INTERNATIONAL

BANK

FOR RECONSTRUCTION

AND DEVELOPMENT

FIFTH ANNUAL REPORT

1949-1950

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TO THE BOARD OF GOVERNORS

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INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

WASHINGTON, D. C.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

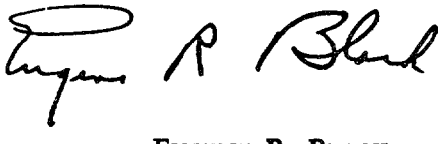
September 6, 1950

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 Fifth Annual Report of the Bank. The report includes financial statements as of June 30, 1950, 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, 1951.

While the financial statements cover the fiscal year ended June 30, 1950, the remainder of the report reflects the activities of the Bank for the period from August 20, 1949 to August 1, 1950.

Sincerely yours,



EUGENE R. BLACK,
President.

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

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INTRODUCTION

During the past fiscal year, the Bank granted 12 loans aggregating $166.3 million, compared with ten loans, aggregating $137.1 million during the previous fiscal year. Since June 30, 1950 two additional loans have been made, aggregating $16.4 million. This brings the total of loans granted to date to $832.8 million, of which $614.1 million had been disbursed up to the close of the fiscal year. As the Report indicates, the Bank is engaged in discussions with many of its member countries concerning possible future financing of additional projects.

The year under review witnessed a marked increase in the Bank's technical assistance activities. The report of the comprehensive survey mission to Colombia, the first such mission undertaken by the Bank, has been submitted to the Colombian Government and is now under consideration. In the spring and summer of 1950, similar missions were sent to Turkey, Guatemala and Cuba at the request of the governments of those countries. Other comparable missions are at various stages of planning or discussion. It is the Bank's hope that its activities in the two complementary fields of financial and technical assistance will reinforce each other to the mutual advantage of the Bank and its member countries.

Since the Bank's total financial resources have been more than adequate for the loans made during the past year or envisaged for the immediate future, no recourse has been had to the United States market for additional funds. In January 1950 a $100 million issue of 10-year serial bonds was sold, but this was a refunding operation through which a previous issue of bonds of the same amount was retired. The terms on which the Bank was able to sell the new issue represented a considerable annual interest saving.

There have been significant additions to the Bank's loanable resources during the past year from sources outside the United States. A number of member countries have recently agreed in principle to the use for lending purposes of all or part of their 18% subscriptions to the Bank's capital. In addition, the Bank sold in Switzerland, in March 1950, a second issue of Swiss franc bonds in the amount of 28,500,000 francs. The market for the Bank's dollar bonds has also been broadened as a result of arrangements whereby the bonds have been made eligible investments for certain institutions in various countries other than the United States or have been permitted to be traded on local stock exchanges. These arrangements have already resulted in substantial purchases of the Bank's bonds by investors outside the United States.

Since this is the Bank's Fifth Annual Report, it has been considered appropriate to include in the Report not only an account of the activities of the Bank during the past year but also a review of its major operational policies. The Bank is by most standards a young institution, but its experience in international investment has now been sufficient to permit the statement of certain general conclusions about the problems that it faces and the policies it has adopted to meet them. These policies cannot in the nature of things be regarded as fixed but are constantly subject to evolution in the light of experience.

THE MAJOR OPERATIONAL POLICIES OF THE BANK

With the publication of this Fifth Annual Report, the Bank is able to look back upon a period of active operation, the chief characteristics of which have been the great stress and rapid change in economic and political conditions throughout the world. In many ways it has been a difficult period for the Bank, conceived as it was in the expectation of quite different circumstances. The Bank has necessarily had to keep its policies flexible, in order that it might meet the needs of the present without prejudicing its long-range function. Nonetheless, a review of the Bank's major operational policies, as they have developed to date, appears useful, both to provide a basis for informed discussion of the Bank's appropriate role and to reduce as far as possible the chances of misunderstanding or misinterpretation.

For purposes of this Report, the aspects of the Bank's work relating to the increase of its loanable resources are treated separately from its other operational activities.

THE CHARACTER OF BANK LENDING

The basic character of Bank lending is, of course, governed by the Articles of Agreement, particularly the provisions requiring that, except in special circumstances, Bank loans be for specific projects of reconstruction or development; that the projects initially selected for financing be those most useful and urgent for increasing the productive resources of members; and that, again except in exceptional circumstances, Bank financing be designed to meet foreign exchange rather than local currency expenditures. These provisions, however, are necessarily general in character; they have posed practical operating problems as they have been applied to specific situations. Each of them, therefore, merits examination.

The Specific Project Provision

Underlying many of the Bank's lending policies is the provision of the Articles of Agreement requiring that "loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development."

The objective of this provision is simply to assure that Bank loans will be used for productive purposes. In effect, the only requirement which it imposes is that, before a loan is granted, there shall be a clear agreement both as to the types of goods and services for which the proceeds of the loan are to be expended and of the uses to which those goods and services are to be put. Without such specification it would be impossible for the Bank to judge whether or to what extent a loan would be effective in raising the level of production.

There has been considerable criticism of the specific project approach, but the criticism has almost always been based on the assumption that the Bank examines the merits of particular projects in isolation, without reference to their relation to the over-all development needs of the borrowing country. In fact the Bank does precisely the opposite. As is more fully explained below, the Bank seeks in the case of each borrowing country to determine what are the appropriate investment priorities and then to adapt its program of financial assistance to meet the priority needs. Consistently with this approach the Bank has encouraged its members to formulate long-term development programs and is providing several of them with substantial technical assistance for this purpose. The existence of such a program greatly facilitates the task of determining which projects are of the highest priority in the light of

their prospective contribution to the program as a whole.

Once a determination has been made as to the most urgent needs of any member country, the only safeguard by which the Bank can assure that its resources are in fact used to meet those needs is to require, before granting a loan, that an agreement be reached with the borrower on the precise purposes of the loan. This is essentially all that the specific project provision implies. If the Bank were to make loans for unspecified purposes or for vague development programs which have not been worked out in terms of the specific projects by which the objectives of the program are to be achieved, there would be danger that the Bank's resources would be used either for projects which are economically or technically unsound or are of a low priority nature, or for economically unjustified consumer goods imports.

This danger is by no means hypothetical. Few projects have thus far been presented to the Bank in wholly satisfactory form. In many cases there have been inadequate or incorrect cost estimates; there have also frequently been deficiencies in the technical plans or proposed financial or administrative arrangements. During the course of discussions between the Bank and the borrower, it has often been possible to work out modifications of a project to reduce its cost, to increase its technical efficiency or to improve its financial or organizational features. Occasionally a substitute project has been found to be more useful or more economic than the one originally proposed. The Bank is convinced that this work has been of real value to its borrowers.

There are special cases, of course, where detailed project investigations are neither necessary nor feasible. The early reconstruction loans to France, Denmark and the Netherlands, for example, were designed to meet emergency needs of those countries for foreign funds to finance a large variety of imports essential to the continued running of their industries. Because those needs affected so many different sectors of the economy, because it was so urgent to assist in meeting the needs in order to prevent a disastrous decline in production and because the Bank had satisfied itself that the goods financed by the loans were to be used for essential and productive purposes, the Bank was willing to make the necessary financing available without detailed examination of the specific projects in connection with which the goods were to be employed. As these loans indicate, the specific project provision is not interpreted as committing the Bank to a single inflexible lending technique to be applied without regard to the actual needs of a given situation. It is rather a lending policy which, in the opinion of the Bank, is desirable in the vast majority of cases to assure that member countries use their limited capacity for foreign indebtedness to the best advantage.

The proposal has sometimes been advanced that the Bank should make loans for "general development purposes." It is difficult to discuss the merits of this proposal without a more precise definition of "general development purposes." If all that is meant is that the Bank should not confine its assistance to individual projects but should rather seek to finance groups of inter-related projects, the proposal merely reflects existing Bank policy. Indeed, as has already been indicated, the Bank would prefer to go further, wherever that is feasible, and base its financing on a national development program, provided that it is properly worked out in terms of the projects by which the objectives of the program are to be attained. But the proposal has a different aspect if it is intended to urge that loans should be made for programs consisting only of general aspirations. In the experience of the Bank, such programs provide no adequate basis for judging whether financial investment will in fact be translated effectively into the concrete substance of development.

Determination of Projects to be Financed

The available resources of every country, including its capacity to borrow abroad, are limited. To the extent that those resources are devoted to

particular investment projects, other projects may have to be abandoned or delayed. To be of maximum effectiveness, therefore, Bank investment must be devoted to those undertakings which will contribute most to strengthening the economy of the borrowing country.

In practice, the Bank seeks to accomplish this objective by investigating the over-all economic position of the borrowing country, with particular reference to its investment expenditures and the relation of individual projects to the country's actual development needs. This investigation may reveal, first, that some projects which have not been submitted to the Bank nevertheless merit a high priority; and, second, that a number of those submitted to the Bank, while worthy of consideration, are of relatively low priority. The Bank expresses its views accordingly in its discussions with the authorities of the country concerned, emphasizing its preference for financing the projects that seem most urgently required and advising postponement of those that appear less immediately important to the country's development.

The Bank has found that there is no single test by which the relative urgency and productivity of various alternative projects can be judged. The situation in each country must be considered on its own merits. In every case, however, the Bank's general approach to the problem is the same: it seeks first to determine what are or should be the important goals of a proper investment program and then to gauge the relative productivity of the various projects by the extent of their contribution to those goals.

Where the project under consideration is one which is intended to be self-liquidating in terms of local currency, the Bank will of course wish to satisfy itself, before granting a loan, that the enterprise is soundly conceived to achieve that objective. But the relative profitability of different projects will rarely be a proper test of their relative contribution to a country's development. In many cases, certain basic investments in public utilities, transportation and ports, reclamation and irrigation, workers' housing and similar projects will be required before other investments in more immediately profitable activities can be undertaken. The indirect benefits properly attributable to these basic investments may be very great even though the direct earnings of the activities, at least in the short run, are not high or may even be nonexistent. For example, a highway system, unless it involves toll roads, will yield no direct revenue but it may foster all kinds of industrial and agricultural activity. Similarly, irrigation or land reclamation projects may often be among the most useful and most urgent investments to be undertaken, even though, if their cost is paid out of general tax revenue rather than from water charges or other direct assessments, they provide no direct return.

The Bank recognizes, of course, that, by financing one particular investment project, it may be releasing resources already available to the borrower for some other investment activity. This is a principal reason why the Bank seeks to consult with its member countries not only concerning the merits of projects for which a loan is requested but concerning the country's projected investment expenditures as a whole. The fact that the ultimate effect of its loans may be to release resources for other uses is not, however, regarded by the Bank as in any way relieving it from the obligation of satisfying itself that the particular projects it finances are economically and technically sound and are of a high priority nature. As has already been noted, the Bank's project investigations have frequently resulted in more effective utilization of the resources both of the Bank and of its borrowers. Furthermore, it may reasonably be hoped that, as the underdeveloped countries become more generally familiar with the Bank's method of investigating projects and with the criteria it applies to their suitability for finance, they may tend gradually to apply the same standards to the investment projects which they finance from their own resources. This may well prove in the long run to be a most

valuable by-product of the Bank's lending technique.

Loans for Local Currency Expenditures

The Articles of Agreement make a distinction between two types of foreign exchange expenditure which may be incurred in the execution of an investment project: one, the direct cost of imported equipment or services used on the project; the other, the indirect foreign exchange expenditure resulting from the fact that local expenditure on labor or domestically produced equipment will usually give rise to an increased demand for imported consumer goods or raw materials. The Articles contemplate that the Bank should normally make loans to meet the first type of foreign expenditure, but they permit loans for the latter type "in exceptional circumstances." This second type of loan is often referred to as a loan to meet local currency expenditures although, strictly speaking, it is a loan in foreign exchange needed because of foreign exchange requirements indirectly resulting from expenditures in local currency.

The restriction on loans for local expenditures has been the subject of much discussion. It is argued that, to the extent that local expenditure on investment projects gives rise to additional demand for imports of consumer goods or raw materials, there can be no logical reason for making this expenditure less eligible for loans than the direct foreign expenditure required for the import of capital equipment. This argument undoubtedly has considerable validity in principle, but in practical application it requires qualification.

The statement has often been made—and the Bank's experience confirms it—that one of the most essential tasks facing the less developed countries is to take more effective measures to channel their limited domestic savings into the most productive investment projects. The Bank accordingly feels that a major objective of its efforts should be to persuade and help its member countries to carry out these necessary measures, and that, where financing foreign exchange requirements indirectly resulting from local currency expenditure might in effect encourage the postponement of such measures, the financing should not be undertaken. Thus, where it is reasonably possible for a country to defray the local currency part of its investment program from its own resources without inflationary effects, the Bank believes that it should do so; indeed, the Bank is prepared to aid its member countries in the organization of their capital markets and their financial institutions to this end. The Government of El Salvador, for example, was recently given assistance by the Bank in the flotation of bonds by the Rio Lempa Commission to finance the local currency expenditure of a hydroelectric project for which the Bank had granted a loan to cover the foreign expenditure.

The Bank recognizes that a country may be in a position where its domestic savings are reasonably fully employed in productive investment and where the most advantageous kind of additional investment for it to make would be in such projects as roads, irrigation or housing which call principally for expenditure in domestic currency. If this investment is likely to lead in a few years to a correspondingly higher level of domestic savings, the provision of foreign exchange to finance the indirect foreign exchange requirements would serve to tide the country over the period of expansion without inflation. Provided that the expansion of investment activity is in line with the natural growth of the country and does not cause undue strain in particular sectors of its economy, a loan for this purpose would generally be justifiable.

The Bank, in other words, regards the local currency provision not as an encumbrance but as a useful warning. It is a signal of the need for inquiry and justification whenever an application is made for a local currency loan, but there is nothing in the provision to prevent such an application being approved if the circumstances warrant it. It should be noted, however, that it is

the general policy of the Bank not to finance the whole cost of any undertaking, because it believes that its borrowers' best interests are served if they have a tangible financial stake in the preparation and execution of their investment projects.

The Bank is already discussing with certain of its member countries projects which may be suitable for the financing of local expenditures. An example is the Italian Government's program for the development of Southern Italy. This program would probably be beyond the capacity of Italy to finance entirely out of its own resources. The Government hopes that, if it can secure Bank financing for a relatively small part of the total investment cost, it can carry through the program without inflationary effects. Since most of the capital equipment can and should be provided from domestic sources, the only way in which the Bank could effectively aid in the execution of the program would be by financing the indirect as well as the direct foreign exchange requirements.

In general, the Bank's policy may be summarized by saying that local expenditures may be financed if the following conditions are satisfied: (a) if the project to be financed is of such economic urgency that the country's ability to undertake foreign borrowing—which is more or less limited in all cases—is better utilized in financing this project than in financing the direct foreign exchange costs of alternative projects; (b) if the local currency costs of the project cannot reasonably be met out of available domestic resources; and (c) if it is apparent that, unless foreign exchange is made available to the borrowing country to be employed for the import of either consumer goods or raw materials, the local currency expenditures involved in the project will lead to inflationary pressures.

It should be noted that the term "local currency loan" is sometimes used to mean a loan pursuant to which the currency of the borrower is provided to cover the local expenses of a project, regardless of their effect upon foreign exchange requirements. The Bank's Articles of Agreement permit this type of loan in exceptional circumstances when the local currency cannot be raised by the borrower on reasonable terms. However, the Bank has not yet been presented with a case where financing of this nature would be appropriate.

THE CHARACTER OF BANK INVESTIGATIONS

The procedures followed by the Bank in investigating the merits of loan requests necessarily vary considerably from case to case. The character of the investigation depends upon many different factors, including the extent to which the Bank has become familiar with economic conditions in the country concerned through earlier operations, the type of project for which financing is sought, and the care with which plans for the project have already been worked out by the prospective borrower. Nevertheless, while the exact procedure will never be the same in any two cases, a general pattern of handling loan requests has been developed, which it may be of value to summarize briefly.

Wherever possible, the Bank prefers to hold informal exploratory discussions with prospective borrowers before any formal loan request is filed. These discussions enable the Bank to determine whether the projects to be financed are, in principle, of a type which the Bank can consider and, if so, to indicate to the prospective borrower what kinds of information the Bank will wish to have concerning the project and the economic conditions in the borrowing country. If the prospective borrower is not a member government, the Bank requires, before starting any serious investigation, that an appropriate indication be given by the government that it will guarantee a loan for the project.

The actual process of investigation usually falls into two general stages, although in some cases both may proceed more or less concurrently. The first stage is a general examination of the

economy of the borrowing country with a view to determining (a) the approximate amount of additional external debt the country can afford to service and the rate at which it can effectively absorb such debt, (b) the general order of priority of the projects under consideration from the standpoint of their contribution to the country's development, and (c) the appropriateness of the government's economic and financial policies to further the development process. Where the proposed project is in a country to which the Bank has not previously made a loan, this first stage frequently requires intensive study of the country's agricultural, industrial and mineral resources, of its manpower, transport and power situation, of the state of its external trade and balance of payments, and of the condition of its internal finances, particularly its budget and currency position. Where, however, such an investigation has already been made by the Bank, the inquiry will normally be confined to developments occurring since the earlier examination.

In conducting this general type of inquiry, the Bank initially studies at its home office all available information about the country in question and, where necessary, requests the government to supplement this information by the latest official data. In almost every case, the Bank then dispatches a mission of staff members to the country to familiarize themselves with conditions on the spot. Frequently outside consultants in particular fields known to be of major importance to the country, such as irrigation or transportation, are also attached to the mission.

