EL SALVADOR	Catalino Herrera	Manuel Melendez-Valle
ETHIOPIA	Jack Bennett	
FINLAND	Sakari Tuomioja	Ralf Torngen
FRANCE	Maurice Petsche	Pierre Mendes-France
GREECE	George Mavros	Grigorios Zarifopoulos
GUATEMALA	Manuel Noriega Morales	Leonidas Acevedo
HONDURAS	Rafael Heliodoro Valle	Rene Cruz
ICELAND	Jon Arnason	Thor Thors
INDIA	Sir B. Rama Rau	N. Sundaesan
IRAN	A. H. Ebtehaj	Mocharraf Naficy
IRAQ	Ahmed Izzet Mohammed	Amin Mumayiz
ITALY	Donato Menichella	Giorgio Cigliana-Piazza
LEBANON	Charles Malik	Georges Hakim
LUXEMBOURG	Pierre Dupong	Pierre Werner
MEXICO	Ramon Beteta	Antonio Carrillo Flores
NETHERLANDS	P. Lieftinck	A. M. de Jong
NICARAGUA	Guillermo Sevilla Sacasa	Enrique Delgado
NORWAY	Gunnar Jahn	Ole Colbjornsen
PANAMA	Octavio Vallarino	Aquilino Vallarino
PARAGUAY	Juan Plate	Ruben Benitez
PERU	German Fernandez Concha	Carlos Donayre
PHILIPPINE REPUBLIC	Miguel Cuaderno	Emilio Abello
POLAND	Konstanty Dabrowski	Janusz Zoltowski
SYRIA	Faiz El-Khoury	Husni A. Sawwaf
THAILAND	Prince Viwat	Kajit Kasemsri
TURKEY	Nurullah Esat Sumer	Nahit Alpar
UNION OF SOUTH AFRICA	N. C. Havenga	M. H. de Kock
UNITED KINGDOM	Sir Stafford Cripps	Sir Henry Wilson Smith
UNITED STATES	John W. Snyder	William L. Clayton
URUGUAY	Carlos Quijano	Nilo Berchesi
VENEZUELA	Manuel Reyna	Carlos M. Lollet C.
YUGOSLAVIA	Lavoslav Dolinsek	Dragoslav Avramovic

Voting Power and Subscriptions of Member Countries  
As of August 20, 1949

MEMBER COUNTRIES	Number of Votes	Percent of Total	Amount in Millions of Dollars	Percent of Total Subscriptions
Australia	2,250	2.36	200.0	2.40
Austria	750	.79	50.0	.60
Belgium	2,500	2.62	225.0	2.69
Bolivia	320	.34	7.0	.08
Brazil	1,300	1.36	105.0	1.26
Canada	3,500	3.67	325.0	3.89
Chile	600	.63	35.0	.42
China	6,250	6.55	600.0	7.19
Colombia	600	.63	35.0	.42
Costa Rica	270	.28	2.0	.02
Cuba	600	.63	35.0	.42
Czechoslovakia	1,500	1.57	125.0	1.50
Denmark	930	.97	68.0	.81
Dominican Republic	270	.28	2.0	.02
Ecuador	282	.30	3.2	.04
Egypt	783	.82	53.3	.64
El Salvador	260	.27	1.0	.01
Ethiopia	280	.29	3.0	.04
Finland	630	.66	38.0	.46
France	5,500	5.76	525.0	6.29
Greece	500	.52	25.0	.30
Guatemala	270	.28	2.0	.02
Honduras	260	.27	1.0	.01
Iceland	260	.27	1.0	.01
India	4,250	4.45	400.0	4.79
Iran	586	.61	33.6	.40
Iraq	310	.32	6.0	.07
Italy	2,050	2.15	180.0	2.16
Lebanon	293	.31	4.5	.05
Luxembourg	350	.37	10.0	.12
Mexico	900	.94	65.0	.78
Netherlands	3,000	3.14	275.0	3.29
Nicaragua	258	.27	8	.01
Norway	750	.79	50.0	.60
Panama	252	.26	2	.02
Paraguay	264	.28	1.4	.02
Peru	425	.45	17.5	.21
Philippine Republic	400	.42	15.0	.18
Poland	1,500	1.57	125.0	1.50
Syria	315	.33	6.5	.08
Thailand	375	.39	12.5	.15
Turkey	680	.71	43.0	.51
Union of South Africa	1,250	1.31	100.0	1.20
United Kingdom	13,250	13.88	1,300.0	15.57
United States	32,000	33.51	3,175.0	38.03
Uruguay	355	.37	10.5	.13
Venezuela	355	.37	10.5	.13
Yugoslavia	650	.68	40.0	.48
<b>Total</b>	<b>95,485</b>	<b>100.00</b>	<b>8,348.5</b>	<b>100.00</b>

