

**INTERIM COMMISSION
FOR THE INTERNATIONAL
TRADE ORGANIZATION**

**COMMISSION INTERIMAIRE DE
L'ORGANISATION INTERNATIONALE
DU COMMERCE**

UNRESTRICTED

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ORIGINAL: ENGLISH

ANNEX H

**NOTE BY THE SECRETARIAT ON THE ACTIVITIES OF THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

1. According to the Articles of Agreement of the Bank (Article 1, paragraph (i)), its purposes are:

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

Under Article 3, Section I, paragraph (2), "the resources and facilities of the Bank shall be used ... with equitable consideration to projects for development and projects for reconstruction alike".

The Bank may make loans itself by using certain of its own funds and funds borrowed in the market. It may also facilitate loans by private investors by guaranteeing or participating in them.

2. As of 31 March 1948, the subscribed capital of the Bank amounted to the equivalent of \$8,263,100,000, of which twenty per cent or \$1,652,620,000, had been paid in. The latter amount is available in principal for the Bank's own loans. The remaining \$6,610,480,000 remains subject to call to meet the Bank's obligations. Of the \$1,652,620,000 paid in, \$736,270,000 are available for loans in the form of gold or U.S. dollars, the remainder being in the form of other currencies of the member Governments. Supplementing the funds subscribed in gold or U.S. dollars are the proceeds of two issues of its bonds, one issued to private investors in the United States in the aggregate principal amount of \$250,000,000 and the other as announced on 25 May, 1948 to be sold to the Bank for International Settlements in the amount of 17 million Swiss francs (approximately \$4,000,000). Loans authorized and their status as of 31 March 1948 were as follows:

/Member

<u>Member</u>	<u>Amount Authorized</u>	<u>Amount Utilized</u>	<u>Unutilized Balance 31 March 1948</u>
<u>(Millions of U.S. dollars)</u>			
Chile	16	-	16
Denmark	40	7	33
France	250	250	-
Luxembourg	12	7	5
Netherlands	<u>195</u>	<u>138</u>	<u>57</u>
	<u>513</u>	<u>402</u>	<u>111</u>

On the basis of the above authorizations the Bank had on 31 March 1948 a balance of approximately \$470,000,000 in gold and U.S. dollars. To this may be added the proceeds in Swiss francs from the bond issue sold to the Bank for International Settlements which will be made available for the purposes of the loan to the Netherlands listed above.

3. On 18 May 1948 the Bank issued the following statement regarding pending loan applications:

Belgium

Discussions are in progress between the Bank and prospective Belgian borrowers. Representatives of the Bank have recently returned from Belgium where they completed a preliminary study of the country's economy, and a Belgian delegation has now arrived in Washington. The discussions, however, have not yet progressed to a point where details of the projects to be included in the application can be disclosed.

Bolivia

Following an inquiry on behalf of the Bolivian Development Corporation, in respect of a proposed loan of U.S. \$3 million for the erection of a sugar mill, the Bank, at the invitation of the Bolivian Government, sent a mission to La Paz in order to study the general situation in Bolivia. The mission's report is now being prepared.

Brazil

Brazilian Traction, Light & Power Company, Limited, approached the Bank in 1947 for a loan to finance part of the cost of additional facilities to be completed in 1947, 1948 and 1949. After further study and after engineering and economic surveys had been made, the Company, in December 1947, submitted a revised programme, which contemplated a loan of U.S. \$75 million, to be guaranteed by the Government of Brazil. In the new programme, the period of construction was extended through 1951, and the loan applied for was to cover the foreign currency requirements of electric and telephone plant additions. Representatives of the Company and of the Government have been

/discussing

discussing with Bank officials the terms of such a loan and the legislation necessary to implement the proposed guarantee. The bill to authorize the guarantee has been favourably reported upon by the Finance Committee of the Chamber of Deputies and will be taken up again when the Brazilian Congress reconvenes.

Colombia

Through the Governor of the Bank for Colombia, the Government requested the Bank, at the end of January 1948, to lend its advice and assistance in the selection of competent advisory and engineering services in the United States and, if possible, in making contact with investors, in connection with a proposed steel mill in the Northwestern part of Colombia. The possibility of an application for a loan from the Bank is envisaged. The Bank has stated its readiness to give the assistance asked for and has requested certain data. A survey previously made of the projected plant is to be furnished to the Bank for study and consideration when representatives of the Government, who are now inspecting steel plants in the United States, reach Washington.

Czechoslovakia

The Czechoslovakian Government, in July 1946, submitted an application for a loan of U.S. \$350,000,000 in connection with a programme of reconstruction and rehabilitation of industry, agriculture and transport, and of restocking of raw materials. After study of this programme, the Bank advised the Czechoslovakian representatives to submit a more limited programme, stressing those lines of industry, the rehabilitation of which would yield quick returns in terms of goods marketable against convertible currencies. In response to this suggestion, the Czechoslovakian Government submitted, early in 1948, a list of specific projects totalling U.S. \$106.0 millions. This revised programme is under study and an on-the-spot investigation is planned.