On the basis of the mission's report, the Bank can usually form at least a provisional judgment as to the amount of additional foreign debt the country can safely assume and effectively use and, if only one or two projects have been presented for financing, whether those projects have properly been assigned a position of priority. In the many instances where member governments have submitted a list of projects to the Bank and requested assistance in the establishment of priorities, the Bank usually attempts to indicate at this stage which of the projects it believes should be given precedence.

Once a decision is reached in principle as to the appropriate size and purposes of a loan, the Bank proceeds, in the second phase of its investigation, with a detailed examination of the particular project or projects selected for financing. If important technical problems are involved, staff engineers or outside engineering consultants are called upon to make a thorough technical examination of the plans for the enterprise. If a marketing problem is involved, it may be necessary to check the market survey made by the borrower or, if no such survey has been made, to assist the borrower in making one. Similarly, it often proves necessary to examine in detail the financial and administrative arrangements proposed by the borrower to carry out a particular project. Much of this work can be done on the basis of information submitted by the borrower, but at least part of the technical investigation must usually be conducted in the field.

If the second phase of the investigation results in a favorable report on the project or projects, either as originally submitted or as modified in consultation with the Bank's technicians, the Bank advises the borrower that it is ready to enter into formal negotiations for a loan. As the Bank's members have gained greater familiarity with the provisions of the Bank's loan and guarantee agreements, it has often been possible to complete the formal negotiations quite quickly.

These lending procedures are subject to an important qualification. It happens not infrequently that the Bank's examination of general economic conditions in the borrowing country reveals the existence of economic or financial practices or policies which so adversely affect the financial and monetary stability of the country that, if continued, they would endanger both the productive purposes and the repayment prospects of any Bank loan. In such cases, it is the policy of the Bank to require, as a condition precedent

to Bank financing, that the borrowing country institute measures designed to restore stability to its economy. The Bank does not, of course, insist that all remedial measures which may appear necessary in the case of any given country be completed before that country may qualify for a loan. On the other hand, the Bank is not normally willing to rely simply on a representation by the government that such remedial measures will in due course be taken. The Bank's position is midway between these extremes; it requires concrete evidence that the government is actually taking appropriate steps to establish stability, but, once given such evidence, it is usually willing to make a loan concurrently with the execution of the measures adopted.

A similar qualification applies in the case of those few remaining member countries of the Bank whose credit is impaired by the existence of a still unsettled default on their outstanding foreign obligations. The Bank is obligated, under its Articles of Agreement, to encourage international investment for the development of the productive resources of its members. It has, therefore, a direct interest in the creation and maintenance of satisfactory relations between its member countries and their external creditors. The mere existence of a default will not deter the Bank from granting a loan if the Bank is convinced that there are no reasonable grounds for regarding the debtor's attitude as unsatisfactory. On the other hand, the Bank does consider it important that the countries concerned should give clear evidence of their willingness to reach a fair and equitable settlement of their debts. In the absence of such evidence, the granting of a Bank loan might properly be regarded as, in the long run, hindering rather than promoting the flow of international capital.

LOAN CHARGES

In establishing its system of loan charges, the Bank holds to the well-established principle of a cooperative institution that it must consider equally the interests of all its members. The Bank therefore lends at the lowest rates that it considers consistent with reasonable prudence to safeguard those who supply its funds and those who guarantee their repayment. It is also the Bank's policy to make no distinction among its members in determining the charges on loans.

The two principal charges are interest and commission. The main element in the interest rate is the cost at which the Bank can borrow in the market for a comparable period. The Bank's interest rate is calculated to exceed this cost by a small margin sufficient, together with the income from its capital, to cover the Bank's operating expenses and to yield a modest amount that can be put to reserve against future contingencies. The Bank is able to keep its interest rate down to little more than cost because, in addition, it charges a commission, the proceeds of which are allocated to a special reserve for the purpose of meeting the liabilities of the Bank on its borrowings and guarantees. The Articles of Agreement require that, during the first 10 years of its operation, the Bank impose such a commission of not less than 1% and not more than 1½% per annum on all guarantees of loans and on all loans made out of borrowed funds. The current policy is to charge a uniform commission of 1% per annum on the outstanding amounts of all loans, regardless of the source of funds.

The Bank has made efforts to effect a progressive reduction of its charges. The first public issues of the Bank's bonds, totalling $250 million, were floated some time before the funds so raised were actually required. Although by so doing the Bank incurred substantial expense, this policy was fully justified in the event. As investors became more familiar with the Bank's operations and the character of its obligations, the market for these bonds became stronger not only in itself but even more significantly in comparison

with the bond market in general. Consequently early this year the Bank was able to refund one issue at a considerable interest saving.

The Bank does not normally charge the full interest rate on its loans until the proceeds are actually disbursed. Beginning on the effective date of the loan, however, a commitment charge is made on the undisbursed portion of the loan calculated to compensate the Bank, at least in part, for the cost of holding funds at the borrower's disposal.

The combined interest and commission charges on typical long-term loans made by the Bank during 1950 are illustrated by the following examples: 3¾% on a 15-year loan to Iraq; 4% on a 20-year loan to India; and 4¼% on a 25-year loan to the Companhia Hidro Eletrica do Sao Francisco of Brazil. These rates compare favorably with the current yield on most foreign dollar bonds; they are also more favorable than the domestic interest rates prevailing today in most member countries.

CURRENCY PROBLEMS

The Bank is precluded by its Articles of Agreement from making "tied" loans—that is, from imposing any condition in its loan contracts that the proceeds of the loan must be spent in the territories of any particular member or members. The impression has, however, gained some acceptance that, although the Bank may impose no contractual conditions which cause its loans to be "tied", its policy and procedures tend in effect to have this result. Some explanation of the Bank's methods in this connection may therefore be of value.

Although for accounting purposes the Bank's loans are ordinarily expressed in terms of United States dollars, the Bank has the option, under its usual loan agreements, to provide the borrower with either dollars or such other currencies as may be needed to carry out the project. The currencies in which the borrower is obligated to make repayment to the Bank are determined by the currencies which the Bank itself must disburse in order to provide the borrower with the currencies it needs. For example, if a borrower should require a certain amount of sterling and the Bank should be able to provide the borrower with that amount of sterling either from its own holdings or from the proceeds of the sale of sterling obligations, the borrower would then incur an obligation to repay that amount in sterling. If, on the other hand, the Bank should have to purchase the sterling with United States dollars, the borrower's obligation would be in United States dollars.

As of June 30, 1950 the Bank had disbursed the equivalent of $614.1 million under its loans. Of this sum, the equivalent of $17.9 million was drawn from the Bank's resources of currencies other than United States dollars, specifically the 18% subscriptions of Canada, Belgium and the United Kingdom and the proceeds of Bank bond issues in Switzerland. The remainder, $596.2 million, was drawn from the Bank's United States dollar assets. Of this sum $452.3 million, or about three quarters, was spent in the United States. In view of the types of goods required by the Bank's borrowers and the supply situation of such goods during the last few years, and in view of the fact that most of the Bank's members have confined their loan requests primarily to their dollar needs, this proportion should occasion no surprise. On the contrary, the fact that, of the United States dollars disbursed, so large a proportion as one quarter was spent outside the United States is a clear indication that the Bank's loans have not been tied either in form or in substance.

In the case of most of its borrowers, the Bank cannot be indifferent to the currencies in which they incur obligations. When, for example, a borrowing country's total dollar debt is already near the prudent limit that it can be expected to bear,

the Bank advises it to explore all practical means of avoiding an addition to that dollar debt. If the borrowing country might be able to achieve its purpose by using its own resources in another currency or by incurring a debt in that currency, the Bank encourages and helps the government to canvass these possible alternatives.

In order to meet situations of this kind, the Bank has made efforts to increase its available lending resources in currencies other than United States dollars by obtaining the permission of its members for the use for loans of part or all of the 18% portion of their capital subscriptions. In order to facilitate the giving of such consents, the Bank has decided that it will not, unless necessary, convert to other currencies interest and commission payments on loans out of 18% funds. As noted in a subsequent section of this Report, the Bank's efforts in this direction have recently met with an encouraging degree of success. In view of the increasing availability of goods in Western Europe at prices competitive with those of comparable United States products, this matter is becoming progressively more important. Indeed, so long as conditions of non-convertibility continue, the extent to which the Bank is enabled to utilize its non-dollar capital or the proceeds of non-dollar bond issues for lending purposes will inevitably have a substantial effect upon the volume of Bank lending.

LOANS TO PRIVATE ENTERPRISE

The Articles of Agreement provide that loans to borrowers other than member governments must be guaranteed by "the member or the central bank or some comparable agency of the member which is acceptable to the Bank". This provision is a principal reason why a majority of the Bank's loans to date have been to governments or governmental agencies and why loans to private enterprises have been infrequent.

Governments are frequently reluctant, for entirely understandable political reasons, to guarantee loans to private enterprises. If a government extends its guarantee to a particular private company, it lays itself open to charges of favoring that enterprise over its competitors and, what is often more important, over various public projects. Such criticism is likely to be made however well-advised the government's choice may be.

Furthermore, the requirement of a government guarantee tends to discourage private enterprises from seeking Bank financing because they fear that it may lead to demands for government participation in or control over management. Although this fear has not been justified by the Bank's experience to date, that experience may not be wholly reliable, since the Bank's loans to private enterprises have been mainly to public utility companies which are already subject to substantial government regulation. Whether the fear is justified or not, however, the significant fact is that it exists.

The Bank has tried various techniques to overcome these difficulties, for it is convinced that in many situations it can make an effective contribution to the development of its member countries by financing private undertakings. Despite wide divergence of opinion as to the proper scope of governmental activities, it is generally agreed that there are broad sectors of any economy where private enterprise, domestic or foreign, is the most suitable and efficient instrument of development.

One type of solution to the problem is exemplified by the Bank's loan to the Netherlands Herstelbank (Reconstruction Bank). The purpose of this financing was to enable the Herstelbank to extend credits to more than 20 private enterprises in a variety of industries to be used for the import of equipment from hard currency areas. By having a government guarantee a loan made to a responsible intermediary such as the Herstelbank, it is possible both to minimize the danger of political intervention in the affairs of the private enterprises which are the ultimate beneficiaries of the loan and also to insulate the government from

the political difficulties involved in guaranteeing a loan to any particular private enterprise.

Similar considerations entered into the Bank's decision to assist in the establishment of the new Turkish Industrial Development Bank, a detailed account of which will be found on page 33. This institution was developed with the help of a consultant employed by the International Bank in response to a request by the Turkish Government and Turkish private interests for assistance in the much needed task of encouraging both domestic and foreign private investment. The International Bank has agreed to work out a loan to the Development Bank, with an understanding that use of the proceeds of the loan for particular private projects is to be subject to International Bank review. It is expected that the existence of the Development Bank, which will carry out its own financial and technical investigations, will not only give greater confidence to Turkish investors who wish to establish or expand private industrial enterprises but will also greatly facilitate the efforts of the International Bank to contribute to this development.

Although the Bank hopes that useful lessons will be learnt from the progress of the Turkish Industrial Development Bank and that this experience may provide some guidance in tackling similar problems in other underdeveloped countries, it is unlikely that the Turkish model can simply be taken as a pattern to be repeated without modification. The Bank continues to study the problem as it is confronted with it in the various member countries. One possibility is the acceptance by the Bank in suitable circumstances of the guarantee of the local central bank or comparable institution; this technique would appear appropriate for small loans to private enterprises which constitute only a minor portion of the total investment which it is anticipated the Bank will make in the country. Another is the enactment by member countries of legislation enabling officials or institutions to give the guarantee of the government for Bank loans not exceeding a certain size, individually or in the aggregate.

CONTINUING RELATIONSHIP WITH BORROWERS

It is the Bank's practice to maintain a close relationship with its borrowers throughout the life of each loan. There are two main aspects to this continuing relationship. First, the Bank checks to assure that loan funds are expended only for authorized goods or services and arranges to keep itself informed of the uses to which Bank-financed goods are devoted. Second, the Bank keeps in touch during the entire life of the loan with economic and financial developments in the borrowing country through information submitted by the government, periodic visits to the country by Bank officials, and consultation and exchange of views with the government's representatives.

Disbursements are, in general, controlled by procedures similar to those applied by commercial banks. In addition, the Bank arranges in the case of every loan to receive a flow of information about the progress of the execution of the project. Since no two projects have the same characteristics, the Bank works out with each borrower the kind of information best designed to keep the Bank abreast of developments, the minimum amount of such information which can serve this purpose, and an appropriate system for reporting such information regularly. The information requested by the Bank is no more, and is usually much less, than that required by the borrower itself for the efficient control of its own operations. The Bank supplements its study of this data by occasional field investigations by members of its staff.

The objective of this aspect of the Bank's work is to bring to light at the earliest possible moment those difficulties, both technical and financial, which frequently arise, particularly in the execution of large scale construction programs, and which cannot be foreseen at the time a loan is

granted. Early knowledge of the existence or the prospect of such difficulties puts the Bank in a position to discuss the best solution with the borrower in good time. In this manner, difficulties which might have hindered the successful accomplishment of a project can often be overcome or averted.

As has already been noted, in addition to following the progress of the project, the Bank gives continuing attention throughout the life of each loan to the general economic and financial conditions in the borrowing country by studying statistical and other information obtained both from the borrower and from other sources. In addition the Bank from time to time sends staff missions to visit member countries in order that they may familiarize themselves with the course of events in those countries, through observation and through discussions with government officials and other interested elements of the community.

One objective is, of course, to ensure that the maintenance of service on Bank loans is not jeopardized by the emergence of conditions which might reasonably be prevented. But the Bank also has a broader objective in view. By keeping closely in touch with the progress of its members, the Bank hopes that it may be able to be of some assistance to them in meeting important economic problems. The member countries, in turn, are able to discuss their plans for investment well in advance and to obtain an early indication of the Bank's opinion. On both sides this tends to facilitate subsequent financing from the Bank or, in the long run, from any other source.

TECHNICAL ASSISTANCE

In the normal course of its loan operations, the Bank renders a wide variety of technical assistance to its member countries. This may take the form of suggesting technical modifications to projects submitted for financing, of advising on marketing or managerial problems, or of assisting with the financial aspects of the undertaking, including the raising of local capital. In a number of cases, too, as has already been noted, the Bank has been requested to aid the borrowing country in determining which among various projects in its investment program should initially be selected for Bank financing. The provision of all these types of assistance is an integral part of the Bank's lending function; its essential purpose is to ensure that the Bank's resources will be used with maximum effectiveness.

There have been an increasing number of cases, however, where member countries have asked the Bank for advice on particular projects or industries without reference to any financial operation. A few countries, too, have requested the Bank to recommend to them economic or financial experts to serve as advisers to the government. In some instances, the Bank has been able to provide the advice or the adviser requested from its own staff; in most cases, however, the Bank has employed or recommended that the government concerned should employ outside consultants. In order to comply with these requests efficiently, the Bank is steadily building up a roster of experts in the various fields in which technical advice is likely to be required. In this task the Bank has been fortunate in enlisting the cooperation of many organizations, international, national and private.

Although advice on particular aspects of a country's investment activities can be of real value, the Bank is convinced that many of its less developed member countries need assistance of a broader nature. As a result of discussions with the Bank, several countries have asked it to organize a mission to make a comprehensive survey of their economies. The precise terms of reference of these missions vary in each case, but broadly their objective is to help the country formulate a program of investment which will indicate priorities among the important sectors of the economy and among types of undertakings within each such sector; to suggest methods and measures, other than invest-

ment, to improve productive efficiency in existing enterprises; and to recommend improvements in the government's economic and financial policies and organization in order to facilitate and encourage further development. These missions are staffed primarily with consultants recruited from outside the Bank on an international basis, although in each case one or more members of the Bank's staff are attached to the mission.

The expenses of these missions are shared by the Bank and the country concerned. It is clearly desirable that the government requesting technical help should assume a substantial part of the cost, both in fairness to the other shareholders of the Bank and as an earnest of the government's desire to use the assistance effectively. As a general rule the Bank has undertaken to pay the salaries of its own staff assigned to these missions, while the salaries of specially employed consultants are paid half by the Bank and half by the recipient country. All travel, subsistence and other costs, incurred within the country, are paid by the government, and similar expenses outside the country are borne by the Bank.

It is too early to draw any definite conclusions as to this aspect of the Bank's work. The first mission, to Colombia, visited that country from July to November 1949; its report and recommendations have only recently been completed and submitted to the Bank and to the Colombian Government. The three subsequent missions sent by the Bank to Turkey, Guatemala and Cuba are still in those countries.

Even at this early stage of the Bank's experience, however, it is clear that the need for technical assistance of this type is very real and that the fulfilment of that need up to the point of implementation of the advice given is far from a simple task. As the experience of the Colombian mission showed, there will normally be a number of changes of a comparatively simple and non-controversial nature which can be recommended and which, if carried out, would add greatly to the well-being of the country at little cost. While it is gratifying to be able to make recommendations which have a ready chance of adoption, the scope of a useful and conscientious mission can hardly be so confined; in almost every case, at least some of the mission's recommendations are likely to be unpalatable to certain groups. They may call for changes in taxation, for far-reaching land reforms, or for the postponement of projects likely to benefit some particular district. For this reason it is a prerequisite to the success of a comprehensive advisory mission that the country concerned should sincerely desire its advice and arrange for serious, non-partisan consideration of the recommendations made.