1 Less than .005 percent.

## APPENDIX K

**Executive Directors and Alternates and their  
Voting Power as of August 20, 1949**

DIRECTORS	ALTERNATES	CASTING VOTES OF	VOTES BY COUNTRY	TOTAL VOTES
APPOINTED				
	John S. Hooker	United States	32,000	32,000
Sir Gordon Munro	Geoffrey H. Tansley	United Kingdom	13,250	13,250
Yueh-Lien Chang	Kuo-Hwa Yu	China	6,250	6,250
Roger Hoppenot	Emmanuel Lamy	France	5,500	5,500
N. Sundaresan	D. S. Savkar	India	4,250	4,250
ELECTED				
Leon Baranski (Poland)	Arnost Polak (Czechoslovakia)	Czechoslovakia	1,500	4,280
		Poland	1,500	
		Yugoslavia	650	
		Finland	630	
		Brazil	1,300	4,186
		Cuba	600	
		Peru	425	
Jose Barreda-Moller (Peru)	Javier Salazar (Peru)	Philippine Republic	400	
		Uruguay	355	
		Bolivia	320	
		Dominican Republic	270	
		Paraguay	264	
		Panama	252	
		Mexico	900	
		Chile	600	4,055
		Colombia	600	
Emilio Toro (Colombia)	Ignacio Copete- Lizarralde (Colombia)	Venezuela	355	
		Ecuador	282	
		Costa Rica	270	
		Guatemala	270	
		El Salvador	260	
		Honduras	260	
		Nicaragua	258	
Thomas Basyn (Belgium)		Belgium	2,500	
		Denmark	930	
		Luxembourg	350	
Donald Gordon (Canada)	J. F. Parkinson (Canada)	Canada	3,500	3,760
		Iceland	260	
J. W. Beyen (Netherlands)	Alf Eriksen (Norway)	Netherlands	3,000	3,750
		Norway	750	
S. G. McFarlane (Australia)	J. M. Garland (Australia)	Australia	2,250	3,500
		Union of South Africa	1,250	
Costantino Bresciani-Turroni (Italy)	Francesco Giordani (Italy)	Italy	2,050	3,300
		Austria	750	
		Greece	500	
		Egypt	783	3,249
		Turkey	680	
Mekin H. Onaran (Turkey)	Mohammad Nemazee (Iran)	Iran	586	
		Syria	315	
		Iraq	310	
		Lebanon	295	
		Ethiopia	280	

**APPENDIX K (CONT.)**

In addition to the Executive Directors and Alternates shown on the foregoing list, the following also served as Executive Directors or Alternates since the effective date of the Second Regular Election:

<b>EXECUTIVE DIRECTORS</b>	<i>Date of Resignation</i>
Yuen-Ting Shen ( <i>China</i> )	November 28, 1948
Eugene R. Black ( <i>United States</i> )	July 1, 1949

<b>ALTERNATES</b>	
B. K. Madan ( <i>India</i> )	October 31, 1948
Ole Colbjørnsen ( <i>Norway</i> )	February 28, 1949
Roland Wilson ( <i>Australia</i> )	May 31, 1949
Taghi Nasr ( <i>Iran</i> )	July 9, 1949

***Principal Officers of the Bank***

***As of August 20, 1949***

Eugene R. Black.....*President*

Robert L. Garner.....*Vice President*

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D. Crena de Iongh.....*Treasurer*

Richard H. Demuth.....*Assistant to the Vice President*

Drew Dudley.....*Director of Public Relations*

William A. B. Iliff.....*Loan Director*

\*Chester A. McLain.....*General Counsel*

Morton M. Mendels.....*Secretary*

Chauncey G. Parker.....*Director of Administration*

Leonard B. Rist.....*Economic Director*

Norman M. Tucker.....*Director of Marketing*

\* On August 19, 1949, Mr. McLain submitted his resignation as General Counsel, effective August 31, 1949. Davidson Sommers has been appointed to succeed him as General Counsel and Ansel F. Luxford has been appointed Associate General Counsel.