Finland

After a preliminary approach through the Finnish Legation in Washington, the Minister of Finland informed the Bank in February, 1948, that Finland was contemplating applying for a loan to finance the reconstruction of her agriculture, electrical power facilities, export industries and transportation. Finnish representatives subsequently visited the Bank when the general procedure covering loan applications was explained and Finnish representatives were furnished with copies of a questionnaire covering the general economic position of Finland.

/Iran

Iran

The Iranian Government, in 1946, appointed a firm of U.S. construction engineers to prepare a programme for the development of the country's resources. The company's report was submitted to the Bank in September 1947. Study of the engineers' report showed that considerable further investigation was necessary and additional information required. Following a change in government in Iran, the Bank in February 1948 was shown a summary of a new seven-year development programme which had been submitted to the Iranian Government by the Supreme Planning Board. This revised development programme is still under review by the Iranian Government. The Bank has offered to send a fact-finding mission to Iran, should the Iranian Government so desire.

Italy

In August of 1947, the Italian Government requested the International Bank to extend to Italy an interim line of credit of \$250 million. A fact-finding mission of the Bank which visited Italy during the autumn of 1947 reported that there were in the Italian Government's programme for reconstruction and development a number of individual projects meriting further consideration as a possible basis for a loan from the Bank, contingent upon the outcome of the European Recovery Programme. The Bank so informed the Italian Government, and, after indicating the general types of projects falling within the Italian Government's programme which appeared most interesting to the Bank, suggested that the Italian Government select a group of individual projects falling within designated categories and assemble the detailed information necessary for the appraisal of the projects by the Bank. A mission is now in Italy for further investigation.

Mexico

The Government of Mexico submitted an application for a loan of U.S. \$208,875,000 in April 1947. The application covered a series of hydro-electric, irrigation, oil pipeline, railway, port and highway projects. The Bank indicated to the Mexican representatives that much more information on the particular projects and their relation to the general Mexican economic situation was required. A Bank representative was sent to Mexico in October 1947 to familiarize himself with Mexican economic conditions and to advise with the appropriate Mexican authorities in the preparation of the required additional information. It is anticipated that this new data will be submitted to the Bank shortly and the Bank and the representatives of Mexico will then renew discussions.

Netherlands

In addition to the loan already granted to the Netherlands, consideration is being given to a request for a loan to finance the purchase of cargo vessels.

/Norway

Norway

There have been informal conversations of a general exploratory nature with the Norwegian government, but as yet no definite request has been formulated.

Peru

No loan application has been received from Peru, but, in December 1947, the Peruvian Government requested that a mission be sent to Lima in order to study the Peruvian financial situation in general, and the possibilities of foreign investment in Peru. The Bank mission has visited Peru and is preparing its report.

The Philippines

Informal talks in Washington in November 1947 resulted in an invitation to the Bank by the Philippines to send a fact-finding mission. The mission visited the Philippines during January and February 1948, and a report is now in preparation.

Poland

A formal request for a reconstruction loan of \$600 million was made to the Bank by the Polish Government in September 1946. The general purpose of the loan was for the purchase of capital goods, mainly machinery and equipment, required for the implementation of the Plan of Economic Reconstruction prepared by the Polish Government for the four years 1946-1949. After a preliminary analysis of this application the Bank informed the Polish Government in April 1947 that it would, at that time, be able to give active consideration only to a loan of limited amount to be used for the rehabilitation of the Polish coal mining industry. As a result, a revised application for such a loan was submitted by the Polish Government, to cover mining equipment required for the maintenance and expansion of Polish coal production. A fact-finding mission visited Poland during the summer, after which negotiations have been carried on. They have not yet led to a conclusion.

Turkey

Preliminary inquiries have been made by representatives of the Turkish Government as to the possibility of obtaining assistance from the Bank for the financing of certain development projects which the Turkish Government has under consideration. Informal conversations with regard to this matter between the Bank and representatives of the Turkish Government are now under way.

Yugoslavia

In December 1947, the Yugoslav Government submitted a formal application to the Bank for a loan of \$500 million for the reconstruction and improvement

improvement of mines and for the development of electrification projects. No detailed information regarding the Yugoslav economy and the various projects for which financing is sought by the Yugoslav Government has yet been received.

Proposed European Timber Loan

The Bank has received from the Executive Secretary of the Economic Commission for Europe reports of the Timber Sub-Committee of that organization which state that if the European timber exporting countries (Finland, Poland, Czechoslovakia, Yugoslavia and Austria) could obtain equipment and other goods valued at approximately \$17 million, they would be able to increase substantially their exports of timber to the European importing countries (mainly, United Kingdom, France, Italy, Belgium and the Netherlands) in 1948 and subsequent years. The Bank is now exploring this matter with a view to ascertaining what, if any, action it can take to assist in financing the purchase of the necessary equipment and supplies.