The Bank believes it appropriate that it should provide this type of assistance to its member countries. As a cooperative international institution it maintains a continuing and close association with its members. This promotes mutual understanding and frees the Bank from the suspicion of being influenced by political or commercial motives. In addition, member countries are aware that, by the very nature of its activities, the Bank is unlikely to make or to sponsor recommendations that are unrealistic or beyond their capabilities. They know, too, that if they formulate a well-balanced development program based on the mission's recommendations, the Bank will stand ready to help them carry out the program by financing appropriate projects.

In executing this task the Bank has the advantage of being able to provide continuity. The mission goes to a country, spends several months there, prepares a report, and then disperses. But even before the mission leaves, the Bank is able to prepare basic information on the country for the mission's benefit and to impart to it the gist of its previous experience. After the mission returns, the Bank is in a position to follow up its recommendations by giving advice to the member country on such subsequent steps as are recommended and, since there will normally be several members of the Bank's staff on each such mission, retains the experience of the mission in a real and

intimate way that it could hardly do from the mere reading of a report.

These broad activities in the field of technical assistance are not in the first instance oriented by the Bank's financial operations. Nevertheless, the surveys made will certainly form a useful working basis for current financial relations between the Bank and its member countries. In the long run their impact is likely to be more profound, since they should contribute to the formation of a climate conducive to productive investment from all sources.

THE BANK'S LENDING STANDARDS

As the foregoing discussion discloses, the Bank has set high standards for its lending operations. That does not mean that its loans are without risk; the very essence of the Bank's task is to take risks that private investors are unwilling to assume. Nor does it mean that the selection of projects to be financed is dictated by commercial considerations. It means rather that the Bank will lend only on the basis of an informed judgment as to the productivity of the proposed investment. This judgment rests on the answers to two basic questions: first, whether the purposes for which the loan is granted can be accomplished efficiently by the means selected and with the funds at the borrower's disposal; and second, whether the accomplishment of those purposes will make a significant contribution to the country's economy in relation to the resources invested.

The gathering of information necessary to form such a judgment takes time, particularly when, as often happens, it involves a series of inquiries. There is no doubt that, in the early years of the Bank's operations, this process has tended to retard the pace of the Bank's lending. But there is no reason for this tendency to continue once a steady flow of projects proposed for financing has developed. The Bank hopes and expects that, as more information about the economies of its members is assembled, as well-conceived development programs take shape, and as the technique of planning individual projects becomes more generally understood, the pace of the Bank's financing will accelerate and it will be able to grant a considerably larger annual volume of loans.

The Bank is convinced, however, that an increase in the volume of loans achieved at a sacrifice of the productive character of those loans would be of no real benefit to its members. Nothing can be more harmful to a country's economic future than a faulty assessment of its real opportunities. Nor can anything make the burden of a debt so difficult to bear as waste and inefficiency in the use of borrowed funds. Hasty investment in inadequately prepared projects will frequently necessitate heavy expenditure to eradicate technical difficulties which could with due care have been foreseen; and, in the end, the cost of the projects may be out of all proportion to their effect on productive output. It is the Bank's firm intention, therefore, to continue its efforts to choose the right projects for investment and to help bring those projects to a high pitch of technical proficiency. Only by so doing can the Bank discharge its responsibility to assure effective use of its resources in raising the standard of living in its member countries.

OPERATIONAL ACTIVITIES

A list of all the loans made by the Bank up to the close of the fiscal year ended June 30, 1950, together with an indication of their general purposes, appears in Appendix C. As this list shows, the Bank made 12 loans during the last fiscal year, aggregating $166,345,000, for projects in Brazil, Colombia, El Salvador, Finland, India, Iraq, Mexico, the Netherlands and Yugoslavia. Since the close of the fiscal year, the Bank has made two additional loans, aggregating $16,400,000, to the

Republic of Turkey for port development and for grain storage facilities.

A more detailed description of the loans granted since the date of the last Annual Report is included in the following country-by-country account of the Bank's operational activities. In the nature of things this account cannot be comprehensive; it is intended rather to provide a general indication of the nature of the Bank's activities in its various member countries and of the economic background against which those activities have taken place.

LATIN AMERICA

Mexico

The Fourth Annual Report described the circumstances in which the Bank made a loan of $10 million to the Comisión Federal de Electricidad (Federal Electricity Commission), a Mexican Government agency charged with the development of electric power facilities, and to Nacional Financiera, an official financing institution, to enable those bodies to make a loan in corresponding amount to the Mexican Light and Power Company, Limited. This was a short-term loan maturing on December 31, 1949; its purpose was to enable the Company to carry on its expansion of electric generating and distribution facilities, pending a larger loan to the Company itself which the Bank considered could be made only after a reorganization of the Company's financial structure and the approval by the Mexican authorities of a new power rate structure affording reasonable earnings prospects for the recapitalized company. The framing of a Plan of Arrangement to meet the needs of the Company, with its elaborate capital structure and wide international distribution of securities, proved laborious and complex. A further complication arose from the devaluation of sterling and other currencies, which made it necessary to revise certain provisions of the Plan affecting the exchange of the existing sterling and Canadian dollar securities for new United States dollar securities. Furthermore, the new rate structure was not approved until December 1949. As a consequence, the reorganization of the Company and the negotiations for a long-term loan were not completed by the end of the year and the $10 million loan was therefore extended for a period of six months. The reorganization plan was approved by the security holders in February 1950 and was sanctioned by the Supreme Court of Ontario, Canada, on April 12. On April 28, 1950 the Bank made a loan to the Company of $26 million, of which $10 million was used to refund the previous short-term loan. The new loan, which is guaranteed by the Mexican Government, is for a term of 25 years and carries an interest rate of 3½%, plus the usual 1% commission charge. Amortization payments begin in the fourth year.

This loan will enable the Company to continue with its share of a long-range program, undertaken jointly by the Company and the Federal Electricity Commission, to increase the supply of electric power to Mexico City and the surrounding districts. This area, with a population of three million, has undergone rapid industrial and agricultural development so that the extension of generating, transmission and distribution facilities is now urgently necessary. Under the program the Company will have added 155,000 kw to its generating capacity by 1953 and the Federal Electricity Commission will have added 170,000 kw. Distribution of the whole of the additional power within the Federal District will be carried out by the Company.

As stated in the Fourth Annual Report, the Federal Electricity Commission received a loan from the Bank of $24.1 million in January 1949 to assist it in carrying out its share of this program. There have been some revisions in the proposed use of this loan, of which the principal one, made after consultation with the Bank, was

a reduction from $3 million to $500,000 of the amount allotted to rural electrification, in order to allow for the estimated increased cost of other projects.

The Mexican Government recently approached the Bank with a proposal for a loan of moderate size to finance small projects undertaken by private enterprises. The Bank has expressed its interest in principle in this proposal and is now awaiting submission of detailed plans.

The President of the Bank visited Mexico in January 1950 and in March-April the Economic Director and other representatives of the Bank paid a further visit in order to review developments in Mexico's general economic condition. They concluded that there have been substantial improvements in the situation during the past two years. Production has continued to increase both in manufacturing industries and in agriculture. There has been a decline in the production and export of non-ferrous metals, due to world market conditions, but the adverse effect on the balance of payments has been offset by the increase in agricultural exports. Cotton has now become the largest single export. Sugar was exported in 1949 to a total value of $10 million, whereas Mexico was a net importer of sugar before 1948. There was also a considerable increase in the value of exports of rice.

The stabilization of the peso in June 1949 and the maintenance of a policy of a balanced budget and credit restrictions, have been followed by a marked improvement in the balance of payments position and a substantial increase in the monetary reserves of the Banco de Mexico. Within a few years annual service payments on Mexico's presently outstanding debt will begin to decline rapidly, which should facilitate the future financing of development projects.

Brazil

On May 26, 1950 the Bank made a loan of $15,000,000 to the Companhia Hidro Eletrica do Sao Francisco (CHESF) for the development of hydroelectric power at Paulo Afonso Falls on the Sao Francisco River in northeast Brazil. The loan, which is guaranteed by the Government of Brazil, is for a term of 25 years and carries an interest rate of 3¼%, plus the normal 1% commission charge. Amortization begins on September 15, 1954.

The total capital cost of the Paulo Afonso project is estimated at $56,000,000. The Bank's loan of $15,000,000 will be used to finance almost all the foreign exchange costs, including the purchase of construction equipment, generating equipment, transformers and other substation equipment, and high tension transmission lines. CHESF, a semi-autonomous agency controlled by the Government but financed partly with private capital, will meet the local currency costs out of its own resources.

The Paulo Afonso power station, which will have an initial installed capacity of 120,000 kw, is situated in an area where lack of power has been a major obstacle to development. It will serve the ports of Recife and Salvador through two primary transmission lines, each approximately 400 kilometers long. Recife, a city of some 500,000 people with many small industries, is the most important port in northern Brazil and is the center of the principal sugar-producing area in the country. Salvador, with a population of 300,000, is the center of the tobacco and cocoa industries. About 40 small towns will be served by secondary transmission lines. The project will also make electric power available for the development of the hinterland of Recife and Salvador and of the area in the vicinity of Paulo Afonso Falls, which are at present almost entirely undeveloped. Provision has been made for the installation of substantial additional capacity if it should be required.

This is the second Bank loan to Brazil. Previously, on January 27, 1949, the Bank had made a loan of $75,000,000 to the Brazilian Traction, Light and Power Company, Ltd., for the expansion of hydroelectric power facilities in the Rio de Janeiro and Sao Paulo areas, and of tele-

phone facilities over a wider area in the central part of Brazil. By the fall of 1949 it had become clear that the actual foreign exchange costs of this program would be somewhat lower than estimated. As a result of these and other savings, the Company and the Bank agreed to modify the loan agreement by adding a number of new items, including the purchase of the floating steam plant "Sea Power," to be used first at Rio and then at Santos, as an additional source of power pending the completion of the Company's expansion program.

In October 1949 the Bank dispatched a mission to Brazil to study the country's capacity to assume additional external debt, the policies being followed to promote development and the priorities of various development projects including Paulo Afonso. Subsequently, the Bank advised the Government that it was willing to proceed with discussion of the Paulo Afonso project and also to investigate the electrification program of the State of Rio Grande do Sul, which the Government regarded as having the highest priority after Paulo Afonso. The Bank also stated that it was prepared to investigate promptly the merits of any other productive projects which the Brazilian Government regarded as having a high priority. A staff engineer was thereafter sent to Rio Grande do Sul to study the state electrification program and to assist the state authorities in preparing the program for submission to the Bank. The technical and financial aspects of the program have not yet been fully worked out and are still under investigation by the Bank. A number of other projects in Brazil have been brought to the attention of the Bank, but the Federal Government has not yet indicated that it would be willing to guarantee a loan from the Bank for any of them.

During the past year Brazil's external exchange position has been considerably strengthened and its backlog of short-term commercial liabilities has been largely liquidated as a result of energetic import control measures on the part of the Brazilian authorities and the sharp rise in the price of coffee, which in 1949 accounted for 57% of the value of Brazilian exports. The foreign exchange outlook, for the near term at least, appears favorable, primarily because of present good prospects for coffee exports; in addition, there has been a marked increase in the domestic production of wheat, which was the largest single item among Brazil's imports in 1949. On the other hand, as economic activity expands, especially transportation, imports of fuel will press increasingly hard on the available foreign exchange, unless the large petroleum resources believed to exist in Brazil can be developed. Industrial production continues to increase in many different fields, and the recent adoption by the Brazilian Congress of the SALTE Plan, a comprehensive five-year development program, should accelerate the growth of both industrial and agricultural output. However, 1949 witnessed a renewed expansion in credit and currency and the reappearance of a budgetary deficit in place of the small surpluses of 1947 and 1948. The budgetary deficit was generated primarily by capital expenditures for government account and increased civil service salaries. Inflationary influences are thus still present in the Brazilian economy and could become, unless caution is exercised, a seriously disruptive influence in the orderly economic development of the country.

Colombia

Last year's Annual Report described the loan of $5 million made to the Caja de Crédito Agrario, Industrial y Minero in August 1949 for the purchase of agricultural machinery. As of June 30, 1950 the Bank had disbursed $2,680,840 for the purchase of equipment, which included 70 bulldozers, some 600 heavy, medium and light tractors, and ploughs, harrows and other auxiliary equipment. Most of this equipment has been distributed through normal business channels in Colombia and is already in operation. Since the loan was made, representatives of the Bank have visited Colombia to observe progress generally

and to review the procedures used in distributing the machinery.

During the past year the Bank has been discussing proposed additional loans aggregating approximately $8 million. The loans would finance part of the foreign exchange costs of three new hydroelectric projects with a total generating capacity of 41,600 kw. to serve the cities of Manizales, Bucaramanga and Cali. Various technical, financial and organizational difficulties which have hitherto impeded progress are now being resolved and the Bank hopes that the discussions can be brought to an early conclusion.

The consideration of other development projects in Colombia has awaited submission to the Bank and to the Colombian Government of the report of the comprehensive survey mission headed by Dr. Lauchlin Currie, to which reference has already been made. This mission remained in Colombia from July to November 1949. Its report and recommendations have recently been completed and will be published in both Spanish and English. The Colombian Government is appointing a nonpartisan commission to study the report and to formulate a development program based on the analyses and recommendations in the report.

This technical assistance mission was the first of its kind sponsored by the Bank at the request of a member government. It marks a new approach that will serve, quite apart from its usefulness to Colombia, as valuable experience in the conduct of future Bank operations. Owing to the breadth and diversity of the subject matter treated in the mission's report, no attempt is made here to summarize the document itself.

Uruguay

The Fourth Annual Report mentioned that a Bank mission (including engineering consultants) visited Montevideo in February-March 1949 to investigate the financial and technical aspects of several development projects presented to the Bank by the Uruguayan Government. These studies and preliminary negotiations resulted in the Bank sending representatives to Uruguay in March 1950 to begin final negotiations for a loan, amounting to the equivalent of about $33 million, for a project for augmenting the generating and distribution facilities for electric power, and for the expansion of telephone services. The total costs of the project would be the equivalent of approximately $45 million. The borrower would be the Administración General de las Usinas Eléctricas y los Teléfonos del Estado, an autonomous Government agency. Loan negotiations have continued in Washington but, up to now, final agreement with the Government of Uruguay has not yet been reached with respect to certain provisions of the proposed guarantee agreement.

In the course of the discussions in Montevideo in March 1950, the Uruguayan Government asked the Bank to assist in arranging for technical studies on the development of certain sectors of the country's economy. Two consultants, whose services were obtained through the cooperation and assistance of The Borden Company and The General Foods Corporation, were engaged by the Government on the recommendation of the Bank; they paid brief visits to Montevideo to study plans for expansion and modernization in the milk and fishing industries. The Government also asked the Bank to assist in the organization of a technical assistance mission to survey the country's agricultural economy and to recommend means for increasing agricultural output. In cooperation with the Food and Agriculture Organization of the United Nations, which has agreed to be joint sponsor of the requested mission, the Bank arranged for three agricultural technicians to make a preliminary study of the problem, on which the terms of reference and the composition of the mission might be based.

The economic and financial situation in Uruguay remains favorable. The Government has followed conservative monetary and fiscal policies, which have controlled inflationary pressures. During the year 1949 Uruguay had a surplus on her trade account as a whole. The greater availability of

goods from Europe made it possible to shift the procurement of imports away from dollar sources of supply into those markets where the bulk of Uruguay's meat is sold. In addition, exports to the dollar area increased. The balance of trade with the dollar area consequently showed substantial improvement. Wool, the principal dollar earner, maintains a satisfactory position in the United States market, although labor disputes delayed the shipment of the 1949-50 clip. The purchase of certain foreign-owned properties in the country with blocked balances caused total foreign exchange reserves to fall. Gold and dollar reserves, however, have risen. In general, therefore, the balance of payments position has strengthened

Chile

In the Bank's Fourth Annual Report details were given of two loans to Chile, one for $13.5 million to finance the foreign exchange requirements for the construction of two new power plants and for additions to two existing power plants and incidental irrigation, and the other for $2.5 million to finance the purchase of agricultural machinery. The latter loan had been fully disbursed by the end of 1949 and the machinery purchased has now all been shipped to Chile. The peso proceeds of the sale of this equipment are being used in the promotion of additional agricultural development, including part of the cost of an investigation of large-scale irrigation possibilities. The larger loan, for the purchase of power generating and distribution equipment, is being disbursed more slowly; about 22% had been withdrawn by June 30, 1950. The new facilities, when completed, will add 81,000 kw to the existing generating capacity and will be of substantial assistance in relieving the power shortage, especially in the Santiago area.

Bank representatives made two visits to Chile during the past year: one, in November-December 1949, to review the general economic situation and also the development plans of the Corporación de Fomento de la Producción; and the other, in March 1950, to review recent fiscal and monetary developments.

In 1948 Chile had a budget surplus and its international payments were about in balance. Although it then appeared that the two problems of inflation and foreign exchange stringency were about to be overcome, this prospect was unfortunately not realized in the following year. Chile's foreign exchange position was adversely affected by declines in the price and the volume of sales of copper and in the price of natural nitrates, the country's two principal exports. Recently, however, the market for copper has shown some improvement. Efforts have been made to eliminate non-essential imports and to utilize non-dollar currencies wherever possible. The development of the oil fields in Magellanes and the recent completion of the steel mill at Concepción should help to improve the foreign exchange position.

The problem of inflation has been aggravated by the need to tighten control of imports and by renewed pressure for wage increases. The Government of Chile has stated its intention of following policies designed to check inflation and to this end has secured advice from the International Monetary Fund and from an economic mission organized by the United Nations.

The Bank has discussed a number of projects for possible financing when the present stabilization program shows satisfactory progress. These include a pulp mill and newsprint plant, the modernization and re-equipping of the coal mines south of Concepción, which supply almost all of Chile's solid fuels, and several irrigation and other agricultural development projects. Engineers employed by the Bank have visited Chile to make a technical examination of the coal mine projects.

El Salvador

As foreshadowed in the Fourth Annual Report, negotiations for a loan for hydroelectric development in El Salvador took place in the fall of 1949, and on December 14, 1949 the Bank made a loan

of $12,545,000 to the Comisión Ejecutiva Hidroeléctrica del Río Lempa, an autonomous government agency, to finance the import requirements for the construction of a 30,000 kw power station at Chorrera del Guayabo on the Lempa River. The loan was guaranteed by the Government of El Salvador but the guarantee agreement could not be ratified at the time because El Salvador had no legislative assembly. However, in order to establish a firm basis of public support for the loan, the Government set up an ad hoc committee of three Government representatives and six independent businessmen, bankers and lawyers, who thoroughly reviewed all aspects of the project and the loan and guarantee agreements and then gave the plan their unanimous support. The loan was ratified on June 12, 1950 by the National Constituent Assembly elected to draft a new constitution.

An interesting feature of this loan was the financing of local currency costs of the project. While there was reason to believe that ample capital funds were available in El Salvador, the limited local capital market did not provide the means of readily mobilizing the funds for investment. At the request of the Salvadorean authorities the Bank made available the services of its Director of Marketing to advise and assist in the creation and distribution of a local bond issue in the amount of 13,100,000 colones ($5,240,000). The issue was fully subscribed within a few days. Investors included financial institutions, business enterprises and individuals. A broad distribution of the bonds among individual investors was facilitated by a group of local commercial banks who underwrote a portion of the issue for redistribution to their clients.

The public finances of El Salvador are sound and its budget has been balanced for almost all the past fifteen years; there is no direct government internal debt and the foreign debt is small. The Central Bank and the commercial banks have maintained a conservative credit policy and prices have not risen as much as in other Latin American countries. There is a surplus in the current balance of payments. The country's economy would, however, benefit from greater diversification; it is at present too dependent on the sale in a single foreign market, the United States, of a single product, coffee, which accounts for over 80% of all exports. Moreover, there are well established industries such as textiles, coffee milling, mining and food processing, the expansion of which has been hampered by a lack of sufficient power. This will be remedied by the additional supply to be made available by the Rio Lempa hydroelectric project. It is also hoped that the availability of power from the project will encourage the introduction of new industries. Other expected benefits include more efficient distribution of water and an improvement in agricultural production through the use of power for irrigation.

Guatemala

Discussions with representatives of the Guatemalan Development Institute and of the Central Bank during the Fourth Annual Meeting of the Board of Governors led to visits by Bank representatives to Guatemala in November 1949 and in March 1950 to discuss the organization by the Bank of an economic survey mission to that country. A mission, headed by Dr. George E. Britnell, head of the Department of Economics and Political Science at Saskatchewan University, Canada arrived in Guatemala in June and will complete its work there in the middle of August. The mission includes economists and experts in the fields of agriculture, transportation, and industry and power. On the recommendation of the Food and Agriculture Organization of the United Nations, the agricultural part of the mission's work is being undertaken by the Inter-American Institute of Agricultural Sciences at Turrialba, Costa Rica, as a project of that Institute.

The mission is studying Guatemala's resources and potentialities with a view to making recommendations as to the general directions in which the country's development can most fruitfully be

undertaken and the conditions required for its success. Specifically, its terms of reference provide for the submission of recommendations as to the scale, timing and order of investment in the various fields of the economy, considering Guatemala's domestic resources and its capacity to assume new foreign obligations. The mission's report will also serve as a basis for the Bank to consider the extent and purpose of the financial assistance which it may be able to provide.

Cuba

Early in 1950 the Government of Cuba asked the Bank to organize a mission to undertake a study of that country's economic problems and development potentialities. The Bank accordingly organized a mission under the leadership of Mr. Francis Adams Truslow, a prominent lawyer and President of the New York Curb Exchange. The mission includes economists and specialists in the fields of agriculture, industry, transportation and power, mining and finance. The Bank arranged with the Armour Research Foundation, the Southwest Research Institute and the Stanford Research Institute to supply jointly most of the technicians for this mission, and expects to take full advantage of the extensive resources of technical knowledge and experience possessed by these institutions. The technicians supplied by the three research institutes will, however, work under the direction of the chief of mission, who will be responsible for the mission's conclusions and recommendations.

This mission arrived in Cuba at the end of July. It will study both the operational efficiency of existing enterprises and the requirements and prospects for additional investment, including the priorities of different types of projects, the amount of capital required and the financial resources that can be made available. In particular it will examine how present obstacles to domestic or foreign private investment can be overcome. The mission will have at its disposal the findings of an independent study of the Cuban Government's fiscal practices and procedures which is being carried out at the request of the Cuban Government by Price, Waterhouse and Company.

Nicaragua

In August 1949 the Nicaraguan Government asked the Bank to arrange for experts to study projects in the fields of agriculture, power, transportation and industry. Bank representatives visited Nicaragua in October and November of that year to make a preliminary survey of the development possibilities of the country. They concluded that the most effective results were likely to be obtained from the expansion and improvement of agricultural production (including storage and processing), animal husbandry and transportation facilities. Attention was, however, drawn to certain immediate financial and fiscal problems which need to be resolved if satisfactory and lasting results are to be obtained from any development program. It was agreed with the Nicaraguan Government that without the adoption of certain remedial measures in these fields, expenditures for development might aggravate the economic difficulties confronting the country. Since then the Government has indicated its intention of seeking technical assistance in carrying through the necessary measures.

Other Countries

The severe earthquake in *Ecuador* in August last year caused serious loss of life and great damage to buildings, factories, irrigation works, rail lines and highways. Funds for reconstruction and relief were provided by several foreign countries. During the past year the Bank has had under consideration several development projects suggested by the Government of Ecuador, but it has not yet been able to work out a loan. The Bank has expressed concern at the continuing default in the service of Ecuador's external bonds and hopes that an equitable solution of this problem may be found during the coming year.

Bank representatives visited *Costa Rica* in No-

vember 1949, on the occasion of the inauguration of the new President, and discussions were held with the President and with members of the new Government. The Government decided to defer the appointment of an economic adviser and a request for Bank financing of certain agricultural projects, both of which had been the subject of discussion with Bank representatives during a previous visit. A Council of Economic Advisers has since been appointed and at the request of the Government a survey of the development possibilities of the country has been undertaken by the Twentieth Century Fund of New York. The Bank hopes that action will soon be taken to effect a settlement of the default on Costa Rica's external obligations.

The Government of *Honduras,* with the advice and assistance of the International Monetary Fund, has set up a Central Bank and a Development Bank. At the request of the Honduran authorities, the International Bank has assigned a member of its economic staff for a period of about eight months to assist in the formulation of the policies and programs of the Development Bank.

Peru has under study a number of agricultural and industrial development projects which may be the subject of a loan application to the Bank. A mission visited Peru in July 1950 to obtain first-hand information on the general economic situation and to make some preliminary examination of these projects. Inquiries were also made as to the prospects of restoring a satisfactory relationship between Peru and holders of its external bonds.

The Bank has also had informal discussions with representatives of the *Dominican Republic* about possible Bank financial and technical assistance.

ASIA, AFRICA AND THE MIDDLE EAST

India

Last year's Annual Report recorded a loan of $34 million to India to finance equipment imports for the railway system which had deteriorated during the war owing to heavy military use and lack of maintenance. The deficiencies in the railway system, which had greatly impeded the distribution and the export of goods, have been largely overcome during the past year, and it has been possible to remove the controls which had been imposed on the movement of freight. This improvement has been due not only to the addition of rolling stock, boilers and spare parts purchased partly with the aid of the Bank's loan, but also to administrative and operational measures taken by the Indian Railway authorities. At the request of the Indian Government, an unused balance of $1.2 million of the Bank's loan has been cancelled.

Two further loans have been made to India during the year under review. The first was made on September 29, 1949 in the amount of $10 million to finance the import of equipment for the reclamation of agricultural land. The second was made on April 18, 1950 in the amount of $18.5 million to finance part of the cost of the first stage of a long-range scheme to develop the resources of the Damodar Valley.

The first loan is for seven years and carries an interest rate of 2½% plus the usual commission of 1%; amortization will begin in 1952. This loan is being used to purchase part of the heavy equipment needed to clear some three million acres of land infested with a weed known as kans grass and for a pilot program to clear about 100,000 acres of jungle land. The restoration to cultivation of the land infested by kans grass is expected at the end of seven years to add about a million tons to India's total annual production of food grains. Owing to organizational and managerial difficulties and delays in the initial delivery of equipment, land reclamation in the 1949-50 season started six weeks behind schedule and the rate of reclamation was lower than originally planned. The Indian Government has decided to postpone the purchase of some of the remaining

equipment in order to allow time for correcting the administrative difficulties. It is hoped, however, that through a readjustment of the work schedule the original objective of reclaiming the land within seven years can be attained. The clearance of jungle land will contribute a small addition to India's food supply and also enable the Government to assess the feasibility of the clearance of jungle lands on a larger scale.

The second loan is for a term of 20 years and carries an interest rate of 3% plus the usual commission of 1%; amortization will begin in 1955. The loan will be used to pay for generating and construction equipment for the Bokaro steam plant and the Konar dam, as well as for transmission lines and substations.

The Damodar Valley, extending northwest from Calcutta about 200 miles, lies in the richest mineral and the most highly developed industrial region in India. It accounts for over three-quarters of India's total known coal deposits and practically all of her present coal production. In and near this area are India's rich iron ores, large deposits of bauxite, and high quality mica. The completion of the Bokaro-Konar project will provide, at reasonable rates, urgently needed electrical energy for the expansion and development of industry. The project will also supply water for irrigation in the lower valley.

A Bank mission visited India in March 1950 to review developments in the economic and financial situation during 1949. Since the middle of 1949 India's external payments position has shown improvement, chiefly through a sharp cut in imports and a post-devaluation upswing in exports. Inflationary pressures have been kept within bounds and the internal financial situation has remained relatively stable. Production has followed an upward trend, with the important exceptions of the jute and cotton textile industries. But inflation remains a constant threat as budget deficits continue, although at reduced levels, as the scarcity of foodstuffs persists, and as real import needs are restricted. The lethargy in the capital market impedes economic development and makes the budget problem more difficult. Moreover, the Indian Government has not found it possible to reduce military expenditures which still weigh heavily on the economy. India's economic stability would be seriously threatened by a continuation of the trade deadlock with Pakistan. Recent steps towards improved economic relations between India and Pakistan are, however, encouraging and, if they are followed by a lasting understanding and economic cooperation, a way will be opened for more rapid development of both countries.

Thailand

In September 1949 the Government of Thailand invited the Bank to send a mission to investigate certain projects as a basis for possible Bank loans and to study the economic and financial situation. The principal projects were railway rehabilitation, improvement of the port of Bangkok, rice irrigation and hydroelectric power. Consultants in these four fields were attached to the mission, which arrived in Thailand at the end of December 1949 and remained there for two months.

Thailand's railways suffered from bombing during the war. Important bridges and workshops were demolished and locomotives and rolling stock rendered unserviceable. The Bank's assistance has been sought in their rehabilitation and possible expansion.

The proposed improvement of the port of Bangkok calls for facilities at the terminal to reduce turn-round time and for the dredging of the channel through the bar at the mouth of the river Chao Phya to accommodate ships of 10,000 tons. At present, because ships of over 5,000 tons cannot cross the bar, expensive lighterage and trans-shipment charges have to be incurred and the expansion of foreign trade is retarded.

Rice exports are of vital importance to Thailand, as they provide not only substantial amounts of foreign exchange but also considerable revenue in local currency for the Treasury through the operations of the Rice Monopoly. However, the present export surplus may decline if the popula-

tion continues to grow at the present rate and if there is no corresponding increase in production. The Government proposes to build a barrage at Chainat on the Chao Phya river about 100 miles above Bangkok. This barrage with accompanying irrigation canals would assure the supply of water to 2¼ million acres of cultivated land in the Central Plain and should make possible increased exports of rice. It would also permit navigation along waterways in areas which now have poor communications.

There is a severe shortage of power in Thailand. The two existing thermal stations in Bangkok were seriously damaged during the war. The Thai authorities are making plans for their repair, but even when these facilities have been restored, the output of power will still be insufficient to meet the growing demand, particularly for industrial development. Plans are therefore also being made to construct the Chainat barrage in such a way that hydroelectric facilities can later be installed there to supplement the existing thermal capacity in Bangkok.

In spite of dislocation and destruction caused by the war, the financial position of Thailand is strong. Gold and foreign exchange holdings have greatly increased and the external debt is small. Trade surpluses have been steadily maintained, principally as a result of large exports of rice at high prices, and of rubber exports at twice their pre-war volume. It is expected that Thai rice will command good prices for some time. A conservative budget policy has kept the internal debt at a moderate level. Among countries in the Far East, Thailand has a number of comparative advantages, notably a lower density of population, a higher income per head and a more adequate supply of food. Thailand's major problem in carrying out its development program is likely to be the limited availability of domestic capital resources.

The Bank has invited the Thai Government to send representatives to Washington to negotiate loans for Bank participation in financing the costs of railway rehabilitation, the development of the port at Bangkok and the Chao Phya irrigation project, including the installation of penstocks and the necessary extension to the barrage with a view to later installation of hydroelectric generating facilities.

The Philippines

In October 1949 the Bank received the technical reports on the proposed hydroelectric projects on the island of Luzon, for which the Philippine Government had submitted a formal loan application in August 1948. While examination of these technical reports was proceeding in Washington, a Bank mission was sent to the Philippines to review the general economic situation on the spot. An assessment of economic developments during 1949 revealed a serious deterioration in the country's financial position. The trade deficit had reached record heights, foreign exchange reserves had been constantly drained in spite of extraordinary payments from the United States, and an unbalanced internal financial position had continued to maintain import demand at high levels. Steps to improve this situation, including the introduction of more stringent import controls, import credit restrictions, and a comprehensive exchange control, were taken early in December 1949; at the same time the Government undertook a review of its internal financial policies and of its economic development program.

In these circumstances it was decided in December 1949 that consideration of the loan application should be deferred until the economic development program and the measures proposed to implement it had been studied by the Bank. At the end of January 1950, however, the Government informed the Bank that, owing to difficulties experienced in the preparation of this program, it was discussing with the United States Government the establishment of an expert commission to study Philippine economic problems. Adequate measures to solve these problems have not yet been adopted and no development program has yet been submitted to the Bank. The Bank has ac-

cordingly not been in a position to take action on the loan application.

Iraq

On June 15, 1950 the Bank made a loan of $12,800,000 to the Kingdom of Iraq for the construction of the Wadi Tharthar flood control project on the Tigris River. The loan is for a term of 15 years and carries an interest rate of 2¾% plus the usual 1% commission; amortization payments will begin in 1956.

The project, which is designed to prevent recurrent flooding of large areas of cultivated land and urban property, will involve a total capital cost equivalent to about $29 million, of which the Bank's loan will cover the estimated foreign exchange costs. These are expected to include purchases in the United States, the sterling area and possibly elsewhere, of equipment and materials to be used in excavation and in the construction of levees and headworks. The loan is secured by an assignment of oil royalties and the loan arrangements provide that Iraq will set aside from these royalties sufficient funds to meet the domestic costs of the project.

The Wadi Tharthar flood control project is part of a more comprehensive plan, which will eventually provide, in addition, for water storage, regulation of water supply and irrigation. The initial project calls for the construction of a dam across the Tigris River at a point about 50 miles above Baghdad, which will direct excess flood waters into an uninhabited and barren depression, known as the Wadi Tharthar, situated between the Euphrates and the Tigris northwest of Baghdad. It is expected that the project will result in improvements in health and sanitation and in increased agricultural production, both by protecting against floods and by preventing dust storms from the Wadi Tharthar. It will also enable the Government to save substantial sums now spent on levee maintenance and control and on flood relief measures for the population. Although this project is limited to flood control, the dam is being so constructed as to permit, at a later stage, the storage of water for irrigation.

Irrigation is of vital importance to the economic development of Iraq. Agriculture, the occupation of over 80% of the population, is primarily dependent on irrigation which, in turn, depends upon control of the country's rivers, the Tigris, the Euphrates and their tributaries. Land that could be cultivated under irrigation is plentiful and the possibilities for further agricultural production and exports are, therefore, considerable.

The oil resources of Iraq are, of course, one of its most valuable assets. Receipts from oil royalties were much reduced when the pipeline to Haifa was closed, but they have steadily increased since then and may be expected to rise further when the new pipeline to the Mediterranean is completed in 1953. Under a recently enacted law all oil royalties will be placed at the disposal of a new Development Board, which will have responsibility for planning and executing development projects in Iraq.

The natural wealth of Iraq justifies a generally favorable outlook for economic development. In recent years, however, there have been a series of budget deficits, and an unfavorable balance of trade has caused a substantial contraction of Iraq's foreign exchange reserves. Measures have recently been taken by the Government to remedy this situation.

The Government has informed the Bank that it intends to submit further projects for consideration, including irrigation, grain storage, tobacco storage and agricultural machinery. The Bank has agreed to send technicians to Iraq in the autumn to investigate these projects.

Iran

As stated in last year's Annual Report, the Vice-President of the Bank visited Iran in March 1949, and in June Bank representatives paid a further short visit to Teheran. Later in 1949 the Bank suggested that a schedule of projects for the first years of the Seven-Year Plan, based on a survey made by a consortium of engineering firms re-

tained in 1948 by the Iranian Government, be submitted to the Bank for study.

At the invitation of the Iranian Government, a Bank mission visited Iran in April and May, 1950 to make a survey of the economic and financial situation. This mission investigated the progress made in the initial period of the Plan's operations, especially in connection with the establishment of appropriate administrative machinery, and examined the future program, particularly the proposed financing of projects included in the second year of the Plan and the measures to be taken to limit its inflationary impact. The Bank mission also studied the proposals for a reduction in the note cover requirements and for a new contract providing for increased oil revenues, which are being considered by the Government as means of obtaining substantial amounts of foreign exchange and local currency for the Plan Organization, the Government agency which has been entrusted with execution of the Plan. Technical and financial aspects of three specific projects which are in an advanced stage of preparation, namely, two cement plants and a plan for the rehabilitation and expansion of the Port of Khorramshahr, were discussed with a view to possible Bank financing. The Bank mission's report and recommendations are now under consideration.

Ethiopia

In November 1949 the Ethiopian Government applied to the Bank for a loan of $25 million for the financing of 15 projects. They included transportation, communications, agricultural development, improvement of water supplies, and a number of industrial enterprises, such as meat packing, textiles, chemicals, leather and ceramics. In March 1950 a Bank mission was dispatched to Ethiopia to study the projects and to survey the economy of the country.

The mission concluded that Ethiopian economic development would be best served at this stage by a program of highway improvement, the development of telecommunications, and the establishment of an industrial and agricultural development bank. The successful execution of these projects would be expected not only to increase the productivity of undertakings already in hand but also to attract private capital to finance some of the industrial projects submitted to the Bank. The Bank has advised Ethiopia of its willingness to enter into negotiations for loans to finance the foreign exchange costs of these three projects, estimated at about $8 million, provided suitable arrangements are made to ensure competent management and subject, in the case of the telecommunications project, to a detailed examination of its technical features.

Union of South Africa

The Vice-President of the Bank visited the Union of South Africa in March 1950 to gain first-hand information about conditions in that area. The development of the Orange Free State gold fields will call for considerable private capital over the next few years and other development projects will need substantial additional sums. Apart from the major fields of industrial effort such as power, coal, steel and chemicals, plans exist for the development of secondary industries on a substantial scale. The Industrial Development Corporation of South Africa was set up in 1940 to assist in providing medium- and long-term capital for such industries by direct investment and also to endeavor to attract to them local and overseas capital. Transportation and soil conservation will also call for important effort if the Union's economy is to be built upon a solid basis.

The South African Government subsequently invited the Bank to send a mission to the Union to make a survey of its economy and investment opportunities. The mission is at present in the field.

British Overseas Territories

Following their visit to the Union of South Africa, the Vice-President and his party visited both Northern and Southern Rhodesia in order to become familiar with the economic problems and potentialities of those territories.

At the time of the last Annual Report discussions had taken place with representatives of the Colonial Development Corporation regarding a possible loan of about $5 million for the purchase of dollar equipment to be utilized in various development undertakings of the Corporation in the dependent overseas territories of the United Kingdom. In October 1949 representatives of the Corporation came to Washington to negotiate the terms and conditions of a loan agreement. The negotiations were protracted but, at their conclusion, it was the Bank's belief that a basis of agreement had been reached which would be acceptable to both organizations. However, on December 1, 1949 the Chairman of the Corporation informed the Bank that the terms of the loan, as worked out with his negotiators in Washington, were not acceptable to the Corporation. Although expressing his appreciation that the Bank had exerted every effort to meet the Corporation's point of view, he stated that the Corporation did not desire to proceed further with the loan because "the Bank's requirements, especially the proposed non-financial covenants, are not reconcilable with the principles and methods by which this Corporation operates."

Other Countries

The negotiations with the Government of *Egypt* for a possible Bank loan for the irrigation of about 250,000 acres in Qena Province have been in abeyance this year pending investigation by the Egyptian Government of the possibility of obtaining the necessary equipment by use of its own non-dollar resources. The Government has informed the Bank that, in the meantime, the Ministry of Public Works intends to experiment with the irrigation of a small area in order to test the effects of tube well operations on the underground water-table.

The preliminary discussions between the Bank and the Government of the *Lebanon* referred to in last year's Annual Report were inconclusive. In September 1949 the Lebanese Government informed the Bank that studies on a comprehensive water development program (including drinking water, irrigation and hydroelectric power) were being carried out and that these studies should be far enough advanced to justify an application to the Bank for a loan in the latter part of 1950.

Pakistan joined the Bank on July 11, 1950. In anticipation of this event the Government of Pakistan asked the Bank to include Pakistan in the itinerary of its mission which was visiting member countries in Asia early in 1950. Accordingly, the Bank mission visited Pakistan in February-March of this year and discussed the economic situation and some of the development projects which the Government had been studying. Data on several of these projects were recently presented to the Bank and are now being examined by the Bank's staff.

EUROPE

Turkey

On July 7, 1950 the Bank made two loans to the Republic of Turkey: one of $3,900,000 for grain storage facilities and the other of $12,500,000 for port development.

The first loan is for a term of 18 years and carries an interest rate of 2⅞%, plus the usual 1% commission; amortization begins in 1954. It will be used to finance the foreign exchange costs of the construction of a number of concrete grain silos and steel storage sheds, the mechanization of existing warehouses and the acquisition of tarpaulins for use where warehouse space will not be available. The total cost of this project will be about $10,000,000.

Turkey is essentially an agricultural country and grain is its largest crop. The area devoted to grain production has increased in recent years and the possibilities for further increase are considered good. However, there are at present stor-

age facilities for only about half the average annual purchases, handling methods are primitive and expensive, and losses through spillage, infestation and exposure are high. The project is designed to enlarge storage capacity, improve handling facilities and reduce unnecessary losses.

The second loan is for a term of 25 years and carries an interest rate of 3¼%, plus the usual 1% commission; amortization begins in 1956. This loan of $12,500,000 will be used to finance the foreign exchange costs of a program of port improvement and construction projects, the total cost of which is estimated at $38,600,000.

Turkey's sea-borne foreign and coastal trade is at present impeded by the inadequacy of its ports. Cargo-handling facilities are generally obsolete and many harbors are either overcrowded or unprotected. The program provides for the construction of new berthing and handling facilities in the major Turkish ports; part of these improvements is designed to service new grain elevators which are to be built under the grain storage project. On the Black Sea, where Turkey has no natural harbor, a new port will be constructed at Samsun to open up the potentially rich hinterland.

A third project examined by the Bank was the construction of a multi-purpose dam on the Seyhan River. The investigation indicated that the cost of the project would probably be several times greater than the original estimate and that further work would have to be carried out at the dam site to ascertain the cost more accurately.

During the past year the Bank has also actively assisted in the formation of Turkey's new Industrial Development Bank. Hitherto, Turkish private capital has not participated on a substantial scale in long-term industrial investment. On the other hand, the Turkish Government has established and operated a number of industrial, commercial and financial enterprises. Recently, however, the Government has indicated a desire to encourage private enterprises. Accordingly, last fall the Government and private interests in Turkey joined in asking the assistance of the Bank in working out a program to stimulate the productive investment of private capital. A Bank consultant held discussions with Turkish businessmen and government officials in late 1949 and again early this year. As a result the Industrial Development Bank of Turkey was formed in April 1950.

The Industrial Bank will assist in the establishment of new private enterprises, the expansion and modernization of existing private undertakings, the encouragement of private capital investment, both domestic and foreign, in Turkish industry, and the promotion of a securities market. For these purposes, the Industrial Bank will grant medium- and long-terms loans, take equity participations and, in exceptional cases, may itself establish new enterprises.

The entire equity capital of the Industrial Bank, amounting to T.L. 12.5 million ($4.5 million), has been subscribed by private interests. The Central Bank of Turkey has undertaken to furnish additional capital on a loan basis up to an amount equal to the paid-in capital of the Industrial Bank. Moreover, the International Bank has indicated its willingness to negotiate a loan of up to $9 million, provided that the organization and management of the Industrial Development Bank are established along lines satisfactory to the International Bank.

As noted in the Fourth Annual Report, the Turkish Government requested the Bank to send an economic survey mission to Turkey to help the Government formulate a comprehensive development program. Mr. James M. Barker, a prominent American businessman, was selected to head the mission, and he made a preliminary trip to Turkey in November 1949. Thereafter, terms of reference for the mission were agreed between the Government and the Bank, providing that the mission's report should contain recommendations concerning (a) the directions in which investment might best be channeled in the Turkish economy, (b) other means of increasing Turkey's agricultural and industrial production and of improving

the efficiency of its distribution system, and (c) desirable changes in economic and financial policies and public administration to accelerate the rate of Turkey's development. This mission is now in Turkey. It consists of 14 persons, including two members of the Bank's staff, a member of the staff of the Food and Agriculture Organization of the United Nations and a public health specialist recruited for the mission by the World Health Organization. The remainder of the mission comprises economists and specialists in transportation, industry, power and public administration.

Timber Loans

On October 17, 1949 the Bank made two loans to finance the purchase of timber equipment: one of $2.3 million to the Republic of Finland and one of $2.7 million to the Federal People's Republic of Yugoslavia. The loans carry interest at 2% plus the usual commission of 1%, and are to be repaid in full by September 30, 1951.

These loans were part of a cooperative project in which a number of timber exporting and importing countries in Europe participated, and which was worked out with the aid of representatives of the Bank, the Economic Commission for Europe and the Food and Agriculture Organization of the United Nations. This project, which was described in some detail in the Fourth Annual Report of the Bank, is designed to increase the production of sawn soft-wood and pitprops by the European timber exporting countries and to augment the supplies of these products available to the importing countries. It was originally contemplated that similar loans would be made to Austria, Czechoslovakia and Poland, but Austria and Poland advised the Bank that they did not need loans for the purpose, and Czechoslovakia withdrew its application because of difficulties in working out timber payments agreements with the importing countries.

The machinery being obtained by Finland and Yugoslavia as a result of the Bank's loans and of purchases from European suppliers should enable those countries to increase considerably their annual production and exports of timber. The timber importing countries of Europe should likewise derive benefits, both from the availability of increased supplies of much needed timber and also from their reduced dependence upon imports of timber which must be paid for in hard currency.

France

The Bank has maintained close contact throughout the year with the French Government. Members of the Bank's engineering staff visited France last winter to observe the progress of two steel projects partly financed with a portion of the proceeds of the Bank's $250 million loan of May 1947 to Crédit National. The construction of the continuous cold rolling mill at Montataire was completed in January 1950 and test operations started in the same month. The continuous hot strip mill at Denain, which will produce steel strips to be rerolled at Montataire, is expected to be completed at the beginning of 1951.

The past year has been one of marked improvement generally in the overall economic position of France. Industrial production rose during 1949 to a level exceeding that of 1929, the pre-war peak year. Agricultural production also reached pre-war levels although recently there have been indications that the rate of improvement may not be maintained. The post-war inflation has been checked, but internal monetary equilibrium is still precarious. Furthermore, the overall current deficit in the 1949 balance of payments of the franc area was still about $700 million and the deficit in the current dollar account amounted to nearly $900 million, financed mainly by ECA grants. The Bank is fully aware of the implications of a continuing dollar gap of this size and is therefore carefully following all economic and

political developments that affect the solution of this problem.

Netherlands

Close contact has been maintained throughout the year with the Government of the Netherlands regarding the Bank loans, aggregating $222 million, which were made to or with the guarantee of the Government and which were described in previous Annual Reports. At the request of the borrower, the Bank cancelled on March 17, 1950 $6.2 million of the $15 million loan made in July, 1949 to the Herstelbank. The basic character of the loan was unchanged by the cancellation, although some of the original 24 industrial projects to be financed under the loan were eliminated and allocations for a number of other projects were reduced.

The cancellation reflected the development of Holland's trade relations in 1949, particularly after the devaluation of the guilder. As a result of the conclusion of a new trade agreement with Germany, considerable German mark balances accumulated in the hands of Dutch exporters which made it possible for Dutch industrial concerns to finance imports of equipment from Germany without recourse to the loan from the Bank. Procurement of industrial equipment in Belgium was financed with the help of ECA drawing rights and this also reduced the need for aid from the Bank. Moreover, some of the projects became too expensive after the devaluation of the guilder because of the higher cost of imported dollar goods.

Economic activity in the Netherlands has continued to expand. Agricultural output as a whole has reached its prewar volume and industrial production, in which there was a marked increase during the past year, is now well above the prewar level. During the past year domestic consumption showed a tendency to decline and the increase in production has been used to maintain domestic investment and to reduce the country's dependence on foreign assistance. Progress towards internal monetary equilibrium continued and the latent inflation of the post-war years has now been practically absorbed; to an important extent this has been made possible through ECA aid. The financial position of the Government improved in 1949 and a small Treasury cash surplus was recorded. This, however, was due in large part to non-recurrent factors.

There were also favorable developments in the balance of payments. Exports covered 72% of imports in 1949 compared with 55% in the previous year and shipping earnings increased substantially. The current deficit in the overall balance of payments for 1949 is provisionally estimated at the equivalent of over $200 million compared with over $400 million in the previous year. The dollar deficit at over $300 million was roughly $100 million less than in 1948. Since it was more than offset by ECA aid and other capital movements, the Netherlands gold and dollar reserves increased considerably.

Belgium

In February 1950 Bank engineers visited Belgium to observe the work on the projects financed under the $16 million loan made in 1949. The cold rolling and tin plating mills of the Compagnie des Fers Blancs et Tôles à Froid (Ferblatil) at Tilleur are being completed and the entire plant should be ready for operation at the beginning of 1951. The Ougrée-Marihaye project at Ougrée near Liége, consisting of the construction of a new reversing slabbing and blooming mill, the re-arrangement of ingot casting facilities and the installation of new cranes, was completed in May 1950. It is expected that the erection by the Union des Centrales Electriques de Liége-Namur-Luxembourg (Linalux) of a thermal power plant at Awirs will be completed by the middle of 1951. Total disbursements under the loan amounted to $10,372,934 as of June 30, 1950.

In the summer of 1949 discussions took place in Washington and Brussels regarding the financing of the public works program of the Belgian

Government. Railway electrification and modernization of ports were mentioned as possible fields for investment and a Bank mission made a survey of the Belgian transport system. However, the easing of the internal capital market and the issues floated in Switzerland by the National Railways and the Société Nationale de Crédit à l'Industrie enabled the Belgian Government to start work on the projects without recourse to the Bank.

After a period of unusual prosperity a recession occurred in the Belgian heavy industries in the middle of 1949. By the spring of 1950, however, the position in these industries had improved, and as the textile and construction industries were operating at or near capacity, industrial production as a whole recovered to about the level reached a year earlier. Nevertheless, unemployment has remained a significant problem. Partly as a consequence, a deficit appeared in the ordinary budget in 1949 and an enlarged program of public investment was undertaken, financed by public issues in the domestic market. The 1950 estimates, however, show ordinary receipts and expenditures balanced. The balance of payments of the Belgo-Luxembourg Economic Union showed an overall surplus on current account in 1949 as a whole. The dollar deficit, provisionally estimated at over $200 million, or about the same as in 1948, was financed mainly by ECA conditional aid.

Luxembourg

The disbursement of the $12 million loan of 1947 was completed on December 31, 1949, shortly after the Luxembourg Government had cancelled some $238,000 of the loan. The major part of the loan, $7.5 million, helped to finance the hot and cold rolling mills of the ARBED company at Dudelange. Members of the Bank's engineering staff visited Luxembourg last winter to survey the progress of the project. It is expected that the hot mill will be completed in November 1950 and the cold mill in March 1951, but a further three months will be needed for tests before the plant can start commercial operations. About $4.3 million of the loan was utilized for the acquisition of locomotives, diesel auto cars, diesel trailers and flat freight cars by the Luxembourg Railways. This new equipment replaced rolling stock destroyed or worn out during the war.

Denmark

Disbursement of the loan of $40,000,000 which was made to the Kingdom of Denmark in 1947 was completed by March 31, 1949. The loan assisted in financing the reconstruction of the productive facilities and resources of Denmark and the goods financed covered a wide range of industrial raw materials, machinery and finished goods.

Danish agricultural and industrial production has now largely recovered from the destruction and dislocation of the war. There were good harvests in 1948 and 1949 and investment has been maintained at a high level. Political stability and sound government financial policy have provided a basis for the effective utilization of the Bank's loan and other external financial aid. However, there is a deficit in both the dollar and the overall balance of payments. Denmark traditionally imports grains and oil-seeds to supply its highly organized dairy industry, the products of which form the bulk of its exports and are sold mainly to European industrial countries. As these and other essential imports such as cotton and petroleum must for the most part be obtained from dollar sources, Denmark will have great difficulty in balancing its dollar payments as long as European currencies, especially sterling, remain inconvertible. Furthermore, the 1949 devaluations, in which Denmark participated, have seriously affected the terms of trade. After the devaluations, the prices of Denmark's imports rose, while the prices of exports to the United Kingdom, its principal customer, did not increase since they are governed by long term agreements. These difficulties are not likely to be speedily or easily overcome. The Bank has continued to follow closely developments in the Danish economy and

frequent exchanges of views have taken place between representatives of the Bank and of the Danish Government.

Italy

Reference was made in the Fourth Annual Report to the possibility of Bank assistance in the financing of the Italian Government's program of economic development for Southern Italy. This program involves public investment of 1,000 billion lire ($1.6 billion) over ten years mainly in irrigation and land reclamation and improvement. In February 1950, after the preparation of the program had reached a sufficiently advanced stage, representatives of the Bank went to Italy to examine various economic and administrative aspects of the program. When the President of the Bank visited Rome in April, he announced that the Bank had made a preliminary examination of the development program and of the Italian economic outlook, and would be prepared to discuss possible financial assistance for the program when the formation of the necessary administrative agency, the Cassa per il Mezzogiorno, had been completed. The Bank is now reviewing the information which its representatives have brought back to Washington.

Finland

A Bank mission visited Finland in March 1950 to review the utilization of the proceeds of the loan of $12.5 million which had been made to the Bank of Finland on August 1, 1949, the progress of the power, woodworking and limestone powder projects being financed under that loan, and economic and financial developments occurring since the loan was made.

Finland's external position was adversely affected in 1949 by a marked setback in the export market for pulp and paper, principally in the United States, but by the spring of 1950 a strong recovery had been made. As a result of devaluations in July and September, 1949, the value of the Finnish markka in terms of United States dollars was reduced by 40%. In spite of the resulting deterioration in Finland's terms of trade, both the overall and the dollar balance of payments position improved during the year and prospects for the future are good. Reparation deliveries to the U.S.S.R., due to be completed by September 1952, have been made promptly. The conclusion of a trade agreement with the U.S.S.R. in June 1950, which provides for an exchange of goods equivalent to $352 million in each direction over the period 1951-55, should enable Finland to continue to export the output of the metal and engineering industries which were developed largely to meet reparations obligations. Internally, there has been a marked rise in the standard of living, but the present minority coalition government will probably have difficulty in keeping inflationary pressures under control, particularly in view of the substantial wage increases granted in 1950.

Reconstruction and development in the two sectors of the economy to which the greater part of the Bank's loan is being devoted have made good progress, although it is too soon for the loan to have had any appreciable effect. Electric power output is now above the pre-war level and restrictions on the supply of power to the woodworking industries have been lifted. Output in 1949 in most branches of the woodworking industries was considerably above the 1948 level. The Government is taking measures to stimulate the use of limestone powder in agriculture and the additional output made possible by the Bank's loan should perform a useful purpose in increasing soil fertility.

Yugoslavia

As mentioned in the Fourth Annual Report, a Bank mission was in Yugoslavia in the fall of 1949 to obtain information which might provide the basis for a loan to that country. The discussions thus initiated were continued in Washington between the Bank and representatives of the

Yugoslav Government, and progress has been made in the examination of Yugoslavia's economic position and prospects, in appraising the requirements of the principal sectors of the economy in which a loan from the Bank might be spent, and in working out tentative plans for a loan, partly in U.S. dollars and partly in European currencies. These discussions are still going on.

FINANCIAL RESULTS AND RESOURCES

RESULTS OF OPERATIONS AND DISBURSEMENT OF LOANS

During the past fiscal year the Bank received the full amount due as interest, commission and other charges on its loans; such charges accruing during the year amounted to $25,966,479. In addition, repayments of principal of Bank loans aggregated $552,136.

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, 1950 resulted in a net income amounting to $13,698,398, exclusive of loan commissions credited to the Special Reserve. The total net income for the entire period of the Bank's operations up to June 30, 1950 amounted to $27,339,492. In addition to this net income, $5,663,064 was set aside in the Special Reserve during the year ended June 30, 1950; the total amount in the Special Reserve was thereby increased to $13,737,205.

The Executive Directors on July 27, 1950 established a reserve against losses on loans and guarantees made by the Bank and allocated to such reserve the net income of the Bank for the fiscal year ended June 30, 1950 (after making provision for any amount payable in respect thereof on repurchase of Poland's shares) and the net income accruing thereafter until further action by the Executive Directors or the Board of Governors. The Executive Directors are presenting a separate report to the Board of Governors regarding the establishment of such reserve and the disposition of the Bank's surplus as of June 30, 1949.

Total disbursements made on the Bank's loans up to June 30, 1950 amounted to the equivalent of $614,162,160. Of the disbursements made during the fiscal year ended June 30, 1950 approximately 40% was spent outside the United States as against approximately 20% in the previous year. The geographical distribution of total expenditures financed by the Bank up to June 30, 1950, in round numbers by groups of countries, was as follows:

Area of Expenditures	*Amount (in millions of U. S. dollars)*
United States	452.3
Canada	34.8
Latin America	55.5
Europe	66.7
Near East	2.5
Africa	2.2
Far East	.1
Total	614.1

FUNDS AVAILABLE FOR LENDING

The status of funds available to the Bank for loans on June 30, 1950 may be summarized in round numbers in terms of United States dollars as follows:

		Amount (in millions of U.S. $)
2% paid-in portion of subscriptions of all members		$ 162.0
18% portion of subscription of the United States		571.5
18% portion of subscriptions of other members made available		16.4
Total Available Capital Subscriptions		749.9
Net available funds resulting from operations		27.8
Net proceeds from sale of bonds—excluding premium		260.6
Gross Total Available Funds		$1,038.3
Total loans committed	$816.4	
Less cancellations, loans sold and principal repayments available for reloaning	45.6	770.8
Net available funds June 30, 1950		$ 267.5

This table reflects only those funds which have been utilized by the Bank or may be utilized without further approval of members. The 18% portion of the United States subscription was made available for lending to the Bank in 1947. The 18% portion of the subscription of members other than the United States, which is contained in the above table, includes the entire 18% portion of the subscription of El Salvador and the following sums from other countries: the equivalent of $2,000,000 from Belgium; the equivalent of 8,000,000 U.S. dollars and an additional 2,000,000 Canadian dollars from Canada; the equivalent of $125,000 from Denmark; 17,300,000 pesos from Mexico; the equivalent of $126,000 from Paraguay; and 760,768 pounds sterling from the United Kingdom.

In addition to those funds which are included in the table, the Bank has had a gratifying degree of success in its efforts to obtain further assurance that, as funds are needed, members will make all or part of their 18% currencies available in specific instances. The following authorizations have been received by the Bank: Ecuador has agreed to the use of the full amount of its 18% subscription except for the export of a few specific items; Honduras has informed the Bank that after January 1, 1951 the Bank could use the full amount of its 18% subscription; Costa Rica, Finland, France, Italy and the Netherlands have agreed in principle to the use of their 18% subscriptions for loans, subject to the approval of the government in specific cases as they arise; Colombia has similarly consented in principle to the use of one half of its 18% subscription. The United Kingdom has agreed to arrangements whereby, in certain approved cases, the Bank may use up to £50,000 in any one such case to meet borrowers' requirements, of which they may not be aware when the loan agreement is concluded. To June 30, 1950 a total of £10,768 has been so used and is included in the above table. The United Kingdom also agreed in principle to the use of a further £1,000,000 up to the summer of 1951, of which £250,000 has been specifically approved for use in the loan to Brazilian Traction, Light and Power Company and is included in the above table. In the case of a number of countries, the use of 18% subscriptions thus made available to the Bank for lending, either in principle or without further approval of members, is restricted to expenditure on goods and services coming from the respective countries.

The Bank realizes that many of its members remain unable to give unconditional consent at this time to large quantities of unrequited exports. However, it feels that most members can make at least small amounts of their 18% subscriptions available for loans. The Bank has been greatly encouraged by the increasing amounts of such funds that have been made available during the past year and by the evidence that there are likely to be substantial further additions to its loanable resources as a result of additional consents in the future.

ISSUE AND SALE OF SECURITIES

On January 25, 1950 the Bank made the second public offering of its bonds in the United States market. $100,000,000 2% Serial Bonds of 1950 due 1953-1962 were sold. The net proceeds from the sale of these bonds, together with such other funds as were needed, were used for the redemption on February 17, 1950 of $100,000,000 of the Bank's Ten Year 2¼% Bonds due July 15, 1957 at 101% of their principal amount and accrued interest.

This was the first time that an issue of Bank bonds was sold by competitive bidding to underwriters. The method proved successful. Bids were submitted by four syndicates with an aggregate membership of 393 institutions, of which 63 were commercial banks and 330 investment banking firms. The highest bid was submitted by a syndicate headed by Halsey, Stuart & Co., Inc., and the First National Bank of Chicago, which included 37 banks and 99 investment banking firms located in 25 states and the District of Columbia. As a result of their bid the average net interest cost of the issue to the Bank is 1.93% per annum, which represents a substantial net interest saving.

The participation of commercial banks in the underwriting of the Bank's obligations was a direct result of legislation enacted by the United States Congress in 1949, which authorized national banks and state member banks of the Federal Reserve System to deal in and underwrite obligations issued by the Bank, and made securities issued or fully guaranteed by the Bank exempted securities under the securities acts of the United States. This legislation has materially contributed to a broader market in the United States for the Bank's obligations.

On March 1, 1950 the Bank sold, to a group of leading Swiss banks and the Bank for International Settlements, a new issue of 2½% Swiss Franc Serial Bonds of 1950 in the aggregate principal amount of 28,500,000 Swiss francs, the equivalent of approximately $6,600,000. The bonds were sold at 100 and accrued interest and mature in semi-annual installments from March 1, 1953 to March 1, 1956.

No other sales of direct or guaranteed obligations were made, since the funds available for lending were ample for immediate needs.

On June 30, 1950 the Bank had outstanding approximately $260,600,000 of direct obligations payable as follows:

Payable in U.S. Dollars

$100,000,000 2% Serial Bonds of 1950 due 1953-1962.

$150,000,000 Twenty-five Year 3% Bonds due July 15, 1972.

Payable in Swiss Francs

Sw. Fr. 17,000,000 2½% Serial Bonds of 1948, due 1953-54 (equivalent to approximately $4,000,000).

Sw. Fr. 28,500,000 2½% Serial Bonds of 1950, due 1953-56 (equivalent to approximately $6,600,000).

There were also outstanding, payable in United States dollars and bearing the Bank's unconditional guarantee of principal and interest, $16 million Kingdom of Belgium 3% Sinking Fund Bonds due March 1, 1969 and $10,200,000 (net after repayment of $1,800,000) 2½% Guaranteed Serial Mortgage Notes of Netherlands shipping companies, due semi-annually July 15, 1950 through July 15, 1958.

MARKET FOR THE BANK'S OBLIGATIONS

At present the principal investors in the Bank's bonds are United States savings banks, life insurance companies and commercial banks, in the order named. Although the Bank's obligations are now generally considered seasoned investments, the Bank is continuing its efforts to broaden their market in the United States. Activities in this direction include frequent personal calls on investment institutions, attendance at meetings of investment groups, and periodic information

conferences at the Bank's headquarters in Washington, all designed to acquaint investors with the Bank's policies and operations and the security behind its obligations. To facilitate this program, a branch of the Marketing Department was established for six months in the Middle West with headquarters in the Federal Reserve Bank Building, Chicago, Illinois.

The Bank is also giving increasing attention to the development of markets for the Bank's obligations outside the United States. Achievement of success in that field is handicapped by the continuing difficulty in obtaining exact information on the status of the Bank's obligations under the investment laws of member countries and the equally difficult problem of initiating applicable legislation for the classification of Bank securities as eligible investments for banks, insurance companies and similar institutions. Some encouraging progress, however, has been made. The instances known to the Bank where its member governments have taken action during the past year to broaden the market for the Bank's securities are as follows:

The Netherlands Government has facilitated the introduction of International Bank bonds in the Amsterdam market by exempting from requisitioning Netherlands Trustee Certificates issued against the 25-year 3% bonds due 1972 owned by Dutch nationals up to a maximum amount of $5,000,000. As a result, the Netherlands Trustee Certificates have been listed on the Amsterdam Stock Exchange and purchases of bonds have been made in the American market for the account of Netherlands clients, who exchange the bonds for Trustee Certificates.

The Bank's outstanding dollar obligations have been listed on the Mexico City Stock Exchange and have been ruled eligible as investments for banks, insurance companies and other credit institutions. The Central Bank of Mexico has also authorized domestic and foreign banks operating in Mexico to use part of their foreign exchange reserve deposits maintained with the Central Bank for the acquisition of International Bank bonds. Mexican banks are required to maintain a 25% reserve with the Central Bank against all dollar deposits and other foreign exchange liabilities; under the new ruling one-fifth of this reserve may now be held in the form of International Bank obligations. To implement this ruling the Central Bank of Mexico purchased International Bank bonds in the open market for resale to banks in Mexico.

The Chilean authorities have ruled that foreign and domestic banks in Chile may invest up to 25% of their capital and surplus in bonds delivered to the Bank pursuant to Chilean loan agreements with the Bank.

The Central Bank of Cuba has ruled that the obligations of the Bank payable in dollars or in any currency convertible into gold are eligible investments for banks in Cuba, and, pursuant to such ruling, the bonds so held are exempt from the Cuban tax on the exportation of money and the holding of balances abroad.

MISCELLANEOUS

Management and Organization

Mr. William L. Ayers, who had been a Consultant to the Bank since February 1, 1948, was appointed Director of Public Relations as of November 1, 1949. He succeeded Mr. Drew Dudley who was appointed Director of Public Relations for Europe.

Mr. J. Burke Knapp became Assistant Director of the Economic Department on December 12, 1949. Mr. Knapp was formerly Director of the Office of Financial and Development Policy, United States Department of State.

Mr. Walter Hill was appointed Special Representative of the Bank in Paris on October 17, 1949, succeeding Mr. J. Grant Forbes who retired on December 31, 1949. Mr. Royall Tyler, senior representative of the Bank's Treasurer in Europe, retired on September 28, 1949. The Bank wishes

to record its appreciation of the valuable services performed by Mr. Forbes and Mr. Tyler.

Mr. G. M. Ventimiglia was appointed Marketing Representative of the Bank for Europe and will take up his duties at the Paris office early in August. Mr. George L. Martin, President of the investment banking firm of Martin, Burns & Corbett, Inc., Chicago, took leave of absence from his firm from January through July, 1950 to head the temporary Middle Western branch office of the Marketing Department. The Bank wishes to express its appreciation of the valuable contribution rendered by Mr. Martin during this period.

On October 21 and December 31, 1949, respectively, the Bank closed two small offices which had been maintained in The Hague and Copenhagen to supervise the end-use of loans made to the Netherlands and Denmark. Their functions were transferred to the Paris Office.

The only change made during the past year in the functions of the Bank's various departments, as outlined in previous Annual Reports, has been the assignment to the Staff Office of the responsibility to coordinate activities related to technical assistance and to plan and arrange for technical assistance missions.

As of August 1, 1950 the Staff of the Bank consisted of 410 regular members of 29 nationalities.

Relations with Other International Organizations

During the year under review the Bank has continued to maintain close relations with the International Monetary Fund, the United Nations and other international organizations.

The President of the Bank attended several meetings of the Administrative Committee on Coordination (ACC) and representatives of the Bank attended meetings of various committees and subcommittees of the ACC. The most important task undertaken by the ACC was the establishment of the Technical Assistance Board, which was charged by the Economic and Social Council of the United Nations with responsibility for directing and coordinating the expanded program of technical assistance approved by the Council at its Ninth Session. The Bank will not receive any of the funds which are being made available to the United Nations and other specialized agencies for this program; consequently it is not a full member of the Technical Assistance Board. However, Bank representatives participate in all meetings of the Board and arrangements have been made for full coordination of the technical assistance activities of the Bank with those being undertaken by the United Nations and other specialized agencies under the expanded program.

The Bank was also represented at meetings of the United Nations General Assembly, the Economic and Social Council of the United Nations and its subsidiary bodies. The participation of the Bank in the work of the Fourth Session of the Sub-Commission on Economic Development of the United Nations was of particular interest. During the course of the meeting the members of the Sub-Commission were invited to Washington to discuss informally with the staff of the Bank problems related to economic development. This was the first time that members of a United Nations body have come to the Bank for the purpose of discussing subjects of common interest in the international field.

Bank representatives attended various meetings of the specialized agencies and other international organizations, including FAO, ILO, UNESCO, the Organization of American States and the Bank for International Settlements. FAO and WHO have given the Bank valuable cooperation by seconding or nominating experts for various Bank missions. As has already been noted, the FAO has agreed to join with the Bank in sponsoring and staffing a mission to Uruguay to survey its agricultural development needs.

The Bank is sponsoring jointly with FAO, the United Nations and the Government of Pakistan, a Training Institute on Economic Appraisal of

Development Projects (Asian Center on Agricultural and Allied Projects), which is to be held in Lahore during the latter part of 1950. A member of the Bank's staff will serve as an instructor at the Center for several weeks.

Advisory Council

Pursuant to Resolution No. 45 of the Board of Governors, adopted at the Fourth Annual Meeting, the Executive Directors have studied the organization, selection, duties and other matters relating to the Advisory Council. Their report and recommendations are being submitted as a separate report to the Board of Governors.

Training Program

The Bank has continued the training program which was inaugurated in 1949. For the second course under this program, beginning in January 1950, eight persons were selected, one each from the following member countries: Ecuador, India, Iran, Italy, Lebanon, Norway, United Kingdom and United States. The Bank plans to continue this program and is now in process of selecting a third group to begin training in January 1951. Five of the seven trainees who participated in the first course have remained with the Bank and are now on the permanent staff.

Membership, Subscriptions and Voting Power

Poland withdrew from the Bank on March 14, 1950. With the admission of Pakistan on July 11, 1950 membership in the Bank has remained at 48. The Bank's total subscribed capital has been increased from $8,348.5 million as of August 20, 1949 to $8,448.5 million as of August 1, 1950, subject to a reduction of $125 million when the shares subscribed by Poland are repurchased by the Bank. The period in which Liberia and Haiti may accept membership was extended by the Executive Directors to September 30, 1950. The application for membership by Ceylon was approved on July 31, 1950. Applications for membership have also been received from Indonesia, Jordan and Sweden.

Duties and Remuneration of Executive Directors

The first report, dated September 13, 1949, of the Ad Hoc Committee of the Board of Governors to Consider Provisions Relating to Duties and Remuneration of Executive Directors, as amended by the Committee's Second Report, dated January 27, 1950, was approved by the Board of Governors by mail vote on March 30, 1950, and the Committee dissolved. The amendments to the By-Laws of the Bank recommended by this Committee will be in effect on and after the date of the Fifth Annual Meeting.

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, 1950, a Comparative Statement of Income and Expenses for the Fiscal Years ended June 30, 1949 and June 30, 1950, 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, 1951. 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. A special report on the Budget is being submitted to the Board of Governors at the Fifth Annual Meeting.

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 Fifth Annual Meeting:

1) Report on Establishment of Reserve and Disposition of Surplus;
2) Report on the Advisory Council;
3) Report on Third Regular Election of Executive Directors;
4) Report on the Administrative Budget; and
5) Report on Decisions of Executive Directors Interpreting Articles of Agreement.

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—Voting Power and Subscriptions of Member Countries as of August 1, 1950.

Appendix J—Governors and Alternates as of August 1, 1950.

Appendix K—Executive Directors and Alternates and their Voting Power as of August 1, 1950.

Appendix L—Principal Officers of the Bank as of August 1, 1950.

Balance Sheet—June 30, 1950

EXPRESSED IN UNITED STATES CURRENCY

(*See Notes to Financial Statements*)

ASSETS

Due from Banks and Other Depositories (APPENDIX D) —NOTE A			
Member currency—United States		$ 4,458,168	
Member currency—other than United States		113,836,979	
Non-member currency		6,170,061	$ 124,465,208
Investment Securities			
United States Government obligations ($434,924,900 face amount at cost)		$ 434,600,782	
Accrued interest		2,278,298	436,879,080
Receivable on Account of Subscribed Capital (APPENDIX E)			
Payable in member currency—United States			
Calls on subscription to capital stock—Payment deferred		$ 4,915,000	
Payable in member currency—other than United States			
Non-negotiable, non-interest-bearing, demand notes	$ 777,940,114		
Amounts required to maintain value of currency holdings—NOTE B	3,300,468	781,240,582	
Payable in non-member currency			
Non-negotiable, non-interest-bearing, demand notes		22,275,000	808,430,582
Loans Outstanding Held by Bank—(APPENDIX C)—NOTES C and D			711,409,847
Accrued Interest, Commitment and Service Charges on Loans—NOTE D			5,422,147
Miscellaneous Receivables and Other Assets			333,453
Special Reserve Fund Assets—NOTE E			
Due from Banks—member currency—United States		$ 47,052	
Investment securities—United States Government obligations ($12,210,900 face amount at cost)		12,210,900	
Accrued loan commissions—NOTE D		1,479,253	13,737,205
Staff Retirement Plan Assets (Segregated and Held In Trust)			1,082,507
Total Assets			$2,101,760,029

Balance Sheet—June 30, 1950

EXPRESSED IN UNITED STATES CURRENCY

(*See Notes to Financial Statements*)

LIABILITIES, RESERVES AND CAPITAL

Liabilities			
Accounts payable and accrued expenses, including $2,900,063 bond interest			$ 3,273,280
Collections on loans in advance of due dates			240,171
Undisbursed balance of loans			
On loans held by Bank		$ 120,172,757	
On loans represented by obligations of borrowers sold under guarantee		5,627,066	125,799,823
Bonds outstanding			
Payable in United States Dollars—NOTE F			
2% Serial Bonds of 1950, due 1953-62	$ 100,000,000		
Twenty-Five Year 3% Bonds, due July 15, 1972	150,000,000	$ 250,000,000	
Payable in Swiss Francs			
2½% Swiss Franc Serial Bonds of 1948, due 1953-54 (Swiss Francs 17,000,000)	$ 3,955,788		
2½% Swiss Franc Serial Bonds of 1950, due 1953-56 (Swiss Francs 28,500,000)	6,631,763	10,587,551	260,587,551
Bonds called for redemption not presented		$ 260,692	
Less funds on deposit with Fiscal Agent therefor		260,692	—
Special Reserve—NOTE E			13,737,205
Staff Retirement Plan Reserve			1,082,507
Capital (APPENDIX E)—NOTE G			
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 H	6,678,800,000	$1,669,700,000	
Accumulated net income—NOTE L			
At June 30, 1949—Allocated to surplus	$ 13,641,094		
The twelve months ended June 30, 1950—Unallocated	13,698,398	27,339,492	1,697,039,492
Contingent Liability—Obligations of Borrowers Outstanding Sold under Guarantee—NOTE C $20,572,934			
Total Liabilities, Reserves and Capital			**$2,101,760,029**

APPENDIX B

Comparative Statement of Income and Expenses for the Fiscal Years Ended June 30, 1949 and June 30, 1950

EXPRESSED IN UNITED STATES CURRENCY

(*See Notes to Financial Statements*)

	July 1-June 30 1948-1949	1949-1950
Income		
Interest earned on investments	$ 4,893,360	$ 5,152,517
Income from loans:		
Interest	15,850,003	17,670,427
Commitment charges	757,110	2,491,707
Commissions	4,989,210	5,663,064
Service charges	73,323	141,281
Other income	4,617	8,133
Gross Income	$26,567,623	$31,127,129
Deduct—Amount equivalent to commission appropriated to Special Reserve (NOTE E)	4,989,210	5,663,064
Gross Income Less Reserve Deduction	$21,578,413	$25,464,065
Expenses		
Administrative expenses:		
Personal services	$ 2,667,476	$ 2,672,630
Expense allowance—Executive Directors and Alternates	12,504	12,194
Fees and compensation	160,542	334,958
Representation	31,187	46,713
Travel	332,670	437,257
Supplies and material	26,884	26,954
Rents and utility services	330,151	336,466
Communication services	80,030	89,522
Furniture and equipment	33,105	28,540
Motor vehicles	6,649	5,335
Books and library services	63,821	59,707
Printing and binding	34,115	36,764
Contributions to staff benefits	270,577	266,126
Insurance	11,312	14,644
Handling and storage of gold	7,046	——
Other expenses	538	2,201
Total Administrative Expenses	$ 4,068,607	$ 4,370,011
Interest on bonds	6,848,895	6,811,798
Bond registration, issuance and other financial expenses including redemption premium less premium on sale of bonds	50,664	583,858
Gross Expenses	$10,968,166	$11,765,667
Net Income	$10,610,247	$13,698,398

APPENDIX C

Statement of Loans—June 30, 1950

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

Borrower and Guarantor	*Program or Project*	*Date of Loan Agreement*
Loans Granted and Effective		
Kingdom of Belgium	Equipment for steel and power industries	Mar. 1, 1949
Loan Guaranteed by United States of Brazil		
Brazilian Traction, Light and Power Company, Ltd.	Electric power development and telephone equipment	Jan. 27, 1949
Loans Guaranteed by Republic of Chile		
Fomento and Endesa	Electric power development	Mar. 25, 1948
Fomento	Agricultural machinery	Mar. 25, 1948
Loan Guaranteed by Republic of Colombia		
Caja de Credito	Agricultural machinery	Aug. 19, 1949
Kingdom of Denmark	Equipment and materials for reconstruction and development	Aug. 22, 1947
Republic of Finland	Equipment for timber production	Oct. 17, 1949
Loan Guaranteed by Republic of Finland		
Bank of Finland	Electric-power development and equipment for woodworking industries and limestone powder production	Aug. 1, 1949
Loan Guaranteed by Republic of France		
Credit National	Equipment and materials for reconstruction and development	May 9, 1947
Republic of India	Railway rehabilitation	Aug. 18, 1949
	Agricultural machinery	Sept. 29, 1949
Grand-Duchy of Luxembourg	Equipment for steel mill and railroads	Aug. 28, 1947
Loans Guaranteed by United Mexican States		
Financiera and Comision	Electric power development	Jan. 6, 1949
Financiera and Comision	Electric power development	Jan. 6, 1949
Mexican Light and Power Company, Ltd.	Electric power development	Apr. 28, 1950
Kingdom of the Netherlands	Equipment and materials for reconstruction and development	Aug. 7, 1947
	Equipment and materials for reconstruction and development (Supplemental Loan Agreement)	May 25, 1948
Loans Guaranteed by Kingdom of the Netherlands		
N. V. Stoomvaart Mij. "Nederland"	Purchase of S.S. Raki and S.S. Roebiah	July 15, 1948
N. V. Vereenigde Schvrt. Mij.	Purchase of S.S. Almkerk	July 15, 1948
N. V. Ned.-Amer. Stoomvaart-Mij. "Holland-Amerika Lijn"	Purchase of S.S. Alblasserdijk	July 15, 1948
N. V. Rotterdamsche Lloyd	Purchase of S.S. Friesland and S.S. Drente	July 15, 1948
Herstelbank	Equipment for reconstruction and modernization of particular industrial plants	July 26, 1949
Federal People's Republic of Yugoslavia	Equipment for timber production	Oct. 17, 1949
Sub-Totals—Effective Loans		
Loans Granted—Not Yet Effective		
Loan Guaranteed by United States of Brazil		
Sao Francisco Hidro Elec Co.	Electric power development	May 26, 1950
Loan Guaranteed by Republic of El Salvador		
Comision del Rio Lempa	Electric power development	Dec. 14, 1949
Republic of India	Electric power development	Apr. 18, 1950
Kingdom of Iraq	Construction of flood control project	June 15, 1950
Sub-Total—Loans Not Effective		
Total Loans Granted—NOTES C and D		

Statement of Loans—June 30, 1950

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

Maturities	*Interest Rate (Including Commission)*	*Principal Amount*	*Principal Payments and Cancellations by Borrowers*	*Obligations of Borrower Sold With Bank's Guarantee Less Principal Payments*	*Loans Outstanding Held by Bank*	*Principal Amount Disbursed*	*Undisbursed Balance of Loans*
1953-1969	4-1/4%	$ 16,000,000	$ —	$16,000,000	$ —	$ 10,372,934	$ 5,627,066
1953-1974	4-1/2%	75,000,000	—	—	75,000,000	36,827,367	38,172,633
1953-1968	4-1/2%	13,500,000	—	—	13,500,000	3,017,049	10,482,951
1950-1955	3-3/4%	2,500,000	—	—	2,500,000	2,500,000	—
1952-1956	3-1/2%	5,000,000	—	—	5,000,000	2,680,840	2,319,160
1953-1972	4-1/4%	40,000,000	—	—	40,000,000	40,000,000	—
1950-1951	3%	2,300,000	153,132	—	2,146,868	301,594	1,998,406
1953-1964	4%	12,500,000	—	—	12,500,000	2,145,106	10,354,894
1952-1977	4-1/4%	250,000,000	—	—	250,000,000	250,000,000	—
1950-1964	4%	34,000,000	1,200,000	—	32,800,000	27,960,755	4,839,245
1952-1956	3-1/2%	10,000,000	—	—	10,000,000	3,197,827	6,802,173
1949-1972	4-1/4%	12,000,000	337,021	—	11,662,979	11,761,983	—
1953-1973	4-1/2%	24,100,000	—	—	24,100,000	7,196,976	16,903,024
July 1, 1950	4-1/2%	10,000,000	10,000,000	—	—	—	—
1953-1975	4-1/2%	26,000,000	—	—	26,000,000	5,542,741	20,457,259
1954-1972	4-1/4%	191,044,212	—	—	191,044,212	191,044,212	—
1953-1954	4-1/4%	3,955,788	—	—	3,955,788	3,955,788	—
1949-1958	3-9/16%	4,000,000	600,000	3,400,000	—	4,000,000	—
1949-1958	3-9/16%	2,000,000	300,000	1,700,000	—	2,000,000	—
1949-1958	3-9/16%	2,000,000	300,000	1,700,000	—	2,000,000	—
1949-1958	3-9/16%	4,000,000	600,000	3,400,000	—	4,000,000	—
1952-1964	4%	15,000,000	6,200,000	—	8,800,000	1,271,348	7,528,652
1950-1951	3%	2,700,000	300,000	—	2,400,000	2,385,640	314,360
		$757,600,000	$19,990,153	$26,200,000	$711,409,847	$614,162,160	$125,799,823

1954-1975	4-1/4%	$ 15,000,000
1954-1975	4-1/4%	12,545,000
1955-1970	4%	18,500,000
1956-1965	3-3/4%	12,800,000
		$ 58,845,000
		$816,445,000

APPENDIX D

Statement of Currencies Held by the Bank—June 30, 1950

(See Notes to Financial Statements)

	Unit of Currency	Amount Expressed In Member Currency (Restricted)	Rate of Exchange (Note A)	Total Expressed in United States Dollars
Members' Currencies:				
Australia	Pound	160,839	$ = 0.446428	$ 360,280
Austria	Schilling	1,293,408	$ = 14.40	89,820
Belgium	Franc	17,623,226	$ = 50.00	352,465
Bolivia	Boliviano	516,200	$ = 60.00	8,603
Brazil	Cruzeiro	349,481,654	$ = 18.50	18,890,900
Canada	Dollar	43,498	$ = 1.10	39,544
Chile	Peso	195,071,196	$ = 31.00	6,292,619
China	Gold Yuan	21,581,589	$ = 20.00	1,079,080
Colombia	Peso	12,277,707	$ = 1.949981	6,296,321
Costa Rica	Colon	2,014,453	$ = 5.615	358,763
Cuba	Peso	62,975	$ = 1.00	62,975
Czechoslovakia	Koruna	11,068,733	$ = 50.00	221,375
Denmark	Krone	947,178	$ = 6.90714	137,130
Dominican Republic	Peso	3,191	$ = 1.00	3,191
Ecuador	Sucre	7,759,986	$ = 13.50	574,814
Egypt	Pound	766,363	$ = 0.3482427	2,200,658
El Salvador	Colon	439,789	$ = 2.50	175,916
Ethiopia	Dollar	1,323,271	$ = 2.48447	532,617
Finland	Markka	929,725,054	$ = 136.00	6,836,214
France	Franc	178,075,133	$ = 214.392	830,605
Greece	Drachma	22,500,000,000	$ = 5,000.00	4,500,000
Guatemala	Quetzal	354,817	$ = 1.00	354,817
Honduras	Lempira	—	$ = 2.00	—
Iceland	Krona	2,914,030	$ = 16.2857	178,932
India	Rupee	3,292,112	$ = 4.761904	691,343
Iran	Rial	1,795,439	$ = 32.25	55,673
Iraq	Dinar	2,729	$ = 0.357143	7,642
Italy	Lira	7,286,819,669	$ = 225.00	32,385,865
Lebanon	Pound	1,769,679	$ = 2.19148	807,527
Luxembourg	Franc	770,635	$ = 50.00	15,413
Mexico	Peso	101,145,392	$ = 8.65	11,693,109
Netherlands	Guilder	1,895,939	$ = 3.80	498,931
Nicaragua	Cordoba	720,000	$ = 5.00	144,000
Norway	Krone	626,268	$ = 7.14286	87,678
Panama	Balboa	35,995	$ = 1.00	35,995
Paraguay	Guarani	773,109	$ = 3.09	250,197
Peru	Sol	161,150	$ = 6.50	24,792
Philippine Republic	Peso	2,387,797	$ = 2.00	1,193,898
Syria	Pound	24,893	$ = 2.19148	11,359
Thailand	Baht	28,005,747	$ = 12.50	2,240,460
Turkey	Lira	140,511	$ = 2.80	50,182
Union of South Africa	Pound	63,320	$ = 0.357143	177,295
United Kingdom	Pound	912,718	$ = 0.357143	2,555,610
United States	Dollar	780,476	None	780,476
Uruguay	Peso	2,857,648	$ = 1.5190495	1,881,208
Venezuela	Bolivar	4,568,251	$ = 3.35	1,363,657
Yugoslavia	Dinar	359,504,777	$ = 50.00	7,190,096
	Restricted Currency (Note I)			$114,520,045
	Unrestricted Currency (United States, United Kingdom, Belgium, Canada)			3,775,102
				$118,295,147
Non-Members' Currencies:				
Swiss Francs			$5,950,132	
Polish Zlotys (Note G)			219,929	6,170,061
	Total (Note J)			$124,465,208

APPENDIX E

Statement of Subscriptions to Capital Stock and Voting Power—June 30, 1950

EXPRESSED IN UNITED STATES CURRENCY

(*See Notes to Financial Statements*)

	Member	Subscriptions		Amounts Paid In (Note A)	
		Shares	Amount (Notes G & K)	United States Dollars	In Currency of Member Other Than United States Dollars
1	Australia	2,000	$ 200,000,000	$ 4,000,000	$ 360,368
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	8,913
5	Brazil	1,050	105,000,000	2,100,000	18,900,000
6	Canada	3,250	325,000,000	6,500,000	9,857,727
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	158,595
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	2,228,963
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	721,800
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	18,000
31	Mexico	650	65,000,000	1,300,000	11,700,000
32	Netherlands	2,750	275,000,000	5,500,000	552,631
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 (NOTE G)	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	4,050,000
45	United States	31,750	3,175,000,000	635,000,000	—
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
		83,485	$8,348,500,000	$733,555,000	$127,714,418

Statement of Subscriptions to Capital Stock and Voting Power—June 30, 1950

EXPRESSED IN UNITED STATES CURRENCY

(*See Notes to Financial Statements*)

Amounts Paid In (Note A)					
Non-Interest-Bearing, Non-Negotiable Demand Notes	*Amounts Required to Maintain Value of Currency Holdings (Note B)*	*Amounts Payment of Which is Postponed Until June 1951*	*Subject to Call to Meet Obligations of Bank (Note H)*	*Number of Votes*	
$ 35,639,632	$ —	$ —	$ 160,000,000	2,250	1
8,910,000	—	—	40,000,000	750	2
38,155,578	—	—	180,000,000	2,500	3
873,180	377,907	—	5,600,000	320	4
—	—	—	84,000,000	1,300	5
48,642,273	—	—	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
12,081,405	—	340,000	54,400,000	930	13
356,400	—	—	1,600,000	270	14
—	—	—	2,560,000	282	15
4,442,476	2,922,561	—	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
71,278,200	—	—	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
1,782,000	—	—	8,000,000	350	30
—	—	—	52,000,000	900	31
48,947,369	—	—	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	0	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
229,950,000	—	—	1,040,000,000	13,250	44
—	—	—	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
$800,215,114	$3,300,468	$4,915,000	$6,678,800,000	93,985	

Notes to Financial Statements—June 30, 1950

NOTE A

Amounts in currencies other than United States dollars have been translated into United States dollars:

(i) In the cases of 38 members, at the par values established under the International Monetary Fund Agreement as specified in the June 1950 issue of "International Financial Statistics" published by the International Monetary Fund; and

(ii) In the cases of the remaining 9 members (Austria, China, Finland, France, Greece, Italy, Peru, Thailand and Uruguay), the par values of whose currencies are not so specified, at the rates used by such members in making capital payments.

(iii) In the cases of non-members, at the official rates announced by such governments.

No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates. *See also Note B.*

NOTE B

Payment due within a reasonable time under Article II, Section 9(a) from Bolivia and Egypt by reason of a reduction in the established par values of such members' currencies. This Section provides as follows:

(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 C

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 of which amounts a total of $1,800,000 has been retired. Of the total of $26,200,000 of obligations outstanding under guarantee $5,627,066 is reflected in the balance sheet as a direct liability subject to withdrawal.

NOTE D

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:

	Currency Payable				
	Swiss Francs	*Belgian Francs*	*Canadian Dollars*	*Pounds Sterling*	*Total*
Principal Outstanding	$ 4,667,587	$ 1,997,769	$ 9,818,182	$ 1,363,617	$ 17,847,155
Accrued Interest, Commitment and Service Charges	33,993	19,867	118,411	—	172,271
Accrued Loan Commissions ..	10,484	6,113	37,116	—	53,713
Totals	$ 4,712,064	$ 2,023,749	$ 9,973,709	$ 1,363,617	$ 18,073,139

The provisions referred to under Note B above are applicable to principal amounts outstanding on portions of loans disbursed in the currencies there mentioned. Payment by the member or the Bank of any amount required to be paid by reason of a change in par value or foreign exchange value will become due within a reasonable time after repayment of each installment of principal is received by the Bank.

NOTE E

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

NOTE F

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 G

On March 14, 1950 Poland withdrew from membership in the Bank. Under Article VI, Section 4, the Bank is obligated, as part of the settlement of accounts with Poland, to repurchase the 1,250 shares of Poland at the value shown by the books of the Bank on the date of withdrawal. No payment may be made to Poland until six months after the date of withdrawal. Although Poland's accounts will not be finally settled until after September 14, 1950, it is anticipated that the amount to be paid Poland for its shares will be less than $25,000,000. The zloty currency and amounts due on account of Poland's subscription will be applied in settlement. Poland is no longer entitled to exercise any voting power on its shares.

NOTE H

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

NOTE I

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 principal 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 and El Salvador have consented to loans in respect of all their 18%. Belgium, Canada, Denmark, Mexico, Paraguay and the United Kingdom have so consented in respect of a portion of their 18%. Honduras has consented to loans in respect of all its 18% after January 1, 1951. Costa Rica, Finland, France, Italy and Netherlands have agreed in principle to loans in respect of their 18%. (Article IV, Section 2(a) and (b))

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

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

NOTE L

On July 27, 1950 the Executive Directors adopted the following resolution:

> "RESOLVED, that the net income of the Bank for the fiscal year ended June 30, 1950, after making provision for any amount that shall be payable in respect thereof on account of the repurchase by the Bank of the shares of Poland, and the net income of the Bank accruing thereafter and until further action by the Executive Directors or the Board of Governors shall be allocated to a reserve against losses on loans or guarantees made by the Bank. Such reserve shall be established on the books of account of the Bank and shall be separate from the special reserve established under Section 6 of Article IV of the Articles of Agreement."

and further recommended to the Board of Governors that similar action be taken by the Board with respect to net income previously allocated to surplus account.

GENERAL

On July 11, 1950, Pakistan became a member of the Bank with a share subscription of $100,000,000. Haiti and Liberia have until September 30, 1950 to comply with the terms and conditions of the respective resolutions of the Board of Governors authorizing admission to membership in the Bank with share subscriptions of $2,000,000 and $500,000 respectively. Formal applications for membership have been received from Ceylon, Jordan and Sweden but final action on these applications has not yet been taken by the Board of Governors.

Opinion of Independent Auditor

PRICE, WATERHOUSE & CO.

1000 VERMONT AVENUE, N.W.
WASHINGTON 5, D.C.
August 7, 1950

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, 1950. 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, 1950, 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, 1950	APPENDIX A
Comparative Statement of Income and Expenses for the Fiscal Years Ended June 30, 1949 and June 30, 1950	APPENDIX B
Statement of Loans—June 30, 1950	APPENDIX C
Statement of Currencies Held by the Bank—June 30, 1950	APPENDIX D
Statement of Subscriptions to Capital Stock and Voting Power—June 30, 1950	APPENDIX E
Notes to Financial Statements	APPENDIX F

Administrative Budget for the Fiscal Year Ending June 30, 1951

There is outlined below the Administrative Budget for the fiscal year ending June 30, 1951, 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 are also outlined below the administrative expenses incurred during the fiscal years ended June 30, 1948, 1949 and 1950.

	Actual Expenses			*Budget*
	1948	*1949*	*1950*	*1951*
BANK STAFF				
Personal Services	$2,069,443	$2,377,602	$2,396,389	$2,605,997
Fees and Compensation	106,855	159,694	20,273	30,000
Special Technical Services	—	—	313,500	350,000
Representation	24,015	20,739	38,534	42,500
Travel	231,746	243,810	326,130	350,000
Supplies and Materials	63,512	25,531	26,320	30,000
Rents and Utilities	364,206	327,860	335,093	343,000
Communications	84,150	78,733	88,564	94,000
Furniture and Equipment	90,389	31,302	26,097	29,000
Motor Vehicles	10,376	6,486	5,335	9,324
Books and Library Service	47,795	63,821	59,707	60,750
Printing	72,715	32,638	35,436	40,000
Contributions to Staff Benefits	315,785	270,577	266,126	298,000
Insurance	37,417	11,312	14,644	29,100
Handling and Storage of Gold	25,662	7,046	—	—
Other Expenses	—	538	2,201	—
Contingencies	—	—	—	100,000
Total	$3,544,066	$3,657,689	$3,954,349	$4,411,671
Office of Executive Directors	328,814	325,336	322,804	287,500
Board of Governors and Advisory Council	176,002	85,582	92,858	227,000
Total Administrative Expenses	$4,048,882	$4,068,607	$4,370,011	$4,926,171

The initial Administrative Budget for the fiscal year 1950, excluding bond registration and isssuance expense, was $4,125,369; an increase in this amount to $4,390,369 was approved by the Executive Directors on May 23, 1950. Expenses for this period amounted to $4,370,011. In addition, $583,858 was expended during the year in payment of bond registration, issuance and other financial expense.

Expenses for bond registration, issuance and other similar financial transactions have not been estimated for the fiscal year ending June 30, 1951, as the extent to which the Bank may borrow during this year is not known. Experience during previous years indicates that these expenses, exclusive of commissions and premiums, will average about $125,000 for each $100 million of bonds which the Bank may issue and, also, that commissions incident to the sale of securities from the Bank's portfolio will average $2,500 for each million dollars of securities which the Bank may sell.

APPENDIX I

Voting Power and Subscriptions of Member Countries *

As of August 1, 1950

MEMBER COUNTRIES	*Voting Power*		*Subscriptions*	
	Number of Votes	*Percent of Total*	*Amount (in Million of Dollars)*	*Percent of Total*
Australia	2,250	2.36	200.0	2.40
Austria	750	.79	50.0	.60
Belgium	2,500	2.63	225.0	2.71
Bolivia	320	.34	7.0	.08
Brazil	1,300	1.37	105.0	1.26
Canada	3,500	3.68	325.0	3.91
Chile	600	.63	35.0	.42
China	6,250	6.56	600.0	7.21
Colombia	600	.63	35.0	.42
Costa Rica	270	.28	2.0	.02
Cuba	600	.63	35.0	.42
Czechoslovakia	1,500	1.58	125.0	1.50
Denmark	930	.98	68.0	.82
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	5.78	525.0	6.31
Greece	500	.53	25.0	.30
Guatemala	270	.28	2.0	.02
Honduras	260	.27	1.0	.01
Iceland	260	.27	1.0	.01
India	4,250	4.46	400.0	4.81
Iran	586	.62	33.6	.40
Iraq	310	.33	6.0	.07
Italy	2,050	2.15	180.0	2.16
Lebanon	295	.31	4.5	.05
Luxembourg	350	.37	10.0	.12
Mexico	900	.95	65.0	.78
Netherlands	3,000	3.15	275.0	3.30
Nicaragua	258	.27	.8	.01
Norway	750	.79	50.0	.60
Pakistan	1,250	1.31	100.0	1.20
Panama	252	.26	.2	**
Paraguay	264	.28	1.4	.02
Peru	425	.45	17.5	.21
Philippine Republic	400	.42	15.0	.18
Syria	315	.33	6.5	.08
Thailand	375	.39	12.5	.15
Turkey	680	.71	43.0	.52
Union of South Africa	1,250	1.31	100.0	1.20
United Kingdom	13,250	13.91	1,300.0	15.62
United States	32,000	33.60	3,175.0	38.15
Uruguay	355	.37	10.5	.13
Venezuela	355	.37	10.5	.13
Yugoslavia	650	.68	40.0	.48
Total	95,235	100.00	8,323.5	100.00

* On March 14, 1950 Poland withdrew from membership in the Bank and is therefore not entitled to any vote. The 1,250 shares subscribed by Poland to the capital stock of the Bank are to be repurchased by the Bank in accordance with Article VI, Section 4 of the Articles of Agreement.

** Less than .005 percent.

Governors and Alternates

As of August 1, 1950

COUNTRY	GOVERNOR	ALTERNATE
AUSTRALIA	Arthur William Fadden	N. J. O. Makin
AUSTRIA	Eugen Margaretha	Assen Hartenau
BELGIUM	Jean van Houtte	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	Chia Kan Yen	T. L. Soong
COLOMBIA	Emilio Toro	Diego Mejia
COSTA RICA	Angel Coronas	Mario Fernandez
CUBA	Luis Machado	Joaquin E. Meyer
CZECHOSLOVAKIA	Ladislav Biel	Zikmund Konecny
DENMARK	Holger Koed	Hakon Jespersen
DOMINICAN REPUBLIC	Jesus Maria Troncoso	A. Alvarez Aybar
ECUADOR	Luis Ernesto Borja	Simon Canarte Barbero
EGYPT	Ahmed Zaki Bey Saad	A. Nazmy Abdel Hamid
EL SALVADOR	Catalino Herrera	Manuel Melendez Valle
ETHIOPIA	Jack Bennett	———
FINLAND	J. A. Nykopp	Ralf Torngren
FRANCE	Maurice Petsche	Pierre Mendes-France
GREECE	George Mavros	Grigorios Zarifopoulos
GUATEMALA	Manuel Noriega Morales	Carlos Leonidas Acevedo
HONDURAS	Rafael Heliodoro Valle	Guillermo Lopez Rodezno
ICELAND	Jon Arnason	Thor Thors
INDIA	Chintaman D. Deshmukh *	B. Rama Rau *
IRAN	A. H. Ebtehaj	Mocharraf Nafiey
IRAQ	Abdullah Ibrahim Bakr	Abdul-Ghani Al-Dalli
ITALY	Donato Menichella	Giorgio Cigliana-Piazza
LEBANON	Charles Malik	Raja Himadeh
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
PAKISTAN	Ghulam Mohammed	Anwar Ali
PANAMA	Rodolfo F. Herbruger	Julio E. Heurtematte
PARAGUAY	Juan R. Chaves	Victor A. Pane
PERU	Emilio Pereyra	Fernando Berckemeyer
PHILIPPINE REPUBLIC	Miguel Cuaderno	Emilio Abello
SYRIA	Faiz El-Khouri	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	James E. Webb
URUGUAY	Carlos Quijano	Nilo Berchesi
VENEZUELA	Manuel Reyna	Carlos M. Lollet C.
YUGOSLAVIA	Lavoslav Dolinsek	Dragoslav Avramovic

* Appointment effective August 2, 1950.

APPENDIX K

Executive Directors and Alternates and Their Voting Power
As of August 1, 1950

DIRECTORS	ALTERNATES	CASTING VOTES OF	VOTES BY COUNTRY	TOTAL VOTES
	Appointed			
Wm. McC. Martin, Jr.	John S. Hooker	United States	32,000	32,000
Sir Ernest Rowe-Dutton	Sir Sydney Caine	United Kingdom	13,250	13,250
Yueh-Lien Chang	Kuo-Hwa Yu	China	6,250	6,250
Roger Hoppenot	————	France	5,500	5,500
B. K. Nehru	D. S. Savkar	India	4,250	4,250
	Elected			
Jose Barreda-Moller (*Peru*)	Fernando Schwalb (*Peru*)	Brazil	1,300	4,186
		Cuba	600	
		Peru	425	
		Philippine Republic	400	
		Uruguay	355	
		Bolivia	320	
		Dominican Republic	270	
		Paraguay	264	
		Panama	252	
Emilio Toro (*Colombia*)	Esteban F. Carbo (*Ecuador*)	Mexico	900	4,055
		Chile	600	
		Colombia	600	
		Venezuela	355	
		Ecuador	282	
		Costa Rica	270	
		Guatemala	270	
		El Salvador	260	
		Honduras	260	
		Nicaragua	258	
Thomas Basyn (*Belgium*)	Ernest de Selliers (*Belgium*)	Belgium	2,500	3,780
		Denmark	930	
		Luxembourg	350	
Louis Rasminsky (*Canada*)	J. F. Parkinson (*Canada*)	Canada	3,500	3,760
		Iceland	260	
J. W. Beyen (*Netherlands*)	Gunnar Kjölstad (*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	
Mekin H. Onaran (*Turkey*)	Taghi Nasr (*Iran*)	Egypt	783	3,249
		Turkey	680	
		Iran	586	
		Syria	315	
		Iraq	310	
		Lebanon	295	
		Ethiopia	280	
————	Bohumil Sucharda (*Czechoslovakia*)	Czechoslovakia	1,500	2,780
		Yugoslavia	650	
		Finland	630	

Member Countries unrepresented by an Executive Director:

Pakistan	1,250 votes
Thailand	375 votes

In addition to the Executive Directors and Alternates shown on the foregoing list, the following served as Executive Directors or Alternates since the date of the Fourth Annual Report:

EXECUTIVE DIRECTORS	*Date of Resignation*
N. Sundaresan (*India*)	October 13, 1949
Sir Gordon Munro (*United Kingdom*)	November 15, 1949
Donald Gordon (*Canada*)	January 21, 1950
Leon Baranski (*Poland*)	June 22, 1950

ALTERNATES	
Mohammad Nemazee (*Iran*)	September 22, 1949
G. H. Tansley (*United Kingdom*)	November 30, 1949
Alf Eriksen (*Norway*)	December 31, 1949
Emmanuel Lamy (*France*)	December 31, 1949
Ignacio Copete-Lizarralde (*Colombia*)	March 31, 1950
Javier Salazar (*Peru*)	May 1, 1950
Arnost Polak (*Czechoslovakia*)	May 17, 1950 (deceased)
Edgar Jones (*United Kingdom*)	July 15, 1950

Principal Officers of the Bank

As of August 1, 1950

Eugene R. Black ..... *President*
Robert L. Garner ..... *Vice President*

William A. B. Iliff ..... *Loan Director*
D. Crena de Iongh ..... *Treasurer*
Leonard B. Rist ..... *Economic Director*
Davidson Sommers ..... *General Counsel*
Morton M. Mendels ..... *Secretary*
Norman M. Tucker ..... *Director of Marketing*
Chauncey G. Parker ..... *Director of Administration*
William L. Ayers ..... *Director of Public Relations*
Richard H. Demuth ..... *Assistant to the Vice President*